



Report 07.407
Date 25 June 2007
File G/4/1/5

Committee Policy, Finance and Strategy
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Review for the eleven months ended 31 May 2007

1. Purpose

- To inform the Committee of the Council's financial performance to 31 May 2007 and to provide an explanation of major variances by division.
- To forecast the end of year position based on the management reviews completed by each division.

2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3) (b) of the Local Government Act 2002.

3. Financial Performance

Wellington Regional Council Summary Statement of Financial Performance - Operating Surplus \ (Deficit) For the Eleven Months Ending - 31 May 2007				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	556	(693)	(1,852)	1,159
Forestry	(551)	(604)	(711)	107
Regional Parks	498	338	(257)	595
Water Supply, Parks & Forests	503	(959)	(2,820)	1,861
Transport Policy and Strategy	(37)	375	(113)	488
Public Transport	(1,676)	(1,566)	(520)	(1,046)
Total Transport	(1,713)	(1,191)	(633)	(558)
Environment	453	(155)	(218)	63
Catchment Management	1,194	1,353	2,803	(1,450)
Corporate	191	264	115	149
WRS	6	(237)	(100)	(137)
Finance, IT & Support Services	1,002	523	376	147
Investment in Democracy	90	69	107	(38)
Divisional Operating Surplus / (Deficit)	1,726	(333)	(370)	37
Investment Management	7,145	7,081	7,198	(117)
Business Unit Rates Contribution	(7,111)	(7,057)	(7,057)	-
Council Operating Surplus / (Deficit)	1,760	(309)	(229)	(80)
Revaluation RCC	-	-	-	-
Revaluation Forestry - Revaluation	-	-	-	-
Forestry Cost of Goods Sold	-	(1,000)	(2,012)	1,012
Parks - Grant for Waitangirua Purchase	-	-	-	-
Public Transport - Capex / Investment	118	(1,735)	37,421	(39,156)
Total Council Surplus / (Deficit)	1,878	(3,044)	35,180	(38,224)
Flood Protection				
Eastern	(22)	(593)	556	(1,149)
Western	1,624	2,458	2,162	296
Total Flood Protection	1,602	1,865	2,718	(853)

3.1 Water - favourable variance of \$1,159,000 due primarily to:

- Savings in chemicals of \$500,000 due to the higher exchange rate and lower usage.
- Power costs, below budget by \$175,000, due to lower usage.
- Decreased depreciation of \$600,000 due to the timing of capital projects. This is reflected in the lower capital expenditure forecast noted under section 8.
- Finance costs \$170,000 below budget due to lower capital expenditure.
- Partly offsetting the above is the write off of obsolete assets.

3.2 Forestry - favourable variance of \$107,000 due primarily to:

- Higher market prices than budgeted.

3.3 Regional Parks - favourable variance of \$595,000 due primarily to:

- Delay in taking over management of Whitireia Park, \$200,000
- Decreased contractor and consultant costs.
- Lower materials, supplies and contractors.
- Additional revenue from leasing of property, \$100,000.

3.4 Transport Policy - favourable variance of \$488,000 due primarily to:

- Lower contractors and consultants expenditure.

3.5 Public Transport - unfavourable variance of \$1,046,000 due primarily to:

- Increased cost of bus contracts, \$1,300,000 due to the effect of the diesel price on the Land Transport (LTNZ) index. An additional \$650,000 has been received from LTNZ by way of grants in respect to this additional expenditure.
- Higher subsidy payments on the rail contract of \$600,000 due to lower passenger revenue and higher labour costs.
- The hold up in signing the trolley bus contract has delayed some maintenance on the trolley overhead wires by \$490,000.

3.6 Environment - favourable variance of \$63,000 due primarily to:

- Personnel costs under budget by \$83,000 due to the timing of staff replacements.

3.7 Catchment Management - unfavourable variance of \$1,450,000 due primarily to:

- Repairs for the flood damage from the July/August floods, these were unbudgeted. Capital expenditure programmes were reduced as a result, refer Sections 7 and 8.

3.8 Wellington Regional Strategy - unfavourable variance of \$137,000 due primarily to:

- Costs of the finalising the Strategy and initial consultation. Funding for this has been met by the territorial authorities, Trade and Enterprise and GWRC. The unfavourable variance is due to the costs of consultation for the Strategy not being in the original budget, as GWRC was not expected at the time to undertake the activity.

3.9 Finance, IT and Support - favourable variance of \$147,000

- Lower personnel costs, \$150,000 due to delays in appointing staff.

4. Finance costs

Finance costs for the eleven months were \$4,002,000 compared to the budget of \$5,203,000. The favourable variance reflects lower borrowings than budgeted, resulting from reduced capital expenditure.

5. Forecast to 30 June 2007

Delays in projects, flood damage repairs and lower material costs have contributed to a number of variances to budget. These are shown in the table below.

The forecast operating surplus has increased from \$423,000 at March to \$789,000 currently. The major change is an improved operating result in Public Transport.

