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Financial report for the five months ending 30 November 2011

1. Purpose

To inform the Council of Greater Wellington's financial performance for the five months ending 30 November 2011 and to provide an explanation of major variances to budget by Group.

2. The decision-making process and significance

No decision is being sought in this report.

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 (refer **Attachments 1 and 2**).

4. Financial Performance – Council

4.1 Year to date

Greater Wellington achieved an operating surplus of $716k (budget, a deficit of $801k) for the five months ended 30 November. 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 $4,517k (budget, a deficit of $3,814k).

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

4.2 Financial summary – Council

Greater Wellington Regional Council Summary income statement	For the 5 months ended 30 November 2011 Last Year $000s	 Actual $000s	 Budget $000s	 Variance $000s
Regional rates	33,708	35,356	35,356	-
Water supply levy	9,775	10,068	10,068	-
Other operating revenue	33,267	36,861	35,510	1,351
Total operating revenue	**76,750**	**82,285**	**80,934**	**1,351**
Operational expenditure	(75,123)	(81,569)	(81,735)	166
Operating surplus/(deficit) before transport improvements	**1,627**	**716**	**(801)**	**1,517**
Operating (deficit) from transport improvements	(3,562)	(2,732)	(5,392)	2,660
Operating surplus/(deficit) before unrealised items	**(1,935)**	**(2,016)**	**(6,193)**	**4,177**
Non-operational movements	(1,587)	(2,501)	2,379	(4,880)
Operating surplus/(deficit)	**(3,522)**	**(4,517)**	**(3,814)**	**(703)**

4.3 Financial summary – Council by Group

Greater Wellington Regional Council Summary income statement	For the 5 months ended 30 November 2011 Last Year $000s	 Actual $000s	 Budget $000s	 Variance $000s
Operational Groups				
Catchment Management	1,789	2,245	1,640	605
Environmental Management	293	196	364	(168)
Forestry	(582)	(629)	(640)	11
Parks and Forests	129	(35)	(16)	(19)
Public Transport	(431)	(472)	(657)	185
Total rates funded operational surplus / (deficit)	**1,198**	**1,305**	**691**	**614**
Corporate				
Strategy & Community Engagement	141	798	306	492
Finance and Support	200	(114)	(248)	134
Other corporate activities	71	290	61	229
Investment Management	2,867	3,791	4,131	(340)
Business unit rates contribution	(2,727)	(4,349)	(4,349)	-
Total rates funded operating surplus / (deficit)	**1,750**	**1,721**	**592**	**1,129**
Water	(123)	(1,005)	(1,393)	388
Total rates & levy funded operating surplus / (deficit)	**1,627**	**716**	**(801)**	**1,517**
Non-operational movements				
Forestry cost of goods sold	(781)	(231)	(195)	(36)
Grants for Baring Head Purchase	-	-	-	-
Warm Greater Wellington	(807)	(2,269)	(1,252)	(1,017)
EMU investment - GW Rail	2	1	3,828	(3,827)
Public Transport - improvements	(3,562)	(2,732)	(5,392)	2,660
Total Council surplus / (deficit)	**(3,522)**	**(4,517)**	**(3,814)**	**(703)**

4.4 Forecast to 30 June 2012

Greater Wellington is forecasting an operating deficit of $3,414k (budget, a deficit of $2,803k) for the year to 30 June 2012. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington is forecasting a deficit of $4,570k (budget, a deficit of $12,203k).

