greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Summary of Financial Statements for the six months ended 31 December 2014

1. Purpose

For the Strategy and Policy Committee (the Committee) to receive the summary financial report for the six months ended 31 December 2014.

2. Background

This report provides a review of performance of Council activities.

3. Council Financial Summary

Overall, the operating surplus before transport improvements is favourable by $3,400k relative to budget. When the transport improvement numbers and non-operational movements are included the financial results for the six months are $3,823k favourable compared to budget.

This is mainly due to reduced expenditure in Public Transport, and timing of expenditure in Catchment Management, Strategy and Community Engagement (SCEG) and Water Supply.

For Public Transport, this was largely due to increased patronage reported by KiwiRail and reduced rail expenditure.

In Catchment Management there is additional external revenue whilst overall costs are being maintained.

In SCEG, there was reduced expenditure on consultants, materials and supplies due mainly to timing of the projects such as the Regional Land Transport Plan, Long Term Plan and Annual Plan.

Similarly with Water Supply, materials spend has been below budget due to timing of projects, coupled with lower depreciation as a result of adjustments made to asset values at 30 June 2014.

Details by Group follow in section 4.

3.1 Financial Summary

Summary Income Statement $(000)'s	Period ending 31 December 2014 Actual	Budget	Variance	Last Year
Regional Rates	48,270	48,269	1	45,652
Regional Water Supply Levies	13,138	13,138	-	12,818
Other Operating Revenue	41,393	40,509	884	50,092
Total Operating Revenue	**102,801**	**101,916**	**885**	**108,562**
Operational Costs	106,478	108,993	2,515	105,710
Operating Surplus / (Deficit) before Transport Improvements	**(3,677)**	**(7,077)**	**3,400**	**2,852**
Operating Surplus / (Deficit) from Transport Improvements	5,392	4,964	428	1,372
Operating Surplus before other movements	**1,715**	**(2,113)**	**3,828**	**4,224**
Non-operational movements	(6)	(1)	(5)	(381)
Operating Surplus / (Deficit)	**1,709**	**(2,114)**	**3,823**	**3,843**

3.2 Financial Summary by Group

Total operating surplus / (deficit) $(000)'s	Period ending 31 December 2014 Actual	Budget	Variance	Last Year
Catchment Management	2,602	2,102	500	2,064
Forestry	(119)	(62)	(57)	971
Environmental Management	(204)	36	(240)	(75)
Regional Parks	(842)	(748)	(94)	145
Wairarapa Water Use project	(9)	(5)	(4)	(15)
Public Transport	(1,025)	(2,932)	1,907	2,003
Strategy & Community Engagement	83	(561)	644	544
WRS	(31)	9	(40)	96
Other Corporate	81	198	(117)	(188)
Emergency Management	87	(169)	256	150
Finance and Support	(393)	(558)	165	(437)
Total operational surplus / (deficit)	**230**	**(2,690)**	**2,920**	**5,258**
Investment Management	4,749	4,681	68	7,020
Business unit rates contribution	(5,000)	(5,000)	-	(5,201)
Total rates funded operating surplus / (deficit)	**(21)**	**(3,009)**	**2,988**	**7,077**
Water Supply	(3,656)	(4,068)	412	(4,225)
Total rates & levy funded operating surplus / (deficit)	**(3,677)**	**(7,077)**	**3,400**	**2,852**
Non-operational movements				
Forestry cost of goods sold	(6)	-	(6)	(381)
Warm Greater Wellington	-	(1)	1	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	5,392	4,964	428	1,372
Total non-operational surplus / (deficit)	**5,386**	**4,963**	**423**	**991**
Total council surplus / (deficit)	**1,709**	**(2,114)**	**3,823**	**3,843**

3.3 Forecast to 30 June 2015

Greater Wellington Regional Council (GWRC) is forecasting an operating deficit of $10,231k (budget, a deficit of $11,560k) for the year to 30 June 2015. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, GWRC is forecasting a deficit of $802k (budget, a deficit of $2,350k).

The primary difference is a forecast decrease in spend in Public Transport as well as favourable Investment Management returns. These are slightly offset by increased depreciation in Parks.

Details by Group follow in section 4.

