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**Committee:** Policy, Finance and Strategy  
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## Half Year Review to 31 December 2004

### 1. Purpose

- To inform the Committee of the financial performance for the first half of the 2004/05 financial year, forecast to year end and variance analysis by division.
- To seek the approval of the Council to additional expenditure requests from each Divisional Manager.

### 2. Significance of the Decision

The matters 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 Chief Executive and Chief Financial Officer conduct a review of the organisation's performance each quarter. The reviews for December have been made available to Councillors as background information.

### 4. Financial Performance for the Six Months to 31 December 2004

#### 4.1 Operating Surplus (Excluding the sale of Mabey Road)

The year to date operating result after six months reflects an operating surplus of \$2.4 million (budget, \$0.5 million). The gain on sale from Mabey Road increases the surplus to \$5.6 million (budget, \$0.5 million).

	2004/05 YTD Actual \$000s	2004/05 YTD Budget \$000s	Actual vs Budget Variance \$000s	2004/05 YTD Budget Operating Expenditure \$000s
<b>OPERATING SURPLUS (DEFICIT)</b>				
Water Group	340	(235)	574 F	(13,415)
Plantation Forestry	(169)	(19)	150 U	(2,412)
<b>Utility Services</b>	<b>171</b>	<b>(254)</b>	<b>425 F</b>	<b>(15,828)</b>
Transport	(256)	(554)	299 F	(29,733)
Landcare	1,566	1,349	217 F	(6,190)
Environment	257	198	59 F	(4,927)
Wairarapa	340	(15)	355 F	(11,844)
Corporate Advisory Services	(12)	(41)	29 F	(105)
Finance & Admin	377	241	136 F	(2,791)
Chief Executive	(47)	(68)	21 F	(78)
Investment in Democracy	(171)	(204)	33 F	(2,425)
<b>Net Divisional Surplus(Deficit)</b>	<b>2,226</b>	<b>653</b>	<b>1,573 F</b>	<b>(73,919)</b>
Investment Mgmt	3,839	3,637	203 F	894
Wellington Regional Strategy	201	0	201 F	(291)
Business Unit Rates Contribution	(3,813)	(3,813)	0 F	0
<b>Total Operating Surplus (Deficit)</b>	<b>2,454</b>	<b>477</b>	<b>1,977 F</b>	<b>(73,316)</b>
Landcare Sale of Mabey Road	3,155	0	3,155 F	-
<b>Total Council Surplus (Deficit)</b>	<b>5,609</b>	<b>477</b>	<b>5,132 F</b>	<b>(73,316)</b>

Significant components of the \$2.0 million favourable year to date operating variance are as follows:

#### 4.2 Water Group \$574,000 favourable variance, due to:

- Lower than budgeted variable expenditure for water treatment chemicals, \$283,000 and power, \$148,000. Reduced financial costs, \$123,000, arising from an ongoing lower than budgeted debt balance.

#### 4.3 Plantation Forestry \$150,000 unfavourable variance, due to:

- Difficult market conditions that include a strong NZ dollar, lower timber prices, high export freight rates and stop/start supply requirements from domestic mills.

#### 4.4 Transport:

The Transport expenditure is below budget by \$1.4 million. This lower expenditure has in turn reduced Grant income from LTNZ by \$1.1 million, resulting in net favourable variance of \$0.3 million.

The significant items contributing to the favourable expenditure variance of \$1.4 million are:

#### **4.4.1 Delays in various projects, namely:**

- Integrated ticketing, \$200,000. This has been delayed primarily because of shortages in resources, especially staff. It is likely that the majority of the project will be completed in 2005/06
- Metlink launch promotion, \$120,000, has been delayed until September 2005 due to resourcing issues and scale of the project
- Carriage refurbishment, \$331,000 for the English Electrics is running behind schedule due to delays in Toll NZ being unable to complete the refurbishments in accordance with the timetable in the budget
- The Wairarapa log freight contract, \$300,000. This has been delayed due to the low international log prices. It is anticipated that 100% of this will be funded by LTNZ when the project proceeds
- The Western Corridor studies were put on hold while the base rail case (which excludes Western Corridor) was completed. The \$250,000 favourable variance is now forecast to be spent in the second six months of the year on various rail infrastructure projects
- Staff savings, \$100,000, due to vacancies in Access Planning and Total Mobility

