Finance REPORT

Provisional - 30 June 2013

GREATER WELLINGTON REGIONAL COUNCIL

COUNCIL SUMMARY

Overview

Overall at the operating surplus level, before transport improvements, the preliminary result for the council is a surplus of $2.1m compared to a budget deficit of $5.4m. When the transport improvement and non-operational movements are included then the financial results for the year were $11.4m favourable compared to budget before the fixed asset revaluation.

This operational surplus is mainly due to reduced expenditure in public transport and increases in investment returns.

The asset revaluation at 30 June 2013 has added $111 million to the value of council assets and is recorded as other comprehensive income.

Council Financial Summary

Greater Wellington Regional Council
Summary Income Statement
Year ended 30 June 2013

Summary Income Statement $(000)'s	Year ended 30 June 2013			
	Actual	Budget	Variance	Last Year
Regional Rates	89,554	89,004	550	85,235
Regional Water Supply Levies	24,890	24,888	2	24,164
Other Operating Revenue	84,775	94,273	(9,498)	97,983
Total Operating Revenue	**199,219**	**208,165**	**(8,946)**	**207,382**
Operational Costs	197,070	213,613	16,543	199,823
Operating Surplus / (Deficit) before Transport Improvements	**2,149**	**(5,448)**	**7,597**	**7,559**
Operating Surplus / (Deficit) from Transport Improvements	(13,476)	(24,277)	10,801	(13,189)
Operating Surplus before other movements	**(11,327)**	**(29,725)**	**18,398**	**(5,630)**
Total other movements	10,951	17,904	(6,953)	(2,260)
Operating Surplus / (Deficit)	**(376)**	**(11,821)**	**11,445**	**(7,890)**
Net fixed asset revaluations	**111,087**	**-**	**111,087**	**50,563**
Total council comprehensive income	**110,711**	**(11,821)**	**122,532**	**42,673**

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Financial Summary by Group

Greater Wellington Regional Council
Summary income statement - Operating Surplus / (Deficit)
Year ended 30 June 2013

Total operating surplus / (deficit)	**Year ended 30 June 2013**			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Catchment Management	3,077	3,049	28	3,882
Forestry	(268)	62	(330)	472
Environmental Management	(297)	229	(526)	(49)
Regional Parks	(287)	(234)	(53)	(266)
Wairarapa Water Use project	(4)	-	(4)	36
Public Transport	1,470	(2,999)	4,469	2,768
Strategy & Community Engagement	6	(266)	272	1,105
WRS	621	-	621	(227)
Other Corporate	104	38	66	222
Emergency Management	429	10	419	105
Finance and Support	(972)	(1,525)	553	(274)
Total operational surplus / (deficit)	**3,879**	**(1,636)**	**5,515**	**7,774**
Investment Management	12,855	12,348	507	13,749
Business unit rates contribution	(11,359)	(11,352)	(7)	(10,434)
Total rates funded operating surplus / (deficit)	**5,375**	**(640)**	**6,015**	**11,089**
Water Supply	(3,226)	(4,808)	1,582	(3,530)
Total rates & levy funded operating surplus / (deficit)	**2,149**	**(5,448)**	**7,597**	**7,559**
Non-operational movements				
Revaluation of debt and stadium advance	4,712	981	3,731	(7,050)
Revaluation of Transport Interest free debt	(1,444)	-	(1,444)	(1,337)
Revaluation of forestry (ETS and Trees)	(320)	2,629	(2,949)	2,683
Forestry cost of goods sold	(530)	(561)	31	(521)
Warm Greater Wellington	-	-	-	-
EMU investment - GW Rail	8,533	14,855	(6,322)	3,965
Public Transport - capex / investment projects	(13,476)	(24,277)	10,801	(13,189)
Total non-operational surplus / (deficit)	**(2,525)**	**(6,373)**	**3,848**	**(15,449)**
Total council surplus / (deficit)	**(376)**	**(11,821)**	**11,445**	**(7,890)**
Fixed Asset Revaluation				
Catchment	-	-	-	50,563
Forestry	(1,511)	-	(1,511)	-
Regional Parks	3,899	-	3,899	-
Water	108,699	-	108,699	-
Net fixed asset revaluations	**111,087**	**-**	**111,087**	**50,563**
Total council comprehensive income	**110,711**	**(11,821)**	**122,532**	**42,673**

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Capital expenditure

Capital expenditure by Group

Capital expenditure is $2.4m below budget. This is primarily due to projects in Water Supply being under spent due to timing of projects, offset by Catchment Management being ahead of budget. There are various unders and overs across the other business groups.

Details by Group are discussed below.

