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Committee Council  
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## Finance report for the period ended 30 September 2013

### 1. Purpose

To inform the Council of Greater Wellington Regional Council's preliminary financial performance for the three months ended 30 September 2013 and to provide an explanation of major variances to budget by group.

### 2. 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.

### 3. The decision-making process and significance

No decision is being sought in this report.

### 4. Recommendations

*That the Council:*

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

Report prepared by:

Report approved by:

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Manager, Finance & Support

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Chief Financial Officer

Attachment 1: Finance report 30 September 2013

# Finance REPORT



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30 September 2013

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# 1 COUNCIL SUMMARY

## 1.1 Overview

Overall at the operating surplus level, before transport improvements, the result for the council is favourable by \$2,917k relative to budget. When the transport improvement numbers and non-operational movements are included then the financial results for the first three months were \$644k favourable compared to budget. This is mainly due to reduced expenditure in public transport and good forestry returns being offset by a large increase in depreciation as a result of the 2013 water revaluation.



## 1.2 Council Financial Performance

### Year to date

Greater Wellington achieved an operating surplus of \$1,849k (budget, a deficit of \$1,068k) for the three months to 30 September, a \$2,917k favourable result. This result excludes revenue and expenditure for public transport capital and improvement projects and the non-operational movements. Including these amounts, Greater Wellington made a surplus of \$954k (budget, a surplus of \$310k), a favourable variance of \$644k. Details by group follow in section 2.

## 1.3 Financial Summary

Summary Income Statement \$(000)'s	3 Months ended 30 September 2013			
	Actual	Budget	Variance	Last Year
Regional Rates	22,901	22,826	75	91,304
Regional Water Supply Levies	6,409	6,409	-	25,635
Other Operating Revenue	22,758	22,891	(133)	(66,522)
<b>Total Operating Revenue</b>	<b>52,068</b>	<b>52,126</b>	<b>(58)</b>	<b>50,417</b>
Operational Costs	50,219	53,194	2,975	48,081
<b>Operating Surplus / (Deficit) before Transport Improvements</b>	<b>1,849</b>	<b>(1,068)</b>	<b>2,917</b>	<b>2,336</b>
Operating Surplus / (Deficit) from Transport Improvements	1,297	1,540	(243)	(8,337)
<b>Operating Surplus before other movements</b>	<b>3,146</b>	<b>472</b>	<b>2,674</b>	<b>(6,001)</b>
Non-operational movements	(2,192)	(162)	(2,030)	(174)
<b>Operating Surplus / (Deficit)</b>	<b>954</b>	<b>310</b>	<b>644</b>	<b>(6,175)</b>

## 1.4 Financial Summary by Group

Greater Wellington Regional Council				
Summary income statement - Operating Surplus / (Deficit)				
Total operating surplus / (deficit) \$(000)'s	3 Months ended 30 September 2013			
	Actual	Budget	Variance	Last Year
Catchment Management	893	926	(33)	1,202
Forestry	740	2	738	(134)
Environmental Management	242	(25)	267	205
Regional Parks	76	(92)	168	184
Wairarapa Water Use project	(32)	(65)	33	62
Public Transport	688	(630)	1,318	1,355
Strategy & Community Engagement	240	(46)	286	96
WRS	36	-	36	97
Other Corporate	68	26	42	173
Emergency Management	(170)	(66)	(104)	227
Finance and Support	(314)	(390)	76	(242)
<b>Total operational surplus / (deficit)</b>	<b>2,467</b>	<b>(360)</b>	<b>2,827</b>	<b>3,225</b>
Investment Management	2,310	2,697	(387)	2,712
Business unit rates contribution	(2,600)	(2,602)	2	(2,839)
<b>Total rates funded operating surplus / (deficit)</b>	<b>2,177</b>	<b>(265)</b>	<b>2,442</b>	<b>3,098</b>
Water Supply	(328)	(803)	475	(762)
<b>Total rates &amp; levy funded operating surplus / (deficit)</b>	<b>1,849</b>	<b>(1,068)</b>	<b>2,917</b>	<b>2,336</b>
<b>Non-operational movements</b>				
Forestry cost of goods sold	(242)	(162)	(80)	(170)
Additional depreciation from 2013 Water Revaluation	(1,950)	-	(1,950)	-
Warm Greater Wellington	-	-	-	(4)
EMU investment - GW Rail	-	-	-	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	1,297	1,540	(243)	(8,337)
<b>Total non-operational surplus / (deficit)</b>	<b>(895)</b>	<b>1,378</b>	<b>(2,273)</b>	<b>(8,511)</b>
<b>Total council surplus / (deficit)</b>	<b>954</b>	<b>310</b>	<b>644</b>	<b>(6,175)</b>

## 1.5 Forecast to 30 June 2014

Greater Wellington is forecasting an operating deficit of \$4,442k (budget, a deficit of \$4,481k) for the year to 30 June 2014. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington is forecasting a deficit of \$1,510k (budget, a surplus of \$3,371k). The primary difference is a forecast \$5m increase in depreciation as a result of the 30 June 2013 revaluation of the water supply assets. Details by group follow in section 2.

## 1.6 Financial forecast

Summary Income Statement \$(000)'s	Year ending 30 June 2014			
	Forecast	Budget	Variance	Last Year
Regional Rates	91,304	91,304	-	90,114
Regional Water Supply Levies	25,635	25,635	-	24,890
Other Operating Revenue	91,970	91,591	379	91,925
<b>Total Operating Revenue</b>	<b>208,909</b>	<b>208,530</b>	<b>379</b>	<b>206,929</b>
Operational Costs	213,351	213,011	(340)	199,772
<b>Operating Surplus / (Deficit) before Transport Improvements</b>	<b>(4,442)</b>	<b>(4,481)</b>	<b>39</b>	<b>7,157</b>
Operating Surplus / (Deficit) from Transport Improvements	5,183	5,103	80	(18,129)
<b>Operating Surplus before other movements</b>	<b>741</b>	<b>622</b>	<b>119</b>	<b>(10,972)</b>
Non-operational movements	(2,251)	2,749	(5,000)	11,503
<b>Operating Surplus / (Deficit)</b>	<b>(1,510)</b>	<b>3,371</b>	<b>(4,881)</b>	<b>531</b>
Net fixed asset revaluations	-	-	-	111,102
<b>Total council comprehensive income</b>	<b>(1,510)</b>	<b>3,371</b>	<b>(4,881)</b>	<b>111,633</b>

