



Report 09.728
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Committee Council
Author Chris Gray, Finance Manager

Financial report for the four months ended 31 October 2009

1. Purpose

To inform the Council of Greater Wellington's (GWRC) financial performance for the four months ended 31 October 2009 and to provide an explanation of major variances to budget by Division.

2. Consideration by Committee

The matters raised in this report were considered by the Finance, Audit and Risk Committee at its meeting on 24 November (Report 09.718 refers). The recommendations contained in this report have been endorsed by the Committee for the Council's consideration and decision.

3. 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.

4. Background

Financial statements are prepared and presented to management for review each month. A detailed report is given to the Committee each quarter. In the intervening months, reports to the Committee are done by exception.

5. Financial Performance

5.1 Year to date Operating Performance

Greater Wellington achieved an operating surplus of \$1,897,000 (budget \$2,125,000). This result excludes grants to fund public transport capital expenditure, debt revaluations and forestry cost of goods sold. Including these amounts, Greater Wellington's deficit was \$210,000 (budget, a surplus of \$100,000).

Further details on the year to date performance are discussed below.

6. Financial Summary - Council

Greater Wellington Regional Council Summary income statement For the 4 months ended 31 October 2009	Year to Date			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
Regional rates	25,400	26,364	26,364	-
Water supply levy	7,820	7,820	7,827	(7)
Other operating revenue	24,932	27,919	27,605	314
Total operating revenue	58,152	62,103	61,796	307
Operational expenditure	(55,818)	(60,206)	(59,671)	(535)
Operating surplus/(deficit) before transport improvement grants	2,334	1,897	2,125	(228)
Operating (deficit) from transport improvements	7,240	2,107	2,434	(327)
Operating surplus/(deficit) before unrealised items	(4,906)	(210)	(309)	99
Unrealised revaluation gains/(losses)	-	-	409	(409)
Operating surplus/(deficit)	(4,906)	(210)	100	(310)

Greater Wellington Regional Council Summary income statement For the 4 months ended 31 October 2009	Year to date			
	Last Year	Actual	Budget	Variance
	\$(000)'s	\$(000)'s	\$(000)'s	\$(000)'s
Environment	(89)	(70)	(223)	153
Catchment management	1,069	1,287	1,161	126
Forestry	(703)	(636)	93	(729)
Regional parks	43	116	122	(6)
Corporate	264	338	46	292
WRS	(166)	(15)	(2)	(13)
Finance, IT & support services	367	286	(76)	362
Investment in democracy	(6)	47	23	24
Rates funded operating surplus / (deficit)	779	1,353	1,144	209
Transport policy and strategy	205	466	68	398
Public transport	1,451	562	(176)	738
Transport rates funded operating surplus / (deficit)	1,656	1,028	(108)	1,136
Investment management	2,914	2,870	2,608	262
Business unit rates contribution	(2,771)	(2,327)	(2,327)	-
Total rates funded operating surplus / (deficit)	2,578	2,924	1,317	1,607
Water group	45	(562)	(208)	(354)
Total rates & levy funded operating surplus / (deficit)	2,623	2,362	1,109	1,253
Non-operational movements				
Revaluation of debt and stadium advance	-	-	88	(88)
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(297)	(465)	(218)	(247)
EMU investment - GW Rail	8	-	1,555	(1,555)
Public transport - capex / investment	(7,240)	(2,107)	(2,434)	327
Total council surplus / (deficit)	(4,906)	(210)	100	(310)

6.1 Environment - favourable variance of \$153,000 due primarily to:

- Operating expenditure was below budget as no expenditure on the Waiwhetu project has been incurred at this stage.

6.2 Catchment management - favourable variance of \$126,000 due primarily to:

- Additional revenue and expenditure on the Waiwhetu clean up project
- Western river maintenance tracking behind budget.

6.3 Forestry - unfavourable variance of \$729,000 due primarily to:

- High New Zealand dollar and shipping costs have meant net revenue from sales is below budget
- No sales of emission credits due to delays in the introduction of emissions trading scheme.