#### **4.4.2 Savings on various contracts, namely:**

- Cityline gross revenue contracts, \$286,000. Greater Wellington is receiving higher fare revenues than expected due to patronage growth
- General savings on a variety of smaller contracts, \$149,000, including the contract for the new Trolley Buses which has been delayed while LTNZ consider the funding for Trolley Buses generally

#### **4.4.3 Offsetting the savings above are increases in costs over budget, namely:**

- Bus contract costs, \$321,000, actual increases for inflation and diesel higher than budgeted. These calculations are made by LTNZ. Note the total year to date budget for Bus contracts is in excess of \$9 million

#### **4.5 Landcare \$217,000 favourable variance, due to:**

- Central government assistance for the damage caused by the February 2004 floods \$155,000

- Financial cost savings from the sale of Mabey Rd \$60,000
- Council should note that the flood damage of \$1.1 million was incurred after 31 December 2004 and is therefore not included in these figures

**4.6 Wairarapa \$355,000 favourable variance, due to:**

- Net savings of \$130,500 for Bovine Tb vector control because of programme reductions and competitive pricing.
- Additional flood damage repair expenditure of \$326,000 for River Schemes, and additional revenue of \$497,000 from the Government for February 2004 storm damage
- Savings of \$100,000 for Pest Plant control because of delays in replacing staff, and slow progress on some service delivery contracts.

**4.7 Wellington Regional Strategy \$201,000 favourable variance, due to:**

- Timing differences on projects.

**4.8 Finance & Administration \$136,000 favourable variance, due to:**

- Under expenditure on \$162,000 for personnel costs, software licence fees and consultants in Finance mainly due to staff turnovers and recruitment delays.
- Over expenditure in IT by \$35,000 caused by timing differences on consulting fees for the Web Site Development Project, and the funding of computer equipment purchases.

**4.9 Investment Management \$203,000 favourable variance, due to:**

- Increased interest revenue of \$114,000 on the \$44 million deposits. This is because the actual interest rate has averaged 6.85%, which is half a percent higher than the budgeted interest rate of 6.35%.
- An overall surplus of \$77,000 in the treasury management area. Surplus funds have been available to reduce money market interest.

**5. Capital Expenditure**

Excluding the sale of Mabey Road, capital expenditure was \$4.0 million, \$0.9 million below budget:

	2004/05 YTD Actual \$000s	2004/05 YTD Budget \$000s	Actual vs Budget Variance \$000s
<b>NET CAPITAL EXPENDITURE</b>			
Utility Services	1,067	1,482	416 F
Landcare	1,764	2,219	455 F
Environment	169	159	10 U
Transport	41	236	195 F
Wairarapa	372	444	72 F
Corporate Advisory Services	56	68	12 F
Chief Executive	0	0	-
Finance & Admin	500	333	167 U
Investment Management	326	0	326 U
Investment in Democracy	43	30	13 U
<b>Total Capital Expenditure</b>	<b>4,337</b>	<b>4,971</b>	<b>633 F</b>
Sale proceeds Mabey Rd land	(3,385)	0	3,385 F
<b>Net Capital Expenditure</b>	<b>952</b>	<b>4,971</b>	<b>4,018 F</b>

Approximately \$0.8 million of the favourable variance is due to timing delays.

Significant components of the \$0.6 million favourable year to date variance are as follows:

**5.1 Utility Services \$416,000 favourable variance, due to:**

- Delays in starting and / or progressing various projects have generated a favourable difference against budget to date of \$175,000. In addition, lower than budgeted minor asset acquisitions have occurred to date saving \$245,000, with \$153,000 of this attributable to delayed vehicle purchases.

