



Report 07.756  
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Author Council  
Chris Gray, Finance Manager

## **First Quarter Review for the three months ended 30 September 2007**

### **1. Purpose**

- To inform the Council of Greater Wellington's (GWRC) financial performance for the three months ended 30 September 2007 and to provide an explanation of major variances by Division.
- To forecast the end of year position based on the management reviews completed with each Division.
- To inform the Council of the WRC Holdings Group's financial performance for the three months ended 30 September 2007 and to provide explanations of variances to budget.
- To provide an interim position in terms of achievement against the published performance targets in the Council's 2007/08 Annual Plan.

### **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**

The Council prepares monthly financial statements for review. Each quarter a more detailed review of the Council's financial results is undertaken by the Chief Executive/Chief Financial Officer with each of the Divisions

It is timely, as a result of those reviews, to present a summary of Council's performance for the three months ended 30 September 2007.

In respect of the WRC Holdings Group, monthly financial statements are prepared and reviewed by management and the Boards of Directors of the individual companies within the Group. As such, only summary financial statements are presented for consideration by Council.

## 4. Financial Performance

### 4.1 Year to date Operating Performance

The Council achieved an operating surplus of \$2,768,000 (budget \$33,000). This result excludes both expenditure incurred and grants received in respect of Public Transport capital expenditure. Including these amounts the Council's deficit was \$254,000 (budget \$610,000).

The WRC Holdings Group achieved a net surplus before tax of \$2,498,000 (budget \$1,231,000).

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

## 5. Financial Summary - Council

The following tables show the year to date results and variances by Division.

Wellington Regional Council Summary Income Statement - Revenue For the period ending 30 September 2007				
Total Operating Revenue \$(000)'s	Last Year	Actual	Budget	Variance
	Water Group	6,820	6,796	6,808
Forestry	1,597	1,613	1,595	18
Regional Parks	1,585	1,615	1,637	(22)
<b>Water Supply, Parks &amp; Forests</b>	<b>10,002</b>	<b>10,024</b>	<b>10,040</b>	<b>(16)</b>
Transport Policy and Strategy	655	701	798	(97)
Public Transport	15,838	17,624	18,056	(432)
<b>Total Transport</b>	<b>16,493</b>	<b>18,325</b>	<b>18,854</b>	<b>(529)</b>
Environment	2,849	3,007	3,044	(37)
Catchment Management	7,006	6,788	6,709	79
Corporate	514	661	483	178
WRS	159	1,000	1,100	(100)
Finance, IT & Support Services	1,569	1,740	1,707	33
Investment in Democracy	1,122	1,160	1,156	4
<b>Divisional Operating Revenue</b>	<b>39,714</b>	<b>42,705</b>	<b>43,093</b>	<b>(388)</b>
Investment Management	1,457	1,285	1,308	(23)
Business Unit Rates Contribution	(1,925)	(2,186)	(2,186)	-
<b>Council Operating Revenue</b>	<b>39,246</b>	<b>41,804</b>	<b>42,215</b>	<b>(411)</b>
Public Transport - Capex / Investment	349	5,884	5,084	800
<b>Total Council Revenue</b>	<b>39,595</b>	<b>47,688</b>	<b>47,299</b>	<b>389</b>