6.4 Corporate and Strategy - favourable variance of \$292,000 due primarily to:

- Additional revenue from the Honda tree fund of \$52,000
- Delays in the “It’s our Fault” and the intranet development projects have resulted in lower operating expenditure.

6.5 Finance and ICT - favourable variance of \$362,000 due primarily to:

- Staff vacancies (\$75,000) and timing delays in some projects
- Lower depreciation (\$149,000) and finance costs (\$22,000) as a result of lower 2008/09 capital expenditure.

6.6 Transport policy and strategy - favourable variance of \$398,000 due primarily to:

- Phasing of expenditure on a number of projects which are expected to reverse by year end.

6.7 Public Transport - favourable variance of \$738,000 due primarily to:

- Diesel bus operating contract expenditure down \$925,000 primarily because contracted inflation payments are less than expected
- Rail contract costs under budget by \$438,000 due mainly to a refund from Tranz Metro for \$252,000 relating to 2008/09
- Real time information project operational expenditure down \$217,000, as operational costs are not expected to commence until later in the 2010/11 year.

6.8 Public Transport improvement projects - favourable variance of \$327,000 due primarily to:

- Expenditure on the Matangi EMU project is \$9,822,000 below budget. This reflects changes to the timings of progress payments. The new trains are still scheduled to be delivered from mid 2010
- Rail infrastructure projects including station platforms, signalling, Johnsonville stations and McKay's to Waikanae double tracking and electrification, are under budget by \$10,935,000. this reflects the difference is the progress payment timetable
- The Ganz Mavag pilot refurbishment is \$430,000. A contract for this work with KiwiRail was signed on 26 August.

The reductions in operating expenditure noted above have also reduced revenue.

7. Finance costs

Finance Costs

For the 4 months ended 31 October 2009

Last Year	Actual	Budget	Variance
\$000s	\$000s	\$000s	\$000s
1,542	1,630	1,842	(212)

Finance costs for the two months ending 31 October 2009 were \$1,630,000, compared to the budget of \$1,842,000, a favourable variance of \$212,000. The favourable variance is due to reduced borrowings from lower capital expenditure.

8. Forecast to 30 June 2010

Greater Wellington Regional Council Summary income statement For the year ended 30 June 2010	Full Year Forecast			
	Last Year \$(000)'s	Forecast \$(000)'s	Budget \$(000)'s	Variance \$(000)'s
Environment	(273)	(506)	(412)	(94)
Catchment management	3,179	3,154	3,200	(46)
Forestry	(2,035)	(1,687)	(678)	(1,009)
Regional parks	(509)	191	191	-
Corporate	(54)	(56)	(56)	-
WRS	(187)	(50)	-	(50)
Finance, IT & support services	1,244	(227)	(227)	-
Investment in democracy	153	70	70	-
Rates funded operating surplus / (deficit)	1,518	889	2,088	(1,199)
Transport policy and strategy	544	(26)	(42)	16
Public transport	2,892	(509)	(895)	386
Transport rates funded operating surplus / (deficit)	3,436	(535)	(937)	402
Investment management	11,601	9,406	8,710	696
Business unit rates contribution	(8,310)	(6,980)	(6,980)	-
Total rates funded operating surplus / (deficit)	8,245	2,780	2,881	(101)
Water group	(116)	(461)	(645)	184
Total rates & levy funded operating surplus / (deficit)	8,129	2,319	2,236	83
Non-operational movements				
Revaluation of debt and stadium advance	7,260	(570)	(570)	-
Revaluation of forestry	182	1,903	1,903	-
Forestry cost of goods sold	(1,106)	(655)	(655)	-
EMU investment - GW Rail	1,225	3,368	6,218	(2,850)
Public transport - capex / investment	(16,005)	(10,725)	(8,028)	(2,697)
Total council surplus / (deficit)	(315)	(4,360)	1,104	(5,464)

The forecast surplus has decreased from \$4,132,000 previously to \$2,319,000 currently, a reduction of \$1,813,000. This result excludes revaluations and grants to fund public transport improvement.

