Report	12.183
Date	5 June 2012
File	CFO/13/02/01
Committee	Council
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Finance report for the ten months ending 30 April 2012

1. Purpose

To inform the Council of Greater Wellington's financial performance for the ten months ending 30 April 2012 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 $627k (budget, a deficit of $3.469 million) for the ten months ended 30 April. This result excludes revenue and expenditure for; public transport capital improvement projects; forestry cost of goods sold; Warm Greater Wellington installations; and valuation movements. Including these amounts, Greater Wellington made a deficit of $11.537 million (budget, a deficit of $28.725 million).

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

4.2 Financial summary – Council

Greater Wellington Regional Council Summary income statement	For the 10 months ended 30 April 2012 Actual $000s	 Budget $000s	 Variance $000s	 Last Year $000s
Regional rates	70,709	70,709	-	67,384
Water supply levy	20,136	20,136	-	19,550
Other operating revenue	71,260	70,532	728	67,086
Total operating revenue	**162,105**	**161,377**	**728**	**154,020**
Operational expenditure	(161,478)	(164,846)	3,368	(150,589)
Operating surplus/(deficit) before transport improvements	**627**	**(3,469)**	**4,096**	**3,431**
Operating (deficit) from transport improvements	(6,522)	(36,695)	30,173	(4,883)
Operating surplus/(deficit) before unrealised items	**(5,895)**	**(40,164)**	**34,269**	**(1,452)**
Non-operational movements	(5,642)	11,439	(17,081)	(2,990)
Operating surplus/(deficit)	**(11,537)**	**(28,725)**	**17,188**	**(4,442)**

4.3 Financial summary – Council by Group

Greater Wellington Regional Council Summary income statement	For the 10 months ended 30 April 2012 Actual $000s	 Budget $000s	 Variance $000s	 Last Year $000s
Operational Groups				
Catchment Management	4,054	2,780	1,274	3,120
Environmental Management	229	426	(197)	546
Forestry	(1,336)	(1,278)	(58)	(336)
Regional Parks	(183)	(125)	(58)	174
Public Transport	(580)	(1,220)	640	(1,134)
Total rates funded operational surplus / (deficit)	**2,184**	**583**	**1,601**	**2,370**
Corporate				
Strategy & Community Engagement	1,134	569	565	185
Finance and Support	201	(738)	939	96
Other corporate activities	132	183	(52)	97
Investment Management	7,817	7,369	448	6,661
Business unit rates contribution	(8,695)	(8,695)	-	(5,458)
Total rates funded operating surplus / (deficit)	**2,772**	**(729)**	**3,501**	**3,951**
Water	(2,145)	(2,740)	595	(520)
Total rates & levy funded operating surplus / (deficit)	**627**	**(3,469)**	**4,096**	**3,431**
Non-operational movements				
Forestry cost of goods sold	(1,364)	(389)	(975)	(1,594)
Grants for Baring Head Purchase	-	-	-	-
Warm Greater Wellington	(4,281)	(2,504)	(1,777)	(1,398)
EMU investment - GW Rail	-	14,334	(14,334)	1
Public Transport - improvements	(6,522)	(36,695)	30,173	(4,883)
Total Council surplus / (deficit)	**(11,537)**	**(28,725)**	**17,188**	**(4,442)**

4.4 Forecast to 30 June 2012

Greater Wellington is forecasting an operating surplus of $1.493 million (budget, a deficit of $2.803 million) 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 surplus of $3.025 million (budget, a deficit of $12.202 million).