## 1.7 Financial forecast by Group

Total operating surplus / (deficit) \$(000)'s	Year ending 30 June 2014			
	Forecast	Budget	Variance	Last Year
Catchment Management	2,667	2,595	72	2,975
Forestry	3	6	(3)	(268)
Environmental Management	(275)	(75)	(200)	(323)
Regional Parks	(283)	(283)	-	(301)
Wairarapa Water Use project	(12)	(12)	-	(5)
Public Transport	(2,344)	(2,598)	254	6,110
Strategy & Community Engagement	(321)	(299)	(22)	(1)
WRS	-	-	-	621
Other Corporate	(245)	(245)	-	100
Emergency Management	(264)	(264)	-	424
Finance and Support	(1,454)	(1,730)	276	(418)
<b>Total operational surplus / (deficit)</b>	<b>(2,528)</b>	<b>(2,905)</b>	<b>377</b>	<b>8,914</b>
Investment Management	12,017	12,053	(36)	12,856
Business unit rates contribution	(10,406)	(10,406)	-	(11,359)
<b>Total rates funded operating surplus / (deficit)</b>	<b>(917)</b>	<b>(1,258)</b>	<b>341</b>	<b>10,411</b>
Water Supply	(3,525)	(3,223)	(302)	(3,254)
<b>Total rates &amp; levy funded operating surplus / (deficit)</b>	<b>(4,442)</b>	<b>(4,481)</b>	<b>39</b>	<b>7,157</b>
<b>Non-operational movements</b>				
Forestry cost of goods sold	(647)	(647)	-	(530)
Additional depreciation from 2013 Water Revaluation	(5,000)	-	(5,000)	-
Warm Greater Wellington	-	-	-	-
EMJ investment - GW Rail	-	-	-	8,533
Public Transport net surplus / (deficit) on capital, improvement and investment projects	5,183	5,103	80	(18,129)
<b>Total non-operational surplus / (deficit)</b>	<b>2,932</b>	<b>7,852</b>	<b>(4,920)</b>	<b>(6,626)</b>
<b>Total council surplus / (deficit)</b>	<b>(1,510)</b>	<b>3,371</b>	<b>(4,881)</b>	<b>531</b>
Net fixed asset revaluations	-	-	-	111,102
<b>Total council comprehensive income</b>	<b>(1,510)</b>	<b>3,371</b>	<b>(4,881)</b>	<b>111,633</b>

## 1.8 Capital expenditure

### Capital expenditure by Group

Capital expenditure is \$8,157k below budget, year to date. This is due the land purchase for lake three not been completed for Water Supply, the fit out expenditure on shed 39 and the public transport capital, improvement and investment expenditure being later than planned. Details by group follow in section 2.

Total capital and transport investment and improvement expenditure \$(000)'s	3 Months ended 30 September 2013			
	Actual	Budget	Variance	Last Year
Catchment Management	408	466	58	1,454
Forestry	135	101	(34)	54
Environmental Management	(2)	-	2	55
Regional Parks	215	35	(180)	37
Wairarapa Water Use project	196	62	(134)	146
Public Transport capital projects	849	583	(266)	388
Strategy & Community Engagement	50	62	12	(10)
Other Corporate	-	-	-	(11)
Emergency Management	-	-	-	-
Finance, ICT and Support	237	195	(42)	(12)
<b>Total capital expenditure</b>	<b>2,088</b>	<b>1,504</b>	<b>(584)</b>	<b>2,101</b>
Investment and property management	55	500	445	97
<b>Total rates funded capital expenditure</b>	<b>2,143</b>	<b>2,004</b>	<b>(139)</b>	<b>2,198</b>
Water Supply	1,306	5,980	4,674	1,708
<b>Total rates &amp; levy funded capital expenditure</b>	<b>3,449</b>	<b>7,984</b>	<b>4,535</b>	<b>3,906</b>
Public Transport improvement and investment projects	7,940	11,562	3,622	21,263
<b>Total council capital and transport investment expenditure</b>	<b>11,389</b>	<b>19,546</b>	<b>8,157</b>	<b>25,169</b>



## Capital expenditure forecast by Group

Capital expenditure is forecast to be \$1.06m more than budget by year end. This is primarily due to changes within public transport which are discussed in section 2.

Total capital and transport investment and improvement expenditure \$(000)'s	Year ending 30 June 2014			
	Forecast	Budget	Variance	Last Year
Catchment Management	4,460	4,331	(129)	10,259
Forestry	404	404	-	214
Environmental Management	240	240	-	250
Regional Parks	1,033	1,033	-	837
Wairarapa Water Use project	271	271	-	597
Public Transport capital projects	1,946	1,946	-	2,314
Strategy & Community Engagement	269	269	-	85
Other Corporate	46	46	-	(11)
Emergency Management	-	-	-	137
Finance, ICT and Support	2,748	3,180	432	2,010
<b>Total capital expenditure</b>	<b>11,417</b>	<b>11,720</b>	<b>303</b>	<b>16,692</b>
Investment and property management	2,618	2,500	(118)	309
<b>Total rates funded capital expenditure</b>	<b>14,035</b>	<b>14,220</b>	<b>185</b>	<b>17,001</b>
Water Supply	9,981	9,981	-	9,776
<b>Total rates &amp; levy funded capital expenditure</b>	<b>24,016</b>	<b>24,201</b>	<b>185</b>	<b>26,777</b>
Public Transport improvement and investment projects	37,528	36,278	(1,250)	39,018
<b>Total council capital and transport investment expenditure</b>	<b>61,544</b>	<b>60,479</b>	<b>(1,065)</b>	<b>65,795</b>

# 2 FINANCIAL PERFORMANCE BY GROUP

## 2.1 Catchment Management

Catchment Management								
Financial Summary \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	8,379	8,498	(119)	8,311	30,955	31,137	(182)	32,104
Operating expenditure	7,486	7,572	(86)	7,109	28,288	28,542	(254)	29,129
Operating surplus / (deficit)	893	926	(33)	1,202	2,667	2,595	72	2,975
Net fixed asset revaluation	-	-	-	-	-	-	-	-
Net capital expenditure	408	466	(58)	1,454	4,460	4,331	129	10,259

### Year to date

An unfavourable operating variance of \$33k, comprising lower revenue of \$119k and lower operating costs of \$86k.

