greater WELLINGTON
REGIONAL COUNCIL

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Committee	Council
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Financial report for the nine months ending 31 March 2010

1. Purpose

- To inform the Council of Greater Wellington's (GWRC) preliminary financial performance for the nine months ended 31 March 2010 and to provide an explanation of major variances to budget by Group.
- To inform the Council of the WRC Holdings Group's financial performance for the nine months ended 31 March 2010 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 2009/10 Annual Plan.

2. Consideration by Committee

The matters raised in this report were considered by the Finance, Audit and Risk Committee at its meeting on 6 May (Report 10.219 refers). The recommendations contained in this report have been endorsed by the Committee for the Council's consideration and decision.

3. 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.

4. 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 Groups 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 2010 is detailed in this report.

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 Council.

The Funding Impact Statement and Balance Sheet for GWRC are attached (refer **Attachments 1 and 2**).

5. Financial Performance

5.1 Year to date

GWRC achieved an operating surplus of $6,723,000 (budget $847,000) for the nine months. This result excludes grants to fund public transport capital expenditure and revaluations. Including these amounts, GWRC had a net surplus of $160,000 (budget $339,000).

The WRC Holdings Group achieved a net surplus before tax of $10,426,000 (budget $5,979,000).

Further details on the performance for the nine months are discussed below.

5.2 Forecast to June 2010

GWRC is forecasting an operating surplus of $7,318,000 (budget $2,236,000) for the year ending 30 June 2010. This result excludes grants to fund public transport capital expenditure and revaluations. Including these amounts, GWRC’s forecast surplus is $38,000 (budget $1,105,000).

The WRC Holdings Group is forecasting a $12,010,000 surplus before tax, compared to a budget surplus before tax of $7,758,000.

Further details on the forecast are discussed below.

5.3 Financial Summary - Council

Greater Wellington Regional Council Summary income statement	Last Year $000s	Actual $000s	Budget $000s	Variance $000s
	For the 9 months ended 31 March 2010			
Regional rates	57,150	59,316	59,320	(4)
Water supply levy	17,595	17,595	17,589	6
Other operating revenue	59,555	60,807	61,385	(578)
Total operating revenue	**134,300**	**137,718**	**138,294**	**(576)**
Operational expenditure	(128,847)	(130,995)	(137,447)	6,452
Operating surplus/(deficit) before transport improvement grants	**5,453**	**6,723**	**847**	**5,876**
Operating (deficit) from transport improvements	(13,148)	(5,720)	(4,878)	(842)
Operating surplus/(deficit) before unrealised items	**(7,695)**	**1,003**	**(4,031)**	**5,034**
Non-operational movements	(976)	(843)	4,370	(5,213)
Operating surplus/(deficit)	**(8,671)**	**160**	**339**	**(179)**

Greater Wellington Regional Council Summary income statement	Last Year $(000)'s	Actual $(000)'s	Budget $(000)'s	Variance $(000)'s
	For the 9 months ended 31 March 2010			
Operational Groups				
Catchment Management	2,440	2,397	2,296	101
Environmental Management	28	217	(480)	697
Forestry	(1,578)	(737)	(506)	(231)
Parks and Forests	(36)	312	235	77
Public Transport	2,423	1,404	(581)	1,985
Total rates funded operational surplus / (deficit)	**3,277**	**3,593**	**964**	**2,629**
Corporate				
Strategy & Community Engagement	435	834	77	757
Finance and Support	1,153	845	(123)	968
Other corporate activities	231	242	(5)	247
Investment Management	6,715	6,654	5,636	1,018
Business unit rates contribution	(6,232)	(5,235)	(5,235)	-
Total rates funded operating surplus / (deficit)	**5,579**	**6,933**	**1,314**	**5,619**
Water	(126)	(210)	(467)	257
Total rates & levy funded operating surplus / (deficit)	**5,453**	**6,723**	**847**	**5,876**
Non-operational movements				
Revaluation of debt and stadium advance	(265)	-	197	(197)
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(720)	(844)	(491)	(353)
EMU investment - GW Rail	9	1	4,664	(4,663)
Public Transport - capex / investment	(13,148)	(5,720)	(4,878)	(842)
Total Council surplus / (deficit)	**(8,671)**	**160**	**339**	**(179)**