4.5 Financial forecast – Council

Greater Wellington Regional Council Summary income statement	**For the year ending 30 June 2012**			
	Forecast $000s	**Budget $000s**	**Variance $000s**	**Last Year $000s**
Regional rates	84,852	84,852	-	81,933
Water supply levy	24,164	24,164	-	23,460
Other operating revenue	90,544	87,453	3,091	83,102
Total operating revenue	**199,560**	**196,469**	**3,091**	**188,495**
Operational expenditure	(198,067)	(199,272)	1,205	(184,446)
Operating surplus/(deficit) before transport improvements	**1,493**	**(2,803)**	**4,296**	**4,049**
Operating (deficit) from transport improvements	(10,839)	(47,025)	36,186	(7,458)
Operating surplus/(deficit) before unrealised items	**(9,346)**	**(49,828)**	**40,482**	**(3,409)**
Non-operational movements	12,371	37,626	(25,255)	16,947
Operating surplus/(deficit)	**3,025**	**(12,202)**	**15,227**	**13,538**

Note, the budgeted deficit arises from the accounting treatment for the purchase and funding of passenger rail rolling stock and station upgrades that will be owned by the Greater Wellington subsidiary Greater Wellington Rail Limited.

Council must grant the Crown’s full share of the costs for Greater Wellington’s rail rolling stock and station upgrades directly to Greater Wellington Rail Limited as the upgrades are undertaken, whereas, the Crown’s revenue is only received as the debt repayment and finance costs are incurred over future years. This funding shortfall creates the operational deficit which is met by debt. In future years the revenue for debt repayments creates operational surpluses as there is no grant expenditure relating to that income, just debt repayment and finance costs.

Greater Wellington is of the opinion that it is appropriate to debt fund this expenditure as it relates to the improvement of the public transport assets owned by Greater Wellington’s subsidiary and it is not equitable to recover these costs immediately in the year they are incurred from current ratepayers.

4.6 Financial forecast – Council by Group

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2012			
	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operational Groups				
Catchment Management	3,806	3,192	614	3,580
Environmental Management	(53)	96	(149)	(27)
Forestry	(1,194)	(1,534)	340	(368)
Regional Parks	(259)	(223)	(36)	(1,323)
Public Transport	(1,823)	(1,775)	(48)	(1,750)
Total rates funded operational surplus / (deficit)	**477**	**(244)**	**721**	**112**
Corporate				
Strategy & Community Engagement	978	577	401	315
Finance and Support	(402)	(964)	562	1,102
Other corporate activities	242	168	74	46
Investment Management	13,153	11,421	1,732	9,943
Business unit rates contribution	(10,433)	(10,433)	-	(6,550)
Total rates funded operating surplus / (deficit)	**4,015**	**525**	**3,490**	**4,968**
Water	(2,522)	(3,328)	806	(919)
Total rates & levy funded operating surplus / (deficit)	**1,493**	**(2,803)**	**4,296**	**4,049**
Non-operational movements				
Forestry cost of goods sold	(1,983)	(467)	(1,516)	(1,899)
Grants for Baring Head Purchase	-	-	-	1,100
Warm Greater Wellington	(4,309)	(2,801)	(1,508)	280
EMU investment - GW Rail	17,551	39,781	(22,230)	13,341
Public Transport - improvements	(10,839)	(47,025)	36,186	(7,458)
Total Council surplus / (deficit)	**3,025**	**(12,202)**	**15,227**	**13,538**

5. Financial Performance – by Group

5.1 Catchment management

Financial Summary	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	24,122	25,181	(1,059)	20,310	29,805	30,136	(331)	24,592
Operating expenditure	20,068	22,401	2,333	17,190	25,999	26,944	945	21,012
Operating surplus / (deficit)	4,054	2,780	1,274	3,120	3,806	3,192	614	3,580
Net capital expenditure	4,832	4,388	(444)	2,250	7,677	5,553	(2,124)	4,256

5.1.1 Year to date

A favourable operating variance of $1.274 million, comprising lower revenue of $1.059 million and lower operating costs of $2.333 million primarily due to the timing of the work programmes compared to budget.

- Operating revenue is lower than budget due mainly to:
  - Reduced AHB revenue of $586k for BioWorks due to timing of contract commencement, partly offset by expenditure savings of $182k.

- Reduced gravel, NZTA and isolated works external revenue of $212k for Flood Protection.

- Operating expenditure was lower than budget due mainly to:

  - Reduced contractor expenditure of $939k and materials expenditure of $103k for flood protection, due to timing of maintenance works and savings.
  - Reduced expenditure of $407k for Pest Animals, Pest Plants, Bovine Tb and Predator control work due to savings and timing.
  - Reduced expenditure of $624k for Biodiversity due to savings in QEII restoration, Pauatahanui, and the deferment of the Akatarawa aerial possum operation.

