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Committee Council
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Finance report for the three months ending 30 September 2011

1. Purpose

To inform the Council of Greater Wellington's financial performance for the three months ended 30 September 2011 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.

3. Background

Financial statements are prepared and presented to management for review each month. More detailed reports and review by operational Group are undertaken each quarter by the Chief Executive and the Chief Financial Officer.

This report is a summary of the quarterly detailed reports which are provided to Councillors. In the intervening months, reports to the Council are done by exception.

The results of the WRC Holdings Group are reported to the Council on a quarterly basis and are included in section 8.

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

Due to the timing of the quarterly review and the scheduling of council meetings, a separate paper presenting the financial results for the four months ending 31 October 2011 will also be presented at this meeting (see report 11.604).

4. Council Summary

Overall the first quarter was in line with plan in both the financial and service delivery dimensions.

4.1 Key Achievements

- 11,000 native eco-sourced plants planted along 4081 metres of fenced waterways on 37 plantation sites
- The Wetland Action Plan planting programme grew to 180 properties, with the addition of nine new landowners
- Successful public transport services were provided for the rugby world cup
- The Wellington Rail Package 2011 signed July 5 2011
- Eight Matangi two-car sets delivered in the quarter
- Regional Public Transport Plan hearings held
- Pre-planning and investigation for a third water storage lake continues
- Changes made to Regional CDEM structure with the new position of Regional Manager Wellington to be appointed next quarter
- Draining of the southern Stuart Macaskill Lake for maintenance purposes completed
- Wainuiomata hydro-electric generator commissioned. Expected electricity cost savings of around $35k per annum
- Successful monthly buggy walks held on Hutt River Trail, QEP and Petone Foreshore
- Four staff and public planting days held
- Total number of Warm Wellington applicants grew to 3,192 in the quarter. During the quarter, 846 approvals totalling $1.4m were made
- Wellington Harbour Safety Management System completed
- Work continued on key consents (Transmission Gully, Castle Hill Wind Farm and Exide)
- GWRC opposed the Kate Sheppard exchange proposal. The application was declined with the applicant now appealing the decision
- A number of internal reorganisations have been ongoing through the quarter. The review of Utilities (Parks, Forests, Water and CDEM) was a key area

- The first yearly cycle of the performance management system and salary review process was completed
- Baring Head was confirmed as a scenic reserve by Council
- Draft operational plans for each of the regional parks have been prepared
- 'Our Region' September 2011 was delivered to all households in the region
- Matangi services began running on the Kapiti line with a significant launch event.

4.2 Council Financial Performance

4.2.1 Year to date

Greater Wellington achieved an operating surplus of $930k (budget, a deficit of $283k) for the three months to 30 September, a $1,213k favourable result. This result excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington made a deficit of $2,122k (budget, a surplus of $527k), an unfavourable variance of $2,649k. Non-operational movements of $4,911k accounts for the majority of the negative variance at this level.

Further details on the performance by Group for the three months are discussed in section 6.

4.2.2 Financial Summary

Greater Wellington Regional Council	**For the 3 months ended 30 September 2011**			
Summary income statement	**Last Year**	**Actual**	**Budget**	**Variance**
	$000s	**$000s**	**$000s**	**$000s**
Regional rates	20,225	21,212	21,212	-
Water supply levy	5,865	6,041	6,041	-
Other operating revenue	20,250	22,305	21,306	999
Total operating revenue	**46,340**	**49,558**	**48,559**	**999**
Operational expenditure	(45,135)	(48,628)	(48,842)	214
Operating surplus/(deficit) before transport improvements	**1,205**	**930**	**(283)**	**1,213**
Operating (deficit) from transport improvements	(2,215)	(1,101)	(2,150)	1,049
Operating surplus/(deficit) before unrealised items	**(1,010)**	**(171)**	**(2,433)**	**2,262**
Non-operational movements	(839)	(1,951)	2,960	(4,911)
Operating surplus/(deficit)	**(1,849)**	**(2,122)**	**527**	**(2,649)**

