

Finance REPORT



30 April 2014

GREATER WELLINGTON REGIONAL
COUNCIL

1	Council Summary	1
1.1	Overview	1
1.2	Council Financial Performance	1
1.3	Financial Summary	1
1.4	Financial Summary by Group	2
1.5	Forecast to 30 June 2014	3
1.6	Financial forecast	3
1.7	Financial forecast by Group	4
1.8	Capital expenditure	5
2	Financial Performance by Group	7
2.1	Catchment Management	7
2.2	Environmental Management	9
2.3	Forestry	10
2.4	Regional Parks	10
2.5	Public Transport	11
2.6	Public Transport capital and improvement projects	13
2.7	Strategy & Community Engagement	15
2.8	WRS	16
2.9	People and Capability	17
2.10	Finance ICT and Support	17
2.11	Emergency Management	19
2.12	Warm GWRC	19
2.13	Investment Management	20
2.14	Water	22
3	Funding Impact Statement	24
4	Balance Sheet	25

1 COUNCIL SUMMARY

1.1 Overview

Overall at the operating surplus level, before transport improvements, the result for the council is favourable by \$8,438k relative to budget. When the transport improvement numbers and non-operational movements are included then the financial results for the first eight months were \$4,781k 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

GWRC achieved an operating surplus of \$5,386k (budget, a deficit of \$3,052k) for the nine months to 30 April, an \$8,438k 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 \$5,512k (budget, a surplus of \$731k), a favourable variance of \$4,781k. Details by group follow in section 2.

1.3 Financial Summary

Summary Income Statement \$(000)'s	10 Months ended 30 April 2014			
	Actual	Budget	Variance	Last Year
Regional Rates	76,586	76,086	500	74,622
Regional Water Supply Levies	21,363	21,363	-	20,740
Other Operating Revenue	75,948	75,252	696	74,542
Total Operating Revenue	173,897	172,701	1,196	169,904
Operational Costs	168,511	175,753	7,242	162,938
Operating Surplus / (Deficit) before Transport Improvements	5,386	(3,052)	8,438	6,966
Operating Surplus / (Deficit) from Transport Improvements	4,869	4,322	547	(17,205)
Operating Surplus before other movements	10,255	1,270	8,985	(10,239)
Non-operational movements	(4,743)	(539)	(4,204)	(442)
Operating Surplus / (Deficit)	5,512	731	4,781	(10,681)

1.4 Financial Summary by Group

Greater Wellington Regional Council				
Summary income statement - Operating Surplus / (Deficit)				
Total operating surplus / (deficit) \$(000)'s	10 Months ended 30 April 2014			
	Actual	Budget	Variance	Last Year
Catchment Management	3,034	2,079	955	2,820
Forestry	958	4	954	(227)
Environmental Management	(261)	(58)	(203)	(254)
Regional Parks	240	(203)	443	(39)
Wairarapa Water Use project	(38)	(10)	(28)	234
Public Transport	1,736	(2,115)	3,851	4,034
Strategy & Community Engagement	585	(135)	720	300
WRS	92	-	92	341
Other Corporate	(38)	(223)	185	460
Emergency Management	479	(220)	699	1,121
Finance and Support	(704)	(1,299)	595	(876)
Total operational surplus / (deficit)	6,083	(2,180)	8,263	7,914
Investment Management	10,476	10,487	(11)	11,064
Business unit rates contribution	(8,671)	(8,672)	1	(9,463)
Total rates funded operating surplus / (deficit)	7,888	(365)	8,253	9,515
Water Supply	(2,502)	(2,687)	185	(2,549)
Total rates & levy funded operating surplus / (deficit)	5,386	(3,052)	8,438	6,966
Non-operational movements				
Forestry cost of goods sold	(576)	(539)	(37)	(442)
Additional depreciation from 2013 Water Revaluation	(4,167)	-	(4,167)	-
Warm Greater Wellington	-	-	-	-
EMU investment - GW Rail	-	-	-	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	4,869	4,322	547	(17,205)
Total non-operational surplus / (deficit)	126	3,783	(3,657)	(17,647)
Total council surplus / (deficit)	5,512	731	4,781	(10,681)