- Capital expenditure is $444k ahead of budget primarily due to:

  - The timing of the LWVD stop bank improvements.

5.1.2 Forecast to 30 June 2012

- The forecast operating surplus of $3.806 million is unchanged from last month.
- The forecast capital expenditure to June 2011 is expected to be $2.124 million higher than budget. This is also unchanged from last month.

5.2 Environmental management

Financial Summary	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	11,188	10,380	808	10,429	13,177	12,472	705	13,576
Operating expenditure	10,959	9,954	(1,005)	9,883	13,230	12,376	(854)	13,603
Operating surplus / (deficit)	229	426	(197)	546	(53)	96	(149)	(27)
Net capital expenditure	215	342	127	204	369	369	-	178

5.2.1 Year to date

Overall, an unfavourable operating variance of $197k, comprising higher revenue of $808k and higher expenditure of $1.005 million.

- Operating revenue is ahead of budget primarily due to:

  - Higher external revenue from consents regulation, which is $660k ahead of budget. This includes on-charging of costs related to Transmission Gully and the Genesis Energy Wind farm.
  - $104k of restitution income carried forward from earlier periods.

- Operating expenditure was more than budget due mainly to:

  - Costs of consultants are $678k ahead of budget due to projects starting earlier than planned. The costs in relation to consents regulation, which have been on-charged, have also contributed to this variance.

  - Costs of consultants in the policy department are $110k ahead of budget due to additional work required for the Regional Plan.

  - Personnel costs are $70k more than budget due to unbudgeted restructuring costs.

- Capital expenditure is below budget due to delays in acquiring vehicles that are due for replacement.

5.2.2 Forecast to 30 June 2012

- The forecast operating deficit of $53k is unchanged from last month.

5.3 Forestry

Financial Summary	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	5,638	5,532	106	6,160	6,929	6,639	290	7,415
Operating expenditure	6,974	6,809	(165)	6,495	8,123	8,173	50	7,783
Operating surplus / (deficit) before cost of goods sold	(1,336)	(1,277)	(59)	(335)	(1,194)	(1,534)	340	(368)
Cost of goods sold*	1,364	390	(974)	1,595	1,983	467	(1,516)	1,899
Operating surplus / (deficit) before valuation	(2,700)	(1,667)	(1,033)	(1,930)	(3,177)	(2,001)	(1,176)	(2,267)
Forestry valuation	-	-	-	-	1,400	1,400	-	8,162
Operating surplus / (deficit)	(2,700)	(1,667)	(1,033)	(1,930)	(1,777)	(601)	(1,176)	5,895
Net capital expenditure	163	303	140	325	360	360	-	414

* cost of goods sold is a non cash accounting adjustment

5.3.1 Year to date

- An unfavourable operating variance of $59k, prior to cost of goods sold due to:

  - Higher operating revenue of $106k primarily due to increased volume of logging than was planned. This has offset the current reduced log price.

  - With increased volumes, operating expenditure was $165k higher than budget due to increased costs of harvesting and cartage.

  - The unfavourable non-cash variance for cost of goods sold of $974k reflects the higher valuation of the forestry investment, compared to budget. With the higher than budget volume logged, this gives a much higher cost of goods sold. A review of forestry cost of goods sold will be done this quarter to examine methods to more closely align it with the actual current cost of logs harvested.

- 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 to forecast from the previous month.

5.4 Regional Parks

Financial Summary	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	4,958	4,917	41	5,769	5,898	5,898	-	5,911
Operating expenditure	5,141	5,042	(99)	5,595	6,157	6,121	(36)	7,234
Operating surplus / (deficit)	(183)	(125)	(58)	174	(259)	(223)	(36)	(1,323)
Grants for Baring Head purchase		-	-	-	-	-	-	1,100
Operating surplus / (deficit)	(183)	(125)	(58)	174	(259)	(223)	(36)	(223)
Baring Head purchase		-	-		-	-	-	1,775
Net capital expenditure	198	447	249	161	512	512	-	(1,581)

5.4.1 Year to date

- An unfavourable operating variance of $58k, due to higher expenditure in relation to:

  - Personnel costs are $75k over budget because unbudgeted restructuring costs have been offset by savings from vacancies.