#### Operating revenue is lower than budget due mainly to:

- ▶ BioWorks external revenue \$181k below budget due to the timing of the TB Free contracts.
- ▶ Additional external revenue of \$90k for the Wairarapa Moana project due to a carry forward from 12/13.

#### Operating expenditure was lower than budget due to:

- ▶ BioWorks materials and supplies was \$78k above budget due to bait purchases for aerial operations.
- ▶ Grants & Subsidies expenditure for Biosecurity \$106k below budget due to timing of the work programme.
- ▶ Contract expenditure for Biosecurity was \$110k below budget due the timing of pest plant programmes.

**Capital expenditure is \$58k lower than budget, primarily due to:**

- ▶ Flood Protection capital investigation expenditure was \$76k behind budget due to timing of the Waiohine and UWVFMP projects.
- ▶ Flood Protection asset expenditure was \$61k unfavourable relating to the timing of two 12/13 vehicle acquisitions.

## Forecast to 30 June 2014

The forecast operating surplus is \$72k above budget.

**Operating revenue is forecast to be below budget due to:**

- ▶ Reduced external revenue of \$115k from Akura due to lower sales than expected.
- ▶ Reduced property plan development reducing revenue by \$97k in Land Management.

**Operating expenditure is also forecast to be below budget due to:**

- ▶ Costs will be reduced at Akura in line with reduced revenue
- ▶ Reduced consultancy costs due to a lower level of farm plans being provided.

**The forecast capital expenditure to June 2014 is expected to be \$129k higher than budget due to:**

- ▶ Deferral of:
  - Otaki River North Stopbank improvements \$250k.
  - Otaki River Works Mouth to SH1 \$370k.
  - Waiohine Stopbank improvements \$300k.
- ▶ Additional expenditure of:
  - \$240k for Otaki River Works Chrystalls to Gorge.
  - \$297k for the UWVFMP Phase 2.
  - \$100k for Boulcott Stopbank project (still within overall project budget)
  - \$103k for the Waiohine FMP and flood hazard website development.
  - \$255k for Biosecurity portacom.

## 2.2 Environmental Management

Environmental Management								
Financial Summary \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	3,855	3,595	260	3,475	14,384	14,384	-	13,541
Operating expenditure	3,613	3,620	(7)	3,270	14,659	14,459	200	13,864
Operating surplus / (deficit)	242	(25)	267	205	(275)	(75)	(200)	(323)
Net capital expenditure	(2)	-	(2)	55	240	240	-	250

## Year to date

Overall, a favourable operating variance of \$267k, comprising higher revenue of \$260k and lower expenditure of \$7k.

### Operating revenue is ahead of budget primarily due to:

- ▶ Regulation invoiced \$478k in September to bring external income for the quarter to \$671k which is \$204k more than budget. This included invoices for 3 notified consents, KCDC water supply Winstone Aggregates and NCI Packaging. There was also additional revenue for RONS projects.

### Operating expenditure was lower than budget due mainly to:

- ▶ Staff costs, travel and vehicle costs and contractors & consultants are all close to budget and materials spend is less than budget following a review of all outstanding purchase orders.
- ▶ These savings are offset by consultants & contractors spend of \$275k which is \$178k more than budget and includes Hearing commissioners costs, contracts for earthworks monitoring, contract staff for consent processing, enforcement legal costs and technical advice for RONS projects. The forecast expenditure has been increased by \$200k for external advice on consents and the RONS projects

## Forecast to 30 June 2013

Forecast has been updated to increase the net deficit by \$200k for additional consultant and staff back-fill costs for enforcement, the RONS projects advice, monitoring and earthworks compliance projects.

## 2.3 Forestry

Forestry		3 Months ended 30 September 2013				Year ending 30 June 2014			
Financial Summary		Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
\$(000)'s									
Operating revenue		3,990	2,286	1,704	2,122	9,145	9,145	-	8,383
Operating expenditure		3,250	2,284	966	2,256	9,142	9,139	3	8,651
Cash Operating surplus / (deficit)		740	2	738	(134)	3	6	(3)	(268)
Revaluation of forestry (ETS and Trees)		-	-	-	-	2,661	2,661	-	232
Forestry cost of goods sold		(242)	(162)	(80)	(170)	(647)	(647)	-	(530)
Operating surplus / (deficit)		498	(160)	658	(304)	2,017	2,020	(3)	(566)
Net fixed asset revaluation		-	-	-	-	-	-	-	(1,511)
Net capital expenditure		135	101	34	54	404	404	-	214

## Year to date

A favourable operating variance of \$738k prior to cost of goods sold

### Operating revenue is ahead of budget primarily due to:

- ▶ Favourable external logging revenue is due to larger log volumes harvested in the first three months of the year, particularly in the Wairarapa. Prices have held up and lower maintenance and contractors costs than budgeted.

## Forecast to 30 June 2014

The forecast is in line with budget and will be reviewed at the half year.

## 2.4 Regional Parks

Regional Parks									
Financial Summary \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014				
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year	
Operating revenue	1,585	1,448	137	1,428	6,079	5,879	200	5,818	
Operating expenditure	1,509	1,540	(31)	1,244	6,362	6,162	200	6,119	
<b>Operating surplus / (deficit)</b>	<b>76</b>	<b>(92)</b>	<b>168</b>	<b>184</b>	<b>(283)</b>	<b>(283)</b>	<b>-</b>	<b>(301)</b>	
Net fixed asset revaluation	-	-	-	-	-	-	-	3,899	
Net capital expenditure	215	35	180	37	1,033	1,033	-	837	

## Year to date

A favourable operating variance of \$168k, due to increased revenue of \$137k and lower expenditure of \$31k.

### Operating Revenue was higher than budget due to:

- ▶ Additional external income of \$164k from logging activities in Belmont Park, this revenue is offset by harvesting costs.

