greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Finance report for the period ended 31 January 2013

1. Purpose

To inform the Council of GWRC's preliminary financial performance for the 7 months ended 31 January 2013 and to provide an explanation of major variances to budget by group.

2. The decision-making process and significance

The matter requiring decision in the report has been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act).

Officers have considered the significance of the matter, taking the Council's significance policy and decision-making guidelines into account. Officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining the decision-making process is required in this instance.

3. Background

Financial statements are prepared and presented to management for review each month. More detailed reports and review by operational group are undertaken each quarter by the Chief Executive and the Chief Financial Officer.

The Funding Impact Statement and Balance Sheet for GWRC are attached (refer **Attachments 1 and 2**).

4. Council Financial Performance

4.1.1 Financial Summary

Greater Wellington Regional Council Summary income statement	For the 7 months ended 31 January 2013 Actual $000s	 Budget $000s	 Variance $000s	 Last Year $000s
Regional rates	52,559	52,635	(76)	49,712
Water supply levy	14,518	14,518	-	14,095
Other operating revenue	50,715	52,340	(1,625)	52,261
Total operating revenue	**117,792**	**119,493**	**(1,701)**	**116,068**
Operational expenditure	(115,279)	(123,317)	8,038	(114,197)
Operating surplus/(deficit) before transport improvements	**2,513**	**(3,824)**	**6,337**	**1,871**
Operating (deficit) from transport improvements	(14,508)	(21,699)	7,191	(4,468)
Operating surplus/(deficit) before non-operational items	**(11,995)**	**(25,523)**	**13,528**	**(2,597)**
Non-operational movements	(320)	14,549	(14,869)	(635)
Operating surplus/(deficit)	**(12,315)**	**(10,974)**	**(1,341)**	**(3,232)**

4.1.2 Financial Summary by Group

Greater Wellington Regional Council Summary income statement by Group	For the 7 months ended 31 January 2013 Actual $000s	 Budget $000s	 Variance $000s	 Last Year $000s
Operational Groups				
Catchment Management	2,026	1,953	73	2,813
Environmental Management	306	409	(103)	256
Forestry	(457)	3	(460)	(879)
Regional Parks	206	(45)	251	2
Public Transport	551	(1,586)	2,137	561
Total rates funded operational surplus / (deficit)	**2,632**	**734**	**1,898**	**2,753**
Corporate				
Strategy & Community Engagement	514	(106)	620	1,201
Finance and Support	(741)	(905)	164	179
Other corporate activities	1,296	179	1,117	383
Investment Management	7,226	5,628	1,598	5,474
Business unit rates contribution	(6,623)	(6,622)	(1)	(6,087)
Total rates funded operating surplus / (deficit)	**4,304**	**(1,092)**	**5,396**	**3,903**
Water	(1,791)	(2,732)	941	(2,032)
Total rates & levy funded operating surplus / (deficit)	**2,513**	**(3,824)**	**6,337**	**1,871**
Public Transport - improvements	(14,508)	(21,699)	7,191	(4,468)
Operating surplus/(deficit) before non-operational items	**(11,995)**	**(25,523)**	**13,528**	**(2,597)**
Non-operational movements				
Revaluation of debt and stadium advance	-	-	-	-
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(323)	(306)	(17)	(635)
EMU investment - GW Rail	3	14,855	(14,852)	-
Non-operational movements	(320)	14,549	(14,869)	(635)
Total Council surplus / (deficit)	**(12,315)**	**(10,974)**	**(1,341)**	**(3,232)**

4.1.3 Year to date

GWRC achieved an operating surplus of $2,513k (budget, a deficit of $3,824k) for the seven months to 31 January, a $6,337k favourable result. This result excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, GWRC made a deficit of $12,315k (budget, a deficit of $10,974k), an unfavourable variance of $1,341k. Non-operational movements (timing difference of when the GWRL share call will take place) accounts for the majority of the unfavourable variance at this level.

