greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Committee	Council
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Financial report for the eleven months ending 31 May 2011

1. Purpose

To inform the Council of Greater Wellington's financial performance for the eleven months ended 31 May 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 $5,110,000 (budget, a deficit of $2,313,000) for the eleven months to 31 May. 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 $5,035,000 (budget, a deficit of $12,305,000).

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

4.2 Financial summary – Council

Greater Wellington Regional Council Summary income statement	Last Year $000s	Actual $000s	Budget $000s	Variance $000s
	For the eleven months ended 31 May 2011			
Regional rates	72,498	74,122	74,121	1
Water supply levy	21,505	21,505	21,505	-
Other operating revenue	74,683	73,257	72,943	314
Total operating revenue	**168,686**	**168,884**	**168,569**	**315**
Operational expenditure	(161,472)	(163,774)	(170,882)	7,108
Operating surplus/(deficit) before transport improvements	**7,214**	**5,110**	**(2,313)**	**7,423**
Operating (deficit) from transport improvements	(6,173)	(6,789)	(15,355)	8,566
Operating surplus/(deficit) before unrealised items	**1,041**	**(1,679)**	**(17,668)**	**15,989**
Non-operational movements	(1,073)	(3,356)	5,363	(8,719)
Operating surplus/(deficit)	**(32)**	**(5,035)**	**(12,305)**	**7,270**

4.3 Financial summary – Council by Group

Greater Wellington Regional Council Summary income statement	Last Year $000s	Actual $000s	Budget $000s	Variance $000s
	For the eleven months ended 31 May 2011			
Operational Groups				
Catchment Management	2,755	3,567	3,088	479
Environmental Management	164	398	(209)	607
Forestry	(892)	(340)	(1,527)	1,187
Parks and Forests	249	148	(331)	479
Public Transport	1,010	623	(899)	1,522
Total rates funded operational surplus / (deficit)	**3,286**	**4,396**	**122**	**4,274**
Corporate				
Strategy & Community Engagement	924	58	(209)	267
Finance and Support	1,054	(81)	(243)	162
Other corporate activities	530	91	(34)	125
Investment Management	8,181	7,305	5,578	1,727
Business unit rates contribution	(6,398)	(6,004)	(6,004)	-
Total rates funded operating surplus / (deficit)	**7,577**	**5,765**	**(790)**	**6,555**
Water	(363)	(655)	(1,523)	868
Total rates & levy funded operating surplus / (deficit)	**7,214**	**5,110**	**(2,313)**	**7,423**
Non-operational movements				
Forestry cost of goods sold	(1,057)	(1,726)	(769)	(957)
Warm Greater Wellington	(16)	(1,631)	(1,268)	(363)
EMU investment - GW Rail	-	1	7,400	(7,399)
Public Transport - improvements	(6,173)	(6,789)	(15,355)	8,566
Total Council surplus / (deficit)	**(32)**	**(5,035)**	**(12,305)**	**7,270**

4.4 Forecast to 30 June 2011

Greater Wellington is forecasting an operating surplus of $4,694,000 (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 deficit of $1,073,000 (budget, a deficit of $5,850,000).

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	83,974	80,923	3,051
Total operating revenue	**187,326**	**188,295**	**185,244**	**3,051**
Operational expenditure	(178,441)	(183,601)	(187,465)	3,864
Operating surplus/(deficit) before transport improvements	**8,885**	**4,694**	**(2,221)**	**6,915**
Operating (deficit) from transport improvements	(6,042)	(9,478)	(18,157)	8,679
Operating surplus/(deficit) before unrealised items	**2,843**	**(4,784)**	**(20,378)**	**15,594**
Non-operational movements	1,561	3,711	14,528	(10,817)
Operating surplus/(deficit)	**4,404**	**(1,073)**	**(5,850)**	**4,777**

5. Financial Performance – by Group

5.1 Catchment management

Financial Summary	For the eleven months ended 31 May 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	22,678	22,318	22,483	(165)	25,104	24,835	24,680	155
Operating expenditure	19,923	18,751	19,395	644	21,767	21,081	21,250	169
Operating surplus / (deficit)	2,755	3,567	3,088	479	3,337	3,754	3,430	324
Net capital expenditure	9,377	3,211	6,686	3,475	10,659	4,340	7,916	3,576

5.1.1 Year to date

A favourable operating variance of $479,000, comprising lower revenue of $165,000 and lower operating costs of $644,000.