3.3.1 Financial forecast

Summary Income Statement $(000)'s	**Year ended 30 June 2015**			
	Forecast	**Budget**	**Variance**	**Last Year**
Regional Rates	96,838	96,538	300	92,454
Regional Water Supply Levies	26,276	26,276	-	25,635
Other Operating Revenue	81,973	81,111	862	99,567
Total Operating Revenue	**205,087**	**203,925**	**1,162**	**217,656**
Operational Costs	215,318	215,485	167	217,154
Operating Surplus / (Deficit) before Transport Improvements	**(10,231)**	**(11,560)**	**1,329**	**502**
Operating Surplus / (Deficit) from Transport Improvements	9,272	9,053	219	3,587
Operating Surplus before other movements	**(959)**	**(2,507)**	**1,548**	**4,089**
Non-operational movements	157	157	-	18,961
Operating Surplus / (Deficit)	**(802)**	**(2,350)**	**1,548**	**23,050**
Net fixed asset revaluations	**-**	**-**	**-**	**27,600**
Total council comprehensive income	**(802)**	**(2,350)**	**1,548**	**50,650**

3.3.2 Financial forecast by Group

Total operating surplus / (deficit) $(000)'s	**Year ended 30 June 2015**			
	Forecast	**Budget**	**Variance**	**Last Year**
Catchment Management	3,799	3,434	365	3,058
Forestry	(259)	(122)	(137)	330
Environmental Management	(356)	29	(385)	(563)
Regional Parks	(1,656)	(1,342)	(314)	(1,989)
Wairarapa Water Use project	(12)	(12)	-	(78)
Public Transport	(2,891)	(4,682)	1,791	4,229
Strategy & Community Engagement	(367)	(362)	(5)	391
WRS	(283)	17	(300)	(39)
Other Corporate	81	133	(52)	(12)
Emergency Management	(337)	(337)	-	177
Finance and Support	(1,420)	(1,472)	52	(1,022)
Total operational surplus / (deficit)	**(3,701)**	**(4,716)**	**1,015**	**4,482**
Investment Management	11,692	11,378	314	12,524
Business unit rates contribution	(10,001)	(10,001)	-	(10,406)
Total rates funded operating surplus / (deficit)	**(2,010)**	**(3,339)**	**1,329**	**6,600**
Water Supply	(8,221)	(8,221)	-	(6,098)
Total rates & levy funded operating surplus / (deficit)	**(10,231)**	**(11,560)**	**1,329**	**502**
Non-operational movements				
Forestry cost of goods sold	-	-	-	(682)
Warm Greater Wellington	(2)	(2)	-	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	9,272	9,053	219	3,587
Total non-operational surplus / (deficit)	**9,429**	**9,210**	**219**	**22,548**
Total council surplus / (deficit)	**(802)**	**(2,350)**	**1,548**	**23,050**
Net fixed asset revaluations	**-**	**-**	**-**	**27,600**
Total council comprehensive income / (deficit)	**(802)**	**(2,350)**	**1,548**	**50,650**

3.4 Capital & transport improvements expenditure

3.4.1 Capital expenditure by Group

Capital expenditure is $5,464k below budget, year to date. This is due to lower spend by Catchment Management, Water Supply and the Public Transport improvement projects.

Public Transport improvement projects are mainly below budget due to the timing of payments for the Matangi trains. For Water Supply, projects are progressing, however as a result of timing of payments these are below budget. In Catchment Management spend is below budget due to the timing of stop bank improvements in Waikanae and Otaki. Some Wairarapa Water Use Project work streams were brought forward in the year, but the project remains on track.

Details by Group follow in section 4.

Total capital and transport investment and improvement expenditure	**Period ending 31 December 2014**			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Catchment Management	1,480	2,441	961	1,425
Forestry	3	-	(3)	182
Environmental Management	90	248	158	(575)
Regional Parks	21	471	450	221
Wairarapa Water Use project	599	312	(287)	411
Public Transport capital projects	3,805	3,864	59	611
Strategy & Community Engagement	73	2	(71)	132
Other Corporate	14	71	57	-
Emergency Management	67	70	3	-
Finance, ICT and Support	198	729	531	779
Total capital expenditure	**6,350**	**8,208**	**1,858**	**3,186**
Investment and property management	13	-	(13)	1,759
Total rates funded capital expenditure	**6,363**	**8,208**	**1,845**	**4,945**
Water Supply	2,226	4,183	1,957	3,266
Total rates & levy funded capital expenditure	**8,589**	**12,391**	**3,802**	**8,211**
Public Transport investment projects - GWRL	4,731	6,393	1,662	10,197
Total council capital and transport investment expenditure	**13,320**	**18,784**	**5,464**	**18,408**

