



Report 10.644
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Committee Council
Author Chris Gray, Finance Manager

Financial report for the four months ended 31 October 2010

1. Purpose

To inform the Council of Greater Wellington's financial performance for the four months ended 31 October 2010 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 (refer **Attachments 1 and 2**).

4. Financial Performance - Council

4.1 Year to date

Greater Wellington achieved an operating surplus of \$185,000 (budget, a deficit of \$443,000) for the four months to 31 October. This result excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington made a deficit of \$2,659,000 (budget, a deficit of \$3,913,000).

Further details on the performance for the four months are discussed in section 5.

4.2 Forecast to 30 June 2011

Greater Wellington is forecasting an operating deficit of \$3,806,000 (budget, a deficit of \$3,741,000) 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 \$789,000 (budget, a deficit of \$5,851,000).

Further details on the forecast are discussed in section 5.

4.3 Financial summary - Council

Greater Wellington Regional Council Summary income statement	For the four months ended 31 October 2010			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
Regional rates	26,364	26,966	26,963	3
Water supply levy	7,820	7,820	7,820	-
Other operating revenue	32,823	36,622	35,177	1,445
Total operating revenue	67,007	71,408	69,960	1,448
Operational expenditure	(64,841)	(71,223)	(70,403)	(820)
Operating surplus/(deficit) before transport improvements	2,166	185	(443)	628
Operating (deficit) from transport improvements	(1,913)	(2,215)	(3,268)	1,053
Operating surplus/(deficit) before unrealised items	253	(2,030)	(3,711)	1,681
Non-operational movements	(462)	(629)	(202)	(427)
Operating surplus/(deficit)	(209)	(2,659)	(3,913)	1,254

4.4 Financial summary – Council by Group

Greater Wellington Regional Council Summary income statement	For the four months ended 31 October 2010			
	Last Year \$(000)'s	Actual \$(000)'s	Budget \$(000)'s	Variance \$(000)'s
Operational Groups				
Catchment Management	1,287	1,429	1,436	(7)
Environmental Management	(70)	270	10	260
Forestry	(636)	(441)	(555)	114
Parks and Forests	116	158	23	135
Public Transport	368	(1,180)	(378)	(802)
Total rates funded operational surplus / (deficit)	1,065	236	536	(300)
Corporate				
Strategy & Community Engagement	634	353	(125)	478
Finance and Support	354	251	(110)	361
Other corporate activities	134	(686)	(428)	(258)
Investment Management	2,868	2,310	2,408	(98)
Business unit rates contribution	(2,327)	(2,183)	(2,183)	-
Total rates funded operating surplus / (deficit)	2,728	281	98	183
Water	(562)	(96)	(541)	445
Total rates & levy funded operating surplus / (deficit)	2,166	185	(443)	628
Non-operational movements				
Revaluation of debt and stadium advance	3	(2)	78	(80)
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(465)	(629)	(280)	(349)
Grants for Baring Head Purchase	-	-	-	-
EMU investment - GW Rail	-	2	-	2
Public Transport - improvements	(1,913)	(2,215)	(3,268)	1,053
Total Council surplus / (deficit)	(209)	(2,659)	(3,913)	1,254

4.5 Financial forecast - Council

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2011			
	Last Year	Forecast	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
Regional rates	79,089	80,892	80,892	-
Water supply levy	23,460	23,460	23,460	-
Other operating revenue	84,777	79,964	80,923	(959)
Total operating revenue	187,326	184,316	185,275	(959)
Operational expenditure	(178,723)	(188,122)	(189,016)	894
Operating surplus/(deficit) before transport improvements	8,603	(3,806)	(3,741)	(65)
Operating (deficit) from transport improvements	(6,042)	(11,285)	(18,021)	6,736
Operating surplus/(deficit) before unrealised items	2,561	(15,091)	(21,762)	6,671
Non-operational movements	1,845	14,302	15,911	(1,609)
Operating surplus/(deficit)	4,406	(789)	(5,851)	5,062