**5.2 Landcare \$455,000 favourable variance, due to:**

- Delays in asset replacements \$148,000
- Net proceeds from the Stebbings land settlement with WCC was \$99,000. The transaction was made up of disposal of GW land for \$151,000 and purchase of WCC land for \$52,000
- Jim Cooke Park realignment capital works are behind schedule by \$190,000. It is unlikely that these works will proceed to the planned stage this financial year.

**5.3 Transport \$195,000 favourable variance, due to:**

- \$150,000 contract management database, delay in purchase due to resource shortages
- \$50,000 journey planner enhancement, delay in purchase also due to resource shortages

**5.4 Wairarapa \$72,000 favourable variance, due to:**

- The timing of vehicle replacements for Biosecurity and BioWorks
- River Management capital expenditure was \$124,000 unfavourable because of the delayed completion of the Te Whiti stopbank. The project was budgeted in the 2003/04 financial year.

**5.5 Finance and Administration \$167,000 unfavourable variance, due to:**

- Unfavourable variance of \$402,000 in IT due to the change in policy to purchase replacement PC's which were previously leased. A \$250,000 favourable variance in Finance due to the current Financial Planning System not needing to be replaced.

**5.6 Investment Management \$326,000 unfavourable variance, due to:**

- Timing difference of \$326,000 for the purchase of land in the Wairarapa for office building extensions

**6. Year End Forecast Position**

**6.1 Operating Surplus**

The operating surplus for the year to 30 June 2005 excluding Mabey Road is forecast to be a deficit of \$0.5 million compared with a budgeted surplus of \$0.9 million.

Flood damage in the Wairarapa and Landcare, coupled with increased expenditure in Transport are the main reasons for the variance.

Detailed variances from budget are shown in the following table. Council should note that these amounts are before any transfers from Reserves. A large proportion of deficits in Landcare, Wairarapa and Transport will be matched by transfers from Reserves. These are detailed in section 8:

	2004/05 Year Forecast \$000s	2004/05 Year Budget \$000s	Forecast vs Budget Variance \$000s	2004/05 Year Budget Operating Expenses \$000s
<b>OPERATING SURPLUS (DEFICIT)</b>				
Water Group	596	(392)	987 F	(26,752)
Plantation Forestry	(150)	(39)	111 U	(4,825)
<b>Utility Services</b>	<b>446</b>	<b>(430)</b>	<b>876 F</b>	<b>(31,577)</b>
Transport	(2,032)	(1,133)	899 U	(59,335)
Landcare	555	1,985	1,430 U	(13,225)
Environment	58	(59)	117 F	(10,371)
Wairarapa	(769)	(44)	725 U	(24,166)
Corporate Advisory Services	(38)	(6)	32 U	(134)
Finance & Admin	272	39	233 F	(4,131)
Chief Executive	(116)	(135)	19 F	(155)
Investment in Democracy	(150)	(148)	2 U	(4,591)
<b>Net Divisional Surplus(Deficit)</b>	<b>(1,774)</b>	<b>68</b>	<b>1,842 U</b>	<b>(147,684)</b>
Investment Mgmt	8,853	8,509	344 F	1,871
Wellington Regional Strategy	0	0	-	(581)
Business Unit Rates Contribution	(7,624)	(7,624)	-	(1,943)
<b>Total Operating Surplus (Deficit)</b>	<b>(544)</b>	<b>953</b>	<b>1,498 U</b>	<b>(148,337)</b>
Landcare Sale of Mabey Road	3,155	0	3,155 F	0
<b>Total Council Surplus (Deficit)</b>	<b>2,611</b>	<b>953</b>	<b>1,657 F</b>	<b>(148,337)</b>

Significant components of the unfavourable \$0.5 million operating deficit are as follows:

**6.2 Water Supply \$987,000 favourable variance, due to:**

- Forecast variable cost savings for water treatment chemicals \$500,000 and power \$250,000. Lower finance costs of \$250,000 due to reduced debt servicing requirements.

