

Report 12.458
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Committee Council
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Finance report for the two months ending 31 August 2012

1. Purpose

To inform the Council of Greater Wellington's financial performance for the two months ending 31 August 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 as the report is for receiving, discussing and noting only

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 \$1,748,000, which is \$2,321,000 ahead of the budgeted deficit of \$573,000 for the two months ended 31 August 2012. 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 an operating surplus of \$1,248,000 which is \$11,152,000 ahead of the budgeted deficit of \$9,904,000.

The majority of the variance is for the timing difference on Matangi payments, details of the variances and performance by Group for the two months are discussed in section 5.

4.2 Financial summary – Council

Greater Wellington Regional Council Summary income statement	For the 2 months ended 31 August 2012			
	Actual	Budget	Variance	Last Year
	\$000s	\$000s	\$000s	\$000s
Regional rates	14,834	14,824	10	14,141
Water supply levy	4,148	4,148	-	4,027
Other operating revenue	14,166	15,905	(1,739)	14,254
Total operating revenue	33,148	34,877	(1,729)	32,422
Operational expenditure	(31,400)	(35,450)	4,050	(31,324)
Operating surplus/(deficit) before transport improvements	1,748	(573)	2,321	1,098
Operating (deficit) from transport improvements	(383)	(9,227)	8,844	(1,932)
Operating surplus/(deficit) before non-operational items	1,365	(9,800)	11,165	(834)
Non-operational movements	(117)	(104)	(13)	(1,244)
Operating surplus/(deficit)	1,248	(9,904)	11,152	(2,078)

4.3 Financial summary – Council by Group

Greater Wellington Regional Council Summary income statement by Group	For the 2 months ended 31 August 2012			
	Actual	Budget	Variance	Last Year
	\$000s	\$000s	\$000s	\$000s
Operational Groups				
Catchment Management	848	428	420	934
Environmental Management	140	226	(86)	(12)
Forestry	(80)	91	(171)	(283)
Regional Parks	133	37	96	105
Public Transport	795	(72)	867	440
Total rates funded operational surplus / (deficit)	1,836	710	1,126	1,184
Corporate				
Strategy & Community Engagement	111	59	52	297
Finance and Support	(81)	(276)	195	(124)
Other corporate activities	360	59	300	228
Investment Management	1,762	1,570	192	489
Business unit rates contribution	(1,892)	(1,892)	-	(869)
Total rates funded operating surplus / (deficit)	2,096	230	1,865	1,205
Water	(348)	(803)	455	(105)
Total rates & levy funded operating surplus / (deficit)	1,748	(573)	2,320	1,100
Public Transport - improvements	(383)	(9,227)	8,844	(1,932)
Operating surplus/(deficit) before non-operational items	1,365	(9,800)	11,164	(832)
Non-operational movements				
Revaluation of debt and stadium advance	3	(2)	6	(1)
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(120)	(102)	(18)	(454)
Warm Greater Wellington	-	-	-	(797)
EMU investment - GW Rail	-	-	-	6
Non-operational movements	(117)	(104)	(12)	(1,246)
Total Council surplus / (deficit)	1,248	(9,904)	11,152	(2,078)

4.4 Forecast to 30 June 2012

As the year has just begun the forecast remains at budget, but will be reviewed after the first quarter is completed.

4.5 Financial forecast – Council

Greater Wellington Regional Council		For the year ending 30 June 2013			
Summary income statement		Forecast	Budget	Variance	Last Year
		\$000s	\$000s	\$000s	\$000s
Regional rates		89,005	89,005	-	84,629
Water supply levy		24,888	24,888	-	24,164
Other operating revenue		98,077	98,077	-	97,253
Total operating revenue		211,970	211,970	-	206,046
Operational expenditure		(215,162)	(215,162)	-	(201,044)
Operating surplus/(deficit) before transport improvements		(3,192)	(3,192)	-	5,002
Operating (deficit) from transport improvements		(26,665)	(26,665)	-	(11,852)
Operating surplus/(deficit) before non-operational items		(29,857)	(29,857)	-	(6,850)
Non-operational movements		17,904	17,904	-	2,825
Operating surplus/(deficit)		(11,953)	(11,953)	-	(4,025)

