



Report 07.102
Date 9 March 2007
File G/4/1/5

Committee Policy, Finance and Strategy
Author Chris Gray, Finance Manager

Financial report for the seven months ended 31 January 2007

1. Purpose

- To inform the Committee of the Council's financial performance to 31 January 2007.
- To forecast the end of year position based on the management reviews completed by each division.

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, the financial reports to Council are by exception.

4. Financial Performance

4.1 Year to date Operating Performance

The Council's Statement of Financial Performance is included as **Attachment 1**.

4.2 Funding Statement

The Council's Funding Statement is included as **Attachment 2**.

4.3 Statement of Financial Position

The Statement of Financial position is included as **Attachment 3**.

5. Financial Summary

The following table shows the year to date variance by division.

Wellington Regional Council Summary Statement of Financial Performance - Operating Surplus \ (Deficit) For the Seven Months Ending - 31 January 2007				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	493	(84)	(1,214)	1,130
Forestry	(167)	(524)	(451)	(73)
Regional Parks	287	564	(150)	714
Water Supply, Parks & Forests	613	(44)	(1,815)	1,771
Transport Policy and Strategy	280	219	26	193
Public Transport	(86)	(347)	60	(407)
Total Transport	194	(128)	86	(214)
Environment	226	205	11	194
Catchment Management	1,258	1,240	1,842	(602)
Corporate	(120)	150	95	55
WRS	150	(343)	(100)	(243)
Finance, IT & Support Services	708	767	278	489
Investment in Democracy	54	38	68	(30)
Divisional Operating Surplus	3,083	1,885	465	1,420
Investment Management	4,505	4,530	4,573	(43)
Business Unit Rates Contribution	(4,525)	(4,491)	(4,491)	-
Council Operating Surplus / (Deficit)	3,063	1,924	547	1,377
Revaluation RCC	-	-	-	-
Revaluation Forestry - Revaluation	-	-	-	-
Forestry Valuation less Cost of Goods Sold	-	(640)	(1,280)	640
Parks - Grant for Waitangirua Purchase	-	-	-	-
Public Transport - Capex / Investment	63	4,129	2,709	1,420
Total Council Surplus / (Deficit)	3,126	5,413	1,976	3,437

5.1 Water - favourable variance of \$1,130,000:

- The favourable variance is due to the reasons noted in the half year report, namely:
 - Increased interest income due to lower capital expenditure.
 - Savings in chemicals due to the higher exchange rate, partly offset by higher power costs.
 - Savings in respect of contractor costs for the new water source. This is largely a phasing of the expenditure, the amount spent will be in line with budget by year end.
 - Decreased depreciation due to the timing of capital projects. This trend is reflected in the year end forecast.

5.2 Forestry - unfavourable variance of \$73,000 primarily due to:

- Higher than budgeted harvest costs, spent mainly on maintaining road access.

5.3 Regional Parks - favourable variance of \$714,000:

- The favourable variance is due to the reasons noted in the half year report, namely:
 - Delay in taking over management of Whitireia Park.
 - Decreased contractor and consultant costs, due mainly to the wet conditions delaying work programmes.
 - Lower materials and supplies, caused by delays in the work programmes as noted above.

Excluding the savings on Whitireia Park, the other variances are expected to reverse by year end.

5.4 Transport Policy - favourable variance of \$193,000:

- The favourable variance is due to the reasons noted in the half year report, namely:
 - Operating expenditure is down on budget due to the delay in the Wairarapa log freight project. This has reduced revenue by the same amount as it is 100% funded by LTNZ.
 - Higher than budgeted personnel costs have reduced the requirement for contractors and consultants.
 - Lower internal charges

5.5 Public Transport - unfavourable variance of \$407,000:

The unfavourable variance has decreased from \$1,250,000 at December, to \$407,000. This is due to the timing of expenditure.

- Apart from the item noted above the unfavourable variance is due to:
 - Increased cost of bus contracts, due to the effect of diesel inflation.
 - This has been partly offset by delays in rail rolling stock expenditure and maintenance on the trolley overhead wires.

5.6 Environment - favourable variance of \$194,000:

- The favourable variance is due to the reasons noted in the half year report, namely:
 - Personnel costs under budget due to staff movements.
 - Higher consultant costs as a result of costs incurred pursuing prosecutions.
 - Lower internal charges due to the delay in implementing the new consent system.

5.7 Catchment Management - unfavourable variance of \$602,000:

- The unfavourable variance is due to the reasons noted in the half year report, namely:
 - Revenue was ahead of budget due to increased vector control work; expenditure was up accordingly.
 - Repairs for the flood damage in the Wairarapa were higher than budgeted.
 - Eastern flood protection expenditure was higher due to the repair of flood damage from July/August.
 - Drainage scheme expenditure was up due to damage from the July/August floods.

5.8 Wellington Regional Strategy - unfavourable variance of \$243,000:

- The unfavourable variance is due to the costs of finalising the Strategy and initial consultation. Funding for this is being met by the territorial authorities, Trade and Enterprise and GWRC.

5.9 Finance, IT and Support - favourable variance of \$489,000:

- The favourable variance is due to the reasons noted in the half year report, namely:
 - Lower personnel costs due to delays in appointing staff.
 - Savings in materials and supplies due to phasing of expenditure.

6. Finance costs

Finance costs for the seven months were \$2,588,000 compared with the budget of \$3,319,000 as a result of lower debt.