3.4.2 Capital & transport improvement expenditure forecast by Group

Capital expenditure is forecast to be $4,940k less than budget by year end. This is primarily due to changes within Public Transport and ICT which are discussed in section 4.

Total capital and transport investment and improvement expenditure	Year ended 30 June 2015			
$(000)'s	**Forecast**	**Budget**	**Variance**	**Last Year**
Catchment Management	5,266	5,008	(258)	5,956
Forestry	-	-	-	240
Environmental Management	450	450	-	(696)
Regional Parks	1,168	1,168	-	212
Wairarapa Water Use project	825	825	-	627
Public Transport capital projects	5,584	5,286	(298)	1,091
Strategy & Community Engagement	197	197	-	228
Other Corporate	71	71	-	31
Emergency Management	70	70	-	(14)
Finance, ICT and Support	1,908	1,504	(404)	2,420
Total capital expenditure	**15,539**	**14,579**	**(960)**	**10,095**
Investment and property management	-	-	-	2,328
Total rates funded capital expenditure	**15,539**	**14,579**	**(960)**	**12,423**
Water Supply	8,125	8,125	-	10,069
Total rates & levy funded capital expenditure	**23,664**	**22,704**	**(960)**	**22,492**
Public Transport investment projects - GWRL	41,533	47,433	5,900	28,041
Total council capital and transport investment expenditure	**65,197**	**70,137**	**4,940**	**50,533**

4. Council Financial Performance by Group

4.1 Catchment Management

Financial Summary	Period ending 31 December 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	17,691	17,259	432	16,630	34,051	33,250	801	32,873
Operating expenditure	15,089	15,157	68	14,566	30,252	29,816	(436)	29,815
Operating surplus / (deficit)	**2,602**	**2,102**	**500**	**2,064**	**3,799**	**3,434**	**365**	**3,058**
Net capital expenditure	1,480	2,441	961	1,425	5,266	5,008	(258)	5,956

Year to date

A favourable operating variance of $500k, comprising higher revenue of $432k and lower operating costs of $68k.

Operating revenue is higher than budget due mainly to:

- A number of offsetting variances including additional Ministry for the Environment (MfE) revenue for the Wairarapa Moana Clean Up Project, additional TbFree revenue for aerial control operations, reduced land management forestry consultations and lower tree sales for Akura.

Operating expenditure was lower than budget due to:

- Reduced material purchases of $260k for Akura due to timing and savings
- Additional Wairarapa Moana Clean Up expenditure of $370k for riparian planting, fencing and wetland improvements.
- Reduced land management expenditure of $171k, due to lower demand for forestry consultation.
- Additional contractor costs of $118k for TbFree operations and maintenance.
- Reduced personnel costs of $125k due to lower Biodiversity staffing levels.

Capital expenditure is $961k lower than budget, primarily due to:

- Slower than anticipated progress in the Flood Protection stop bank improvements in Waikanae and Otaki, with the design, consent and land entry arrangements still ongoing. Unspent expenditure to be carried forward into 2015/16.

Forecast to 30 June 2015

The forecast operating surplus is $365k above budget.

Operating revenue is forecast to be above budget due to:

- Mfe revenue of $600k for the Wairarapa Moana Clean Up Fund
- Additional TBfree revenue of $396k for pest control operations.
- Additional MPI revenue of $100k for Wellington Erosion Control
- Reduced forestry consultations revenue.

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

- Expenditure of $593k for the Wairarapa Moana Clean Up Project.
- Additional contractor costs of $149k for Tb Free operations.

- Reduced material costs for Akura and staffing for Biodiversity.

The forecast capital expenditure to June 2015 is expected to be $258k higher than budget due to:

- Additional expenditure of $1.6m for the purchase of properties.
- Reduced expenditure on stopbank improvements for Waikanae and Otaki.