The major areas creating the variance are Investments Management ($1,598k variance) and Public Transport ($2,137k variance).

Further details on the numbers and other performance information by group for the seven months are discussed in section 5.

4.2 Financial forecast

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2013 Forecast $000s	 Budget $000s	 Variance $000s	 Last Year $000s
Regional rates	90,094	90,257	(163)	85,002
Water supply levy	24,888	24,888	-	24,164
Other operating revenue	93,239	94,274	(1,035)	98,589
Total operating revenue	**208,221**	**209,419**	**(1,198)**	**207,755**
Operational expenditure	(207,124)	(214,867)	7,743	(200,180)
Operating surplus/(deficit) before transport improvements	**1,097**	**(5,448)**	**6,545**	**7,575**
Operating (deficit) from transport improvements	(22,601)	(24,276)	1,675	(13,189)
Operating surplus/(deficit) before non-operational items	**(21,504)**	**(29,724)**	**8,220**	**(5,614)**
Non-operational movements	17,891	17,903	(12)	2,605
Operating surplus/(deficit)	**(3,613)**	**(11,821)**	**8,208**	**(3,009)**

4.2.1 Financial forecast by Group

Greater Wellington Regional Council Summary income statement by Group	For the year ending 30 June 2013 Forecast $000s	 Budget $000s	 Variance $000s	 Last Year $000s
Operational Groups				
Catchment Management	2,823	3,048	(225)	3,885
Environmental Management	474	229	245	(13)
Forestry	(764)	63	(827)	472
Regional Parks	(134)	(234)	100	(266)
Public Transport	(379)	(2,999)	2,620	2,768
Total rates funded operational surplus / (deficit)	**2,020**	**107**	**1,913**	**6,846**
Corporate				
Strategy & Community Engagement	(69)	(266)	197	878
Finance and Support	(1,622)	(1,525)	(97)	(274)
Other corporate activities	79	48	31	328
Investment Management	15,970	12,348	3,622	13,761
Business unit rates contribution	(11,352)	(11,352)	-	(10,434)
Total rates funded operating surplus / (deficit)	**5,026**	**(640)**	**5,666**	**11,105**
Water	(3,929)	(4,808)	879	(3,530)
Total rates & levy funded operating surplus / (deficit)	**1,097**	**(5,448)**	**6,545**	**7,575**
Public Transport - improvements	(22,601)	(24,276)	1,675	(13,189)
Operating surplus/(deficit) before non-operational items -	**(21,504)**	**(29,724)**	**8,220**	**(5,614)**
Non-operational movements				
Revaluation of debt and stadium advance	981	980	1	(3,515)
Revaluation of forestry	2,629	2,629	-	2,683
Forestry cost of goods sold	(574)	(561)	(13)	(521)
Warm Greater Wellington	-	-	-	-
EMU investment - GW Rail	14,855	14,855	-	3,958
Non-operational movements	17,891	17,903	(12)	2,605
Total Council surplus / (deficit)	**(3,613)**	**(11,821)**	**8,208**	**(3,009)**

4.2.2 Forecast to 30 June 2013

GWRC is forecasting an operating surplus of $1,097k (budget, a deficit of $5,448k) for the year to 30 June 2013. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, GWRC is forecasting a deficit of $3,613k (budget, a deficit of $11,821k).

Further details on the forecast by group are discussed in section 5.