4.2.3 Financial Summary by Group

Greater Wellington Regional Council Summary income statement	Last Year $000s	Actual $000s	Budget $000s	Variance $000s
	For the 3 months ended 30 September 2011			
Operational Groups				
Catchment Management	1,066	1,437	1,038	399
Environmental Management	367	73	236	(163)
Forestry	(343)	(230)	(384)	154
Parks and Forests	141	86	(15)	101
Rates funded operational surplus / (deficit)	**1,231**	**1,366**	**875**	**491**
Public Transport	(255)	(181)	(327)	146
Total rates funded operational surplus / (deficit)	**976**	**1,185**	**548**	**637**
Corporate				
Strategy & Community Engagement	238	465	142	323
Finance and Support	(14)	(37)	(157)	120
Other corporate activities	33	273	43	230
Investment Management	1,804	2,184	2,587	(403)
Business unit rates contribution	(1,636)	(2,610)	(2,609)	(1)
Total rates funded operating surplus / (deficit)	**1,401**	**1,460**	**554**	**906**
Water	(196)	(530)	(837)	307
Total rates & levy funded operating surplus / (deficit)	**1,205**	**930**	**(283)**	**1,213**
Non-operational movements				
Forestry cost of goods sold	(506)	(769)	(117)	(652)
Grants for Baring Head Purchase	-	-	-	-
Warm Greater Wellington	(335)	(1,188)	(751)	(437)
EMU investment - GW Rail	2	6	3,828	(3,822)
Public Transport - improvements	(2,215)	(1,101)	(2,150)	1,049
Total Council surplus / (deficit)	**(1,849)**	**(2,122)**	**527**	**(2,649)**

4.3 Forecast to 30 June 2012

Greater Wellington is forecasting an operating deficit of $2,205k (budget, a deficit of $2,803k) for the year to 30 June 2012. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington is forecasting a deficit of $12,398k (budget, a deficit of $12,203k).

Further details on the forecast by Group are discussed in section 6.

4.3.1 Financial forecast

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2012			
	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Regional rates	81,933	84,852	84,852	-
Water supply levy	23,460	24,164	24,164	-
Other operating revenue	83,102	88,900	87,453	1,447
Total operating revenue	**188,495**	**197,916**	**196,469**	**1,447**
Operational expenditure	(184,446)	(200,121)	(199,272)	(849)
Operating surplus/(deficit) before transport improvements	**4,049**	**(2,205)**	**(2,803)**	**598**
Operating (deficit) from transport improvements	(7,458)	(46,310)	(47,025)	715
Operating surplus/(deficit) before unrealised items	**(3,409)**	**(48,515)**	**(49,828)**	**1,313**
Non-operational movements	16,948	36,117	37,625	(1,508)
Operating surplus/(deficit)	**13,539**	**(12,398)**	**(12,203)**	**(195)**

4.3.2 Financial forecast by Group

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2012			
	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operational Groups				
Catchment Management	3,580	3,293	3,192	101
Environmental Management	(27)	(42)	140	(182)
Forestry	(368)	(1,534)	(1,534)	-
Parks and Forests	(1,342)	(217)	(217)	-
Rates funded operational surplus / (deficit)	**1,843**	**1,500**	**1,581**	**(81)**
Public Transport	(1,750)	(1,658)	(1,775)	117
Total rates funded operational surplus / (deficit)	**93**	**(158)**	**(194)**	**36**
Corporate				
Strategy & Community Engagement	315	574	577	(3)
Finance and Support	1,102	(855)	(964)	109
Other corporate activities	46	125	124	1
Investment Management	9,943	11,876	11,421	455
Business unit rates contribution	(6,550)	(10,433)	(10,433)	-
Total rates funded operating surplus / (deficit)	**4,949**	**1,129**	**531**	**598**
Water	(900)	(3,334)	(3,334)	-
Total rates & levy funded operating surplus / (deficit)	**4,049**	**(2,205)**	**(2,803)**	**598**
Non-operational movements				
Revaluation of debt and stadium advance	(2,798)	(288)	(288)	-
Adjustments / rounding				-
Revaluation of transport debt	(1,238)		-	-
Revaluation of debt and stadium advance	(4,036)	(288)	(288)	-
Revaluation of forestry	8,162	1,400	1,400	-
Forestry cost of goods sold	(1,899)	(467)	(467)	-
Grants for Baring Head Purchase	1,100	-	-	-
Warm Greater Wellington	280	(4,309)	(2,801)	(1,508)
EMU investment - GW Rail	13,341	39,781	39,781	-
Public Transport - improvements	(7,458)	(46,310)	(47,025)	715
Total Council surplus / (deficit)	**13,539**	**(12,398)**	**(12,203)**	**(195)**

4.4 Capital expenditure

4.4.1 Capital expenditure by Group

Capital expenditure is $2,960k below budget year to date. This is primarily due to the longer timeframe in finalising the Boulcott/Hutt stopbank, the extended rollout of the Real Time Information system and project timings in the Water Supply capital programme.

