greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Committee	Council
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Financial report for the ten months ending 30 April 2011

1. Purpose

To inform the Council of Greater Wellington's financial performance for the ten months ended 30 April 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 $4,935,000 (budget, a deficit of $1,867,000) for the ten months to 30 April. 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 $4,443,000 (budget, a deficit of $9,215,000).

Details of the variances and performance by Group for the ten months are discussed in section 5.

4.2 Financial summary – Council

Greater Wellington Regional Council Summary income statement	For the ten months ended 30 April 2011			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s
Regional rates	65,908	67,384	67,383	1
Water supply levy	19,550	19,550	19,550	-
Other operating revenue	67,813	67,086	66,326	760
Total operating revenue	**153,271**	**154,020**	**153,259**	**761**
Operational expenditure	(145,677)	(149,085)	(155,126)	6,041
Operating surplus/(deficit) before transport improvements	**7,594**	**4,935**	**(1,867)**	**6,802**
Operating (deficit) from transport improvements	(6,117)	(6,387)	(12,896)	6,509
Operating surplus/(deficit) before unrealised items	**1,477**	**(1,452)**	**(14,763)**	**13,311**
Non-operational movements	(927)	(2,991)	5,548	(8,539)
Operating surplus/(deficit)	**550**	**(4,443)**	**(9,215)**	**4,772**

4.3 Financial summary – Council by Group

Greater Wellington Regional Council Summary income statement	For the ten months ended 30 April 2011			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s
Operational Groups				
Catchment Management	2,548	3,120	2,771	349
Environmental Management	273	548	(148)	696
Forestry	(780)	(336)	(1,388)	1,052
Parks and Forests	185	177	(248)	425
Public Transport	1,772	370	(759)	1,129
Total rates funded operational surplus / (deficit)	**3,998**	**3,879**	**228**	**3,651**
Corporate				
Strategy & Community Engagement	762	185	(241)	426
Finance and Support	965	96	(188)	284
Other corporate activities	386	95	(31)	126
Investment Management	7,502	6,661	5,187	1,474
Business unit rates contribution	(5,817)	(5,458)	(5,458)	-
Total rates funded operating surplus / (deficit)	**7,796**	**5,458**	**(503)**	**5,961**
Water	(202)	(523)	(1,364)	841
Total rates & levy funded operating surplus / (deficit)	**7,594**	**4,935**	**(1,867)**	**6,802**
Non-operational movements				
Revaluation of debt and stadium advance	-	-	-	-
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(928)	(1,594)	(699)	(895)
Grants for Baring Head Purchase	-	-	-	-
Warm Greater Wellington	-	(1,398)	(1,153)	(245)
EMU investment - GW Rail	1	1	7,400	(7,399)
Public Transport - improvements	(6,117)	(6,387)	(12,896)	6,509
Total Council surplus / (deficit)	**550**	**(4,443)**	**(9,215)**	**4,772**

4.4 Forecast to 30 June 2011

Greater Wellington is forecasting an operating surplus of $5,187,000 (budget, a deficit of $2,221,000) 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 surplus of $750,000 (budget, a deficit of $5,850,000).

Subsequent to completion of our year end forecasts for 2011 at 30 April, Officers have been working with TranzMetro on their final forecasts for Year End 2011. The latest forecast advised to us is that they are expecting their full year cost to be $1.0M less favourable than forecast at 28 February 2011. Relative to budget, the variance is only $0.3m

Overall the forecast position is mostly unchanged from the 31 March forecast position.

4.5 Financial forecast – Council

Greater Wellington Regional Council	For the year ending 30 June 2011			
Summary income statement	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s
Regional rates	79,089	80,861	80,861	-
Water supply levy	23,460	23,460	23,460	-
Other operating revenue	84,777	82,393	80,923	1,470
Total operating revenue	**187,326**	**186,714**	**185,244**	**1,470**
Operational expenditure	(178,441)	(181,527)	(187,465)	5,938
Operating surplus/(deficit) before transport improvements	**8,885**	**5,187**	**(2,221)**	**7,408**
Operating (deficit) from transport improvements	(6,042)	(8,117)	(18,157)	10,040
Operating surplus/(deficit) before unrealised items	**2,843**	**(2,930)**	**(20,378)**	**17,448**
Non-operational movements	1,561	3,680	14,528	(10,848)
Operating surplus/(deficit)	**4,404**	**750**	**(5,850)**	**6,600**

5. Financial Performance – by Group

5.1 Catchment management

Financial Summary	For the ten months ended 30 April 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	20,663	20,310	20,517	(207)	25,104	24,835	24,680	155
Operating expenditure	18,115	17,190	17,746	556	21,767	21,081	21,250	169
Operating surplus / (deficit)	2,548	3,120	2,771	349	3,337	3,754	3,430	324
Net capital expenditure	8,536	2,250	6,419	4,169	10,659	3,913	7,916	4,003

5.1.1 Year to date

A favourable operating variance of $349,000, comprising lower revenue of $207,000 and lower operating costs of $556,000.