### Operating expenditure is slightly lower than budget due to:

- ▶ Consultants & contractors includes an additional \$176k for the costs of Belmont logging.
- ▶ Personal costs are below budget due to vacancies and a higher level of staff resources charges to capital projects
- ▶ Material costs have been lower than anticipated in the first quarter

Capital expenditure was \$180k above budget due primarily to:

- ▶ Spend on the capital projects which include QEP heritage project being ahead of the budgeted programme. The forecast remains in line with budget.

## Forecast to 30 June 2014

- ▶ The forecast has been updated to include \$200k logging income and \$200k logging costs in Belmont Park which has nil impact on the net result.

## 2.5 Public Transport

Public Transport								
Financial Summary \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	23,811	25,689	(1,878)	24,567	102,572	102,856	(284)	101,051
Operating expenditure	23,123	26,319	(3,196)	23,212	104,916	105,454	(538)	94,941
Operating surplus / (deficit)	688	(630)	1,318	1,355	(2,344)	(2,598)	254	6,110

## Year to date

A favourable operating variance of \$1,318k, comprising lower expenditure of \$3,196k and reduced revenue of \$1,878k.

### Operating revenue was \$1,878k below budget due to:

- ▶ Grants and subsidies revenue was \$1.8 million below budget which reflects the reduction in operational expenditure for the year.

### Operating expenditure is \$3,196k below budget primarily due to:

- ▶ Network renewals costs was \$0.7 million below budget because of reduced track work.
- ▶ Train maintenance expenditure was \$0.3 million below budget. There was less unplanned work on the Ganz Mavag trains than budgeted.
- ▶ Diesel bus operations expenditure was \$7.3 million which is \$0.3 million below budget primarily because contractual inflation payments for the fourth quarter of 2012/13 were less than accrued at year-end.
- ▶ Trolley bus operations expenditure was \$1.9 million which is \$0.5 million below budget. There were changes to the timing of related trolley bus operational costs and cost reductions from services not run.
- ▶ Projects and planning expenditure was \$0.3 million below budget. The Integrated Ticketing Investigation has commenced but expenditure has been minimal.
- ▶ PTOM expenditure was \$0.2 million or \$0.3 million below budget. Timing of PTOM major expenditure is now likely to occur later than originally planned.
- ▶ There have also been favourable variances in other areas of SuperGold, Bus Shelter Maintenance and Total Mobility as a result of timing of expenditure.

## Forecast to 30 June 2014

The overall forecast deficit of \$2,344k is \$254k better than budget. This is due to lower revenue and expenditure.

### Operating revenue is forecast to be \$284k below budget due to:

- ▶ Lower grants and subsidies revenue because of a reduction in expenditure detailed below.

### Operating expenditure is forecast to be \$538k below budget due to:

- ▶ Rail contract expenditure forecast to be \$207k below budget because of savings in rail operating costs.
- ▶ Diesel bus contract expenditure is forecast to be \$260k below budget because of oil prices and \$NZ/\$US exchange rate.
- ▶ Trolley bus operations full year forecast expenditure is \$100k below budget.

## 2.6 Public Transport capital and 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.

Capital projects are projects that improve (or create) assets owned by GWRC.

Public Transport capital, improvement and investment projects									
Financial Summary \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014				
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year	
Operating revenue	2,722	3,528	(806)	12,926	17,063	17,063	-	20,889	
Operating expenditure	1,425	1,988	(563)	21,263	11,880	11,960	(80)	39,018	
Operating surplus / (deficit)	1,297	1,540	(243)	(8,337)	5,183	5,103	80	(18,129)	
Public Transport capital projects	849	583	(266)	388	1,946	1,946	-	2,314	
Public Transport improvement and investment projects	7,940	11,562	3,622	21,263	37,528	36,278	(1,250)	39,018	
<b>Net capital, improvement and investment expenditure</b>	<b>8,789</b>	<b>12,145</b>	<b>3,356</b>	<b>21,651</b>	<b>39,474</b>	<b>38,224</b>	<b>(1,250)</b>	<b>41,332</b>	

## Year to date

Overall, an unfavourable operating variance of \$243k due mainly to reduced operating expenditure and reduced revenue.

**Operating revenue was \$806k lower than budget due to:**

- ▶ The Grant & Subsidies revenue was \$1.2 million below budget of a reduction in expenditure detailed below.
- ▶ This is offset by the revenue of \$0.4 million is non-cash revenue being the bus stop assets that had originally been funded by GWRC which have now been gifted back to us by Upper Hutt City Council and Kapiti Coast District Council.

**Operating expenditure was \$563k lower than budget due to:**

- ▶ Reduced finance costs of approx. \$200k.
- ▶ Trolley bus infrastructure renewals was \$0.4 million below budget. The majority of this under spending relates to the business case items that have not yet been approved.

**Capital expenditure is \$3.4m less than budget mainly due to:**

This reduction in expenditure primarily relates to changes to the timing of projects expenditure including:

- ▶ Real Time Information project
- ▶ New Matangi trains
- ▶ Station renewals and upgrades

## Forecast to 30 June 2014

The forecast operating surplus is in line with budget.

The forecast net capital spend is \$1.3m ahead of budget. This is mainly due to change to the timing of expenditure relating to Matangi 2 trains - the total project budget remains at \$170.2 million.

## 2.7 Strategy & Community Engagement

Strategy & Community Engagement								
Financial Summary \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,071	1,169	(98)	1,016	4,669	4,669	-	4,666
Operating expenditure	831	1,215	(384)	920	4,990	4,968	22	4,667
<b>Operating surplus / (deficit)</b>	<b>240</b>	<b>(46)</b>	<b>286</b>	<b>96</b>	<b>(321)</b>	<b>(299)</b>	<b>(22)</b>	<b>(1)</b>
Net capital expenditure	50	62	(12)	(10)	269	269	-	85



## Year to date

Overall, a favourable operating variance of \$286k, comprising lower expenditure of \$384k and reduced revenue of \$98k.

### Operating revenue is lower than budget due to:

- ▶ Reduced grant revenue from NZTA due to lower expenditure on projects that receive funding.