Wellington Regional Council Summary Income Statement - Expenditure For the period ending 30 September 2007				
Total Operating Expenditure \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	6,765	6,420	7,425	1,005
Forestry	1,911	1,907	1,801	(106)
Regional Parks	1,305	1,458	1,773	315
<b>Water Supply, Parks &amp; Forests</b>	<b>9,981</b>	<b>9,785</b>	<b>10,999</b>	<b>1,214</b>
Transport Policy and Strategy	594	656	832	176
Public Transport	16,110	16,674	17,985	1,311
<b>Total Transport</b>	<b>16,704</b>	<b>17,330</b>	<b>18,817</b>	<b>1,487</b>
Environment	2,624	2,938	2,928	(10)
Catchment Management	6,511	5,701	6,097	396
Corporate	498	464	495	31
WRS	273	942	1,100	158
Finance, IT & Support Services	1,443	1,561	1,630	69
Investment in Democracy	1,137	1,173	1,199	26
<b>Divisional Operating Expenditure</b>	<b>39,171</b>	<b>39,894</b>	<b>43,265</b>	<b>3,371</b>
Investment Management	(465)	(858)	(1,083)	(225)
Business Unit Rates Contribution	-	-	-	-
<b>Council Operating Expenditure</b>	<b>38,706</b>	<b>39,036</b>	<b>42,182</b>	<b>3,146</b>
Revaluation of Debt and Stadium Advance	-	-	-	-
Forestry Cost of Goods Sold	550	347	304	(43)
Public Transport - Capex / Investment	-	8,559	5,423	(3,136)
<b>Total Council Expenditure</b>	<b>39,256</b>	<b>47,942</b>	<b>47,909</b>	<b>(33)</b>

Wellington Regional Council				
Summary Income Statement - Operating Surplus \ (Deficit)				
For the period ending 30 September 2007				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	55	376	(617)	993
Forestry	(314)	(294)	(206)	(88)
Regional Parks	280	157	(136)	293
<b>Water Supply, Parks &amp; Forests</b>	<b>21</b>	<b>239</b>	<b>(959)</b>	<b>1,198</b>
Transport Policy and Strategy	61	45	(34)	79
Public Transport	(272)	950	71	879
<b>Total Transport</b>	<b>(211)</b>	<b>995</b>	<b>37</b>	<b>958</b>
Environment	225	69	116	(47)
Catchment Management	495	1,087	612	475
Corporate	16	197	(12)	209
WRS	(114)	58	-	58
Finance, IT & Support Services	126	179	77	102
Investment in Democracy	(15)	(13)	(43)	30
<b>Divisional Operating Surplus / (Deficit)</b>	<b>543</b>	<b>2,811</b>	<b>(172)</b>	<b>2,983</b>
Investment Management	1,922	2,143	2,391	(248)
Business Unit Rates Contribution	(1,925)	(2,186)	(2,186)	-
<b>Council Operating Surplus / (Deficit)</b>	<b>540</b>	<b>2,768</b>	<b>33</b>	<b>2,735</b>
Revaluation of Debt and Stadium Advance	-	-	-	-
Revaluation Forestry - Revaluation	-	-	-	-
Forestry Cost of Goods Sold	(550)	(347)	(304)	(43)
Public Transport - Capex / Investment	349	(2,675)	(339)	(2,336)
<b>Total Council Surplus / (Deficit)</b>	<b>339</b>	<b>(254)</b>	<b>(610)</b>	<b>356</b>
<b>Flood Protection</b>				
Eastern	(7)	299	138	161
Western	704	741	589	152
<b>Total Flood Protection</b>	<b>697</b>	<b>1,040</b>	<b>727</b>	<b>313</b>

### 5.1 Water - favourable variance of \$993,000 due primarily to:

- Decreased depreciation of \$255,000, due to the water supply assets not being revalued as at 30 June 2007 as budgeted. This has reduced the asset base and therefore depreciation.
- Savings in materials and supplies \$249,000, due mainly to savings in chemicals \$157,000 and power costs \$62,000. These variances, at this stage, are expected to reverse by year end.
- Finance costs are \$139,000 below budget, due to the opening debt position being lower than budget.
- Personnel costs are \$169,000 below budget, due to staff vacancies.

### 5.2 Forestry - unfavourable variance of \$88,000 due primarily to:

- Higher than budgeted harvest costs including expenditure on maintaining road access, \$50,000.
- Increased replanting costs, \$52,000.

The above variance items are expected to reverse by year end.

**5.3 Regional Parks - favourable variance of \$293,000 due primarily to:**

- Parks operational expenditure is currently \$316,000 below budget, due mainly to the timing of expenditure in respect of the Akatarawa and Hutt 1080 operations. These are expected to reverse by year end.