Details by Group are discussed in section 6.

Greater Wellington Regional Council	For the 3 months ended 30 September 2011			
Capital expenditure by Group	**Last Year**	**Actual**	**Budget**	**Variance**
	$(000)'s	**$(000)'s**	**$(000)'s**	**$(000)'s**
Operational Groups				
Catchment Management	456	669	311	(358)
Environmental Management	72	49	215	166
Forestry	94	26	84	58
Parks and Forests	11	63	98	35
Public Transport	231	1,475	2,884	1,409
Operational Groups capital expenditure	**864**	**2,282**	**3,592**	**1,310**
Corporate				
Strategy & Community Engagement	6	486	250	(236)
Finance and Support	158	33	-	(33)
Other corporate activities	-	67	80	13
Investment Management	21	55	606	551
Total rates funded capital expenditure	**1,049**	**2,923**	**4,528**	**1,605**
Water Supply	789	1,822	3,177	1,355
Total rates & levy funded capital expenditure	**1,838**	**4,745**	**7,705**	**2,960**

4.4.2 Capital expenditure forecast by Group

Capital expenditure is forecast to be $591k behind budget by year end. This is primarily due to the delayed start of the Boulcott/Hutt stopbank which will require rebudgeting to 2011/12, the extended rollout of the Real Time Information system and project timings in the Water Supply capital programme that will also require rebudgeting to 2011/12.

Details by Group are discussed in section 6.

Greater Wellington Regional Council Capital expenditure by Group	Last Year $(000)'s	Forecast $(000)'s	Budget $(000)'s	Variance $(000)'s
	For the year ending 30 June 2012			
Operational Groups				
Catchment Management	4,256	5,553	5,553	-
Environmental Management	178	1,119	1,119	-
Forestry	414	360	360	-
Parks and Forests	176	512	512	-
Public Transport	3,334	3,386	3,990	604
Operational Groups capital expenditure	**8,358**	**10,930**	**11,534**	**604**
Corporate				
Strategy & Community Engagement	178	1,302	1,332	30
Finance and Support	660	1,072	1,072	-
Other corporate activities	93	251	208	(43)
Investment Management	252	2,424	2,424	-
Total rates funded capital expenditure	**9,541**	**15,979**	**16,570**	**591**
Water Supply	7,411	16,692	16,692	-
Total rates & levy funded capital expenditure	**16,952**	**32,671**	**33,262**	**591**

5. Financial Performance by Group

5.1 Catchment management

Financial Summary	For the 3 months ended 30 September 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	6,450	7,756	7,964	(208)	24,592	29,932	30,136	(204)
Operating expenditure	5,384	6,319	6,926	607	21,012	26,639	26,944	305
Operating surplus / (deficit)	1,066	1,437	1,038	399	3,580	3,293	3,192	101
Net capital expenditure	456	669	311	(358)	4,256	5,553	5,553	-

5.1.1 Year to date

A favourable operating variance of $399k, comprising lower revenue of $208k and lower operating costs of $607k.

- Operating revenue is lower than budget due mainly to:
  - Reduced external revenue of $220k from the Animal Health Board due to the timing of contracts.
- Operating expenditure was lower than budget due mainly to:
  - Delays in various implementation programmes in Biodiversity reducing expenditure by $226k.

- Reduced river maintenance expenditure of $287k. This is also due to timing.

- Capital expenditure is $358k ahead of budget primarily due to:

  - Land purchased for $350k for the Lower Valley river scheme

  - Additional work carried out on the Boulcott Hutt stopbank.

5.1.2 Forecast to 30 June 2012

- The forecast operating surplus of $3,293k is $101k better than budget due to:

  - Reduced revenue from AHB contracts, but this is offset by reduced activity in flood protection, biodiversity and bio security

- The forecast capital expenditure to June 2011 is expected to be on budget.