- 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 $294,000 below budget due to the deferrals in river maintenance programmes and capitalisation of flood repair work.
  - Materials and supplies expenditure $250,000 below budget due to deferrals in river maintenance programmes.
  - Finance costs are $94,000 below budget due to lower capital spend.
- Capital expenditure is $3,475,000 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 favourable relative to budget, which is unchanged from the ten month forecast.

5.2 Environmental management

Financial Summary	For the eleven months ended 31 May 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	12,445	12,621	12,314	307	13,596	13,817	13,433	384
Operating expenditure	12,281	12,223	12,523	300	13,810	13,956	13,785	(171)
Operating surplus / (deficit)	164	398	(209)	607	(214)	(139)	(352)	213
Net capital expenditure	940	253	213	(40)	1,259	251	223	(28)

5.2.1 Year to date

Overall, a favourable operating variance of $398,000, comprising higher revenue of $307,000 and lower expenditure of $300,000.

- 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 year to date expenditure on contractors and consultants in monitoring & investigations and in the Policy departments, this is mainly a timing issue with their invoices.
  - Expenditure in Queen Elizabeth Park and the Water Meter project is behind budget
- 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 favourable relative to budget, which is unchanged from the previous month.

5.3 Forestry

Financial Summary	For the eleven months ended 31 May 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	5,927	6,731	5,919	812	6,373	7,616	6,461	1,155
Operating expenditure	6,818	7,071	7,445	374	7,365	7,956	8,123	167
Operating surplus / (deficit) before cost of goods sold	(891)	(340)	(1,526)	1,186	(992)	(340)	(1,662)	1,322
Cost of goods sold*	1,058	1,726	770	(956)	1,125	2,008	839	(1,169)
Operating surplus / (deficit) before valuation	(1,949)	(2,066)	(2,296)	230	(2,117)	(2,348)	(2,501)	153
Forestry valuation	-	-	-	-	6,010	2,256	2,256	-
Operating surplus / (deficit)	(1,949)	(2,066)	(2,296)	230	3,893	(92)	(245)	153
Net capital expenditure	135	350	306	(44)	184	429	334	(95)

* cost of goods sold is a non cash accounting adjustment

5.3.1 Year to date

Overall, a favourable operating variance of $1,186,000, 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. Interest costs are $66,000 favourable to budget.

- The non cash variance for cost of goods sold of $956,000 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 previous forecast.
- Capital expenditure is forecast to be above budget due to more expenditure required on roads.

5.4 Parks & forests

Financial Summary	For the eleven months ended 31 May 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	6,033	5,705	5,738	(33)	6,574	6,294	6,259	35
Operating expenditure	5,784	5,557	6,069	512	6,682	6,384	6,672	288
Operating surplus / (deficit)	249	148	(331)	479	(108)	(90)	(413)	323
Grants for Baring Head purchase	-		-	-	1,100	-	-	-
Operating surplus / (deficit)	249	148	(331)	479	992	(90)	(413)	323
Baring Head purchase			-	-	1,775	-	-	-
Net capital expenditure	503	138	264	126	459	292	367	75

5.4.1 Year to date

A favourable operating variance of $479,000, comprising reduced revenue of $33,000 and lower expenditure of $512,000.

- Operating expenditure was below budget due primarily to:
  - Reduced contractors and consultants expenditure of $413,000 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 $60,000 due to the reason above plus delays in the planned 1080 drop in the Wainuiomata area.