**5.4 Public Transport - favourable variance of \$879,000 due primarily to:**

- The June 2007 Land Transport New Zealand (LTNZ) inflation index was less than expected, resulting in \$500,000 less expenditure on the Council's bus contracts. However, as the diesel price continues to increase due to higher oil prices, it is not expected that this saving will continue.
- The rail operating contract has \$300,000 favourable variance due to the reduce maintenance requirements on the new Wairarapa carriages.
- Some capital expenditure has been reclassified as operational expenditure, thus reducing the favourable variance.

**5.5 Transport Policy - favourable variance of \$79,000 due primarily to:**

- Delays in completing the transport model, \$54,000.

**5.6 Environment - unfavourable variance of \$47,000 due primarily to:**

- Lower than anticipated notified consents in the first quarter resulted in a \$38,000 reduction in income.

**5.7 Catchment Management - favourable variance of \$475,000 due primarily to:**

- The down-sizing of the BioWorks unit has reduced both revenue and expenditure.
- The timing of expenditure on river maintenance across the region has resulted in savings that are expected to reverse by year end.

**5.8 Corporate - favourable variance of \$209,000 due primarily to:**

- Additional revenue of \$180,000, including \$80,000 for the Emergency Management conference and \$61,000 from the Honda Tree planting program.

**5.9 Wellington Regional Strategy - favourable variance of \$58,000 due primarily to:**

- The phasing of revenue and expenditure has resulted in a favourable variance which is expected to reverse by year end.

**5.10 Finance, IT and Support - favourable variance of \$102,000 due primarily to:**

- Higher internal revenue \$38,000, lower personnel costs \$27,000 and the phasing of expenditure on material and supplies.

**5.11 Investment Management - unfavourable variance of \$248,000 due primarily to:**

- Lower capital expenditure by the Divisions has reduced borrowings and the margin earned by Investment Management.
- External interest rates are higher than budget. Currently, the 90 day bank bill rate is 8.7% compared to the budget of 8.25%.
- The sale of forward start interest rate swaps as signalled in the budget has not yet occurred, resulting in a \$200,000 unfavourable variance.

**6. Finance costs**

Finance costs for the three months to 30 September are \$1,231,000 compared to the budget of \$1,103,000, an unfavourable variance of \$128,000. The unfavourable variance is due to higher interest rates than budgeted and the budgeted sale of forward start interest rate swaps (a gain of \$200,000), which has not yet occurred.

**7. Forecast to 30 June 2008**

The forecast to 30 June 2008 is an operating surplus of \$1,144,000, compared with the budget of \$1,459,000. These amounts exclude grants and expenditure in respect of Public Transport capital expenditure. The changes to the forecast are detailed below.