Wellington Regional Council				
Summary Statement of Financial Performance - Operating Surplus \ (Deficit)				
For the Year Ending 30 June 2007				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Full Year			
	Last Year	Forecast	Budget	Variance
Water Group	(59)	(772)	(2,019)	1,247
Forestry	(574)	(642)	(781)	139
Regional Parks	105	270	(283)	553
Water Supply, Parks & Forests	(528)	(1,144)	(3,083)	1,939
Transport Policy and Strategy	31	300	(228)	528
Public Transport	(2,113)	(2,076)	(606)	(1,470)
Total Transport	(2,082)	(1,776)	(834)	(942)
Environment	237	(275)	(272)	(3)
Catchment Management	2,456	1,458	3,149	(1,691)
Corporate	275	139	113	26
WRS	-	(200)	(100)	(100)
Finance, IT & Support Services	785	343	178	165
Investment in Democracy	53	117	117	-
Divisional Operating Surplus / (Deficit)	1,196	(1,338)	(732)	(606)
Investment Management	8,833	9,825	9,530	295
Business Unit Rates Contribution	(7,758)	(7,698)	(7,698)	-
Council Operating Surplus / (Deficit)	2,271	789	1,100	(311)
Revaluation RCC	2,276	-	-	-
Revaluation Forestry - Revaluation	-	3,683	3,683	-
Forestry Cost of Goods Sold	(1,745)	(1,085)	(2,195)	1,110
Parks - Grant for Waitangirua Purchase	2,800	-	-	-
Public Transport - Capex / Investment	281	15,118	59,689	(44,571)
Total Council Surplus / (Deficit)	5,883	18,505	62,277	(43,772)
Flood Protection				
Eastern	608	(188)	649	(837)
Western	1,990	2,399	2,205	194
Total Flood Protection	2,598	2,211	2,854	(643)

6. Finance costs

Finance costs are forecast to be \$4,309,000 compared to the budget of \$5,674,000. The favourable variance reflects the impact of lower forecast capital expenditure (reducing borrowing requirements).

7. Capital Expenditure

7.1 Year to date

Year to date capital expenditure is \$11,282,000 compared with the budget of \$64,238,000. The reasons for this variance have been noted previously, namely delays in Public Transport projects.

Wellington Regional Council				
Capital Expenditure and Transport Investment Additions				
For the Eleven Months Ending - 31 May 2007				
Capital Expenditure and Investments \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	5,961	3,315	5,785	(2,470)
Forestry	90	320	265	55
Regional Parks	218	486	666	(180)
Water Supply, Parks & Forests	6,269	4,121	6,716	(2,595)
Transport Policy and Strategy	-	-	-	-
Public Transport	383	3,409	2,246	1,163
Public Transport Investment Additions	-	-	48,731	(48,731)
Total Transport	383	3,409	50,977	(47,568)
Environment	329	283	794	(511)
Catchment Management	4,217	2,766	4,777	(2,011)
Corporate	52	166	49	117
WRS	-	-	-	-
Finance, IT & Support Services	354	532	925	(393)
Investment in Democracy	13	5	-	5
Divisional Capital and Investment expenditure	11,617	11,282	64,238	(52,956)
Parks - Waitangirua Purchase	-	-	-	-
Investment Management	4	28	575	(547)
Business Unit Rates Contribution	-	-	-	-
Council Capital and Investment expenditure	11,621	11,310	64,813	(53,503)
Flood Protection				
Eastern	-	150	885	(735)
Western	3,980	2,361	3,637	(1,276)
Total Flood Protection	3,980	2,511	4,522	(2,011)

8. Capital Expenditure - Full year forecast

On a forecast basis capital expenditure is forecast to be \$53,503,000 below budget by year end. The major contributor to this is delays in Public Transport.

In addition a number of projects in Water and Catchment Management are forecast to be delayed or reduced in scope.

Wellington Regional Council				
Capital Expenditure and Transport Investment Additions				
For the Year Ending 30 June 2007				
Capital Expenditure and Investments \$(000)'s	Full Year			
	Last Year	Forecast	Budget	Variance
Water Group	6,664	3,039	6,624	(3,585)
Forestry	179	370	286	84
Regional Parks	5,920	548	720	(172)
Water Supply, Parks & Forests	12,763	3,957	7,630	(3,673)
Transport Policy and Strategy	37	-	-	-
Public Transport	505	129	2,603	(2,474)
Public Transport Investment Additions	-	11,216	80,292	(69,076)
Total Transport	542	11,345	82,895	(71,550)
Environment	349	464	891	(427)
Catchment Management	6,411	4,240	6,555	(2,315)
Corporate	61	244	49	195
WRS	-	-	-	-
Finance, IT & Support Services	507	690	975	(285)
Investment in Democracy	13	45	45	-
Divisional Capital and Investment expenditure	20,646	20,985	99,040	(78,055)
Parks - Waitangirua Purchase	5,600	-	-	-
Investment Management	4	150	1,100	(950)
Business Unit Rates Contribution	-	-	-	-
Council Capital and Investment expenditure	26,250	21,135	100,140	(79,005)
Flood Protection				
Eastern	690	518	885	(367)
Western	5,480	3,486	5,405	(1,919)
Total Flood Protection	6,170	4,004	6,290	(2,286)

9. Communications

No communications are necessary at this time.

10. Recommendations

That the Committee recommends that Council:

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

Report prepared by:

Report approved by:

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