greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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| Committee | Strategy and Policy Committee |
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# Performance Report for nine months ending 31 March 2014

## 1. Purpose

To receive the summary financial and performance report for the nine months ending 31 March 2014.

## 2. Background

This report enables a review of performance of Council activities. In terms of process going forward, the Strategy and Policy Committee will receive the full reporting package. In addition, the Risk and Assurance Committee and Te Upoko Taiao – Natural Resource Management Committee will receive the activities that are specifically the responsibilities of those Committees.

## 3. Group Overview – Performance Report for nine months ending 31 March 2014

The full Performance Report by Group for the period has been provided under separate cover, the GMs' Group Overviews are provided here.

### 3.1 Catchment Management

The Group has continued to make good progress on Annual Plan objectives during the March quarter. Most activities are tracking within budget, but there is a sizeable amount of Key Native Ecosystem (KNE) operations and regional pest and predator control work to complete during the fourth quarter.

BioWorks have performed well and completed almost all of their 2013/14 TbFree contracts and the Project Kaka aerial operation for DOC. The Unit was recently awarded the Project Aorangi aerial operation covering 30,000ha.

The Forestry operating surplus was $935K above budget due to excellent log prices and tonnages. Since July 2013, log prices have increased by 10-15% across the grades.

An audit of Land Management poplar and willow plantings indicated establishment rates of 95%. This was well ahead of the previous year's result due to above average rainfall during the last nine months.

Biodiversity programmes were progressing to schedule and budget.

Flood Protection maintenance, investigations and capital works have also progressed well. Some FMP reviews (Otaki and Hutt) and capital improvements have been deferred due to reprioritisation of resources.

A strategic land purchase at Woollen Mills point was approved for future Hutt River improvement works.

### 3.2 Environment Management

The Environment Group continues to make steady progress on its work programmes into the third quarter of the year.

The Ruamahanga Whaitua Committee, the first of five, is now well underway with two meetings and two fieldtrips held over the last quarter. There is now extensive early engagement work underway to establish the Hutt Valley/Wellington Harbour Whaitua Committee. Te Upoko Taiao – Natural Resource Management Committee continues to refine policy options in the lead up to the release of draft regional plan in September 2014. We are extremely hopeful that due to ongoing work in the last quarter we are close to securing significant partnership opportunities with both the Ministry for Primary Industries and the Ministry for the Environment to support our regional plan and Whaitua work.

Work in the Environmental Regulation area is again dominated by Roads of National Significance (RONS) with Board of Inquiry processes now moving into monitoring an implementation. The formation of a RONS team within Environmental Regulation, the cost of which is cost recoverable from the NZTA, is a milestone for the quarter. Dairy shed and water consent replacements are also notable in the last quarter.

The Environmental Science department is well into the development of a Greater Wellington research strategy, and is focussing a lot of its work on the provision of information for the Whaitua programme and the Wairarapa Water Use Project. There has also been a significant amount of work in the last quarter in revamping the annual state of the environment summaries. This document will be a major step forward in the provision of engaging and accessible scientific information for the community.

Key outcomes for the Harbours department include successfully finding new accommodation with the current lease in the location where they have been for the last 15 or so years expiring, and ongoing engagement with Maritime New Zealand around auditing of the Port and Harbour Safety Management System and the future of the Safety Management System as a whole. A review of our

Port and Harbour Risk Assessment also commenced in quarter, a task we undertake in conjunction with CentrePort.

Consultation and engagement around the proposed Muritai Track works were a dominant feature of the last quarter for the Parks team, along with the completion of another highly successful Great Outdoors Summer Events programme. Discussion and negotiations with NZTA over compensation and mitigation progressed positively in the last quarter with agreement to move the main farming hub in Belmont Regional Park from Waitangirua to Hill Road, and to also fully fund a new cycle way from Paekakariki to Raumati South in QEP.

A new funding application was lodged with the Irrigation Acceleration Fund (IAF) in the last quarter to continue funding support for the Wairarapa Water Use Project, and a new Governance Group has also been established to provide the increasing rigour and oversight to the project that is required by both GWDC and the IAF as joint funding partners. The project is now well into the pre-feasibility stage of its work programme, which will run until June 2015, with several review points structured into this programme.

## 3.3 Public Transport

The group continued to perform well with another strong quarter.

Particular highlights were the adoption of the draft Regional Public Transport Plan (PT Plan) for consultation and the commencement of procurement activity for the new Public Transport Operating Model (PTOM) with the holding of a market soundings event in March.

The adoption of the draft PT Plan is the culmination of a lot of work and brings the Wellington Bus Review, Fare Structure Review, Regional Rail Plan, and PTOM unit design into one coherent framework. Following changes as a result of public consultation, the final PT Plan will set the blueprint for continuing to improve public transport in the region in the medium to long term.

While this has been going on, all the day to day work of the group has continued. Services continued to operate, assets were maintained, improvements were planned and customers informed. Numerous issues were resolved and actions taken to further improve our services and processes.

The March quarter also showed a pleasing increase in patronage across both rail and bus compared to the equivalent quarter in 2013. We are hopeful that this trend will continue as the travelling public take advantage of all the improvements made over the last few years.

## 3.4 Water Supply

Quarter 3 has been a very busy time for the Water Supply Group. The Operations team have been challenged with the failure of some key equipment and record levels of taste and odour compounds in the Macaskill lakes. The subject of integration with the Capacity CCO has also been front of mind for most of the staff.

Two of the three Waterloo pumps that supply Wellington failed during the quarter which left very little back up capacity. Maintenance technicians are carrying out repairs and one pump is due to be back in service by 2nd May; the other in mid-June. Gear Island is being used to cover this reduced capacity.

Geosmin, an organic compound produced by certain types of bacteria, was detected in the Macaskill lakes at levels almost ten times the normal concentration. Geosmin poses no health risk but imparts a musty taste to the water. The normal treatment process does not remove Geosmin and we have an additional treatment step, powdered activated carbon (PAC), which is brought into action when Geosmin levels reach a certain threshold. The PAC plant has been running at full capacity when treating lake water and the treatment plant output has been reduced to minimise the impact on consumers.

The proposed integration of GWRC bulk water supply with Capacity has generated a lot of interest. A change team, led by the Water Supply GM, has been set up and includes senior staff from Capacity and GWRC. While the public consultation process is under way, the primary focus of the team is to plan the change programme and set up work streams that will be needed (e.g. HR communications, IT and Finance).

### 3.5 Strategy & Community Engagement

The Strategy and Community Engagement Group has reached some significant milestones during the third quarter of 2013/14. The most significant milestone was the completion of the Public Transport Spine Study and the adoption of bus rapid transit as the future public transport mode for the spine through Wellington City by the Regional Transport Committee. The study started in 2012 and the decision to adopt bus rapid transit for the spine completes the significant decisions under the Ngauranga-Airport Corridor Plan.

The Sustainable Transport team ran a number of successful active transport promotions during the (summer) quarter. It also continued road skills training for adults (bikes and motorbikes) and through the schools programmes. Two of the members of that team were also appointed to the Government's Cycling Safety Panel. The expert panel was set up in response to the findings of a coronial review of cycling safety in New Zealand, released in November last year by Coroner Gordon Matenga.

The Data Analysis team has been very busy providing transport modelling support to various transport projects currently underway, including Roads of National Significance projects and public transport planning projects. Members of the team also gave expert evidence at the Basin Bridge Board of Inquiry hearing.

The Transport Planning team also gave expert evidence to the Board of Inquiry. As well as finalising reports for the PT Spine Study process, the team also initiated the development of the Regional Land Transport Plan, which now incorporates the regional land transport programme.

The release of the draft Parangarahu Lakes Management Plan was also a significant milestone. This is the first co-governance plan prepared in partnership with a post-settlement Iwi. Te Roopu Tiaki will consider feedback on the plan ahead of final adoption by the Port Nicholson Block Settlement Trust and the Council.

