

**Report** 06.14  
**Date** 3 February 2006  
**File** G/4/1/5  
CFO/13/2/1  
**Committee** Policy, Finance and Strategy  
**Author** Chris Gray, Finance Manager

## **Financial Report for the five months ending 30 November 2005**

### **1. Purpose**

To review the financial performance of the Council for the five months ended 30 November 2005.

### **2. Significance of the decision**

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

### **3. Background**

Financial statements are prepared and presented to management for review each month. A summation of these is provided to Council for review.

### **4. Financial Performance**

#### **4.1 Year to date Operating Performance**

Divisional performance against budget remains varied but are consistent with the reported position for October. The continued delays within Transport for heavy rail maintenance and capital expenditure contribute mostly to the change. The changes are detailed in the next table and in section 4.13.

On a consolidated Council basis actual surplus is \$2.49 million compared with the budget of \$2.69 million, a decrease of \$0.2 million.

Wellington Regional Council  
 Summary Statement of Financial Performance  
 For the Period Ending - 30 November 2005

Year to Date		
Last Year	Actual	Budget
14,137	15,119	15,119
9,066	9,030	9,030
(42)	(1)	-
142	135	-
(12)	(8)	-
23,291	24,275	24,149
9,490	9,490	9,490
11,002	14,644	19,804
-	-	-
1,653	1,748	1,654
5,620	6,212	6,570
51,056	56,369	61,667
7,950	9,156	9,285
59,006	65,525	70,952
10,345	11,055	11,387
6,770	7,724	8,115
407	484	479
7,174	7,510	10,499
18,608	21,457	22,767
7,865	8,926	9,116
51,169	57,156	62,363
-	-	-
2,043	1,926	1,995
(8)	(1)	-
-	-	-
-	-	-
4,023	3,977	4,084
(3,244)	(15)	(178)
-	-	-
2,814	5,887	5,901
53,983	63,043	68,264
5,023	2,482	2,688

Statement of Financial Performance \$(000)'s
Targeted Rates
General Rate
Remission of Regional Rates
Rates Penalties
Remission of Rates Penalties
Regional Rates
Regional Water Supply Levies
Grants and Subsidies Revenue
Reserve Investment Revenue
Other Investment Revenue
Other External Revenue
Total External Revenue
Internal Revenue
Total Operating Revenue
Personnel Costs
Materials,Supplies & Services
Travel & Transport Costs
Contractor & Consultants
Grants and Subsidies Expenditure
Internal Charges
Total Direct Expenditure
Internal Debt Financial Costs
Other Financial Costs
Bad Debts and Provision for Bad Debts
Net Corporate Overheads
Net Divisional Overheads
Depreciation
Loss(Gain) on Assets
Loss(Gain) Investments
Total Indirect Expenditure
Total Operating Expenditure
Operating Surplus(Deficit)

Full Year Forecast		
Budget	Forecast	Last Year
36,285	36,285	33,930
21,671	21,703	21,877
-	-	(105)
-	-	403
-	-	(42)
57,956	57,988	56,063
22,776	22,776	22,776
48,929	48,502	28,521
-	77	-
4,903	4,903	6,639
18,023	17,187	15,245
152,587	151,433	129,244
22,228	22,091	20,388
174,815	173,524	149,632
27,226	27,198	25,158
19,675	19,795	17,038
1,175	1,175	1,163
27,599	26,756	21,466
54,949	57,854	43,368
21,769	21,829	20,068
152,393	154,607	128,261
-	12	-
4,747	4,747	4,627
-	-	(11)
-	-	-
-	-	-
9,801	9,801	9,454
(234)	(234)	(2,997)
-	-	(496)
14,314	14,326	10,577
166,707	168,933	138,838
8,108	4,591	10,794

\* Regional Strategy Actuals removed

#### 4.1.1 Funding Statement

This report continues to highlight the lower capital spending, mainly in Transport, driving a lower external funding requirement. The half year reviews will provide a clearer picture for the years capital programme.

Wellington Regional Council Departmental Funding Statement For the Period Ending - 30 November 2005						
Year to Date			Departmental Funding Statement \$(000)'s	Full Year Forecast		
Last Year	Actual	Budget		Budget	Forecast	Last Year
5,025	2,485	2,688	Operating Surplus(Deficit)	8,108	4,592	10,794
(4,023)	(3,977)	(4,084)	Depreciation	(9,801)	(9,801)	(9,454)
3,244	15	178	Loss(Gain) on Assets (Mabey Rd)	234	234	2,997
-	-	-	Loss(Gain) Investments	-	-	496
5,803	6,446	6,594	Cash Operating Surplus(Deficit)	17,674	14,159	16,755
-	-	-		-	-	-
-	-	-	Reserve Investments Movements	-	(702)	-
5,803	6,446	6,594	Funding Surplus (Deficit) from Operations	17,674	13,456	16,755
(451)	(490)	(1,179)	Total Asset Acquisitions	(2,346)	(2,293)	(3,038)
(2,433)	(4,096)	(8,186)	Capital Project Expenditure	(25,042)	(21,330)	(9,790)
3,592	67	189	Asset Disposal Cash Proceeds	326	338	3,915
708	(4,519)	(9,175)	Net Capital Expenditure	(27,062)	(23,284)	(8,913)
3,415	(192)	(159)	Other Debt and Investment Movements	(1,595)	(1,070)	2,092
(1,368)	331	2,740	External Debt Movements	10,983	10,983	(5,987)
(8,641)	(1,967)	-	Working Capital Movements	-	-	(4,095)
-	-	-		-	-	-
(83)	97	-	Net Funding Surplus(Deficit)	-	85	(148)
-	-	-		-	-	-