**6.3 Plantation Forestry \$111,000 unfavourable variance, due to:**

- The expectation over the remainder of the year that the current difficult market conditions will ease and that this combined with an increase in harvest volume throughput, will enable the operation to break even at worst in the second half of the financial year.

**6.4 Transport \$899,000 unfavourable variance:**

Transport expenditure is forecast to be over budget by \$1.6 million, with a corresponding increase in Government grants of \$0.7 million, giving a net amount over budget of \$0.9 million. Matters which need to be considered are:

- (a) The original budgets were prepared over a year ago. Since then there has been significant changes and progress on a number of issues. These include Regional Land Transport Strategy, Western Corridor,

completion of the Wellington Rail Network Business Case, Trolley Bus Review, new arrangements with Toll including drafting of a new Rail Contract and announcement of the Government Transport package.

- (b) A number of the bus contracts have inflation increases included, especially for diesel increases. These additional payments are calculated by LTNZ. Estimates were made of the increase a year ago but the forecast amounts are significantly higher than expected.
- (c) Transport expenditure involves some 150 different projects, totalling some \$58 million.
- (d) The \$1.6 million amount over budget, represents a 3% increase over the budget.

Currently, Transport expenditure is less than \$60 million, this is expected to rise to over \$90 million (excluding any amounts re Western Corridor) within seven years.

These increased amounts and complexity is likely to increase the level of volatility between the budgets and forecast amounts. To reduce this anticipated volatility for those projects or expenditure which involve a high level of external input such as inflation payments etc, the greater use of reserves is being considered. The levels, funding and use these reserves are currently being reviewed and will be reported back to Council prior to year end for their consideration.

The significant variances are noted below:

#### **6.4.1 New Projects:**

The following projects have been previously advised to the Passenger Transport Committee. They involve an acceleration of the various projects required to alleviate Wellington's transport problems. As such they could not be included in the original 2004/05 budget which was prepared the better part of a year ago. These projects are an integral part of the transport solutions for Wellington and are necessary to meet the needs of the Government, LTNZ, Toll and our ratepayers:

- LTCCP Rail Consultation, including media costs, producing an amended LTCCP in respect of the Wellington Transport Package, \$110,000. It is expected that the contribution from LTNZ will be in the order of 50%
- Tender specification and documentation for the SW Cars (Wairarapa Carriages), \$104,000 (at least 50% will be funded by LTNZ)



- Preliminary tender specifications and documentation for the EMU Cars (Electric Multiple Units), \$183,000 (at least 50% will be funded by LTNZ)
- Ownership plan for rolling stock to be owned by Greater Wellington, as required by LTNZ, \$50,000 (at least 50% funded by LTNZ)

#### **6.4.2 Projects forecast to be higher than budget, namely:**

- Additional payments to Tranz Metro totalling \$591,000 (budget \$17.4 million). These were inflation payments made in accordance with the existing contract. These payments will attract 60% funding from LTNZ
- Increases in diesel costs and other general costs due to inflation for the various contracts in respect of Stagecoach. The calculations for increases in diesel price are calculated by LTNZ. The increase over budget is \$378,000 out of a total budget of \$6.0 million. LTNZ will fund 45% of this increase
- Increased maintenance costs in respect of the overhead lines (including direct materials not previously included) for the Trolley Bus contract, \$353,000 (budget \$3.2 million). LTNZ will fund 45% of this amount
- Increased staff costs of \$135,000 (budget \$4.3 million), particularly in regard to recruitment of a Transport Infrastructure Manager in respect of the rolling stock. 50% will be funded by LTNZ
- The original budget allowed for \$475,000 to be spent on Western Corridor studies. However, in May 2004 the Council agreed to a further \$212,000 being funded for Western Corridor studies to be allocated from the transport reserve in 2004/05. This amount assumed that LTNZ and Transit would also contribute to the reviews. Transport is forecasting to spend \$950,000 compared with the budget and approved reserve allocation of \$687,000. The increased amount is due to the requirement of Greater Wellington to complete specific cost estimates for double tracking. These estimates need to be completed prior to June 2005 and NZ Rail Corporation is unable to meet this timeframe. As such Greater Wellington has employed consultants to complete this work. It is anticipated that these additional amounts will be 75% funded by LTNZ
- As part of the procurement of rail services, the Base Rail Case (\$331,000) was prepared for considered by LTNZ. This case was