Wellington Regional Council Summary Income Statement - Operating Surplus \ (Deficit) For the Year Ending 30 June 2008				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Full Year			
	Last Year	Forecast	Budget	Variance
Water Group	(363)	(927)	(1,933)	1,006
Forestry	21	(812)	(909)	97
Regional Parks	187	(321)	(321)	-
<b>Water Supply, Parks &amp; Forests</b>	<b>(155)</b>	<b>(2,060)</b>	<b>(3,163)</b>	<b>1,103</b>
Transport Policy and Strategy	282	(133)	(133)	-
Public Transport	2,687	(1,062)	(112)	(950)
<b>Total Transport</b>	<b>2,969</b>	<b>(1,195)</b>	<b>(245)</b>	<b>(950)</b>
Environment	(513)	(111)	(111)	-
Catchment Management	1,585	2,854	3,061	(207)
Corporate	96	(71)	(51)	(20)
WRS	(221)	-	-	-
Finance, IT & Support Services	1,568	226	226	-
Investment in Democracy	84	(172)	(172)	-
<b>Divisional Operating Surplus / (Deficit)</b>	<b>5,413</b>	<b>(529)</b>	<b>(455)</b>	<b>(74)</b>
Investment Management	6,200	10,415	10,656	(241)
Business Unit Rates Contribution	(9,768)	(8,742)	(8,742)	-
<b>Council Operating Surplus / (Deficit)</b>	<b>1,845</b>	<b>1,144</b>	<b>1,459</b>	<b>(315)</b>
Revaluation of Debt and Stadium Advance	4,255	-	-	-
Revaluation Forestry - Revaluation	529	3,029	3,029	-
Forestry Cost of Goods Sold	(1,745)	(1,215)	(1,118)	(97)
Public Transport - Capex / Investment	(9,466)	(15,808)	(18,239)	2,431
<b>Total Council Surplus / (Deficit)</b>	<b>(4,582)</b>	<b>(12,850)</b>	<b>(14,869)</b>	<b>2,019</b>
<b>Flood Protection</b>				
Eastern	(220)	519	519	-
Western	2,637	2,444	2,444	-
<b>Total Flood Protection</b>	<b>2,417</b>	<b>2,963</b>	<b>2,963</b>	<b>-</b>

The significant variances between forecast and budget are:

**7.1 Water - favourable variance of \$1,006,000 due primarily to:**

- Lower depreciation \$1,006,000 as the water supply assets were not revalued as at 30 June 2007 as budgeted. This has reduced the asset base and therefore depreciation.

**7.2 Forestry - favourable variance of \$97,000 due primarily to:**

- Overall there is no change to the forecast, \$97,000 has been reclassified as cost of goods sold.

**7.3 Public Transport - unfavourable variance of \$950,000 due primarily to:**

- Reclassification of capital expenditure to operational expenditure for stations, platforms and carparks.

**7.4 Catchment Management - unfavourable variance of \$207,000 due primarily to:**

- Downsizing of the BioWorks unit with the associated costs.

**7.5 Investment Management - unfavourable variance \$241,000 due primarily to:**

- Higher external interest rates than budgeted
- Lower interest income from the Divisions due to the lower opening debt position than budgeted.

**8. Capital Expenditure**

**8.1 Year to date**

Actual capital expenditure is \$1,943,000 compared with the budget of \$4,904,000.

The main contributor to this variance is Public Transport, as detailed below.

Wellington Regional Council Capital Expenditure and Transport Investment Additions For the period ending 30 September 2007				
Capital Expenditure and Investments \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	465	389	491	102
Forestry	22	56	76	20
Regional Parks	93	18	40	22
<b>Water Supply, Parks &amp; Forests</b>	<b>580</b>	<b>463</b>	<b>607</b>	<b>144</b>
Transport Policy and Strategy	-	-	-	-
Public Transport	137	97	2,484	2,387
Public Transport Investment Additions	-	-	14	14
<b>Total Transport</b>	<b>137</b>	<b>97</b>	<b>2,498</b>	<b>2,401</b>
Environment	4	-	90	90
Catchment Management	724	1,343	1,111	(232)
Corporate	18	-	-	-
WRS	-	-	-	-
Finance, IT & Support Services	17	36	548	512
Investment in Democracy	-	-	-	-
<b>Divisional Capital and Investment expenditure</b>	<b>1,480</b>	<b>1,939</b>	<b>4,854</b>	<b>2,915</b>
Investment Management	2	4	50	46
<b>Council Capital and Investment expenditure</b>	<b>1,482</b>	<b>1,943</b>	<b>4,904</b>	<b>2,961</b>
<b>Flood Protection</b>				
Eastern	-	21	218	197
Western	649	1,321	894	(427)
<b>Total Flood Protection</b>	<b>649</b>	<b>1,342</b>	<b>1,112</b>	<b>(230)</b>



## 8.2 Public Transport - favourable variance of \$2,387,000 due primarily to:

Expenditure on stations, platforms and carparks was budgeted as capital expenditure. However, as the Council will not own these assets they have now been classified as operational expenditure.