4.6 Financial forecast – Council by Group

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2011			
	Last Year	Forecast	Budget	Variance
	\$(000)'s	\$(000)'s	\$(000)'s	\$(000)'s
Operational Groups				
Catchment Management	3,337	2,890	3,430	(540)
Environmental Management	(214)	(482)	(352)	(130)
Forestry	(992)	(1,662)	(1,662)	-
Parks and Forests	(108)	(413)	(413)	-
Public Transport	755	(881)	(1,231)	350
Total rates funded operational surplus / (deficit)	2,778	(548)	(228)	(320)
Corporate				
Strategy & Community Engagement	1,093	(62)	(295)	233
Finance and Support	982	(756)	(487)	(269)
Other corporate activities	44	(1,478)	(1,471)	(7)
Investment Management	11,188	7,269	6,971	298
Business unit rates contribution	(6,980)	(6,550)	(6,550)	-
Total rates funded operating surplus / (deficit)	9,105	(2,125)	(2,060)	(65)
Water	(502)	(1,681)	(1,681)	-
Total rates & levy funded operating surplus / (deficit)	8,603	(3,806)	(3,741)	(65)
Non-operational movements				
Revaluation of debt and stadium advance	(5,387)	(307)	(307)	-
Revaluation of forestry	6,010	2,256	2,256	-
Forestry cost of goods sold	(1,125)	(839)	(839)	-
Grants for Baring Head Purchase	1,100	-	-	-
EMU investment - GW Rail	1,247	13,192	14,801	(1,609)
Public Transport - improvements	(6,042)	(11,285)	(18,021)	6,736
Total Council surplus / (deficit)	4,406	(789)	(5,851)	5,062

5. Financial Performance – By Group

5.1 Catchment management

Financial Summary	For the four months ended 31 October 2010				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	9,406	8,546	8,576	(30)	25,104	24,680	24,680	-
Operating expenditure	8,119	7,117	7,140	23	21,767	21,790	21,250	(540)
Operating surplus / (deficit)	1,287	1,429	1,436	(7)	3,337	2,890	3,430	(540)
Net capital expenditure	1,797	561	805	244	10,659	5,287	7,916	2,629

5.1.1 Year to date

An unfavourable operating variance of \$7,000, comprising lower revenue of \$30,000 and decreased operating costs of \$23,000.

- Operating revenue was lower than budget due mainly to:
 - Reduced external revenue from the shingle royalty for Western Flood Protection, the timing of revenue from Akura nursery and funding for the Hill Country Erosion programme.
- Capital expenditure is \$244,000 ahead of budget primarily due to the timing of the Waiwhetu project.

5.1.2 Forecast to 30 June 2011

The forecast operating surplus of \$2,890,000 is \$540,000 below budget, and \$100,000 less than the September forecast due to:

- A further increase of \$100,000 for river scheme flood damage which will be funded from the flood contingency and scheme reserves.

5.2 Environmental management

Financial Summary	For the four months ended 31 October 2010				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	4,542	4,735	4,478	257	13,596	13,590	13,433	157
Operating expenditure	4,612	4,465	4,468	3	13,810	14,072	13,785	(287)
Operating surplus / (deficit)	(70)	270	10	260	(214)	(482)	(352)	(130)
Net capital expenditure	234	81	-	(81)	1,259	223	223	-

5.2.1 Year to date

Overall, a favourable operating variance of \$260,000, comprising higher revenue of \$257,000.

- Operating revenue is ahead of budget due primarily to increased revenue from consents processing
- Capital expenditure was \$81,000 ahead of budget due to Beacon Hill equipment purchases being earlier than budgeted.

5.2.2 Forecast to 30 June 2011

The forecast operating deficit is \$482,000, \$130,000 below budget due to:

- \$157,000 additional income from increased consents activity
- \$287,000 additional costs including legal fees for appeals and prosecutions and staff costs.

5.3 Forestry

Financial Summary

	For the four months ended 31 October 2010				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	1,808	2,146	2,153	(7)	6,373	6,461	6,461	-
Operating expenditure	2,443	2,587	2,707	120	7,365	8,123	8,123	-
Operating surplus / (deficit) before cost of goods sold	(635)	(441)	(554)	113	(992)	(1,662)	(1,662)	-
Cost of goods sold*	466	629	281	(348)	1,125	839	839	-
Operating surplus / (deficit) before valuation	(1,101)	(1,070)	(835)	(235)	(2,117)	(2,501)	(2,501)	-
Forestry valuation	-	-	-	-	6,010	2,256	2,256	-
Operating surplus / (deficit)	(1,101)	(1,070)	(835)	(235)	3,893	(245)	(245)	-
Net capital expenditure	67	195	111	(84)	184	334	334	-

* cost of goods sold is a non cash accounting adjustment

5.3.1 Year to date

A favourable operating variance of \$113,000, prior to cost of goods sold due to:

- Lower than expected volumes have reduced operating expenditure.

