greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Financial report for the four months ending 31 October 2011

1. Purpose

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

2. The decision-making process and significance

No decision is being sought in this report.

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 $859k (budget, a deficit of $382k) for the four months ended 31 October. 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 $3,059k (budget, a deficit of $1,533k).

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

4.2 Financial summary – Council

Greater Wellington Regional Council Summary income statement	For the 4 months ended 31 October 2011 Last Year $000s	 Actual $000s	 Budget $000s	 Variance $000s
Regional rates	26,966	28,284	28,284	-
Water supply levy	7,820	8,055	8,055	-
Other operating revenue	26,867	30,060	28,501	1,559
Total operating revenue	**61,653**	**66,399**	**64,840**	**1,559**
Operational expenditure	(59,997)	(65,540)	(65,222)	(318)
Operating surplus/(deficit) before transport improvements	**1,656**	**859**	**(382)**	**1,241**
Operating (deficit) from transport improvements	(3,033)	(1,066)	(3,821)	2,755
Operating surplus/(deficit) before unrealised items	**(1,377)**	**(207)**	**(4,203)**	**3,996**
Non-operational movements	(1,287)	(2,852)	2,670	(5,522)
Operating surplus/(deficit)	**(2,664)**	**(3,059)**	**(1,533)**	**(1,526)**

4.3 Financial summary – Council by Group

Greater Wellington Regional Council Summary income statement	For the 4 months ended 31 October 2011 Last Year $000s	 Actual $000s	 Budget $000s	 Variance $000s
Operational Groups				
Catchment Management	1,429	1,864	1,406	458
Environmental Management	270	145	301	(156)
Forestry	(441)	(429)	(512)	83
Parks and Forests	160	80	(14)	94
Public Transport	(362)	(731)	(521)	(210)
Total rates funded operational surplus / (deficit)	**1,056**	**929**	**660**	**269**
Corporate				
Strategy & Community Engagement	353	820	323	497
Finance and Support	202	84	(203)	287
Other corporate activities	15	290	57	233
Investment Management	2,310	2,965	3,377	(412)
Business unit rates contribution	(2,181)	(3,480)	(3,480)	-
Total rates funded operating surplus / (deficit)	**1,755**	**1,608**	**734**	**874**
Water	(99)	(749)	(1,116)	367
Total rates & levy funded operating surplus / (deficit)	**1,656**	**859**	**(382)**	**1,241**
Non-operational movements				
Forestry cost of goods sold	(629)	(988)	(156)	(832)
Grants for Baring Head Purchase	-	-	-	-
Warm Greater Wellington	(660)	(1,870)	(1,002)	(868)
EMU investment - GW Rail	2	6	3,828	(3,822)
Public Transport - improvements	(3,033)	(1,066)	(3,821)	2,755
Total Council surplus / (deficit)	**(2,664)**	**(3,059)**	**(1,533)**	**(1,526)**

4.4 Forecast to 30 June 2012

Greater Wellington is forecasting an operating deficit of $2,177k (budget, a deficit of $2,803k) for the year to 30 June 2012. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington is forecasting a deficit of $11,572k (budget, a deficit of $12,203k).

4.5 Financial forecast – Council

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2012 Last Year $000s	 Forecast $000s	 Budget $000s	 Variance $000s
Regional rates	81,933	84,852	84,852	-
Water supply levy	23,460	24,164	24,164	-
Other operating revenue	83,102	88,741	87,453	1,288
Total operating revenue	**188,495**	**197,757**	**196,469**	**1,288**
Operational expenditure	(184,446)	(199,934)	(199,272)	(662)
Operating surplus/(deficit) before transport improvements	**4,049**	**(2,177)**	**(2,803)**	**626**
Operating (deficit) from transport improvements	(7,458)	(45,512)	(47,025)	1,513
Operating surplus/(deficit) before unrealised items	**(3,409)**	**(47,689)**	**(49,828)**	**2,139**
Non-operational movements	16,948	36,117	37,625	(1,508)
Operating surplus/(deficit)	**13,539**	**(11,572)**	**(12,203)**	**631**