The decreased forecast of \$1,813,000 is due to:

- Credits from the emissions trading scheme, now eliminated from the forecast for Forestry, \$1,009,000
- Increased costs from Tranz Metro due to lower patronage, \$2,477,000.

9. Capital Expenditure

9.1 Year to date

Year to date capital expenditure is \$4,226,000, compared with the budget of \$9,384,000.

Greater Wellington Regional Council Capital expenditure by division For the 4 months ended 31 October 2009	Last Year \$(000)'s	Year to date		Variance \$(000)'s
		Actual \$(000)'s	Budget \$(000)'s	
Environment	151	234	693	(459)
Catchment management	670	1,797	2,385	(588)
Forestry	92	67	95	(28)
Regional parks	60	65	168	(103)
Corporate	77	2	-	2
WRS	-	-	-	-
Finance, IT & support services	784	370	575	(205)
Investment in democracy	-	-	-	-
Rates funded capital expenditure	1,834	2,535	3,916	(1,381)
Transport policy and strategy	-	-	-	-
Public transport	(1)	396	2,890	(2,494)
Transport rates funded capital expenditure	(1)	396	2,890	(2,494)
Investment management	14	1	-	1
Total rates funded capital expenditure	1,847	2,932	6,806	(3,874)
Water group	1,082	1,334	2,578	(1,244)
Total rates & levy funded capital expenditure	2,929	4,266	9,384	(5,118)

The main contributors to this variance are detailed below.

9.2 Environment - \$459,000 below budget due primarily to:

- Beacon Hill building project delays.

9.3 Catchment management - \$588,000 below budget due primarily to:

- Waiwhetu flood improvements project capital costs are below budget due to timing of the clean up work
- Land and buildings acquisitions for Mills Street \$465,000 unfavourable due to the early purchase of property.

9.4 Public Transport improvement projects - \$2,494,000 below budget due primarily to:

- Real time information capital project costs are less than anticipated for 2009/10 after completion of supplier selection and contract
- A number of other projects have been reclassified as improvement projects from capital expenditure, as the underlying assets will not be owned by Greater Wellington.

9.5 Water - \$1,244,000 below budget due primarily to:

- Delays to a number of projects including the Stuart Macaskill Lakes seismic enhancements, storage capacity development, hydro generation at Wainuiomata, and the network capital works programme.

10. Capital Expenditure - Full year forecast

Forecast capital expenditure is \$23,267,000, compared with the budget of \$31,780,000. The only change from the September report is in the Water Group, which is detailed below.

Greater Wellington Regional Council		Full year			
Capital expenditure by division		Last Year	Forecast	Budget	Variance
For the year ended 30 June 2010		\$(000)'s	\$(000)'s	\$(000)'s	\$(000)'s
Environment		572	1,285	1,285	-
Catchment management		6,086	9,668	9,863	(195)
Forestry		363	310	310	-
Regional parks		323	723	723	-
Corporate and Strategy		53	34	34	-
Chief Executive		26	-	-	-
Elected Members		-	15	15	-
Corporate		79	19	19	-
WRS		-	-	-	-
Finance, IT & support services		2,215	1,800	1,800	-
Rates		-	-	-	-
Finance, IT & support services		2,215	1,800	1,800	-
Investment in democracy		-	15	15	-
Rates funded capital expenditure		9,638	13,820	14,015	(195)
Transport policy and strategy		-	-	-	-
Public transport		617	2,167	9,414	(7,247)
Transport rates funded capital expenditure		617	2,167	9,414	(7,247)
Investment management		(68)	63	400	(337)
Business unit rates contribution		-	-	-	-
Total rates funded capital expenditure		10,187	16,050	23,829	(7,779)
Water group		5,438	7,217	7,951	(734)
Total rates & levy funded capital expenditure		15,625	23,267	31,780	(8,513)

10.1 Water Group - favourable variance of \$734,000 due primarily to:

- Delays to the hydro generation at Wainuiomata, \$800,000.

11. Communications

No communications are necessary at this time.

12. 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