4.6 Capital Expenditure by Group

Greater Wellington Regional Council		For the 2 months ended 31 August 2012			
Capital expenditure by Group		Actual	Budget	Variance	Last Year
		\$(000)'s	\$(000)'s	\$(000)'s	\$(000)'s
Operational Groups					
Catchment Management		750	1,093	343	503
Environmental Management		15	-	(15)	35
Forestry		46	71	25	(22)
Regional Parks		29	40	11	4
Public Transport		114	115	1	525
Operational Groups capital expenditure		954	1,319	365	1,045
Corporate					
Strategy & Community Engagement		(11)	-	11	258
Finance and Support		(96)	-	96	(67)
Other corporate activities		117	166	49	47
Investment Management		95	-	(95)	17
Total rates funded capital expenditure		1,059	1,485	426	1,300
Water Supply		847	1,629	782	1,205
Total rates & levy funded capital expenditure		1,906	3,114	1,208	2,505

The variances and performance by Group for the two months are discussed in section 5.

As the year has just begun the forecast remains at budget, but will be reviewed after the first quarter is completed.

5. Financial Performance – by Group

5.1 Catchment management

Financial Summary	For the 2 months ended 31 August 2012				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	5,357	5,691	(334)	4,763	32,260	32,260	-	29,982
Operating expenditure	4,509	5,263	754	3,829	29,392	29,392	-	26,097
Operating surplus / (deficit)	848	428	420	934	2,868	2,868	-	3,885
Net capital expenditure	750	1,093	343	503	7,732	7,732	-	7,100

5.1.1 Year to date

Overall an operating surplus \$420,000 above budget, comprising lower revenue of \$334,000 and lower operating costs of \$754,000 primarily due to the timing of the work programmes compared to budget.

- Operating revenue is lower than budget due to:
 - Delayed aerial operations for BioWorks, \$285,000
 - Timing of revenue for the land management winter planting programmes
- Operating expenditure was lower than budget due mainly to:
 - Timing of river maintenance programmes compared to budget, \$232,000
 - Timing of pest plant and animals programmes \$209,000 and
 - delays to land management works

Revenue and Expenditure are expected to be back on budget as the year progresses

- Capital expenditure is \$343,000 below budget primarily due to:
 - The timing of the LWVD stop bank improvements stopbank improvements for Boulcott/Hutt, Lower Waithohu, and LWVD.

This work is expected to be back on budget as the year progresses

5.1.2 Forecast to 30 June 2013

- The forecast is unchanged from budget.

5.2 Environmental management

Financial Summary	For the 2 months ended 31 August 2012				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	2,261	2,222	39	2,289	13,357	13,357	-	14,644
Operating expenditure	2,121	1,996	(125)	2,301	13,128	13,128	-	14,693
Operating surplus / (deficit)	140	226	(86)	(12)	229	229	-	(49)
Net capital expenditure	15	-	(15)	35	405	405	-	348

5.2.1 Year to date

Overall, an operating surplus \$86,000 below budget, comprising higher revenue of \$39,000 and higher expenditure of \$125,000.

- Operating revenue is ahead of budget primarily due to:
 - The Restitution Fund of \$22,000 being carried forward from 2011/12
 - Monitoring charges ahead of budget due to timing on invoicing compared to budget
- Operating expenditure was more than budget due mainly to:
 - Costs of consultants are ahead of budget due to timing of work compared to budget
 - Revenue and Expenditure are expected to be back on budget as the year progresses
- Capital expenditure is \$15,000 over budget due to timing of purchases compared to budget.

Forecast to 30 June 2013

- The forecast is unchanged from budget.