4.3 Capital expenditure

Greater Wellington Regional Council Capital expenditure by Group	For the 7 months ended 31 January 2013 Actual $(000)'s	Budget $(000)'s	Variance $(000)'s	Last Year $(000)'s
Operational Groups				
Catchment Management	7,551	4,342	(3,209)	2,352
Environmental Management	661	938	277	177
Forestry	113	295	182	106
Regional Parks	280	496	216	146
Public Transport	387	1,096	709	1,643
Operational Groups capital expenditure	**8,992**	**7,167**	**(1,825)**	**4,424**
Corporate				
Strategy & Community Engagement	2	29	27	796
Finance and Support	1,723	290	(1,433)	184
Other corporate activities	20	-	(20)	182
Investment Management	202	-	(202)	246
Total rates funded capital expenditure	**10,939**	**7,486**	**(3,453)**	**5,832**
Water Supply	4,478	10,518	6,040	4,582
Total rates & levy funded capital expenditure	**15,417**	**18,004**	**2,587**	**10,414**

4.3.1 Capital expenditure by Group

Capital expenditure is $2,587k below budget, year to date. This is primarily due to project timings in the Water Supply capital programme offset by increased work in Catchment Management.

Details by group are discussed in section 5.

4.3.2 Capital expenditure forecast by Group

Greater Wellington Regional Council Capital expenditure by Group	For the year ending 30 June 2013 Forecast $(000)'s	Budget $(000)'s	Variance $(000)'s	Last Year $(000)'s
Operational Groups				
Catchment Management	9,997	7,732	(2,265)	7,461
Environmental Management	1,666	1,030	(636)	666
Forestry	344	472	128	221
Regional Parks	802	813	11	426
Public Transport	1,908	1,991	83	(2,849)
Operational Groups capital expenditure	**14,717**	**12,038**	**(2,679)**	**5,925**
Corporate				
Strategy & Community Engagement	264	264	-	1,103
Finance and Support	3,265	1,915	(1,350)	421
Other corporate activities	62	62	-	305
Investment Management	2,550	100	(2,450)	496
Total rates funded capital expenditure	**20,858**	**14,379**	**(6,479)**	**8,250**
Water Supply	14,875	14,792	(83)	9,360
Total rates & levy funded capital expenditure	**35,733**	**29,171**	**(6,562)**	**17,610**

Capital expenditure is forecast to be $6,562k ahead of budget by year end. This is primarily due to a number of changes within the Catchment Management capital programme and changes within the corporate capital programme

Details by group are discussed in section 5.

5. Financial Performance by Group

5.1 Catchment management

Financial Summary	For the 7 months ended 31 January 2013				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	18,661	19,243	(582)	17,227	31,910	32,440	(530)	29,981
Operating expenditure	16,635	17,290	655	14,414	29,087	29,392	305	26,096
Operating surplus / (deficit)	2,026	1,953	73	2,813	2,823	3,048	(225)	3,885
Net capital expenditure	7,664	4,637	(3,027)	2,458	10,341	8,204	(2,137)	7,682

5.1.1 Year to date

A favourable operating variance of $73k, comprising lower revenue of $582k and lower operating costs of $655k.

- Operating revenue is lower than budget due mainly to:
  - Reduced AHB revenue of $680k for BioWorks due to delays in completing 2011/12 contracts and a reduced work programme for 2012/13.
  - The above was offset by additional revenue of $104k for the Akura Conservation Centre
- Operating expenditure was lower than budget due to:
  - Reduced materials and contractor expenditure of $550k for Biosecurity due to the timing of RPMS and predator control programmes.
  - Reduced contractor expenditure of $170k due to the timing of various Biodiversity implementation programmes
  - The above is offset by additional personnel costs for Flood Protection. A fixed term staff member has been used instead of contractors resulting in net saving of $100k.
- Capital expenditure is $3,027k higher than budget, primarily due to:
  - Boulcott/Hutt stopbank expenditure ahead of budget as the work programme has been brought forward.

5.1.2 Forecast to 30 June 2013

- The forecast operating surplus is $225k less than budget. This is due to:

  - Reduced AHB revenue for BioWorks, partly offset by increased internal revenue. There are also further savings in expenditure related to changes in work programmes.

  - Reduced expenditure for Biodiversity (personnel, materials and contractors) due to reduced work programme.