\* Regional Strategy Actuals removed

#### 4.1.2 Statement of Financial Position

The Council Statement of Financial Position shows the current position, the budget position and last year-ends financial position.

Wellington Regional Council Statement of Financial Position For the Period Ending - 30 November 2005			
Statement of Financial Position \$(000)'s	Current Actual YTD	2006 Budget	Last Year Actual
Total Retained Earnings	235,433.7	244,182.0	231,743.4
Asset Revaluation Reserves	310,244.4	310,745.0	310,958.1
Departmental Reserves	9,749.3	6,116.0	10,210.2
Movement in Equity	0.0	0.0	0.0
Total Ratepayer Funds	555,427.5	561,043.0	552,911.8
Bank Accounts and Call Deposits	(677.4)	2,869.0	2,704.6
Receivables	18,296.4	10,292.0	10,294.1
Accrued Revenue and Prepayments	1,792.5	4,785.0	4,785.0
Stocks	1,799.0	1,800.0	1,800.4
Inter Divisional Current Assets.	0.0	0.0	0.0
Total Current Assets	21,210.5	19,746.0	19,584.1
Total Investments	104,692.3	105,548.0	104,500.2
Net Fixed Assets	498,782.8	518,754.6	492,954.7
Capital Works In Progress	7,829.6	4,853.4	13,100.1
Total Non Current Assets	611,304.7	629,156.0	610,554.9
Total Assets	632,515.1	648,902.0	630,139.0
Payables and Accrued Expenses	(13,885.6)	(21,017.1)	(13,372.9)
Employee Provisions and Accruals	(3,152.1)	0.0	(3,771.4)
Subsidiaries Current Accounts	(1,721.7)	(2,321.9)	(2,085.8)
Inter Divisional Current Liabilities.	(0.0)	(0.0)	(0.0)
Current Liabilities	(18,759.4)	(23,339.0)	(19,230.2)
External Debt	(58,328.2)	(64,520.0)	(57,997.1)
Internal Debt	(0.0)	0.0	(0.0)
Non Current Liabilities	(58,328.2)	(64,520.0)	(57,997.1)
Total Liabilities	(77,087.6)	(87,859.0)	(77,227.2)
Net Assets	555,427.5	561,043.0	552,911.8

#### 4.1.3 Financial Summary

The following table shows the variances by division.