- Operating revenue is lower than budget due mainly to:
  - Reduced external revenue due to lower levels of gravel extraction.
  - Reduced commercial property lease revenue.
  - Reduced land management revenue for property plans and silviculture consultations.
- Operating expenditure was lower than budget due mainly to:
  - Contractors and consultants expenditure $339,000 below budget due to the deferrals in river maintenance programmes and capitalisation of flood repair work.
  - Finance costs are $96,000 below budget due to lower capital spend.
- Capital expenditure is $4,169,000 below budget primarily due to the timing of the Waiwhetu and Boulcott/Hutt stop bank projects and the Ebdentown rock lining project.

5.1.2 Forecast to 30 June 2011

- The forecast operating surplus of $3,754,000 is $324,000 above budget, which is unchanged from the nine month forecast.
- The forecast capital expenditure is unchanged from the 31 March position.

5.2 Environmental management

Financial Summary	For the ten months ended 30 April 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	11,338	11,526	11,194	332	13,596	13,817	13,433	384
Operating expenditure	11,065	10,978	11,342	364	13,810	13,956	13,785	(171)
Operating surplus / (deficit)	273	548	(148)	696	(214)	(139)	(352)	213
Net capital expenditure	808	204	213	9	1,259	251	223	(28)

5.2.1 Year to date

Overall, a favourable operating variance of $696,000, comprising higher revenue of $332,000 and lower expenditure of $364,000.

- Operating revenue is ahead of budget primarily due to:
  - Higher than expected revenue from consents processing
  - Community Irrigation Fund (CIF) funding of $137,000 that was not budgeted.
- Operating expenditure was lower than budget due mainly to:
  - Reduced expenditure on contractors and consultants due to the timing of projects. These costs will flow through in the next two months.
  - Materials and supplies were also lower than budget due to timing. With most of the planting work planned for the later this quarter these costs will also increase.
- Capital expenditure is forecast to be above budget due to the office refurbishment costs which was not part of the original budget.

5.2.2 Forecast to 30 June 2011

The forecast operating deficit is $139,000, $213,000 better than budget, which is unchanged from the previous month.

5.3 Forestry

Financial Summary	For the ten months ended 30 April 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	5,421	6,160	5,381	779	6,373	7,616	6,461	1,155
Operating expenditure	6,200	6,496	6,768	272	7,365	7,956	8,123	167
Operating surplus / (deficit) before cost of goods sold	(779)	(336)	(1,387)	1,051	(992)	(340)	(1,662)	1,322
Cost of goods sold*	929	1,594	700	(894)	1,125	2,008	839	(1,169)
Operating surplus / (deficit) before valuation	(1,708)	(1,930)	(2,087)	157	(2,117)	(2,348)	(2,501)	153
Forestry valuation	-	-	-	-	6,010	2,256	2,256	-
Operating surplus / (deficit)	(1,708)	(1,930)	(2,087)	157	3,893	(92)	(245)	153
Net capital expenditure	165	325	278	(47)	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 $1,051,000, prior to cost of goods sold, due to:
  - Higher operating revenue primarily due to improved log prices.
  - Operating expenditure is below budget including reduced costs of contractors and consultants as there was a reduction in harvested volume over the last few months and a saving in interest costs of $64,000.
- The non cash variance for cost of goods sold of $894,000 reflects the higher valuation of the forestry investment at 30 June 2010 compared to budget.
- Capital expenditure is above budget due to higher costs incurred on roads.

5.3.2 Forecast to 30 June 2011

- The forecast operating deficit is $340,000, which is $1,322,000 better than budget, primarily due to higher log prices increasing revenue. This position has not changed from the last forecast.
- Capital expenditure is forecast to be above budget due to more expenditure required on roads.

5.4 Parks & forests

Financial Summary	For the ten months ended 30 April 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	5,500	5,207	5,216	(9)	6,574	6,294	6,259	35
Operating expenditure	5,315	5,030	5,464	434	6,682	6,594	6,672	78
Operating surplus / (deficit)	185	177	(248)	425	(108)	(300)	(413)	113
Grants for Baring Head purchase	-		-	-	1,100	-	-	-
Operating surplus / (deficit)	185	177	(248)	425	992	(300)	(413)	113
Baring Head purchase			-	-	1,775	-	-	-
Net capital expenditure	468	136	251	115	459	367	367	-

5.4.1 Year to date

A favourable operating variance of $425,000, comprising reduced revenue of $9,000 and lower expenditure of $434,000.

