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

Financial report for the nine months ended 31 March 2009

1. Purpose

- To inform the Committee of Greater Wellington's (GWRC) financial performance for the nine months ended 31 March 2009 and to provide an explanation of major variances by Division.
- To forecast the end of year position based on the management reviews completed with each Division.
- To inform the Committee of the WRC Holdings Group's financial performance for the nine months ended 31 March 2009 and to provide explanations of variances to budget.
- To provide an interim position in terms of achievement against the published performance targets in the Council's 2008/09 Annual Plan.

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

GWRC prepares monthly financial statements for review. Each quarter a more detailed review of GWRC's financial results is undertaken with each of the Divisions by the Chief Executive and the Chief Financial Officer.

As a result of those reviews, a summary of GWRC's performance for the nine months ended 31 March 2009 is presented to the Committee.

The WRC Holdings Group monthly financial statements are prepared and reviewed by management and the Boards of Directors of the individual companies within the Group. Therefore, only summary financial statements are presented for consideration by the Committee.

4. Financial Performance

4.1 Year to date Operating Performance

GWRC achieved an operating surplus of \$5,453,000 (budget \$516,000). This result excludes grants to fund public transport capital expenditure, debt revaluations and forestry cost of goods sold. Including these amounts, GWRC's deficit was \$8,671,000 (budget, a deficit \$15,810,000).

The WRC Holdings Group achieved a net surplus before tax of \$8,313,000 (budget \$6,426,000).

Further details on the year to date performance are discussed below.

5. Financial Summary - Council

Wellington Regional Council				
Summary Income Statement - Revenue				
For the nine months ended 31 March 2009				
Total operating revenue \$(000)'s	Year to date			
	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	2,166	3,204	2,532	672
Public Transport	53,892	60,967	59,752	1,215
Total Transport	56,058	64,171	62,284	1,887
Environment	8,969	9,809	9,748	61
Catchment Management	19,245	18,837	18,171	666
Forestry	4,076	3,783	5,112	(1,329)
Regional Parks	4,883	4,921	4,756	165
Corporate	1,650	1,686	1,587	99
WRS	3,075	3,378	3,377	1
Finance, IT & Support Services	5,291	5,752	5,576	176
Investment in Democracy	3,480	3,547	3,543	4
Rates funded divisional operating revenue	106,727	115,884	114,154	1,730
Investment Management	3,999	4,039	3,718	321
Business Unit Rates Contribution	(6,557)	(6,231)	(6,231)	-
Rates funded operating revenue	104,169	113,692	111,641	2,051
Water Group	20,286	20,607	20,453	154
Rates & levy funded operating revenue	124,455	134,299	132,094	2,205
Non-Operational movements				
Revaluation of debt and stadium advance	(171)	(265)	(265)	-
Revaluation of forestry	-	-	-	-
EMU Investment - GW Rail	-	-	-	-
Public Transport - Capex / Investment	10,596	30,818	49,060	(18,242)
Total Council revenue	134,880	164,852	180,889	(16,037)

Wellington Regional Council
Summary Income Statement - Expenditure
For the nine months ended 31 March 2009

Total operating expenditure \$(000)'s	Year to date			
	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	1,926	2,797	2,623	(174)
Public Transport	53,027	58,543	59,619	1,076
Total Transport	54,953	61,340	62,242	902
Environment	8,974	9,781	9,604	(177)
Catchment Management	16,957	16,397	16,063	(334)
Forestry	5,067	5,361	6,128	767
Regional Parks	4,509	4,957	4,827	(130)
Corporate	1,479	1,254	1,559	305
WRS	2,632	3,531	3,589	58
Finance, IT & Support Services	4,354	4,715	5,155	440
Investment in Democracy	3,603	3,451	3,485	34
Rates funded divisional operating expenditure	102,528	110,787	112,652	1,865
Investment Management	(2,768)	(2,675)	(2,662)	13
Business Unit Rates Contribution	-	1	-	(1)
Rates funded operating expenditure	99,760	108,113	109,990	1,877
Water Group	19,516	20,733	21,588	855
Rates & levy funded operating expenditure	119,276	128,846	131,578	2,732
Non-Operational movements				
Revaluation of debt and stadium advance	-	-	-	-
Forestry cost of goods sold	881	720	1,300	580
EMU Investment - GW Rail	7	(9)	(1,635)	(1,626)
Public Transport - Capex / Investment	15,449	43,966	65,456	21,490
Total Council expenditure	135,613	173,523	196,699	23,176