5.4 Financial Forecast - Council

Greater Wellington Regional Council Summary income statement	For the year ended 30 June 2010 Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Regional rates	76,628	79,093	79,093	-
Water supply levy	23,460	23,460	23,460	-
Other operating revenue	84,512	85,050	83,452	1,598
Total operating revenue	**184,600**	**187,603**	**186,005**	**1,598**
Operational expenditure	(176,471)	(180,285)	(183,769)	3,484
Operating surplus/(deficit) before transport improvement grants	**8,129**	**7,318**	**2,236**	**5,082**
Operating (deficit) from transport improvements	(16,005)	(9,586)	(8,027)	(1,559)
Operating surplus/(deficit) before unrealised items	**(7,876)**	**(2,268)**	**(5,791)**	**3,523**
Non-operational movements	7,561	2,306	6,896	(4,590)
Operating surplus/(deficit)	**(315)**	**38**	**1,105**	**(1,067)**

Greater Wellington Regional Council Summary income statement	For the year ended 30 June 2010 Last Year $(000)'s	Forecast $(000)'s	Budget $(000)'s	Variance $(000)'s
Operational Groups				
Catchment Management	3,179	3,377	3,200	177
Environmental Management	(273)	(300)	(412)	112
Forestry	(2,035)	(1,033)	(678)	(355)
Parks and Forests	(509)	137	191	(54)
Public Transport	2,892	970	(896)	1,866
Total rates funded operational surplus / (deficit)	**3,254**	**3,151**	**1,405**	**1,746**
Corporate				
Strategy & Community Engagement	190	502	(53)	555
Finance and Support	1,406	838	(163)	1,001
Other corporate activities	103	(33)	(38)	5
Investment Management	11,602	10,562	8,710	1,852
Business unit rates contribution	(8,310)	(6,980)	(6,980)	-
Total rates funded operating surplus / (deficit)	**8,245**	**8,040**	**2,881**	**5,159**
Water	(116)	(722)	(645)	(77)
Total rates & levy funded operating surplus / (deficit)	**8,129**	**7,318**	**2,236**	**5,082**
Non-operational movements				
Revaluation of debt and stadium advance	7,260	(570)	(570)	-
Revaluation of forestry	182	1,903	1,903	-
Forestry cost of goods sold	(1,106)	(1,072)	(655)	(417)
EMU investment - GW Rail	1,225	2,045	6,218	(4,173)
Public Transport - capex / investment	(16,005)	(9,586)	(8,027)	(1,559)
Total Council surplus / (deficit)	**(315)**	**38**	**1,105**	**(1,067)**

5.5 Catchment management

Financial Summary	For the 9 months ended 31 March 2010				Full year forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	18,837	18,758	17,887	871	25,499	25,143	23,575	1,568
Operating expenditure	16,397	16,361	15,591	(770)	22,320	21,766	20,375	(1,391)
Operating surplus / (deficit)	2,440	2,397	2,296	101	3,179	3,377	3,200	177
Net capital expenditure	3,479	7,666	7,058	(608)	6,086	9,076	9,863	787

5.5.1 Year to date

A favourable operating variance of $101,000, comprising higher revenue of $871,000 offset by increased operating costs of $770,000.

- Operating revenue was higher than budget due mainly to:
  - Land Afforestation grants scheme, $793,000
  - Internal revenue for the completion of the Hutt Catchment aerial operation, $96,000
- Operating expenditure was $780,000 higher than budget due to the Land Afforestation grants scheme expenditure of $733,000
- Overall capital expenditure is $608,000 ahead of budget mainly due to the Mills Street purchase $495,000, not budgeted in 2009/10.

5.5.2 Forecast to 30 June 2010

The forecast operating surplus is $177,000 ahead of budget, comprising higher revenue of $1,568,000 and higher operating expenditure of $1,391,000.

This is mainly due to additional revenue and expenditure for the Land Afforestation programme and the Waiwhetu stream cleanup project.

Capital expenditure is forecast to be $787,000 below budget, primarily due to the Ebdentown rock lining project and Chrystalls land purchase being delayed into 2010/11.