Greater Wellington Regional Council
Summary income statement - capital expenditure
Year ended 30 June 2013

Total capital expenditure $(000)'s	Actual	Actual Budget	Variance	Last Year
Catchment Management	10,259	7,732	(2,527)	7,692
Forestry	214	472	258	232
Environmental Management	1,087	1,218	131	900
Wairarapa Water Use project	597	625	28	318
Public Transport	59	1,469	1,410	168
Strategy & Community Engagement	85	264	179	1,103
Other Corporate	(11)	32	43	201
Emergency Management	137	30	(107)	126
Finance and Support	2,010	1,915	(95)	428
Total capital expenditure	**14,437**	**13,757**	**(680)**	**11,168**
Investment Management	309	100	(209)	496
Total rates funded capital expenditure	**14,746**	**13,857**	**(889)**	**11,664**
Water Supply	9,776	14,792	5,016	9,503
Total rates & levy funded capital expenditure	**24,522**	**28,649**	**4,127**	**21,167**
Non-operational movements				
Public Transport - capex / investment	2,255	522	(1,733)	2,093
Total non-operational capital expenditure	**2,255**	**522**	**(1,733)**	**2,093**
Total council capital expenditure	**26,777**	**29,171**	**2,394**	**23,260**

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FINANCIAL PERFORMANCE BY GROUP

Catchment Management

Catchment Management				
Financial Summary	**Year ended 30 June 2013**			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Operating revenue	32,104	32,440	(336)	29,981
Operating expenditure	29,027	29,391	(364)	26,099
Operating surplus / (deficit)	**3,077**	**3,049**	**28**	**3,882**
Net fixed asset revaluation	-	-	-	50,563
Net capital expenditure	10,259	7,732	2,527	7,692

Year to date

A favourable operating variance of $28k, comprising lower revenue of $336k and lower operating costs of $364k.

Actual year to date variances to budget:

- Reduced AHB revenue of $895K for BioWorks due to delays in completing 2011/12 contracts and a reduced work programme for 2012/13;
- Reduced materials expenditure of $412K and contractor expenditure of $419K for Biosecurity due to savings, the deferral of two aerial pest control operations, and completing predator control internally (BioWorks);
- Reduced materials expenditure of $84K and contractor expenditure of $234K due to savings of various Biodiversity implementation and community engagement programmes. $228K of QEII and aerial 1080 control expenditure was rebudgeted to 2013/14;
- Reduced external revenue of $156K for Land Management due to reduced forestry consultations and Hill Country Erosion contributions. Grant revenue from MPI for Hill Country Erosion programmes was also $67K below budget;
- Reduced contractor expenditure of $185K for Land Management as above;
- Additional external revenue of $75K for the Akura Conservation Centre;

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- Reduced external revenue of $93K for Flood Protection due to reduced isolated works and gravel royalty revenue;
- Additional personnel costs of $174K for Flood Protection, including costs for one additional investigations engineer;
- Additional financial costs of $509K for Flood Protection;
- Additional depreciation costs of $88K for Flood Protection.

Capital expenditure actual year to date variances to budget:

- Boulcott/Hutt stopbank expenditure $2,492K ahead of budget (approved by Council);
- Lower Waitohu expenditure $748K below budget as Maori Land Court easement application and discussions with Otaki and Porirua Trusts Board for a partnership approach to stream management have slowed works in the Lower Waitohu. Much of the works programme will now be carried over to 2013/14;
- Chrystalls land purchase $400K favourable;
- City Centre Upgrade expenditure $770K ahead of budget due to Mills Street land purchase earlier than budgeted;
- Ngaumutawa Road (Masterton) depot upgrade $363K.

Environmental Management

Environmental Management

Financial Summary $(000)'s	Year ended 30 June 2013 Actual	Budget	Variance	Last Year
Operating revenue	19,359	18,948	411	19,534
Operating expenditure	19,943	18,953	990	19,849
Operating surplus / (deficit)	**(584)**	**(5)**	**(579)**	**(315)**
Net capital expenditure	1,087	1,218	(131)	900

Year to date

Overall, an unfavourable operating variance of $579k, comprising higher revenue of $411k and higher expenditure of $990k.

Actual year to date variances to budget:

- The result for the year is a net deficit of $584k which is $579k worse than the budget deficit of $5k. This variance is largely due to unbudgeted spend on Roads of National Significance (RONS) projects in Regulation department & additional spend on the Regional Plan work in Policy department. These overspends were in line with forecasts

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- External income is more than budget mainly due to extra income relating to consent processing and in environmental science.
- Total spend for the year to June is $20.3m which is $714k (3.6 %) more than budget. Most of this variance is in consultants costs. This is due to high spend on consultants for work on the Regional Plan in Policy department and unbudgeted consultants spend in Regulation for work on the MacKay's to Peka Peka Board Inquiry Hearing
- The Groups funding position at end of June is $217k unfavourable. The operating deficit of $584k was offset by $140k transfer from reserves and by less capital spend on vehicles.