The Te Hunga Wgiriwhiri team continued the rollout of Maori language and other Māori training to GWRC. Team members also continued supporting GWRC projects such as the whaitua and catchment management activities.

The Strategic Planning team continued collaborative work with other councils and agencies, including the Wellington Regional Strategy work, a greenhouse gas inventory and the scoping of a regional spatial plan.

## 3.6 WREMO

Good progress was made against Community Resilience outcomes with the launch of the UN International Centre of Excellence, completion of the "It's Easy" – connected neighbours guide and sales of "Grab and Go" bags and 200 litre water tanks.

The Operational Readiness team too, commenced implementation of their new strategy agreed late 2013 by delivering training in support of the six Emergency Operations Centres.

## 3.7 Corporate

### People and Capability

The main activities and functions carried out by the People and Capability Group over the last quarter were:

- Reviewing and updating health and safety policies
- Providing advice on the Health and Safety Reform Bill
- Developing and piloting workshops to inform staff about the changes in Health and Safety legislation and updated policies
- Implementing the project plan to develop a new Health and Safety Information Management System
- Running interactive workshops focusing on building personal resilience
- Providing administrative support and services for Council meetings, Committee meetings and Advisory Group meetings
- Running the inaugural meetings for the Accessibility Reference Group and Te Kāuru Upper Ruamahanga River Floodplain Management Plan Subcommittee
- Managing the Gallup engagement survey
- Working on the project to integrate GWRC's bulk water supply with Capacity
- Developing the WREMOnz brand through public awareness of WREMO and website/social media channels
- Conducting EOC training across the region

- Running an information evening to introduce the aims of the International Centre of Excellence in Emergency Management

**Finance and Support**

The year to date has seen a number of significant challenges especially with the string of earthquakes resulting in both an initial and then final move out of the RCC. Whilst this was extremely disruptive, the ICT infrastructure remained operational and core services remained in place.

Risk Management is now regularly discussed and considered an essential component of reviewing work programmes and activities. The council has positively commented on and approved the last iteration of the risk register and framework. Work continues on enhancing our process to meet best practice.

Despite the interruptions major and on-going ICT projects have continued, including the High availability network (HAWAN) and the data manipulation to complete the region wide Light Detection and Ranging (LiDAR) GIS refresh. The final removal of servers to the Trentham data centre occurred and the communication networks transferred out of RCC to Shed 39. The rail fibre project continues to make good progress.

The role out of GPS units to all vehicles commenced

**Investment Management**

Investment Management has seen interest rates rise at a slower pace than anticipated. This has impacted on our investments which show slightly lower returns. Our borrowings have had limited impact as most of our debt is fixed.

Debt has increased by $8.7 million since the beginning of the year. We are anticipating most of the budgeted borrowing to occur late in the year to pay for the Matangi upgrades. The future Matangi debt interest rate risk has been covered (converted to fixed rate) with 53% of the peak borrowings covered for an average term of about 5 years.

**Warm Greater Wellington**

The Warm Greater Wellington programme is progressing at a slower pace since the EECA grants were removed, but it still enables many to get insulation in a cost effective manner. Since the programme began 8,450 installations have been completed, 1,210 this year.

# 4. Council Financial Summary

Financial performance for the period ending 31 March 2014

## 4.1 Overview

Overall at the operating surplus level, before transport improvements, the result for the council is favourable by $7,251k relative to budget. When the transport improvement numbers and non-operational movements are included then the financial results for the first six months were $3,775k 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.

## 4.2 Council Financial Performance

### Year to date

Greater Wellington Regional Council (GWRC) achieved an operating surplus of $4,708k (budget, a deficit of $2,543k) for the nine months to 31 March, a $7,251k favourable result. This result excludes revenue and expenditure for public transport capital and improvement projects and the non-operational movements. Including these amounts, GWRC made a surplus of $4,698k (budget, a surplus of $923k), a favourable variance of $3,775k. Details by group follow in section 5.

### Financial Summary

| Summary Income Statement $(000)'s | 9 Months ended 31 March 2014 | | | |
|---|---|---|---|---|
| | Actual | Budget | Variance | Last Year |
| Regional Rates | 68,957 | 68,478 | 479 | 91,304 |
| Regional Water Supply Levies | 19,226 | 19,226 | - | 25,635 |
| Other Operating Revenue | 69,633 | 68,000 | 1,633 | 35,952 |
| **Total Operating Revenue** | **157,816** | **155,704** | **2,112** | **152,891** |
| Operational Costs | 153,108 | 158,247 | 5,139 | 146,454 |
| **Operating Surplus / (Deficit) before Transport Improvements** | **4,708** | **(2,543)** | **7,251** | **6,437** |
| Operating Surplus / (Deficit) from Transport Improvements | 4,273 | 3,951 | 322 | (16,423) |
| **Operating Surplus before other movements** | **8,981** | **1,408** | **7,573** | **(9,986)** |
| Non-operational movements | (4,283) | (485) | (3,798) | (401) |
| **Operating Surplus / (Deficit)** | **4,698** | **923** | **3,775** | **(10,387)** |
| Net fixed asset revaluations | - | - | - | - |
| **Total council comprehensive income** | **4,698** | **923** | **3,775** | **(10,387)** |

# Financial Summary by Group

Greater Wellington Regional Council

Summary income statement - Operating Surplus / (Deficit)

| Total operating surplus / (deficit) | 9 Months ended 31 March 2014 | | | |
|---|---|---|---|---|
| $(000)'s | Actual | Budget | Variance | Last Year |
| Catchment Management | 2,731 | 1,817 | 914 | 2,880 |
| Forestry | 986 | 3 | 983 | (489) |
| Environmental Management | (71) | (50) | (21) | (108) |
| Regional Parks | 293 | (195) | 488 | 55 |
| Wairarapa Water Use project | (41) | (72) | 31 | 253 |
| Public Transport | 914 | (1,891) | 2,805 | 3,566 |
| Strategy & Community Engagement | 664 | (136) | 800 | 245 |
| WRS | 74 | - | 74 | 348 |
| Other Corporate | (52) | (208) | 156 | 428 |
| Emergency Management | 286 | (198) | 484 | 701 |
| Finance and Support | (652) | (1,169) | 517 | (758) |
| **Total operational surplus / (deficit)** | **5,132** | **(2,099)** | **7,231** | **7,121** |
| Investment Management | 9,711 | 9,780 | (69) | 10,111 |
| Business unit rates contribution | (7,804) | (7,805) | 1 | (8,517) |
| **Total rates funded operating surplus / (deficit)** | **7,039** | **(124)** | **7,163** | **8,715** |
| Water Supply | (2,331) | (2,419) | 88 | (2,278) |
| **Total rates & levy funded operating surplus / (deficit)** | **4,708** | **(2,543)** | **7,251** | **6,437** |
| **Non-operational movements** | | | | |
| Forestry cost of goods sold | (533) | (485) | (48) | (401) |
| Additional depreciation from 2013 Water Revaluation | (3,750) | - | (3,750) | - |
| Warm Greater Wellington | - | - | - | - |
| EMU investment - GW Rail | - | - | - | - |
| Public Transport net surplus / (deficit) on capital, improvement and investment projects | 4,273 | 3,951 | 322 | (16,423) |
| **Total non-operational surplus / (deficit)** | **(10)** | **3,466** | **(3,476)** | **(16,824)** |
| **Total council surplus / (deficit)** | **4,698** | **923** | **3,775** | **(10,387)** |
| **Net fixed asset revaluations** | **-** | **-** | **-** | **-** |
| **Total council comprehensive income** | **4,698** | **923** | **3,775** | **(10,387)** |

## 4.3 Forecast to 30 June 2014

GWRC is forecasting an operating deficit of $550k (budget, a deficit of $4,482k) for the year to 30 June 2014. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, GWRC is forecasting a surplus of $5,489k (budget, a surplus of $3,370k). The primary difference is a forecast $5m increase in depreciation as a result of the 30 June 2013 revaluation of the water supply assets as well as an increase in external logging revenue and interest revenue. There have also been significant favourable variances in the Public Transport group. Details by group follow in section 5.