5.6 Environmental management

Financial Summary	For the 9 months ended 31 March 2010				Full year forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	9,809	10,203	9,757	446	13,288	13,661	13,293	368
Operating expenditure	9,781	9,986	10,237	251	13,561	13,961	13,705	(256)
Operating surplus / (deficit)	28	217	(480)	697	(273)	(300)	(412)	112
Net capital expenditure	398	754	1,222	468	572	1,285	1,285	-

5.6.1 Year to date

Overall, a favourable operating variance of $697,000 comprising higher revenue of $446,000 and lower expenditure of $251,000.

- Operating revenue is ahead of budget due to additional revenue from Environsmart, EECA and Emissions carried forward from 2008/09 and the timing of other revenue compared to budget.
- Operating expenditure is below budget mainly due to the timing of environmental monitoring expenditure. This is expected to reverse by year end.
- Capital expenditure was $469,000 below budget due to delays in the start of Beacon Hill building and fit-out. This project is now in the fit-out stage and expected to be complete by year end.

5.6.2 Forecast to 30 June 2010

- Forecast revenue and expenditure are above budget due to the Environsmart, EECA and Emissions, projects carried forward from 2008/09. Overall, the forecast is expected to be slightly ahead of budget due to some soil monitoring projects being carried forward to 2010/11.

5.7 Forestry

Financial Summary	**For the 9 months ended 31 March 2010**				**Full year forecast 30 June 2010**			
	Last Year	**Actual**	**Budget**	**Variance**	**Last Year**	**Forecast**	**Budget**	**Variance**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Operating revenue	3,783	4,826	5,690	(864)	5,456	6,676	7,586	(910)
Operating expenditure	5,361	5,563	6,196	633	7,491	7,709	8,264	555
Operating surplus / (deficit)	(1,578)	(737)	(506)	(231)	(2,035)	(1,033)	(678)	(355)
Cost of goods sold	720	844	491	(353)	1,106	1,072	655	(417)
Operating surplus / (deficit) before valuation	(2,298)	(1,581)	(997)	(584)	(3,141)	(2,105)	(1,333)	(772)
Forestry valuation	-	-	-	-	182	1,903	1,903	-
Operating surplus / (deficit)	(2,298)	(1,581)	(997)	(584)	(2,959)	(202)	570	(772)
Net capital expenditure	246	118	238	120	363	255	310	55

5.7.1 Year to date

An unfavourable operating variance of $584,000, comprising lower revenue of $864,000, lower expenditure of $633,000 and a higher cost of goods sold adjustment, $353,000.

- Operating revenue was $864,000 lower due to:
  - The budget included $764,000 of revenue from the emissions trading scheme, which is yet to come into effect
  - Lower harvested volumes in the first six months resulted in net logging revenue being $100,000 below budget. Recent higher log prices and improved volumes are now providing a positive cash return.

- Operating expenditure was lower than budget due to lower expenditure on contractors. This was as a result of low volumes harvested in the first six months of the year.

- Capital expenditure is $120,000 below budget due to less expenditure than expected on access roads. This is expected to track back towards budget by year end.

5.7.2 Forecast to 30 June 2010

- Forestry is forecasting an unfavourable operating variance of $772,000, due mainly to receiving no revenue from the emissions trading scheme in 2010 ($1,000,000).

- Forecast capital expenditure is slightly lower than budget due to lower forecast expenditure on roads.

5.8 Parks & forests

Financial Summary	For the 9 months ended 31 March 2010				Full year forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	4,921	4,959	4,881	78	6,547	6,548	6,508	40
Operating expenditure	4,957	4,647	4,646	(1)	7,056	6,411	6,317	(94)
Operating surplus / (deficit)	(36)	312	235	77	(509)	137	191	(54)
Net capital expenditure	216	326	597	271	323	663	723	60

5.8.1 Year to date

- A favourable operating variance of $77,000, due mainly to:

  - Staff costs $154,000 under budget due to vacancies

  - Contractors and consultants $247,000 under budget due to the timing of work and utilising internal Biosecurity resources for the Hutt Catchment aerial operations

  - Internal expenditure ahead of budget due to the timing of the completion of the Hutt Catchment aerial operation noted above, $133,000

  - Depreciation $254,000 unfavourable due to a low budget estimate.

- Capital expenditure was $271,000 below budget due to the timing of capital projects.