5.2 Environmental management

Financial Summary	**For the 3 months ended 30 September 2011**				**For the year ending 30 June 2012**			
	Last Year	**Actual**	**Budget**	**Variance**	**Last Year**	**Forecast**	**Budget**	**Variance**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Operating revenue	3,598	3,532	3,137	395	13,784	12,788	12,546	242
Operating expenditure	3,231	3,459	2,901	(558)	13,811	12,830	12,406	(424)
Operating surplus / (deficit)	367	73	236	(163)	(27)	(42)	140	(182)
Net capital expenditure	72	49	215	166	178	1,119	1,119	-

5.2.1 Year to date

Overall, an unfavourable operating variance of $163k, comprising higher revenue of $395k and higher expenditure of $558k.

- Operating revenue is ahead of budget primarily due to:

  - Consents regulation revenue in relation to Transmission Gully and the Genesis wind farm totalling $180k

  - $104k of restitution income carried forward from earlier periods

  - Internal revenue is $69k ahead of budget mainly due to charges to water supply for the Kaitoke Weir change of consent conditions

  - Consent applications are also $58k ahead of budget.

- Operating expenditure was more than budget due mainly to:
  - Costs of consultants in relation to the consents for Transmission Gully and the Genesis wind farm totalling $214k
  - Addition expenditure on consultants, $33k, related to the Kaitoke Weir
  - Timing of expenses incurred on policy and environmental consultants – this being $186k ahead of budget
  - Personnel costs are $78k more than budget due to the Biodiversity department transfer to the Group.
- Capital expenditure is below budget due to timing of the Wairarapa Water Use Project.

5.2.2 Forecast to 30 June 2012

- The forecast operating deficit is $42k, $182k worse than budget due to:
  - $82k estimated increase in personnel costs for the group – this is related to the new Biodiversity department
  - $100k increase in consultants costs for the plan review work.

5.3 Forestry

Financial Summary	For the 3 months ended 30 September 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	1,622	2,115	1,660	455	7,415	6,639	6,639	-
Operating expenditure	1,964	2,345	2,043	(302)	7,783	8,173	8,173	-
Operating surplus / (deficit) before cost of goods sold	(342)	(230)	(383)	153	(368)	(1,534)	(1,534)	-
Cost of goods sold*	507	769	118	(651)	1,899	467	467	-
Operating surplus / (deficit) before valuation	(849)	(999)	(501)	(498)	(2,267)	(2,001)	(2,001)	-
Forestry valuation	-	-	-	-	8,162	1,400	1,400	-
Operating surplus / (deficit)	(849)	(999)	(501)	(498)	5,895	(601)	(601)	-
Net capital expenditure	94	26	84	58	414	360	360	-

5.3.1 Year to date

- A favourable operating variance of $153k, prior to cost of goods sold, due to:
  - Higher operating revenue primarily due to increased volume of logging than was planned. This has offset the current reduced log price.

- With increased volumes, operating expenditure has been higher than budget due to increased costs of harvesting and cartage.

- The unfavourable non cash variance for cost of goods sold of $651k reflects the higher valuation of the forestry investment compared to budget.

5.4 Regional Parks

Financial Summary	For the 3 months ended 30 September 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	1,526	1,320	1,310	10	5,133	5,289	5,289	-
Operating expenditure	1,385	1,234	1,325	91	6,475	5,506	5,506	-
Operating surplus / (deficit)	141	86	(15)	101	(1,342)	(217)	(217)	-
Grants for Baring Head purchase	-		-	-	1,100	-	-	-
Operating surplus / (deficit)	141	86	(15)	101	(242)	(217)	(217)	-
Baring Head purchase			-	-	1,775	-	-	-
Net capital expenditure	11	63	98	35	(1,599)	512	512	-

5.4.1 Year to date

A favourable operating variance of $101k, comprising increased revenue of $10k and lower expenditure of $91k.

- Operating revenue is slightly ahead of budget – this has been generated from on-park activities.

- Operating expenditure was below budget due primarily to:

  - Reduced personnel costs of $37k due to vacancies during the first quarter
  - The Whitireia Park budget is under spent by $22k as the Whitireia Park Board hasn't formally met and approved the work programme for the year
  - In addition a variety of asset maintenance projects across all parks are under spent by $33k.

- Capital expenditure was below budget due primarily to:

  - Delayed fence replacements at Waitangirua park
  - Delayed replacement of the water supply pipelines in the northern farming block of Queen Elizabeth Park.

  Both of these capital works will be completed this year.

5.4.2 Forecast to 30 June 2012

There are no changes from budget.