1.5 Forecast to 30 June 2014

GWRC is forecasting an operating surplus of \$245k (budget, a deficit of \$4,463k) 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 \$7,541k (budget, a surplus of \$3,389k). 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 division and catchment. 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	91,327	91,304	23	90,114
Regional Water Supply Levies	25,635	25,635	-	24,890
Other Operating Revenue	93,038	89,877	3,161	91,925
Total Operating Revenue	210,000	206,816	3,184	206,929
Operational Costs	209,755	211,279	1,524	199,772
Operating Surplus / (Deficit) before Transport Improvements	245	(4,463)	4,708	7,157
Operating Surplus / (Deficit) from Transport Improvements	9,597	5,103	4,494	(18,129)
Operating Surplus before other movements	9,842	640	9,202	(10,972)
Non-operational movements	(2,301)	2,749	(5,050)	11,503
Operating Surplus / (Deficit)	7,541	3,389	4,152	531
Net fixed asset revaluations	-	-	-	111,102
Total council comprehensive income	7,541	3,389	4,152	111,633

1.7 Financial forecast by Group

Greater Wellington Regional Council				
Summary income statement - Operating Surplus / (Deficit)				
Total operating surplus / (deficit) \$(000)'s	Year ending 30 June 2014			
	Forecast	Budget	Variance	Last Year
Catchment Management	3,596	2,595	1,001	2,975
Forestry	916	6	910	(268)
Environmental Management	(596)	(76)	(520)	(323)
Regional Parks	(233)	(264)	31	(301)
Wairarapa Water Use project	(12)	(12)	-	(5)
Public Transport	61	(2,598)	2,659	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)	1,822	(2,887)	4,709	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)	3,349	(1,240)	4,589	10,411
Water Supply	(3,104)	(3,223)	119	(3,254)
Total rates & levy funded operating surplus / (deficit)	245	(4,463)	4,708	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	9,597	5,103	4,494	(18,129)
Total non-operational surplus / (deficit)	7,296	7,852	(556)	(6,626)
Total council surplus / (deficit)	7,541	3,389	4,152	531
Net fixed asset revaluations	-	-	-	111,102
Total council comprehensive income	7,541	3,389	4,152	111,633

1.8 Capital expenditure

Capital expenditure by Group

Capital expenditure is \$12,209k 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	10 Months ended 30 April 2014			
	Actual	Budget	Variance	Last Year
Catchment Management	4,806	3,385	(1,421)	9,026
Forestry	227	337	110	162
Environmental Management	95	38	(57)	(1,045)
Regional Parks	465	117	(348)	496
Wairarapa Water Use project	566	205	(361)	752
Public Transport capital projects	1,051	1,695	644	792
Strategy & Community Engagement	180	227	47	38
Other Corporate	31	46	15	(11)
Emergency Management	(14)	-	14	107
Finance, ICT and Support	1,685	2,292	607	2,078
Total capital expenditure	9,092	8,342	(750)	12,395
Investment and property management	2,281	2,500	219	276
Total rates funded capital expenditure	11,373	10,842	(531)	12,671
Water Supply	4,480	9,030	4,550	6,807
Total rates & levy funded capital expenditure	15,853	19,872	4,019	19,478
Public Transport investment projects	19,264	27,454	8,190	34,831
Total council capital and transport investment expenditure	35,117	47,326	12,209	54,309

Capital expenditure forecast by Group

Capital expenditure is forecast to be \$5,351k 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 2.

Total capital and transport investment and improvement expenditure \$(000)'s	Year ending 30 June 2014			
	Forecast	Budget	Variance	Last Year
Catchment Management	6,618	4,331	(2,287)	10,259
Forestry	404	404	-	214
Environmental Management	202	240	38	(1,185)
Regional Parks	909	892	(17)	837
Wairarapa Water Use project	271	271	-	597
Public Transport capital projects	4,517	1,956	(2,561)	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	16,088	11,589	(4,499)	15,257
Investment and property management	2,438	2,500	62	309
Total rates funded capital expenditure	18,526	14,089	(4,437)	15,566
Water Supply	10,486	9,981	(505)	9,776
Total rates & levy funded capital expenditure	29,012	24,070	(4,942)	25,342
Public Transport investment projects	30,469	30,060	(409)	39,018
Total council capital and transport investment expenditure	59,481	54,130	(5,351)	64,360

2 FINANCIAL PERFORMANCE BY GROUP

2.1 Catchment Management

Catchment Management								
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	26,738	26,047	691	26,411	32,361	31,137	1,224	32,104
Operating expenditure	23,704	23,968	264	23,591	28,765	28,542	(223)	29,129
Operating surplus / (deficit)	3,034	2,079	955	2,820	3,596	2,595	1,001	2,975
Net fixed asset revaluation	-	-	-	-	-	-	-	-
Net capital expenditure	4,806	3,385	1,421	9,026	6,619	4,331	(2,288)	10,259

Year to date

A favourable operating variance of \$955k, comprising higher revenue of \$691k and lower operating costs of \$264k.

