greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Financial report for the seven months ending 31 January 2011

1. Purpose

To inform the Council of Greater Wellington's financial performance for the seven months ended 31 January 2011 and to provide an explanation of major variances to budget by Group.

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 the Council each quarter. In the intervening months, reports to the Council are done by exception.

The Funding Impact Statement and Balance Sheet for Greater Wellington are attached (**Attachments 1 and 2**).

4. Financial Performance – Council

4.1 Year to date

Greater Wellington achieved an operating surplus of $2,180,000 (budget, a deficit of $623,000) for the seven months to 31 January. This result excludes revenue and expenditure for public transport capital improvement projects; forestry cost of goods sold; Warm Wellington installations and valuation movements. Including these amounts, Greater Wellington made a deficit of $5,914,000 (budget, a deficit of $1,917,000). The main component of this variance is the ahead of budget public transport improvement projects discussed in section 5.6.

Further details on the performance by Group for the seven months are discussed in section 5.

4.2 Financial summary - Council

Greater Wellington Regional Council	For the seven months ended 31 January 2011			
Summary income statement	Last Year	Actual	Budget	Variance
	$000s	$000s	$000s	$000s
Regional rates	46,134	47,169	47,168	1
Water supply levy	13,685	13,685	13,685	-
Other operating revenue	46,883	46,122	46,487	(365)
Total operating revenue	**106,702**	**106,976**	**107,340**	**(364)**
Operational expenditure	(101,490)	(104,796)	(107,963)	3,167
Operating surplus/(deficit) before transport improvements	**5,212**	**2,180**	**(623)**	**2,803**
Operating (deficit) from transport improvements	(3,904)	(5,940)	(7,395)	1,455
Operating surplus/(deficit) before unrealised items	**1,308**	**(3,760)**	**(8,018)**	**4,258**
Non-operational movements	(743)	(2,154)	6,101	(8,255)
Operating surplus/(deficit)	**565**	**(5,914)**	**(1,917)**	**(3,997)**

4.3 Financial summary – Council by Group

Greater Wellington Regional Council	For the seven months ended 31 January 2011			
Summary income statement	Last Year	Actual	Budget	Variance
	$(000)'s	$(000)'s	$(000)'s	$(000)'s
Operational Groups				
Catchment Management	1,950	2,194	2,071	123
Environmental Management	12	110	(32)	142
Forestry	(995)	(496)	(972)	476
Parks and Forests	247	3	1	2
Public Transport	1,124	(496)	(504)	8
Total rates funded operational surplus / (deficit)	**2,338**	**1,315**	**564**	**751**
Corporate				
Strategy & Community Engagement	855	236	(204)	440
Finance and Support	824	75	(103)	178
Other corporate activities	349	118	(15)	133
Investment Management	5,138	4,486	3,842	644
Business unit rates contribution	(4,072)	(3,821)	(3,821)	-
Total rates funded operating surplus / (deficit)	**5,432**	**2,409**	**263**	**2,146**
Water	(220)	(229)	(886)	657
Total rates & levy funded operating surplus / (deficit)	**5,212**	**2,180**	**(623)**	**2,803**
Non-operational movements				
Revaluation of debt and stadium advance	-	(1)	(4)	3
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(744)	(1,023)	(489)	(534)
Grants for Baring Head Purchase	-	-	-	-
Warm Greater Wellington	-	(1,135)	(806)	(329)
EMU investment - GW Rail	1	5	7,400	(7,395)
Public Transport - improvements	(3,904)	(5,940)	(7,395)	1,455
Total Council surplus / (deficit)	**565**	**(5,914)**	**(1,917)**	**(3,997)**

4.4 Forecast to 30 June 2011

Greater Wellington is forecasting an operating surplus of $203,000 (budget, a deficit of $2,358,000) for the year to 30 June 2011. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington is forecasting a deficit of $3,455,000 (budget, a deficit of $5,851,000).

This is mostly unchanged from the 6 month forecast position.

4.5 Financial forecast - Council

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2011			
	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Regional rates	79,089	80,861	80,861	-
Water supply levy	23,460	23,460	23,460	-
Other operating revenue	84,777	82,015	80,923	1,092
Total operating revenue	**187,326**	**186,336**	**185,244**	**1,092**
Operational expenditure	(178,439)	(186,133)	(187,602)	1,469
Operating surplus/(deficit) before transport improvements	**8,887**	**203**	**(2,358)**	**2,561**
Operating (deficit) from transport improvements	(6,042)	(10,718)	(18,021)	7,303
Operating surplus/(deficit) before unrealised items	**2,845**	**(10,515)**	**(20,379)**	**9,864**
Non-operational movements	1,561	7,060	14,528	(7,468)
Operating surplus/(deficit)	**4,406**	**(3,455)**	**(5,851)**	**2,396**

5. Financial Performance – By Group

5.1 Catchment management

Financial Summary	For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	14,823	14,400	14,624	(224)	25,104	24,795	24,680	115
Operating expenditure	12,873	12,206	12,553	347	21,767	21,593	21,250	(343)
Operating surplus / (deficit)	1,950	2,194	2,071	123	3,337	3,202	3,430	(228)
Net capital expenditure	5,156	1,411	3,040	1,629	10,659	4,546	7,916	3,370

5.1.1 Year to date

A favourable operating variance of $123,000, comprising lower revenue of $224,000 and lower operating costs of $347,000.