5.5 Public transport

Financial Summary	For the 3 months ended 30 September 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	20,773	22,668	22,761	(93)	84,550	92,177	91,797	380
Operating expenditure	21,028	22,849	23,088	239	86,300	93,835	93,572	(263)
Operating surplus / (deficit)	(255)	(181)	(327)	146	(1,750)	(1,658)	(1,775)	117
Net capital expenditure	-	-	-	-	37	252	252	-

5.5.1 Year to date

A favourable operating variance of $146k, comprising lower expenditure of $239k and reduced revenue of $93k.

- Operating revenue is $93k below budget due to:
  - Grants and Subsidies revenue being below budget which reflects the overall reduction in operational expenditure.
- Operating expenditure is $239k below budget primarily due to:
  - Diesel bus contract expenditure being $300k less than budget, mainly due to reduced inflation payments to bus operators
  - Rail operations expenditure being $400k above budget because of increased maintenance costs
  - Financial costs $400k below budget because of delays to improvement projects and capital expenditure.

5.5.2 Forecast to 30 June 2011

The forecast favourable operating variance of $117k is comprised of higher expenditure of $263k and increased revenue of $380k.

- Operating revenue is forecast to be lower than budget due to:
  - Increased grants and subsidies because of the overall forecast increase in expenditure and an increase in the total mobility financial assistance rate to 60%.
- Operating expenditure is forecast to be higher than budget due to:
  - Increased expenditure on rolling stock maintenance ($200k)
  - Increased insurance premiums (800k)
  - The above are offset by forecast savings of $700k on diesel bus operating contracts.

5.6 Public transport improvement projects

Financial Summary	For the 3 months ended 30 September 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	29,925	26,685	42,454	(15,769)	116,365	125,791	128,092	(2,301)
Operating expenditure	32,140	27,786	44,604	16,818	123,823	172,101	175,117	3,016
Operating surplus / (deficit)	(2,215)	(1,101)	(2,150)	1,049	(7,458)	(46,310)	(47,025)	715
External debt revaluation gains /(loss)	-	-	-	-	(1,238)	-	-	-
Operating surplus / (deficit)	(2,215)	(1,101)	(2,150)	1,049	(8,696)	(46,310)	(47,025)	715
Net capital expenditure	82	1,475	2,812	1,337	3,159	3,062	3,666	604

5.6.1 Year to date

Overall, a favourable operating variance of $1,049k, comprising lower expenditure of $16,818k, as a result of this lower expenditure, reduced revenue of $15,769k.

- Operating expenditure was lower than budget due to:
  - Expenditure on the Matangi trains being $14,000k behind budget and reflects some changes to the timing of payments
  - Expenditure on rail infrastructure upgrades is $1,000k below budget due to a credit received from Kiwirail for over charges
  - Trolley bus infrastructure renewals are $500k behind budget due to timing of work carried out.
- Capital expenditure was $1,337k below budget due to delays to the full roll-out.

5.6.2 Forecast to 30 June 2012

The forecast expenditure on the new Matangi units is $147.7 million compared to a budget of $144.9 million. This increase is due to change in the timing of payments for trains – there was reduced expenditure in the last financial year.

To offset the above, rail infrastructure upgrades are forecasting savings of $4,900k as most of the projects were substantially completed in the last financial year.

Capital expenditure is forecast to be $604k below budget due to delays with the project.

5.7 Strategy & Community Engagement

Financial Summary	For the 3 months ended 30 September 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	2,380	2,600	2,635	(35)	8,972	10,660	10,675	(15)
Operating expenditure	2,142	2,135	2,493	358	8,657	10,086	10,098	12
Operating surplus / (deficit)	238	465	142	323	315	574	577	(3)
Net capital expenditure	6	486	250	(236)	178	1,302	1,332	30

5.7.1 Year to date

Overall a favourable operating variance of $323k, comprising lower expenditure of $358k and reduced revenue of $35k.

- Operating expenditure was lower than budget due to:
  - Reduced expenditure in Transport Planning of $178k that relates to the RLTP, reduced expenditure on the PT Spine Study due to a delay in commencement of the study and delays to the finalisation of the hearing process and NZTA funding related to the Hutt Corridor Study
  - Reduced expenditure of $35k related to timing of signage and display systems, subscriptions and media monitoring
  - Reduced expenditure on Iwi Projects of $30k to date
  - $90k to be spent on market research related to the LTP development has been delayed till early 2012.
- Capital expenditure is more than budget by $236k. This variance is due to survey costs related to the transport model carried out earlier than was budgeted.