5.4.2 Forecast to 30 June 2011

The forecast deficit has reduced due to a reduction in expenditure in relation to managing Whitireia and Wairarapa Moana Wetlands Parks due to delays of the start dates. Also the planned 1080 drop at Wainuiomata has been deferred because the residual trap catch is at a low level.

5.5 Public transport

Financial Summary	For the eleven months ended 31 May 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	76,023	76,157	77,586	(1,429)	83,289	84,199	84,786	(587)
Operating expenditure	75,013	75,534	78,485	2,951	82,534	84,583	85,881	1,298
Operating surplus / (deficit)	1,010	623	(899)	1,522	755	(384)	(1,095)	711
Net capital expenditure	18	34	200	166	18	34	200	166

5.5.1 Year to date

A favourable operating variance of $1,522,000, comprising lower expenditure of $2,951,000 and reduced revenue of $1,429,000 (which is as a result of the lower expenditure).

- Operating revenue is $1,429,000 below budget due to:

- Grants and Subsidies revenue (excluding SuperGold card) being $1,930,000 below budget which reflects the overall reduction in operational expenditure.

- Grants and Subsidies related to SuperGold card expenditure is $620,000 above budget because of higher numbers of SuperGold card passengers.

- Operating expenditure is $2,951,000 below budget primarily due to:
  - Savings on diesel bus contracts of $1,453,000. Year to date oil prices have been higher than budgeted but these have been offset by higher exchange rates.
  - Savings of $625,000 on trolley bus operations. This reflects the fare claw back from the 1 October fare increase.
  - Savings of $1,007,000 on rail maintenance payments.
  - SuperGold card expenditure $620,000 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 expenditure increase is largely due to increased rail operations expenditure paid to KiwiRail.

5.6 Public transport improvement projects

Financial Summary	For the eleven months ended 31 May 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	70,076	105,250	177,799	(72,549)	78,286	118,437	206,348	(87,911)
Operating expenditure	76,249	112,039	193,154	81,115	84,328	127,915	224,505	96,590
Operating surplus / (deficit)	(6,173)	(6,789)	(15,355)	8,566	(6,042)	(9,478)	(18,157)	8,679
External debt revaluation gains /(loss)	-	-	-	-	(1,146)	-	-	-
Operating surplus / (deficit)	(6,173)	(6,789)	(15,355)	8,566	(7,188)	(9,478)	(18,157)	8,679
Net capital expenditure	1,088	1,876	5,440	3,564	2,531	3,380	5,911	2,531

5.6.1 Year to date

Overall, a favourable operating variance of $8,566,000, comprising lower expenditure of $81,115,000 and lower revenue of $72,549,000.

- Operating expenditure was lower than budget due to:
  - Expenditure on the Matangi EMU project is $83,552,000 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 $5,965,000 over budget reflecting the timing of payments for the Waikanae double tracking and electrification projects and stabilising platforms.

- Capital expenditure was $3,564,000 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 expenditure has reduced further due to the timing of payments for the new trains.

5.7 Strategy & Community Engagement

Financial Summary	For the eleven months ended 31 May 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	8,577	8,177	8,355	(178)	9,533	8,970	9,147	(177)
Operating expenditure	7,653	8,119	8,564	445	8,440	9,249	9,442	193
Operating surplus / (deficit)	924	58	(209)	267	1,093	(279)	(295)	16
Net capital expenditure	(17)	112	351	239	(17)	145	410	265

5.7.1 Year to date

Overall, a favourable operating variance of $267,000, comprising lower expenditure of $445,000 and lower revenue of $178,000.

- 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 $125,000 due to internal resources being used to date.

  - Reduced expenditure on Iwi Projects to date.

5.7.2 Forecast to 30 June 2011

The forecast deficit of $279,000 has slightly changed from the ten month position due to additional costs associated with the annual plan.