Wellington Regional Council
Summary Income Statement - Operating Surplus \ (Deficit)
For the nine months ended 31 March 2009

OPERATING SURPLUS / (DEFICIT) \$(000)'s	Year to date			
	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	240	407	(91)	498
Public Transport	865	2,424	133	2,291
Total Transport	1,105	2,831	42	2,789
Environment	(5)	28	144	(116)
Catchment Management	2,288	2,440	2,108	332
Forestry	(991)	(1,578)	(1,016)	(562)
Regional Parks	374	(36)	(71)	35
Corporate	171	432	28	404
WRS	443	(153)	(212)	59
Finance, IT & Support Services	937	1,037	421	616
Investment in Democracy	(123)	96	58	38
Rates funded divisional operating surplus / (deficit)	4,199	5,097	1,502	3,595
Investment Management	6,767	6,714	6,380	334
Business Unit Rates Contribution	(6,557)	(6,232)	(6,231)	(1)
Rates funded operating surplus / (deficit)	4,409	5,579	1,651	3,928
Water Group	770	(126)	(1,135)	1,009
Rates & levy funded operating surplus / (deficit)	5,179	5,453	516	4,937
Non-Operational movements				
Revaluation of Debt and Stadium Advance	(171)	(265)	(265)	-
Revaluation Forestry - Revaluation	-	-	-	-
Forestry cost of goods sold	(881)	(720)	(1,300)	580
EMU Investment - GW Rail	(7)	9	1,635	(1,626)
Public Transport - Capex / Investment	(4,853)	(13,148)	(16,396)	3,248
Total Council surplus / (deficit)	(733)	(8,671)	(15,810)	7,139

5.1 Public Transport - favourable variance of \$2,291,000 due primarily to:

- The fluctuating exchange rate and a lower oil price have resulted in decreased payments to the diesel bus operators of \$2,204,000. This saving is forecast to continue.
- Shelter, station and car park maintenance is \$523,000 below budget. This budget is being actively managed to ensure projects are completed.
- Total mobility expenditure is lower by \$168,000, due to lower than anticipated use of the scheme.
- Unbudgeted SuperGold Card expenditure of \$2,061,000. This is fully funded from the New Zealand Transport Agency (NZTA).
- Budgeted grants revenue from the NZTA is down by \$1,027,000 due to the lower expenditure detailed above.

5.2 Public Transport improvement projects - favourable variance of \$3,248,000 due primarily to:

- Rail infrastructure projects including station platforms, signalling, Johnsonville stations and McKay's to Waikanae double tracking, are under budget by \$5,017,000. However, ONTRACK has forecast that these multi-year work programs will be accelerated resulting in expenditure being ahead of budget by year end.
- Rail rolling stock heavy maintenance programme is now \$598,000 over budget, as work has been completed ahead of schedule. Expenditure is forecast to be on budget for the year.
- Additional capacity rolling stock is now in service and is currently \$1,342,000 below budget. Some modifications and minor improvements will result in approximately \$887,000 of these savings being permanent.
- New Matangi EMU related expenditure is \$14,809,000 below budget. Finalising the designs caused delays in 2007/08, resulting in expenditure being deferred to 2008/09. The project remains on budget with the new trains still scheduled to be delivered from 2010.
- The Ganz Mavag pilot refurbishment is \$1,084,000 below budget. Delays in receiving a detailed project plan from KiwiRail means this project will probably be deferred to 2009/10.
- Grants revenue from NZTA is \$18,247,000 less, due to the changes detailed above.