### 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 | 93,161 | 89,877 | 3,284 | 91,925 |
| **Total Operating Revenue** | **210,100** | **206,816** | **3,284** | **206,929** |
| Operational Costs | 210,650 | 211,298 | 648 | 199,772 |
| **Operating Surplus / (Deficit) before Transport Improvements** | **(550)** | **(4,482)** | **3,932** | **7,157** |
| Operating Surplus / (Deficit) from Transport Improvements | 8,340 | 5,103 | 3,237 | (18,129) |
| **Operating Surplus before other movements** | **7,790** | **621** | **7,169** | **(10,972)** |
| Non-operational movements | (2,301) | 2,749 | (5,050) | 11,503 |
| **Operating Surplus / (Deficit)** | **5,489** | **3,370** | **2,119** | **531** |
| Net fixed asset revaluations | **-** | **-** | **-** | **111,102** |
| **Total council comprehensive income** | **5,489** | **3,370** | **2,119** | **111,633** |

## Financial forecast by Group

| Greater Wellington Regional Council<br>Summary income statement - Operating Surplus / (Deficit) | | | | |
|---|---|---|---|---|
| **Total operating surplus / (deficit)** | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Catchment Management | 3,079 | 2,595 | 484 | 2,975 |
| Forestry | 916 | 6 | 910 | (268) |
| Environmental Management | (396) | (76) | (320) | (323) |
| Regional Parks | (283) | (283) | - | (301) |
| Wairarapa Water Use project | (12) | (12) | - | (5) |
| Public Transport | (367) | (2,598) | 2,231 | 6,110 |
| Strategy & Community Engagement | 170 | (299) | 469 | (1) |
| WRS | 30 | - | 30 | 621 |
| Other Corporate | (278) | (245) | (33) | 100 |
| Emergency Management | (264) | (264) | - | 424 |
| Finance and Support | (1,568) | (1,730) | 162 | (418) |
| **Total operational surplus / (deficit)** | **1,027** | **(2,906)** | **3,933** | **8,914** |
| Investment Management | 11,933 | 12,053 | (120) | 12,856 |
| Business unit rates contribution | (10,406) | (10,406) | - | (11,359) |
| **Total rates funded operating surplus / (deficit)** | **2,554** | **(1,259)** | **3,813** | **10,411** |
| Water Supply | (3,104) | (3,223) | 119 | (3,254) |
| **Total rates & levy funded operating surplus / (deficit)** | **(550)** | **(4,482)** | **3,932** | **7,157** |
| **Non-operational movements** | | | | |
| Forestry cost of goods sold | (697) | (647) | (50) | (530) |
| Additional depreciation from 2013 Water Revaluation | (5,000) | - | (5,000) | - |
| Warm Greater Wellington | - | - | - | - |
| EMU investment - GW Rail | - | - | - | 8,533 |
| Public Transport net surplus / (deficit) on capital, improvement and investment projects | 8,340 | 5,103 | 3,237 | (18,129) |
| **Total non-operational surplus / (deficit)** | **6,039** | **7,852** | **(1,813)** | **(6,626)** |
| **Total council surplus / (deficit)** | **5,489** | **3,370** | **2,119** | **531** |
| **Net fixed asset revaluations** | **-** | **-** | **-** | **111,102** |
| **Total council comprehensive income** | **5,489** | **3,370** | **2,119** | **111,633** |

## 4.4 Capital expenditure

## Capital expenditure by Group

Capital expenditure is $14,331k below budget, year to date. This is due the land purchase for lake three not being 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 5.

| Total capital and transport investment and improvement expenditure | 9 Months ended 31 March 2014 | | | |
|---|---|---|---|---|
| $(000)'s | Actual | Budget | Variance | Last Year |
| Catchment Management | 3,192 | 2,827 | (365) | 8,526 |
| Forestry | 227 | 303 | 76 | 151 |
| Environmental Management | 94 | 38 | (56) | (1,018) |
| Regional Parks | 412 | 106 | (306) | 484 |
| Wairarapa Water Use project | 534 | 185 | (349) | 681 |
| Public Transport capital projects | 922 | 1,600 | 678 | 832 |
| Strategy & Community Engagement | 228 | 206 | (22) | 4 |
| Other Corporate | 22 | 46 | 24 | (12) |
| Emergency Management | 38 | - | (38) | 72 |
| Finance, ICT and Support | 1,287 | 2,164 | 877 | 1,705 |
| **Total capital expenditure** | **6,956** | **7,475** | **519** | **11,425** |
| Investment and property management | 2,237 | 2,500 | 263 | 259 |
| **Total rates funded capital expenditure** | **9,193** | **9,975** | **782** | **11,684** |
| Water Supply | 4,213 | 8,738 | 4,525 | 6,100 |
| **Total rates & levy funded capital expenditure** | **13,406** | **18,713** | **5,307** | **17,784** |
| Public Transport investment projects | 16,884 | 25,908 | 9,024 | 33,328 |
| **Total council capital and transport investment expenditure** | **30,290** | **44,621** | **14,331** | **51,112** |

## Capital expenditure forecast by Group

Capital expenditure is forecast to be $3,278k more than budget by year end. This is primarily due to changes within public transport, catchment, water supply and finance and ICT which are discussed in section 5.

| Total capital and transport investment and improvement expenditure | Year ending 30 June 2014 | | | |
|---|---|---|---|---|
| **$(000)'s** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Catchment Management | 6,613 | 4,331 | (2,282) | 10,259 |
| Forestry | 404 | 404 | - | 214 |
| Environmental Management | 202 | 240 | 38 | (1,185) |
| Regional Parks | 1,059 | 892 | (167) | 837 |
| Wairarapa Water Use project | 271 | 271 | - | 597 |
| Public Transport capital projects | 2,450 | 1,956 | (494) | 2,314 |
| Strategy & Community Engagement | 224 | 269 | 45 | 85 |
| Other Corporate | 46 | 46 | - | (11) |
| Emergency Management | - | - | - | 137 |
| Finance, ICT and Support | 2,897 | 3,180 | 283 | 2,010 |
| **Total capital expenditure** | **14,166** | **11,589** | **(2,577)** | **15,257** |
| Investment and property management | 2,438 | 2,500 | 62 | 309 |
| **Total rates funded capital expenditure** | **16,604** | **14,089** | **(2,515)** | **15,566** |
| Water Supply | 10,486 | 9,981 | (505) | 9,776 |
| **Total rates & levy funded capital expenditure** | **27,090** | **24,070** | **(3,020)** | **25,342** |
| Public Transport investment projects | 30,318 | 30,060 | (258) | 39,018 |
| **Total council capital and transport investment expenditure** | **57,408** | **54,130** | **(3,278)** | **64,360** |

# 5. Council Financial Performance by Group

## 5.1 Catchment Management

| Catchment Management | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 24,060 | 23,552 | 508 | 23,899 | 31,985 | 31,137 | 848 | 32,104 |
| Operating expenditure | 21,329 | 21,735 | 406 | 21,019 | 28,906 | 28,542 | (364) | 29,129 |
| **Operating surplus / (deficit)** | **2,731** | **1,817** | **914** | **2,880** | **3,079** | **2,595** | **484** | **2,975** |
| Net fixed asset revaluation | - | - | - | - | - | - | - | - |
| Net capital expenditure | 3,192 | 2,827 | 365 | 8,526 | 6,613 | 4,331 | (2,282) | 10,259 |

### Year to date

A favourable operating variance of $914k, comprising higher revenue of $508k and lower operating costs of $406k.

