



Report 09.598  
Date 22 September 2009  
File CFO/13/02/01

Committee Council  
Author Chris Gray, Finance Manager

## Financial report for the two months ended 31 August 2009

### 1. Purpose

To present the financial report for the two months ending 31 August 2009.

### 2. Consideration by Committee

The matters raised in this report were considered by the Finance, Audit and Risk Committee at its meeting on 22 September, (Report 09.556 refers). The recommendations contained in this report have been endorsed by the Committee for the Council's consideration and decision.

### 3. 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.

### 4. Background

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

### 5. Financial Performance

#### 5.1 Year to date Operating Performance

Greater Wellington achieved an operating surplus of \$1,602,000 (budget \$326,000). This result excludes grants to fund public transport capital expenditure, debt revaluations and forestry cost of goods sold. Including these amounts, Greater Wellington's surplus was \$582,000 (budget, a deficit \$1,408,000).

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

## 6. Financial Summary - Council

Greater Wellington Regional Council Summary income statement For the 2 months ended 31 August 2009	Year to date			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
Regional rates	12,700	13,182	13,182	0
Water supply levy	3,910	3,910	3,914	(4)
Other operating revenue	12,598	13,054	13,687	(633)
<b>Total operating revenue</b>	<b>29,208</b>	<b>30,146</b>	<b>30,783</b>	<b>(637)</b>
Operational expenditure	28,277	28,545	30,457	(1,912)
<b>Operating surplus/(deficit) before transport improvement grants</b>	<b>931</b>	<b>1,602</b>	<b>326</b>	<b>1,276</b>
Operating (deficit) from transport improvements	(1,893)	(1,020)	(1,939)	919
<b>Operating surplus/(deficit) before unrealised items</b>	<b>(962)</b>	<b>582</b>	<b>(1,613)</b>	<b>2,195</b>
Unrealised revaluation gains/(losses)	-	-	204	(204)
<b>Operating surplus/(deficit)</b>	<b>(962)</b>	<b>582</b>	<b>(1,408)</b>	<b>1,990</b>

Greater Wellington Regional Council Operating surplus / (deficit) by division For the 2 months ended 31 August 2009	Year to date			
	Last Year	Actual	Budget	Variance
	\$(000)'s	\$(000)'s	\$(000)'s	\$(000)'s
Environment	(38)	284	(120)	404
Catchment management	658	468	570	(102)
Forestry	(387)	(384)	(114)	(270)
Regional parks	89	215	61	154
Corporate	186	256	37	219
WRS	(117)	66	(1)	67
Finance, IT & support services	155	129	(38)	167
Investment in democracy	(25)	13	12	1
<b>Rates funded operating surplus / (deficit)</b>	<b>521</b>	<b>1,047</b>	<b>407</b>	<b>640</b>
Transport policy and strategy	25	64	36	28
Public transport	460	549	(70)	619
<b>Transport rates funded operating surplus / (deficit)</b>	<b>485</b>	<b>613</b>	<b>(34)</b>	<b>647</b>
Investment management	1,387	1,409	1,329	80
Business unit rates contribution	(1,385)	(1,163)	(1,163)	-
<b>Total rates funded operating surplus / (deficit)</b>	<b>1,008</b>	<b>1,906</b>	<b>539</b>	<b>1,367</b>
Water group	82	(97)	(104)	7
<b>Total rates &amp; levy funded operating surplus / (deficit)</b>	<b>1,090</b>	<b>1,809</b>	<b>435</b>	<b>1,374</b>
<b>Non-operational movements</b>				
Revaluation of debt and stadium advance	-	-	44	(44)
Revaluation of forestry	-	-	161	(161)
Forestry cost of goods sold	(174)	(207)	(109)	(98)
EMU investment - GW Rail	16	-	-	-
Public transport - Improvement projects	(1,894)	(1,020)	(1,939)	919
<b>Total council surplus / (deficit)</b>	<b>(962)</b>	<b>582</b>	<b>(1,408)</b>	<b>1,990</b>

**6.1 Environment - favourable variance of \$404,000 due primarily to:**

- Resource consent invoicing sent out earlier than budgeted, \$272,000.