5.3 Transport Policy - favourable variance of \$498,000 due primarily to:

- Increase funding of \$235,000 has been achieved through a review of the applicable NZTA funding rates for all projects.
- Expenditure on a number of projects is under budget including savings on the Ngauranga to Wellington Airport Corridor Plan, \$147,000. The Strategy Monitoring Programme is \$101,000 under budget.

5.4 Environment - unfavourable variance of \$116,000 due primarily to:

- Lower than anticipated notified consents resulted in a \$245,000 reduction in income.
- Education income was \$169,000 ahead of budget but is expected to be in line with budget by year end.
- Personnel costs are \$182,000 ahead of budget, due to higher staff costs than budgeted.

5.5 Catchment Management - favourable variance of \$332,000 due primarily to:

- Additional revenue from the land management afforestation grant scheme.
- Additional revenue and expenditure for the Waiwhetu clean up project.
- Maintenance expenditure for the Hutt, Waikanae and Otaki rivers is behind schedule but expected to be back on budget by year end.

5.6 Forestry - unfavourable variance of \$562,000 due primarily to:

- Whilst the March quarter enjoyed better volumes due to improved weather over the first six months, the year to date harvest is below budget.
- The world economic situation has also resulted in very large swings in prices being achieved on a month by month basis. Overall forestry revenue is \$1,135,000 below budget, with expenditure \$767,000 below budget, due to the lower harvest.

5.7 Forestry – Costs of Goods Sold - favourable variance of \$580,000 due primarily to:

- Reduced harvesting, primarily due to the weather in the first six months, has reduced the non cash forestry cost of goods sold adjustment by \$580,000.

5.8 Parks & Forests - favourable variance of \$35,000:

- Nothing of note.

5.9 Corporate - favourable variance of \$404,000 due primarily to:

- Additional revenue of \$53,000 from the Honda Tree Fund.
- Personnel costs were below budget by \$199,000, due to staff vacancies.
- Contractors and consultants under budget by \$73,000 primarily due to delays in the website review and upgrade.

5.10 Finance, IT and Support - favourable variance of \$334,000 due primarily to:

- Personnel costs are under budget by \$151,000, due to staff vacancies. These savings are expected to continue for the year.
- Materials and supplies, below budget by \$78,000, due to lower IT expenditure.
- Depreciation is behind budget by \$143,000, due to the lower cost of the PC upgrade and the timing of the Asset Management project.
- Finance costs were \$76,000 below budget as a result of lower capital expenditure.

5.11 Investment Management - favourable variance of \$334,000 due primarily to:

- Decreased borrowings due to lower capital expenditure and lower interest rates have reduced finance costs.

5.12 Grants to Greater Wellington Rail Limited (GWRL) - unfavourable variance of \$1,626,000 due primarily to:

- GWRC's share of the new Matangi units is funded by way of grants to GWRL. The unfavourable variance is due to the delayed timing of payments for the trains.

5.13 Water - favourable variance of \$1,009,000 due primarily to:

- External revenue is \$167,000 ahead of budget.
- Personnel costs are \$201,000 below budget, due to staff vacancies.
- Materials and supplies are \$145,000 below budget, due to savings in power and chemicals, these have been offset by an increase in insurance premiums.
- Contractors and consultants are \$180,000 below budget, due to timing of expenditure, this is expected to reverse by year end.
- Decreased depreciation of \$70,000, due to the water supply assets being revalued at a later date than budgeted. This revaluation has now been completed with a net increase in GWRC's water assets of \$44.5 million.
- Finance costs are \$265,000 below budget, due to the opening debt position being lower than budget.

6. Finance costs

Finance costs for the nine months to 31 March were \$3,720,000 compared to the budget of \$4,287,000, a favourable variance of \$567,000. The favourable variance is due to lower borrowings and interest rates. The reduced borrowings are a result of lower capital expenditure, as noted in **Section 8** below.