- Operating expenditure was below budget due primarily to:
  - Reduced contractors and consultants expenditure of $320,000 as there has been a delay in taking over the management service at Whitireia Park plus other activities that have been delayed.
  - Materials and supplies are also below budget by $70,000 due to the reason above plus delay in the planned 1080 drop in the Wainuiomata area.

A request for rebudgets of $64,000 for Whitireia Park projects has been included in Report 11.232.

5.4.2 Forecast to 30 June 2011

The forecast is unchanged from the nine month position.

5.5 Public transport

Financial Summary	For the ten months ended 30 April 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	68,865	69,645	70,441	(796)	83,289	82,679	84,786	(2,107)
Operating expenditure	67,093	69,275	71,200	1,925	82,534	82,068	85,881	3,813
Operating surplus / (deficit)	1,772	370	(759)	1,129	755	611	(1,095)	1,706
Net capital expenditure	18	34	181	147	18	34	200	166

5.5.1 Year to date

A favourable operating variance of $1,129,000, comprising lower expenditure of $1,925,000 and reduced revenue of $796,000 (which is as a result of the lower expenditure).

- Operating revenue is $796,000 below budget due to:
  - Grants and Subsidies revenue (excluding SuperGold card) being $1,225,000 below budget which reflects the overall reduction in operational expenditure.
  - Grants and Subsidies related to SuperGold card expenditure is $626,000 above budget because of higher numbers of SuperGold card passengers.
- Operating expenditure is $1,925,000 below budget primarily due to:
  - Savings on diesel bus contracts of $1,352,000. Year to date oil prices have been higher than budgeted but these have been offset by higher exchange rates.
  - Savings of $551,000 on trolley bus operations. This reflects the fare claw back from the 1 October fare increase.
  - SuperGold card expenditure $626,000 higher than budget due to increased patronage as mentioned above, SuperGold is 100% funded by NZTA.

5.5.2 Forecast to 30 June 2011

The forecast is mostly unchanged from the nine month position.

5.6 Public transport improvement projects

Financial Summary	For the ten months ended 30 April 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	64,360	88,303	153,159	(64,856)	78,286	120,492	206,348	(85,856)
Operating expenditure	70,477	94,690	166,055	71,365	84,328	128,609	224,505	95,896
Operating surplus / (deficit)	(6,117)	(6,387)	(12,896)	6,509	(6,042)	(8,117)	(18,157)	10,040
External debt revaluation gains /(loss)	-	-	-	-	(1,146)	-	-	-
Operating surplus / (deficit)	(6,117)	(6,387)	(12,896)	6,509	(7,188)	(8,117)	(18,157)	10,040
Net capital expenditure	813	1,860	5,059	3,199	2,531	5,282	5,911	629

5.6.1 Year to date

Overall, a favourable operating variance of $6,509,000, comprising lower expenditure of $71,365,000 and lower revenue of $64,856,000.

- Operating expenditure was lower than budget due to:
  - Expenditure on the Matangi EMU project is $76,916,000 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 $10,412,000 over budget reflecting the timing of payments for the Waikanae double tracking and electrification projects and stabilising platforms.
- Capital expenditure was $3,199,000 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 nine month position.

5.7 Strategy & Community Engagement

Financial Summary	For the ten months ended 30 April 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	7,869	7,424	7,568	(144)	9,533	8,970	9,147	(177)
Operating expenditure	7,107	7,239	7,809	570	8,440	9,215	9,442	227
Operating surplus / (deficit)	762	185	(241)	426	1,093	(245)	(295)	50
Net capital expenditure	4	81	293	212	(17)	145	410	265

5.7.1 Year to date

Overall, a favourable operating variance of $426,000, comprising lower expenditure of $570,000 and lower revenue of $144,000.

- Operating revenue is lower than budget due to delays in the Transport Model, a project for which GW receives a grant from NZTA.
- Operating expenditure was lower than budget due to:
  - Reduced expenditure in Transport Planning of $188,000 that relates to delays in the completion of the Hutt and Western Corridor studies.
  - Reduced expenditure on the intranet upgrade and social media communication projects of $117,000 due to internal resources being used to date. With further developments required in the final quarter this expenditure will be in line with budget at year end.
  - Reduced expenditure on Iwi Projects to date.

5.7.2 Forecast to 30 June 2011

The forecast deficit of $245,000 has only slightly changed from the nine month position.

5.8 Corporate

Financial Summary	For the ten months ended 30 April 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	5,174	5,397	5,378	19	6,198	6,490	6,453	37
Operating expenditure	4,788	5,302	5,409	107	5,696	6,562	6,687	125
Operating surplus / (deficit)	386	95	(31)	126	502	(72)	(234)	162
Net capital expenditure	-	85	73	(12)	9	91	103	12

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

5.8.1 Year to date

A favourable operating variance of $126,000 comprising lower expenditure of $107,000 and increased revenue of $19,000.