- The forecast capital expenditure to June 2013 is expected to be $2,235k higher than budget. These are timing changes to projects with total costs still within LTP budget limits

  - Additional expenditure of $350k for the development of the Ngaumutawa Road Depot;

  - Brought forward expenditure of $2,600k for the Boulcott/Hutt stopbank;

  - Reduced expenditure of $400k for the Chrystalls extended land purchase as the acquisition capex cost was accrued to the 2011/12 financial year;

  - Reduced expenditure of $750k for Lower Waitohu due to landowner negotiations;

  - Otaki environmental enhancement work of $55k postponed to be carried out with capital work next year;

  - Additional $585k requested to complete Mills Street land purchase for the City Centre Upgrade.

5.2 Environmental management

Financial Summary	For the 7 months ended 31 January 2013				For the year ending 30 June 2013			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	8,357	7,805	552	7,874	14,130	14,030	100	13,929
Operating expenditure	8,051	7,396	(655)	7,618	13,656	13,801	145	13,942
Operating surplus / (deficit)	306	409	(103)	256	474	229	245	(13)
Net capital expenditure	100	355	(255)	43	416	405	11	347

5.2.1 Year to date

Overall, an unfavourable operating variance of $103k, comprising higher revenue of $552k and higher expenditure of $655k.

- Operating revenue is ahead of budget primarily due to:

- Wairarapa Water Use Project external funding of $505k received in the quarter.
- Higher then expected processing and monitoring charges invoiced for the 7 months to January.

- Operating expenditure was more than budget due mainly to:

  - High spend on consultants for work on the Regional Plan in Policy department and additional consultants spend in Regulation for work on the MacKay's to Peka Peka Board Inquiry Hearing Contractors.

5.2.2 Forecast to 30 June 2013

- The forecast operating surplus of $474k is $245k higher than budget. This is unchanged from the December forecast.

5.3 Forestry

Financial Summary	For the 7 months ended 31 January 2013				For the year ending 30 June 2013			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	4,428	4,915	(487)	4,066	7,737	9,007	(1,270)	8,784
Operating expenditure	4,885	4,912	27	4,945	8,501	8,944	443	8,312
Operating surplus / (deficit) before cost of goods sold	**(457)**	**3**	**(460)**	**(879)**	**(764)**	**63**	**(827)**	**472**
Cost of goods sold*	323	306	(17)	635	574	561	(13)	521
Operating surplus / (deficit) before valuation	(780)	(303)	(477)	(1,514)	(1,338)	(498)	(840)	(49)
Forestry valuation	-	-	-	-	2,629	2,629	-	2,683
Operating surplus / (deficit)	(780)	(303)	(477)	(1,514)	1,291	2,131	(840)	2,634
Net capital expenditure	113	295	182	106	344	472	128	221

* cost of goods sold is a non cash accounting adjustment

5.3.1 Year to date

- An unfavourable operating variance of $460k, prior to cost of goods sold due to:

- Operating revenue being lower than budget due to:

  - Plantation Forestry harvested tonnages being below expectations and the actual price per tonne received being well below budget.

- Operating expenditure being in line with budget.

5.3.2 Forecast to 30 June 2013

- The forecast surplus is $840k below budget due to lower revenue, a result of lower than expected volumes and reduced prices.

5.4 Regional Parks

Financial Summary	For the 7 months ended 31 January 2013 Actual $000s	Budget $000s	Variance $000s	Last Year $000s	For the year ending 30 June 2013 Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	3,303	3,262	41	3,455	5,591	5,591	-	5,990
Operating expenditure	3,097	3,307	210	3,453	5,725	5,825	100	6,256
Operating surplus / (deficit)	206	(45)	251	2	(134)	(234)	100	(266)
Net capital expenditure	280	496	216	146	802	813	11	426

5.4.1 Year to date

- A favourable operating variance of $251k, due to lower expenditure in relation to:
  - Materials and supplies expenditure being $240k below budget due to the timing of maintenance programmes. The expectation is that these works will be completed by the end of the year.
- Capital expenditure was $216k below budget due primarily to:
  - The timing of capital works in the parks.