used to assist in the preparation of the Wellington Transport Package. (60% funded by LTNZ)

#### **6.4.3 Projects forecast to be lower than budget, namely:**

- Integrated ticketing has been partly delayed due to a lack of staff resources, and negotiations which have yet to be completed with the Bus and Rail providers prior to any implementation, \$300,000 (budget \$400,000)
- The subsidies for the new Trolley Buses have been delayed while LTNZ considers the continued funding for Trolley Buses, \$250,000 (budget \$2.3 million)
- Road pricing projects, specifically congestion pricing, have been delayed while the Government considers the transport issues of Auckland, \$150,000 (budget \$250,000)
- The Wairarapa log freight contract, \$300,000. This has been delayed due to the low international log prices. It is anticipated that 100% of this will be funded by LTNZ when the project proceeds
- The Porirua interchange which involves the further integration of buses and trains has been delayed while awaiting the outcome of the Western Corridor Review, \$98,000
- Metlink launch promotion, \$95,000, has been delayed until September 2005 due to resourcing issues and completion of signage

#### **6.5 Landcare (excluding Mabey Road) \$1,430,000 unfavourable variance, due to:**

- Gain on sale from the Stebbings land settlement with WCC \$40,000
- Additional costs of the January 2005 floods \$1,128,000
- Additional depreciation, mainly as a result of the Parks and Forests asset revaluation \$225,000
- Increased costs of removing windthrow trees from Belmont and East Harbour regional parks resulting from the August 2004 storms \$145,000
- Financial savings from Mabey Rd sale and other changes to capital expenditure programmes \$143,000
- Net cost of Waiwhetu Stream assessment not able to be funded from existing work programme \$60,000

- Isolated works subsidies resulting from the February 2004 floods \$47,000
- Earthquake risk assessment for Flood Protection assets, increased costs of \$24,000
- Central government assistance for the damage caused by the February 2004 floods \$155,000
- Increased costs associated with finalising the Hutt land swap \$40,000
- Costs associated with damage caused in the regional parks and forests from the August 2004 storms \$54,000
- Cost of completing two possum operations not finished by the end of the 2003/04 financial year as planned \$40,000

**6.6 Environment \$117,000 favourable variance, due to:**

- Some of the reduced spend is with farmers reimbursement claims and QE11 National Trust private land protection work. The forecasted spend anticipates that this will be some \$50,000 less than our budget.
- The hazards internet portal development project (for which we provided a carry-over of \$20,000 from 2003/04 year) has since been funded exclusively by the IT and Support Service Department. Accordingly, these funds are not required.
- With the reduced activity for notified consents we expect that our call for Commissioners, specialist advice and legal counsel will be less than budgeted. Accordingly, we have reduced such costs by some \$30,000.
- With the changes to the after-hours answering service previously provided by Beacon Hill staff internal charges have been reduced by \$20,000.
- The Department of Conservation has provided additional funding (unbudgeted) towards biodiversity initiatives. Some of these funds are for project materials, and as a consequence, costs have been increased by some \$49,000. These extra costs offset some of the above savings.

**6.7 Wairarapa \$725,000 unfavourable variance, due to:**

- Flood damage repair expenditure of \$1,244,500 for River Schemes, partly offset by the \$497,000 of Government assistance revenue.
- Net savings of \$200,000 for Bovine Tb vector control.
- Reduced external revenue of \$150,000 because of delays in replacing the Waiohine Bridge.