7. Forecast to 30 June 2009

The forecast surplus to 30 June 2009 has improved by \$1,429,000 to \$2,707,000, (budget deficit of \$1,911,000). These amounts exclude grants and expenditure for public transport capital expenditure, revaluations and the calculation of forestry cost of goods sold. Including these amounts, the forecast deficit is \$4,533,000, compared to a budget deficit of \$11,717,000.

The improvement in the operating forecast is due primarily to:

	\$'000'
Environment	243
Finance, IT	209
Water	462
Investment Management	111
Catchment	595
Public Transport	(300)
Other	109
	<u>1,429</u>

The reasons for the forecast improvements are:

- Reduced expenditure in Environment, due to the delay in the Waiwhetu cleanup project.
- Continued savings in Finance in respect of depreciation and staff costs.
- Savings in power, chemicals and finance costs in Water.
- Transfer of \$300,000 from operational expenditure to capital expenditure for Catchment Management.

The variances from budget are detailed below.

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	386	(74)	460
Public Transport	46	2,457	40	2,417
Total Transport	248	2,843	(34)	2,877
Environment	(207)	(317)	(223)	(94)
Catchment Management	3,566	3,056	3,007	49
Forestry	(1,488)	(1,922)	(1,358)	(564)
Regional Parks	(208)	(683)	(653)	(30)
Corporate	(25)	(136)	(66)	(70)
WRS	250	(500)	(500)	-
Finance, IT & Support Services	691	731	298	433
Investment in Democracy	(75)	43	77	(34)
Rates funded divisional operating surplus / (deficit)	2,752	3,115	548	2,567
Investment Management	9,970	8,540	7,312	1,228
Business Unit Rates Contribution	(8,742)	(8,308)	(8,308)	-
Rates funded operating surplus / (deficit)	3,980	3,347	(448)	3,795
Water Group	1,223	(640)	(1,463)	823
Rates & levy funded operating surplus / (deficit)	5,203	2,707	(1,911)	4,618
Non-Operational movements				
Revaluation of Debt and Stadium Advance	5,460	4,565	2,103	2,462
Revaluation Forestry	(3,125)	2,643	2,643	-
Forestry cost of goods sold	(1,268)	(1,485)	(1,734)	249
EMU Investment - GW Rail	306	1,224	2,183	(959)
Public Transport - Capex / Investment	(9,118)	(14,187)	(15,001)	814
Total Council surplus / (deficit)	(2,542)	(4,533)	(11,717)	7,184

7.1 Public Transport - favourable variance of \$2,417,000 due primarily to:

- Reduced expenditure on the diesel bus contracts, \$3,426,000, due to lower forecast oil prices than budgeted. The oil price for the budget was NZ\$186 compared with the current price of NZ\$72.
- Despite increased fare revenue from higher patronage, rail operations expenditure is expected to be \$470,000 ahead of budget, due to higher ONTRACK renewal charges and TranzMetro operating costs.
- SuperGold Card expenditure is forecast to be \$3,126,000 by year end. This is fully funded by the NZTA.
- Grants revenue from the NZTA is forecast to be lower by \$1,296,000, due to the lower forecast expenditure detailed above.

7.2 Public Transport improvement projects - favourable variance of \$814,000 due primarily to:

- ONTRACK rail infrastructure projects are now forecast to be \$613,000 ahead of budget for the full year. These projects are 90% funded by the Government.
- New Matangi train related expenditure is forecast to be \$9,297,000 below budget by year end, due to the expected timing of the first payments. Overall the project remains on budget for delivery from 2010.

- The Ganz Mavag pilot refurbishment is forecast to be \$1,080,000 below budget. Delays in receiving a detailed project plan from KiwiRail means this project looks likely to be deferred to 2009/10.
- The additional capacity rolling stock is ahead of schedule and is forecast to be \$887,000 ahead of budget by year end.
- Offsetting the decreased forecast expenditure is lower grant revenue from the NZTA of \$9,850,000.