## 9. Capital Expenditure - Full year forecast

Except for the reclassification of public transport expenditure, the forecast remains largely unchanged from the budget.

Wellington Regional Council Capital Expenditure and Transport Investment Additions For the Year Ending 30 June 2008				
Capital Expenditure and Investments \$(000)'s	Full Year			
	Last Year	Forecast	Budget	Variance
Water Group	4,162	4,996	4,996	-
Forestry	328	380	380	-
Regional Parks	514	336	336	-
<b>Water Supply, Parks &amp; Forests</b>	<b>5,004</b>	<b>5,712</b>	<b>5,712</b>	<b>-</b>
Transport Policy and Strategy	-	17	17	-
Public Transport	(31)	5,201	6,401	1,200
Public Transport Investment Additions	-	979	979	-
<b>Total Transport</b>	<b>(31)</b>	<b>6,197</b>	<b>7,397</b>	<b>1,200</b>
Environment	443	1,359	1,359	-
Catchment Management	4,226	7,659	7,689	30
Corporate	209	-	-	-
WRS	-	-	-	-
Finance, IT & Support Services	531	1,539	1,539	-
Investment in Democracy	5	49	49	-
<b>Divisional Capital and Investment expenditure</b>	<b>10,387</b>	<b>22,515</b>	<b>23,745</b>	<b>1,230</b>
Investment Management	38	1,405	1,405	-
<b>Council Capital and Investment expenditure</b>	<b>10,425</b>	<b>23,920</b>	<b>25,150</b>	<b>1,230</b>
<b>Flood Protection</b>				
Eastern	713	895	895	-
Western	3,257	6,545	6,545	-
<b>Total Flood Protection</b>	<b>3,970</b>	<b>7,440</b>	<b>7,440</b>	<b>-</b>

## 10. Finance Costs

Finance costs for the Council are forecast at \$5,275,000 compared with the budget of \$4,975,000. The unfavourable variance is due to forecast interest rates being higher than budget by approximately 0.50%.

## 11. Debt

Council debt as at 30 September was \$71.2 million, an increase of \$5.9 million from 30 June 2007. The increase is due in the main to further draw downs on the Crown loan to fund the Wairarapa carriages.

The \$71.2 million includes the written down value of the Government loans. The write down is due to the interest free nature of the loans. If write down is excluded the Council's debt as at 30 September would be \$73.2 million.

WRC Holdings Ltd debt as at 30 September was \$44.0 million, unchanged from 30 June 2007. This amount excludes debt borrowed by CentrePort Ltd.

On a consolidated basis total debt (excluding CentrePort Ltd) as at 30 September was \$115.2 million.

It should be noted that the Council has a total of \$46 million on deposit. This comprises \$33 million in liquid financial deposits, the remainder consists of our self insurance funds for water supply and flood protection.

Debt as at 30 June 2008 is forecast at \$102.8 million in the Council and \$44.0 million in WRC Holdings Ltd, a total of \$146.8 million. This forecast assumes no write down of the Government loan.

This is higher than the budget of \$138.1 million. The increase is due to the higher debt as at 30 June 2007 than budgeted, which was due to an increase in the Council's working capital.

### **11.1 Stadium debt**

In June of this year the Council approved the restructuring of the Stadium debt of \$18,985,000. The debt was borrowed from the ANZ at a fixed interest rate of 8.55% until 2018. At the same time the Council requested regular updates on the cost of refinancing.

The debt was repaid to the ANZ in late June 2007 including a break cost of \$419,000. It has been refinanced using our commercial paper programme.

The interest rate risk on this debt has been fixed to January 2009 at a cost of 8.33% compared with the previous interest rate of 8.55%.

## **12. Annual Plan Performance Targets**

Divisional Managers have reported their expectation that all significant annual plan performance targets will be achieved by 30 June 2008.