5.8.2 Forecast to 30 June 2010

The net forecast position remains in line with budget. Operational and staff savings, $255,000, are being offset by the unfavourable variance in depreciation of ,$331,000.

5.9 Public transport

Financial Summary	For the 9 months ended 31 March 2010				Full year forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	60,967	61,744	63,193	(1,449)	82,351	83,302	84,392	(1,090)
Operating expenditure	58,544	60,340	63,774	3,434	79,459	82,332	85,288	2,956
Operating surplus / (deficit)	2,423	1,404	(581)	1,985	2,892	970	(896)	1,866
Net capital expenditure	17	18	78	60	14	17	97	80

5.9.1 Year to date

A favourable operating variance of $1,985,000, comprising lower expenditure of $3,434,000, which has reduced revenue by $1,449,000.

- Operating expenditure was lower than budget due to:
  - Rail operations $946,000 over budget due to a significant decline in patronage
  - The higher exchange rate and lower oil prices have resulted in decreased payments to the diesel bus operators of $3,015,000
  - Fully funded SuperGold card expenditure is $516,000 over budget
  - Operational expenditure on the real time project is not expected until later in the year, a saving of $488,000.

5.9.2 Forecast to 30 June 2010

A favourable variance of $1,866,000, comprising lower operating expenditure of $2,956,000, which has reduced revenue by $1,090,000.

- Forecast operating expenditure is lower than budget due to:
  - The higher exchange rate and lower oil prices have resulted in forecast payments to the diesel bus operators being $4,069,000 less than budget
  - The continued decline in rail patronage forecast by Tranz Metro results in a forecast increase in the cost of rail operations of $1,360,000
  - Fully funded SuperGold card expenditure is forecast to be $700,000 over budget
  - Reduced operational expenditure of $505,000 for the real time information project.

5.10 Public transport improvement projects

Financial Summary	For the 9 months ended 31 March 2010				Full year forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	30,818	59,251	97,961	(38,710)	54,985	97,568	145,940	(48,372)
Operating expenditure	43,966	64,971	102,839	37,868	70,990	107,154	153,967	46,813
Operating surplus / (deficit)	(13,148)	(5,720)	(4,878)	(842)	(16,005)	(9,586)	(8,027)	(1,559)
Net capital expenditure	136	764	6,643	5,879	603	1,844	8,967	7,123

5.10.1 Year to date

Overall an unfavourable operating variance of $842,000, comprising lower expenditure of $37,868,000 and lower revenue of $38,710,000.

- Operating expenditure was lower than budget due to:
  - Expenditure on the Matangi EMU project is $19,594,000 below budget due to the revision of the expected payment dates. The project remains on budget with the new trains still scheduled to be delivered during 2010.
  - Rail infrastructure projects including station platforms, signalling, Johnsonville stations and McKay's to Waikanae double tracking, are under budget by $16,685,000 due to the timing on the Waikanae double tracking and electrification project.
  - Rail rolling stock heavy maintenance programme is $748,000 under budget, as KiwiRail are behind their planned programme.
  - The Ganz Mavag pilot refurbishment is $902,000 below budget due to the delayed start of the project.
- Capital expenditure was $5,879,000 below budget due to:
  - A number of projects have been reclassified as improvement projects from capital expenditure, as the underlying assets will not be owned by Greater Wellington, $2,818,000.
  - The real time information project has commenced later than anticipated, $2,874,000.

5.10.2 Forecast to 30 June 2010

The forecast shows an unfavourable variance of $1,559,000 when compared to the budget, reflecting the expected changes in the timing of expenditure.

- Forecast operating expenditure is $46,813,000 lower than budget (with a corresponding drop in revenue) due to:
  - Expenditure on the Matangi EMU project is forecast to be $41,365,000 below budget due the expected timing of payments. The project remains on budget with the new trains still scheduled to be delivered from 2010.

- Rail infrastructure projects including station platforms, signalling, Johnsonville station and McKay's to Waikanae double tracking are forecast to be under budget by $5,173,000. The difference is mainly timing differences on the Waikanae double tracking and electrification projects.
- The Ganz Mavag pilot refurbishment is forecast to be $316,000 below budget due to the delayed start of the project.