Wellington Regional Council				
Summary Statement of Financial Performance - Year to Date				
For the Period Ending - 30 November 2005				
Total Operating Revenue \$(000)'s	Last Year	Year to Date		Variance
		Actual	Budget	
Water Group	10,975	11,274	11,140	134
Plantation Forestry	1,682	1,815	1,701	114
<b>Utility Services</b>	<b>12,657</b>	<b>13,089</b>	<b>12,841</b>	<b>248</b>
Transport	23,275	28,334	33,532	(5,198)
Landcare	6,195	6,373	6,215	158
Environment	4,154	4,181	4,236	(55)
Wairarapa	8,897	9,308	9,732	(424)
Corporate Advisory Services	46	26	281	(255)
Finance & Admin	2,605	2,749	2,673	76
Chief Executive	8	8	8	0
Investment in Democracy	1,852	2,249	2,248	1
<b>Net Divisional Revenue</b>	<b>59,689</b>	<b>66,317</b>	<b>71,766</b>	<b>(5,449)</b>
Landcare: Sale of Mabey Road	0	0	0	0
Investment Management	2,494	2,439	2,418	21
Business Unit Rates Contribution	(3,177)	(3,232)	(3,233)	1
<b>Council Operating Revenue</b>	<b>59,006</b>	<b>65,524</b>	<b>70,951</b>	<b>(5,427)</b>
Total Operating Expenditure \$(000)'s	Last Year	Year to Date		Variance
		Actual	Budget	
Water Group	10,789	10,818	11,596	(778)
Plantation Forestry	1,833	1,842	1,850	(8)
<b>Utility Services</b>	<b>12,622</b>	<b>12,660</b>	<b>13,446</b>	<b>(786)</b>
Transport	23,276	27,932	30,518	(2,586)
Landcare	4,813	5,259	5,737	(478)
Environment	3,982	4,057	4,128	(71)
Wairarapa	8,715	9,336	10,259	(923)
Corporate Advisory Services	27	19	312	(293)
Finance & Admin	2,335	2,314	2,436	(122)
Chief Executive	32	5	12	(7)
Investment in Democracy	2,007	2,216	2,223	(7)
<b>Net Divisional Expenditure</b>	<b>57,809</b>	<b>63,798</b>	<b>69,071</b>	<b>(5,273)</b>
Landcare: Sale of Mabey Road	(3,155)	0	0	0
Investment Management	(673)	(757)	(807)	50
Business Unit Rates Contribution	0	0	0	0
<b>Council Operating Expenditure</b>	<b>53,981</b>	<b>63,041</b>	<b>68,264</b>	<b>(5,223)</b>
OPERATING SURPLUS (DEFICIT) \$(000)'s	Last Year	Year to Date		Variance
		Actual	Budget	
Water Group	185	456	(455)	911
Plantation Forestry	(150)	(27)	(150)	123
<b>Utility Services</b>	<b>35</b>	<b>429</b>	<b>(605)</b>	<b>1,034</b>
Transport	(1)	402	3,014	(2,612)
Landcare	1,382	1,115	479	636
Environment	172	124	108	16
Wairarapa	182	(28)	(526)	498
Corporate Advisory Services	19	8	(31)	39
Finance & Admin	270	435	237	198
Chief Executive	(23)	4	(4)	8
Investment in Democracy	(156)	33	26	7
<b>Net Divisional Surplus (Deficit)</b>	<b>1,880</b>	<b>2,522</b>	<b>2,698</b>	<b>(176)</b>
Landcare: Sale of Mabey Road	3,155	0	0	0
Investment Management	3,167	3,196	3,225	(29)
Business Unit Rates Contribution	(3,177)	(3,232)	(3,233)	1
<b>Council Operating Surplus (Deficit)</b>	<b>5,025</b>	<b>2,486</b>	<b>2,690</b>	<b>(204)</b>
* Regional Strategy Actuals removed				

#### 4.1.4 Utility Services, Favourable variance of \$786,000

Water cost savings of \$778,000 savings for the year and are consistent with the October position

#### 4.1.5 Transport, Unfavourable variance of \$2,612,000

The continued delays with Transport's capital and heavy maintenance expenditure are due to the Rail Operating Contract not being signed. The current effect on the year to date numbers is reduced revenue of \$5.198 million as both operational and capital expenditure has not occurred.

Operating Expenditure is down by \$2.586 million, primarily being the heavy maintenance expenditure delays noted above.

#### 4.1.6 Landcare, Favourable variance of \$636,000

Savings due to timing of material/contractor costs

#### 4.1.7 Environment, Favourable variance of \$16,000

Nothing of note to report.

#### 4.1.8 Wairarapa, Favourable variance of \$498,000

The favourable variance of \$498,000, due mainly to the timing of Bovine Tb work.

#### 4.1.9 Corporate, Favourable variance of \$224,000

Corporate areas achieved a favourable variance of \$224,000 due to delays in expenditure which are forecast to reverse by year end.

### 4.2 Forecast to 30 June 2006

The forecast surplus is \$4.6 million compared with the budget surplus of \$8.1 million remains unchanged from the October report. The decrease is due to the reclassification of rail heavy maintenance from capital to operating expenditure.

However, initial indications of the forecast position based on the half year result is that the forecast surplus will decrease again due to delays in Transport expenditure program. A detailed review of the half year will be given in March to Council following the management reviews.

## 5. Capital Expenditure

The major variance is the transfer of heavy rail maintenance from capital to operating expenditure as noted at the September quarter. Heavy maintenance and Transport capital improvements continue to be held up.

Net Capital Expenditure \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	663	2,848	2,581	267
Plantation Forestry	119	91	91	0
<b>Utility Services</b>	<b>782</b>	<b>2,939</b>	<b>2,672</b>	<b>267</b>
Transport	5	(6)	4,566	(4,572)
Landcare	1,179	1,177	1,318	(141)
Environment	143	130	94	36
Wairarapa	317	58	304	(246)
Corporate Advisory Services	7	46	0	46
Finance & Admin	239	211	222	(11)
Chief Executive	0	(25)	0	(25)
Investment in Democracy	0	(12)	0	(12)
<b>Net Capital Expenditure</b>	<b>2,672</b>	<b>4,518</b>	<b>9,176</b>	<b>(4,658)</b>
Landcare: Sale of Mabey Road				
Investment Management	5	1	0	1
Business Unit Rates Contribution	0	0	0	0
<b>Net Capital Expenditure</b>	<b>2,677</b>	<b>4,519</b>	<b>9,176</b>	<b>(4,657)</b>

## 6. Communication

No communications are necessary.

## 7. Recommendations

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

Report approved by:

**Chris Gray**  
Finance Manager

**Barry Turfrey**  
Chief Financial Officer