Capital expenditure actual year to date variances to budget:

- There is a net underspend on capital of $131k. The underspend is due to vehicles not purchased in Science department
- WWUP capital budget is $625k and a further $673k was budgeted as operating costs. Total spend was $1,091k for the year with $250k rolled into next financial year
- Harbours have spent $89k on 2 capital projects which were underway, installing a lightening arrester system and a backup radar at Beacon Hill.

Regional Parks

Regional Parks

Financial Summary	Year ended 30 June 2013			
$(000)'s	Actual	Budget	Variance	Last Year
Operating revenue	5,818	5,591	227	5,990
Operating expenditure	6,105	5,825	280	6,256
Operating surplus / (deficit)	**(287)**	**(234)**	**(53)**	**(266)**
Net fixed asset revaluation	3,899	-	3,899	-
Net capital expenditure	597	625	(28)	318

Year to date

Overall, an unfavourable operating variance of $53k, comprising higher revenue of $227k and higher expenditure of $280k.

Actual year to date variances to budget:

- Parks has a net deficit of $287k compared to a budget deficit of $233k
- Additional camping fees in Kaitoke
- Personal costs for YTD are $2,063k which was $209k less then budget of $2,272k of which $158k is staff costs charged to capital projects and to other groups and the balance is due to vacancies during the year

- Other direct costs are $442k more than budget but this includes the costs of Belmont logging and is offset by higher income than budgeted.

Fixed asset revaluation:

- There has been a net increase of $3.9m as a result of the revaluation of land and infrastructure for parks.

Wairarapa Water Use Project

Wairarapa Water Use project				
Financial Summary	**Year ended 30 June 2013**			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Operating revenue	490	673	(183)	385
Operating expenditure	494	673	(179)	349
Operating surplus / (deficit)	**(4)**	**-**	**(4)**	**36**
Net capital expenditure	597	625	(28)	318

Year to date

Actual year to date variances to budget:

- WWUP capital budget is $625k and a further $673k was budgeted as operating costs. Total spend was $1,091k for the year with $250k rolled into next financial year. The external revenue is the crown grant towards this project.

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Forestry

Forestry				
Financial Summary	**Year ended 30 June 2013**			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Operating revenue	8,382	9,007	(625)	8,784
Operating expenditure	8,650	8,945	(295)	8,312
Cash Operating surplus / (deficit)	**(268)**	**62**	**(330)**	**472**
Revaluation of forestry (ETS and Trees)	(320)	2,629	(2,949)	2,683
Forestry cost of goods sold	(530)	(561)	31	(521)
Operating surplus / (deficit)	**(1,118)**	**2,130**	**(3,248)**	**2,634**
Net fixed asset revaluation	(1,511)	-	(1,511)	-
Net capital expenditure	214	472	(258)	232

Year to date

Actual year to date variances to budget:

- Plantation Forestry harvested tonnages being below expectations and the actual price per tonne received being well below budget.
- Costs for both Plantation and Reserve are all on a per tonne harvested so below budget.
- The revaluation comprises a decrease in the ETS valuation and an increase in the valuation of the trees.

Fixed asset revaluation:

- There has been a net decrease of $1.5m primarily as a result of the revaluation of forestry land.

Public Transport

Public Transport				
Financial Summary	**Year ended 30 June 2013**			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Operating revenue	94,107	101,186	(7,079)	95,629
Operating expenditure	92,637	104,185	(11,548)	92,861
Operating surplus / (deficit)	**1,470**	**(2,999)**	**4,469**	**2,768**
Net capital expenditure	59	1,469	(1,410)	168

Year to date

A favourable operating variance of $4,469k, comprising lower expenditure of $11,548k and reduced revenue of $7,079k.

Operating revenue was below budget due to:

- Grants and subsidies revenue was $5,.8m below budget which reflects the reduction in operational expenditure for the year.
- External revenue was $400k above budget because of spending on rail studies projects that are now being reimbursed through GWRL. This partly offsets the increase in expenditure.
- Internal revenue was $0.2m above budget. This is because of a change in how we account for staff and contractors charged out to specific projects. It also partly offsets the increase in admin expenditure.