5.4.2 Forecast to 30 June 2013

The forecast operating deficit and capital expenditure is unchanged from the previous month.

5.5 Public transport

Financial Summary	For the 7 months ended 31 January 2013 Actual $000s	Budget $000s	Variance $000s	Last Year $000s	For the year ending 30 June 2013 Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	56,550	58,907	(2,357)	55,120	98,852	101,186	(2,334)	94,292
Operating expenditure	55,999	60,493	4,494	54,559	99,231	104,185	4,954	91,524
Operating surplus / (deficit)	551	(1,586)	2,137	561	(379)	(2,999)	2,620	2,768
Net capital expenditure	20	22	2	(11)	22	22	-	(5,153)

5.5.1 Year to date

A favourable operating variance of $2,137k, comprising lower expenditure of $4,494k and reduced revenue of $2,357k.

- Operating revenue is $2,357k below budget due to:
  - Grants and subsidies revenue being $2,654k below budget which reflects the reduction in operational expenditure for the year
  - External revenue being $284k above budget because the spending on rail studies projects being reimbursed by GWRL. This represents work that is now being charged through to 100% owned subsidiary GWRL and offsets an increase in admin expenditure.

- Operating expenditure is $4,852k below budget primarily due to:
  - Rail studies and PTOM expenditure being $1,446k below budget due to timing.
  - Train maintenance expenditure being $557k below budget due to timing of work.
  - Rail contract expenditure being $615k below budget because of increased fare revenue and reduced rail contract operating costs.
  - Rail insurance expenditure being $575k below budget. Premiums are lower than those anticipated when the budget was set.
  - Diesel bus operations expenditure being $503k below budget. Contractual inflation payments have been less than expected.
  - Financial costs being $200k below budget. This primarily relates to delays to improvement projects and capital expenditure.

5.5.2 Forecast to 30 June 2013

The overall forecast deficit of $379k is $2,620k better than budget. This is due to:

- Lower revenue of $2,334k made up of:
  - Lower grants and subsidies revenue of $2,837k because of a reduction in expenditure for the year.
  - Increased external revenue of $350k because of spending on rail studies projects being reimbursed by GWRL.
  - Higher internal revenue of $220k. This is because of a change in how staff and contractors are charged out to specific projects.
- Operating expenditure is forecast to be $4,954k below budget due to:
  - Rail contract expenditure forecast to be $1,100k below budget.
  - Rail studies and PTOM expenditure expected to be $2,400k below budget. Timing of some rail contracting expenditure is now likely to occur later than originally planned – this expenditure is likely to occur between now and the expiry of current contracts in June 2016.
  - Reduced insurance premiums of $1,000k.
  - Diesel bus contract expenditure is forecast to be $500k below budget. The forecast assumes that oil prices and the $NZ/US exchange rate return to budgeted levels by the end of the financial year.
  - A reduction in the forecast for depreciation by $700k as the transfer of rail station assets from GWRC to Greater Wellington Rail Ltd at 30 June 2012 was not taken into account.

5.6 Public transport improvement projects

Improvement projects relate to capital works where the underlying asset will not be directly owned by the Council, and therefore are treated as operational expenditure in these accounts. This is predominately rail rolling stock and stations owned by Greater Wellington Rail Limited, or track and signal renewal work owned by KiwiRail. Real time information and bus shelters are capital items owned by the Council.