Operating revenue is higher than budget due mainly to:

- ▶ \$205k for the Project Kaka aerial operation from DoC
- ▶ \$88k of KNE revenue from District Councils
- ▶ \$94k of grants and subsidies revenue for the Hill Country Erosion Initiative from MPI
- ▶ \$234k for the Wairarapa Moana project from MfE
- ▶ \$177k of internal revenue for Biosecurity programmes
- ▶ \$100k of internal revenue for Wairarapa Moana
- ▶ Reduced internal revenue of \$229k due to savings on the predator control programme

Operating expenditure was lower than budget due to:

- ▶ Biosecurity expenditure \$418k behind due to savings in predator and pest control programmes
- ▶ Biodiversity savings of \$140k, mainly due to staff vacancies
- ▶ Wairarapa Moana expenditure of \$288k expensed against MfE grant and internal revenue

Capital expenditure was above budget, primarily due to:

- ▶ Flood Protection net capital expenditure was \$1,286k above budget. Property purchases for the City Centre were ahead of schedule, and Otaki and Waiohine stopbank improvements were delayed

Forecast to 30 June 2014

The forecast operating surplus is \$1,001k above budget.

Operating revenue is forecast to be above budget due to:

- ▶ Additional external revenue of \$567k for BioWorks (Project Kaka and TbFree)
- ▶ Additional external revenue of \$548k from MfE and internal revenue of \$100k for the Wairarapa Moana Clean Up project
- ▶ Additional grants and subsidies revenue from MPI for WRECI

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

- ▶ Additional material and contractor costs for BioWorks
 - ▶ Expenditure for the Wairarapa Moana project
- A number of offsetting variances within departments

The forecast capital expenditure to June 2014 is expected to be \$ 2,288k 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:
 - \$770k for City Centre Mills Street property purchases
 - \$1,300k for the Woollen Mills property purchase
 - \$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
 - \$268k for Biosecurity portacom

2.2 Environmental Management

Environmental Management								
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	12,615	11,987	628	11,135	14,784	14,384	400	13,541
Operating expenditure	12,876	12,045	(831)	11,389	15,380	14,460	(920)	13,864
Operating surplus / (deficit)	(261)	(58)	(203)	(254)	(596)	(76)	(520)	(323)
Net capital expenditure	95	38	57	(1,045)	202	240	38	(1,185)

Year to date

Overall, an unfavourable operating variance of \$203k, comprising higher revenue of \$628k and higher expenditure of \$831k.

Operating revenue is ahead of budget primarily due to:

- ▶ External income is \$2,728k which is \$605k more than budget of which \$513k is for consent processing including on charging of consultants costs.

Operating expenditure was higher than budget due mainly to:

- ▶ Staff costs are \$248k over budget mainly in Regulation and Science due to unbudgeted staff and salaries higher than budgeted with no vacancies to offset the overspends. Staff costs in Harbours, Support & Policy departments are all under budget.
- ▶ Travel and vehicle costs, and materials, are all close to budget.
- ▶ Consultants and contractors spend of \$2,079k is \$414k more than budget with underspends in Science and Policy offset by \$861k overspend in Regulation. This includes unbudgeted spend on Hearing commissioners costs, contracts for earthworks monitoring, contract staff for consent processing, enforcement legal costs and technical advice for RONS projects. Some of these costs have been on charged generating a favourable external revenue variance.

Forecast to 30 June 2014

The forecast has been updated to increase the net deficit by \$520k. This is due to \$600k increase in deficit in Regulation 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. Policy is forecast to underspend by \$190k in consultants costs and Support is forecast to be \$50k better than budget due to staff recoveries to other departments.

2.3 Forestry

Forestry								
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	9,748	7,620	2,128	6,687	11,525	9,145	2,380	8,383
Operating expenditure	8,790	7,616	(1,174)	6,914	10,609	9,139	(1,470)	8,651
Cash Operating surplus / (deficit)	958	4	954	(227)	916	6	910	(268)
Revaluation of forestry (ETS and Trees)	-	-	-	-	2,661	2,661	-	232
Forestry cost of goods sold	(576)	(539)	(37)	(442)	(697)	(647)	(50)	(530)
Operating surplus / (deficit)	382	(535)	917	(669)	2,880	2,020	860	(566)
Net fixed asset revaluation	-	-	-	-	-	-	-	(1,511)
Net capital expenditure	227	337	110	162	404	404	-	214

Year to date

A favourable operating variance of \$954k prior to cost of goods sold

Operating surplus is ahead of budget primarily due to:

- Favourable external logging revenue due to an increase in log prices and harvest volumes, particularly in the Wairarapa. Associated operating expenses are also up. Correspondingly, harvesting costs are 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.