5.7.2 Forecast to 30 June 2012

The forecast operating surplus is in line with budget.

5.8 Finance and Support

Financial Summary	For the 3 months ended 30 September 2011				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	1,896	1,940	1,940	-	9,108	7,763	7,763	-
Operating expenditure	1,910	1,977	2,097	120	8,006	8,618	8,727	109
Operating surplus / (deficit)	(14)	(37)	(157)	120	1,102	(855)	(964)	109
Net capital expenditure	158	33	-	(33)	660	1,072	1,072	-

5.8.1 Year to date

A favourable operating variance of $120k due to lower expenditure. This was due to:

- Savings in personnel costs in the finance team and materials and supplies.
- Depreciation expenditure was lower than budget by $47k.

5.8.2 Forecast to 30 June 2012

The forecast deficit is expected to reduce to $855k compared with the budget of $964k. This decrease is due to:

  - Reduced personnel costs in the Finance and Support Department following a review of the team which was finalised in July.
  - ICT has a forecast saving of $31k due to the Regional GIS initiative.

- Capital expenditure for the year is ahead of budget due to network upgrades that are ahead of schedule.

5.9 People and Capability

Financial Summary	For the 3 months ended 30 September 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	1,618	1,531	1,531	-	6,501	7,068	7,068	-
Operating expenditure	1,583	1,367	1,512	145	6,455	6,943	6,944	1
Operating surplus / (deficit)	35	164	19	145	46	125	124	1
Net capital expenditure	-	38	80	42	93	157	107	(50)

5.9.1 Year to date

A favourable operating variance of $145k due to lower expenditure. This was due to:

  - Reduced personnel costs of $57k, this is mainly in the area of staff training
  - Other variances in the department are related to projects which have started slightly later than planned.

5.10 Investment management

Financial Summary	For the 3 months ended 30 September 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	1,194	1,464	1,019	445	7,159	8,125	7,082	1,043
Operating expenditure	(610)	(718)	(1,568)	(850)	(2,784)	(3,751)	(4,339)	(588)
Operating surplus / (deficit)	1,804	2,182	2,587	(405)	9,943	11,876	11,421	455
Net capital expenditure	21	55	606	551	252	2,424	2,424	-

5.10.1 Year to date

Operating revenue is $445k ahead of budget due to higher interest revenue of $452k from money market investments and deposits and $59k higher other interest revenue, offset by $56k costs for a swap.

Net operating expenditure recoveries are $850k less than budget. This is mainly due to $632k lower internal debt interest recovery as there is slower capital expenditure by other Groups. Other operating expenditure is also above budget by $100k due to an unbudgeted contribution to the LGFA.

5.10.2 Forecast to 30 June 2012

The operating surplus is forecast to be $11,876k, which is $456k higher than the budget surplus of $11,420k. The main reason for this is increased investment revenue from higher interest margins on liquid financial deposits, short term deposits and a higher guarantee fee from CentrePort. This increase is offset by reduced internal revenue from internal loans.

5.11 Investment management – Non operational movements

Financial Summary	For the 3 months ended 30 September 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Investment - GW Rail	2	6	3,828	(3,822)	13,341	39,781	39,781	-
Valuation Movements	-	-	-	-	2,798	288	288	-
Operating surplus / (deficit)	2	6	3,828	(3,822)	16,139	40,069	40,069	-

5.11.1 Year to date – Matangi investment

An unfavourable variance of $3,822k is due to the timing of the grant from the Public Transport Group to fund the share capital of Greater Wellington Rail.

5.11.2 Forecast– Matangi investment

The forecast remains unchanged.

5.12 Water

Financial Summary	For the 3 months ended 30 September 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	6,911	6,955	6,977	(22)	27,828	27,908	27,908	-
Operating expenditure	7,107	7,485	7,814	329	28,728	31,242	31,242	-
Operating surplus / (deficit)	(196)	(530)	(837)	307	(900)	(3,334)	(3,334)	-
Net capital expenditure	789	1,822	3,177	1,355	7,411	16,692	16,692	-

5.12.1 Year to date

Overall a favourable operating variance of $307k compared to budget.