Operating expenditure is below budget primarily due to:

- Reduced rail contract expenditure of $5.5m below budget because of higher than budgeted fare revenue and savings in rail operating costs.
- Network operations and maintenance was $0.3m below budget because of lower operational costs.
- Network incidence costs was $0.5m above budget because of the impact of the storm damage to the network in June.
- Reduced rail insurance expenditure of $1m. Premiums are lower than those anticipated when the budget was set.
- Station expenditure was $0.3m above budget. The cost of maintaining the EMU depot is now included in station expenditure.
- Reduced diesel bus operations expenditure of $1.1m - contractual inflation payments have been lower than expected.
- Reduced Projects and Planning expenditure of $0.4m because the majority of the electronic ticketing investigation budget will be rebudgeted to 2013/14.
- Reduced rail studies and PTOM expenditure of $2.6m. Timing of some rail contracting expenditure is now likely to occur later than originally planned – this expenditure is likely to occur between now and the expiry of current contracts in June 2016.
- Increased administrative expenditure of $300k is offset by increased external and internal revenue.

Capital expenditure actual year to date:

- There has also been revenue of $1.4m relating to bus stop assets that had originally been funded by GWRC which have now be gifted back.
- Non-cash expenditure was $0.9m below budget as the budgeted depreciation was too high and did not take into account the transfer of rail station assets from GWRC to GWRL at 30 June 2012
- Expenditure of $1.4m reflecting the revaluation of the interest free Crown loan at 30 June 2013. This loan is revalued each year.

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Public Transport improvement projects

Improvement projects relate to capital works where the underlying asset will not be directly owned by the Council, and therefore are treated as operational expenditure in these accounts. This is predominately rail rolling stock and stations owned by Greater Wellington Rail Limited, or track and signal renewal work owned by KiwiRail. Real time information and bus shelters are capital items owned by the Council.

Public Transport - capex / investment projects

Financial Summary	Year ended 30 June 2013			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Operating revenue	25,767	23,998	1,769	115,928
Operating expenditure	39,243	48,275	(9,032)	-
Operating surplus / (deficit)	**(13,476)**	**(24,277)**	**10,801**	**115,928**
Net capital expenditure	2,255	522	1,733	-

Year to date

Overall, a favourable operating variance of $10.8m due mainly to reduced operating expenditure.

Actual year to date variances to budget:

- Reduced Matangi 1 expenditure of $2.6m reflecting some changes to the timing of payments.
- Timing of station renewals and upgrades has seen lower than expected expenditure of $0.3m.
- Expenditure on the Wellington Depot was $1.3m below budget. This is now expected to be completed in 2013/14.
- Reduced Trolley bus infrastructure renewals expenditure of $3.4m. $3,532k of capital expenditure has been rebudgeted to 2013/14. Wellington Cable Car Ltd are still formulating a business case for a new safety upgrade to the network.

Strategy & Community Engagement

Strategy & Community Engagement				
Financial Summary	**Year ended 30 June 2013**			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Operating revenue	4,666	4,575	91	5,743
Operating expenditure	4,660	4,841	(181)	4,638
Operating surplus / (deficit)	**6**	**(266)**	**272**	**1,105**
Net capital expenditure	85	264	(179)	1,103

Year to date

Overall, a combined favourable operating variance of $272k, comprising lower expenditure of $181k and increased revenue of $91k.

Actual year to date variances to budget:

- Reduced expenditure on consultants, materials and supplies and grants due mainly to timing of payments to external parties.
- Reduced personnel costs due to movement and vacancies in the Group during the year.
- NZTA approved the provision of additional funds for model application and analysis. There was no budget for this income, as at the time of application as it was not guaranteed.

Capital expenditure actual year to date:

- This is $179k less than budget. This is due to a change in the project timeline for the freight matrix update of the transport model. Some milestone payments are falling due in the next financial year.

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Wellington Regional Strategy (WRS)

WRS				
Financial Summary		**Year ended 30 June 2013**		
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Operating revenue	4,668	4,668	-	4,999
Operating expenditure	4,047	4,668	(621)	5,226
Operating surplus / (deficit)	**621**	**-**	**621**	**(227)**
Net capital expenditure	-	-	-	-

Year to date

Overall, a combined favourable operating variance of $893k, comprising lower expenditure of $802k and reduced revenue of $91k.

Actual year to date variances to budget:

- Grant and subsidy expenditure being lower as a result of funding to Grow Wellington being $400k lower than budget due to staff and project changes at Grow Wellington. This underspend will be transferred to the WRS reserve.
- Reduced expenditure on contractors and consultants due to timing of when new activities for the WRS office will commence.

Finance and Support

Finance and Support				
Financial Summary		**Year ended 30 June 2013**		
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Operating revenue	6,433	5,661	772	7,807
Operating expenditure	7,405	7,186	219	8,081
Operating surplus / (deficit)	**(972)**	**(1,525)**	**553**	**(274)**
Net capital expenditure	2,010	1,915	95	428

Year to date

Overall, a favourable operating variance of $553k comprising higher revenue of $772k and higher expenditure of $219k.