- Operating expenditure was lower than budget due mainly to:
  - Due to the capitalisation of flood damage repair works for the Wairarapa River schemes.

- Depreciation costs were $112,000 below budget due to timing of asset acquisitions.

- Finance costs are $50,000 below budget due to lower capital spend.

- Capital expenditure is $1,629,000 below budget primarily due to the timing of the Waiwhetu and Boulcott/Hutt stop bank projects.

5.1.2 Forecast to 30 June 2011

- The forecast operating surplus of $3,202,000 is $228,000 below budget, which is $50,000 below the six month forecast due to:

  - Reduced commercial property rental income of $50,000 for Flood Protection due to delays in finalising a land purchase.

- The forecast capital expenditure is unchanged from the six month position.

5.2 Environmental management

Financial Summary	For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	7,796	7,983	7,836	147	13,596	13,590	13,433	157
Operating expenditure	7,784	7,873	7,868	(5)	13,810	14,008	13,785	(223)
Operating surplus / (deficit)	12	110	(32)	142	(214)	(418)	(352)	(66)
Net capital expenditure	564	101	213	112	1,259	253	223	(30)

5.2.1 Year to date

- Overall, a favourable operating variance of $142,000, comprising higher revenue of $147,000 and higher expenditure of $5,000.

  - Operating revenue is ahead of budget primarily due to higher than expected revenue from consents processing and deferred revenue from 2009/10.

- Capital expenditure is below budget and is expected to be $30,000 higher than budget by year end.

5.2.2 Forecast to 30 June 2011

- The forecast is unchanged from the six month position.

5.3 Forestry

Financial Summary	For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	3,169	3,986	3,767	219	6,373	7,054	6,461	593
Operating expenditure	4,163	4,482	4,738	256	7,365	8,161	8,123	(38)
Operating surplus / (deficit) before cost of goods sold	(994)	(496)	(971)	475	(992)	(1,107)	(1,662)	555
Cost of goods sold*	745	1,023	490	(533)	1,125	1,793	839	(954)
Operating surplus / (deficit) before valuation	(1,739)	(1,519)	(1,461)	(58)	(2,117)	(2,900)	(2,501)	(399)
Forestry valuation	-	-	-	-	6,010	2,256	2,256	-
Operating surplus / (deficit)	(1,739)	(1,519)	(1,461)	(58)	3,893	(644)	(245)	(399)
Net capital expenditure	96	236	195	(41)	184	429	334	(95)

* cost of goods sold is a non cash accounting adjustment

5.3.1 Year to date

- A favourable operating variance of $475,000, prior to cost of goods sold, due to:
  - Higher operating revenue than budget primarily due to improved log prices.
  - Operating expenditure is below budget including reduced costs of contractors and consultants by $208,000 as there was a reduction in harvested volume over the quarter and a saving in interest costs of $48,000.
- The non cash variance for cost of goods sold of $533,000 reflects the higher valuation of the forestry investment at 30 June 2010 compared to budget.
- Capital expenditure is under budget due to lower expenditure required on roads.

5.3.2 Forecast to 30 June 2011

- The forecast is unchanged from the six month position.

5.4 Parks & forests

Financial Summary	For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	3,794	3,615	3,651	(36)	6,574	6,259	6,259	-
Operating expenditure	3,547	3,612	3,650	38	6,682	6,674	6,672	(2)
Operating surplus / (deficit)	247	3	1	2	(108)	(415)	(413)	(2)
Grants for Baring Head purchase	-		-	-	1,100	-	-	-
Operating surplus / (deficit)	247	3	1	2	992	(415)	(413)	(2)
Baring Head purchase			-	-	1,775	-	-	-
Net capital expenditure	235	35	210	175	459	367	367	-

5.4.1 Year to date

A favourable operating variance of $2,000, comprising reduced revenue of $36,000 and lower expenditure of $38,000.

- Operating revenue is $36,000 lower primarily due to the timing of work for other Greater Wellington operational groups.
- Expenditure was above budget due primarily to:
  - Expenditure incurred on the Baring Head work programme which was not budgeted.