- Operating expenditure was $329k lower than budget due to:
  - Contractors and consultants expenditure was lower than budget by $392k. This is due to a number of projects that have been initiated but yet to fully commence – these include emergency preparedness and network resilience investigations, asset management work, and some of the compliance work associated with the Kaitoke weir resource consent.
  - Reduced finance costs of $150k as the internal debt position at year end was much lower than budget.
  - The above was offset by increased staff training costs as a significant number of staff time has been invested in training while work on capital projects has been at a reduced level.
- Capital expenditure is $1,355k under budget due to reduced costs of the crest liner for the Stuart Macaskill Lakes upgrade and there has been no spend on the Hutt Aquifer to date.

5.12.2 Forecast to 30 June 2012

The forecast remains unchanged.

6. Finance costs

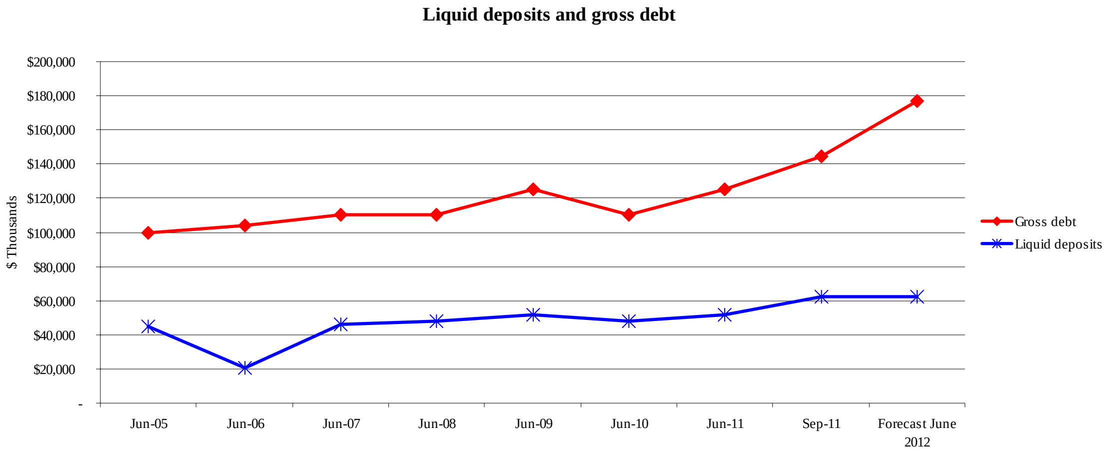
Finance Costs	For the 3 months ended 30 September 2011				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
	1,369	1,819	1,662	(157)	5,424	8,131	8,533	402

6.1 Year to date

The unfavourable variance of $157k results from higher borrowings which has been invested at a margin and thus offset by addition investment revenue.

6.2 Forecast to 30 June 2012

Finance costs are forecast to be $402k favourable to budget due to reduced capital expenditure which will in turn reduce internal borrowing.

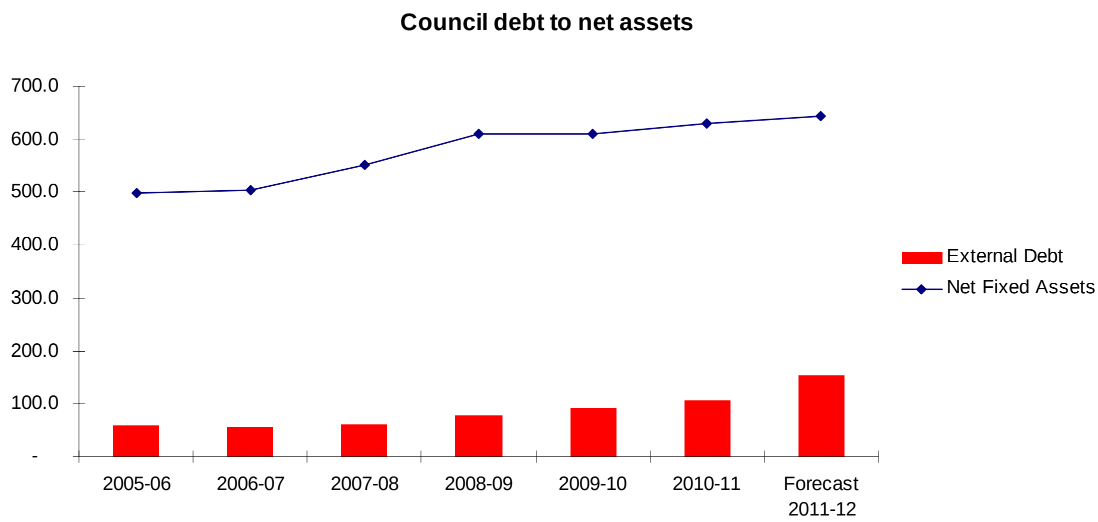


6.3 Deposits and debt

This graph represents Greater Wellington and WRC Holdings Ltd combined debt position and cash deposits

