



Report 10.114  
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Committee Council  
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## **Financial report for the eight months ended 28 February 2010**

### **1. Purpose**

To present the Greater Wellington Regional Council's (GWRC) financial report for the eight months ended 28 February 2010 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.

### **4. Financial Performance**

#### **4.1 Year to date Operating Performance**

GWRC achieved an operating surplus of \$6,365,000 (budget \$902,000). This result excludes grants to fund public transport capital expenditure, debt revaluations and forestry cost of goods sold. Including these amounts, GWRC's surplus was \$700,000 (budget, a deficit of \$176,000).

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

## 5. Financial Summary

Greater Wellington Regional Council Summary income statement	For the 8 months ended 28 February 2010			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
Regional rates	50,800	52,725	52,729	(4)
Water supply levy	15,640	15,640	15,633	7
Other operating revenue	51,713	53,208	54,638	(1,430)
<b>Total operating revenue</b>	<b>118,153</b>	<b>121,573</b>	<b>123,000</b>	<b>(1,427)</b>
Operational expenditure	(113,701)	(115,208)	(122,098)	6,890
<b>Operating surplus/(deficit) before transport improvement grants</b>	<b>4,452</b>	<b>6,365</b>	<b>902</b>	<b>5,463</b>
Operating (deficit) from transport improvements	(12,440)	(4,927)	(3,925)	(1,002)
<b>Operating surplus/(deficit) before unrealised items</b>	<b>(7,988)</b>	<b>1,438</b>	<b>(3,023)</b>	<b>4,461</b>
Non-operational movements	(754)	(738)	2,847	(3,585)
<b>Operating surplus/(deficit)</b>	<b>(8,742)</b>	<b>700</b>	<b>(176)</b>	<b>876</b>

Greater Wellington Regional Council Summary income statement	For the 8 months ended 28 February 2010			
	Last Year	Actual	Budget	Variance
	\$(000)'s	\$(000)'s	\$(000)'s	\$(000)'s
<b>Operational Groups</b>				
Catchment Management	2,447	2,256	2,006	250
Environmental Management	(112)	15	(418)	433
Forestry	(1,496)	(926)	(449)	(477)
Parks and Forests	(94)	275	250	25
Public Transport	2,428	1,422	(493)	1,915
<b>Total rates funded operational surplus / (deficit)</b>	<b>3,173</b>	<b>3,042</b>	<b>896</b>	<b>2,146</b>
<b>Corporate</b>				
Strategy & Community Engagement	83	850	128	722
Finance and Support	954	1,049	(109)	1,158
Other corporate activities	146	295	(6)	301
Investment Management	5,914	5,926	5,054	872
Business unit rates contribution	(5,540)	(4,653)	(4,653)	-
<b>Total rates funded operating surplus / (deficit)</b>	<b>4,730</b>	<b>6,509</b>	<b>1,310</b>	<b>5,199</b>
Water	(278)	(144)	(408)	264
<b>Total rates &amp; levy funded operating surplus / (deficit)</b>	<b>4,452</b>	<b>6,365</b>	<b>902</b>	<b>5,463</b>
<b>Non-operational movements</b>				
Revaluation of debt and stadium advance	(177)	-	175	(175)
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(585)	(739)	(437)	(302)
EMU investment - GW Rail	8	1	3,109	(3,108)
Public Transport - capex / investment	(12,440)	(4,927)	(3,925)	(1,002)
<b>Total Council surplus / (deficit)</b>	<b>(8,742)</b>	<b>700</b>	<b>(176)</b>	<b>876</b>

**5.1 Catchment management - favourable variance of \$250,000 due primarily to:**

- Additional revenue and expenditure from the Land Afforestation grants scheme
- Additional internal revenue for the completion of the Hutt Catchment aerial operations \$96,000
- Timing of western river maintenance work slightly behind schedule.

**5.2 Environment - favourable variance of \$433,000 due primarily to:**

- Operating revenue is ahead of budget due to additional revenue from Environsmart, EECA and Emissions carried forward from 2008/09, \$125,000. Unbudgeted revenue from the sale of land on Matiu/Somes Island for the Port Nicholson treaty settlement, \$86,000
- Operating expenditure is below budget due to lower spend required for repairs and maintenance of equipment, \$64,000 and lower spend on other materials \$50,000.

**5.3 Forestry - unfavourable variance of \$477,000 due primarily to:**

- Higher log prices were impacted by the high exchange rate and increases in shipping costs
- No sales of emission credits due to delays in the introduction of emissions trading scheme, \$679,000.