**Operating revenue is higher than budget due mainly to:**

- Additional BioWorks external revenue of $192k from DOC for the Project Kaka aerial operation.
- Additional external revenue of $206k from MfE for the Wairarapa Moana project due to the timing of milestone contributions.
- Additional grants and subsidies revenue of $96k from MPI for WRECI.

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

- Operating expenditure for Biosecurity was $458k below budget due to timing of Key Native Ecosystem operations and regional pest and predator control programmes.

**Capital expenditure is $365k higher than budget, primarily due to:**

- Flood Protection net capital expenditure was $316K above budget due to property purchases for the City Centre project, along with savings for Kapiti and Waiohine stopbank improvements.

### Forecast to 30 June 2014

The forecast operating surplus is $484k above budget.

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

- Additional external revenue of $250k from DOC and TbFree for BioWorks.
- Additional external revenue of $225k from MfE for the Wairarapa Moana Clean Up project.
- Additional grants and subsidies revenue of $135k from MPI for WRECI.
- Additional internal revenue and internal charges for Wairarapa Moana, Akura, Workshop and KNE operations.

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

- A number of offsetting variances within departments; including savings in personnel costs for Biodiversity and BioWorks, and additional material costs for river maintenance and pest supplies for BioWorks.
- Additional internal charges of $330k as noted above.

**The forecast capital expenditure to June 2014 is expected to be $2,282k higher than budget due to:**

- Additional expenditure of $2,467 for property purchases at Mills Street and Woollen Mills Point for future Flood protection improvement projects.

Savings on Kapiti capital works offset by additional investigations capex for the Upper Wairarapa FMP.

## 5.2 Environmental Management

| Environmental Management | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 11,363 | 10,788 | 575 | 10,072 | 14,784 | 14,384 | 400 | 13,541 |
| Operating expenditure | 11,434 | 10,838 | (596) | 10,180 | 15,180 | 14,460 | (720) | 13,864 |
| **Operating surplus / (deficit)** | **(71)** | **(50)** | **(21)** | **(108)** | **(396)** | **(76)** | **(320)** | **(323)** |
| Net capital expenditure | 94 | 38 | 56 | (1,018) | 202 | 240 | 38 | (1,185) |

### Year to date

Overall, an unfavourable operating variance of $21k, comprising higher revenue of $575k and higher expenditure of $596k.

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

- External income is $2,459k which is $548k (29%) more than budget of which $494k is for consent processing including additional on charging of consultants costs.

**Operating expenditure was higher than budget due mainly to:**

- Staff costs are $142k over budget mainly in Regulation and Science due additional work required and no vacancies to offset the increases.
- In Regulation, consultants & contractors spend of $978k, well ahead of budget due to additional hearing commissioners costs, contracts for earthworks monitoring, contract staff for consent processing, enforcement legal costs and technical advice for RONS projects. Not all of these costs are recoverable.
- Travel and vehicle costs, materials, internal costs are all slightly above budget.

### Forecast to 30 June 2014

Forecast has been updated to increase the net deficit by $320k for additional consultant and staff back-fill costs for enforcement, the RONS projects advice, monitoring and earthworks compliance projects. Science forecast includes $150k additional staff costs and $10k additional consultants' costs for air quality work (redefining the airsheds) in the Wairarapa. There is also $400k external revenue for additional on charging of consultants costs.

## 5.3 Forestry

| Forestry | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 9,023 | 6,858 | 2,165 | 5,702 | 11,525 | 9,145 | 2,380 | 8,383 |
| Operating expenditure | 8,037 | 6,855 | (1,182) | 6,191 | 10,609 | 9,139 | (1,470) | 8,651 |
| **Cash Operating surplus / (deficit)** | **986** | **3** | **983** | **(489)** | **916** | **6** | **910** | **(268)** |
| Revaluation of forestry (ETS and Trees) | - | - | - | - | 2,661 | 2,661 | - | 232 |
| Forestry cost of goods sold | (533) | (485) | (48) | (401) | (697) | (647) | (50) | (530) |
| **Operating surplus / (deficit)** | **453** | **(482)** | **935** | **(890)** | **2,880** | **2,020** | **860** | **(566)** |
| Net fixed asset revaluation | - | - | - | - | - | - | - | (1,511) |
| Net capital expenditure | 227 | 303 | 76 | 151 | 404 | 404 | - | 214 |

### Year to date

A favourable operating variance of $983k prior to cost of goods sold.

**Operating surplus is ahead of budget primarily due to:**

- Favourable external logging revenue due to higher log prices across all grades and larger volumes harvested. Associated logging costs were also above budget.

### Forecast to 30 June 2014

The forecast is in line with the reasons noted above are due to result in a favourable operating variance of $910k prior to cost of goods sold.

## 5.4 Regional Parks

| Regional Parks | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 5,028 | 4,425 | 603 | 4,338 | 6,379 | 5,879 | 500 | 5,818 |
| Operating expenditure | 4,735 | 4,620 | (115) | 4,283 | 6,662 | 6,162 | (500) | 6,119 |
| **Operating surplus / (deficit)** | **293** | **(195)** | **488** | **55** | **(283)** | **(283)** | **-** | **(301)** |
| Net fixed asset revaluation | - | - | - | - | - | - | - | 3,899 |
| Net capital expenditure | 412 | 106 | 306 | 484 | 1,059 | 892 | (167) | 837 |

### Year to date

A favourable operating variance of $488k, largely due to increased revenue and a review of outstanding expenditure.

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

Additional external income of $651k from logging activities in Belmont Park which is partly offset by lower grant revenue.

Operating expenditure was higher than budget due to:

- Consultants & contractors include an additional $633k for the costs of Belmont logging.
- Personal costs are underspent by $79k partly due to a vacancies during the year and also due to $48k of staff charges to capital projects and other departments
- Material costs have been significantly lower than anticipated due to a review of all outstanding activity.

Capital expenditure was $306k above budget due primarily to:

- Spend on the capital projects which include QEP heritage project being ahead of the budgeted programme.
- As agreed at the budget review meeting the forecast has been updated to include four vehicles which are being replaced this year instead of next year due to high mileage and high workload. The net impact of this is $167k after disposals are taken into account

### Forecast to 30 June 2014

- The forecast has been updated to include $500k logging income and $500k logging costs in Belmont Park which has nil impact on the net result.

## 5.5 Public Transport

| Public Transport | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 72,712 | 75,798 | (3,086) | 74,994 | 99,004 | 101,142 | (2,138) | 101,051 |
| Operating expenditure | 71,798 | 77,689 | 5,891 | 71,428 | 99,371 | 103,740 | 4,369 | 94,941 |
| **Operating surplus / (deficit)** | **914** | **(1,891)** | **2,805** | **3,566** | **(367)** | **(2,598)** | **2,231** | **6,110** |

### Year to date

A favourable operating variance of $2,805k, comprising lower expenditure of $5,891k and reduced revenue of $3,086k.

**Operating revenue was below budget due to:**

- Grants and subsidies revenue was $3.1 million below budget which reflects the reduction in operational expenditure for the year.