7.3 Transport Policy - favourable variance of \$460,000 due primarily to:

- An overall net increase in the NZTA funding of \$94,000 for travel demand projects.
- The Wairarapa log freight project is now being handled directly by NZTA, which reduces both revenue and expenditure by \$140,000.
- Savings on the projects including transport model \$61,000, Ngauranga to Wellington Airport \$60,000 and total demand management review, \$20,000.
- Savings in administration costs of \$80,000.

7.4 Environment - unfavourable variance of \$94,000 due primarily to:

- External revenue for consents is forecast to be \$318,000 less than budget, due to the current economic conditions.
- Additional revenue of \$210,000 for the environmental education projects is forecast.
- Personnel costs are forecast to be \$302,000 ahead of budget, due to the overall increase in staff costs incurred this year.
- Reduction in contractors and consultants' expenditure, \$385,000, mainly due to the delay in the Waiwhetu clean up.

7.5 Catchment Management - favourable variance of \$49,000 due primarily to:

- Overall, Catchment Management is forecast to be close to budget for the year.

7.6 Forestry - unfavourable variance of \$564,000 due primarily to:

- Reduced harvesting and wildly fluctuating prices result in forecast revenue being \$1,048,000 less than budget, with associated operational costs being \$484,000 under budget.

7.7 Forestry – costs of goods sold - favourable variance of \$249,000 due primarily to:

- Lower forecast harvesting which reduces the non cash forestry cost of goods sold adjustment by \$249,000.

7.8 Corporate - unfavourable variance of \$70,000 due primarily to:

- The forecast for materials and supplies has increased by \$70,000 to cover additional printing and distribution costs for Council order papers.

7.9 Finance, IT and Support - favourable variance of \$433,000 due primarily to:

- Personnel cost savings of \$163,000, due to staff vacancies.
- Lower forecast depreciation of \$170,000, due to the delayed Asset Management project roll out and lower cost of the new PC's.
- Additional rates revenue of \$150,000.

7.10 Investment Management - favourable variance \$1,228,000 due primarily to:

- A higher dividend from WRC Holdings Group, due to lower interest costs on the Group's \$44.0 million debt. Lower debt (in the Council) and interest rates have also contributed to the favourable variance.

8. Capital Expenditure

8.1 Year to date

Year to date capital expenditure is \$8,967,000, compared with the budget of \$11,947,000.

The main contributors to this variance are detailed below:

Wellington Regional Council Capital Expenditure For the nine months ended 31 March 2009				
Capital expenditure \$(000)'s	Year to date			
	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	32	-	-	-
Public Transport	8	18	73	55
Public Transport Improvement Projects	95	136	234	98
Total Transport	135	154	307	153
Environment	91	398	837	439
Catchment Management	4,908	3,479	3,908	429
Forestry	199	246	278	32
Regional Parks	212	216	358	142
Corporate	52	76	55	(21)
WRS	-	-	-	-
Finance, IT & Support Services	114	1,443	2,409	966
Investment in Democracy	50	-	-	-
Rates funded divisional capital expenditure	5,761	6,012	8,152	2,140
Investment Management	9	23	280	257
Rates funded capital expenditure	5,770	6,035	8,432	2,397
Water Group	1,725	2,932	3,515	583
Rates & levy funded capital expenditure	7,495	8,967	11,947	2,980

8.2 Public Transport- favourable variance of \$98,000 due primarily to:

- Installation of the 15 new shelters is later than anticipated in the budget, they are on track to be completed by year end.

8.3 Environment - favourable variance of \$439,000 due primarily to:

- The upgrade to air monitoring equipment is not likely to go ahead until 2009/10, \$120,000.
- The Wairarapa ground water project is \$70,000 behind budget, but is expected to be on budget by year end.
- The Beacon Hill upgrade is progressing more slowly than desired, with most of the expenditure being deferred to 2009/10.