## **13. WRC Holdings**

The following table summarises WRC Holdings group of companies and CentrePort's (76.9% owned) operating results, before any unrealised increase in the value of investment properties, for the period ended 30 September 2007.

**WRC HOLDINGS GROUP**  
INCOME STATEMENT  
FOR THE PERIOD ENDED

	YTD	YTD	<b>Group</b>		
	Last Year	Actual	YTD	Full Year	Full Year
	\$000	\$000	Budget	Budget	Forecast
			\$000	\$000	\$000
TOTAL REVENUE	12,747	14,710	14,187	56,749	54,847
OPERATING EXPENSES	9,991	9,927	10,735	42,938	39,260
<b>EARNINGS BEFORE INTEREST AND TAX</b>	<b>2,756</b>	<b>4,783</b>	<b>3,453</b>	<b>13,811</b>	<b>15,587</b>
<b>Less:</b>					
Interest expense	1,136	2,285	2,222	8,886	8,700
<b>NET SURPLUS (DEFICIT) BEFORE TAX</b>	<b>1,620</b>	<b>2,498</b>	<b>1,231</b>	<b>4,925</b>	<b>6,887</b>

The actual and forecast results have been impacted by the accounting treatment for the purchase of rail rolling stock. The budget assumed that Greater Wellington Rail Ltd would be funded by share capital. It is now funded by capital grants from Council. The effect of this is to increase the surplus for the year by \$1.4 million.

In addition, CentrePort's forecast result has increased by \$728,000 over the budget due to higher property and container revenues.

#### **14. Compliance with Treasury Management Policy**

As at 30 September 2007, all Treasury Management Policy limits have been complied with apart from internal borrowing limit for Forestry and Parks. Refer to **Attachment 4**.

#### **15. Communications**

No communications are necessary at this time.

## 16. 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:** Income Statement

**Attachment 2:** Funding Statement

**Attachment 3:** Balance Sheet

**Attachment 4:** Compliance with Treasury Management Policy

# Attachment 1: Council Income Statement

Wellington Regional Council  
 Income Statement  
 For the period ending 30 September 2007

Year to Date			Income Statement \$(000)'s	Full Year Forecast		
Last Year	Actual	Budget		Last Year	Forecast	Budget
10,015	12,046	12,046	Targeted Rates	40,060	48,186	48,186
5,473	5,451	5,451	General Rate	22,525	21,803	21,803
-	-	-	Remission of Regional Rates	-	-	-
34	43	-	Rates Penalties	460	-	-
(1)	12	-	Remission of Rates Penalties	(32)	-	-
15,521	17,552	17,497	Regional Rates	63,013	69,989	69,989
5,694	5,865	5,865	Regional Water Supply Levies	22,776	23,460	23,460
8,577	14,952	14,677	Grants and Subsidies Revenue	51,090	79,179	81,670
-	-	-	Reserve Investment Revenue	-	-	-
1,062	997	971	Other Investment Revenue	4,750	4,890	4,840
-	-	-	Unrealised Revaluation Gains	4,786	3,809	3,809
4,259	3,986	4,064	Other External Revenue	17,671	16,813	17,468
35,113	43,352	43,074	Total External Revenue	164,086	198,140	201,236
4,483	4,337	4,225	Internal Revenue	18,679	17,344	17,732
39,596	47,689	47,299	Total Operating Revenue	182,765	215,484	218,968
6,754	7,132	7,713	Personnel Costs	28,809	30,069	30,593
5,343	4,863	5,877	Materials,Supplies & Services	19,578	23,394	23,595
312	247	287	Travel & Transport Costs	1,359	1,129	1,149
5,154	6,751	5,084	Contractor & Consultants	25,451	18,754	22,711
13,785	21,043	21,000	Grants and Subsidies Expenditure	79,486	123,127	123,127
4,370	4,284	4,165	Internal Charges	18,240	17,158	17,220
35,718	44,320	44,126	Total Direct Expenditure	172,923	213,631	218,395
-	-	-	Internal Debt Financial Costs	-	-	-
1,208	1,231	1,103	Other Financial Costs	4,760	5,275	4,975
(14)	20	-	Bad Debts and Provision for Bad Debts	(40)	-	-
2,347	2,395	2,680	Depreciation	9,476	9,681	10,720
(2)	(23)	-	Loss(Gain) on Assets	228	(253)	(253)
-	-	-	Loss(Gain) Investments	-	-	-
3,539	3,623	3,783	Total Indirect Expenditure	14,424	14,703	15,442
39,257	47,943	47,909	Total Operating Expenditure	187,347	228,334	233,837
339	(254)	(610)	Operating Surplus(Deficit)	(4,582)	(12,850)	(14,869)