- Forecast capital expenditure is $7,123,000 below budget due to:
  - A number of projects have been reclassified as improvement projects from capital expenditure, as the underlying assets will not be owned by Greater Wellington, $3.867,000.
  - The real time information project commenced later than anticipated and the contract was less than originally budgeted. Expenditure for the year is forecast at $1,594,000, which is $3,256,000 lower than budget.

5.11 Strategy & Community Engagement

Financial Summary	For the 9 months ended 31 March 2010				Full year forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	7,199	7,076	7,149	(73)	9,454	9,397	9,558	(161)
Operating expenditure	6,764	6,242	7,072	830	9,264	8,895	9,611	716
Operating surplus / (deficit)	435	834	77	757	190	502	(53)	555
Net capital expenditure	49	4	-	(4)	53	4	-	(4)

5.11.1 Year to date

Overall a favourable operating variance of $757,000, with lower operating revenue $73,000 and lower operating costs of $830,000.

- Operating revenue was below budget due to lower New Zealand Transport Authority (NZTA) funding because of the lower expenditure on transport projects detailed below. This is partially offset by additional revenue from the Honda Tree Fund of $51,000.

- Operating expenditure was lower than budget due to:
  - Timing of expenditure on the internet and intranet upgrades, $133,000.
  - Savings in Wellington Regional Strategy expenditure $99,000, comprising lower committee costs $50,000 and timing of external consultants costs $52,000.
  - Savings of $305,000 in Transport Strategy development projects including $39,000 on the Wairarapa corridor study; $36,000 Hutt Corridor Study; $103,000 on the planned update of the Regional Land

Transport Programme and $70,000 saving on the transport model development.

- Staff costs under budget by $51,000 due to staff vacancies.

5.11.2 Forecast to 30 June 2010

The forecast shows a favourable variance of $555,000 due to:

- Planned update to the Regional Land Transport Programme is not anticipated this year, a saving of $150,000
- Hutt Corridor study postponed to 2010/11, $115,000
- Savings and delays on communications projects including the Intranet, $142,000
- Lower forecast expenditure on the transport model, $60,000.

5.12 Finance and Support

Financial Summary	For the 9 months ended 31 March 2010				Full year forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	9,748	10,009	9,818	191	13,555	13,373	13,090	283
Operating expenditure	8,595	9,164	9,941	777	12,149	12,535	13,253	718
Operating surplus / (deficit)	1,153	845	(123)	968	1,406	838	(163)	1,001
Net capital expenditure	1,443	556	1,715	1,159	2,215	1,155	1,815	660

5.12.1 Year to date

A favourable operating variance of $968,000 due to lower operating expenditure of $777,000 and increased revenue of $191,000.

- Operating expenditure was lower than budget due to:
  - Staff vacancies resulting in lower personnel costs of $152,000
  - Materials and supplies were $160,000 below budget due to the timing of expenditure
  - Contractors and consultants were $77,000 below budget due to the timing of expenditure
  - Lower depreciation due to reduced PC renewal costs in 2008/09 and the asset management project not yet completed, $337,000
  - Finance costs $48,000 below budget as a result of the lower capital expenditure in 2008/09.

- Operating revenue was higher than budget due to additional rates from new properties and rates penalties.

- Capital expenditure was $1,159,000 below budget due to the timing of the telecommunications upgrade project, the GIS aerial flyover and lower costs to date on the asset management project.

5.12.2 Forecast to 30 June 2010

The forecast shows a favourable variance of $1,001,000 when compared to budget, with additional revenue of $283,000 and lower expenditure of $718,000.

- Forecast revenue is higher due to additional rates from new properties and rates penalties.

- Forecast expenditure is expected to be lower than budget due to:

  - Staff vacancies resulting in lower personnel costs of $170,000
  - Lower depreciation due to reduced PC renewal costs in 2008/09 and the asset management project not yet completed, $450,000
  - Finance costs, $112,000 below budget as a result of the lower capital expenditure in 2008/09.

- Capital expenditure is forecast to be $660,000 less than budget due to:

  - Lower costs than anticipated for the asset management project
  - Lower costs for the GIS Aerial flyover including some sharing of costs with Territorial Authorities
  - Phase two asset management projects will not occur in 2009/10.