**5.4 Parks and Forests - favourable variance of \$25,000 due primarily to:**

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

**5.5 Public Transport - favourable variance of \$1,915,000 due primarily to:**

- Diesel bus operating contract expenditure down \$2,526,000, primarily because contracted inflation payments are less than expected
- Rail operations \$438,000 over budget due to a decline in patronage during the upgrades to the network
- Real time information project operational expenditure down \$433,000 as operational costs are not expected to commence until later in the 2010/11 year.
- Fully funded SuperGold card expenditure is \$390,000 over budget
- Grant revenue from New Zealand Transport Agency (NZTA) is down \$1,484,000 due to the expenditure reductions noted above.

**5.6 Strategy and Community Engagement - favourable variance of \$722,000 due primarily to:**

- Operating revenue was ahead of budget due to additional revenue from the Honda tree fund of \$51,000
- Operating expenditure was lower than budget due to:
  - Timing of expenditure on the internet and intranet upgrades, \$51,000
  - Lower costs for Transport Strategy development projects including \$39,000 on the Wairarapa corridor study; \$100,000 on the RLTP and \$59,000 saving on the transport model development
  - Lower costs of \$86,000 in Transport Strategy implementation projects including \$73,000 on the School Travel Plan programme
  - Timing of expenditure for the Wellington Regional Strategy, \$97,000
- Staff costs under budget by \$62,000 due to staff vacancies.

**5.7 Finance and Support - favourable variance of \$1,158,000 due primarily to:**

- Staff vacancies resulting in lower personnel costs of \$165,000
- Contractors and consultants were \$87,000 below budget due to the timing of expenditure compared to budget
- Materials and supplies were \$335,000 below budget due to the timing of expenditure compared to budget
- Lower depreciation due to reduced PC renewal costs in 2008/09 and the asset management project not yet completed, \$299,000
- Finance costs, \$43,000 below budget as a result of the lower capital expenditure in 2008/09
- Operating revenue was higher than budget due to additional rates from new properties and rates penalties.

**5.8 Investment Management - favourable variance of \$872,000 due primarily to:**

The favourable variance is due to higher revenue from money market investments and lower than budgeted interest rates on borrowings.

**5.9 Water - favourable variance of \$264,000 due primarily to:**

- Personnel costs were down, \$393,000 due to staff vacancies and timing delays in some projects
- Finance costs are \$120,000 below budget, due to the actual opening debt position being lower than budgeted
- Depreciation is \$364,000 over budget due to a low budget estimate.

**5.10 Public Transport improvement projects - unfavourable variance of \$1,002,000 due primarily to:**

- Expenditure on the Matangi EMU project is \$11,520,000 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 \$17,980,000. This reflects the difference in the progress payment timetable
- The Ganz Mavag pilot refurbishment is \$696,000 below budget.

The reductions in operating expenditure noted above have contributed to a net reduction in NZTA grants revenue of \$31,733,000.

**6. Finance costs**

**Finance Costs**

<b>For the 8 months ended 28 February 2010</b>			
<b>Last Year</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>
3,365	3,249	3,837	(588)

Finance costs for the eight months ended 28 February 2010 were \$3,249,000, compared to the budget of \$3,837,000, a favourable variance of \$588,000. The favourable variance is due to reduced borrowings from lower capital expenditure, coupled with lower interest rates.

## 7. Forecast to 30 June 2010

Greater Wellington Regional Council Summary income statement	For the year ended 30 June 2010			
	Last Year	Forecast	Budget	Variance
	\$(000)'s	\$(000)'s	\$(000)'s	\$(000)'s
<b>Operational Groups</b>				
Catchment Management	3,179	3,380	3,200	180
Environmental Management	(273)	(506)	(412)	(94)
Forestry	(2,035)	(1,236)	(678)	(558)
Parks and Forests	(509)	47	191	(144)
Public Transport	2,892	1,116	(896)	2,012
<b>Total rates funded operational surplus / (deficit)</b>	<b>3,254</b>	<b>2,801</b>	<b>1,405</b>	<b>1,396</b>
<b>Corporate</b>				
Strategy & Community Engagement	190	357	(53)	410
Finance and Support	1,406	758	(163)	921
Other corporate activities	103	(38)	(38)	-
Investment Management	11,602	10,292	8,710	1,582
Business unit rates contribution	(8,310)	(6,980)	(6,980)	-
<b>Total rates funded operating surplus / (deficit)</b>	<b>8,245</b>	<b>7,190</b>	<b>2,881</b>	<b>4,309</b>
Water	(116)	(895)	(645)	(250)
<b>Total rates &amp; levy funded operating surplus / (deficit)</b>	<b>8,129</b>	<b>6,295</b>	<b>2,236</b>	<b>4,059</b>
<b>Non-operational movements</b>				
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)	(1,072)	(655)	(417)
EMU investment - GW Rail	1,225	3,086	6,218	(3,132)
Public Transport - capex / investment	(16,005)	(9,575)	(8,027)	(1,548)
<b>Total Council surplus / (deficit)</b>	<b>(315)</b>	<b>67</b>	<b>1,105</b>	<b>(1,038)</b>

GWRC is forecasting an operating surplus of \$6,295,000 (budget \$2,236,000) for the year ending 30 June 2010. This result excludes grants to fund public transport capital expenditure, forestry cost of goods sold and revaluations. Including these amounts, GWRC's forecast surplus is \$67,000 (budget surplus \$1,105,000).

