



Report 08.664  
Date 9 September 2008  
File CFO/13/02/01

Committee Finance, Evaluation and Risk  
Author Chris Gray, Finance Manager

## Financial Report for the two months ending 31 August 2008

### 1. Purpose

To review the financial performance of the Council for the period ending 31 August 2008.

### 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 detailed report is given to Council each quarter. In the intervening months, reports to Council are done by exception.

### 4. Financial Performance

#### 4.1 Year to date Operating Result

The Council's operating surplus for the two months ending 31 August 2008 was \$1,104,000 compared with budget surplus of \$270,000. This excludes grants to fund public transport capital expenditure and forestry cost of goods sold. Including these amounts, the year to date deficit is \$963,000, compared to the budget deficit of \$4,825,000.

Operating revenue, excluding grants for capital expenditure is \$29,208,000 compared with the budget of \$29,422,000.

Year to date operating expenditure is \$28,104,000, \$1,048,000 below budget. The majority of this favourable variance is due to timing issues which are expected to reverse by year end.

This lower expenditure has resulted in the operating surplus being \$834,000 ahead of budget.

Wellington Regional Council  
Summary Income Statement - Revenue  
For the two months ended 31 August 2008

Total operating revenue \$(000)'s				
	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	430	537	571	(34)
Public Transport	11,925	13,334	13,311	23
<b>Total Transport</b>	<b>12,355</b>	<b>13,871</b>	<b>13,882</b>	<b>(11)</b>
Environment	2,002	2,066	2,153	(87)
Catchment Management	4,288	4,131	4,077	54
Forestry	1,103	930	1,136	(206)
Regional Parks	1,063	1,085	1,051	34
Corporate	450	424	353	71
WRS	667	772	750	22
Finance, IT & Support Services	1,138	1,202	1,239	(37)
Investment in Democracy	773	788	787	1
<b>Rates funded divisional operating revenue</b>	<b>23,839</b>	<b>25,269</b>	<b>25,428</b>	<b>(159)</b>
Investment Management	849	854	834	20
Business Unit Rates Contribution	(1,457)	(1,385)	(1,385)	-
<b>Rates funded operating revenue</b>	<b>23,231</b>	<b>24,738</b>	<b>24,877</b>	<b>(139)</b>
Water Group	4,497	4,470	4,545	(75)
<b>Rates &amp; levy funded operating revenue</b>	<b>27,728</b>	<b>29,208</b>	<b>29,422</b>	<b>(214)</b>
<b>Non-Operational movements</b>				
Public Transport - Capex / Investment	4,030	2,309	5,054	(2,745)
<b>Total Council revenue</b>	<b>31,758</b>	<b>31,517</b>	<b>34,476</b>	<b>(2,959)</b>

Wellington Regional Council  
Summary Income Statement - Expenditure  
For the two months ended 31 August 2008

Total operating expenditure \$(000)'s				
	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	350	511	633	122
Public Transport	11,290	12,874	13,329	455
<b>Total Transport</b>	<b>11,640</b>	<b>13,385</b>	<b>13,962</b>	<b>577</b>
Environment	1,991	2,104	2,046	(58)
Catchment Management	3,617	3,473	3,576	103
Forestry	1,231	1,318	1,364	46
Regional Parks	866	996	948	(48)
Corporate	265	237	347	110
WRS	934	889	873	(16)
Finance, IT & Support Services	1,096	1,047	1,142	95
Investment in Democracy	808	814	775	(39)
<b>Rates funded divisional operating expenditure</b>	<b>22,448</b>	<b>24,263</b>	<b>25,033</b>	<b>770</b>
Investment Management	(582)	(548)	(681)	(133)
Business Unit Rates Contribution	-	-	-	-
<b>Rates funded operating expenditure</b>	<b>21,866</b>	<b>23,715</b>	<b>24,352</b>	<b>637</b>
Water Group	4,270	4,389	4,800	411
<b>Rates &amp; levy funded operating expenditure</b>	<b>26,136</b>	<b>28,104</b>	<b>29,152</b>	<b>1,048</b>
<b>Non-Operational movements</b>				
Forestry cost of goods sold	232	174	289	115
Public Transport - Capex / Investment	5,002	4,202	9,860	5,658
<b>Total Council expenditure</b>	<b>31,370</b>	<b>32,480</b>	<b>39,301</b>	<b>6,821</b>