5.13 Investment management

Financial Summary	**For the 9 months ended 31 March 2010**				**Full year forecast 30 June 2010**			
	Last Year	**Actual**	**Budget**	**Variance**	**Last Year**	**Forecast**	**Budget**	**Variance**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Operating revenue	4,039	4,133	3,267	866	7,870	7,617	5,791	1,826
Operating expenditure	2,678	2,522	2,371	151	(3,732)	(2,944)	(2,919)	25
Operating surplus / (deficit)	6,717	6,655	5,638	1,017	11,602	10,561	8,710	1,851
Net capital expenditure	23	3	-	(3)	(68)	-	400	400

5.13.1 Year to date

The favourable variance of $1,017,000 is due to higher revenue from money market investments, $352,000, higher revenue from interest rate swaps, $318,000 and lower than budgeted interest rates on our borrowings.

5.13.2 Forecast to 30 June 2010

The forecast is a favourable variance of $1,851,000. This is predominately due to increased investment revenue of $1,870,000 which includes:

- Additional interest revenue of $665,000

- Higher dividends of $728,000 from WRC Holdings as a result lower interest costs on the $44,000,000 debt in WRC Holdings.

5.13.3 Forecast capital expenditure to 30 June 2010

Work is not likely to start on the Masterton building in 2009/10.

5.14 Water

Financial Summary	For the 9 months ended 31 March 2010				Full year forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	20,607	20,588	21,243	(655)	28,079	27,968	28,332	(364)
Operating expenditure	20,733	20,798	21,710	912	28,195	28,690	28,977	287
Operating surplus / (deficit)	(126)	(210)	(467)	257	(116)	(722)	(645)	(77)
Net capital expenditure	2,932	3,352	5,990	2,638	5,438	6,734	7,951	1,217

5.14.1 Year to date

Overall a favourable operating variance of $257,000 compared to budget, due to:

- Operating revenue was $655,000 below budget primarily as a result of lower internal revenue due to less time charged to capital projects.
- Operating expenditure was $912,000 lower than budget due to:
  - Personnel costs are $446,000 below budget, due to staff vacancies.
  - Better pricing for materials and supplies including chemicals, power and rates, $546,000. Power savings are being made due to an agreement with the energy supplier over peak load management and chemical prices have reduced back to 2008 levels after the dramatic increases during 2009
  - Increased insurance costs of $195,000 are offset by lower contributions to the water contingency reserve
  - Contractors and consultants are $46,000 below budget due to timing of projects
  - Finance costs are $138,000 below budget, due to the actual opening debt position being lower than budgeted
  - Depreciation is $404,000 over budget due to a low budget estimate.
- Capital expenditure was $2,638,000 below budget due to timing and deferral of some projects including the hydro generation at Wainuiomata, $825,000

5.14.2 Forecast to 30 June 2010

The full year forecast is showing an unfavourable variance of $77,000.

- Operating revenue is forecast to be $364,000 below budget primarily as a result of lower internal revenue for capital projects which are expected to be deferred to 2010/11.
- Operating expenditure is forecast to be $287,000 lower than budget due to:
  - Personnel costs are $335,000 below budget due to staff vacancies
  - Better pricing for materials and supplies including chemicals $139,000, power $349,000, rates $110,000
  - Lower contributions to the water contingency fund have offset the insurance increase of $195,000
  - Depreciation is $546,000 over budget due to a low budget estimate.
- Capital expenditure is forecast to be $1,217,000 below budget due to timing and deferral of some projects including:
  - Hydro generation at Wainuiomata, $1,100,000
  - Develop Upper Hutt aquifer – investigation, $100,000

