

Summary Finance REPORT



31 August 2014

GREATER WELLINGTON REGIONAL
COUNCIL

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1 COUNCIL SUMMARY

1.1 Overview

Overall at the operating surplus level, before transport improvements, the result for the council is favourable by \$2,334k relative to budget. When the transport improvement numbers and non-operational movements are included then the financial results for the first two months were \$2,503k favourable compared to budget. This is mainly due to reduced expenditure in public transport, water supply and catchment as well as above budget revenue in catchment.



1.2 Council Financial Performance

Year to date

GWRC achieved an operating surplus of \$69k (budget, a deficit of \$2,265k) for the two months to 31 August, a \$2,334k 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 \$2,653k (budget, a surplus of \$150k), a favourable variance of \$2,503k. Details by group follow in section 2.

GWRC forecast will be updated at the end of quarter 1.

1.3 Financial Summary

Summary Income Statement \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Regional Rates	16,216	16,090	126	15,282
Regional Water Supply Levies	4,379	4,379	-	4,273
Other Operating Revenue	12,211	13,623	(1,412)	15,059
Total Operating Revenue	32,806	34,092	(1,286)	34,614
Operational Costs	32,737	36,357	3,620	34,882
Operating Surplus / (Deficit) before Transport Improvements	69	(2,265)	2,334	(268)
Operating Surplus / (Deficit) from Transport Improvements	2,580	2,415	165	380
Operating Surplus before other movements	2,649	150	2,499	112
Non-operational movements	4	-	4	(189)
Operating Surplus / (Deficit)	2,653	150	2,503	(77)

1.4 Financial Summary by Group

Greater Wellington Regional Council				
Summary income statement - Operating Surplus / (Deficit)				
Total operating surplus / (deficit) \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Catchment Management	1,583	556	1,027	607
Forestry	(41)	(21)	(20)	452
Environmental Management	(140)	(14)	(126)	(78)
Regional Parks	(321)	(292)	(29)	(43)
Wairarapa Water Use project	(35)	(2)	(33)	(119)
Public Transport	282	(896)	1,178	973
Strategy & Community Engagement	98	(185)	283	277
WRS	126	3	123	78
Other Corporate	129	174	(45)	64
Emergency Management	(262)	(43)	(219)	(32)
Finance and Support	(254)	(119)	(135)	(294)
Total operational surplus / (deficit)	1,165	(839)	2,004	1,885
Investment Management	1,471	1,622	(151)	1,499
Business unit rates contribution	(1,668)	(1,667)	(1)	(1,732)
Total rates funded operating surplus / (deficit)	968	(884)	1,852	1,652
Water Supply	(899)	(1,381)	482	(1,920)
Total rates & levy funded operating surplus / (deficit)	69	(2,265)	2,334	(268)
Non-operational movements				
Forestry cost of goods sold	(6)	-	(6)	(189)
Warm Greater Wellington	10	-	10	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	2,580	2,415	165	380
Total non-operational surplus / (deficit)	2,584	2,415	169	191
Total council surplus / (deficit)	2,653	150	2,503	(77)

1.5 Capital expenditure

Capital expenditure by Group

Capital expenditure is \$3,830k below budget, year to date. This is due to timing of projects commencing in Catchment Management and Water Supply, and the public transport capital, improvement and investment expenditure being later than planned. Details by group follow in section 2.

GWRC forecast will be updated at the end of quarter 1

Total capital and transport investment and improvement expenditure \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Catchment Management	178	659	481	219
Forestry	-	-	-	86
Environmental Management	20	32	12	(309)
Regional Parks	(11)	147	158	217
Wairarapa Water Use project	299	104	(195)	100
Public Transport capital projects	3,183	3,115	(68)	2
Strategy & Community Engagement	37	-	(37)	5
Other Corporate	-	5	5	-
Emergency Management	-	-	-	-
Finance, ICT and Support	117	133	16	195
Total capital expenditure	3,823	4,195	372	515
Investment and property management	13	-	(13)	21
Total rates funded capital expenditure	3,836	4,195	359	536
Water Supply	536	1,313	777	643
Total rates & levy funded capital expenditure	4,372	5,508	1,136	1,179
Public Transport investment projects - GWRL	313	3,007	2,694	553
Total council capital and transport investment expenditure	4,685	8,515	3,830	1,732

2 FINANCIAL PERFORMANCE BY GROUP

2.1 Catchment Management

Catchment Management				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	6,255	5,780	475	5,482
Operating expenditure	4,672	5,224	552	4,875
Operating surplus / (deficit)	1,583	556	1,027	607
Net fixed asset revaluation	-	-	-	-
Net capital expenditure	178	659	481	219

Year to date

A favourable operating variance of \$1,027k, comprising higher revenue of \$475k and lower operating costs of \$552k.