5.3 Forestry

Financial Summary	For the 2 months ended 31 August 2012				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	1,518	1,637	(119)	1,301	9,007	9,007	-	8,784
Operating expenditure	1,598	1,545	(53)	1,583	8,944	8,944	-	8,311
Operating surplus / (deficit) before cost of goods sold	(80)	92	(172)	(282)	63	63	-	473
Cost of goods sold*	120	103	(17)	455	561	561	-	521
Operating surplus / (deficit) before valuation	(200)	(11)	(189)	(737)	(498)	(498)	-	(48)
Forestry valuation	-	-	-	-	2,629	2,629	-	2,900
Operating surplus / (deficit)	(200)	(11)	(189)	(737)	2,131	2,131	-	2,852
Net capital expenditure	46	71	25	(22)	472	472	-	221

* cost of goods sold is a non cash accounting adjustment

5.3.1 Year to date

- Overall an operating deficit of \$80,000 which is \$172,000 below budget, comprising lower revenue of \$119,000 and higher expenditure of \$53,000, prior to cost of goods sold due to:
 - Rough terrain in the plantation forestry has resulted in lower volume being harvested,
 - Increased volume from the reserve forestry resulted in \$187,000 higher revenue and \$153,000 higher costs.
 - Finance costs are \$57,000 above budget due to a higher level of debt at 30 June 2012 than budgeted.
 - The unfavourable non-cash variance for cost of goods sold of \$17,000 reflects the higher volume harvested in total.
- Capital expenditure is lower than budget due to lower requirements than anticipated at budget time.

Revenue and expenditure are expected to in line with budget as the year progresses.

5.3.2 Forecast to 30 June 2013

The forecast is unchanged from budget.

5.4 Regional Parks

Financial Summary	For the 2 months ended 31 August 2012				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	968	930	38	983	5,591	5,591	-	5,990
Operating expenditure	835	893	58	878	5,825	5,825	-	6,256
Operating surplus / (deficit)	133	37	96	105	(234)	(234)	-	(266)
Net capital expenditure	29	40	11	4	813	813	-	426

5.4.1 Year to date

- Overall an operating surplus \$96,000 above budget, comprising revenue \$38,000 above budget and expenditure \$58,000 below budget primarily due to:
 - Rental revenue from grazing is ahead of budget due to the timing of invoices compared to budget
 - Personnel costs are \$53,000 below budget due to vacancies and extra work charged to capital projects.
 - Contractors and consultants are \$29,000 over budget due to timing.

- Capital expenditure is \$11,000 below budget due to timing of purchases compared to budget.

Revenue and expenditure are expected to be in line with budget as the year progresses.

5.4.2 Forecast to 30 June 2013

The forecast is unchanged from budget.

5.5 Public transport

Financial Summary	For the 2 months ended 31 August 2012				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	16,070	17,309	(1,239)	15,261	105,121	105,121	-	94,292
Operating expenditure	15,275	17,381	2,106	14,821	105,731	105,731	-	94,311
Operating surplus / (deficit)	795	(72)	867	440	(610)	(610)	-	(19)

5.5.1 Year to date

Overall an operating surplus \$867,000 above budget, comprising lower revenue of \$1,239,000 and lower expenditure of \$2,106,000.

- Operating revenue is \$1,239,000 below budget due to lower expenditure detailed below
- Operating expenditure is \$2,106,000 below budget due to:
 - Rail operations \$1,181,000 including lower network renewals \$918,000, rail insurance \$165,000 less than budget, and \$289,000 lower expenditure on infrastructure maintenance. This expenditure is timing related and is expected to track back to budget as the year progresses.
 - The trolley bus expenditure is \$131,000 above budget due to additional cabling work through Manners Mall.

5.5.2 Forecast to 30 June 2013

The forecast is unchanged from budget.