Actual year to date variances to budget:

- ICT departments have continued to deliver despite being understaffed, resulting in savings of $193k of personnel costs. Costs of material associated with the Regional Governance work has resulted in the $104k unfavourable variance
- Income of $6.4 million is $772k more than expected. The majority of this is in the ICT department where funding for the Shed 39 ICT renovation projects are being centralised. Departments have contributed $300k of internal revenue which will be utilised for ICT upgrades in shed 39. The rates unit – through rates penalties has received $80k more than expected. The CFO's office also received additional revenue ($80k) as a contribution to the Regional Governance from the working party members.

Capital expenditure actual year to date:

- Capex is $95k more budget. The LiDAR project was originally counted as operational expenditure as it was not going to include a full LiDAR flyover. This project was co-ordinately regional by GWRC at $1.2 million in total with GWRC's share being a capital project and the other contributors' portion being included in operational expenditure (matched with revenue of the same amount).
- Depreciation was a lot higher. The major component being amortisation of software licensing resulting in a $298k increase in depreciation – this has no impact on funding or rates.
- The scope of the desktop refresh has been reduced to be just the software in 2012/13 with the hardware being reviewed after the move to shed 39.

Other Corporate

Other Corporate

Financial Summary $(000)'s	Actual	Year ended 30 June 2013 Budget	Variance	Last Year
Operating revenue	3,697	3,702	(5)	6,202
Operating expenditure	3,593	3,664	(71)	5,980
Operating surplus / (deficit)	**104**	**38**	**66**	**222**
Net capital expenditure	(11)	32	(43)	201

Year to date

Overall, an unfavourable operating variance of $66k as a result of higher expenditure due to:

- Savings noted below being applied to staff training and the relocation of the RCC which have led to the overall deficit.
- There have been savings in consultant costs as HR and Democratic services as conducted negotiations and delivered services without the need for external assistance.
- Further saving in personnel costs due to vacancies within the Group.

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Investment Management

Investment Management				
Financial Summary	**Year ended 30 June 2013**			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Operating revenue	6,945	6,516	429	9,684
Operating expenditure	(5,910)	(5,832)	(78)	(4,065)
Operating surplus / (deficit)	**12,855**	**12,348**	**507**	**13,749**
Net capital expenditure	309	100	209	496

Year to date

Overall, a favourable variance of $507k compared with budget. This is due to:

- Investment revenue is higher than budget. The main contributors are $1,291k from higher interest revenue on money market investments, $176k higher interest earned from liquid financial deposit and $214k lower costs on derivatives. This is offset by a net $442 unfavourable combined variance between Dividend receipts and Subvention receipts from CentrePort.
- Lower finance costs are a main contributor to a higher than budgeted operating expenditure contribution, which are mainly due to slower Capex spend.
- Capital expenditure is $209k above budget. Of the total expenditure $158k relates to the green star certification process based on the plans for the new Masterton office. The balance of $ 151,000 is related to the move to Shed 39.

Deposits and debt

This following graph represents Greater Wellington and WRC Holdings Ltd combined debt position and cash deposits – excluding prefunding.

Greater Wellington's debt before any prefunding, including WRC Holdings – was $213 million at 30 June 2013, compared with $163 million on 30 June 2012. This debt excludes CentrePort debt. The debt increase is mainly due to the payments for the Matangi trains coupled with general Council capital expenditures.

Greater Wellington had $57 million on deposit at 30 June 2013.