4.2 Environmental Management

Financial Summary	Period ending 31 December 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	8,035	7,701	334	7,439	16,117	15,422	695	15,467
Operating expenditure	8,239	7,665	(574)	7,514	16,473	15,393	(1,080)	16,030
Operating surplus / (deficit)	**(204)**	**36**	**(240)**	**(75)**	**(356)**	**29**	**(385)**	**(563)**
Net capital expenditure	90	248	(158)	(575)	450	450	-	(696)

Overall, there is an unfavourable operating variance of $240k, comprising higher revenue of $334k and higher expenditure of $574k.

Operating revenue is ahead of budget primarily due to:

- External revenue is $1,914k which is $376k more than budget. $233k of this variance is in Environmental Regulation Group (EREG) and is due to consent processing including additional on charging of consultants costs for the Roads of National Significance (RONS) projects. There is $75k unbudgeted funding from MfE towards some of the Science work.

Operating expenditure was higher than budget due mainly to:

- Operating expenditure of $7,279k which is $574k more than budget. Staff costs are $204k more than budget mainly in ESci department due to two new staff have been recruited for the Whaitua process and additional casuals assisting with terrestrial monitoring work. EREG consultant's costs are $250k over budget, of which $234k relates to RONS projects and have been on-charged. Provisions for doubtful debts have also been increased in line with policy.

Capital expenditure is $158k more than budget, primarily due to:

- E-Science are replacing old monitoring equipment in line with their asset management plan. To date they have spent $71k from a full year budget of $105k.

Forecast to 30 June 2015

The forecast operating surplus is $385k below budget, of which $285k relates to ESci and $100k relates to EReg.

Operating revenue is forecast to be above budget due to:

- Forecast external revenue has been increased by $695k and this includes $400k for the RONS project recoveries; $100k in Policy for the Hazard Strategy funding by the TAs; and $195k external funding of Science work.

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

Forecast consultant costs have been increased by $613k including: $320k additional consultants and legal costs for the RONS projects; $100k spend for the Hazards Strategy; $213k in Science. Staff costs are forecast to be $347k over budget including $267k in Science and $80k in EREG.

The forecast capital expenditure to June 2015 is expected to be in line with budget.

4.3 Forestry

Financial Summary	Period ending 31 December 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	250	156	94	6,895	404	313	91	11,199
Operating expenditure	369	218	(151)	5,924	663	435	(228)	10,869
Cash Operating surplus / (deficit)	**(119)**	**(62)**	**(57)**	**971**	**(259)**	**(122)**	**(137)**	**330**
Revaluation of forestry (ETS and Trees)	-	-	-	-	-	-	-	17,335
Forestry cost of goods sold	(6)	-	(6)	(381)	-	-	-	(682)
Operating surplus / (deficit)	**(125)**	**(62)**	**(63)**	**590**	**(259)**	**(122)**	**(137)**	**16,983**
Net capital expenditure	3	-	(3)	182	-	-	-	240

Overall, an unfavourable operating variance of $63k.

Operating surplus is below budget primarily due to:

- Residual harvesting and legal costs from the sale of the forestry cutting rights.
- Additional resourcing costs to support forestry.

Forecast to 30 June 2015

The forecast operating deficit is $137k below budget due to additional consultancy and net harvesting costs.

4.4 Regional Parks

Financial Summary	Period ending 31 December 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	4,162	3,029	1,133	3,225	7,247	6,247	1,000	6,501
Operating expenditure	5,004	3,777	(1,227)	3,080	8,903	7,589	(1,314)	8,490
Operational Surplus / (deficit) before other items	**(842)**	**(748)**	**(94)**	**145**	**(1,656)**	**(1,342)**	**(314)**	**(1,989)**
Net capital expenditure	21	471	(450)	221	1,168	1,168	-	212

Overall, there is an unfavourable operating variance of $94k, comprising higher revenue of $1,133k and offset by higher expenditure of $1,227k.

Operating Revenue was higher than budget due to:

- Parks external income is $1,356k which is $1,133k higher than budget, mainly due to the $933k reimbursement of costs for the new woolshed from New Zealand Transport Agency (NZTA); on-charging of property costs associated with the Transmission Gully Project to NZTA, and funding carried over from last year for development of the farm hub.