Financial Summary	For the 7 months ended 31 January 2013				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	17,038	17,840	(802)	59,344	25,791	23,998	1,793	115,928
Operating expenditure	31,546	39,539	7,993	63,812	48,392	48,274	(118)	129,117
Operating surplus / (deficit)	(14,508)	(21,699)	7,191	(4,468)	(22,601)	(24,276)	1,675	(13,189)
External debt revaluation gains /(loss)	-	-	-	-	-	-	-	(1,337)
Operating surplus / (deficit)	(14,508)	(21,699)	7,191	(4,468)	(22,601)	(24,276)	1,675	(14,526)
Net capital expenditure	387	1,096	709	1,643	1,908	1,991	83	(2,849)

5.6.1 Year to date

Overall, a favourable operating variance of $7,191k, due to:

- Operating expenditure $7,993 lower than budget due to:
  - Matangi 1 expenditure was $1,664k below budget and reflects some changes to the timing of payments.
  - Trolley bus infrastructure renewals are $2,415k behind budget due to timing of work carried out.
  - Timing of station renewals and upgrades has seen lower than expected expenditure of $1,400k.
  - No expenditure to date on Porirua station car park – a variance of $1,500k.
- Capital expenditure is $709k less than budget mainly due to timing of payments related to RTI.

5.6.2 Forecast to 30 June 2013

- The forecast operating surplus is $1,675k ahead of budget. This is mainly due to an increase in grant revenue available for the Matangi Project.

5.7 Strategy & Community Engagement

Financial Summary	For the 7 months ended 31 January 2013				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	5,269	5,250	19	6,168	9,330	9,243	87	10,742
Operating expenditure	4,755	5,356	601	4,967	9,399	9,509	110	9,864
Operating surplus / (deficit)	514	(106)	620	1,201	(69)	(266)	197	878
Net capital expenditure	2	29	27	796	264	264	-	1,103

5.7.1 Year to date

Overall, a favourable operating variance of $620k, comprising lower expenditure of $601k and higher revenue of $19k.

- Operating expenditure was lower than budget due to:
    - Reduced expenditure in Transport Planning of $150k that relates to the timing of payments to consultants in relation to the PT Spine Study and costs related to the Hutt Climate Change project that won't be carried out.
    - Reduced expenditure on Iwi Projects and GW capacity training of $104k to date.
    - Lower grant expenditure to Grow Wellington of $100k, this is only a timing issue.
    - Lower project expenditure for the WRS Office of $97k a result of change in planned activity for the year.
    - Timing of payments in the Park Policy area with reduced expenditure of $50k.

5.7.2 Forecast to 30 June 2013

The forecast remains unchanged from the previous month.

5.8 Finance and Support

Financial Summary	For the 7 months ended 31 January 2013				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	3,298	3,206	92	4,680	6,095	5,661	434	7,807
Operating expenditure	4,039	4,111	72	4,501	7,717	7,186	(531)	8,081
Operating surplus / (deficit)	(741)	(905)	164	179	(1,622)	(1,525)	(97)	(274)
Net capital expenditure	1,723	290	(1,433)	184	3,265	1,915	(1,350)	421

5.8.1 Year to date

Overall, a favourable operating variance of $164k comprising higher revenue of $92k and lower expenditure of $72k.

- Operating revenue is higher than budget due to rates penalties being higher than expected.
- Capital expenditure is higher than budget due to timing of ITC projects.

5.8.2 Forecast to 30 June 2013

The forecast remains unchanged from the previous month.

5.9 People and Capability

Financial Summary	For the 7 months ended 31 January 2013				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	4,576	4,850	(274)	4,206	8,202	8,202	-	7,209
Operating expenditure	3,357	4,683	1,326	3,885	8,102	8,134	32	6,953
Operating surplus / (deficit)	1,219	167	1,052	321	100	68	32	256
Net capital expenditure	19	-	(19)	153	62	62	-	275

5.9.1 Year to date

Overall, a favourable operating variance of $1,052k due to lower expenditure of $1,326k and lower revenue of $274k.