6. Finance costs

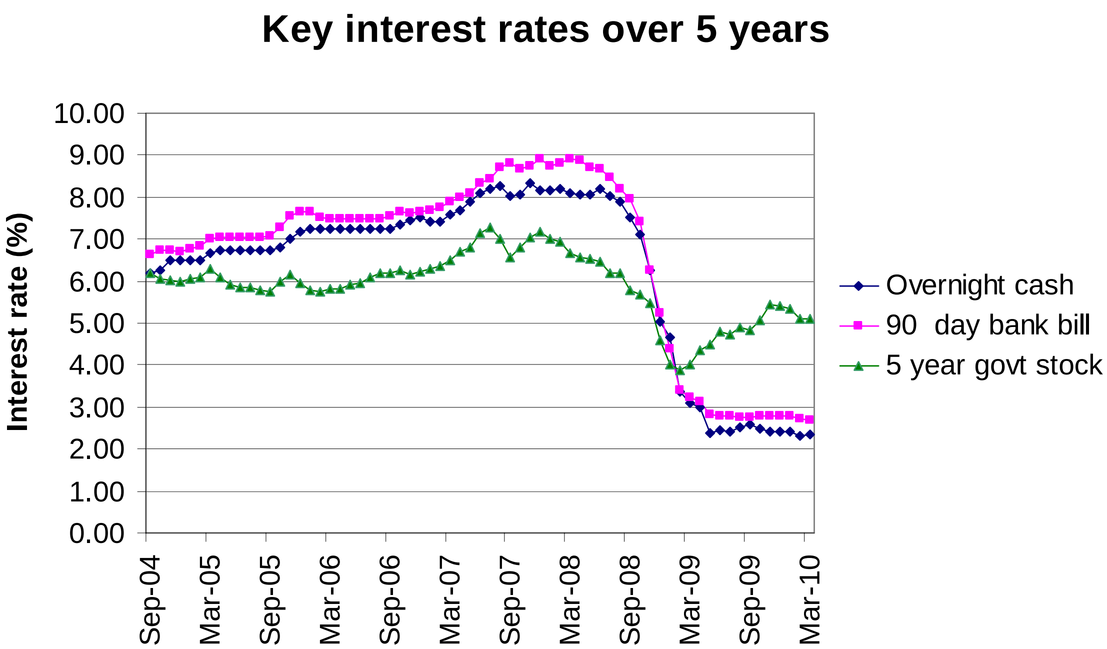
For the 9 months ended 31 March 2010				Full year forecast 30 June 2010			
Last Year	**Actual**	**Budget**	**Variance**	**Last Year**	**Forecast**	**Budget**	**Variance**
$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
3,720	3,738	4,363	625	4,908	5,427	5,999	572

6.1 Year to date

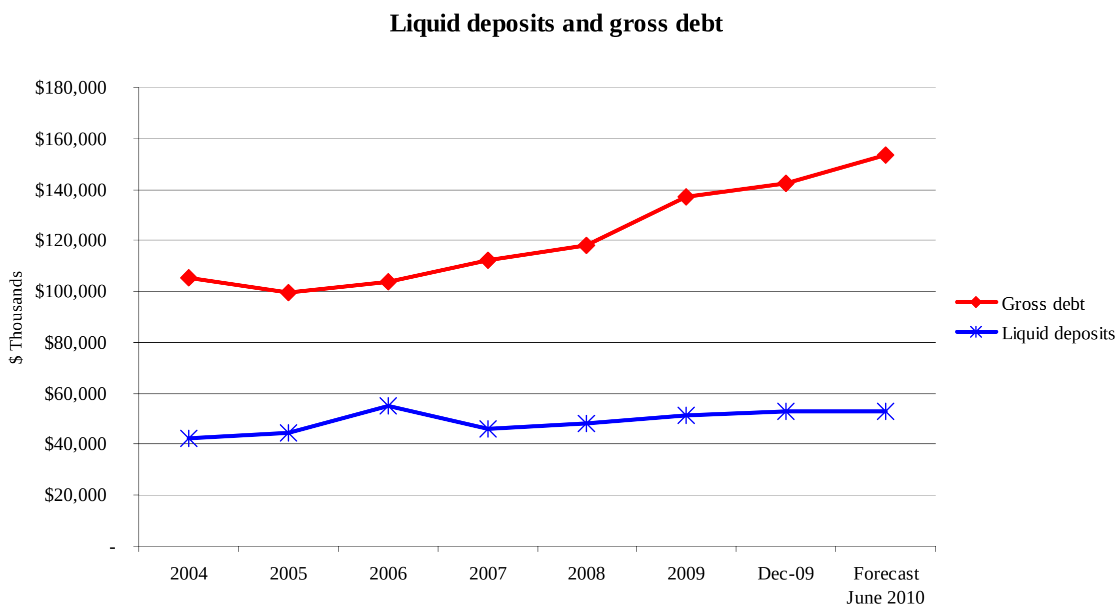
Finance costs were $3,738,000, compared to the budget of $4,363,000, a favourable variance of $625,000. The favourable variance is due to lower borrowings resulting from lower capital expenditure, actual opening debt below budget and lower interest rates than budgeted.