7. Forecast to 30 June 2007

Wellington Regional Council Summary Statement of Financial Performance - Operating Surplus \ (Deficit) For the Year Ending 30 June 2007				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Full Year			
	Last Year	Budget	Forecast	Variance
Water Group	(59)	(2,019)	(800)	1,219
Forestry	(574)	(781)	(816)	(35)
Regional Parks	105	(283)	(31)	252
Water Supply, Parks & Forests	(528)	(3,083)	(1,647)	1,436
Transport Policy and Strategy	31	(228)	(137)	91
Public Transport	(2,156)	(606)	(2,929)	(2,323)
Total Transport	(2,125)	(834)	(3,066)	(2,232)
Environment	237	(272)	(273)	(1)
Catchment Management	2,456	3,149	1,795	(1,354)
Corporate	275	113	113	-
WRS	-	(100)	(158)	(58)
Finance, IT & Support Services	785	178	296	118
Investment in Democracy	53	117	(3)	(120)
Divisional Operating Surplus	1,153	(732)	(2,943)	(2,211)
Investment Management	8,833	9,530	9,472	(58)
Business Unit Rates Contribution	(7,758)	(7,698)	(7,698)	-
Council Operating Surplus / (Deficit)	2,228	1,100	(1,169)	(2,269)
Revaluation RCC	2,276	-	-	-
Revaluation Forestry - Revaluation	-	3,683	3,683	-
Forestry Cost of Goods Sold	(1,745)	(2,195)	(1,202)	993
Parks - Grant for Waitangirua Purchase	2,800	-	-	-
Public Transport - Capex / Investment	324	59,689	19,179	(40,510)
Total Council Surplus / (Deficit)	5,883	62,277	20,491	(41,786)

The forecast operating deficit has decreased from \$1,687,000 at the half year to a deficit of \$1,169,000. The only change is a reduction in the Transport deficit of \$518,000 as a result of the improved operating result in January.

8. Finance costs

The forecast for finance costs remains unchanged at \$4,346,000, which is \$1,328,000 under budget.

9. Capital Expenditure

9.1 Year to date

On a year to date basis the Council's capital expenditure is now ahead of budget by \$1,534,000. Public Transport remains ahead of budget due to the accrual for work done on the SW Wairarapa cars to date. The other divisions remain below budget.

Wellington Regional Council				
Capital Expenditure and Transport Investment Additions				
For the Seven Months Ending - 31 January 2007				
Capital Expenditure and Investments \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	3,647	1,774	2,783	(1,009)
Forestry	80	156	182	(26)
Regional Parks	188	307	449	(142)
Water Supply, Parks & Forests	3,915	2,237	3,414	(1,177)
Transport Policy and Strategy	-	-	-	-
Public Transport	110	5,455	930	4,525
Public Transport Investment Additions	-	-	3,258	(3,258)
Total Transport	110	5,455	4,188	1,267
Environment	231	219	282	(63)
Catchment Management	2,064	1,449	2,281	(832)
Corporate	52	140	49	91
WRS	-	-	-	-
Finance, IT & Support Services	310	160	875	(715)
Investment in Democracy	13	-	-	-
Divisional Capital and Investment expenditure	6,695	9,660	11,089	(1,429)
Parks - Waitangirua Purchase	-	-	-	-
Investment Management	3	20	125	(105)
Business Unit Rates Contribution	-	-	-	-
Council Capital and Investment expenditure	6,698	9,680	11,214	(1,534)

10. Capital Expenditure - Full year forecast

The capital expenditure forecast remains unchanged from the half year position, namely \$57,903,000 under budget. The major contributor to this is the delay in purchasing the new EMUs in Public Transport.

Wellington Regional Council Capital Expenditure and Transport Investment Additions For the Year Ending 30 June 2007				
Capital Expenditure and Investments \$(000)'s	Full Year			
	Last Year	Budget	Forecast	Variance
Water Group	6,664	6,624	5,101	(1,523)
Forestry	179	286	295	9
Regional Parks	5,920	720	541	(179)
Water Supply, Parks & Forests	12,763	7,630	5,937	(1,693)
Transport Policy and Strategy	-	-	-	-
Public Transport	505	2,603	158	(2,445)
Public Transport Investment Additions	-	80,292	28,797	(51,495)
Total Transport	505	82,895	28,955	(53,940)
Environment	349	891	891	-
Catchment Management	6,411	6,555	5,040	(1,515)
Corporate	61	49	244	195
WRS	-	-	-	-
Finance, IT & Support Services	507	975	975	-
Investment in Democracy	13	45	45	-
Divisional Capital and Investment expenditure	20,609	99,040	42,087	(56,953)
Parks - Waitangirua Purchase	5,600	-	-	-
Investment Management	4	1,100	150	(950)
Business Unit Rates Contribution	-	-	-	-
Council Capital and Investment expenditure	26,213	100,140	42,237	(57,903)

11. Communications

No communications are necessary at this time.

12. Recommendations

That the Committee recommends that Council:

1. **Receive** the report.
2. **Note** the content of the report.

Report prepared by:

Report approved by:

Chris Gray
Finance Manager

Barry Turfrey
Chief Financial Officer

Attachment 1: Statement of Financial Performance

Attachment 2: Funding Statement

Attachment 3: Statement of Financial Position