4.5 Financial forecast – Council

Greater Wellington Regional Council	For the year ending 30 June 2012			
Summary income statement	**Last Year**	**Forecast**	**Budget**	**Variance**
	$000s	**$000s**	**$000s**	**$000s**
Regional rates	81,933	84,852	84,852	-
Water supply levy	23,460	24,164	24,164	-
Other operating revenue	83,102	89,375	87,453	1,922
Total operating revenue	**188,495**	**198,391**	**196,469**	**1,922**
Operational expenditure	(184,446)	(201,805)	(199,272)	(2,533)
Operating surplus/(deficit) before transport improvements	**4,049**	**(3,414)**	**(2,803)**	**(611)**
Operating (deficit) from transport improvements	(7,458)	(25,792)	(47,025)	21,233
Operating surplus/(deficit) before unrealised items	**(3,409)**	**(29,206)**	**(49,828)**	**20,622**
Non-operational movements	16,948	24,636	37,625	(12,989)
Operating surplus/(deficit)	**13,539**	**(4,570)**	**(12,203)**	**7,633**

4.6 Financial forecast – Council by Group

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2012 Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operational Groups				
Catchment Management	3,580	3,396	3,192	204
Environmental Management	(27)	(42)	140	(182)
Forestry	(368)	(1,534)	(1,534)	-
Parks and Forests	(1,323)	(223)	(223)	-
Public Transport	(1,750)	(1,799)	(1,775)	(24)
Total rates funded operational surplus / (deficit)	**112**	**(202)**	**(200)**	**(2)**
Corporate				
Strategy & Community Engagement	315	620	577	43
Finance and Support	1,102	(943)	(964)	21
Other corporate activities	46	182	124	58
Investment Management	9,943	10,360	11,421	(1,061)
Business unit rates contribution	(6,550)	(10,433)	(10,433)	-
Total rates funded operating surplus / (deficit)	**4,968**	**(416)**	**525**	**(941)**
Water	(919)	(2,998)	(3,328)	330
Total rates & levy funded operating surplus / (deficit)	**4,049**	**(3,414)**	**(2,803)**	**(611)**
Non-operational movements				
Forestry cost of goods sold	(1,899)	(467)	(467)	-
Grants for Baring Head Purchase	1,100	-	-	-
Warm Greater Wellington	280	(4,309)	(2,801)	(1,508)
EMU investment - GW Rail	13,341	28,299	39,781	(11,482)
Public Transport - improvements	(7,458)	(25,792)	(47,025)	21,233
Total Council surplus / (deficit)	**13,539**	**(4,570)**	**(12,203)**	**7,633**

5. Financial Performance – by Group

5.1 Catchment management

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	10,695	12,834	12,966	(132)	24,592	29,854	30,136	(282)
Operating expenditure	8,906	10,589	11,326	737	21,012	26,458	26,944	486
Operating surplus / (deficit)	**1,789**	**2,245**	**1,640**	**605**	**3,580**	**3,396**	**3,192**	**204**
Net capital expenditure	773	1,488	934	(554)	4,256	6,245	5,553	(692)

5.1.1 Year to date

A favourable operating variance of $605k, comprising lower revenue of $132k and lower operating costs of $737k primarily due to the timing of the work programmes compared to budget.

- Operating revenue is lower than budget due mainly to:
  - Internal revenue being lower than budget by $128k due delays in pest control activities for the Water Group and Akura sales.
- Operating expenditure was lower than budget due mainly to:
  - Contract expenditure ($312k) for flood protection was favourable due to timing of Hutt and Kapiti river maintenance works.
  - Contract and materials expenditure for Biodiversity was $207k favourable due to the timing of various implementation programmes.
  - Contract expenditure for Biosecurity was $173k favourable due to the timing of Pest Management and predator control work.
- Capital expenditure is $554k ahead of budget primarily due to:
  - The settlement of the Buick Road property ($350k) acquisition for the Lower Wairarapa Valley Development (LWVD) scheme.
  - Other capital expenditure that is ahead of budget relates to work carried out on the Boulcott Hutt stop bank and some extra work carried out to Bridge Road edge protection.

5.1.2 Forecast to 30 June 2012

The forecast operating surplus of $3,396k is $204k better than budget. Reduced revenue from gravel extraction and Wellington Region Erosion Control Initiative (WRECI), will be offset by reduced river maintenance expenditure.

Capital expenditure is forecast to be $692k higher than budget due to the land settlement for the LWVD scheme and planting for Waiwhetu flood improvements.