The non cash variance for cost of goods sold of \$348,000 reflects the higher valuation of the forestry investment at 30 June 2010 compared to budget.

5.3.2 Forecast to 30 June 2011

The forecast is unchanged from the budget.

5.4 Parks & forests

Financial Summary	For the four months ended 31 October 2010				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	2,176	2,059	2,086	(27)	6,574	6,259	6,259	-
Operating expenditure	2,060	1,901	2,063	162	6,682	6,672	6,672	-
Operating surplus / (deficit)	116	158	23	135	(108)	(413)	(413)	-
Grants for Baring Head purchase	-	-	-	-	1,100	-	-	-
Operating surplus / (deficit)	116	158	23	135	992	(413)	(413)	-
Baring Head purchase	-	-	-	-	1,775	-	-	-
Net capital expenditure	65	13	55	42	459	367	367	-

5.4.1 Year to date

A favourable operating variance of \$135,000, comprising reduced revenue of \$27,000 and lower expenditure of \$162,000.

- Operating expenditure is below budget due primarily to:
 - Delayed start on Whitireia Park and Wairarapa Moana Wetlands resulting in a \$101,000 favourable variance for contractors and consultants
 - Personnel costs were \$48,000 below budget due to staff vacancies.

5.4.2 Forecast to 30 June 2011

The forecast is unchanged from the budget.

5.5 Public transport

Financial Summary	For the four months ended 31 October 2010				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	27,391	27,613	27,917	(304)	83,289	83,198	84,786	(1,588)
Operating expenditure	26,829	27,975	28,136	161	82,534	84,079	86,017	1,938
Operating surplus / (deficit)	562	(362)	(219)	(143)	755	(881)	(1,231)	350
Net capital expenditure	-	-	19	19	18	200	200	-

5.5.1 Year to date

An unfavourable operating variance of \$143,000, comprising lower expenditure of \$161,000 and reduced revenue of \$304,000 (which is a result of the lower expenditure).

- Operating expenditure is \$161,000 below budget primarily due to:
 - Bus shelter and carpark maintenance being \$131,000 below budget due to timing of the work
 - SuperGold card revenue and expenditure was \$106,000 over budget because of increased patronage.

5.5.2 Forecast to 30 June 2011

The forecast has a favourable operating variance of \$350,000, comprising lower expenditure of \$1,938,000 and the resultant lower revenue of \$1,588,000.

- Operating expenditure is forecast to be lower than budget due to:
 - Rail operating expenditure, \$114,000, below budget primarily due to lower maintenance requirements on the SW cars
 - Diesel bus contracts expenditure, \$1,443,000 below budget due to the higher NZ/US\$ exchange rate
 - Trolley bus expenditure, \$793,000 below budget, partly due to the fare increase.

Offsetting the expenditure savings above are increases in finance costs of \$1,136,000 which have been transferred from the public transport improvements budget, with a corresponding reduction in expenditure as noted below.

5.6 Public transport improvement projects

Financial Summary	For the four months ended 31 October 2010				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	23,176	39,681	48,702	(9,021)	78,286	152,202	206,348	(54,146)
Operating expenditure	25,283	42,714	52,129	9,415	84,328	163,487	224,369	60,882
Operating surplus / (deficit)	(2,107)	(3,033)	(3,427)	394	(6,042)	(11,285)	(18,021)	6,736
External debt revaluation gains /(loss)	-	-	-	-	(1,146)	-	-	-
Operating surplus / (deficit)	(2,107)	(3,033)	(3,427)	394	(7,188)	(11,285)	(18,021)	6,736
Net capital expenditure	389	68	2,318	2,250	2,531	4,743	5,911	1,168

5.6.1 Year to date

Overall, a favourable operating variance of \$394,000, comprising lower expenditure of \$9,415,000, and as a result lower revenue of \$9,021,000.

- Operating expenditure was lower than budget due to:
 - Expenditure on the Matangi EMU project is \$22,000,000 below budget due to a further revision of the expected payment dates for the trains. The project remains on budget with the new trains being delivered in 2010 and 2011.
 - Rail infrastructure projects including station platforms, signalling, Johnsonville stations and McKay's to Waikanae double tracking, are over budget by \$11,000,000 reflecting the timing on the Waikanae double tracking and electrification projects.
 - Finance costs and depreciation costs have been reclassified to operational expenditure as noted above.
- Capital expenditure was \$2,250,000 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 for expenditure on the new EMU units is \$86.9 million compared to a budget of \$147.9 million. This reflects recent changes to the expected timing of the payments. All 48 two-car Matangi trains are still expected to be delivered by 2011/12.