8.4 Catchment Management - favourable variance of \$429,000 due primarily to:

- Savings to date of \$482,000 in the Strand Park stopbank upgrade, with expected savings of \$1,000,000 by year end.
- Boulcott/Hutt stopbank design, \$102,000 over budget, due to timing of expenditure.
- Waiwhetu Stream improvements, \$83,000 favourable due to capital costs being delayed until the clean up project is further advanced.

8.5 Parks & Forests - favourable variance of \$142,000 due primarily to:

- Some vehicle replacements have not been required this year, resulting in savings of 105,000.

8.6 Finance and IT - favourable variance \$966,000 due primarily to:

- The Asset Management project has experienced some delays due to availability of external resources, \$596,000.
- Lower cost for the new PCs than budgeted, \$270,000.

9. Capital Expenditure - Full year forecast

Forecast capital expenditure is \$14,676,000, compared with the budget of \$19,942,000.

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	92	121	29
Public Transport Improvement Projects	1,007	432	2,059	1,627
Total Transport	1,038	524	2,180	1,656
Environment	487	637	1,557	920
Catchment Management	6,573	5,490	6,941	1,451
Forestry	278	364	364	-
Regional Parks	296	322	469	147
Corporate	-	80	55	(25)
WRS	-	-	-	-
Finance, IT & Support Services	546	2,518	2,788	270
Investment in Democracy	74	5	5	-
Rates funded divisional capital expenditure	9,292	9,940	14,359	4,419
Investment Management	39	-	400	400
Rates funded capital expenditure	9,331	9,940	14,759	4,819
Water Group	3,843	4,736	5,183	447
Rates & levy funded capital expenditure	13,174	14,676	19,942	5,266

9.1 Public Transport capital projects - favourable variance of \$1,627,000 due primarily to:

- Tenders for the real time information project have been released, however, only \$100,000 of the total budget of \$750,000 will be spent in 2008/09. Approximately \$650,000 of the expenditure will be rebudgeted to 2009/10.
- Upgrade to Johnsonville transport interchange, \$900,000. This project was delayed due to the Johnsonville Mall redevelopment and will now progress under a new project that has not been finalised.

9.2 Environment - favourable variance of \$920,000 due primarily to:

- Upgrade of Air Monitoring equipment not expected to go ahead this year, \$120,000.
- The Beacon Hill building upgrade has been re-tendered with \$800,000 of the project deferred to 2009/10.

9.3 Catchment Management - favourable variance of \$1,451,000 due primarily to:

- Permanent savings on the Strand Park upgrade, \$1,005,000.
- Delayed start of the South Waitohu stopbank, \$378,000.
- Additional expenditure on the Boulcott/Hutt stopbank, \$158,000, due to the phasing of expenditure. The project remains on budget.
- Forecast expenditure on the Waiwhetu project for 2008/09 is now \$900,000, an increase of \$178,000. Overall, the project remains on budget.

9.4 Parks & Forests - favourable variance of \$147,000 due primarily to:

- A review of the vehicle renewals required this year has resulted in a \$95,000 forecast saving.
- The Whitireia Park ranger's office has been deferred pending 2009-19 LTCCP consultation, \$70,000.

9.5 Finance and IT - favourable variance \$270,000 due primarily to:

- Lower costs of the PC upgrade, \$270,000.

9.6 Investment Management - favourable variance \$400,000 due primarily to:

- Delay in upgrading the Masterton building pending 2009-19 LTCCP consultation.

9.7 Water - favourable variance of \$447,000 due primarily to:

- Changes in scope and timing of capital projects resulted in a forecast saving of \$447,000.

10. Finance Costs

Finance costs for GWRC are forecast at \$5,044,000, compared with the budget of \$5,929,000. The favourable variance is due to lower levels of borrowing and falling interest rates. The lower borrowings result from the lower forecast capital expenditure.