Greater Wellington's debt, including WRC Holdings, was $190 million at 30 September, compared with $152 million on 30 June 2011, including debt revaluations of $9 million downwards. The debt level is higher than 30 June due to prefunding part of this year's capital expenditure requirements but offset by funding received in advance for the Matangi. This debt excludes CentrePort debt.

The forecast debt for the end of the year is $153 million including WRC Holdings Ltd and including debt revaluations of $9 million downwards.



Greater Wellington had $104 million on deposit at 30 September, composed of $54 million of contingency funds, with the balance due to prefunding of GW's capital expenditure programme and revenue in advance for the Matangi units.

6.4 Stadium debt

In June 2007 the Council approved the restructuring of the Stadium debt of $18,985k, which had been borrowed from the ANZ at a fixed interest rate of 8.55% until 2018. The debt is currently funded at an interest rate of 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 lender's margin. Significant savings continue to result from this debt restructure.

The balance of this loan at 30 September 2011 was $13,319,730

7. WRC Holdings

7.1 Financial result for the Group

The following table summarises WRC Holdings group of companies (the Group) operating results for the period ending 30 September 2011.

WRC HOLDINGS GROUP INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2011	30 September 2011				Year ending 30 June 2012			
	Last Year $000	Actual $000	Budget $000	Variance $000	Last Year $000	Forecast $000	Budget $000	Variance $000
Total Revenue	17,470	48,480	22,089	26,391	198,822	94,721	96,022	(1,301)
Operating Expenses	11,643	18,453	16,928	(1,525)	51,401	76,237	68,434	(7,803)
Earnings before interest & tax (EBIT)	5,827	**30,027**	**5,161**	**24,866**	**147,421**	**18,484**	**27,588**	**(9,104)**
Less:								
Finance costs	2,845	3,725	3,791	66	13,727	14,663	14,963	300
Revaluations					(10,330)	(114)		114
Net surplus (deficit) before tax & revaluations	**2,982**	**26,302**	**1,370**	**24,932**	**123,364**	**3,707**	**12,625**	**(8,918)**

As the Council is aware Greater Wellington Rail changed its accounting status to a Public Benefit Entity at 30 June 2011. The budget under which these accounts are prepared is based on a Profit Orientated Entity status. Thus the budget is not comparable, with actual revenue being higher than budget due to capital grants being recorded as operating revenue.

A more meaningful discussion of the results reveals the following:

CentrePort: Overall a favourable result against budget of $202k. This was mainly due to improved operating costs against budget of $695k offset by lower port revenue of $471k.

Port Investments**:** $579k favourable to budget due to an additional dividend being declared of $700k by CentrePort after year end. Of this $538k has been paid to Port Investments as its share.

WRC Holdings and ***Pringle House*** are running close to budget.

7.2 Financial forecast for the Group to 30 June 2012

CentrePort is forecasting a net profit before tax to be $546k adverse to budget for the full year. This is being driven by a lower return of $1,263k from the Port operations, offset by favourable operating costs.

WRCH Holdings is showing a $650k favourable result to budget before tax for the year. The favourable result is due to Port Investments receiving the dividend of $538k noted above and lower interest costs. This is offset by a slightly adverse result from Pringle House due to higher operating costs.

8. Compliance with Treasury Management Policy

All ratios for the Treasury Management Policy are in compliance, with the exception of the maturity profile of total external debt less liquid financial investments.

We have insufficient maturities in the 3-5 year band. This is currently not a problem as it is covered by the > 5year band, and will be fixed by either new debt raised this year or when our $50,000k of debt maturing in 17 February 2012 is refinanced.

Refer to **Attachment 3** for the detailed ratios.

9. Communication

No communications are necessary at this time.

10. Recommendations

That the Council:

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

Report prepared by:	Report approved by:
Chris Gray	Bruce Simpson
Manager, Finance & Support	Chief Financial Officer

Attachment 1: Funding Impact Statement

Attachment 2: Balance Sheet

Attachment 3 Compliance with Treasury Risk Management