  - This has been offset by increase external revenue of $32k.

- Capital expenditure was below budget due primarily to:

  - Delays in carrying out maintenance work due to poor weather conditions and timing of asset acquisition.

5.4.2 Forecast to 30 June 2012

No changes to forecast from previous month.

5.5 Public transport

Financial Summary	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	76,305	76,729	(424)	69,644	91,946	91,797	149	84,550
Operating expenditure	76,885	77,949	1,064	70,778	93,769	93,572	(197)	86,300
Operating surplus / (deficit)	(580)	(1,220)	640	(1,134)	(1,823)	(1,775)	(48)	(1,750)
Net capital expenditure	17	201	184	34	22	252	230	37

5.5.1 Year to date

A favourable operating variance of $640k, comprising lower revenue of $424k and lower expenditure of $1.1 million.

- Operating revenue is $424k below budget due to:
  - Grants and Subsidies revenue being $1.1 million below budget which reflects the overall reduction in operational expenditure.
  - The above was offset by SuperGold card revenue which was $428k above budget due to increased patronage, as well as increased fare revenue.
- Operating expenditure is $1.1 million below budget primarily due to:
  - Rail infrastructure maintenance expenditure was $256K below budget because of lower costs associated with leases and rates.
  - Rail contract expenditure was $1.214 million below budget primarily because of increased fare revenue due to a higher than budgeted average fare.
  - Rail insurance expenditure was $580k above budget due to increased premiums.

5.5.2 Forecast to 30 June 2012

The forecast operating variance is in line with budget. A slight increase in forecast revenue is offset by increased expenditure.

5.6 Public transport improvement projects

Financial Summary	**For the 10 months ended 30 April 2012**				**For the year ending 30 June 2012**			
	Actual	**Budget**	**Variance**	**Last Year**	**Forecast**	**Budget**	**Variance**	**Last Year**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Operating revenue	90,823	121,368	(30,545)	88,303	127,862	128,092	(230)	116,365
Operating expenditure	97,345	158,063	60,718	93,186	138,701	175,117	36,416	123,823
Operating surplus / (deficit)	(6,522)	(36,695)	30,173	(4,883)	(10,839)	(47,025)	36,186	(7,458)
External debt revaluation gains /(loss)	-	-	-	-	-	-	-	(1,238)
Operating surplus / (deficit)	(6,522)	(36,695)	30,173	(4,883)	(10,839)	(47,025)	36,186	(8,696)
Net capital expenditure	2,184	3,096	912	1,860	2,757	3,968	1,211	3,159

5.6.1 Year to date

Overall, a favourable operating variance of $30.173 million, comprising lower expenditure of $60.718 million and as a result of this lower expenditure, reduced revenue of $30.545 million.

- Operating expenditure was lower than budget due to:
  - Expenditure on the Matangi trains being $49.857 million behind budget and reflects some changes to the timing of payments.

- Expenditure on the Ganz Mavag refurbishment is $7.701 million behind budget due to delays in the refurbishment of the fleet.
- Expenditure on rail infrastructure upgrades is $363k below budget due to a credit received from Kiwirail for overcharges in 2010/11.
- Trolley bus infrastructure renewals are $540k behind budget due to timing of work carried out.
- Expenditure on rail stations and car park renewals is $1.531 million behind budget due to timing.

- Capital expenditure was $912k below budget mainly due to delays to the full roll-out of the Real Time Information Systems.

5.6.2 Forecast to 30 June 2012

The forecast favourable operating variance of $36.186 million is comprised of lower expenditure of $36.416 million and reduced revenue of $230k.Operating expenditure is forecast to be lower than budget due to:

- The forecast expenditure on the new Matangi units is $21.083 million below budget due to change in the timing of payments for trains.
- The Ganz Mavag refurbishment project is forecasting a reduction in expenditure of $11.650 million compared to budget, due to a delay in the final sign-off for the Ganz prototype which impacted on the signing of the contract for the refurbishment of the rest of the fleet.