**Operating expenditure is below budget primarily due to:**

- Rail contract costs were $1.1 million below budget. The results reported by TranzMetro show that fare revenue was above budget by $0.6 million and expenditure was below budget by $1.3 million for the year to date. However, a difference in the phasing of budgets between TranzMetro and GW shows as a $0.9 million unfavourable variance
- Network incident costs were $0.7 million above budget and the full year forecast is $0.8 million above budget. The forecast allows for $1.0 million of additional work to reinstate the Ngauranga to Petone seawall.
- Network operations and maintenance costs were $0.8 million below budget because of reduced platform maintenance costs, signal and traction works, and changes to timing of vegetation control costs.
- Train maintenance expenditure was $1.1 million below budget. There was less unplanned work on the Ganz Mavag trains than budgeted.
- Diesel bus operations expenditure was $22.2 million which is $0.6 million below budget primarily because bus inflation payments in the year to date have been lower than budgeted.
- Trolley bus operations expenditure was $6.5 million which is $0.3 million below budget. There were changes to the timing of overhead wire maintenance costs, studies and investigations, and cost reductions from services not run.
- Projects and planning expenditure was $0.7 million below budget. The Integrated Ticketing Investigation was late commencing and expenditure has been minimal.
- Public Transport Operating Model (PTOM) expenditure was $0.6 million which is $0.7 million below budget. A detailed expenditure projection has been completed with a better indication of when expenditure is likely to occur.
- Administrative expenditure as $8.1 million which is $0.5 million below budget. There were lower costs for rail asset management and GWRL admin charges.
- There have also been reduced expenditure in Bus Studies, Bus Shelter & Signage Maintenance and Total Mobility.

## Forecast to 30 June 2014

The overall forecast deficit of $367k is $2,231k better than budget. This is due to lower revenue and expenditure.

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

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

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

- Rail contract expenditure forecast to be $1.5 million below budget because of savings in rail operating costs and increased fare revenue.
- Network operations and maintenance costs is forecast to be $0.5 million below budget, because of reduced platform maintenance costs, signal and traction works, and changes to timing of vegetation control costs.

- Network incident costs full year forecast is $0.8 million above budget. The forecast allows for $1.0 million of additional work to reinstate the Ngauranga to Petone seawall.
- Train maintenance full year forecast expenditure is $1.0 million below budget, primarily because there was less planned maintenance on the Ganz Mavag trains.
- Diesel bus contract expenditure is forecast to be $0.4 million below budget because bus inflation payments have been lower than budgeted.
- Trolley bus operations full year forecast expenditure is close to budget.
- Projects and planning full year forecast expenditure is $0.7 million below budget. Any underspend on the Integrated Ticketing Investigation will be re-budgeted to 2014/15.
- PTOM full year forecast expenditure is $0.4 million below budget.
- Administration full year forecast expenditure is $0.4 million below budget.

## 5.6 Public Transport capital expenditure, improvement projects and investment additions

Improvement projects relate to capital works where the underlying asset will not be directly owned by GWRC, and therefore are treated as operational expenditure in these accounts (Trolley bus infrastructure renewals).

Investment additions relate to capital works where the underlying asset will be owned by our subsidiary, Greater Wellington Rail Limited (GWRL).

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

| Public Transport capital, improvement and investment projects | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 9,446 | 12,587 | (3,141) | 16,905 | 16,909 | 17,063 | (154) | 20,889 |
| Operating expenditure | 5,173 | 8,636 | 3,463 | 33,328 | 8,569 | 11,960 | 3,391 | 39,018 |
| **Operating surplus / (deficit)** | **4,273** | **3,951** | **322** | **(16,423)** | **8,340** | **5,103** | **3,237** | **(18,129)** |
| Public Transport capital projects | 922 | 1,600 | 678 | 832 | 2,450 | 1,956 | (494) | 2,314 |
| Public Transport investment projects | 16,884 | 25,908 | 9,024 | 33,328 | 30,318 | 30,060 | (258) | 39,018 |
| **Capital and investment expenditure** | **17,806** | **27,508** | **9,702** | **34,160** | **32,768** | **32,016** | **(752)** | **41,332** |

### Year to date

Overall, an favourable operating variance of $322k due to reduced operating expenditure of $3,463k and reduced revenue of $3,141k.

**Operating revenue was lower than budget due to:**

- The Grant & Subsidies revenue was $3.6 million below budget, because of reductions in expenditure on improvement projects, capital expenditure and investments.
- This is offset by $0.4 million of non-cash revenue. This comprises 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 lower than budget due to:**

- Reduced finance costs of approx. $0.3 million.
- Trolley bus infrastructure renewals were $3.1 million below budget. The wire renewal programme is underway, however the network wide fault protection system expenditure is now mainly expected to occur in 2014/15.

**Capital and investment expenditure is $9.7 million below budget because of:**

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

- New Matangi trains - $4.5 million below budget.
- Station renewals and upgrades - $2 million below budget.
- Wellington depot and stabling - $2.1 million below budget.

### Forecast to 30 June 2014

The forecast operating surplus is $3.3 million ahead of budget. This is primarily a result of lower trolley bus infrastructure renewals.

The forecast capital and investment expenditure is expected to be largely in line with budget. More significant full year forecast outturns include:

- Real Time Information project - $0.6 million above budget.
- New Matangi 1 trains - $1.9 million below budget.
- New Matangi 2 trains - $0.7 million above budget.
- Wellington depot and stabling - $0.7 million above budget.
- Train heavy maintenance and minor improvements - $0.5 million above budget.

## 5.7 Strategy & Community Engagement

| Strategy & Community Engagement | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 3,430 | 3,507 | (77) | 3,211 | 4,496 | 4,669 | (173) | 4,666 |
| Operating expenditure | 2,766 | 3,643 | 877 | 2,966 | 4,326 | 4,968 | 642 | 4,667 |
| **Operating surplus / (deficit)** | **664** | **(136)** | **800** | **245** | **170** | **(299)** | **469** | **(1)** |
| Net capital expenditure | 228 | 206 | (22) | 4 | 224 | 269 | 45 | 85 |

### Year to date

Overall, a favourable operating variance of $800k, comprising lower expenditure of $877k and reduced revenue of $77k.

**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 for e.g. PT Spine Study. Some projects have had delays and hence forecasts adjusted.
- Reduced expenditure on Iwi Projects and GW capacity training of $90k to date. This is expected to be on budget at year-end.
- Reduced personnel costs due to vacancies amounting to $153k.
- 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 $469k higher than budget due to:**

- Personnel costs forecasted down $165k due to vacancies.
- Iwi projects are forecasted to be $50k under budget at year end.
- The budgeted expenditure was for the next phase of the Spine project which will now start within the 2013/14 year. At present this has been forecasted down by $170k.
- Delays to the review of the Regional Land Transport Plan. $50k savings for consultation has been forecasted, to be re-budgeted to 2014/15.
- The Regional Freight Plan review being stalled, with NZTA at this time declining to fund the project. This, along with the Hutt Climate Change Study have been forecasted as savings of $85k.

## 5.8 WRS

| WRS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 3,473 | 3,473 | - | 3,501 | 4,631 | 4,631 | - | 4,668 |
| Operating expenditure | 3,399 | 3,473 | 74 | 3,153 | 4,601 | 4,631 | 30 | 4,047 |
| **Operating surplus / (deficit)** | **74** | **-** | **74** | **348** | **30** | **-** | **30** | **621** |
| Net capital expenditure | - | - | - | - | - | - | - | - |

### Year to date

Overall, a favourable operating variance of $74k, comprising lower expenditure of $74k.

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

- Reduced expenditure on consultants ($59k) 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 showing savings in personnel costs of $30k.

## 5.9 People and Capability

| People and Capability | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 2,575 | 2,565 | 10 | 2,773 | 3,419 | 3,419 | - | 3,697 |
| Operating expenditure | 2,628 | 2,765 | 137 | 2,427 | 3,687 | 3,654 | 33 | 3,703 |
| **Operating surplus / (deficit)** | **(53)** | **(200)** | **147** | **346** | **(268)** | **(235)** | **(33)** | **(6)** |
| Net capital expenditure | 22 | 46 | 24 | (12) | 46 | 46 | - | (11) |

### Year to date

Overall, a favourable operating variance of $147k, comprising largely of lower expenditure of $137k.