Operating revenue is higher than budget due mainly to:

- ▶ BioWorks external revenue was \$437k above budget due to the timing of the Aorangi aerial operation.

Operating expenditure was lower than budget due to:

- ▶ Biosecurity expenditure was \$307k below budget due to the timing of possum predator control and RPMS programmes
- ▶ Biodiversity expenditure was \$185k below budget due to the timing of Wairarapa Moana expenditure and personnel cost savings

Capital expenditure was below budget, primarily due to:

- ▶ Flood Protection improvements and FMP investigations were \$408k below budget due to timing. i.e. Jim Cooke Park stopbank, Lower Waitohu, Otaki Edge protection and River Works Chrystalls to Gorge

2.2 Environmental Management

Environmental Management				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	2,486	2,567	(81)	2,306
Operating expenditure	2,626	2,581	(45)	2,384
Operating surplus / (deficit)	(140)	(14)	(126)	(78)
Net capital expenditure	20	32	(12)	(309)

Year to date

Overall, an unfavourable operating variance of \$126k, comprising lower revenue of \$81k and higher expenditure of \$45k.

Operating revenue is below of budget primarily due to:

- ▶ The Environmental Regulation department where external income is \$67k less than budget due to a timing difference in invoicing for compliance and consent processing which will be caught up in September.

Operating expenditure was higher than budget due mainly to:

- ▶ Consultant expenditure within the Environmental Regulations department is ahead of budget due to timing of work.

2.3 Forestry

Forestry				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	142	52	90	2,879
Operating expenditure	183	73	(110)	2,427
Cash Operating surplus / (deficit)	(41)	(21)	(20)	452
Revaluation of forestry (ETS and Trees)	-	-	-	-
Forestry cost of goods sold	(6)	-	(6)	(189)
Operating surplus / (deficit)	(47)	(21)	(26)	263

Year to date

An unfavourable operating variance of \$26k

Operating surplus is below of budget primarily due to:

- ▶ Extra revenue for bee hive sites has resulted from significantly improved harvests.
- ▶ Residual logging revenue, harvest costs and cutting right sale legal fees.

2.4 Regional Parks

Regional Parks				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	1,058	1,010	48	951
Operating expenditure	1,379	1,302	(77)	994
Operational Surplus / (deficit) before other items	(321)	(292)	(29)	(43)
Net capital expenditure	(11)	147	(158)	217

Year to date

An unfavourable operating variance of \$29k, due to increased revenue of \$48k and increased costs of \$77k.

Operating Revenue was higher than budget due to:

- ▶ On charging of consultant costs to NZTA re transmission gully work.

Operating expenditure is above budget due to:

- ▶ Variable consultant costs as per noted above which have been on charged.

Total capital and asset spend is below budget due to:

- ▶ Capital project expenditure is showing a small negative as actual expenditure was below the year end accrued estimate.

2.5 Public Transport

Public Transport				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	15,639	17,169	(1,530)	16,064
Operating expenditure	15,357	18,065	2,708	15,091
Operating surplus / (deficit)	282	(896)	1,178	973

Year to date

A favourable operating variance of \$1,178k, comprising lower expenditure of \$2,708k and reduced revenue of \$1,530k.

Operating revenue was \$1,530k below budget because of:

- ▶ Grants and subsidies revenue was below budget which reflects the reduction in operational expenditure for the year to date (detailed below).

Operating expenditure is \$2,708k below budget because of:

- ▶ Rail contract costs were \$1,104k below budget because of higher fare revenue and lower expenditure.
- ▶ Rail network operations and maintenance costs were \$345k below budget because KiwiRail spent less than planned.
- ▶ Train maintenance expenditure was \$141k below budget, primarily because there was less unplanned maintenance on the Matangi trains than budgeted.
- ▶ Diesel bus operations expenditure was \$200k below budget. Bus inflation payments in the year to date have been lower than budgeted.
- ▶ Trolley bus operations expenditure was \$199k below budget. There were lower contract costs, and cost reductions from services not run.
- ▶ Projects and planning expenditure was \$296k below budget. The Bus Rapid Transit implementation project is yet to commence and expenditure on Integrated Fares and Ticketing Investigation to date has been less than expected.
- ▶ There has also been reduced expenditure on staff and administration costs.