## Attachment 2: Funding Statement

### Wellington Regional Council

### Funding Statement

For the period ending 30 September 2007

Year to Date			Funding Statement	Full Year Forecast		
Last Year	Actual	Budget	\$(000)'s	Last Year	Forecast	Budget
339	(254)	(610)	Operating Surplus(Deficit)	(4,582)	(12,850)	(14,869)
(2,347)	(2,395)	(2,680)	Depreciation	(9,476)	(9,681)	(10,720)
2	23	-	Loss(Gain) on Assets	(228)	253	253
(550)	(347)	(304)	Revaluations	3,668	2,594	2,594
-	-	-	Loss(Gain) Investments	-	-	-
(2,895)	(2,719)	(2,984)	Add Back Non Cash Items	(6,036)	(6,834)	(7,873)
3,234	2,465	2,374	Cash Operating Surplus(Deficit)	1,454	(6,016)	(6,996)
-	-	-	Reserve Investments Movements	-	-	-
3,234	2,465	2,374	Funding Surplus (Deficit) from Operations	1,454	(6,016)	(6,996)
(204)	(504)	(57)	Total Asset Acquisitions	(1,828)	(1,418)	(1,448)
(1,286)	(1,462)	(4,833)	Capital Project Expenditure	(8,879)	(23,069)	(23,069)
7	25	-	Asset Disposal Cash Proceeds	282	346	346
(1,483)	(1,941)	(4,890)	Net Capital Expenditure	(10,425)	(24,141)	(24,171)
10,558	(518)	(531)	Other Investments Movements	9,152	(4,519)	(3,039)
(7,203)	2,190	3,047	External Debt Movements	(1,359)	34,676	34,206
-	-	-	Internal Debt Repayments	-	-	-
-	-	-	Other Debt Movements	-	-	-
(5,106)	(2,196)	-	Working Capital Movements	1,178	-	-
-	-	-	Reserve Movements	-	-	-
-	-	-	Net Funding Surplus(Deficit)	-	-	-

**Attachment 3: Balance Sheet**

Wellington Regional Council			
Balance Sheet			
For the period ending 30 September 2007			
<b>Balance Sheet</b> \$(000)'s	Current Actual YTD	2008 Budget	Last Year June Actual
Total Retained Earnings	365,949	345,854	367,547
Asset Revaluation Reserves	226,387	198,328	179,699
Departmental Reserves	8,984	7,417	8,093
Movement in Equity	-	-	-
<b>Total Ratepayer Funds</b>	<b>601,320</b>	<b>551,599</b>	<b>555,339</b>
Bank Accounts and Call Deposits	6	158	1,037
Receivables	19,615	8,101	11,338
Accrued Revenue and Prepayments	11,296	4,107	21,266
Stocks	2,128	1,945	2,143
<b>Total Current Assets</b>	<b>33,045</b>	<b>14,311</b>	<b>35,784</b>
Other Investments	50,049	48,066	49,531
Investment in Subsidiary	34,541	23,089	34,541
Derived Financial Instruments	1,908	-	1,908
Forestry Investments	13,956	18,194	14,303
<b>Total Investments</b>	<b>100,454</b>	<b>89,349</b>	<b>100,283</b>
<b>Net Fixed Assets</b>	<b>556,944</b>	<b>558,709</b>	<b>502,936</b>
Capital Works In Progress	6,939	2,500	14,693
<b>Total Non Current Assets</b>	<b>664,337</b>	<b>650,558</b>	<b>617,912</b>
<b>Total Assets</b>	<b>697,382</b>	<b>664,869</b>	<b>653,696</b>
Payables and Accrued Expenses	21,238	15,654	26,342
Employee Provisions and Accruals	3,320	3,000	4,302
Subsidiaries Current Accounts	337	500	1,443
<b>Current Liabilities</b>	<b>24,895</b>	<b>19,154</b>	<b>32,087</b>
External Debt	71,167	94,116	66,270
<b>Non Current Liabilities</b>	<b>71,167</b>	<b>94,116</b>	<b>66,270</b>
<b>Total Liabilities</b>	<b>96,062</b>	<b>113,270</b>	<b>98,357</b>
<b>Net Assets</b>	<b>601,320</b>	<b>551,599</b>	<b>555,339</b>