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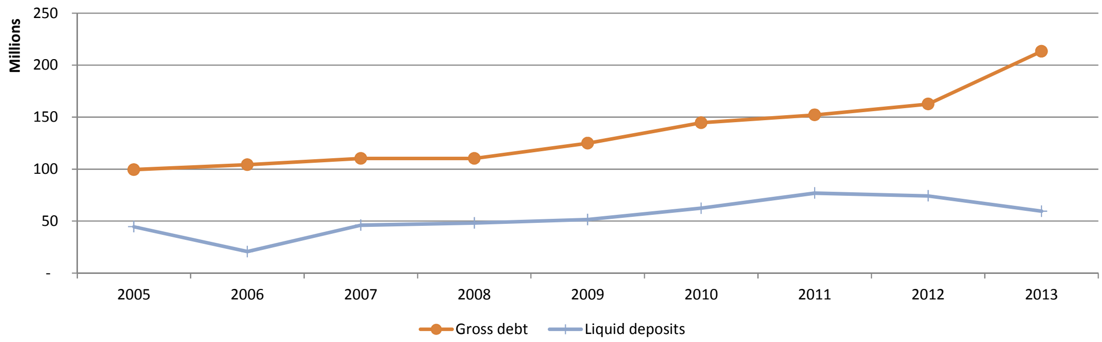
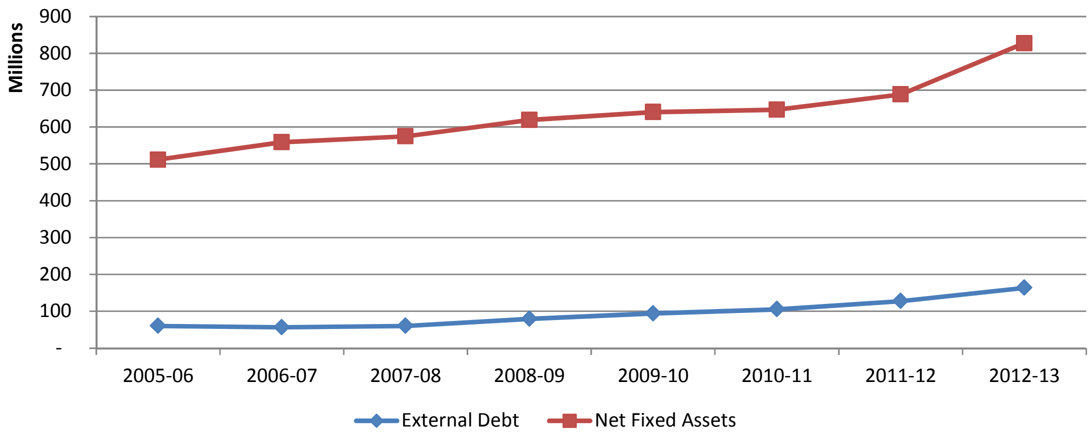
Gross debt and liquid deposits



Council debt compared to net assets



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.

Currently, an interest rate swap is in place from February 2012 until early 2018 to fix the base borrowing rate at 5.75% plus the recent LGFA lending margin, to bring the total new rate to 6.98%. Significant savings continue to result from this debt restructure.

The balance of this loan at 30 June 2013 was $9,679,913.

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Investment management – Non-operational movements

Investment Management - Non-operational

Financial Summary $(000)'s	Actual	Year ended 30 June 2013 Budget	Variance	Last Year
EMU investment - GW Rail	8,533	14,855	(6,322)	3,965
Valuation Movements surplus/(deficit)	4,712	981	3,731	(7,050)
Operating surplus / (deficit)	**13,245**	**15,836**	**(2,591)**	**(3,085)**
Net capital expenditure	-	-	-	-

Year to date

Matangi Investment - The investment in WRC Holdings shares is $6.6 million below budget, which is due to public transport spending less on the Matangi 1 and Matangi 2 projects, and therefore requiring less funding.

Valuation movements relate to the revaluation of debt at year end.

Water

Water Supply

Financial Summary $(000)'s	Actual	Year ended 30 June 2013 Budget	Variance	Last Year
Operating revenue	26,513	27,637	(1,124)	28,003
Operating expenditure	29,739	32,445	(2,706)	31,533
Operational Surplus / (deficit)	**(3,226)**	**(4,808)**	**1,582**	**(3,530)**
Net fixed asset revaluation	108,699	-	108,699	-
Net capital expenditure	9,776	14,792	(5,016)	9,503

Year to date

Overall a favourable operating variance of $1,582k compared to budget.

Actual year to date variances to budget:

- **Internal income/Internal charges:** These variances are the result of accounting changes to the way the Engineering and Projects team's time is charged to capital projects. Previously they were charged to the Assets and Compliance Team and then settled to the capital projects. This time is now charged directly to the capital project eliminating the internal revenue and internal charges transactions. These changes were made to simplify the process and save on time and effort caused by the double handling of the charges. The

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difference between the two variances is the amount of internal charges on-charged to capital projects. The 2013/14 budgets reflect these changes.

- **External Revenue:** $231k better than budget. The majority of the variance is due to unbudgeted charges for work done for external parties and the sale of scrap metal from replaced equipment.
- **Investment revenue:** $159k better than budget. Interest rates gained on invested funds continue to be better than budget. The recovery fund money is invested in the short term money market which at the moment is paying a premium for short term funds.
- **Net personnel costs:** $662k better than budget. The YTD variance is mainly due to the above budget level of cost recovery on capital projects. This is a combination of a degree of under budgeting and a greater effort across the Water Group over the past year in ensuring work on capital projects is properly recorded. 2013/14 budgets have been adjusted to reflect this higher level of recovery.
- **Power used in production/Chemicals.** Power $117k worse than budget. Power cost against budget has been variable during the year on a month by month basis. Some periods of extremely heavy usage – for example, during the summer shortage – have been offset by low per unit charges. We also experienced periods where the opposite was true. These conditions are hard to predict and budget for.