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	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	3,729	4,179	(450)	1,232
Improvement Projects (Opex)	125	512	387	1,213
Operating expenditure - Other	1,024	1,252	228	(361)
Total operating expenditure	1,149	1,764	615	852
Operating surplus / (deficit)	2,580	2,415	165	380
Public Transport capital projects	3,183	3,115	(68)	2
Public Transport investment projects - GWRL	313	3,007	2,694	553
Capital and investment expenditure	3,496	6,122	2,626	555

Year to date

Overall, a favourable operating variance of \$165k due mainly to reduced operating expenditure and reduced revenue.

Operating revenue was \$450k lower than budget because of:

- ▶ Grant and subsidies revenue was below budget because of a reduction in improvement expenditure, capital projects and investment projects.

Operating expenditure was \$615k lower than budget because of:

- ▶ Trolley bus infrastructure renewals were \$386k below budget. There was less reactive wire maintenance and the network wide fault protection system expenditure is now mainly expected to occur later in 2014/15.
- ▶ Reduced financial costs of approximately \$226k.

Capital and investment expenditure is \$2,626k less than budget because of:

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

- ▶ Matangi trains and retrofit - \$2,041k below budget.
- ▶ Station renewals and upgrades - \$140k below budget.
- ▶ Insurance related rail improvements - \$60k below budget.
- ▶ Wellington depot and stabling - \$286k below budget.
- ▶ Train heavy maintenance & minor improvements - \$80k below budget.

2.7 Strategy & Community Engagement

Strategy & Community Engagement				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	708	698	10	714
Operating expenditure	610	883	273	437
Operating surplus / (deficit)	98	(185)	283	277
Net capital expenditure	37	-	(37)	5

Year to date

Overall, a favourable operating variance of \$283k, comprising lower expenditure of \$273k and higher revenue of \$10k.

Operating expenditure was lower than budget due to:

- ▶ Reduced expenditure on consultants, materials and supplies due mainly to timing of the projects.
- ▶ Printing costs for the Annual report still to come in.

2.8 WRS

WRS				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	774	775	(1)	772
Operating expenditure	648	772	124	694
Operating surplus / (deficit)	126	3	123	78

Year to date

Overall, a favourable operating variance of \$123k, comprising lower expenditure of \$124k.

Operating expenditure was lower than budget due to:

- ▶ Reduced expenditure on consultants due mainly to timing of payments to external parties.

2.9 People and Capability

People and Capability				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	545	544	1	573
Operating expenditure	385	374	(11)	517
Operating surplus / (deficit)	160	170	(10)	56
Net capital expenditure	-	5	5	-

Year to date

Overall, an unfavourable operating variance of \$10k, comprising higher expenditure of \$11k.

Operating revenue and expenditure are in line with budget.

2.10 Finance ICT and Support

Finance and Support				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	954	1,038	(84)	916
Operating expenditure	1,208	1,157	(51)	1,210
Operating surplus / (deficit)	(254)	(119)	(135)	(294)
Net capital expenditure	117	133	16	195

Year to date

Overall, an unfavourable operating variance of \$135k comprising unfavourable revenue variance of \$84k and higher expenditure of \$51k.

Operating revenue is slightly lower than budget due to:

- ▶ Additional revenue from groups is below budget in the first two months, this is due to timing.

Operating expenditure was higher than budget due to:

- ▶ Timing of consultant and project material spend is ahead of budget.

Capital expenditure is in line with budget.

2.11 Emergency Management

Emergency Management				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	157	491	(334)	349
Operating expenditure	419	534	115	381
Operating surplus / (deficit)	(262)	(43)	(219)	(32)

Year to date

Overall, an unfavourable operating variance of \$219k comprising lower revenue of \$334k and lower expenditure of \$115k.

Operating revenue is lower than budget due to:

- ▶ The timing of invoicing to the territorial authorities. This was caught up in September.

Operating expenditure is lower than budget due to:

- ▶ Timing of consultant and project material spend compared to budget.

2.12 Warm GWRC

Warm Greater Wellington				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	392	457	(65)	286
Operating expenditure	382	457	75	286
Operating surplus / (deficit)	10	-	10	-

Year to date

Overall, an approximate break-even position, comprising lower revenue of \$65k and lower expenditure of \$75k.

