



Report 08.865
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Committee Finance, Evaluation and Risk
Author Chris Gray, Finance Manager

Financial Report for the four months ending 31 October 2008

1. Purpose

To review the financial performance of the Council for the period ending 31 October 2008.

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

4. Financial Performance

4.1 Year to date Operating Result

The Council's operating surplus for the four months ended 31 October 2008 was \$2,633,000 compared with the budget surplus of \$740,000. This result excludes grants to fund public transport capital expenditure, debt revaluations and forestry cost of goods sold. Including these amounts the Council's deficit was \$4,904,000 (budget \$8,053,000).

Operating revenue, excluding grants for capital expenditure is \$58,154,000 compared with the budget of \$58,898,000.

Year to date operating expenditure is \$55,521,000, \$2,637,000 below budget. The majority of this favourable variance is due to lower oil prices and lower interest rates which are expected to continue for the remainder of the year.

This lower expenditure has resulted in the operating surplus being \$1,904,000 ahead of budget.

Wellington Regional Council
 Summary Income Statement - Revenue
 For the four months ended 31 October 2008

Total operating revenue \$(000)'s	Year to date			
	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	936	1,403	1,122	281
Public Transport	23,793	25,733	26,539	(806)
Total Transport	24,729	27,136	27,661	(525)
Environment	3,999	4,331	4,326	5
Catchment Management	8,829	8,413	8,297	116
Forestry	2,118	1,791	2,272	(481)
Regional Parks	2,135	2,153	2,104	49
Corporate	822	757	705	52
WRS	1,333	1,480	1,501	(21)
Finance, IT & Support Services	2,348	2,530	2,478	52
Investment in Democracy	1,547	1,577	1,575	2
Rates funded divisional operating revenue	47,860	50,168	50,919	(751)
Investment Management	1,741	1,681	1,658	23
Business Unit Rates Contribution	(2,914)	(2,769)	(2,769)	-
Rates funded operating revenue	46,687	49,080	49,808	(728)
Water Group	9,065	9,074	9,090	(16)
Rates & levy funded operating revenue	55,752	58,154	58,898	(744)
Non-Operational movements				
Revaluation of debt and stadium advance	-	-	(88)	88
Revaluation of forestry	-	-	-	-
Public Transport - Capex / Investment	6,514	8,671	11,327	(2,656)
Total Council revenue	62,266	66,825	70,137	(3,312)

Wellington Regional Council
 Summary Income Statement - Expenditure
 For the four months ended 31 October 2008

Total operating expenditure \$(000)'s	Year to date			
	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	849	1,197	1,183	(14)
Public Transport	22,919	24,282	26,474	2,192
Total Transport	23,768	25,479	27,657	2,178
Environment	3,927	4,420	4,116	(304)
Catchment Management	7,394	7,344	7,289	(55)
Forestry	2,516	2,493	2,728	235
Regional Parks	1,933	2,110	1,897	(213)
Corporate	664	494	696	202
WRS	1,407	1,646	1,649	3
Finance, IT & Support Services	1,960	2,164	2,285	121
Investment in Democracy	1,513	1,582	1,549	(33)
Rates funded divisional operating expenditure	45,082	47,732	49,866	2,134
Investment Management	(1,135)	(1,240)	(1,309)	(69)
Business Unit Rates Contribution	-	1	-	(1)
Rates funded operating expenditure	43,947	46,493	48,557	2,064
Water Group	8,603	9,028	9,601	573
Rates & levy funded operating expenditure	52,550	55,521	58,158	2,637
Non-Operational movements				
Revaluation of debt and stadium advance	-	-	-	-
Forestry cost of goods sold	458	297	578	281
EMU Investment - GW Rail	-	-	(545)	(545)
Public Transport - Capex / Investment	9,216	15,911	19,999	4,088
Total Council expenditure	62,224	71,729	78,190	6,461

Wellington Regional Council				
Summary Income Statement - Operating Surplus \ (Deficit)				
For the four months ended 31 October 2008				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Year to date			
	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	87	206	(61)	267
Public Transport	874	1,451	65	1,386
Total Transport	961	1,657	4	1,653
Environment	72	(89)	210	(299)
Catchment Management	1,435	1,069	1,008	61
Forestry	(398)	(702)	(456)	(246)
Regional Parks	202	43	207	(164)
Corporate	158	263	9	254
WRS	(74)	(166)	(148)	(18)
Finance, IT & Support Services	388	366	193	173
Investment in Democracy	34	(5)	26	(31)
Rates funded divisional operating surplus / (deficit)	2,778	2,436	1,053	1,383
Investment Management	2,876	2,921	2,967	(46)
Business Unit Rates Contribution	(2,914)	(2,770)	(2,769)	(1)
Rates funded operating surplus / (deficit)	2,740	2,587	1,251	1,336
Water Group	462	46	(511)	557
Rates & levy funded operating surplus / (deficit)	3,202	2,633	740	1,893
Non-Operational movements				
Revaluation of Debt and Stadium Advance	-	-	(88)	88
Revaluation Forestry - Revaluation	-	-	-	-
Forestry cost of goods sold	(458)	(297)	(578)	281
EMU Investment - GW Rail	-	-	545	(545)
Public Transport - Capex / Investment	(2,702)	(7,240)	(8,672)	1,432
Total Council surplus / (deficit)	42	(4,904)	(8,053)	3,149

4.2 Income Statement

The Income Statement is included as **Attachment 1**.