The forecast operating surplus has increased from \$5,167,000 to \$6,295,000, an increase of \$1,128,000.

The increased forecast of \$1,128,000 is due to:

- Improved forecast from forestry logging activities, \$522,000
- Lower personnel costs due to staff vacancies and project savings in the new Strategy & Community Engagement Group, \$314,000
- Further savings due to staff vacancies, depreciation and project savings in Finance and Support, \$170,000.

## 8. Capital Expenditure

### 8.1 Year to date

Year to date capital expenditure is \$11,377,000, compared with the budget of \$20,511,000.

Greater Wellington Regional Council Capital expenditure by division For the year ended 30 June 2010	Year to date			
	Last Year \$(000)'s	Actual \$(000)'s	Budget \$(000)'s	Variance \$(000)'s
Environment	378	613	1,196	(583)
Catchment management	2,798	6,380	5,838	542
Forestry	237	90	215	(125)
Regional parks	177	255	554	(299)
Corporate	26	-	7	(7)
WRS	-	-	-	-
Finance, IT & support services	1,247	387	1,287	(900)
Investment in democracy	-	-	12	(12)
<b>Rates funded capital expenditure</b>	<b>4,863</b>	<b>7,725</b>	<b>9,109</b>	<b>(1,384)</b>
Transport policy and strategy	49	2	-	2
Public transport	84	830	6,057	(5,227)
<b>Transport rates funded capital expenditure</b>	<b>133</b>	<b>832</b>	<b>6,057</b>	<b>(5,225)</b>
Investment management	23	3	-	3
<b>Total rates funded capital expenditure</b>	<b>5,019</b>	<b>8,560</b>	<b>15,166</b>	<b>(6,606)</b>
Water group	2,603	2,817	5,345	(2,528)
<b>Total rates &amp; levy funded capital expenditure</b>	<b>7,622</b>	<b>11,377</b>	<b>20,511</b>	<b>(9,134)</b>

The main contributors to this variance are detailed below.

### 8.2 Environment - \$583,000 below budget due primarily to:

- The delayed start to the Beacon Hill building and equipment project, \$569,000.

### 8.3 Catchment management - \$542,000 below budget due primarily to:

- Waiwhetu flood improvements project capital costs are below budget due to the remediation work taking longer than expected
- The early purchase of a property in Mills Street for \$465,000 has partly offset this variance.

### 8.4 Finance and Support - \$900,000 below budget due primarily to:

- Delayed start for the GIS flyover and the telecommunication upgrade project.

**8.5 Public Transport improvement projects - \$5,227,000 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, \$2,469,000
- A number of other rail infrastructure projects have been reclassified as improvement projects from capital expenditure, as the underlying assets will not be owned by Greater Wellington, \$2,468,000.

**8.6 Water - \$2,528,000 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.

**9. Capital Expenditure - Full year forecast**

GWRC is forecasting capital expenditure of \$22,473,000 (budget \$31,780,000) for the year ending 30 June 2010, a decrease of \$260,000 on the previous forecast.

Greater Wellington Regional Council Capital expenditure by division For the year ended 30 June 2010	Full year			
	Last Year \$(000)'s	Forecast \$(000)'s	Budget \$(000)'s	Variance \$(000)'s
Environment	572	1,285	1,285	-
Catchment management	6,086	9,956	9,863	93
Forestry	363	310	310	-
Regional parks	323	723	723	-
Corporate	26	4	4	-
WRS	-	-	-	-
Finance, IT & support services	2,215	1,370	1,815	(445)
Investment in democracy	-	15	15	-
<b>Rates funded capital expenditure</b>	<b>9,585</b>	<b>13,663</b>	<b>14,015</b>	<b>(352)</b>
Transport policy and strategy	53	2	-	2
Public transport	617	2,216	9,414	(7,198)
<b>Transport rates funded capital expenditure</b>	<b>670</b>	<b>2,218</b>	<b>9,414</b>	<b>(7,196)</b>
Investment management	(68)	63	400	(337)
<b>Total rates funded capital expenditure</b>	<b>10,187</b>	<b>15,944</b>	<b>23,829</b>	<b>(7,885)</b>
Water group	5,438	6,529	7,951	(1,422)
<b>Total rates &amp; levy funded capital expenditure</b>	<b>15,625</b>	<b>22,473</b>	<b>31,780</b>	<b>(9,307)</b>



## **10. Communications**

No communications are necessary at this time.

## **11. 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