- Capital expenditure is forecast to be $1.211 million below budget mainly due to the change in timings of the payments on the Real Time Information project.

5.7 Strategy & Community Engagement

Financial Summary	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	8,441	8,798	(357)	7,424	10,417	10,675	(258)	8,972
Operating expenditure	7,307	8,229	922	7,239	9,439	10,098	659	8,657
Operating surplus / (deficit)	1,134	569	565	185	978	577	401	315
Net capital expenditure	865	1,000	135	81	1,101	1,332	231	178

5.7.1 Year to date

Overall a favourable operating variance of $565k, comprising lower expenditure of $922k and reduced revenue of $357k.

- Operating expenditure was lower than budget due to:
  - Reduced expenditure on Iwi Projects and GW capacity training of $75k to date.
  - Reduced expenditure in Transport Planning of $394k that mainly relates to savings of $175k made on the Hutt and Western Corridor

Studies, and reduced expenditure of $182k on the PT Spine Study to date.

- Reduced expenditure of $73k related to timing of signage and display systems, subscriptions and timing of the 'attitudes and awareness' survey.
- Timing of payments related to School Travel Plan Programme. In the past, grants were paid to TAs to administer this programme, now schools apply directly for funding. These applications won't start coming in until the final quarter of the year.
- Overall, the group has also had savings in personnel costs of $190k due to vacancies in various departments.

- Capital expenditure is slightly behind budget. This variance is due to timing of payments to consultants working on the transport model. Forecast expenditure on the model has been reduced as some work carried out on the model last year will not need to be completed again.

5.7.2 Forecast to 30 June 2012

The forecast surplus $978k is lightly higher than last month's forecast due to further savings in personnel costs.

5.8 Other Corporate

Financial Summary	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	6,113	5,946	167	6,492	8,728	8,543	185	7,788
Operating expenditure	5,981	5,763	(218)	6,395	8,486	8,375	(111)	7,742
Operating surplus / (deficit)	132	183	(51)	97	242	168	74	46
Net capital expenditure	500	789	289	85	1,037	922	(115)	93

Other Corporate includes HR, Democratic services, Chief Executive, Emergency management, Development projects and Councillor costs

5.8.1 Year to date

Overall, an unfavourable operating variance of $51k, comprising higher expenditure of $218k and higher revenue of $167k.

- Operating revenue is higher than budget due to contributions received from TAs for their share of the CDEM costs.
- Operating expenditure is higher than budget due to costs associated with setting up and finalising the CDEM structure. This is offset by the on-charging of costs to the territorial authorities.
- Capital expenditure for the year is $289k lower than budget. This relates to timing of payments related to work carried out on the Wairarapa Water Use Project and vehicle acquisitions.

5.8.2 Forecast to 30 June 2012

The forecast operating surplus is $74k higher than budget mainly due to the savings in personnel and training costs.

5.9 Finance and Support

Financial Summary	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	6,671	6,468	203	6,674	7,963	7,763	200	9,108
Operating expenditure	6,470	7,206	736	6,578	8,365	8,727	362	8,006
Operating surplus / (deficit)	201	(738)	939	96	(402)	(964)	562	1,102
Net capital expenditure	230	1,072	842	392	397	1,072	675	660

5.9.1 Year to date

Overall, a favourable operating variance of $939k comprising higher revenue of $203k and lower expenditure of $736k.

- Operating revenue is higher than budget due to rates penalties being higher than expected.
- Operating expenditure is lower than budget due to:
  - Savings in personnel costs as a result of a restructure in the finance team and vacancies in ICT.
  - ICT costs for licences and external consultants are less than budget providing the other main variance.
- Capital expenditure for the year is $842k behind budget due to delays in network upgrades. This project is currently being scoped with no change to the full year forecast expected.

5.9.2 Forecast to 30 June 2012

The forecast deficit for the group is unchanged from the previous month.