**6.2 Forestry - unfavourable variance of \$270,000 due primarily to:**

- Revenue down \$262,000 due to lower prices and harvest.

**6.3 Public Transport - favourable variance of \$619,000 due primarily to:**

- Diesel bus operating contract expenditure down \$436,000 primarily because contracted inflation payments are less than expected
- Rail contract costs under budget by \$359,000 due to a refund from Tranz Metro for \$252,000 relating to 2008/09
- Real time information project operational expenditure down \$108,000, as operational costs are not expected to commence until later in the 2010/11 year.

**6.4 Public Transport improvement projects - favourable variance of \$919,000 due primarily to:**

- Expenditure on the Matangi EMU project is \$6,381,000 below budget. This reflects changes to the timings of progress payments. The new trains are still scheduled to be delivered from mid 2010
- Rail infrastructure projects including station platforms, signalling, Johnsonville stations and McKay's to Waikanae double tracking and electrification, are under budget by \$7,137,000. this reflects the difference is the progress payment timetable
- The Ganz Mavag pilot refurbishment is \$285,000. A contract for this work with KiwiRail has been recently signed.

**7. Finance costs**

Finance costs for the two months ending 31 August 2009 were \$828,000, compared to the budget of \$901,000, a favourable variance of \$73,000. The favourable variance is due to reduced borrowings from lower capital expenditure.

**8. Forecast to 30 June 2010**

The forecast surplus to 30 June 2010 has improved by \$1,089,000 to \$3,969,000, (budget surplus of \$2,880,000). These amounts exclude grants and expenditure for public transport capital expenditure, revaluations and the calculation of forestry cost of goods sold. Including these amounts, the forecast surplus is \$1,406,000, compared to budget surplus of \$1,103,000.

<b>Greater Wellington Regional Council</b>		<b>Full year</b>		
<b>Operating surplus / (deficit) by division</b>	Last Year	Forecast	Budget	Variance
<b>For the year ending 30 June 2010</b>	\$(000)'s	\$(000)'s	\$(000)'s	\$(000)'s
Environment	(273)	(412)	(412)	-
Catchment management	3,179	3,200	3,200	-
Forestry	(2,035)	(678)	(678)	-
Regional parks	(509)	191	191	-
Corporate	(54)	(56)	(56)	-
WRS	(187)	-	-	-
Finance, IT & support services	1,244	(227)	(227)	-
Investment in democracy	153	70	70	-
<b>Rates funded operating surplus / (deficit)</b>	1,518	2,088	2,088	-
Transport policy and strategy	544	(24)	(42)	18
Public transport	2,892	176	(895)	1,071
<b>Transport rates funded operating surplus / (deficit)</b>	3,436	152	(937)	1,089
Investment management	11,600	8,709	8,710	(1)
Business unit rates contribution	(8,309)	(6,980)	(6,980)	-
<b>Total rates funded operating surplus / (deficit)</b>	8,245	3,969	2,881	1,088
Water group	(116)	(645)	(645)	-
<b>Total rates &amp; levy funded operating surplus / (deficit)</b>	8,129	3,324	2,236	1,088
<b>Non-operational movements</b>				
Revaluation of debt and stadium advance	7,260	(570)	(570)	-
Revaluation of forestry	182	1,903	1,903	-
Forestry cost of goods sold	(1,106)	(655)	(655)	-
EMU investment - GW Rail	1,225	6,218	6,218	-
Public transport - Improvement projects	(16,005)	(8,814)	(8,028)	(786)
<b>Total council surplus / (deficit)</b>	(315)	1,406	1,104	302

The reasons for the forecast improvements are:

#### 8.1 Public Transport - favourable variance of \$1,071,000 due primarily to:

- Diesel bus operating contract expenditure down by \$2,100,000 due to lower inflation forecasts.
- Trolley bus expenditure increased by \$584,000 due to the 2009/10 resetting of the inflation provisions in the contract.
- Real time information project operational expenditure down by \$650,000 as operational expenditure not anticipated until later in the 2010/11 year.

#### 8.2 Public Transport improvement projects - unfavourable variance of \$786,000 due primarily to:

- Lower grants revenue for the real time project of \$800,000 due to lower forecast capital expenditure.