### Operating expenditure was lower than budget due to:

- ▶ Reduced expenditure on consultants, materials and supplies due mainly to timing of the projects.
- ▶ Reduced expenditure on Iwi Projects and GW capacity training of \$41k to date this is expected to be on track as the year progresses.
- ▶ Reduced personnel costs due to vacancies.
- ▶ Printing costs for the Annual Plan and Annual report were lower than accrued for at the previous year end.

## Forecast to 30 June 2014

### The forecast operating surplus is \$22k lower than budget due to:

- ▶ The adjustment to forecast is a result of higher software licence costs this year.

## 2.8 WRS

WRS								
Financial Summary \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,158	1,158	-	1,167	4,631	4,631	-	4,668
Operating expenditure	1,122	1,158	(36)	1,070	4,631	4,631	-	4,047
Operating surplus / (deficit)	36	-	36	97	-	-	-	621

## Year to date

Overall, a favourable operating variance of \$36k, comprising lower expenditure of \$36k.

### Operating expenditure was lower than budget due to:

- ▶ Reduced expenditure on consultants (\$20k) due mainly to timing of payments to external parties.
- ▶ Reduced grant expenditure paid to Grow Wellington which is \$16k below budget.

## Forecast to 30 June 2014

The forecast is in line with budget and will be reviewed at the half year.

## 2.9 Finance ICT and Support

Finance and Support									
Financial Summary \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014				
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year	
Operating revenue	1,365	1,446	(81)	1,392	5,785	5,785	-	6,992	
Operating expenditure	1,679	1,836	(157)	1,634	7,239	7,515	(276)	7,410	
<b>Operating surplus / (deficit)</b>	<b>(314)</b>	<b>(390)</b>	<b>76</b>	<b>(242)</b>	<b>(1,454)</b>	<b>(1,730)</b>	<b>276</b>	<b>(418)</b>	
Net capital expenditure	237	195	42	(12)	2,748	3,180	(432)	2,010	

### Year to date

Overall, a favourable operating variance of \$76k comprising lower revenue of \$81k and lower expenditure of \$157k.

#### Operating revenue is lower than budget due to:

- ▶ External revenue is less than expected. This is largely driven by rates penalties which are quite variable year to year.

#### Operating expenditure was lower than budget due to:

- ▶ Personnel costs are under budget as the Group looks to fill vacancies in ICT.
- ▶ The above savings have been offset by the early and hurried shift to Harbour Quays due to the earthquake have resulted in an additional \$147k of property related expenditure including travel, storage, equipment hire and property services costs.
- ▶ Rent costs are also ahead of budget as rent is being incurred on both RCC and more recently Shed 39. RCC rent is being reviewed with the Pringle House Limited Board.

#### Capital expenditure is higher than budget:

- ▶ Capital expenditure is currently tracking slightly ahead of budget but forecast to be below budget by year end.

## Forecast to 30 June 2014

Capital expenditure in the previous year has resulted in depreciation being lower than budgeted in the current year. This will remain throughout the year and hence the adjustment to forecast depreciation.

A net increase of \$100k in property services as a result of the early and rushed relocation to Shed 39.

Capital expenditure for the year is forecast to be \$432k less than budget due to:

- ▶ The regional ICT review will result in some delays to projects particularly the hummingbird document management system replacement or upgrade.

## 2.10 Emergency Management

Emergency Management								
Financial Summary \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	424	706	(282)	843	2,823	2,823	-	3,207
Operating expenditure	594	772	(178)	616	3,087	3,087	-	2,783
<b>Operating surplus / (deficit)</b>	<b>(170)</b>	<b>(66)</b>	<b>(104)</b>	<b>227</b>	<b>(264)</b>	<b>(264)</b>	<b>-</b>	<b>424</b>
Net capital expenditure	-	-	-	-	-	-	-	137

### Year to date

Overall, an unfavourable operating variance of \$104k comprising lower revenue of \$282k and lower expenditure of \$178k.

#### Operating revenue is lower than budget due to:

- ▶ Revenue is below budget due to the timing of the invoices being raised to the Territorial local authorities which have since been raised. This year the costs are shared on a population basis.

#### Operating expenditure is lower than budget due to:

- ▶ Saving in personnel costs due to vacancies
- ▶ Lower planned awareness expenditure and activity due to the activities.

### Forecast to 30 June 2014

No change for the 2013/14 year compared to budget.

## 2.11 Warm Greater Wellington

Warm Greater Wellington								
Financial Summary \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	428	757	(329)	274	3,029	3,029	-	1,100
Operating expenditure	428	757	(329)	278	3,029	3,029	-	1,100
<b>Operating surplus / (deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Year to date

Overall, a break-even position, comprising lower revenue of \$329k and lower expenditure of \$329k.

### Operating revenue is lower than budget due to:

- ▶ Rates revenue is below budget as the rates are calculated on the actual outstanding advances at 30 June 2013 which were lower than budgeted. This was due to a lower cash level of advances provided in 2012\_13 and a much larger than expected number of full repayments as houses sold and rates being set after the budgets were adopted.

### Operating expenditure is lower than budget due to:

- ▶ The accounting treatment for this programme is that expenditure will match revenue as the programme progresses, resulting in a nil surplus / deficit. The costs of the programme are amortised back in line with the rates revenue.
- ▶ Only the ratepayers participating in the scheme fund this programme

## Forecast to 30 June 2014

Rates and expenditure are forecast down in line with the actual rates charged for the year.

## 2.12 Investment Management

Investment Management								
Financial Summary \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,371	1,095	276	1,315	7,473	6,828	645	6,945
Operating expenditure net of internal interest revenue	(939)	(1,602)	663	(1,397)	(4,544)	(5,225)	681	(5,911)
<b>Operating surplus / (deficit)</b>	<b>2,310</b>	<b>2,697</b>	<b>(387)</b>	<b>2,712</b>	<b>12,017</b>	<b>12,053</b>	<b>(36)</b>	<b>12,856</b>
Net capital expenditure	55	500	(445)	97	2,618	2,500	118	309

## Year to date

Overall, an unfavourable variance of \$387k compared with budget.