5.4.2 Forecast to 30 June 2011

The forecast is unchanged from the six month position.

5.5 Public transport

Financial Summary	For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	48,070	48,174	49,119	(945)	83,289	83,118	84,786	(1,668)
Operating expenditure	46,946	48,670	49,623	953	82,534	84,534	86,017	1,483
Operating surplus / (deficit)	1,124	(496)	(504)	8	755	(1,416)	(1,231)	(185)
Net capital expenditure	29	23	125	101	18	173	200	27

5.5.1 Year to date

A favourable operating variance of $8,000, comprising lower expenditure of $953,000 and reduced revenue of $945,000 (which is as a result of the lower expenditure).

- Operating revenue is $945,000 below budget due to:
  - Grants and Subsidies revenue (excluding SuperGold card) being $1,222,000 below budget which reflects the overall reduction in operational expenditure.
  - Grants and Subsidies related to SuperGold card expenditure is $382,000 above budget because of higher numbers of SuperGold card passengers.
- Operating expenditure is $953,000 below budget primarily due to:
  - Savings of $1,103,000 on rail operations expenditure. Grant expenditure to Tranz Metro is reduced because of unplanned revenue from Matangi commissioning. Expenditure on SW car maintenance was also lower than budgeted.
  - Savings on diesel bus contracts of $538,000
  - SuperGold card expenditure $382,000 higher than budget due to increased patronage as mentioned above, SuperGold is fully funded.

5.5.2 Forecast to 30 June 2011

The forecast is mostly unchanged from the six month position.

5.6 Public transport improvement projects

Financial Summary	For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	42,741	74,375	96,487	(22,112)	78,286	151,469	206,348	(54,879)
Operating expenditure	46,645	80,315	103,882	23,567	84,328	162,187	224,369	62,182
Operating surplus / (deficit)	(3,904)	(5,940)	(7,395)	1,455	(6,042)	(10,718)	(18,021)	7,303
External debt revaluation gains /(loss)	-	-	-	-	(1,146)	-	-	-
Operating surplus / (deficit)	(3,904)	(5,940)	(7,395)	1,455	(7,188)	(10,718)	(18,021)	7,303
Net capital expenditure	661	391	3,941	3,550	2,531	4,934	5,911	977

5.6.1 Year to date

Overall, a favourable operating variance of $1,455,000, comprising lower expenditure of $23,567,000 and lower revenue of $22,112,000.

- Operating expenditure was lower than budget due to:
  - Expenditure on the Matangi EMU project is $35,931,000 below budget due to revision of the expected payment dates for the trains. This saving is offset by the reduction in Investment Management – Matangi Purchase discussed in section 5.11.1
  - Rail infrastructure projects $15,068,000 over budget reflecting the timing of payments for the Waikanae double tracking and electrification projects and stabilising platforms.
- Capital expenditure was $3,550,000 below budget due mainly to the change in timing of the payments for the real time project roll out.

5.6.2 Forecast to 30 June 2011

The forecast is mostly unchanged from the six month position.

5.7 Strategy & Community Engagement

Financial Summary	For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	5,635	5,207	5,214	(7)	9,533	9,186	9,147	39
Operating expenditure	4,780	4,971	5,418	447	8,440	9,295	9,442	147
Operating surplus / (deficit)	855	236	(204)	440	1,093	(109)	(295)	186
Net capital expenditure	2	54	118	64	(17)	415	410	(5)

5.7.1 Year to date

Overall, a favourable operating variance of $440,000, comprising lower expenditure of $447,000 and lower revenue of $7,000.

- Operating expenditure was lower than budget due to a delay in the climate change work programme and reduced expenditure in Transport Planning.

5.7.2 Forecast to 30 June 2011

The forecast is unchanged from the six month position.

5.8 Corporate

Financial Summary	For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	3,599	3,766	3,764	2	6,198	6,490	6,453	37
Operating expenditure	3,250	3,648	3,779	131	5,694	6,788	6,688	(100)
Operating surplus / (deficit)	349	118	(15)	133	504	(298)	(235)	(63)
Net capital expenditure	-	28	73	45	9	57	103	46

This includes democratic services; elected members; people and capability and managing emergencies

5.8.1 Year to date

A favourable operating variance of $133,000 comprising lower expenditure of $131,000 and increased revenue of $2,000.

- Operating costs were less than budget primarily due to the timing of invoices for the election.

5.8.2 Forecast to 30 June 2011

The forecast is mostly unchanged from the six month position.

5.9 Finance and Support

Financial Summary	For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	4,745	4,669	4,529	140	8,145	7,764	7,764	-
Operating expenditure	3,921	4,594	4,632	38	7,339	8,154	8,104	(50)
Operating surplus / (deficit)	824	75	(103)	178	806	(390)	(340)	(50)
Net capital expenditure	326	373	577	204	790	847	847	-

5.9.1 Year to date

A favourable operating variance of $178,000 comprising lower expenditure of $38,000 and increased revenue of $140,000.