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 2014 which were lower than budgeted. This was due to a lower cash level of advances provided in 2013/14 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

2.13 Investment Management

Investment Management				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Revenue	1,268	1,094	174	7,988
Internal Interest Recovery	2,343	2,578	(235)	14,531
Operating revenue	3,611	3,672	(61)	22,519
Expenditure	1,980	1,902	(78)	8,659
Internal Reserve Costs	160	148	(12)	1,004
Operating expenditure	2,140	2,050	(90)	9,663
Operating surplus / (deficit)	1,471	1,622	(151)	12,856

Year to date

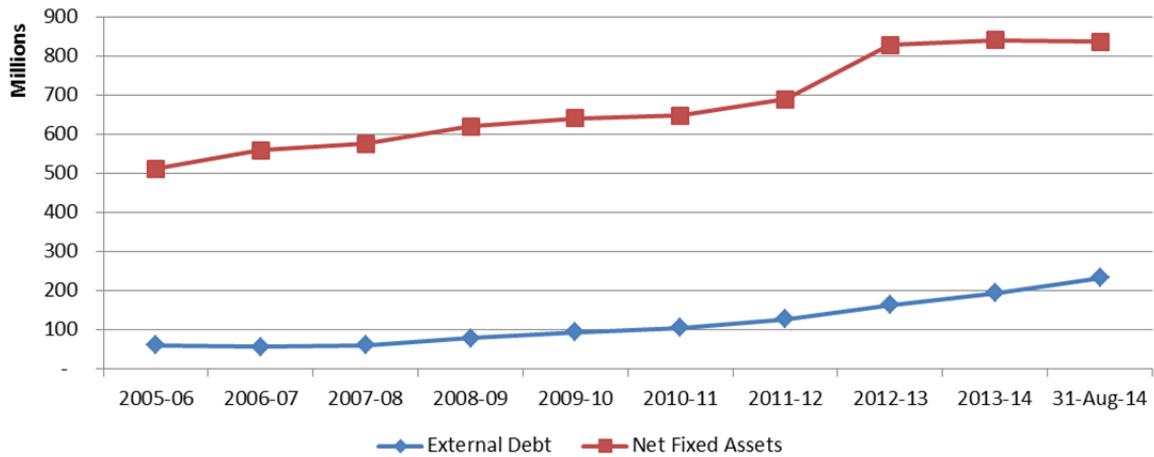
Overall, an unfavourable variance of \$151k compared with budget.

This is due to:

- ▶ There has been higher than budgeted operating revenue is mainly due to higher money market interest revenue resulting from \$30 million prefunded debt which has been invested short term. This has been offset by lower than budgeted interest recovery from internal loans as the capital expenditure by operational Groups is slower than budgeted.

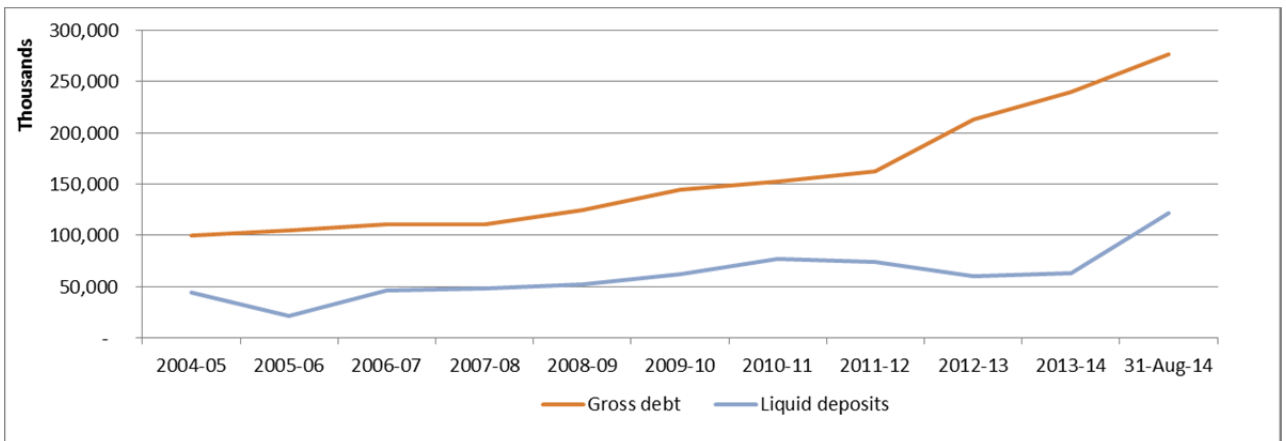
- ▶ Expenditure has been above budget due to higher external interest costs due to prefunding of debt as well as higher internal reserve costs.

External Debt and Assets



- ▶ External Debt has been growing at a slower rate than assets due to the 2013 and 2014 asset revaluations.

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.

2.14 Water

Water Supply				
Financial Summary \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Operating revenue	4,588	4,561	27	4,439
Operating expenditure	5,487	5,942	455	6,359
Operational Surplus / (deficit) before other items	(899)	(1,381)	482	(1,920)
Net capital expenditure	536	1,313	777	643

Year to date

Overall a favourable operating variance of \$482k compared to budget.