5.8 Corporate

Financial Summary	For the eleven months ended 31 May 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	5,693	5,963	5,915	48	6,198	6,490	6,453	37
Operating expenditure	5,163	5,872	5,949	77	5,696	6,561	6,687	126
Operating surplus / (deficit)	530	91	(34)	125	502	(71)	(234)	163
Net capital expenditure	9	87	73	(14)	9	91	103	12

5.8.1 Year to date

A favourable operating variance of $125,000 comprising lower expenditure of $77,000 and increased revenue of $48,000.

- 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.
- Operating Revenue was higher that budget due to increased directors fees and additional external revenue from Emergency Management.

5.8.2 Forecast to 30 June 2011

The forecast is unchanged from the ten month position.

5.9 Finance and Support

Financial Summary	For the eleven months ended 31 May 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	7,448	7,319	7,117	202	8,145	7,716	7,764	(48)
Operating expenditure	6,394	7,400	7,360	(40)	7,339	8,094	8,104	10
Operating surplus / (deficit)	1,054	(81)	(243)	162	806	(378)	(340)	(38)
Net capital expenditure	751	457	667	210	790	568	847	279

5.9.1 Year to date

A favourable operating variance of $162,000 comprising higher expenditure of $40,000 and increased revenue of $202,000.

- 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 are much closer to budget and expected to be in line with budget by year end.

5.9.2 Forecast to 30 June 2011

The forecast deficit is unchanged from the ten 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 eleven months ended 31 May 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	5,073	4,782	3,646	1,136	7,785	7,243	5,001	2,242
Operating expenditure	(3,106)	(2,523)	(1,932)	591	(3,403)	(2,825)	(1,970)	855
Operating surplus / (deficit)	8,179	7,305	5,578	1,727	11,188	10,068	6,971	3,097
Net capital expenditure	6	196	105	(91)	-	160	160	-

5.10.1 Year to date

Operating revenue is $1,136,000 ahead of budget due to higher interest revenue from money market investments and higher interest on liquid financial deposits.

Net operating expenditure recoveries are $591,000 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 $10,068,000, which is $3,097,000 higher than budget.

5.11 Investment management – Non operational movements

Financial Summary	For the eleven months ended 31 May 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	7,400	(7,399)	5,490	6,040	15,107	(9,067)

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 $9,067,000 budget variance by year end.

5.12 Warm Greater Wellington

Financial Summary	For the eleven months ended 31 May 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	-	35	29	6	-	31	31	-
Operating expenditure	16	1,666	1,297	(369)	282	1,910	1,415	(495)
Operating surplus / (deficit)	(16)	(1,631)	(1,268)	(363)	(282)	(1,879)	(1,384)	(495)
Net capital expenditure	-	-	-	-	-	-	-	-

5.12.1 Year to date

Overall an unfavourable operating variance of $363,000 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 31 May 2,015 applications had been approved with 1,067 of these installed and paid for.

5.12.2 Forecast

The forecast is unchanged from the ten month position.

5.13 Water

Financial Summary	For the eleven months ended 31 May 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	25,189	25,115	25,503	(388)	27,708	27,665	27,810	(145)
Operating expenditure	25,552	25,770	27,026	1,256	28,210	28,562	29,491	929
Operating surplus / (deficit)	(363)	(655)	(1,523)	868	(502)	(897)	(1,681)	784
Net capital expenditure	4,826	6,136	9,260	3,124	6,190	8,965	10,070	1,105

5.13.1 Year to date

Overall a favourable operating variance of $868,000 compared to budget, due to:

- Reduced internal revenue, $388,000, primarily due to less time charged to capital projects.
- Operating expenditure was $1,256,000 lower than budget due to:
  - Contractors and consultants along with materials expenditure was lower than budget by $316,000 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 $211,000 as internal debt is lower than budget.

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

- Capital expenditure is $3,124,000 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 ten month position.

6. Finance costs

For the eleven months ended 31 May 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
4,683	4,948	6,357	1,409	5,159	5,475	7,020	1,545

6.1 Year to date

The favourable variance of $1,409,000 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 variance has increased due to lower than expected capital expenditure.

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