5.6 Public transport improvement projects

Financial Summary	For the 2 months ended 31 August 2012				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	6,155	10,060	(3,905)	20,213	20,062	20,062	-	117,265
Operating expenditure	6,538	19,287	12,749	22,145	46,727	46,727	-	129,117
Operating surplus / (deficit)	(383)	(9,227)	8,844	(1,932)	(26,665)	(26,665)	-	(11,852)
External debt revaluation gains /(loss)	-	-	-	-	-	-	-	(1,337)
Operating surplus / (deficit)	(383)	(9,227)	8,844	(1,932)	(26,665)	(26,665)	-	(13,189)
Net capital expenditure	114	115	1	525	1,991	1,991	-	(2,849)

5.6.1 Year to date

Overall, an operating deficit of \$383,000 which is \$8,844,000 above budget, comprising lower expenditure of \$12,749,000 and as a result of this lower expenditure, reduced revenue of \$3,905,000.

- Operating expenditure was lower than budget due to:
 - The final payments for the Matangi trains are expected this year, practical completion of the remaining units is continuing with payments being later than anticipated in the budget. Expenditure to 31 August was \$11,957,000 below budget.
 - Trolley bus infrastructure renewals are \$608,000 behind budget due to timing of work carried out.
- Capital expenditure was on budget.

5.6.2 Forecast to 30 June 2013

The forecast is unchanged from budget.

5.7 Strategy & Community Engagement

Financial Summary	For the 2 months ended 31 August 2012				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	1,448	1,509	(61)	1,671	9,243	9,243	-	10,742
Operating expenditure	1,337	1,450	113	1,374	9,509	9,509	-	9,864
Operating surplus / (deficit)	111	59	52	297	(266)	(266)	-	878
Net capital expenditure	(11)	-	11	258	264	264	-	1,103

5.7.1 Year to date

Overall the operating surplus is \$52,000 above budget, comprising lower expenditure of \$113,000 and lower revenue of \$61,000.

- Operating expenditure was lower than budget due to:
 - \$50,000 lower expenditure to date on the spine study. This is only due to timing of progress payments with no change to forecast.

- Iwi project and capacity training below budget by \$25,000 due to the timing of the training compared to budget.
- \$30,000 reduced expenditure on materials and supplies for the school travel plan; this merchandise has not yet been ordered.
- Depreciation for the transport model is \$50,000 below budget as the project has yet to be capitalised.
- Payments to Grow Wellington for July and August are ahead of budget which is due to the phasing of the budget compared to actual requirements.

5.7.2 Forecast to 30 June 2013

The forecast is unchanged from budget.

5.8 Other Corporate

Financial Summary	For the 2 months ended 31 August 2012				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	1,374	1,558	(184)	1,216	12,409	12,409	-	11,097
Operating expenditure	1,014	1,499	485	988	12,361	12,361	-	10,732
Operating surplus / (deficit)	360	59	301	228	48	48	-	365
Net capital expenditure	117	166	49	18	687	687	-	592

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

5.8.1 Year to date

Overall, operating surplus is 301,000 above budget, comprising higher lower revenue of \$184,000 and lower expenditure of \$485,000.

- Operating revenue is lower than budget due to timing of internal charges, this will be in line with budget as the year progresses.
- Operating expenditure is lower than budget due to emergency management expenditure budgets being ahead of the actual costs incurred. This is expected to track back to budget as the year progresses.
- Capital expenditure for the year is \$49,000 below budget due to timing of Wairarapa Water Use Project expenditure compared to budget.

5.8.2 Forecast to 30 June 2012

The forecast is unchanged from budget.

5.9 Finance and Support

Financial Summary	For the 2 months ended 31 August 2012				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	884	924	(40)	1,272	5,709	5,709	-	7,807
Operating expenditure	965	1,200	235	1,396	7,186	7,186	-	8,081
Operating surplus / (deficit)	(81)	(276)	195	(124)	(1,477)	(1,477)	-	(274)
Net capital expenditure	(96)	-	96	(67)	1,915	1,915	-	421

5.9.1 Year to date

Overall, the operating deficit is \$235,000 ahead of budget, comprising lower revenue of \$40,000 and lower expenditure of \$235,000.