## 9. Capital Expenditure

### 9.1 Year to date

Year to date capital expenditure is \$1,512,000, compared with the budget of \$4,204,000.

Greater Wellington Regional Council Capital expenditure by division For the month ended 31 August 2009	Year to date			
	Last Year \$(000)'s	Actual \$(000)'s	Budget \$(000)'s	Variance \$(000)'s
Environment	75	103	217	(114)
Catchment management	276	821	1,153	(332)
Forestry	40	35	47	(12)
Regional parks	13	(11)	84	(95)
Corporate	-	2	-	2
WRS	-	-	-	-
Finance, IT & support services	39	168	200	(32)
Investment in democracy	-	-	-	-
<b>Rates funded capital expenditure</b>	<b>443</b>	<b>1,118</b>	<b>1,701</b>	<b>(583)</b>
Transport policy and strategy	-	-	-	-
Public transport	(84)	12	1,214	(1,202)
<b>Transport rates funded capital expenditure</b>	<b>(84)</b>	<b>12</b>	<b>1,214</b>	<b>(1,202)</b>
Investment management	12	1	-	1
<b>Total rates funded capital expenditure</b>	<b>371</b>	<b>1,131</b>	<b>2,915</b>	<b>(1,784)</b>
Water group	419	381	1,289	(908)
<b>Total rates &amp; levy funded capital expenditure</b>	<b>790</b>	<b>1,512</b>	<b>4,204</b>	<b>(2,692)</b>

The main contributors to this variance are detailed below:

### 9.2 Environment - \$114,000 below budget due primarily to:

- Beacon Hill building project delays.

### 9.3 Catchment management - \$332,000 below budget due primarily to:

- Waiwhetu flood improvements project \$780,000 below budget due to timing
- Land and buildings acquisitions for Mills Street \$465,000 unfavourable due to the early purchase of property.

### 9.4 Public Transport improvement projects - \$1,202,000 below budget due primarily to:

- Real time information capital project forecast to be \$784,000 less than anticipated for 2009/10 after completion of supplier selection and contract.

### 9.5 Water - \$908,000 below budget due primarily to:

- Ongoing investigations into the Stuart Macaskill Lakes seismic enhancements and storage capacity development have delayed the project start.

## 10. Capital Expenditure - Full year forecast

Forecast capital expenditure is \$30,710,000, compared with the budget of \$31,810,000.

Greater Wellington Regional Council Capital expenditure by division For the year ending 30 June 2010	Full year			
	Last Year \$(000)'s	Forecast \$(000)'s	Budget \$(000)'s	Variance \$(000)'s
Environment	572	1,285	1,285	-
Catchment management	6,086	9,763	9,863	(100)
Forestry	363	310	310	-
Regional parks	323	723	723	-
Corporate	79	49	49	-
WRS	-	-	-	-
Finance, IT & support services	2,215	1,800	1,800	-
Investment in democracy	-	15	15	-
<b>Rates funded capital expenditure</b>	<b>9,638</b>	<b>13,945</b>	<b>14,045</b>	<b>(100)</b>
Transport policy and strategy	-	-	-	-
Public transport	617	8,414	9,414	(1,000)
<b>Transport rates funded capital expenditure</b>	<b>617</b>	<b>8,414</b>	<b>9,414</b>	<b>(1,000)</b>
Investment management	(68)	400	400	-
<b>Total rates funded capital expenditure</b>	<b>10,187</b>	<b>22,759</b>	<b>23,859</b>	<b>(1,100)</b>
Water group	5,438	7,951	7,951	-
<b>Total rates &amp; levy funded capital expenditure</b>	<b>15,625</b>	<b>30,710</b>	<b>31,810</b>	<b>(1,100)</b>

### 10.1 Public Transport capital projects - favourable variance of \$1,000,000 due primarily to:

Real time information capital project \$1,000,000 less than budgeted for 2009/10.

## 11. Finance Costs

Finance costs for Greater Wellington are forecast at \$5,999,000, unchanged from the budget.

## 12. Communications

No communications are necessary at this time.

### **13. 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:** Funding impact statement

**Attachment 2:** Balance sheet