## 2. COMPLIANCE WITH TREASURY MANAGEMENT POLICY

### 2.1 Treasury Management Compliance

As at 30 September 2007

Total Council Limit Compliance Analysis			
	<i>Notes</i>	<i>Yes</i>	<i>No</i>
Risk management activities are related to underlying cash flows		✓	
A mixture of undrawn committed lines and liquid investments of no less than \$15 million are available for normal operations		✓	
A mixture of undrawn committed lines and liquid financial investments available for self-insured infrastructural assets and contingency reserves		✓	
Hedging of interest rate risk on debt and use of derivatives within allowable parameters		✓	
Hedging of interest rate risk on investments within allowable parameters		✓	
	<u>S&amp;P's credit rating</u>		
Counterparty exposures: (on balance sheet)	ANZ National	≤ \$50 million	AA ✓
	BNZ	≤ \$15 million	AA ✓
	Westpac	≤ \$15 million	AA ✓
	ASB / CBA	≤ \$15 million	AA ✓
Counterparty credit limits within allowable parameters (> A credit rating for banks)			✓
Consolidated group external borrowing limits compliance			✓
Core Council external borrowing limits compliance			✓
Internal borrowing limits compliance			✓

Due to the revaluation of Greater Wellington's forests at June 2007, the Forestry activity has, consistent with prior years breached its internal debt limit.

Parks and Forests have breached their internal borrowing limits due to the purchase of Waitangirua Farm in June 2006.

Consistent with the prior year Forestry's valuation includes Land, Trees and Infrastructural improvements

Consolidated Group External Borrowing Limits			
	<i>Notes</i>	<i>Actual</i>	<i>TMP Limits</i>
Net interest expense to total operating revenue		4%	≤ 12%
Net external debt to total operating revenue		70%	≤ 120%
Note: Group net external debt is total external debt less financial investments			

Core Council External Borrowing Limits			
<i>Ratio</i>	<i>Notes</i>	<i>Actual</i>	<i>TMP Limits</i>
Interest expense on net external debt to rates and levies		1.0%	25%
Net external debt to rates and levies		27.4%	210%
Net external debt per capita		\$55	\$400

Internal Borrowing Limits				
<i>Activity</i>	<i>Ratio</i>	<i>June</i>	<i>Actual</i>	<i>TMP Limits</i>
Regional Water	Debt to water supply levy		186%	300%
	Financial costs to water supply levy		15%	40%
Flood Protection	Debt to rates		252%	400%
	Financial costs to rates		20%	50%
Parks	Debt to rates	59%	59%	50%
	Financial costs to rates		5%	10%
Transport	Debt to rates		20%	250%
	Financial costs to rates		1%	25%
Forestry	Debt to forestry market value	84.5%	86.5%	70%

Further Management Information			
Plantation Forestry	Debt to forestry market value		72%
Reserve Forestry	Debt to forestry market value		115%