  Chemicals $85k better than budget. Similarly, the volume of individual chemicals used is dependent on the day to day decisions on which water treatment plants are used and at what volumes. This to a large extent is dependent on factors that are difficult to predict
- **Other direct costs:** $175k better than budget. The single biggest variance was a credit against stock adjustments of $187k. This was mainly to account for the increased value of seismic repair and production stock on hand at the end of the year
- **Contractors and consultants:** $332k better than budget. Main saving was in the split of the old development group. The budgets transferred to Water had general provisions for the engagement of consultants on various projects. With the split up of Development this money was not spent
- **Financial costs:** Savings against budget due to capital expenditure being slower than budget therefore delaying the creation of new loans. The delay in the $4.000m land purchase is the single largest contributing project
- **Loss on sale of assets:** The result of the replacement of assets that were not fully depreciated and the residual value write off was not budgeted for. Processes have been put in place to better identify any book value of scheduled asset replacements prior to replacement so these residual amounts can be budgeted for

Capital expenditure actual year to date:

Total capital expenditure was $5m under spent for the year. $4m of this was for the land purchase at Kaitoke which was not completed this financial year. The rest of the under spend is due to the reprioritisation of several projects until next year, combined with a variety of cost savings and increases.

Fixed asset revaluation:

- There has been a net increase of $108.7m as a result of the revaluation of land and infrastructure for water.

Financial Results for the WRC Holdings Group

WRC HOLDINGS GROUP INCOME STATEMENT FOR THE PERIOD ENDED 30 June 2013	YTD as at 30 June			
	Actual $000	Budget $000	Variance $000	Actual $000
Total Revenue	105,524	109,624	(4,100)	198,822
Operating Expenses	85,785	83,163	(2,622)	51,401
Earnings before interest & tax (EBIT)	**19,739**	**26,461**	**(6,722)**	**147,421**
Less:				
Finance costs	9,295	9,543	248	13,727
Revaluation gain/(loss)	(4,110)		4,110	
Net surplus (deficit) before tax & revaluations	**6,334**	**16,918**	**(10,584)**	**133,694**

Notes:

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

The provisional and unaudited result above shows a $10.584 million unfavourable position against budget.

A detailed investigation into the components of the Group result before tax is below:

Greater Wellington Rail Limited:- GWRL is $6.965 million unfavourable to budget. This is predominately due to a $8.9 million loss on disposal of the first tranche of the Ganz Mavag trains. NB The Ganz Mavag were initially written up after receiving them from KiwiRail for nil consideration.

CentrePort:- Posted a favourable result against a budget of $721K before tax. This was due to lower operating cost of $1.080 million, offset by unfavourable Equity earnings from joint ventures of $341K.

Port Investments Limited:- PIL is $256K unfavourable to budget due non receipt of subvention revenue. Subvention revenue was budgeted at $1 million but paid to GW directly. This is offset by the extra dividend of $654K paid out by CentrePort. This extra dividend is then eliminated from the group results.

Pringle House Investments:- PHL is $3.784 million unfavourable to budget after tax. The property was written down by $4.110 million offset by a $326K better operating position, leaving the company with no equity.

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FUNDING IMPACT STATEMENT

Greater Wellington Regional Council
Funding Impact Statement
Year ended 30 June 2013

Funding Impact Statement $(000)'s	Year ended 30 June 2013 Actual	Budget	Variance	Last Year
Targeted Rates	61,536	61,536	-	59,194
General Rate	28,018	27,468	550	26,041
Regional Rates	**89,554**	**89,004**	**550**	**85,235**
Regional Water Supply Levies	24,890	24,888	2	24,164
Warm Greater Wellington Rates	1,095	1,253	(158)	371
Grants and Subsidies Revenue	70,026	77,500	(7,474)	168,676
Other Operating Revenue	13,654	15,520	(1,866)	(71,064)
Total Operating Revenue	**199,219**	**208,165**	**(8,946)**	**207,382**
Operational Costs	78,747	84,007	5,260	(14,618)
Grants and Subsidies Expenditure	110,398	121,433	11,035	207,208
Finance Costs	7,925	8,173	248	7,233
Total Operating Expenditure	**197,070**	**213,613**	**16,543**	**199,823**
Operating Surplus / (Deficit) before Transport Improvements	**2,149**	**(5,448)**	**7,597**	**7,559**
Transport Improvement revenue	25,767	23,998	1,769	115,928
Transport Improvement expenditure	(39,243)	(48,275)	9,032	(129,117)
Operating Surplus / (Deficit) fromTransport Improvements	**(13,476)**	**(24,277)**	**10,801**	**(13,189)**
Operating Surplus before other movements	**(11,327)**	**(29,725)**	**18,398**	**(5,630)**
Revaluation of debt and stadium advance	4,712	981	3,731	(7,050)
Revaluation of Transport Interest free debt	(1,444)	-	(1,444)	(1,337)
Revaluation of forestry (ETS and Trees)	(320)	2,629	(2,949)	2,683
Forestry cost of goods sold	(530)	(561)	31	(521)
Warm Greater Wellington	-	-	-	-
EMU investment - GW Rail	8,533	14,855	(6,322)	3,965
Total other movements	**10,951**	**17,904**	**(6,953)**	**(2,260)**
Operating Surplus / (Deficit)	**(376)**	**(11,821)**	**11,445**	**(7,890)**
Add Back Non Cash Items	14,292	9,623	4,669	18,479
Cash operating surplus/(deficit)	**13,916**	**(2,198)**	**16,114**	**10,589**
Less:				
Net capital expenditure	26,776	29,170	(2,394)	23,281
Debt movements	(34,427)	(47,890)	13,463	(22,372)
Investment movements	(6,238)	16,523	(22,761)	(4,974)
Other movements	(27)	4,395	(4,422)	(6,524)
Net Funding Surplus / (Deficit)	**-**	**-**	**-**	**-**