- Reduced consent processing revenue of \$85,000 because of lower activity.

**6.8 Finance & Administration \$233,000 favourable variance, due to:**

- A favourable variance of \$70,000 in IT due to increased internal revenue for PC charges combined with less expenditure in computer lease costs of \$121,000.

**6.9 Corporate Advisory Service \$67,000 unfavourable variance due to:**

- An unfavourable variance of \$44,000 (budget \$460,000) due to increased staff costs in Communications.

**6.10 Investment Management \$344,000 favourable variance, due to:**

- Increased cash proceeds, particularly from Mabey Road, will result in reduced finance costs, \$248,000.

**6.11 Material additional operating expenditure projects are as follows:**

The following additional operating expenditure items have been incorporated into the forecast position at 30 June 2005.

	\$
<b>Wairarapa</b>	
Completion of the Lower Wairarapa Valley Development River Scheme Rating Classification Review.	36,000
Completion of programmed KNE projects including joint projects with Wellington and Hutt City Council's.	36,000
<b>Total Wairarapa</b>	<b>72,000</b>
<b>Landcare</b>	
Cost of Waiwhetu Stream assessment for 2004/05 not able to be funded from existing work programmes. \$17,000 of this has been offset by additional revenue.	77,000
Hutt land swap – surveying and administration costs to finalise the swap with HCC. This project has been ongoing since 2002.	40,000
Earthquake risk assessment for Flood Protection assets. Total cost \$30,000 but \$6,000 can be met from existing budgets.	24,000
Costs associated with damage caused in the regional parks and forests from the August 2004 storms	54,000

Cost of removing windthrow trees from Belmont and East Harbour regional parks resulting from the August 2004 storms.	145,000
Cost of completing two possum operations not finished by the end of the 2003/04 financial year as planned.	40,000
<b>Total Landcare</b>	<b>380,000</b>
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<b>Transport</b>	
LTCCP Rail Consultation, including media costs, producing an amended LTCCP in respect of the Wellington Transport Package (60% of this will be funded by LTNZ)	110,000
Tender specification and documentation for the SW Cars (Wairarapa Carriages), (60% will be funded by LTNZ)	104,000
Tender specifications and documentation for the EMU Cars (Electric Multiple Units), (60% will be funded by LTNZ)	183,000
Ownership plan for rolling stock to be owned by Greater Wellington, as required by LTNZ, (60% funded by LTNZ)	50,000
<b>Total Transport</b>	<b>447,000</b>
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## 7. Net Capital Expenditure

The forecast net capital expenditure for the year ending 30 June 2005, excluding Mabey Road, is \$13.7 million, \$0.8 million below the budgeted net capital expenditure programme of \$14.5 million.

Detailed variances from the budget are shown in the following table:

	2004/05 Year Forecast \$000s	2004/05 Year Budget \$000s	Forecast vs Budget Variance \$000s
<b>NET CAPITAL EXPENDITURE</b>			
Utility Services	4,711	5,883	1,172 F
Landcare	5,465	4,897	568 U
Environment	554	554	-
Transport	376	306	70 U
Wairarapa	916	1,014	98 F
Corporate Advisory Services	107	88	19 U
Chief Executive	0	0	-
Finance & Admin	1,017	1,228	211 F
Investment Management	535	531	4 U
Investment in Democracy	52	52	-
<b>Total Capital Expenditure</b>	<b>13,732</b>	<b>14,552</b>	<b>820 F</b>
Sale Proceeds Mabey Road	(3,385)	0	3,385 F
<b>Net Capital Expenditure</b>	<b>10,347</b>	<b>14,552</b>	<b>4,205 F</b>

This is primarily due to variances within the following areas of the Council:

**7.1 Utility Services \$1,172,000 favourable variance, due to:**

- Primarily under spends against budget anticipated to be made within the Greater Wellington Water capital works programme, of which \$837,000 will be transferred to the 2005/06 capital works programme budget and \$286,000 is deemed to be permanent savings. This is slightly offset by a \$37,000 over spend on Forestry roading projects to facilitate the harvesting operation. In addition, it is forecast that a permanent net saving of \$151,000 will be achieved, with respect to the total 2004/05 minor asset acquisition budget.