### This is due to:

- ▶ Investment Revenue is favourable to budget due to \$259k higher money market interest from higher than planned debt prefunding balances; \$32k higher guarantee fee for CentrePort's debt.

- ▶ Expenditure variance comprises of lower interest recovery of \$348k from internal debt as there the capital expenditure by operational Groups is behind schedule.
- ▶ External finance costs are \$202k above budget, mainly as a result of prefunding of debt.

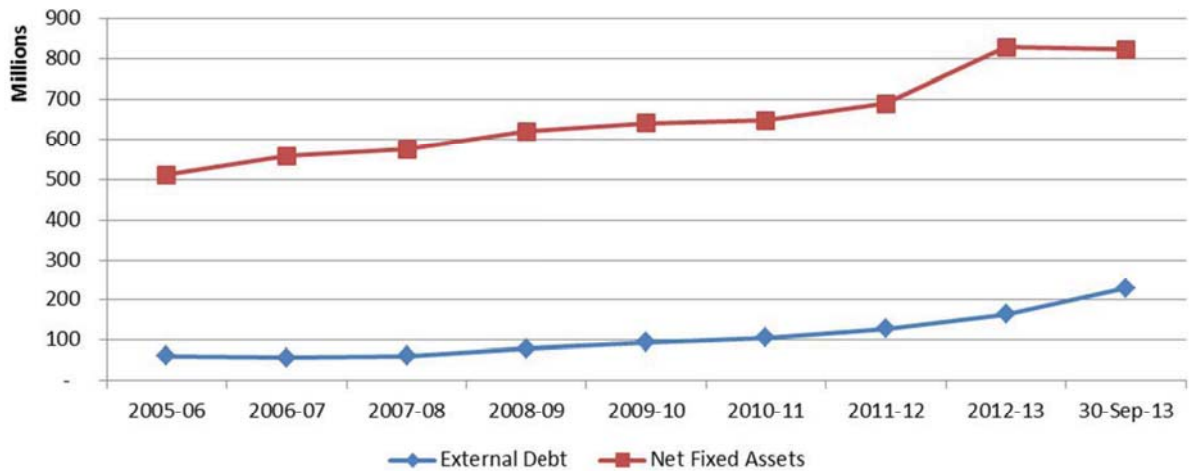
Capital expenditure relating to Shed 39 is \$55k for the year to date, which is \$445k below budget. This favourable variance results from the timing of payments relating to the work on shed 39.

## Forecast to 30 June 2014

The operating surplus is forecast to be \$12,017k, which is \$36k lower than the budget surplus of \$12,053k. The main reason for this decrease is due to:

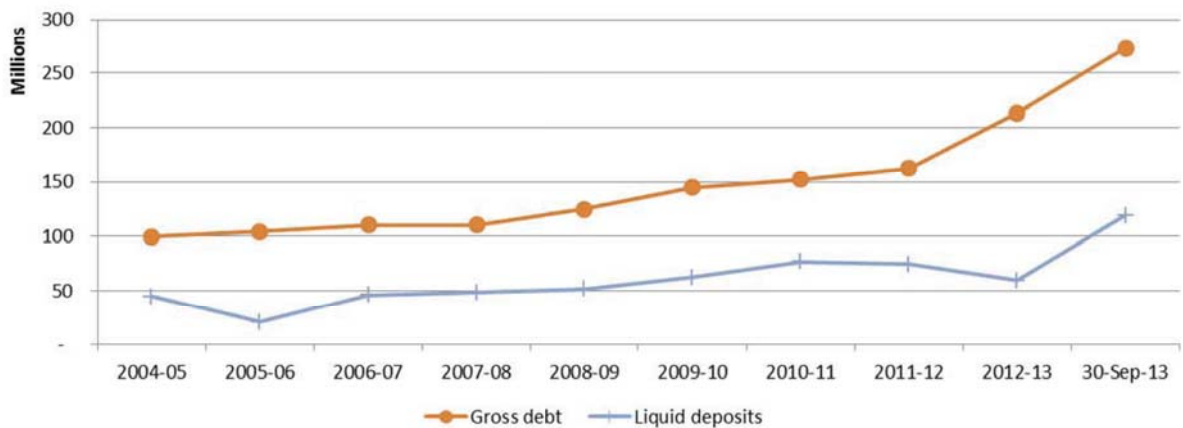
- ▶ Expectation of \$364,000 higher income, mainly resulting from \$645,000 higher investment revenue, offset by \$281,000 lower interest revenue (within operating expenditure per the table) from internal loans due to the timing of capital expenditure by the Council.
- ▶ Finance costs are forecasted to be \$276,000 above budget, mainly due to the prefunding of debt. The direct expenditure is forecasted to be \$124,000 above budget. This is predominantly due to costs relating to the unscheduled move after the first earthquake and the final move to shed 39.

## External Debt and Assets



- ▶ External Debt has been growing at a slower rate than assets due to the 30 June 2013 asset revaluation.

## External Debt and Cash investments



- ▶ External Debt including WRC Holdings has risen sharply this year due to prefunding of debt which has been placed on deposit till it is required. The Council has \$88m of debt to refinance this year, composed of \$50 million of expiring debt and \$38 million of new debt to cover capital expenditure.

## 2.13 Water

Water Supply								
Financial Summary \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	6,636	6,643	(7)	6,624	26,571	26,571	-	26,719
Operating expenditure	6,964	7,446	(482)	7,386	30,096	29,794	302	29,973
<b>Operational Surplus / (deficit) before other items</b>	<b>(328)</b>	<b>(803)</b>	<b>475</b>	<b>(762)</b>	<b>(3,525)</b>	<b>(3,223)</b>	<b>(302)</b>	<b>(3,254)</b>
Additional depreciation from 2013 Water Revaluation	1,950	-	(1,950)	-	5,000	-	(5,000)	-
<b>Operational Surplus / (deficit)</b>	<b>(2,278)</b>	<b>(803)</b>	<b>(1,475)</b>	<b>(762)</b>	<b>(8,525)</b>	<b>(3,223)</b>	<b>(5,302)</b>	<b>(3,254)</b>
Net fixed asset revaluation	-	-	-	-	-	-	-	108,714
Net capital expenditure	1,306	5,980	(4,674)	1,708	9,981	9,981	-	9,776

### Year to date

Overall a favourable operating variance of \$475k compared to budget before the additional depreciation resulting from the 30 June 2013 asset revaluation

**Operating revenue is in line with budget.**

**Operating expenditure was \$482k lower than budget due to:**

- ▶ Materials supplies and services. \$225k under budget. Power, chemicals and property expenses are all under budget. However repairs and maintenance offset these savings as they are \$102k over budget. There have been some large annual licence fees paid which is a timing issue.
- ▶ Contractors and consultants spend is \$279k under budget due to timing of payments.
- ▶ Finance costs. \$86k under budget. These savings are likely to continue as the budget was based on the Kaitoke land deal having been finalised in August.