Wellington Regional Council				
Summary Income Statement - Operating Surplus \ (Deficit)				
For the two months ended 31 August 2008				
OPERATING SURPLUS / (DEFICIT) \$(000)'s				
	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	80	26	(62)	88
Public Transport	635	460	(18)	478
<b>Total Transport</b>	<b>715</b>	<b>486</b>	<b>(80)</b>	<b>566</b>
Environment	11	(38)	107	(145)
Catchment Management	671	658	501	157
Forestry	(128)	(388)	(228)	(160)
Regional Parks	197	89	103	(14)
Corporate	185	187	6	181
WRS	(267)	(117)	(123)	6
Finance, IT & Support Services	42	155	97	58
Investment in Democracy	(35)	(26)	12	(38)
<b>Rates funded divisional operating surplus / (deficit)</b>	<b>1,391</b>	<b>1,006</b>	<b>395</b>	<b>611</b>
Investment Management	1,431	1,402	1,515	(113)
Business Unit Rates Contribution	(1,457)	(1,385)	(1,385)	-
<b>Rates funded operating surplus / (deficit)</b>	<b>1,365</b>	<b>1,023</b>	<b>525</b>	<b>498</b>
Water Group	227	81	(255)	336
<b>Rates &amp; levy funded operating surplus / (deficit)</b>	<b>1,592</b>	<b>1,104</b>	<b>270</b>	<b>834</b>
<b>Non-Operational movements</b>				
Forestry cost of goods sold	(232)	(174)	(289)	115
Public Transport - Capex / Investment	(972)	(1,893)	(4,806)	2,913
<b>Total Council surplus / (deficit)</b>	<b>388</b>	<b>(963)</b>	<b>(4,825)</b>	<b>3,862</b>
<b>Flood Protection</b>				
Eastern	122	211	161	50
Western	508	560	378	182
<b>Total Flood Protection</b>	<b>630</b>	<b>771</b>	<b>539</b>	<b>232</b>

#### 4.2 Income Statement

The Income Statement is included as **Attachment 1**.

#### 4.3 Funding Statement

The Funding Statement is included as **Attachment 2**.

#### 4.4 Balance Sheet

The Balance Sheet is included as **Attachment 3**.

## 5. Forecast to 30 June 2009

The forecast to 30 June 2009 remains unchanged from the budget result. The Council is forecasting an operating surplus of \$272,000 (excluding unrealised gains, forestry cost of goods sold and grants for capital expenditure). Including these amounts, the Council deficit is \$11,717,000. The deficit largely arises from the accounting treatment for the purchase of the rail rolling stock in Greater Wellington Rail Ltd.

Wellington Regional Council				
Summary Income Statement - Operating Surplus \ (Deficit)				
For the year ending 30 June 2009				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Full Year			
	Last Year	Forecast	Budget	Variance
Transport Policy and Strategy	202	(74)	(74)	-
Public Transport	46	40	40	-
<b>Total Transport</b>	<b>248</b>	<b>(34)</b>	<b>(34)</b>	<b>-</b>
Environment	(207)	(223)	(223)	-
Catchment Management	3,566	3,007	3,007	-
Forestry	(1,488)	(1,358)	(1,358)	-
Regional Parks	(208)	(653)	(653)	-
Corporate	(25)	(66)	(66)	-
WRS	250	(500)	(500)	-
Finance, IT & Support Services	691	298	298	-
Investment in Democracy	(75)	77	77	-
<b>Rates funded divisional operating surplus / (deficit)</b>	<b>2,752</b>	<b>548</b>	<b>548</b>	<b>0</b>
Investment Management	10,276	9,495	9,495	-
Business Unit Rates Contribution	(8,742)	(8,308)	(8,308)	-
<b>Rates funded operating surplus / (deficit)</b>	<b>4,286</b>	<b>1,735</b>	<b>1,735</b>	<b>-</b>
Water Group	1,223	(1,463)	(1,463)	-
<b>Rates &amp; levy funded operating surplus / (deficit)</b>	<b>5,509</b>	<b>272</b>	<b>272</b>	<b>-</b>
<b>Non-Operational movements</b>				
Revaluation of Debt and Stadium Advance	5,460	2,103	2,103	-
Revaluation Forestry	(3,125)	2,643	2,643	-
Forestry cost of goods sold	(1,268)	(1,734)	(1,734)	-
Public Transport - Capex / Investment	(9,118)	(15,001)	(15,001)	0
<b>Total Council surplus / (deficit)</b>	<b>(2,542)</b>	<b>(11,717)</b>	<b>(11,717)</b>	<b>0</b>
<b>Flood Protection</b>				
Eastern	776	667	667	-
Western	2,731	2,328	2,328	-
<b>Total Flood Protection</b>	<b>3,507</b>	<b>2,995</b>	<b>2,995</b>	<b>-</b>