**7.2 Landcare \$568,000 unfavourable variance is due to:**

- Net proceeds from the Stebbings land settlement with WCC \$99,000
- Carryovers from 2003/04 of capital projects that were not completed as planned, \$457,000 and not rebudgeted
- Approved changes in capex programmes for 2004/05 including Strand Park stopbank and Whirinaki Crescent stopbank, \$187,000

**7.3 Transport \$70,000 unfavourable variance is due to:**

- Delays in minor asset purchases, \$70,000

**7.4 Wairarapa \$98,000 favourable variance is due to:**

- Savings of \$300,000 because of delays in replacing the Waiohine Bridge.
- Expenditure of \$119,000 on the Te Whiti Stopbank upgrade.

- Emergency stopbank relocation works of \$80,000 for the Lower Wairarapa Valley Development Scheme.

## 7.5 Finance & Administration \$211,000 million favourable variance, due to:

- Savings of \$90,000 for the SAP replacement servers due to competitive pricing.
- Savings of \$310,000 due to the current Financial Planning Systems providing the key functionality required.

## 7.6 Material additional capital expenditure projects are as follows:

The following additional capital expenditure items have been incorporated into the forecast position at 30 June 2005.

Wairarapa	\$
Emergency Relocation of the Ashton-Herrick stopbank on the Huangarua River	80,000

## 8. Funding Position

The table below summaries the overall funding movements of the Council compared with budget:

	2004/05 YTD Actual \$000s	2004/05 YTD Budget \$000s	Actual vs Budget Variances \$000s	2004/05 Year Forecast \$000s	2004/05 Year Budget \$000s	Forecast vs Budget Variances \$000s
Operating Surplus (Deficit)	5,609	477	5,132	2,611	953	1,658
Add Back Non Cash Items	1,563	4,300	(2,736)	6,348	8,968	(2,621)
Reserve Movements	-	-	-	-	-	-
<b>Funding Surplus (Deficit) from Operations</b>	<b>7,172</b>	<b>4,777</b>	<b>2,396</b>	<b>8,958</b>	<b>9,921</b>	<b>(963)</b>
Total Asset Acquisition	(1,250)	(1,845)	595	(3,272)	(3,233)	(39)
Capital Expenditure	(3,305)	(3,546)	241	(10,973)	(11,744)	771
Asset Disposal Cash Proceeds excl Mabe y Rd	217	420	(203)	513	426	87
Mabe y Road Cash Proceeds	3,385	-	3,385	3,385	-	3,385
<b>Net Capital Expenditure</b>	<b>(952)</b>	<b>(4,971)</b>	<b>4,018</b>	<b>(10,347)</b>	<b>(14,551)</b>	<b>4,204</b>
Sinking Fund Investment Movements	3,932	3,912	20	3,896	3,896	-
Other Investment Movements	(919)	(1,244)	325	(1,790)	(1,751)	(39)
Debt Drawdown (Repayment)	(5,396)	(2,475)	(2,921)	(718)	2,485	(3,203)
Working Capital Movement	(3,837)	-	(3,837)	-	-	-
<b>Net Funding Surplus (Deficit)</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>-</b>	<b>0</b>	<b>(0)</b>

The Council's forecast funding position has improved when compared with budget by \$3.2 million. The proceeds from the sale of Mabe y Road, \$3.4

million and lower capital expenditure \$0.8 million, partly offset by the lower forecast result when compared with budget (\$1.5 million). The additional cash will be utilised to reduce debt.