Operating revenue is in line with budget.

Operating expenditure was \$455k better than budget due to:

- ▶ Materials and supplies spend is \$214k under budget due to timing of payments and savings due to budgeted cost increases in power and chemicals not occurring.
- ▶ Finance costs are \$31k under budget. Interest charges are lower than budget due to timing difference between budgeted and actual capital expenditure.
- ▶ Depreciation costs are \$76k under budget Due to further revaluation adjustments at 1 July 2014 being undertaken after the depreciation budget was set.
- ▶ Other contractor and charges are also below budget as a result of timing of payments.

Capital expenditure is \$777k under budget. Projects are progressing however as a result of timing of payments and traditionally quiet first two months, these are below budget.

3 FUNDING IMPACT STATEMENT

Funding Impact Statement \$(000)'s	Period ending 31 August 2014			
	Actual	Budget	Variance	Last Year
Targeted Rates	10,895	10,895	-	10,471
General Rate	5,321	5,195	126	4,811
Regional Rates	16,216	16,090	126	15,282
Regional Water Supply Levies	4,379	4,379	-	4,273
Warm Greater Wellington Rates	326	457	(131)	286
Grants and Subsidies Revenue	6,976	8,513	(1,537)	7,686
Other Operating Revenue	4,909	4,653	256	7,087
Total Operating Revenue	32,806	34,092	(1,286)	34,614
Operational Costs	18,450	20,145	1,695	20,627
Grants and Subsidies Expenditure	12,555	14,519	1,964	12,811
Finance Costs	1,732	1,693	(39)	1,444
Total Operating Expenditure	32,737	36,357	3,620	34,882
Operating Surplus / (Deficit) before Transport Improvements	69	(2,265)	2,334	(268)
Transport Improvement revenue	3,729	4,179	(450)	1,232
Transport Improvement expenditure	(1,149)	(1,764)	615	(852)
Operating Surplus / (Deficit) from Transport Improvements	2,580	2,415	165	380
Operating Surplus before other movements	2,649	150	2,499	112
Revaluation of interest rate swaps and stadium advance	-	-	-	-
Revaluation of Transport Interest free debt	-	-	-	-
Revaluation of forestry (ETS and Trees)	-	-	-	-
Forestry cost of goods sold	(6)	-	(6)	(189)
Revaluation PPE	-	-	-	-
Warm Greater Wellington	10	-	10	-
Total other movements	4	-	4	(189)
Operating Surplus / (Deficit)	2,653	150	2,503	(77)
Add Back Non Cash Items	3,012	3,158	(146)	3,951
Cash operating surplus/(deficit)	5,665	3,308	2,357	3,874
Less:				
Net capital expenditure	4,371	5,509	(1,138)	1,496
Debt movements	(38,589)	(2,914)	(35,675)	(29,766)
Investment movements	59,041	-	59,041	30,000
Working capital movements	(30,488)	(5,903)	(24,585)	(5,604)
Net Funding Surplus / (Deficit)	-	-	-	-

4 BALANCE SHEET

Greater Wellington Regional Council			
Balance Sheet			
	August 2015	June 2015	June 2014
\$(000)'s	Actual	Budget	Actual
Bank	7	9,205	19,516
Receivables	26,394	18,138	29,109
Accrued Revenue and Prepayments	23,345	30,071	30,650
Inventory	3,139	2,733	3,113
Total Current Assets	52,885	60,147	82,388
Other Investments	124,424	64,685	26,206
Forestry Investments	463	24,079	38,778
Derivative Financial Instruments	(135)	(5,397)	2,884
Investment in Subsidiaries	96,845	98,575	96,845
Total Investments	221,597	181,942	164,713
Fixed Asset at cost or valuation	901,852	854,577	900,939
less Accumulated Depreciation	(50,831)	(84,327)	(47,961)
Net Fixed Assets	851,021	770,250	852,978
Capital Works In Progress	15,964	3,553	11,618
Non Current Assets	1,088,582	955,745	1,029,309
Total Assets	1,141,467	1,015,892	1,111,697
less:			
Current Liabilities	38,630	31,099	108,775
Non Current Liabilities	233,069	209,101	124,627
Total Liabilities	271,699	240,200	233,402
Net Assets	869,768	775,692	878,295
Total Retained Earnings	377,509	377,039	375,367
Asset Revaluation Reserves	465,254	379,020	476,338
Other Reserves	27,005	19,633	26,590
Total Ratepayer Funds	869,768	775,692	878,295



greater WELLINGTON

REGIONAL COUNCIL

Te Pane Matua Taiao