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

- Contractors and consultants are $62k less than budgeted. This is spread across all the departments and includes an allowance for costs arising out of the Local Government Elections.
- Materials are also $78k below budget, but this is mainly a timing issue and expected to be on budget at year end.

### Forecast to 30 June 2014

Forecast depreciation is higher due to the shift in premises from Wakefield Street to Shed 39 as the depreciation on any existing RCC fit out has been accelerated to be written off by 30 June 2014.

## 5.10 Finance ICT and Support

| Finance and Support | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 4,329 | 4,339 | (10) | 4,581 | 5,667 | 5,785 | (118) | 6,992 |
| Operating expenditure | 4,981 | 5,508 | 527 | 5,339 | 7,235 | 7,515 | 280 | 7,410 |
| **Operating surplus / (deficit)** | **(652)** | **(1,169)** | **517** | **(758)** | **(1,568)** | **(1,730)** | **162** | **(418)** |
| Net capital expenditure | 1,287 | 2,164 | 877 | 1,705 | 2,897 | 3,180 | 283 | 2,010 |

### Year to date

Overall, a favourable operating variance of $517k comprising lower revenue of $10k and lower expenditure of $527k.

**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.

- Capital expenditure in the previous year has resulted in depreciation being lower than budgeted in the current year.

### 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.

Personnel costs have also been forecasted down, with materials/service costs forecasted up due to the reasons stated above.

Capital expenditure for the year is forecast to be $420k less than budget primarily due to:

- The hummingbird document management system replacement or upgrade being delayed.

## 5.11 Emergency Management

| Emergency Management | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 2,184 | 2,117 | 67 | 2,555 | 2,823 | 2,823 | - | 3,207 |
| Operating expenditure | 1,898 | 2,315 | 417 | 1,854 | 3,087 | 3,087 | - | 2,783 |
| **Operating surplus / (deficit)** | **286** | **(198)** | **484** | **701** | **(264)** | **(264)** | **-** | **424** |
| Net capital expenditure | 38 | - | (38) | 72 | - | - | - | 137 |

### Year to date

Overall, a favourable operating variance of $484k comprising higher revenue of $67k and lower expenditure of $417k.

**Operating revenue is higher than budget due to:**

- Revenue is slightly above 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 activity arising from the earthquakes resulting in savings, however these are expected to be utilised by year end.

**Forecast to 30 June 2014**

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

## 5.12 Warm Greater Wellington

| Warm Greater Wellington | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 1,285 | 2,271 | (986) | 826 | 1,715 | 3,029 | (1,314) | 1,100 |
| Operating expenditure | 1,285 | 2,271 | 986 | 826 | 1,715 | 3,029 | (1,314) | 1,100 |
| **Operating surplus / (deficit)** | - | - | - | - | - | - | - | - |
| Net capital expenditure | | | | | | | | |

### Year to date

Overall, a break-even position, comprising lower revenue of $986k and lower expenditure of $986k.

**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.

## 5.13 Investment Management

| Investment Management | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Revenue | 7,725 | 6,238 | 1,487 | 7,988 | 9,318 | 7,660 | 1,658 | 7,417 |
| Internal Interest Recovery | 10,374 | 11,077 | (703) | 14,531 | 14,119 | 14,770 | (651) | 14,685 |
| Operating revenue | **18,099** | **17,315** | **784** | **22,519** | **23,437** | **22,430** | **1,007** | **22,102** |
| Expenditure | 7,700 | 6,912 | (788) | 8,659 | 10,573 | 9,546 | (1,027) | 8,853 |
| Internal Reserve Costs | 688 | 623 | (65) | 1,004 | 931 | 831 | (100) | 901 |
| Operating expenditure | **8,388** | **7,535** | **(853)** | **9,663** | **11,504** | **10,377** | **(1,127)** | **9,754** |
| **Operating surplus / (deficit)** | **9,711** | **9,780** | **(69)** | **12,856** | **11,933** | **12,053** | **(120)** | **12,348** |
| Net capital expenditure | 2,237 | 2,500 | 263 | 259 | 2,438 | 2,500 | 62 | 309 |

## Year to date

Overall, an unfavourable variance of $69k compared with budget.

**This is due to:**

- Investment Revenue is favourable to budget due to $1.08m higher money market interest from higher than planned debt prefunding balances; $72k higher guarantee fee for CentrePort's debt. We also received a $266k unbudgeted subvention payment from Pringle House which relates to the last financial year. This is offset by $704,000 lower interest revenue from internal loans due to slower capex spending.
- Expenditure is $853,000 unfavourable to budget. External finance costs are the main contributor at $666,000 unfavourable to budget. This is made up of interest expenditure on external debt being $566,000 above budget, mainly as a result of prefunding of debt. The costs for our swaps are $108,000 above budget due to actual lower floating rates compared to higher fixed rate swap rates.

There is also $195,000 higher expenditure for contractors and consultants emanating from moving costs relating to shed 39, offset by $36,000 of various other costs.

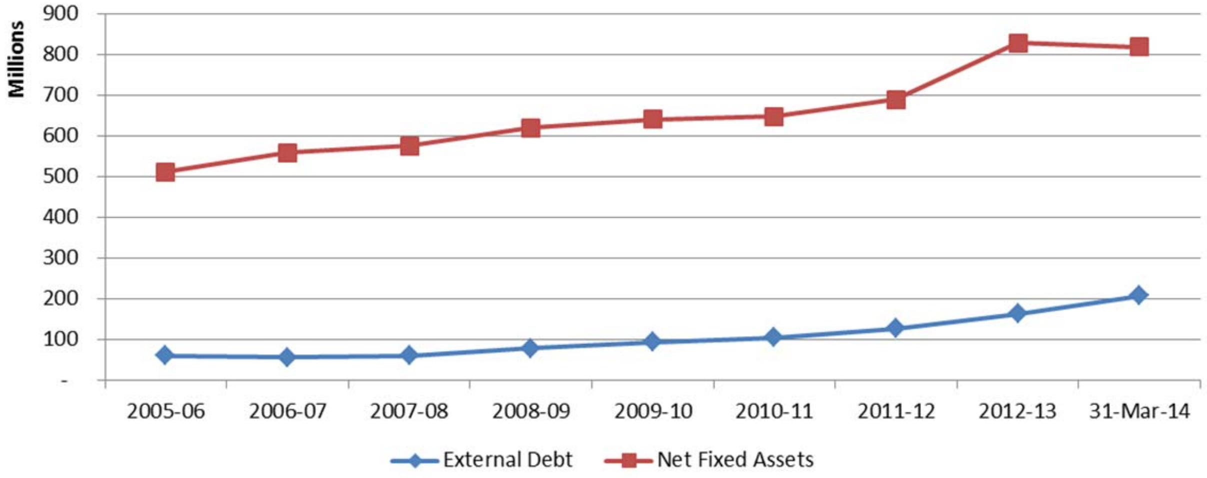
Capital expenditure relating to Shed 39 is $2.2m for the year to date, which is $263k below budget. This favourable variance results from the timing of payments relating to the work on shed 39.