## 9. Reserves

### 9.1 Flood Scheme and River Rate Reserves:

Following the major flood events in the region in August and October 2004, and lately January 2005, reconstruction works of around \$1million are to be funded partly from Government assistance and the balance from the Flood Relief Contingency, River Rate and Wairarapa Scheme reserves. Whilst the reserves will not be depleted, the level of annual contributions to rebuild the reserves may need to be reviewed.

### 9.2 Transport Rate Reserves

The additional transport expenditure included in the forecast will require transfers from the Transport Reserve of \$2.4 million.

### 9.3 Forecast Reserves

The following table summarises reserve movements.

	2004/05 Opening Balances \$000s	2004/05 Transfers from Reserves \$000s	2004/05 Forecast Closing Balances \$000s
Reserves			
Transport Reserves	2,791	(2,435)	356
Flood Scheme & River Rate Reserves	2,673	(1,797)	876

## 10. Annual Plan Performance Targets

Divisional Managers have reported their expectation that all significant annual plan performance targets will be achieved by 30 June 2005.

## 11. Compliance with Treasury Management Policy

As at 31 December 2004, all Treasury Management Policy limits have been complied with one exception, refer to **Attachment 1**.

Greater Wellington's forestry management activity has an actual debt to forestry market value ratio of 71.9% compared to the Policy limit set in June 2003 of 70%. This is mainly due to the downwards revaluation of forests at 30 June 2004.

## 12. Communications

No communications are necessary at this time.



### 13. Recommendations

*That the Committee recommend to Council that it:*

- (1) Receive the report and note its contents.*
- (2) Note the budget variances compared with the forecast outcomes.*
- (3) Approve the following additional operating expenditure projects:*

	<b>\$</b>
<b><i>Wairarapa</i></b>	
<i>Completion of the Lower Wairarapa Valley Development River Scheme Rating Classification Review.</i>	<i>36,000</i>
<i>Completion of programmed KNE projects including joint projects with Wellington and Hutt City Council's.</i>	<i>36,000</i>
<b><i>Total Wairarapa</i></b>	<b><i>72,000</i></b>
<b><i>Landcare</i></b>	
<i>Cost of Waiwhetu Stream assessment for 2004/05 not able to be funded from existing work programmes. \$17,000 of this has been offset by additional revenue.</i>	<i>77,000</i>
<i>Hutt land swap – surveying and administration costs to finalise the swap with HCC. This project has been ongoing since 2002.</i>	<i>40,000</i>
<i>Earthquake risk assessment for Flood Protection assets. Total cost \$30,000 but \$6,000 can be met from existing budgets.</i>	<i>24,000</i>
<i>Costs associated with damage caused in the regional parks and forests from the August 2004 storms</i>	<i>54,000</i>
<i>Cost of removing windthrow trees from Belmont and East Harbour regional parks resulting from the August 2004 storms.</i>	<i>145,000</i>
<i>Cost of completing two possum operations not finished by the end of the 2003/04 financial year as planned.</i>	<i>40,000</i>
<b><i>Total Landcare</i></b>	<b><i>380,000</i></b>
<b><i>Transport</i></b>	
<i>LTCCP Rail Consultation, including media costs, producing an amended LTCCP in respect of the Wellington Transport Package (60% of this will be funded by LTNZ)</i>	<i>110,000</i>

<i>Tender specification and documentation for the SW Cars (Wairarapa Carriages), (60% will be funded by LTNZ)</i>	104,000
<i>Tender specifications and documentation for the EMU Cars (Electric Multiple Units), (60% will be funded by LTNZ)</i>	183,000
<i>Ownership plan for rolling stock to be owned by Greater Wellington, as required by LTNZ, (60% funded by LTNZ)</i>	50,000
<b>Total Transport</b>	<u>447,000</u>

(3) Approve the following additional capital expenditure projects:

<b>Wairarapa</b>	<b>\$</b>
<i>Emergency Relocation of the Ashton-Herrick stopbank on the Huangarua River</i>	80,000

Report prepared by:

**Barry Turfrey**  
Chief Financial Officer

**Attachment 1: Treasury Management Compliance Report**