2.4 Regional Parks

Regional Parks								
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	5,525	4,914	611	4,826	6,379	5,879	500	5,818
Operating expenditure	5,285	5,117	(168)	4,865	6,612	6,143	(469)	6,119
Operating surplus / (deficit)	240	(203)	443	(39)	(233)	(264)	31	(301)
Net fixed asset revaluation	-	-	-	-	-	-	-	3,899
Net capital expenditure	465	117	348	496	909	892	(17)	837

Year to date

A favourable operating variance of \$443k, due to increased revenue of \$611k.

Operating Revenue was higher than budget due to:

- ▶ Logging activities in Belmont Park has produced \$651k external revenue.

Operating expenditure is above budget due to:

- ▶ Consultants and contractors include an additional \$633k for the costs of Belmont logging.
- ▶ Personnel costs are below budget due to vacancies and a higher level of staff resources charges to capital projects
- ▶ Material costs have been significantly lower than anticipated by \$448k.

Total capital and asset spend is forecasted at \$909k which is \$17k more than budget

- ▶ Capital project expenditure was \$410k with \$320k planned to spend by year end
- ▶ The forecast has been updated for a rollover of \$150k for the QEP Heritage project
- ▶ Vehicle replacements are forecast to happen earlier than originally planned due to high mileage and will therefore be replaced in the current financial year rather than in 2014/15 as planned. This brings forward net spend after disposals of \$167k

Forecast to 30 June 2014

- ▶ The forecast has been updated to include \$500k logging income and similar increase in logging costs in Belmont Park.

2.5 Public Transport

Public Transport									
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014				
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year	
Operating revenue	79,795	84,231	(4,436)	83,061	98,528	101,142	(2,614)	101,051	
Operating expenditure	78,059	86,346	8,287	79,027	98,467	103,740	5,273	94,941	
Operating surplus / (deficit)	1,736	(2,115)	3,851	4,034	61	(2,598)	2,659	6,110	

Year to date

A favourable operating variance of \$3,851k, comprising lower expenditure of \$8,287k and reduced revenue of \$4,436k.

Operating revenue was \$4,436k below budget because of:

- ▶ Grants and subsidies revenue was \$4.6 million below budget which reflects the reduction in operational expenditure detailed below for the year.

Operating expenditure is \$8,287k below budget because of:

- ▶ Rail contract costs were \$2.9 million below budget because of higher fare revenue and lower expenditure.
- ▶ Rail network operations and maintenance costs were \$0.9 million below budget because of reduced platform maintenance and signal and traction works.
- ▶ Rail network incident costs were \$0.5 million above budget. Additional work was done to reinstate the Ngauranga to Petone seawall.
- ▶ Train maintenance expenditure was \$1.2 million below budget, primarily because there was less unplanned maintenance on the Ganz Mavag trains than budgeted.
- ▶ Diesel bus operations expenditure was \$24.5 million which is \$0.8 million below budget, primarily because bus inflation payments in the year to date have been lower than budgeted.
- ▶ Trolley bus operations expenditure was \$7.3 million which is \$0.3 million below budget. There were changes to the timing of overhead wire maintenance costs, studies and investigation, and cost reductions from services not run.
- ▶ Projects and planning expenditure was \$0.7 million below budget. The Integrated Ticketing Investigation commenced later than expected and planned expenditure will be re-budgeted to 2014/15.
- ▶ Expenditure on the new Public Transport Operating Model (PTOM) was \$0.7 million which is \$0.8 million below budget. A detailed projection has been completed with a better indication of when expenditure is likely to occur.
- ▶ There has also been reduced expenditure on studies, administration and Total Mobility.

Forecast to 30 June 2014

The overall forecast surplus of \$61k is \$2,659k better than budget. This is due to lower revenue and expenditure.

Operating revenue is forecast to be \$2,614k below budget because of:

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

Operating expenditure is forecast to be \$5,273k below budget because of:

- ▶ Rail contract full year forecast expenditure is \$1.5 million below budget, continuing the year to date trend of increased fare revenue and lower expenditure. Subsequent to finalising the forecast, KiwiRail have advised us that there will be a further reduction of \$0.8 million.
- ▶ Rail network operations and maintenance full year forecast is \$10.3 million, or \$0.7 million below budget, because of reduced platform maintenance costs, signal and traction works, and graffiti costs.
- ▶ Rail network incident costs full year forecast expenditure is \$0.8 million above budget, reflecting the costs of reinstating the Ngauranga to Petone seawall.
- ▶ Train maintenance full year forecast expenditure is \$1.0 million below budget because there was less unplanned maintenance on the Ganz Mavag trains than budgeted.
- ▶ Diesel bus contract expenditure is forecast to be \$0.7 million below budget primarily because bus inflation payments in the year to date have been lower than budgeted.
- ▶ Trolley bus operations full year forecast expenditure is \$8.7 million which is \$0.4 million below budget. There were changes to the timing of overhead wire maintenance costs, studies and investigation, and cost reductions from services not run.
- ▶ Projects and planning full year forecast expenditure is \$0.7 million below budget. The Integrated Ticketing Investigation commenced later than expected and planned expenditure will be re-budgeted to 2014/15.
- ▶ PTOM full year forecast expenditure is \$0.4 million below budget. A detailed projection has been completed with a better indication of when expenditure is likely to occur.
- ▶ Administration full year forecast expenditure is \$0.4 million below budget. There are lower costs in rail assets management and GWRL administration charges.

2.6 Public Transport capital and improvement projects

In this table, operating expenditure includes capital improvements where the underlying asset is not owned by GWRC (Trolley bus infrastructure renewals).

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

Investment projects relate to capital works where the underlying asset will be owned by GWRC Rail Limited (GWRL).

Public Transport capital, improvement and investment projects								
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	10,740	14,065	(3,325)	17,626	18,166	17,063	1,103	20,889
Improvement Projects (Opex)	1,416	4,959	(3,543)	1,213	3,325	6,218	(2,893)	4,601
Operating expenditure - Other	4,455	4,784	(329)	33,618	5,244	5,742	(498)	34,417
Total operating expenditure	5,871	9,743	3,872	34,831	8,569	11,960	3,391	39,018
Operating surplus / (deficit)	4,869	4,322	547	(17,205)	9,597	5,103	4,494	(18,129)
Public Transport capital projects	1,051	1,695	644	792	4,517	1,956	(2,561)	2,314
Public Transport investment projects	19,264	27,454	8,190	34,831	30,469	30,060	(409)	39,018
Capital and investment expenditure	20,315	29,149	8,834	35,623	34,986	32,016	(2,970)	41,332

Year to date

Overall, an unfavourable operating variance of \$547k due mainly to reduced operating expenditure and reduced revenue.

Operating revenue was \$3,325k lower than budget because of:

- ▶ Grant and subsidies revenue was \$3.7 million below budget because of a reduction in improvement expenditure, capital projects and investment projects.
- ▶ 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 \$3,872k lower than budget because of:

- ▶ Reduced financial costs of approximately \$0.3 million.
- ▶ Trolley bus infrastructure renewals were \$3.5 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 \$8,834k less than budget because of:

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

- ▶ Real Time Information project - \$0.1 million below budget.
- ▶ Customer information systems - \$0.4 million below budget because delays to the project have meant that it will be mainly rebudgeted to 2014/15.
- ▶ Wellington review interchanges - this project will not commence this year and has been rebudgeted to 2014/15.
- ▶ New Matangi 1 trains - \$1.5 million below budget.
- ▶ New Matangi 2 trains - \$2.5 million below budget.
- ▶ Station renewals and upgrades - \$1.8 million below budget.
- ▶ Insurance related rail improvements - \$0.2 million below budget.
- ▶ Wellington depot and stabling - \$1.8 million below budget.
- ▶ Train heavy maintenance & minor improvements - \$0.3 million below budget.

Forecast to 30 June 2014

The forecast operating surplus relating to capital expenditure is \$4,494k above budget. This is primarily a result of lower improvement project expenditure.

The forecast net capital and investment expenditure is \$3,818k above budget. This includes changes to the timing of expenditure relating to:

- ▶ Real Time Information project - \$0.5 million above budget because of the increased costs of the Wellington CBD display signs and CBD static signs (approved by Council).

- ▶ Park n Ride land - \$3.0 million above budget. GW plans to purchase land in Tawa and Petone for Park n Ride use. Timing of these purchases is uncertain and likely that they will be rebudgeted to 2014/15.
- ▶ Customer information systems – The reduced forecast expenditure will be reflected in the next reported results.
- ▶ Wellington review interchanges - \$0.2 million below budget.
- ▶ New Matangi 1 trains - \$1.5 million below budget.
- ▶ New Matangi 2 trains - \$0.7 million above budget.
- ▶ Station renewals and upgrades - \$0.3 million above budget because of additional work on the Wellington EMU depot to reduce future maintenance expenditure.
- ▶ Insurance related rail improvements - same as budget.
- ▶ Wellington depot and stabling - \$0.7 million above budget.
- ▶ Train heavy maintenance & minor improvements - \$0.2 million above budget because of minor improvements to the Matangi fleet to reduce future maintenance expenditure.