Operating expenditure was $1,227k higher than budget due to:

- The main variance in Parks costs is the $933k for the NZTA funded woolshed. The depreciation cost has increased as a result of the revaluation of Parks Infrastructure assets at June 2014. For the 6 months to December depreciation is $175k more than budget. This is an ongoing variance so the forecast has been updated by $314k to reflect this.

Capital expenditure was $450k below budget due primarily to:

- Parks have a full year budget of $1,168k. The budget includes $456k for the Queen Elizabeth Park heritage project which will upgrade the Mackays Crossing entrance. Capital work is being planned with jobs out to tender in several Parks and the work will take place over the summer months. Roading work in Pakuratahi has just been completed so the costs will be in next month accounts.

Forecast to 30 June 2015

The forecast operating deficit is $314k adverse to budget.

Operating revenue is forecast to be $1,000k more than budget due to the funding from NZTA for the Woolshed and other property costs.

Operating expenditure is forecast to be $1,314k above budget due to:

- $1,000k for the Woolshed costs which is offset by funding from NZTA so no impact on the net result.

- $314k additional depreciation following the infrastructure revaluation in the previous year. Depreciation is a non-cash transaction.

The forecast capital expenditure to June 2015 is expected to be in line with budget.

4.5 Public Transport

Financial Summary	Period ending 31 December 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	48,753	51,242	(2,489)	50,075	98,201	100,908	(2,707)	103,160
Operating expenditure	49,778	54,174	4,396	48,072	101,092	105,590	4,498	98,931
Operating surplus / (deficit)	**(1,025)**	**(2,932)**	**1,907**	**2,003**	**(2,891)**	**(4,682)**	**1,791**	**4,229**

A favourable operating variance of $1.9 million, comprising lower expenditure of $4.4 million and reduced revenue of $2.5 million.

Operating revenue was below budget due to:

- Grants and subsidies revenue was $2.5 million below budget which reflects the reduction in operational expenditure for the year.
- SuperGold card Grants and subsidies revenue was $0.2 million above budget which reflects the increase in operational expenditure for the year
- External revenue was $0.2 million below budget. Rail studies and investigation expenditure is no longer reimbursed by Greater Wellington Rail Limited (GWRL), but is directly charged to GWRL.

Operating expenditure is below budget primarily due to:

- Rail contract costs were $2.4 million below budget. The results reported by TranzMetro show that fare revenue was above budget by $0.9 million and expenditure was below budget by $0.8 million. A late change in budget phasing by KiwiRail also meant that there was a difference between the TranzMetro and GWRC budgets of $0.6 million.
- Network renewals costs were $0.3 million above budget because of increased track maintenance costs, partly offset by traction and civil works costs.
- Train maintenance expenditure was $0.6 million below budget primarily because there were less staff than budget and less unplanned maintenance. A robust planned maintenance programme has meant lower unplanned maintenance costs on the Matangi and Ganz Mavag trains.
- Rail insurance expenditure was $0.1 million below budget. The insurance premium is lower than anticipated when the budgets were set.
- Station expenditure was $0.8 million, which is $0.1 million below budget, primarily because of over accruals from last year, as well as a reduction in the year to date expenditure.
- Diesel bus operations expenditure was $15.5 million, which is $0.4 million below budget primarily because bus inflation costs were lower than budgeted and cost reductions related to services not run.
- Trolley bus operations expenditure was $4.2 million which is $0.3 million below budget. There were cost reductions from services not run as well as savings in the cost of operating trolley bus services.
- SuperGold card expenditure was $3.2 million, which is $0.2 million above budget which reflects the increase in expenditure for the year.
- Projects and planning expenditure was $0.6 million below budget. The Integrated Fares and Ticketing Investigation commenced later than expected and Bus Rapid Transit Implementation Planning has commenced later than expected - some of this work is now expected to occur in 2015/16.
- Public Transport Operating Model (PTOM) expenditure was $1.2 million which is $0.2 million above budget.
- Metlink network, services, systems and management expenditure was $5.6 million which is $0.4 million below budget. There were lower staff costs and GWRL administration charges ($0.4 million of rail studies and investigation expenditure is now directly charged to GWRL and excluded from administration costs).
- There has also been less than budgeted expenditure on Total Mobility, Rail Studies, and Marketing and Communications.