- Operating revenue was above budget due to the timing of additional rates and penalties and increased investment revenue.

- Operating costs were less than budget due to:

  - Materials and supplies are lower than budget due to the timing of costs particularly with ICT projects.

5.9.2 Forecast to 30 June 2011

The forecast is unchanged from the six month position.

5.10 Investment management

Financial Summary	For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	3,192	2,962	2,371	591	7,785	6,849	5,001	1,848
Operating expenditure	(1,946)	(1,524)	(1,471)	53	(3,403)	(2,324)	(1,970)	354
Operating surplus / (deficit)	5,138	4,486	3,842	644	11,188	9,173	6,971	2,202
Net capital expenditure	3	49	21	(28)	-	160	160	-

5.10.1 Year to date

Operating revenue is $591,000 ahead of budget due to a higher level of deposits and interest margins received. Expenditure is mostly in line with budget.

5.10.2 Forecast to 30 June 2011

The forecast is unchanged from the six month position.

5.11 Investment management – Non operational movements

Financial Summary	For the six months ended 31 December 2010				Full year forecast 30 June 2011			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Matangi Investment - GW Rail	1	5	7,400	(7,395)	1,247	8,287	14,801	(6,514)
Valuation Movements	-	-	-	-	4,243	306	306	-
Operating surplus / (deficit)	1	5	7,400	(7,395)	5,490	8,593	15,107	(6,514)

5.11.1 Year to date – Matangi investment

The Matangi trains will be owned by Greater Wellington Rail Limited, a Council owned subsidiary. In order to account for this in the Greater Wellington accounts, Greater Wellington will purchase shares in Greater Wellington rail for 10% of the Matangi cost. As noted in section 5.6, payments for the Matangi trains are later than scheduled resulting in a $7,395,000 budget variance.

5.11.2 Forecast– Matangi investment

The forecast is unchanged from the six month position.

5.12 Warm Greater Wellington

Financial Summary	For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	-	22	18	4	-	31	31	-
Operating expenditure	-	1,157	824	(333)	282	1,415	1,415	-
Operating surplus / (deficit)	-	(1,135)	(806)	(329)	(282)	(1,384)	(1,384)	-

5.12.1 Year to date

Overall an unfavourable operating variance of $329,000 primarily due to the programme being taken up by more ratepayers than expected in its first year.

Council approved $3 million per annum for the programme and only the ratepayers participating in the scheme are charged a targeted rate to fund the programme.

5.12.2 Forecast

The forecast is unchanged from the budget.

5.13 Water

Financial Summary	For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	15,949	16,036	16,281	(245)	27,708	27,782	27,810	(28)
Operating expenditure	16,169	16,265	17,167	902	28,210	29,251	29,491	240
Operating surplus / (deficit)	(220)	(229)	(886)	657	(502)	(1,469)	(1,681)	212
Net capital expenditure	2,345	2,648	6,020	3,372	6,190	8,920	10,070	1,150

5.13.1 Year to date

Overall a favourable operating variance of $657,000 compared to budget, due to:

- Reduced internal revenue, $245,000, primarily due to less time charged to capital projects.
- Operating expenditure was $902,000 lower than budget due to:
  - Contractors and consultants $331,000, due to lower than expected activity with regards to condition rating and engineering investigations into assessing the feasibility of constructing Lake 3 for water storage. This is a timing issue we and expect the costs to flow through in the second half of the year.
  - Reduced finance costs of $144,000 as internal debt is lower than budgeted.

- Internal charges are $397,000 under budget, offsetting the lower internal revenue due to changes in the work programme.

- Capital expenditure is $3,372,000 under budget due to a mixture of savings, delays and some increased expenditure across the capital works programme.

5.13.2 Forecast to 30 June 2011

The forecast is unchanged from the six month position.

6. Finance costs

Finance Costs

For the seven months ended 31 January 2011				Full year forecast 30 June 2011			
Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
2,859	3,061	3,805	744	5,159	6,079	7,020	941

6.1 Year to date

The favourable variance of $744,000 results from lower borrowings as a result of lower capital expenditure and an improved working capital position.

6.2 Forecast to 30 June 2011

Finance costs are forecast to be $941,000 favourable to budget due to the timing of the capital expenditure spend and improved working capital position.

7. Communication

No communications are necessary at this time.

8. Recommendations

That the Council:

1. ***Receives*** *the report.*

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

Report prepared by: Report approved by:

Chris Gray
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Bruce Simpson
Chief Financial Officer

Attachment 1: Funding Impact Statement

Attachment 2: Balance Sheet