5. Financial Performance – by Group

5.1 Catchment management

Financial Summary	For the 4 months ended 31 October 2011 Last Year $000s	 Actual $000s	 Budget $000s	 Variance $000s	For the year ending 30 June 2012 Last Year $000s	 Forecast $000s	 Budget $000s	 Variance $000s
Operating revenue	8,546	10,333	10,530	(197)	24,592	29,932	30,136	(204)
Operating expenditure	7,117	8,469	9,124	655	21,012	26,639	26,944	305
Operating surplus / (deficit)	1,429	1,864	1,406	458	3,580	3,293	3,192	101
Net capital expenditure	561	1,110	482	(628)	4,256	5,553	5,553	-

5.1.1 Year to date

A favourable operating variance of $458k, comprising lower revenue of $197k and lower operating costs of $655k primarily due to the timing of the work programmes compared to budget.

- Operating revenue is lower than budget due mainly to:
  - Revenue from the Animal Health Board for BioWorks was $193k below budget to timing of awarded contracts for 2011/12.

- Operating expenditure was lower than budget due mainly to:
  - Contract expenditure ($247k) for flood protection was favourable due to timing of river maintenance works.
  - Contract and materials expenditure for Biodiversity was $199k favourable due to the timing of various implementation programmes.
  - Contract expenditure for Biosecurity was $103k favourable due to the timing of Pest Management and predator control work.
- Capital expenditure is $628k ahead of budget primarily due to:
  - The settlement of the Buick Road property ($350k) acquisition for the LWVD river scheme.
  - Other capital expenditure that is ahead of budget relates to work carried out on the Boulcott Hutt stop bank and some extra work carried out to Bridge Road edge protection.

5.1.2 Forecast to 30 June 2012

The forecast operating surplus of $3,293k is $101k more than budget. Reduced revenue from NZTA and gravel extraction will be offset by reduced river maintenance expenditure.

5.2 Environmental management

Financial Summary	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	4,734	4,605	4,169	436	14,884	12,788	12,546	242
Operating expenditure	4,464	4,460	3,868	(592)	14,911	12,830	12,406	(424)
Operating surplus / (deficit)	270	145	301	(156)	(27)	(42)	140	(182)
Net capital expenditure	80	71	286	215	178	1,119	1,119	-

5.2.1 Year to date

Overall, an unfavourable operating variance of $156k, comprising higher revenue of $436k and higher expenditure of $592k.

- Operating revenue is ahead of budget primarily due to:
  - Consents regulation revenue in relation to Transmission Gully and the Genesis wind farm totalling $180k
  - $104k of restitution income carried forward from earlier periods
  - Internal revenue is $69k ahead of budget mainly due to charges to water supply for the Kaitoke Weir change of consent conditions.
- Operating expenditure was more than budget due mainly to:
  - Costs of consultants in relation to the consents for Transmission Gully and the Genesis wind farm totalling $158k

- Additional expenditure on consultants, $33k, related to the Kaitoke Weir
- Timing of expenses incurred on policy and environmental consultants being $186k ahead of budget.

- Capital expenditure is behind budget which relates to the timing of vehicle replacements.

5.2.2 Forecast to 30 June 2012

- The forecast operating deficit of $42k is unchanged from the previous month.

5.3 Forestry

Financial Summary	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	2,146	2,582	2,213	369	7,415	6,639	6,639	-
Operating expenditure	2,586	3,011	2,724	(287)	7,783	8,173	8,173	-
Operating surplus / (deficit) before cost of goods sold	(440)	(429)	(511)	82	(368)	(1,534)	(1,534)	-
Cost of goods sold*	630	988	157	(831)	1,899	467	467	-
Operating surplus / (deficit) before valuation	(1,070)	(1,417)	(668)	(749)	(2,267)	(2,001)	(2,001)	-
Forestry valuation	-	-	-	-	8,162	1,400	1,400	-
Operating surplus / (deficit)	(1,070)	(1,417)	(668)	(749)	5,895	(601)	(601)	-
Net capital expenditure	195	67	113	46	414	360	360	-

* cost of goods sold is a non cash accounting adjustment

5.3.1 Year to date

- A favourable operating variance of $82k, prior to cost of goods sold, due to:
  - Higher operating revenue primarily due to increased volume of logging than was planned. This has offset the current reduced log price.
  - With increased volumes, operating expenditure has been higher than budget due to increased costs of harvesting and cartage.
- The non cash variance for cost of goods sold of $831k reflects the higher valuation of the forestry investment compared to budget. This is being reviewed.