5.2 Environmental management

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	5,843	5,663	5,202	461	14,883	12,789	12,547	242
Operating expenditure	5,550	5,467	4,838	(629)	14,910	12,831	12,407	(424)
Operating surplus / (deficit)	**293**	**196**	**364**	**(168)**	**(27)**	**(42)**	**140**	**(182)**
Net capital expenditure	84	153	359	206	178	1,119	1,119	-

5.2.1 Year to date

Overall, an unfavourable operating variance of $168k, comprising higher revenue of $461k and higher expenditure of $629k.

- Operating revenue is ahead of budget primarily due to:
  - Increased invoicing and on-charging of consultants costs in the Regulation department resulting in a $350k favourable variance in external revenue.
  - Internal revenue is $69k ahead of budget mainly due to charges to water supply for the Kaitoke Weir change of consent conditions.

- Operating expenditure was more than budget due mainly to:
  - Consultant's costs are $382k more than budget, of which $258k is in Regulation department. Most of these costs have been on-charged.
  - Additional expenditure on consultants, $33k, related to the Kaitoke Weir.
  - Timing of expenses incurred on policy and environmental consultants being $200k ahead of budget.
- Capital expenditure is behind budget which relates to the timing of expenditure on Wairarapa Water Use Project (WWUP) and vehicle replacements.

5.2.2 Forecast to 30 June 2012

- The forecast operating deficit of $42k is unchanged from the previous month.

5.3 Forestry

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	2,732	3,229	2,766	463	7,415	6,639	6,639	-
Operating expenditure	3,313	3,858	3,405	(453)	7,783	8,173	8,173	-
Operating surplus / (deficit) before cost of goods sold	**(581)**	**(629)**	**(639)**	**10**	**(368)**	**(1,534)**	**(1,534)**	**-**
Cost of goods sold*	782	231	196	(35)	1,899	467	467	-
Operating surplus / (deficit) before valuation	(1,363)	(860)	(835)	(25)	(2,267)	(2,001)	(2,001)	-
Forestry valuation	-	-	-	-	8,162	1,400	1,400	-
Operating surplus / (deficit)	**(1,363)**	**(860)**	**(835)**	**(25)**	**5,895**	**(601)**	**(601)**	**-**
Net capital expenditure	218	63	141	78	414	360	360	-

* cost of goods sold is a non cash accounting adjustment

5.3.1 Year to date

- A favourable operating variance of $10k, prior to cost of goods sold, due to:
  - Higher operating revenue of $463 primarily due to increased volume of logging than was planned. This is offset by increased costs.
  - Increased costs are primarily due to the reserve forests harvesting and transport costs being higher than budgeted because the block presently being harvested is difficult to access.
- The treatment of the COGS accounting entry, an estimate of the cost of the tree crop harvested in the reporting period, the calculation of this value is being reviewed.
- Capital expenditure is lower than budget due to lower requirements than anticipated at budget time.

5.3.2 Forecast to 30 June 2012

There are no changes from budget.

5.4 Regional Parks

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	2,844	2,436	2,449	(13)	5,911	5,898	5,898	-
Operating expenditure	2,715	2,471	2,465	(6)	7,234	6,121	6,121	-
Operating surplus / (deficit)	**129**	**(35)**	**(16)**	**(19)**	**(1,323)**	**(223)**	**(223)**	**-**
Grants for Baring Head purchase	-		-	-	1,100	-	-	-
Operating surplus / (deficit)	129	(35)	(16)	(19)	(223)	(223)	(223)	-
Baring Head purchase			-	-	1,775	-	-	-
Net capital expenditure	54	90	163	73	194	512	512	-

5.4.1 Year to date

The operating variance of $19k is considered immaterial relative to the overall budget, with reduced revenue of $13k and slightly higher expenditure of $6k.

- Capital expenditure was below budget due primarily to:
  - Delayed fence replacements at Waitangirua park
  - Delayed replacement of the water supply pipelines in the northern farming block of Queen Elizabeth Park.