Forecast to 30 June 2015

The forecast operating deficit of $2.9 million is $1.8 million better than budget.

Operating revenue is forecast to be below budget due to:

- Grants and subsidies revenue is forecast to be $2.5 million below budget because the full year forecast expenditure is expected to be below budget.
- SuperGold card Grants and subsidies revenue is forecast to be $0.2 million above budget because the full year forecast SuperGold card expenditure is expected to be above budget
- External revenue is forecast to be $0.4 million below budget because rail studies and investigation expenditure is now being directly charged to GWRL.

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

- Rail contract full year forecast expenditure is $2.1 million below budget. Rail contract costs are forecast to be $1.6 million below budget and fare revenue is forecast to be $0.5 million above budget.
- Network operations and maintenance full year forecast expenditure is $0.2 million below budget. This saving will be reallocated to a review of the KiwiRail network management plan.
- Train maintenance full year forecast expenditure is $0.4 million below budget, because there were less staff than budget and less unplanned maintenance.
- Station expenditure full year forecast expenditure is $0.2 million above budget. Effective from 1 October 2014, station electricity which was originally part of the TranzMetro contract is now paid directly by GWRL
- Diesel bus operations expenditure is $1.4 million below budget. Forecast bus inflation costs for the year are lower than budgeted and there will be cost reductions related to services not run.
- Trolley bus operations full year forecast expenditure is $8.9 million which is $0.2 million below budget. There will be cost reductions from services not run and savings in costs of operating the trolley bus contract.
- SuperGold card full year forecast expenditure is $6.3 million which is $0.2 million above budget.
- Projects and planning full year forecast expenditure is $0.8 million below budget reflecting the reduction in expected expenditure on Bus Rapid Transit Implementation Planning this year.
- PTOM full year forecast expenditure is $0.8 million above budget. The budget has been updated following a detailed project and expenditure review. GWRC's share of the project is funded through reserves because of the one-off nature of the expenditure.
- Metlink network, services, systems and management full year forecast expenditure is $0.6 million below budget. There are anticipated to be lower staff costs and GWRL administration charges.

4.6 Public Transport capital expenditure, improvement projects and investment additions

Revenue and expenditure associated with capex

Financial Summary $(000)'s	Period ending 31 December 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	9,417	10,935	(1,518)	4,387	22,398	22,517	(119)	11,843
Improvement Projects (Opex)	896	1,986	1,090	1,213	6,297	5,492	805	4,601
Operating expenditure - Other	3,129	3,985	856	1,802	6,829	7,972	(1,143)	3,655
Total operating expenditure	4,025	5,971	1,946	3,015	13,126	13,464	338	8,256
Operating surplus / (deficit)	5,392	4,964	428	1,372	9,272	9,053	219	3,587

Overall, an increase operating surplus of $428k due to reduced operating expenditure of $1,946 and reduced revenue of $1,518k.

Operating revenue was lower than budget due to:

- Operating revenue includes grant and subsidies revenue which was $1.5 million below budget because of reductions in improvement projects and investments.

Improvement projects

- Improvement projects relate to capital works where the underlying asset will not be directly owned by GWRC. They include trolley bus infrastructure renewals which were $1.2 million below budget. There has been reduced year to date expenditure on the necessary overhead wire replacement and minimal cost has been incurred on the network wide fault protection safety system.

Other operating expenditure

- Other operating expenditure includes finance costs which were $0.7 million less than budget because of reductions in expenditure on improvement projects and investments.

Forecast to 30 June 2015

The forecast operating surplus for capital expenditure of $9.3 million is $0.2 million better than budget. This is because of lower financial and depreciation costs, offset to a lesser extent by increased improvement project expenditure (Porirua station roading improvements and trolley bus infrastructure renewals), and reduced operating revenue.