5.4 Regional Parks

Financial Summary	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	2,059	1,755	1,753	2	5,133	5,289	5,289	-
Operating expenditure	1,899	1,675	1,767	92	6,475	5,506	5,506	-
Operating surplus / (deficit)	160	80	(14)	94	(1,342)	(217)	(217)	-
Grants for Baring Head purchase	-		-	-	1,100	-	-	-
Operating surplus / (deficit)	160	80	(14)	94	(242)	(217)	(217)	-
Baring Head purchase			-	-	1,775	-	-	-
Net capital expenditure	13	54	131	77	(1,599)	512	512	-

5.4.1 Year to date

A favourable operating variance of $94k, comprising increased revenue of $2k and lower expenditure of $92k.

- Operating expenditure was below budget due primarily to:
  - Reduced personnel costs of $55k due to vacancies.
  - The Whitireia Park budget is under spent by $25k as the Whitireia Park Board hasn't formally met and approved the work programme for the year.
- Capital expenditure was below budget due primarily to:
  - Delayed fence replacements at Waitangirua park
  - Delayed replacement of the water supply pipelines in the northern farming block of Queen Elizabeth Park.

  Both of these capital works will be completed this year.

5.4.2 Forecast to 30 June 2012

There are no changes from budget.

5.5 Public transport

Financial Summary	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	27,613	30,781	30,482	299	84,550	92,019	91,797	222
Operating expenditure	27,975	31,512	31,003	(509)	86,300	93,399	93,572	173
Operating surplus / (deficit)	(362)	(731)	(521)	(210)	(1,750)	(1,380)	(1,775)	395
Net capital expenditure	-	-	26	26	37	252	252	-

5.5.1 Year to date

An unfavourable operating variance of $210k, comprising higher expenditure of $509k and increased revenue of $299k. Overall public transport operations are tracking close to budget.

5.5.2 Forecast to 30 June 2012

The forecast favourable operating variance of $395k is comprised of lower expenditure of $173k and increased revenue of $222k.

- Operating revenue is forecast to be higher than budget primarily due to:
  - A forecast increase in grants and subsidies revenue. The NZTA financial assistance for the Total Mobility Scheme has increased to 60% (previously the rate was between 50 - 60% depending on the level of expenditure).
- Operating expenditure is forecast to be slightly lower than budget primarily due to:
  - Diesel bus operating contract expenditure is forecast to be slightly lower than budget. However, since the forecasts were completed the price of oil and the NZ/US exchange rates have continued to fluctuate. Forecast will continue to be reviewed.

5.6 Public transport improvement projects

Financial Summary	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	39,681	32,689	57,541	(24,852)	116,365	121,313	128,092	(6,779)
Operating expenditure	42,714	33,755	61,362	27,607	123,823	166,825	175,117	8,292
Operating surplus / (deficit)	(3,033)	(1,066)	(3,821)	2,755	(7,458)	(45,512)	(47,025)	1,513
External debt revaluation gains /(loss)	-	-	-	-	(1,238)	-	-	-
Operating surplus / (deficit)	(3,033)	(1,066)	(3,821)	2,755	(8,696)	(45,512)	(47,025)	1,513
Net capital expenditure	68	1,497	2,812	1,315	3,159	3,062	3,666	604

5.6.1 Year to date

Overall, a favourable operating variance of $2,755k, comprising lower expenditure of $27,607k and lower revenue of $24,852k (which is a result of the lower expenditure to date).