2.7 Strategy & Community Engagement

Strategy & Community Engagement								
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	3,814	3,896	(82)	3,614	4,496	4,669	(173)	4,666
Operating expenditure	3,229	4,031	802	3,314	4,326	4,968	642	4,667
Operating surplus / (deficit)	585	(135)	720	300	170	(299)	469	(1)
Net capital expenditure	180	227	47	38	224	269	45	85

Year to date

Overall, a favourable operating variance of \$720k, comprising lower expenditure of \$802k and reduced revenue of \$82k.

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.
- ▶ Reduced expenditure on Iwi Projects and GW capacity training of \$100k to date.
- ▶ 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 \$469k lower 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, has been forecasted as savings of \$85k.

2.8 WRS

WRS								
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	3,859	3,859	-	3,890	4,631	4,631	-	4,668
Operating expenditure	3,767	3,859	92	3,549	4,601	4,631	30	4,047
Operating surplus / (deficit)	92	-	92	341	30	-	30	621

Year to date

Overall, a favourable operating variance of \$92k, comprising lower expenditure of \$92k.

Operating expenditure was lower than budget due to:

- ▶ Reduced expenditure on consultants (\$41k) due mainly to timing of payments to external parties, as well as reduced staff costs.
- ▶ 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.

2.9 People and Capability

People and Capability								
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	2,860	2,849	11	3,082	3,419	3,419	-	3,697
Operating expenditure	2,903	3,063	160	2,712	3,687	3,654	33	3,703
Operating surplus / (deficit)	(43)	(214)	171	370	(268)	(235)	(33)	(6)
Net capital expenditure	31	46	15	(11)	46	46	-	(11)

Year to date

Overall, a favourable operating variance of \$171k, comprising lower expenditure of \$160k.

Operating revenue is in line with budget.

Operating expenditure was lower than budget due to:

- ▶ Reduced expenditure on consultants. This is spread across all the departments and includes an allowance for costs arising out of the Local Government Elections.
- ▶ There has also been slightly lower spend on materials and travel mainly as a result of timing of payments.

Forecast to 30 June 2014

The forecast is mainly in line with budget.

2.10 Finance ICT and Support

Finance and Support								
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	4,785	4,821	(36)	5,013	5,667	5,785	(118)	6,992
Operating expenditure	5,489	6,120	631	5,889	7,235	7,515	280	7,410
Operating surplus / (deficit)	(704)	(1,299)	595	(876)	(1,568)	(1,730)	162	(418)
Net capital expenditure	1,685	2,292	607	2,078	2,897	3,180	283	2,010

Year to date

Overall, a favourable operating variance of \$595k comprising unfavourable revenue variance of \$36k and lower expenditure of \$631k.

Operating revenue is slightly higher than budget due to:

- ▶ External revenue is largely in line with expectations with internal revenue being above budget.

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 moving, storage, equipment hire and property services costs.
- ▶ Lower capital expenditure in the previous year has resulted in depreciation being lower than budgeted in the current year.
- ▶ Rent costs are also ahead of budget as rent is being incurred on both RCC and more recently Shed 39. Rent has been reviewed for RCC and the Pringle House Board have agreed to a rent that covers on-going costs to hold the building at council request.

Capital expenditure is lower than budget:

- ▶ Capital expenditure is going to be below budget by year end. The Lidar and HAWAN projects will be completed this financial year. The hummingbird document management system replacement or upgrade is underway, and we expect the majority of the project to be delivered in 2015.

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 \$283k less than budget primarily due to:

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

2.11 Emergency Management

Emergency Management								
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	2,702	2,353	349	3,206	2,823	2,823	-	3,207
Operating expenditure	2,223	2,573	350	2,085	3,087	3,087	-	2,783
Operating surplus / (deficit)	479	(220)	699	1,121	(264)	(264)	-	424
Net capital expenditure	(14)	-	14	107	-	-	-	137

Year to date

Overall, a favourable operating variance of \$699k comprising revenue advances of \$349k and lower expenditure of \$350k.

Operating revenue is higher than budget due to:

- ▶ Revenue is ahead of budget due to as invoicing for the year has been completed for the year.

Operating expenditure is lower than budget due to:

- ▶ Projects delayed until June.
- ▶ Lower planned activity arising from the earthquakes.

Forecast to 30 June 2014

The group is reviewing its year end position, with a surplus for 2013/14 anticipated when compared to budget.