  Both of these capital works will be completed this year.

5.4.2 Forecast to 30 June 2012

There are no changes from budget.

5.5 Public transport

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	34,508	38,102	38,139	(37)	84,550	92,709	91,797	912
Operating expenditure	34,939	38,574	38,796	222	86,300	94,508	93,572	(936)
Operating surplus / (deficit)	**(431)**	**(472)**	**(657)**	**185**	**(1,750)**	**(1,799)**	**(1,775)**	**(24)**
Net capital expenditure	35	-	51	51	37	252	252	-

5.5.1 Year to date

A favourable operating variance of $185k, comprising lower revenue of $37k and lower expenditure of $222k. Overall public transport operations are tracking close to budget.

5.5.2 Forecast to 30 June 2012

The forecast favourable operating variance of $24k is comprised of higher expenditure of $936k and increased revenue of $912k.

- Operating revenue is forecast to be higher than budget primarily due to:
  - A forecast increase in grants and subsidies revenue of $400k. The NZTA financial assistance for the Total Mobility Scheme has increased to 60% (previously the rate was between 50 - 60% depending on the level of expenditure).
  - In addition the SuperGold card revenue is forecast to be $600k higher because of increased patronage.
- Operating expenditure is forecast to be higher than budget primarily due to:
  - Rail operations expenditure is forecast to be $36.5 million which is $100k above budget. This forecast includes higher projected costs for

rolling stock maintenance and insurance (primarily insurance), offset by decrease in TranzMetro costs (because of increased fare revenue).

- Diesel bus operating contract expenditure is forecast to be $300k above budget because the majority of the contracts have been rebased.
- SuperGold expenditure is forecast to be $600k higher than budget due to fare increases and increased patronage.
- Systems and information expenditure is forecast to be $100k below budget mainly reflecting reduced real time information maintenance costs.

5.6 Public transport improvement projects

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	47,656	49,610	71,769	(22,159)	116,365	130,756	128,092	2,664
Operating expenditure	51,218	52,342	77,161	24,819	123,823	156,548	175,117	18,569
Operating surplus / (deficit)	**(3,562)**	**(2,732)**	**(5,392)**	**2,660**	**(7,458)**	**(25,792)**	**(47,025)**	**21,233**
External debt revaluation gains /(loss)	-	-	-	-	(1,238)	-	-	-
Operating surplus / (deficit)	(3,562)	(2,732)	(5,392)	2,660	(8,696)	(25,792)	(47,025)	21,233
Net capital expenditure	114	1,477	2,812	1,335	3,159	3,062	3,666	604

5.6.1 Year to date

Overall, a favourable operating variance of $2,660k, comprising lower expenditure of $24,819k and lower revenue of $22,159k (which is a result of the lower expenditure to date).

- Operating expenditure was lower than budget due to:
  - Reduced expenditure on the new Matangi trains of $21,288k because of changes to the expected payment dates for the trains.
  - Rail infrastructure projects $888k behind budget reflecting the timing of projects and a reduction in charges of $800k from Kiwirail Networks relating to last year.
  - Trolley bus infrastructure renewals are $763k behind budget due to timing of work carried out. Work had been delayed to avoid the Rugby World Cup. Some work will be deferred to 2012/13.
- Capital expenditure was $1,353k below budget due mainly to the change in timing of the payments for the Real Time Information project roll out.

5.6.2 Forecast to 30 June 2012

The forecast favourable operating variance of $21,333k is comprised of lower expenditure of $18,569k and increased revenue of $2,664k.

- Operating expenditure is forecast to be lower than budget due to:
  - Reduced expenditure on Rail Infrastructure upgrades of $3,394k as most of the projects were substantially completed in the last financial year.
  - Change in timing of expenditure for the new Matangi trains of $2,380k.
  - The Ganz Mavag fleet refurbishment forecast expenditure is $11,000k lower than budget reflecting the changes to the timing of project.
- Operating revenue is forecast to be lower than budget due to the reduced expenditure as discussed above.