- Operating expenditure was lower than budget due to:
  - Reduced expenditure on the new Matangi trains of $24,424k because of changes to the expected payment dates for the trains.
  - Rail infrastructure projects $957k behind budget reflecting the timing of projects and a reduction in charges of $800k from Kiwirail Networks relating to last year.

- Trolley bus infrastructure renewals are $762k behind budget due to timing of work carried out. Work had been delayed to avoid the Rugby World Cup. Some work will be deferred to 2012/13.

- Capital expenditure was $1,315k below budget due mainly to the change in timing of the payments for the Real Time Information project roll out.

5.6.2 Forecast to 30 June 2012

The forecast favourable operating variance of $1,513k is comprised of lower expenditure of $8,292k and reduced revenue of $6,779k.

- Operating expenditure is forecast to be lower than budget due to:
  - Reduced expenditure on Rail Infrastructure upgrades of $4,956k as most of the projects were substantially completed in the last financial year
  - Change in timing of expenditure for the new Matangi trains of $1,906k.
- Operating revenue is forecast to be lower than budget due to the reduced expenditure as discussed above.

Capital expenditure is forecast to be $604k below budget due to the change in timings of the payments on the Real Time Information project.

5.7 Strategy & Community Engagement

Financial Summary	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	3,168	3,557	3,572	(15)	8,972	10,660	10,675	(15)
Operating expenditure	2,815	2,737	3,249	512	8,657	10,040	10,098	58
Operating surplus / (deficit)	353	820	323	497	315	620	577	43
Net capital expenditure	6	439	450	11	178	1,302	1,332	30

5.7.1 Year to date

Overall, a favourable operating variance of $497k, comprising lower expenditure of $512k and lower revenue of $15k.

- Operating expenditure was lower than budget due to:
  - Reduced expenditure in Transport Planning of $230k that relates to the RLTP, reduced expenditure on the PT Spine Study due to a delay in commencement of the study and delays to the finalisation of the hearing process and NZTA funding related to the Hutt Corridor Study
  - Reduced expenditure of $77k related to timing of signage and display systems, subscriptions and media monitoring
  - Reduced expenditure on Iwi Projects and capacity training of $45k to date

- $90k to be spent on market research related to the LTP development has been delayed till early 2012
- Reduced payments $50k for the School Travel Plan programme which is a timing issue.

- Capital expenditure is in line with budget.

5.7.2 Forecast to 30 June 2012

The forecast surplus of $620k is $43k ahead of budget mainly due to expected saving associated with completing the Hutt Corridor Plan.

5.8 Corporate

Financial Summary	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	2,148	2,397	2,353	44	6,501	7,068	7,068	-
Operating expenditure	2,133	2,107	2,296	189	6,455	6,887	6,944	57
Operating surplus / (deficit)	15	290	57	233	46	181	124	57
Net capital expenditure	2	48	80	32	93	157	107	(50)

5.8.1 Year to date

A favourable operating variance of $233k comprising lower expenditure of $189k and increased revenue of $44k.

- Operating expenditure was lower than budget due to:
  - Timing of the Councillor costs, core training and work programmes.
- Operating Revenue was higher that budget due to additional external revenue from Emergency Management.

5.8.2 Forecast to 30 June 2012

The forecast is unchanged from the ten month position.

5.9 Finance and Support

Financial Summary	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	2,665	2,639	2,587	52	9,108	7,763	7,763	-
Operating expenditure	2,463	2,555	2,790	235	8,006	8,606	8,727	121
Operating surplus / (deficit)	202	84	(203)	287	1,102	(843)	(964)	121
Net capital expenditure	236	134	250	116	660	1,072	1,072	-

5.9.1 Year to date

A favourable operating variance of $287k comprising higher revenue of $52k and lower expenditure of $235k.

- Operating revenue was above budget due to additional rates and penalties.
- Operating expenditure is below budget due to:
  - Savings in personnel costs and materials and supplies in the finance team
  - Depreciation expenditure was lower than budget by $80k
  - Reduced consultant costs of $57k in ICT due to timing of projects.