As a result of the large increase in asset values from the previous years' valuation which was completed after the depreciation budgets were set for this year, depreciation is \$1.9m over budget at 30 September, and is expected to be \$5 million over budget at year end.

Depreciation is not a cash or performance item, so we have separated this large adjustment out to enable a more meaningful comparison with the operating budget.

Capital expenditure is \$4,674k under budget, primarily due to the lake 3 land purchase and associated development that will take place after this is completed.

### Forecast to 30 June 2014

The forecast operating deficit is \$5.3m lower than budget. This is primarily due to the \$5m increase in depreciation as a result of the 30 June 2013 revaluation of the water supply assets.

## 2.14 Financial Results for the WRC Holdings Group

WRC HOLDINGS GROUP Summary income statement	3 months ended 30/09/2013			Year ending 30 June 2014			Last Year	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000	Variance \$000	30/09/2012 \$000	30/06/2013 \$000
Total Revenue	19,603	21,323	(1,720)	91,965	92,000	(36)	39,623	198,822
Operating Expenses	20,574	19,998	(576)	80,441	80,383	(58)	19,142	51,401
Earnings before interest & tax ( EBIT )	(971)	1,326	(2,297)	11,524	11,618	(93)	20,481	147,421
Less:								
Finance costs	2,418	2,604	186	10,484	10,559	75	2,335	13,727
<b>Net surplus (deficit) before tax &amp; revaluations</b>	<b>(3,389)</b>	<b>(1,279)</b>	<b>(2,110)</b>	<b>1,040</b>	<b>1,059</b>	<b>(18)</b>	<b>18,146</b>	<b>133,694</b>

### Notes:

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

The result above shows a \$2,110K unfavourable position against budget.

**A detailed investigation into the components of the Group result before tax reveals the following:**

**Greater Wellington Rail Limited:** GWRL is \$1,399K unfavourable to budget. This is due incorrect budgeted depreciation and has no cash consequences.

**CentrePort:** \$684K unfavourable to budget due to earthquake expenditure; however this was offset by a favourable operating variance of \$758K, driven mainly lower operating expenditure.

**Port Investments Limited:** is \$58K favourable result against a budgeted due to slightly lower interest costs.

**Pringle House Investments:** is \$82K unfavourable to budget driven by higher cost for repairs and maintenance and property management fees stemming from the Seddon earthquakes.

## Forecast for the Group to 30 June 2014

The Group is forecasting an \$18k unfavourable variance before tax.

At this point we do not have a forecast from CentrePort primarily due to the finalisation of the costs of the work associated with the earthquakes. A full forecast should be available later in the year.

A full year forecast for GWRL has not been finalised, but it will be unfavourable relating to the depreciation budget being incorrect.

PHL is \$94K adverse to budget due to higher expenses relating to the Seddon earthquakes.

PIL is forecasting to be \$75K favourable to budget due to slightly lower financing costs on its loan from WRC Holdings.



# 3 FUNDING IMPACT STATEMENT

Greater Wellington Regional Council								
Funding Impact Statement								
Funding Impact Statement \$(000)'s	3 Months ended 30 September 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Targeted Rates	15,707	15,707	-	62,828	62,828	62,828	-	61,536
General Rate	7,194	7,119	75	28,476	28,476	28,476	-	28,578
<b>Regional Rates</b>	<b>22,901</b>	<b>22,826</b>	<b>75</b>	<b>91,304</b>	<b>91,304</b>	<b>91,304</b>	<b>-</b>	<b>90,114</b>
Regional Water Supply Levies	6,409	6,409	-	25,635	25,635	25,635	-	24,890
Warm Greater Wellington Rates	428	757	(329)	3,029	3,029	3,029	-	1,095
Grants and Subsidies Revenue	13,680	16,457	(2,777)	68,891	68,891	69,174	(283)	72,092
Other Operating Revenue	8,650	5,677	2,973	(138,442)	20,050	19,388	662	18,738
<b>Total Operating Revenue</b>	<b>52,068</b>	<b>52,126</b>	<b>(58)</b>	<b>50,417</b>	<b>208,909</b>	<b>208,530</b>	<b>379</b>	<b>206,929</b>
Operational Costs	26,890	27,612	722	(58,877)	106,393	105,768	(625)	79,376
Grants and Subsidies Expenditure	21,125	23,614	2,489	97,931	97,931	98,492	561	112,471
Finance Costs	2,204	1,968	(236)	9,027	9,027	8,751	(276)	7,925
<b>Total Operating Expenditure</b>	<b>50,219</b>	<b>53,194</b>	<b>2,975</b>	<b>48,081</b>	<b>213,351</b>	<b>213,011</b>	<b>(340)</b>	<b>199,772</b>
<b>Operating Surplus / (Deficit) before Transport Improvements</b>	<b>1,849</b>	<b>(1,068)</b>	<b>2,917</b>	<b>2,336</b>	<b>(4,442)</b>	<b>(4,481)</b>	<b>39</b>	<b>7,157</b>
Transport Improvement revenue	2,722	3,528	(806)	12,926	17,063	17,063	-	20,889
Transport Improvement expenditure	(1,425)	(1,988)	563	(21,263)	(11,880)	(11,960)	80	(39,018)
<b>Operating Surplus / (Deficit) from Transport Improvements</b>	<b>1,297</b>	<b>1,540</b>	<b>(243)</b>	<b>(8,337)</b>	<b>5,183</b>	<b>5,103</b>	<b>80</b>	<b>(18,129)</b>
<b>Operating Surplus before other movements</b>	<b>3,146</b>	<b>472</b>	<b>2,674</b>	<b>(6,001)</b>	<b>741</b>	<b>622</b>	<b>119</b>	<b>(10,972)</b>
Revaluation of debt and stadium advance	-	-	-	-	735	735	-	4,712
Revaluation of Transport Interest free debt	-	-	-	-	-	-	-	(1,444)
Revaluation of forestry (ETS and Trees)	-	-	-	-	2,661	2,661	-	232
Forestry cost of goods sold	(242)	(162)	(80)	(170)	(647)	(647)	-	(530)
Additional depreciation from 2013 Water Revaluation	(1,950)	-	1,950	-	(5,000)	-	5,000	-
Warm Greater Wellington	-	-	-	(4)	-	-	-	-
EMU investment - GW Rail	-	-	-	-	-	-	-	8,533
<b>Total other movements</b>	<b>(2,192)</b>	<b>(162)</b>	<b>1,870</b>	<b>(174)</b>	<b>(2,251)</b>	<b>2,749</b>	<b>5,000</b>	<b>11,503</b>
<b>Operating Surplus / (Deficit)</b>	<b>954</b>	<b>310</b>	<b>644</b>	<b>(6,175)</b>	<b>(1,510)</b>	<b>3,371</b>	<b>(4,881)</b>	<b>531</b>
Add Back Non Cash Items	5,525	3,574	1,951	15,542	20,542	10,719	9,823	13,740
<b>Cash operating surplus/(deficit)</b>	<b>6,479</b>	<b>3,884</b>	<b>2,595</b>	<b>9,367</b>	<b>19,032</b>	<b>14,090</b>	<b>4,942</b>	<b>14,271</b>
<b>Less:</b>								
Net capital expenditure	3,449	7,985	(4,536)	24,016	24,016	24,202	(186)	26,776
Debt movements	(65,666)	(15,703)	(49,963)	(42,161)	(42,161)	(46,297)	4,136	(34,809)
Investment movements	68,476	11,433	57,043	35,478	35,478	32,548	2,930	(6,238)
Working capital movements	(12,738)	(7,599)	(5,139)	(26,700)	(36,365)	(24,543)	(11,822)	-
<b>Net Funding Surplus / (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# 4 BALANCE SHEET