5.10 Investment management

Financial Summary	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	4,712	3,372	1,340	4,312	9,377	7,082	2,295	7,159
Operating expenditure	(3,105)	(3,997)	(892)	(2,349)	(3,776)	(4,339)	(563)	(2,784)
Operating surplus / (deficit)	7,817	7,369	448	6,661	13,153	11,421	1,732	9,943
Net capital expenditure	441	2,020	1,579	173	565	2,424	1,859	252

5.10.1 Year to date

Operating revenue is $1.340 million ahead of budget due to higher interest revenue from money market investments and deposits, and higher other interest revenue, offset by costs for swaps.

Net operating expenditure recoveries are $892k less than budget. This is mainly due to $1.600 million lower internal debt interest recovery, as there is slower capital expenditure by other Groups.

5.10.2 Forecast to 30 June 2012

The operating surplus is forecast to be $13.153 million, which is $1.732 million higher than the budget surplus of $11.421 million. The main reason being increased investment revenue from higher interest margins on liquid financial deposits, short term deposits and a higher dividend from CentrePort. This increase is offset by reduced internal revenue from internal loans.

5.11 Investment management – Non operational movements

Financial Summary	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Investment - GW Rail	-	14,334	(14,334)	1	17,551	39,781	(22,230)	13,341
Valuation Movements	-	-	-	-	288	288	-	2,798
Operating surplus / (deficit)	-	14,334	(14,334)	1	17,839	40,069	(22,230)	16,139

5.11.1 Year to date – GW Rail investment

An unfavourable variance of $14.334 million 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 grant from the Public Transport Group to fund the share capital of Greater Wellington Rail is forecast to be $22.230 million below budget due to the timing of the Matangi train purchase.

5.12 Warm Greater Wellington

Financial Summary	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	309	273	36	32	532	532	-	38
Operating expenditure	4,590	2,777	(1,813)	1,430	4,841	3,333	(1,508)	(242)
Operating surplus / (deficit)	(4,281)	(2,504)	(1,777)	(1,398)	(4,309)	(2,801)	(1,508)	280
Net capital expenditure	23	-	(23)	-	-	-	-	-

5.12.1 Year to date

Overall, an unfavourable operating variance of $1.777 million, primarily due to the programme being taken up by more ratepayers than expected.

The number of approved applications is 4992 and of these, 3,775 applications have been completed and paid as at 30 April, with 2,478 of these being paid for this financial year.

5.12.2 Forecast

The forecast expenditure has increased by $1.508 million due to the increased number of participants in the scheme.

5.13 Water

Financial Summary	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	22,651	22,749	(98)	22,264	27,154	27,299	(145)	27,050
Operating expenditure	24,796	25,489	693	22,784	29,676	30,627	951	27,969
Operating surplus / (deficit)	(2,145)	(2,740)	595	(520)	(2,522)	(3,328)	806	(919)
Net capital expenditure	6,889	13,662	6,773	5,478	9,635	16,692	7,057	7,393

5.13.1 Year to date

Overall, a favourable operating variance of $595k compared to budget, due to:

- Operating expenditure being $693k lower than budget due to:
  - Low levels of water demand have led to a corresponding reduction in expenditure on chemicals and power for the quarter. This saw a favourable variance in materials and supplies of $100k.
  - Reduced finance costs of $415k due to the lower level of capital expenditure for the lakes upgrade and deferred purchase of land for Lake 3.
  - Lower expenditure on consultants related to the asset information update programme.
- Capital expenditure is $6.773 million under budget due to lower costs of consultants. Much of this relates to under-spending on the Stuart Macaskill Lakes upgrade project, which has achieved project savings to date.

5.13.2 Forecast to 30 June 2012

There were no changes to operational or capital forecasts in April.

6. Finance costs

Finance Costs	For the 10 months ended 30 April 2012				For the year ending 30 June 2012			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
	6,045	6,761	716	4,377	7,354	8,533	1,179	5,424

6.1 Year to date

Overall, finance costs are lower than budget due to lower internal debt interest as there is lower capital expenditure by other Groups.

6.2 Forecast to 30 June 2012

Finance costs are forecast to be $1.179 million favourable to budget due to reduced capital expenditure, which will in turn reduce internal borrowing.

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