## Forecast to 30 June 2014

The operating surplus is forecast to be $120k lower than the budget. The main reason for this is decrease is due to:

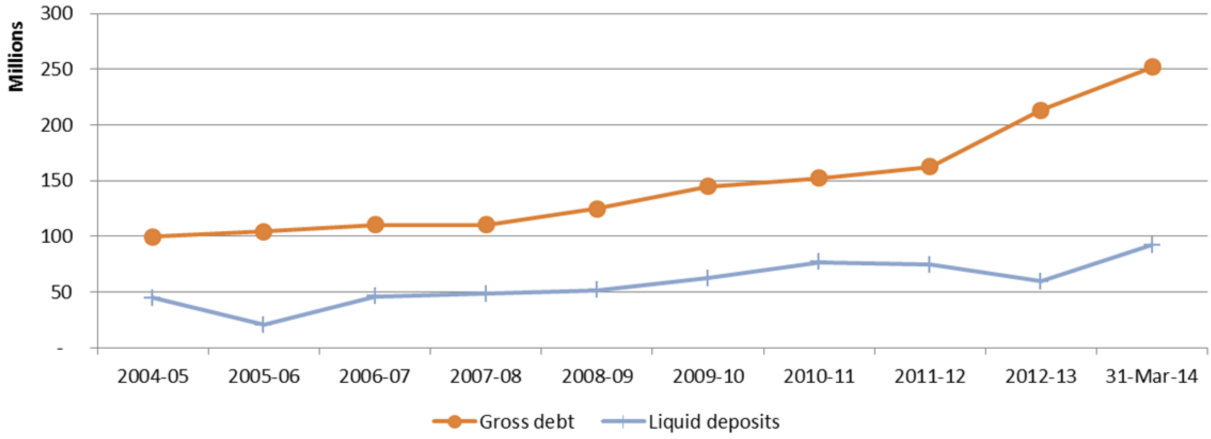
- Expectation of $390,000 higher income, mainly resulting from $1.34m higher investment revenue, offset by $651k lower interest revenue (within operating expenditure per the table) from internal loans due to the timing of capital expenditure by the Council.
- The guarantee fee from CentrePort is expected to be $98k more due to higher borrowings by CPL. We also received a $266,000 unbudgeted subvention payment from Pringle House which relates to last financial year.
- Finance costs are forecasted to be $766k above budget, mainly due to the prefunding of debt. The direct expenditure is forecasted to be $261k 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.

## 5.14 Water Supply

| Water Supply | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Summary** | **9 Months ended 31 March 2014** | | | | **Year ending 30 June 2014** | | | |
| **$(000)'s** | **Actual** | **Budget** | **Variance** | **Last Year** | **Forecast** | **Budget** | **Variance** | **Last Year** |
| Operating revenue | 20,032 | 19,929 | 103 | 19,674 | 26,718 | 26,571 | 147 | 26,719 |
| Operating expenditure | 22,363 | 22,348 | (15) | 21,952 | 29,822 | 29,794 | (28) | 29,973 |
| **Operational Surplus / (deficit) before other items** | **(2,331)** | **(2,419)** | **88** | **(2,278)** | **(3,104)** | **(3,223)** | **119** | **(3,254)** |
| Additional depreciation from 2013 Water Revaluation | 3,750 | - | (3,750) | - | 5,000 | - | (5,000) | - |
| **Operational Surplus / (deficit)** | **(6,081)** | **(2,419)** | **(3,662)** | **(2,278)** | **(8,104)** | **(3,223)** | **(4,881)** | **(3,254)** |
| Net fixed asset revaluation | - | - | - | - | - | - | - | 108,714 |
| Net capital expenditure | 4,213 | 8,738 | 4,525 | 6,100 | 10,486 | 9,981 | (505) | 9,776 |

### Year to date

Overall a favourable operating variance of $88k compared to budget before the additional depreciation resulting from the 30 June 2013 asset revaluation.

**Operating revenue was $103k higher than budget due to:**

- Investment revenue being $235k better than budget and forecasted to be $146k better than budget at year end. We continue to earn better than budget interest rates on our Asset Rehabilitation Fund. The annual capital contribution to the fund is also higher than originally budgeted, which generates additional above budget income.
- This is offset by external revenue being below budget by $118k. This is a timing issue and will be on budget at year end.

**Operating expenditure was $15k higher than budget due to:**

- Resource costing recoveries for the half year were $426k below budget due to the deferral of 2013/14 projects and additional planning required before projects are approved.
- Materials and supplies spend is $269k under budget due to timing of payments and savings due to budgeted cost increases not occurring.
- Finance costs. $224k 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 $3.75m over budget at 31 December, 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 $4,525k under budget, primarily due to the lake 3 land purchase and associated development that will take place after this is completed. The decision has been made to not re-budget the $4.3m land purchase project.

### Forecast to 30 June 2014

The forecast operating deficit is $4.88m 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.

This ‘slow down’ in capital projects has caused a below budget resource costing recovery which has been financed from savings in other areas such as materials, contractors and finance costs.

## 5.15 Financial Results for the WRC Holdings Group

| WRC HOLDINGS GROUP | 9 months ended 31/03/2014 | | | Year ending 30 June 2014 | | | Last Year | |
|---|---|---|---|---|---|---|---|---|
| Summary income statement | Actual $000 | Budget $000 | Variance $000 | Forecast $000 | Actual $000 | Variance $000 | 31/12/2012 $000 | 30/06/2013 $000 |
| **Total Revenue** | 67,504 | 70,107 | (2,603) | 95,924 | 95,814 | 109 | 94,192 | 198,822 |
| **Operating Expenses** | 72,087 | 62,696 | (9,391) | 94,967 | 81,474 | (13,493) | 59,699 | 51,401 |
| **Earnings before interest & tax ( EBIT )** | **(4,583)** | **7,411** | **(11,994)** | **957** | **14,340** | **(13,383)** | **34,493** | **147,421** |
| **Less:** | | | | | | | | |
| Finance costs | 7,478 | 7,857 | 379 | 10,008 | 10,534 | 526 | 6,911 | 13,727 |
| **Net surplus (deficit) before tax & revaluations** | **(12,061)** | **(446)** | **(11,615)** | **(9,051)** | **3,806** | **(12,857)** | **27,582** | **133,694** |

The result above shows an $11,615K 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 $4,325K unfavourable to budget. This is due to budgeted depreciation being lower than actual which has no cash consequences.

**CentrePort:** $6,942K unfavourable to budget due to earthquake expenditure of $8,894K, however this was offset by a favourable earnings before interest and tax (EBIT) variance of $1,889K, driven mainly by lower operating expenditure.

**Port Investments Limited:** PIL is $756K unfavourable to budget. This is due to CentrePort only paying half of the expected interim dividend, as a result of the earthquake shocks.

**Pringle House Investments:** PHL is $521K unfavourable to budget driven by lower rent as a consequence of the council’s move to Shed 39, coupled with increased expenditure driven by the Seddon earthquakes in 2013.

### Forecast for the Group to 30 June 2014

The Group is forecasting a $12,857 unfavourable variance before tax.

**CentrePort** is forecasting a $15,734K profit before tax and earthquake costs against a budget of $14,204K providing a favourable net profit before tax variance of $1,530K.

This favourable net profit before tax variance is due to higher revenue (mainly from port operations $1,690K) and favourable lower operating expenses ($2,184K) and interest expense. Equity earnings from joint ventures is lower than expected by $1,023K due to acquiring the remaining 50% of Transport Systems 2000 Limited (TSL) which is now fully consolidated as opposed to being recorded on a net basis under equity earnings.

**Greater Wellington Rail Limited** is forecasting an adverse variance to budget of $5,582K. The main driver of this is depreciation, which was budgeted incorrectly and has no cash impact.

**Pringle House Limited** is $753K adverse to budget due to higher expenses relating to the Seddon earthquakes and reduction in rental revenue by the tenant. A subvention payment of $266K was budgeted for last year and paid this year.

**Port Investments Limited**: The PIL forecasted position is currently unfavourable to budge, but final position will depend on declaration of final dividend by CentrePort.