2.12 Warm GWRC

Warm Greater Wellington								
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,429	2,524	(1,095)	917	1,715	3,029	(1,314)	1,100
Operating expenditure	1,429	2,524	1,095	917	1,715	3,029	(1,314)	1,100
Operating surplus / (deficit)	-	-	-	-	-	-	-	-

Year to date

Overall, a break-even position, comprising lower revenue of \$1,095k and lower expenditure of \$1,095k.

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.

2.13 Investment Management

Investment Management								
Financial Summary \$(000)'s	10 Months ended 30 April 2014				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Revenue	8,261	6,671	1,590	7,988	10,052	8,394	1,658	7,417
Internal Interest Recovery	11,595	12,308	(713)	14,531	14,119	14,770	(651)	14,685
Operating revenue	19,856	18,979	877	22,519	24,171	23,164	1,007	22,102
Expenditure	8,617	7,800	(817)	8,659	10,572	9,545	(1,027)	8,853
Internal Reserve Costs	765	693	(72)	1,004	931	831	(100)	901
Operating expenditure	9,382	8,493	(889)	9,663	11,503	10,376	(1,127)	9,754
Operating surplus / (deficit)	10,474	10,486	(12)	12,856	12,668	12,788	(120)	12,348
Net capital expenditure	2,281	2,500	219	276	2,438	2,500	62	309

Year to date

Overall, an unfavourable variance of \$12k compared with budget.

This is due to:

- ▶ Investment Revenue is favourable to budget due to \$1.18 million higher money market interest from higher than planned debt prefunding balances; \$81k higher guarantee fee for CentrePort's debt.
- ▶ Expenditure variance comprises of lower interest recovery of \$713k from internal debt as the capital expenditure by operational Groups is slower than budgeted.
- ▶ External finance costs are \$675k above budget, mainly as a result of prefunding of debt. The costs for our swaps are \$105k above budget.
- ▶ \$225k higher expenditure for contractors and consultants, mainly emanating from moving and project management costs relating to shed 39

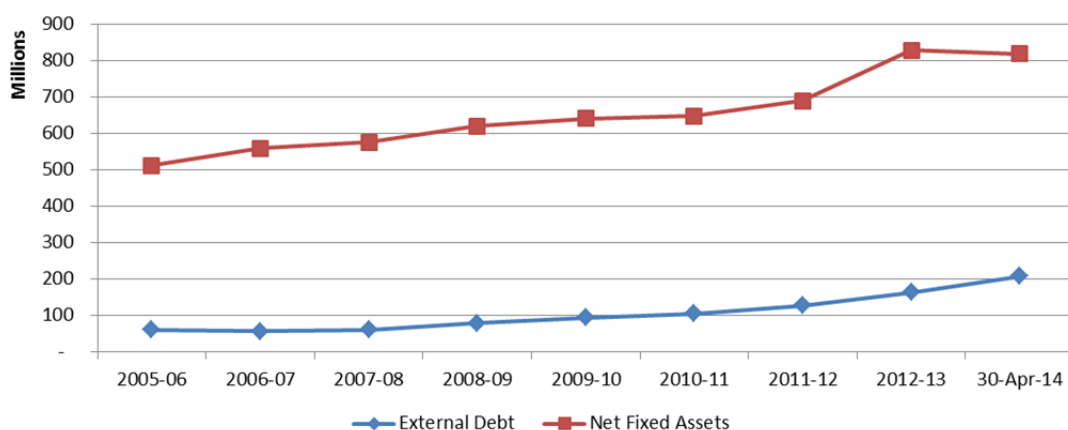
Capital expenditure relating to Shed 39 is \$2,217k for the year to date, which is \$283k below budget. This favourable variance results from the timing of payments relating to the work on shed 39.