- Operating expenditure was lower than budget due to:
  - Savings in the Councillor costs, mainly in the area of travel and refreshments. Emergency Management has made savings in the delivery of its programmes.

5.8.2 Forecast to 30 June 2011

The forecast is mostly unchanged from the nine month position.

5.9 Finance and Support

Financial Summary	For the ten months ended 30 April 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	6,751	6,674	6,470	204	8,145	7,716	7,764	(48)
Operating expenditure	5,786	6,578	6,658	80	7,339	8,094	8,104	10
Operating surplus / (deficit)	965	96	(188)	284	806	(378)	(340)	(38)
Net capital expenditure	740	392	667	275	790	568	847	279

5.9.1 Year to date

A favourable operating variance of $284,000 comprising lower expenditure of $80,000 and increased revenue of $204,000.

- Operating revenue was above budget due to additional rates and penalties, as well as contributions to the aerial mapping flyover and increased investment revenue.

- Operating costs were less than budget due to financial costs being under budget by $70,000. This was a result of lower than expected capital expenditure.

5.9.2 Forecast to 30 June 2011

The forecast deficit is unchanged from the nine month position.

- Capital expenditure for the year is below budget due to delays in the Biosecurity database Budget/Planning replacement. Savings are expected at year end due to the server virtualisation project.

5.10 Investment management

Financial Summary	For the ten months ended 30 April 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	4,603	4,312	3,356	956	7,785	7,183	5,001	2,182
Operating expenditure	(2,899)	(2,349)	(1,831)	518	(3,403)	(2,560)	(1,970)	590
Operating surplus / (deficit)	7,502	6,661	5,187	1,474	11,188	9,743	6,971	2,772
Net capital expenditure	3	173	84	(89)	-	160	160	-

5.10.1 Year to date

Operating revenue is $956,000 ahead of budget due to higher interest revenue from money market investments and higher interest on liquid financial deposits.

Net operating expenditure recoveries are $518,000 more than budget due to lower borrowing requirements resulting from lower capital expenditure.

5.10.2 Forecast to 30 June 2011

The operating surplus is forecast to be $9,743,000, which is $2,272,000 higher than budget. This is unchanged from the nine month position.

5.11 Investment management – Non operational movements

Financial Summary	For the ten months ended 30 April 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 surplus / (deficit)	1	1	7,400	(7,399)	5,490	6,009	15,107	(9,098)

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, 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 $7,399,000 budget variance.

5.11.2 Forecast– Matangi investment

As noted above and in section 5.6, the payments for the Matangi trains are now forecast later than originally scheduled, resulting in a $9,098,000 budget variance by year end.

5.12 Warm Greater Wellington

Financial Summary	For the ten months ended 30 April 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	-	32	26	6	-	31	31	-
Operating expenditure	-	1,430	1,179	(251)	282	1,910	1,415	(495)
Operating surplus / (deficit)	-	(1,398)	(1,153)	(245)	(282)	(1,879)	(1,384)	(495)
Net capital expenditure	-	-	-	-	-	-	-	-

5.12.1 Year to date

Overall an unfavourable operating variance of $245,000 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.

At 30 April 1,883 applications had been approved with 1,062 of these installed and paid for.

5.12.2 Forecast

The forecast is unchanged from the nine month position.

5.13 Water

Financial Summary	For the ten months ended 30 April 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	22,904	22,826	23,197	(371)	27,708	27,665	27,810	(145)
Operating expenditure	23,106	23,349	24,561	1,212	28,210	28,562	29,491	929
Operating surplus / (deficit)	(202)	(523)	(1,364)	841	(502)	(897)	(1,681)	784
Net capital expenditure	3,967	5,503	8,450	2,947	6,190	8,965	10,070	1,105

5.13.1 Year to date

Overall a favourable operating variance of $841,000 compared to budget, due to:

- Reduced internal revenue, $347,000, primarily due to less time charged to capital projects.
- Operating expenditure was $1,212,000 lower than budget due to:
  - Contractors and consultants along with materials expenditure was lower than budget by $381,000 with 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 of $197,000 as internal debt is lower than budget.

- The advertising for water conservation programme is $98,000 under spent.

- Capital expenditure is $2,947,000 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 nine month position.

6. Finance costs

For the ten months ended 30 April 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
4,140	4,377	5,705	1,328	5,159	5,792	7,020	1,228

6.1 Year to date

The favourable variance of $1,328,000 results from lower borrowings as a result of lower capital expenditure and an improved working capital position.

6.2 Forecast to 30 June 2011

The forecast is unchanged from the nine month 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
Manager, Finance & Support

Bruce Simpson
Chief Financial Officer

Attachment 1: Funding Impact Statement

Attachment 2: Balance Sheet