## 5.16 Funding Impact Statement

| Funding Impact Statement $(000)'s | 9 Months ended 31 March 2014 Actual | Budget | Variance | Last Year | Year ending 30 June 2014 Forecast | Budget | Variance | Last Year |
|---|---|---|---|---|---|---|---|---|
| Targeted Rates | 47,121 | 47,121 | - | 62,828 | 62,828 | 62,828 | - | 61,536 |
| General Rate | 21,836 | 21,357 | 479 | 28,476 | 28,476 | 28,476 | - | 28,578 |
| **Regional Rates** | **68,957** | **68,478** | **479** | **91,304** | **91,304** | **91,304** | **-** | **90,114** |
| Regional Water Supply Levies | 19,226 | 19,226 | - | 25,635 | 25,635 | 25,635 | - | 24,890 |
| Warm Greater Wellington Rates | 1,285 | 2,271 | (986) | 1,715 | 1,715 | 3,029 | (1,314) | 1,095 |
| Grants and Subsidies Revenue | 44,522 | 51,562 | (7,040) | 66,256 | 66,256 | 69,174 | (2,918) | 72,092 |
| Other Operating Revenue | 23,826 | 14,167 | 9,659 | (32,019) | 25,190 | 17,674 | 7,516 | 18,738 |
| **Total Operating Revenue** | **157,816** | **155,704** | **2,112** | **152,891** | **210,100** | **206,816** | **3,284** | **206,929** |
| Operational Costs | 79,491 | 78,448 | (1,043) | 44,317 | 108,513 | 104,055 | (4,458) | 79,376 |
| Grants and Subsidies Expenditure | 66,628 | 73,479 | 6,851 | 92,621 | 92,621 | 98,492 | 5,871 | 112,471 |
| Finance Costs | 6,989 | 6,320 | (669) | 9,516 | 9,516 | 8,751 | (765) | 7,925 |
| **Total Operating Expenditure** | **153,108** | **158,247** | **5,139** | **146,454** | **210,650** | **211,298** | **648** | **199,772** |
| **Operating Surplus / (Deficit) before Transport Improvements** | **4,708** | **(2,543)** | **7,251** | **6,437** | **(550)** | **(4,482)** | **3,932** | **7,157** |
| Transport Improvement revenue | 9,446 | 12,587 | (3,141) | 16,905 | 16,909 | 17,063 | (154) | 20,889 |
| Transport Improvement expenditure | (5,173) | (8,636) | 3,463 | (33,328) | (8,569) | (11,960) | 3,391 | (39,018) |
| **Operating Surplus / (Deficit) fromTransport Improvements** | **4,273** | **3,951** | **322** | **(16,423)** | **8,340** | **5,103** | **3,237** | **(18,129)** |
| **Operating Surplus before other movements** | **8,981** | **1,408** | **7,573** | **(9,986)** | **7,790** | **621** | **7,169** | **(10,972)** |
| 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 | (533) | (485) | (48) | (401) | (697) | (647) | (50) | (530) |
| Additional depreciation from 2013 Water Revaluation | (3,750) | - | 3,750 | - | (5,000) | - | 5,000 | - |
| Warm Greater Wellington | - | - | - | - | - | - | - | - |
| EMU investment - GW Rail | - | - | - | - | - | - | - | 8,533 |
| **Total other movements** | **(4,283)** | **(485)** | **3,702** | **(401)** | **(2,301)** | **2,749** | **4,950** | **11,503** |
| **Operating Surplus / (Deficit)** | **4,698** | **923** | **3,775** | **(10,387)** | **5,489** | **3,370** | **2,119** | **531** |
| Add Back Non Cash Items | 13,944 | 10,539 | 3,405 | 15,535 | 20,535 | 10,719 | 9,816 | 13,740 |
| **Cash operating surplus/(deficit)** | **18,642** | **11,462** | **7,180** | **5,148** | **26,024** | **14,089** | **11,935** | **14,271** |
| Less: | | | | | | | | |
| Net capital expenditure | 12,630 | 18,703 | (6,073) | 26,412 | 26,412 | 24,202 | 2,210 | 26,776 |
| Debt movements | (44,725) | (35,057) | (9,668) | (35,861) | (35,861) | (46,297) | 10,436 | (34,809) |
| Investment movements | 52,687 | 27,574 | 25,113 | 34,026 | 34,026 | 32,548 | 1,478 | (6,238) |
| Working capital movements | (39,234) | (22,682) | (16,552) | (29,725) | (50,601) | (24,542) | (26,059) | - |
| **Net Funding Surplus / (Deficit)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

## 5.17 Balance Sheet

**Greater Wellington Regional Council**

**Balance Sheet**

| $(000)'s | March 2014 Actual | June 2014 Budget | June 2013 Actual |
|---|---|---|---|
| Bank | 8 | 9,205 | 8,335 |
| Receivables | 19,549 | 18,138 | 12,362 |
| Accrued Revenue and Prepayments | 19,362 | 30,071 | 24,176 |
| Inventory | 3,017 | 2,733 | 3,002 |
| Total Current Assets | 41,936 | 60,147 | 47,875 |
| Other Investments | 94,484 | 64,685 | 62,003 |
| Forestry Investments | 22,844 | 24,079 | 23,377 |
| Derived Financial Instruments | (3,808) | (5,397) | (4,492) |
| Investment in Subsidiaries | 88,720 | 98,575 | 68,514 |
| Total Investments | 202,240 | 181,942 | 149,402 |
| Fixed Asset at cost or valuation | 864,234 | 854,577 | 861,225 |
| less Accumulated Depreciation | (45,186) | (84,327) | (32,001) |
| Net Fixed Assets | 819,048 | 770,250 | 829,224 |
| Capital Works In Progess | 8,853 | 3,553 | 756 |
| Non Current Assets | 1,030,141 | 955,745 | 979,382 |
| **Total Assets** | **1,072,077** | **1,015,892** | **1,027,257** |
| **less:** | | | |
| Current Liabilities | 31,635 | 31,099 | 21,298 |
| Non Current Liabilities | 208,292 | 209,101 | 178,332 |
| **Total Liabilities** | **239,927** | **240,200** | **199,630** |
| **Net Assets** | **832,150** | **775,692** | **827,627** |
| | | | |
| Total Retained Earnings | 356,649 | 377,039 | 352,832 |
| Asset Revaluation Reserves | 449,130 | 379,020 | 449,304 |
| Other Reserves | 26,371 | 19,633 | 25,491 |
| **Total Ratepayer Funds** | **832,150** | **775,692** | **827,627** |

## 5.18 Compliance with Treasury Risk Management

| Total Council Limit Compliance Analysis | | | Compliant Yes | Compliant 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 | | | ✓ | | 94% |
| The maturity of fixed rate debt is within the following timebands | | | | | |
| | 1 - 3 years | 15% - 60% | ✓ | | 18% |
| | 3 - 5 years | 15% - 60% | ✓ | | 32% |
| | > 5 years | 0% - 60% | ✓ | | 50% |
| The maturity of total external debt less liquid financial investments to fall within the following timebands | | | | | |
| | 0 - 3 years | 15% - 60% | ✓ | | 25% |
| | 3 - 5 years | 15% - 60% | ✓ | | 53% |
| | > 5 years | 10% - 60% | ✓ | | 23% |
| Countreparty credit exposure with New Zealand registerd banks which have a credit rating of at least A-, long term, and A2 short term | | | ✓ | | |
| Other countreparty exposure within policy limits | | | ✓ | | |
| 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

| | Compliant Yes | Compliant No | actual % |
|---|---|---|---|
| Net interest / Total Revenue < 20% | ✓ | | 2.6% |
| Net Debt / Total Revenue < 250% | ✓ | | 57.4% |
| Net interest / Annual rates and levies < 30% | ✓ | | 4.6% |
| Liquidity > 110% | ✓ | | 132% |

Note : Diesel Hedging is not in place

## 6. The decision making process and significance

No decision is being sought in this report.

## 7. Recommendations

*That the Committee*:

1. ***Receives** the report.*

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

| Report prepared by: | Report approved by: |
| --- | --- |
| **Mike Timmer**<br>Treasurer/Acting Chief Financial Officer | **David Benham**<br>Chief Executive Officer |