Capital expenditure is forecast to be $604k below budget due to the change in timings of the payments on the Real Time Information project.

5.7 Strategy & Community Engagement

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	3,696	4,309	4,517	(208)	8,972	10,660	10,675	(15)
Operating expenditure	3,555	3,511	4,211	700	8,657	10,040	10,098	58
Operating surplus / (deficit)	**141**	**798**	**306**	**492**	**315**	**620**	**577**	**43**
Net capital expenditure	6	685	650	(35)	178	1,302	1,332	30

5.7.1 Year to date

Overall, a favourable operating variance of $492k, comprising lower expenditure of $700k and lower revenue of $208k.

- Operating expenditure was lower than budget due to:
  - Reduced expenditure in Transport Planning of $300k that relates mainly to the PT Spine Study, the RLTP, and reduced cost of completing the Hutt Corridor Study.
  - Reduced expenditure of $57k related to timing of signage and display systems, subscriptions and media monitoring.
  - Reduced expenditure on Iwi Projects and GW capacity training of $54k to date.
  - $90k to be spent on market research related to the LTP development has been delayed till early 2012, as well as savings of $20k on producing last years annual report – with a credit in this year's budget as a result.
  - Reduced payments of $40k for the School Travel Plan programme which is a timing issue.

- Operating revenue was lower than budget due to reduced grants received from NZTA due to lower expenditure on the PT Spine Study and School Travel Plan.
- Capital expenditure is in line with budget.

5.7.2 Forecast to 30 June 2012

The forecast surplus of $620k is $43k ahead of budget mainly due to expected saving associated with completing the Hutt Corridor Plan.

5.8 People and Capability

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	2,304	2,572	2,552	20	5,535	6,145	6,124	21
Operating expenditure	2,262	2,374	2,532	158	5,627	6,037	6,073	36
Operating surplus / (deficit)	**42**	**198**	**20**	**178**	**(92)**	**108**	**51**	**57**
Net capital expenditure	35	82	80	(2)	93	157	107	(50)

5.8.1 Year to date

A favourable operating variance of $178k comprising lower expenditure of $158k and increased revenue of $20k.

- Operating expenditure was lower than budget due to:
  - $64k favourable variance in Human Resources, due to timing of the work programme.
  - $52k favourable variance in Elected Members due to timing of Councillor costs and training.
  - $33k savings in Democratic services due to the restructure in the previous year.

5.8.2 Forecast to 30 June 2012

The forecast operating surplus is $57k higher than budget mainly due to the savings in Democratic Services due to the restructure.

5.9 Finance and Support

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	3,332	3,264	3,234	30	9,108	7,763	7,763	-
Operating expenditure	3,132	3,378	3,482	104	8,006	8,706	8,727	21
Operating surplus / (deficit)	**200**	**(114)**	**(248)**	**134**	**1,102**	**(943)**	**(964)**	**21**
Net capital expenditure	243	168	250	82	660	1,072	1,072	-

5.9.1 Year to date

A favourable operating variance of $134k comprising higher revenue of $30k and lower expenditure of $104k.

- Operating revenue was above budget due to additional rates and penalties.
- Operating expenditure is below budget due to:
  - $200k favourable variance due to higher than expected Rates takes
  - $100k unbudgeted expenditure on the Regional Shared Services initiative

5.9.2 Forecast to 30 June 2012

The forecast deficit has improved by $121k due to savings in personnel costs and reduced licence fees.

- Capital expenditure for the year is below budget due to timing but is expected to track back to budget over the year.