Forecast to 30 June 2014

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

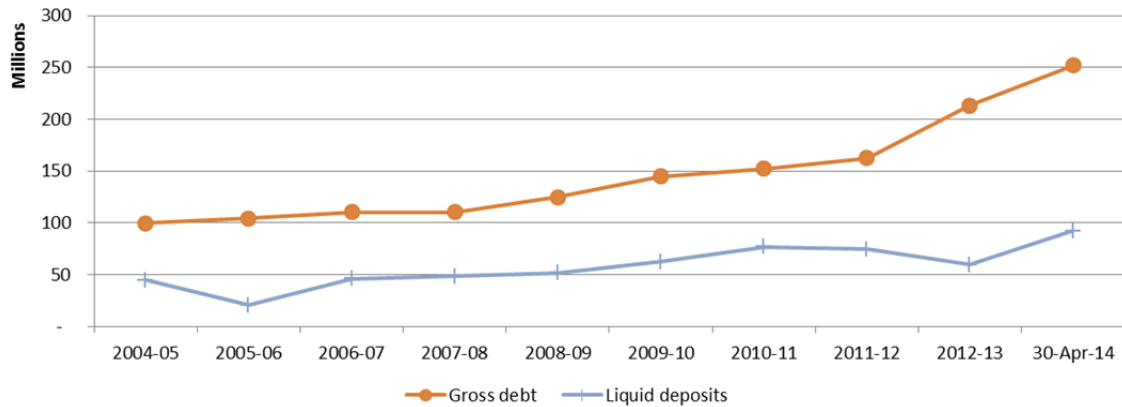
- ▶ Expectation of \$1.007k higher operating revenue, mainly resulting from \$1.658k higher investment revenue, offset by \$651k lower interest revenue (within operating expenditure per the table) from internal loans due to the timing of capital expenditure by the Council.
- ▶ The guarantee fee from CentrePort is expected to be \$108k more due to higher borrowings by CPL.
- ▶ Finance costs are forecasted to be \$725k 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 \$9m of debt to refinance in the remainder of this year.

2.14 Water

Water Supply		10 Months ended 30 April 2014				Year ending 30 June 2014			
Financial Summary \$(000)'s		Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue		22,251	22,143	108	21,909	26,718	26,571	147	26,719
Operating expenditure		24,753	24,830	77	24,458	29,822	29,794	(28)	29,973
Operational Surplus / (deficit) before other items		(2,502)	(2,687)	185	(2,549)	(3,104)	(3,223)	119	(3,254)
Additional depreciation from 2013 Water Revaluation		4,167	-	(4,167)	-	5,000	-	(5,000)	-
Operational Surplus / (deficit)		(6,669)	(2,687)	(3,982)	(2,549)	(8,104)	(3,223)	(4,881)	(3,254)
Net fixed asset revaluation		-	-	-	-	-	-	-	108,714
Net capital expenditure		4,480	9,030	4,550	6,807	10,486	9,981	(505)	9,776

Year to date

Overall a favourable operating variance of \$185k compared to budget before the additional depreciation resulting from the 30 June 2013 asset revaluation

Operating revenue is \$108k better than budget due to unbudgeted revenue from performing paid work for other cities.

Operating expenditure was \$77k better than budget due to:

- ▶ Resource costing recoveries for the half year were \$501k below budget due to the deferral of 2013/14 projects to focus on improvement of project delivery and the reprioritisation of resilience projects. This 'refocus' in capital projects has caused a below budget recovery which has been financed from savings in other areas as noted below.

- ▶ Materials and supplies spend is \$375k under budget due to timing of payments and savings due to budgeted cost increases in power and chemicals not occurring.
- ▶ Finance costs. \$275k under budget. These savings are likely to continue as the budget was based on the Kaitoke land deal having been finalised in August. These have been offset by unbudgeted losses on the disposal of replaced assets of \$237k

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 \$4.6m over budget, 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 \$4,550k under budget, primarily due to the lake 3 land purchase and associated development that will take place after this is completed. This is expected to be concluded by 30/06/2014.

Forecast to 30 June 2014

The forecast operating deficit is \$4.9m 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.

4 BALANCE SHEET

\$(000)'s	April 2014	June 2014	June 2013
	Actual	Budget	Actual
Bank	8	9,205	8,335
Receivables	17,540	18,138	12,362
Accrued Revenue and Prepayments	20,918	30,071	24,176
Inventory	3,027	2,733	3,002
Total Current Assets	41,493	60,147	47,875
Other Investments	94,484	64,685	62,003
Forestry Investments	22,802	24,079	23,377
Derived Financial Instruments	(3,808)	(5,397)	(4,492)
Investment in Subsidiaries	88,720	98,575	68,514
Total Investments	202,198	181,942	149,402
Fixed Asset at cost or valuation	865,529	854,577	861,225
less Accumulated Depreciation	(46,479)	(84,327)	(32,001)
Net Fixed Assets	819,050	770,250	829,224
Capital Works In Progress	9,826	3,553	756
Non Current Assets	1,031,074	955,745	979,382
Total Assets	1,072,567	1,015,892	1,027,257
less:			
Current Liabilities	28,342	31,099	21,298
Non Current Liabilities	211,259	209,101	178,332
Total Liabilities	239,601	240,200	199,630
Net Assets	832,966	775,692	827,627
Total Retained Earnings	356,805	377,039	352,832
Asset Revaluation Reserves	449,130	379,020	449,304
Other Reserves	27,031	19,633	25,491
Total Ratepayer Funds	832,966	775,692	827,627



greater WELLINGTON

REGIONAL COUNCIL

Te Pane Matua Taiao