## 6. Capital Expenditure

Year to date capital expenditure of \$790,000 is below the budget by \$1,135,000. At this stage this favourable variance is due to timing of expenditure and is expected to reverse by year end. The forecast remains unchanged from the budget at \$19,942,000.

Wellington Regional Council Capital Expenditure For the two months ended 31 August 2008				
Capital expenditure \$(000)'s	Year to date			
	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	-	-	-	-
Public Transport	-	(9)	-	9
Public Transport Improvement Projects	762	(75)	20	95
<b>Total Transport</b>	<b>762</b>	<b>(84)</b>	<b>20</b>	<b>104</b>
Environment	-	75	114	39
Catchment Management	941	276	288	12
Forestry	53	40	57	17
Regional Parks	2	13	34	21
Corporate	-	-	-	-
WRS	-	-	-	-
Finance, IT & Support Services	-	39	821	782
Investment in Democracy	-	-	-	-
<b>Rates funded divisional capital expenditure</b>	<b>1,758</b>	<b>359</b>	<b>1,334</b>	<b>975</b>
Investment Management	4	12	-	(12)
<b>Rates funded capital expenditure</b>	<b>1,762</b>	<b>371</b>	<b>1,334</b>	<b>963</b>
Water Group	246	419	591	172
<b>Rates &amp; levy funded capital expenditure</b>	<b>2,008</b>	<b>790</b>	<b>1,925</b>	<b>1,135</b>
<b>Flood Protection</b>				
Eastern	-	84	61	(23)
Western	941	158	227	69
<b>Total Flood Protection</b>	<b>941</b>	<b>242</b>	<b>288</b>	<b>46</b>

Wellington Regional Council				
Capital Expenditure				
For the year ending 30 June 2009				
Capital expenditure \$(000)'s	Full Year			
	Last Year	Forecast	Budget	Variance
Transport Policy and Strategy	24	-	-	-
Public Transport	7	121	121	-
Public Transport Improvement Projects	1,007	2,059	2,059	-
<b>Total Transport</b>	<b>1,038</b>	<b>2,180</b>	<b>2,180</b>	<b>-</b>
Environment	487	1,557	1,557	-
Catchment Management	6,573	6,941	6,941	-
Forestry	278	364	364	-
Regional Parks	296	469	469	-
Corporate	(17)	55	55	-
WRS	-	-	-	-
Finance, IT & Support Services	546	2,788	2,788	-
Investment in Democracy	74	5	5	-
<b>Rates funded divisional capital expenditure</b>	<b>9,275</b>	<b>14,359</b>	<b>14,359</b>	<b>0</b>
Investment Management	39	400	400	-
<b>Rates funded capital expenditure</b>	<b>9,314</b>	<b>14,759</b>	<b>14,759</b>	<b>-</b>
Water Group	3,843	5,183	5,183	-
<b>Rates &amp; levy funded capital expenditure</b>	<b>13,157</b>	<b>19,942</b>	<b>19,942</b>	<b>-</b>
<b>Flood Protection</b>				
Eastern	1,218	1,078	1,078	-
Western	5,191	5,652	5,652	-
<b>Total Flood Protection</b>	<b>6,409</b>	<b>6,730</b>	<b>6,730</b>	<b>-</b>

## 7. Finance Costs

Year to date finance costs are \$842,000 compared with the budget of \$863,000. The forecast remains unchanged from the budget.

## 8. Debt

Gross external debt (excluding IFRS adjustments) at 31 August was \$79.7 million compared with \$73.8 million at 30 June 2008. The increase is due to working capital requirements for Public Transport. This will reverse once monies are received from the NZ Transport Agency.

## **9. Communication**

No communications are necessary.

## **10. Recommendations**

*That the Committee recommend to Council that it:*

- 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

**Attachment 1:** Council Income Statement

**Attachment 2:** Council Funding Statement

**Attachment 3:** Council Balance Sheet