5.10 Investment management

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	1,883	2,420	1,692	728	7,159	8,126	7,082	1,044
Operating expenditure	(984)	(1,371)	(2,439)	(1,068)	(2,781)	(2,234)	(4,338)	(2,104)
Operating surplus / (deficit)	**2,867**	**3,791**	**4,131**	**(340)**	**9,940**	**10,360**	**11,420**	**(1,060)**
Net capital expenditure	14	176	1,010	834	252	2,424	2,424	-

5.10.1 Year to date

Operating revenue is $727k ahead of budget due to higher interest revenue from money market investments and higher interest on liquid financial deposits.

Net operating expenditure recoveries are $1,067k less than budget due to the much lower borrowing requirements of the business in 2010/11 and from lower year to date capital expenditure.

5.10.2 Forecast to 30 June 2012

The operating surplus is forecast to be $1,060k, unfavourable relative to the budget due to lower recoveries from other Groups as a result of the delays in capital expenditure reducing the demand for borrowing.

5.11 Investment management – Non operational movements

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Investment - GW Rail	2	1	3,828	(3,827)	13,341	28,299	39,781	(11,482)
Valuation Movements	-	-	-	-	2,798	288	288	-
Operating surplus / (deficit)	2	1	3,828	(3,827)	16,139	28,587	40,069	(11,482)

5.11.1 Year to date – GW Rail investment

An unfavourable variance of $3,827k is due to the timing of the grant from the Public Transport Group to fund the share capital of Greater Wellington Rail.

5.11.2 Forecast– Matangi investment

The forecast investment in GW Rail has reduced by $11,482 due to reduced planned capital expenditure on the Ganz refurbishment and new Matangi trains for the financial year.

5.12 Warm Greater Wellington

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	16	154	136	18	38	532	532	-
Operating expenditure	823	2,423	1,388	(1,035)	(242)	4,841	3,333	(1,508)
Operating surplus / (deficit)	(807)	(2,269)	(1,252)	(1,017)	280	(4,309)	(2,801)	(1,508)
Net capital expenditure	-	21	-	(21)	-	-	-	-

5.12.1 Year to date

Overall, an unfavourable operating variance of $1,017k, primarily due to the programme being taken up by more ratepayers than expected.

Council has increased the budget to $6 million of approvals per annum for the programme and only the ratepayers participating in the scheme are charged a targeted rate to fund the programme.

3261 applications had been approved and paid as at 30 November, with 1,140 of these being paid for this year.

5.12.2 Forecast

The forecast expenditure has increased by $1,508k due to the increased number of participants in the scheme.

5.13 Water

Financial Summary	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	11,236	11,357	11,375	(18)	27,050	27,299	27,299	-
Operating expenditure	11,359	12,362	12,768	406	27,969	30,297	30,627	330
Operating surplus / (deficit)	**(123)**	**(1,005)**	**(1,393)**	**388**	**(919)**	**(2,998)**	**(3,328)**	**330**
Net capital expenditure	1,744	3,492	5,770	2,278	7,393	11,192	16,692	5,500

5.13.1 Year to date

Overall a favourable operating variance of $388k compared to budget, due to:

- Operating expenditure being $406k lower than budget due to:
  - Contractors and consultant's costs being lower than budget by $387k. This is due to a number of projects that have been initiated but yet to fully commence – these include emergency preparedness and network resilience investigations, asset management work, and some of the compliance work associated with the Kaitoke weir resource consent.
- Capital expenditure is $2,278k under budget due to the timing of work in a number of projects.

5.13.2 Forecast to 30 June 2012

The forecast operating expenditure has reduced by $330k due to reduced finance costs being less as a result of lower capital expenditure in the last financial year.

6. Finance costs

Finance Costs	For the 5 months ended 30 November 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
	2,259	2,988	2,944	(44)	5,424	8,131	8,533	402

6.1 Year to date

The unfavourable variance of $44k results from higher borrowings which has been invested at a margin so is offset by addition investment revenue.

6.2 Forecast to 30 June 2012

The forecast has reduced by $402k due to lower borrowing requirements.

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	Bruce Simpson
Manager, Finance & Support	Chief Financial Officer

Attachment 1: Funding Impact Statement

Attachment 2: Balance Sheet