The operating revenue forecast has been adjusted accordingly due to the reduction in expenditure this year.

Capital expenditure is forecast to be \$1,168,000 below budget due mainly to a change in the timing of the payments for the real time information project roll out.

5.7 Strategy & Community Engagement

Financial Summary	For the four months ended 31 October 2010				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	3,457	3,168	2,943	225	9,533	9,186	9,147	39
Operating expenditure	2,823	2,815	3,068	253	8,440	9,248	9,442	194
Operating surplus / (deficit)	634	353	(125)	478	1,093	(62)	(295)	233
Net capital expenditure	2	6	27	21	(17)	410	410	-

5.7.1 Year to date

Overall, a favourable operating variance of \$478,000, comprising lower expenditure of \$253,000 and increased revenue of \$225,000.

- Operating revenue was higher than budget due to the timing of grants from New Zealand Transport Authority. This variance will reverse by year end.
- 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 operating deficit of \$62,000 is unchanged from the September forecast.

5.8 Finance and Support

Financial Summary	For the four months ended 31 October 2010				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	4,425	4,508	4,433	75	13,429	13,298	13,298	-
Operating expenditure	4,071	4,257	4,543	286	12,447	14,054	13,785	(269)
Operating surplus / (deficit)	354	251	(110)	361	982	(756)	(487)	(269)
Net capital expenditure	370	237	140	(97)	799	931	931	-

5.8.1 Year to date

A favourable operating variance of \$361,000 comprising lower expenditure of \$286,000 and lower revenue of \$75,000.

- Operating revenue was below budget due to the timing of additional rates revenue which is expected later in the year.
- Operating costs were less than budget due to:
 - Consultant and contractors \$299,000 below budget due to the timing around the change in telecommunication providers and other projects
 - Finance costs were \$30,000 below budget due to lower internal debt.

5.8.2 Forecast to 30 June 2011

The forecast operating deficit of \$756,000 is unchanged from the September forecast.

5.9 Investment management

Financial Summary	For the four months ended 31 October 2010				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	1,807	1,532	1,374	158	7,785	5,433	5,001	432
Operating expenditure	(1,061)	(778)	(1,034)	(256)	(3,403)	(1,836)	(1,970)	(134)
Operating surplus / (deficit)	2,868	2,310	2,408	(98)	11,188	7,269	6,971	298
Net capital expenditure	1	27	-	(27)	-	160	160	-

5.9.1 Year to date

Operating revenue is \$158,000 ahead of budget due to a higher level of deposits resulting in additional interest revenue. Net operating expenditure recoveries are \$256,000 less than budget due to lower borrowing requirements resulting from lower capital expenditure.

5.9.2 Forecast to 30 June 2011

The forecast operating surplus of \$7,269,000 is unchanged from the September forecast.

5.10 Water

Financial Summary	For the four months ended 31 October 2010				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	9,119	9,212	9,318	(106)	27,708	27,810	27,810	-
Operating expenditure	9,681	9,308	9,859	551	28,210	29,491	29,491	-
Operating surplus / (deficit)	(562)	(96)	(541)	445	(502)	(1,681)	(1,681)	-
Net capital expenditure	1,334	1,248	3,239	1,991	6,190	10,070	10,070	-

5.10.1 Year to date

Overall a favourable operating variance of \$445,000 compared to budget, due to:

- Reduced internal revenue, \$106,000, primarily due to less time charged to capital projects.
- Operating expenditure was \$551,000 lower than budget due to:
 - Contractors and consultants, \$288,000, 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
 - Reduced finance costs as internal debt is lower than budgeted.

5.10.2 Forecast to 30 June 2011

The forecast remains unchanged from the budget.

6. Finance costs

For the four months ended 31 October 2010				Full year forecast 30 June 2011			
Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
1,630	1,785	1,981	196	5,159	6,874	7,020	146

6.1 Year to date

The favourable variance of \$196,000 results from lower interest rates than budgeted coupled with lower borrowings as a result of lower capital expenditure.

6.2 Forecast to 30 June 2011

Finance costs are unchanged from the September forecast.

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
Finance Manager

Barry Turfrey
Chief Financial Officer

Attachment 1: Funding Impact Statement

Attachment 2: Balance Sheet