- Operating revenue was lower than budget due to:
  - Wellington Regional Emergency Management office budgeting. The LTP was approved prior to the Local Authorities confirming what activities were to be included in the WREMO programme. The additional revenue variance will grow to $1.1 million. The shortfall in revenue is matched by a reduction in expenditure.
- Operating expenditure was lower than budget due to:
  - The Wellington Emergency Management office contributes $450,000 of this variance. All programmes are on target to be delivered in the financial year. We expect there to be savings due to the amalgamation of the service.
  - There will be a $1.1 million shortfall in expenditure as explained in the revenue section. The variance currently sits favourably at $670,000.
  - Human Resources have a favourable variance of $80,000. Consultant costs are lower due to effective negotiation skills.
  - Democratic Services has an $80,000 favourable variance mainly due to staff vacancies. Service is being adequately covered.
- Forecast savings reflect a lower estimate of personnel expenditure for the 2012/13 year.

5.10 Investment management

Financial Summary	For the 7 months ended 31 January 2013				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	3,947	1,936	2,011	3,268	9,792	6,516	3,276	9,684
Operating expenditure	(3,279)	(3,692)	(413)	(2,206)	(6,178)	(5,832)	346	(4,077)
Operating surplus / (deficit)	7,226	5,628	1,598	5,474	15,970	12,348	3,622	13,761
Net capital expenditure	202	-	(202)	246	2,550	100	(2,450)	496

5.10.1 Year to date

- Operating revenue is $2,011k ahead of budget, due to:

- Higher interest revenue of $900k from money market investments and liquid deposits. This is a result of higher levels of working capital and prefunding of debt.
- Subvention revenue received of $1,000k from CentrePort which was not budgeted for.

- Interest recoveries from the business are $413k less than budget. This is mainly due to lower capital expenditure by operational groups.

Capital expenditure of $134k relates to the green star certification process based on the plans for the new Masterton office as well as $68k of costs associated with Shed 39.

5.10.2 Forecast to 30 June 2013

The forecast remains unchanged from the previous month.

5.11 Finance costs

Finance Costs	For the 7 months ended 31 January 2013				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
	4,511	4,483	(28)	4,156	7,934	8,173	239	7,233

5.11.1 Year to date

Overall finance costs are close to budget.

5.11.2 Forecast to 30 June 2013

The forecast remains unchanged from the previous month.

5.12 Investment management – Non operational movements

Financial Summary	For the 7 months ended 31 January 2013				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Investment - GW Rail	3	14,855	(14,852)	-	14,855	14,855	-	3,958
Valuation Movements	-	-	-	-	981	981	-	(7,050)
Operating surplus / (deficit)	3	(14,855)	14,858	-	15,836	15,836	-	(3,092)

5.12.1 Year to date – Matangi investment

The year to date variance is due to a timing difference of when the GWR share call will take place. This is not expected to happen till later in the year when the bulk of the payments for the Matangi will have been made.

5.13 Water

Financial Summary	For the 7 months ended 31 January 2013				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	15,382	16,005	(623)	15,845	26,841	27,638	(797)	28,001
Operating expenditure	17,173	18,737	1,564	17,877	30,770	32,446	1,676	31,531
Operating surplus / (deficit)	(1,791)	(2,732)	941	2,032	(3,929)	(4,808)	879	(3,530)
Net capital expenditure	4,478	10,518	6,040	4,582	14,875	14,792	(83)	9,360

5.13.1 Year to date

Overall a favourable operating variance of $941k compared to budget.

- Operating revenue is lower than budget due to a change in methodology of internal charging staff time to projects. Rather than recording internal revenue the costs will be directly charged using resource costing.

- Operating expenditure was $1,564k lower than budget due to:

  - Finance costs are lower than budget due to the opening actual debt being lower than budgeted debt.
  - A reduction in internal charges due to a change in the way these are charged as mentioned above.
  - Variance in resource costing because actual recoveries from capital projects are running well ahead of budget.

- Capital expenditure is $6,040k under budget due to the timing of the capital works programme and the delay in the land purchase at Kaitoke for Lake 3. The forecast remains close to budget.

5.13.2 Forecast to 30 June 2013

The forecast remains unchanged from last month.

6. Communication

No communications are necessary at this time.

7. 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