Balance Sheet

Greater Wellington Regional Council
Balance Sheet
Year ended 30 June 2013

$(000)'s	**June 2013 Actual**	**June 2013 Budget**	**June 2012 Actual**
Bank	8	7	7
Receivables	12,362	14,318	18,138
Accrued Revenue and Prepayments	23,617	26,334	20,206
Inventory	3,002	2,759	2,733
Total Current Assets	38,989	43,418	41,084
Other Investments	62,003	85,845	76,593
Forestry Investments	22,825	14,834	22,064
Derived Financial Instruments	(3,808)	(7,623)	(8,446)
Investment in Subsidiaries	68,514	80,142	59,981
Total Investments	149,534	173,198	150,192
Fixed Asset at cost or valuation	861,780	765,449	751,461
less Accumulated Depreciation	(33,487)	(73,903)	(61,022)
Net Fixed Assets	828,293	691,546	690,439
Capital Works In Progess	756	2,829	14,449
Non Current Assets	978,583	867,573	855,080
Total Assets	**1,017,572**	**910,991**	**896,164**
less:			
Current Liabilities	21,091	49,922	61,878
Non Current Liabilities	170,953	202,247	118,293
Total Liabilities	**192,044**	**252,169**	**180,171**
Net Assets	**825,528**	**658,822**	**715,993**
Total Retained Earnings	351,925	337,873	358,601
Asset Revaluation Reserves	448,112	303,567	334,232
Other Reserves	25,491	17,382	23,160
Total Ratepayer Funds	**825,528**	**658,822**	**715,993**

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COMPLIANCE WITH TREASURY RISK MANAGEMENT

COMPLIANCE WITH TREASURY RISK MANAGEMENT POLICY

Summary Treasury Report
As at 30 June 2013

Ref TMP	Total Council Limit Compliance Analysis		Compliant Yes	Compliant No	actual %
6.1.3	The fixed net interest rate debt and swaps are to be between 40% and 95% of the total forecasted debt in 12 month time		✓		85%
6.1.3	The maturity of fixed rate debt is within the following timebands				
	1 - 3 years	15% - 60%		✓	13%
	3 - 5 years	15% - 60%	✓		41%
	> 5 years	0% - 60%	✓		46%
6.2.2	The maturity of total external debt less liquid financial investments to fall within the following timebands				
	0 - 3 years	15% - 60%	✓		44%
	3 - 5 years	15% - 60%	✓		32%
	> 5 years	10% - 60%	✓		24%
6.3	Countreparty credit exposure with New Zealand registerd banks which have a credit rating of at least A-, long term, and A2 short term		✓		
6.2.1	Other countreparty exposure within policy limits		✓		
6.2.1	Maximum countreparty exposure with a NZ registered bank is within $70 million limit		✓		

		Compliant Yes	Compliant No	actual %
The repricing of liquid financial investments are to occur within the following timebands				
0 -1 year	40% - 100%	✓		100%
1 - 3 years	0% - 60%	✓		0%
3 - 5 years	0% - 40%	✓		0%
5 -10 years	0% - 20%	✓		0%
Core Council External Borrowing Limits - Ratios				
Net interest / Total Revenue < 20%		✓		1.8%
Net Debt / Total Revenue < 250%		✓		55.2%
Net interest / Annual rates and levies < 30%		✓		3.5%
Liquidity > 110%		✓		135%

The policy breach in the 1 - 3 year time band has been indicated to and noted by the council, as swaps have been entered into which are related to the significat debt increase resulting from the purchase of the Matangi 2 trains. By increasing hedging in the > 5 year band the percentage in the 1-3 year band automatically reduces. In time this breach will go.

Note : Diesel Hedging is not in place

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