6.2 Forecast to 30 June 2010

Finance costs are forecast to be $572,000 below budget resulting from lower debt due to the capital spend being below budget, a lower actual opening debt position and lower interest rates than budgeted.



7. Debt



The above graph represents GWRC's and WRC Holdings' gross debt position, coupled with cash deposits.

GWRC's debt, including WRC Holdings, was $142.6 million at 31 March 2010, compared with $137.2 million on 30 June 2009. The position is slightly up on June reflecting funds raised for capital expenditure.

The $142.6 million excludes the $12.2 million written down in respect of the Government loans. The write down is due to the interest free nature of these loans.

With the write down included, GWRC's debt as at 31 March 2010 was $130.4 million, including WRC Holdings. This debt excludes CentrePort.

It should be noted that GWRC currently has $51.6 million on deposit.

7.1 Stadium debt

In June 2007 the Council approved the restructuring of the Stadium debt of $18,985,000, which had been borrowed from the ANZ at a fixed interest rate of 8.55% until 2018.

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

The debt is currently funded at 6.21% 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 significant savings will result from this debt restructure. Current estimates are in the order of $1.5 million. The current balance of this loan at 31 March 2010 is $15,856,394.

8. Annual plan performance targets

Group managers have reported their expectation that all significant annual plan performance targets will be achieved by 30 June 2010.

9. WRC Holdings

9.1 Year to date

The following table summarises WRC Holdings group of companies (the Group) operating results for the period ended 31 March 2010.

WRC HOLDINGS GROUP
INCOME STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2010

					Full year forecast to 30 June 2010			
	Last Year $000	Actual $000	Budget $000	Variance $000	Last Year $000	Forecast $000	Budget $000	Variance $000
Total Revenue	39,877	53,664	50,896	2,768	60,877	70,774	67,485	3,289
Operating Expenses	26,791	35,441	36,237	796	41,927	48,318	48,126	(192)
Earnings Before Interest & Tax (EBIT)	**13,086**	**18,223**	**14,659**	**3,564**	18,950	22,456	19,359	3,097
Less:								
Finance costs	5,845	7,797	8,680	883	8,481	10,446	11,601	1,155
Revaluation (loss)	-	-		-	(11,046)			
Net Surplus Before (Deficit) Tax	**7,241**	**10,426**	**5,979**	**4,447**	**(576)**	**12,010**	**7,758**	**4,252**

The Group achieved a surplus before tax for the period of $10,426,000, compared with the budget of $5,979,000, providing a favourable position to the budget of $4,447,000.

CentrePort contributed $4,000,000, emanating from higher revenues and lower costs including interest. The balance of the favourable position arises predominately from lower borrowing costs on the $44 million debt, due to lower interest rates than budgeted.

9.2 Forecast to 30 June 2010

The Group is a forecasting a surplus before tax of $12,010,000, compared to a budget of $7,758,000, giving a favourable variance of $4,252,000. This is primarily due to a $3,720,000 better result from CentrePort and lower interest costs in Port Investments on the $44,000,000, due to lower interest rates than budgeted.

10. Compliance with Treasury Management Policy

A new Treasury Management Policy came into effect on 1 July 2009. There is a one year's grace period to comply with the new policy. Currently GWRC does not comply in two areas (refer **Attachment 3**):

- GWRC's mix of fixed rate debt cover is slightly below policy in the 1-3 year band at 14% compared to policy requirements of a minimum of 15%.
- The debt maturity profile being shorter than policy levels.

The debt maturity profile will comply with policy in May 2010 when two of GWRC's maturing bank facilities will be refinanced with longer term debt.

As a result, compliance by 30 June 2010 is likely to be achieved.

11. Communication

No communications are necessary at this time.

12. Recommendations

That the Council:

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: Funding Impact Statement

Attachment 2: Balance Sheet

Attachment 3: Compliance with Treasury Risk Management Policy