- Operating revenue is lower than budget due to the phasing of rates penalties compared to budget.
- Operating expenditure is lower than budget primarily due to licences fee (\$178,000) expenditure not yet incurred compared to budget.

5.9.2 Forecast to 30 June 2012

The forecast is unchanged from budget.

5.10 Investment management

Financial Summary	For the 2 months ended 31 August 2012				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	888	555	333	(36)	6,516	6,516	-	9,684
Operating expenditure	(874)	(1,015)	(141)	(525)	(5,832)	(5,832)	-	(4,073)
Operating surplus / (deficit)	1,762	1,570	192	489	12,348	12,348	-	13,757
Net capital expenditure	95	-	(95)	17	100	100	-	496

5.10.1 Year to date

Operating revenue is \$333,000 ahead of budget due to higher interest revenue from money market investments and deposits.

Net operating expenditure recoveries are \$141,000 less than budget. This is mainly due to lower internal debt interest recovery, as there is slower capital expenditure by other Groups and a lower opening debt position.

5.10.2 Forecast to 30 June 2012

The forecast is unchanged from budget.

5.11 Investment management – Non operational movements

Financial Summary	For the 2 months ended 31 August 2012				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	-	-	-	6	14,855	14,855	-	3,958
Valuation Movements	-	-	-	-	(981)	(981)	-	7,050
Operating surplus / (deficit)	-	-	-	6	13,874	13,874	-	11,008

The grant from the Public Transport Group is an internal transaction to fund the share capital of Greater Wellington Rail.

5.11.1 Forecast– Matangi investment

The forecast is unchanged from budget.

5.12 Warm Greater Wellington

Financial Summary	For the 2 months ended 31 August 2012				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	209	209	-	62	1,253	1,253	-	371
Operating expenditure	209	209	-	859	1,253	1,253	-	371
Operating surplus / (deficit)	-	-	-	(797)	-	-	-	-
Net capital expenditure	-	-	-	-	-	-	-	23

5.12.1 Year to date

Warm Greater Wellington budgets to break even as the advances are held as current assets and the rates repays this over the life of the programme.

Since 1 July 844 properties have had installations completed to a value of \$1,440,000.

5.12.2 Forecast to 30 June 2013

The forecast is unchanged from budget.

5.13 Water

Financial Summary	For the 2 months ended 31 August 2012				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	4,284	4,434	(150)	4,553	26,735	26,735	-	27,400
Operating expenditure	4,632	5,237	605	4,658	31,543	31,543	-	30,711
Operating surplus / (deficit)	(348)	(803)	455	(105)	(4,808)	(4,808)	-	(3,311)
Net capital expenditure	847	1,629	782	1,205	14,792	14,792	-	9,360

5.13.1 Year to date

Overall, the operating deficit is \$455,000 below the budgeted deficit of \$803,000, comprising lower revenue of \$150,000 and lower expenditure of 605,000 compared to budget, due to:

- Operating revenue is \$150,000 below budget primarily due to a change in the way internal time is charged to capital projects. This now reduces net personnel costs through resource costing instead of being charged by way of internal income.
- Operating expenditure being \$605,000 lower than budget due to:
 - The change noted above lowers net personnel expenditure by \$118,000
 - Timing of other expenditure compared to budget which is expected to get back to budget as the year progresses.
 - Reduced finance costs of \$114,000 due to the lower level of debt compared to budget.
- Capital expenditure is \$782,000 under budget due to the phasing of the budget compared to actual spend in the first two months of the year.

5.13.2 Forecast to 30 June 2013

The forecast is unchanged from budget.

6. Finance costs

Finance Costs	For the 2 months ended 31 August 2012				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
	1,184	1,320	136	1,116	8,173	8,173	-	7,233

6.1 Year to date

Overall, finance costs are lower than budget due to lower opening debt and lower capital expenditure by operational Groups.

6.2 Forecast to 30 June 2013

The forecast is unchanged from budget.

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