<b>Greater Wellington Regional Council</b>			
<b>Balance Sheet</b>			
	<b>September 2013</b>	<b>June 2014</b>	<b>June 2013</b>
<b>\$(000)'s</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
Bank	8	7	8,335
Receivables	37,472	14,318	12,362
Accrued Revenue and Prepayments	28,409	26,334	24,176
Inventory	2,998	2,759	3,002
<b>Total Current Assets</b>	<b>68,887</b>	<b>43,418</b>	<b>47,875</b>
Other Investments	110,273	85,845	62,003
Forestry Investments	23,135	14,834	23,377
Derived Financial Instruments	(3,808)	(7,623)	(4,492)
Investment in Subsidiaries	88,720	80,142	68,514
<b>Total Investments</b>	<b>218,320</b>	<b>173,198</b>	<b>149,402</b>
Fixed Asset at cost or valuation	860,530	765,449	861,225
less Accumulated Depreciation	(37,164)	(73,903)	(32,001)
<b>Net Fixed Assets</b>	<b>823,366</b>	<b>691,546</b>	<b>829,224</b>
Capital Works In Progress	3,283	2,829	756
<b>Non Current Assets</b>	<b>1,044,969</b>	<b>867,573</b>	<b>979,382</b>
<b>Total Assets</b>	<b>1,113,856</b>	<b>910,991</b>	<b>1,027,257</b>
<b>less:</b>			
Current Liabilities	41,793	49,922	21,298
Non Current Liabilities	243,486	202,247	178,332
<b>Total Liabilities</b>	<b>285,279</b>	<b>252,169</b>	<b>199,630</b>
<b>Net Assets</b>	<b>828,577</b>	<b>658,822</b>	<b>827,627</b>
Total Retained Earnings	353,957	337,873	352,832
Asset Revaluation Reserves	449,304	303,567	449,304
Other Reserves	25,316	17,382	25,491
<b>Total Ratepayer Funds</b>	<b>828,577</b>	<b>658,822</b>	<b>827,627</b>

# 5 COMPLIANCE WITH TREASURY RISK MANAGEMENT

Total Council Limit Compliance Analysis	Compliant				Compliant			
	Yes	No	actual %		Yes	No	actual %	
The fixed net interest rate debt and swaps are to be between 40% and 95% of the total forecasted debt in 12 month time	✓		95%	The repricing of liquid financial investments are to occur within the following timebands				
The maturity of fixed rate debt is within the following timebands				0 - 1 year	40% - 100%	✓	100%	
1 - 3 years		15% - 60%	✓	11%	1 - 3 years	0% - 60%	✓	0%
3 - 5 years	✓	15% - 60%		43%	3 - 5 years	0% - 40%	✓	0%
> 5 years	✓	0% - 60%		46%	5 - 10 years	0% - 20%	✓	0%
The maturity of total external debt less liquid financial investments to fall within the following timebands								
0 - 3 years	✓	15% - 60%		40%	<b>Core Council External Borrowing Limits - Ratios</b>			
3 - 5 years	✓	15% - 60%		28%	Net interest / Total Revenue < 20%	✓	2.3%	
> 5 years	✓	10% - 60%		32%	Net Debt / Total Revenue < 250%	✓	60.3%	
Countreparty credit exposure with New Zealand registered banks which have a credit rating of at least A-, long term, and A2 short term	✓				Net interest / Annual rates and levies < 30%	✓	4.0%	
Other countreparty exposure within policy limits	✓				Liquidity > 110%	✓	135%	
Maximum countreparty exposure with a NZ registered bank is within \$70 million limit	✓				The policy breach in the 1 - 3 year time band has been pre approved by the council, as swaps have been entered into which are related to the significant debt increase resulting from the purchase of the Matangi II trains.			
					Note : Diesel Hedging is not in place			



greater WELLINGTON

REGIONAL COUNCIL

Te Pane Matua Taiao