4.3 Funding Statement

The Funding Statement is included as **Attachment 2**.

4.4 Balance Sheet

The Balance Sheet is included as **Attachment 3**.

5. Forecast to 30 June 2009

Greater Wellington is forecasting an operating deficit of \$1,911,000 unchanged from the previous forecast. These amounts exclude grants and expenditure in respect of Public Transport capital expenditure, revaluations and forestry cost of goods sold calculations. Including these the forecast deficit is \$14,749,000 compared to a budget deficit of \$11,717,000. The increased deficit is due to ONTRACK projects being brought forward from 2009/10.

The deficit largely arises from the accounting treatment for the purchase of the rail rolling stock in Greater Wellington Rail Ltd.

Wellington Regional Council				
Summary Income Statement - Operating Surplus \ (Deficit)				
For the year ending 30 June 2009				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Full Year			
	Last Year	Forecast	Budget	Variance
Transport Policy and Strategy	202	(74)	(74)	-
Public Transport	46	646	40	606
Total Transport	248	572	(34)	606
Environment	(207)	(423)	(223)	(200)
Catchment Management	3,566	2,975	3,007	(32)
Forestry	(1,488)	(1,798)	(1,358)	(440)
Regional Parks	(208)	(653)	(653)	-
Corporate	(25)	(66)	(66)	-
WRS	250	(500)	(500)	-
Finance, IT & Support Services	691	298	298	-
Investment in Democracy	(75)	77	77	-
Rates funded divisional operating surplus / (deficit)	2,752	482	548	(66)
Investment Management	10,276	7,760	7,312	448
Business Unit Rates Contribution	(8,742)	(8,308)	(8,308)	-
Rates funded operating surplus / (deficit)	4,286	(66)	(448)	382
Water Group	1,223	(1,383)	(1,463)	80
Rates & levy funded operating surplus / (deficit)	5,509	(1,449)	(1,911)	462
Non-Operational movements				
Revaluation of Debt and Stadium Advance	5,460	2,283	2,103	180
Revaluation Forestry	(3,125)	2,643	2,643	-
Forestry cost of goods sold	(1,268)	(1,394)	(1,734)	340
EMU Investment - GW Rail	-	2,183	2,183	-
Public Transport - Capex / Investment	(9,118)	(19,015)	(15,001)	(4,014)
Total Council surplus / (deficit)	(2,542)	(14,749)	(11,717)	(3,032)

6. Year to date capital expenditure

Capital expenditure for the period was \$2,929,000 below budget by \$853,000. At this stage the main contributor to favourable variance is the delay to the asset management project.

Wellington Regional Council				
Capital Expenditure				
For the four months ended 31 October 2008				
Capital expenditure \$(000)'s	Year to date			
	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	-	-	-	-
Public Transport	9	(9)	8	17
Public Transport Improvement Projects	285	8	109	101
Total Transport	294	(1)	117	118
Environment	-	151	259	108
Catchment Management	1,735	670	631	(39)
Forestry	74	92	114	22
Regional Parks	32	60	68	8
Corporate	21	77	-	(77)
WRS	-	-	-	-
Finance, IT & Support Services	67	784	1,331	547
Investment in Democracy	-	-	-	-
Rates funded divisional capital expenditure	2,223	1,833	2,520	687
Investment Management	5	14	80	66
Rates funded capital expenditure	2,228	1,847	2,600	753
Water Group	647	1,082	1,182	100
Rates & levy funded capital expenditure	2,875	2,929	3,782	853

7. Capital expenditure forecast to 30 June 2009

Capital expenditure is forecast at \$17,477,000 (budget \$19,942,000), unchanged from the September quarter.

Wellington Regional Council				
Capital Expenditure				
For the year ending 30 June 2009				
Capital expenditure \$(000)'s	Full Year			
	Last Year	Forecast	Budget	Variance
Transport Policy and Strategy	24	-	-	-
Public Transport	7	121	121	-
Public Transport Improvement Projects	1,007	472	2,059	1,587
Total Transport	1,038	593	2,180	1,587
Environment	487	1,437	1,557	120
Catchment Management	6,573	6,183	6,941	758
Forestry	278	364	364	-
Regional Parks	296	469	469	-
Corporate	(17)	55	55	-
WRS	-	-	-	-
Finance, IT & Support Services	546	2,788	2,788	-
Investment in Democracy	74	5	5	-
Rates funded divisional capital expenditure	9,275	11,894	14,359	2,465
Investment Management	39	400	400	-
Rates funded capital expenditure	9,314	12,294	14,759	2,465
Water Group	3,843	5,183	5,183	-
Rates & levy funded capital expenditure	13,157	17,477	19,942	2,465

8. Finance Costs

Year to date finance costs are \$1,542,000 compared with the budget of \$1,779,000. The favourable variance is due to the lower external debt position.

9. Debt

Gross external debt at 31 October was \$82.4 million compared with \$73.9 million at 30 June 2008. The \$8.5 million increase is due to capital expenditure of \$3.0 million and working capital requirements for Public Transport which reverse once monies are received from the NZ Transport Agency. Net debt after write downs of \$7.6 million is \$74.8 million.

10. Communication

No communications are necessary.

11. Recommendations

That the Committee recommend to Council that it:

- 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: Council Income Statement

Attachment 2: Council Funding Statement

Attachment 3: Council Balance Sheet