11. Debt

GWRC's debt as at 31 March is \$91.3 million, compared to the 30 June 2008 position of \$73.9 million. The \$17.4 million increase comprised \$10.2 million of interest free Government loans with the balance of \$7.2 million from increased loans to fund working capital and capital expenditure.

The \$91.3 million excludes the \$7.6 million written down in respect of the Government loans. The write down is due to the interest free nature of the loans. With the write down included, GWRC's debt as at 31 March was \$83.7 million.

WRC Holdings Ltd debt as at 31 March was \$44.0 million. This is unchanged from 30 June 2008 and excludes debt borrowed by CentrePort Ltd.

On a consolidated basis, total gross debt (excluding CentrePort Ltd) as at 31 March, was \$135.3 million.

It should be noted that GWRC has a total of \$49.5 million on deposit, excluding excess funds from the bond issuance. This comprises \$33 million in liquid financial deposits, the remainder consists of the self insurance funds for water supply and flood protection.

11.1 Stadium debt

In June 2007 the Council approved the restructuring of the Stadium debt of \$18,985,000 from the ANZ at a fixed interest rate of 8.55% until 2018 and requested regular updates on the cost of refinancing.

The Stadium debt was repaid to the ANZ in late June 2007, including a break cost of \$419,000, and was refinanced using GWRC's commercial paper programme.

The debt is funded at 6.21% for 3 years until February 2012.

From February 2012 until early 2018 an interest rate swap is in place, should it be required, to fix the base borrowing rate at 5.75% plus the lenders margin. It is likely substantial savings will result from this debt restructure.

Current estimates are in the order of \$1.5 million.

12. Annual Plan Performance Targets

Divisional managers have reported their expectation that all significant annual plan performance targets will be achieved by 30 June 2009.

13. WRC Holdings

The following table summarises WRC Holdings group of companies (the Group) operating results for the period ended 31 March 2009.

WRC HOLDINGS GROUP

INCOME STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2009

			GROUP			
YTD Last Year \$000	YTD Actual \$000	YTD Budget \$000		Full Year Budget \$000	Full Year Forecast \$000	Last Year Actual \$000
42,562	44,759	47,475	Total Revenue	63,210	59,128	56,550
28,867	30,044	33,111	Operating Expenses	44,295	41,211	39,333
13,695	14,715	14,364	Earnings Before Interest & Tax	18,915	17,917	17,217
			Less:			
6,746	6,402	7,938	Interest expense	10,753	8,297	8,951
	-		Revaluations (down)			(830)
6,949	8,313	6,426	Net Surplus Before (Deficit) Tax	8,162	9,620	7,436

Notes:

(1) Includes a summary consolidation of CentrePort Ltd's results before providing for minority interests.

The Group achieved a surplus before tax for the period of \$8,313,000, compared with the budget of \$6,426,000, providing a favourable variance to budget of \$1,887,000.

This relates mainly to CentrePort Limited and is due to a number of factors as noted below.

Revenue is running below budget by \$1,576,000, but is offset by favourable operating costs, lower depreciation, interest costs, and a profit on an asset sale. This provides an overall favourable position of \$1,067,000.

The balance of the Group's favourable variance is due to a better result from Port Investments Ltd as a result of lower interest rates.

The Group's forecast is showing a favourable variance of \$1,458,000 to budget.

This is mainly due to lower interest costs in Port Investments Ltd, with CentrePort Ltd forecasting a \$166,000 favourable variance before tax.

14. Compliance with Treasury Management Policy

As at 31 March 2009, all Treasury Management Policy limits have been complied with, apart from internal borrowing limits for Forestry and Parks. (Refer **Attachment 4**)

15. Communications

No communications are necessary at this time.

16. Recommendations

That the Committee recommends 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: Income Statement

Attachment 2: Funding Statement

Attachment 3: Balance Sheet

Attachment 4: Compliance with Treasury Management Policy