5.9.2 Forecast to 30 June 2012

The forecast deficit is improved by $121k due to savings in personnel costs and reduced licence fees.

- Capital expenditure for the year is below budget due to timing but is expected to track back to budget over the year.

5.10 Investment management

Financial Summary	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	1,532	1,947	1,356	591	7,159	8,125	7,082	1,043
Operating expenditure	(778)	(1,018)	(2,021)	(1,003)	(2,784)	(2,987)	(4,339)	(1,352)
Operating surplus / (deficit)	2,310	2,965	3,377	(412)	9,943	11,112	11,421	(309)
Net capital expenditure	27	93	808	715	252	2,424	2,424	-

5.10.1 Year to date

Operating revenue is $591k ahead of budget due to higher interest revenue from money market investments and higher interest on liquid financial deposits.

Net operating expenditure recoveries are $1,003k less than budget due to the much lower borrowing requirements of the business in 2010/11 and from lower year to date capital expenditure.

5.10.2 Forecast to 30 June 2012

The operating surplus is forecast to be $309k, which is slightly lower than budget due to lower recoveries from other Groups.

5.11 Investment management – Non operational movements

Financial Summary	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Investment - GW Rail	2	6	3,828	(3,822)	13,341	39,781	39,781	-
Valuation Movements	-	-	-	-	2,798	288	288	-
Operating surplus / (deficit)	2	6	3,828	(3,822)	16,139	40,069	40,069	-

5.11.1 Year to date – GW Rail investment

An unfavourable variance of $3,822k is due to the timing of the grant from the Public Transport Group to fund the share capital of Greater Wellington Rail.

5.11.2 Forecast– Matangi investment

The forecast remains unchanged.

5.12 Warm Greater Wellington

Financial Summary	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	13	124	109	15	38	532	532	-
Operating expenditure	673	1,994	1,111	(883)	(242)	4,841	3,333	(1,508)
Operating surplus / (deficit)	(660)	(1,870)	(1,002)	(868)	280	(4,309)	(2,801)	(1,508)

5.12.1 Year to date

Overall, an unfavourable operating variance of $868k primarily due to the programme being taken up by more ratepayers than expected.

Council has increased the budget to $6 million of approvals per annum for the programme and only the ratepayers participating in the scheme are charged a targeted rate to fund the programme.

3261 applications had been approved and paid as at 31 October, with 1,140 of these being paid for this year.

5.12.2 Forecast

The forecast expenditure has increased by $1,508k due to the increased number of participants in the scheme.

5.13 Water

Financial Summary	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	9,212	9,281	9,303	(22)	27,828	27,907	27,908	(1)
Operating expenditure	9,311	10,030	10,419	389	28,728	30,841	31,242	401
Operating surplus / (deficit)	(99)	(749)	(1,116)	367	(900)	(2,934)	(3,334)	400
Net capital expenditure	1,248	3,024	4,008	984	7,411	16,692	16,692	-

5.13.1 Year to date

Overall a favourable operating variance of $367k compared to budget, due to:

- Operating expenditure was $389k lower than budget due to:
  - Contractors and consultant’s costs were lower than budget by $380k. This is due to a number of projects that have been initiated but yet to fully commence – these include emergency preparedness and network

resilience investigations, asset management work, and some of the compliance work associated with the Kaitoke weir resource consent.

- Capital expenditure is $984k under budget due to the timing of work in a number of projects.

5.13.2 Forecast to 30 June 2012

The forecast operating expenditure has reduced by $400k due to reduced finance costs less as a result of lower capital expenditure in the last financial year.

6. Finance costs

Finance Costs	For the 4 months ended 31 October 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
	1,785	2,436	2,285	(151)	5,424	8,131	8,533	402

6.1 Year to date

The unfavourable variance of $151k results from higher borrowings which has been invested at a margin so is offset by addition investment revenue.

6.2 Forecast to 30 June 2012

The forecast has reduced by $402k due to lower borrowing requirements.

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