Capital and investment additions

Financial Summary $(000)'s	Period ending 31 December 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Public Transport capital projects	3,805	3,864	59	611	5,584	5,286	(298)	1,091
Public Transport investment projects - GWRL	4,731	6,393	1,662	10,197	41,533	47,433	5,900	28,041
Capital and investment expenditure	8,536	10,257	1,721	10,808	47,117	52,719	5,602	29,132

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

Investment additions relate to capital works where the underlying asset will be owned by our subsidiary, GWRL**.**

Capital and investment expenditure is $1.7 million below budget due to:

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

- New Matangi trains - $1.3 million below budget because of changes to the timing of payments.
- Station renewals and upgrades - $0.7 million below budget. The programme of work is underway and more work is now planned to occur in the second half of the year.
- Security related rail improvements - $0.3 million below budget. The work programme has only recently been finalised.
- Wellington depot and stabling - $0.6 million above budget, which mainly reflects the unspent budget from last financial year. Additional expenditure above the overall project budget has been funded from a reduction in the Matangi 1 capital spares budget.
- Park and Ride land - $0.4 million above budget. The price paid for the Tawa land was $0.1 million more than budgeted (additional land was purchased which will provide extra car parks). Additional land was also purchased in Paraparaumu for Park n Ride. GWRC's share of the project will be funded through reserves.
- Bus shelter and signage upgrades - $0.2 million above budget because the work programme for bus shelters is being undertaken earlier in the financial year than stated in the budget.
- Customer information system - $0.4 million below budget. Difficulties with the initial supplier meant that the Publication and Planning system project was delayed. The project is now underway and is expected to be completed by the end of the year.

Forecast to 30 June 2015

The forecast net capital and investment expenditure is $5.6 million below budget.

This includes changes to the timing of expenditure relating to:

- New Matangi trains - $6.2 million below budget. Overall, the Matangi 1 and Matangi 2 trains are expected to be delivered within budget.
- Station renewals and upgrades - $0.3 million below budget. Part of the Porirua station roading improvements project will be funded from this saving.
- Wellington depot and stabling - $0.5 million above budget and reflects the unspent budget from last financial year.
- Train heavy maintenance and minor improvements - $0.1 million above budget because of the requirement to fit fire suppression units on the Wairarapa trains.
- Integrated Fares and Ticketing project - $0.5 million below budget because the capital project is now not expected to commence this year.

- Porirua station roading improvements - $0.3 million below budget because the project is no longer a capital expenditure.
- Park and Ride land - $1.1 million above budget primarily because of the additional cost of land for Paraparaumu. GWRC share of the costs will be funded through reserves.
- Customer information systems - $0.1 million below budget. The replacement Call Handling System project is now expected to be completed as part of a corporate initiative.

4.7 Strategy & Community Engagement

Financial Summary	Period ending 31 December 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	2,300	2,103	197	2,299	4,852	4,952	(100)	4,698
Operating expenditure	2,217	2,664	447	1,755	5,219	5,314	95	4,307
Operating surplus / (deficit)	**83**	**(561)**	**644**	**544**	**(367)**	**(362)**	**(5)**	**391**
Net capital expenditure	73	2	(71)	132	197	197	-	228

Overall, a favourable operating variance of $644k, comprising lower expenditure of $447k and increased revenue of $197k.

Operating revenue is above budget due to:

- Revenue is ahead of budget by $197k, largely due to New Zealand Transport Agency (NZTA) funding for transport planning projects being received earlier than budgeted during the year.

Operating expenditure was lower than budget due to:

- Reduced expenditure on consultants, materials and supplies due mainly to the timing of projects such as the Regional Land Transport Plan (RLTP).
- Reduced expenditure on consultants, materials and supplies due mainly to the timing of projects such as the Long Term Plan and the Annual Plan.
- Reduced expenditure on consultants due mainly to the timing of projects such as Public Transport Model & monitoring the Regional Land Transport Plan.

Forecast to 30 June 2015

The forecast operating deficit is in line with budgeted levels.

4.8 Wellington Regional Strategy

Financial Summary	Period ending 31 December 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	2,322	2,325	(3)	2,315	4,650	4,650	-	4,631
Operating expenditure	2,353	2,316	(37)	2,219	4,933	4,633	(300)	4,670
Operating surplus / (deficit)	**(31)**	**9**	**(40)**	**96**	**(283)**	**17**	**(300)**	**(39)**

Overall, an unfavourable operating variance of $40k, comprising higher expenditure of $37k.

Operating expenditure was higher than budget due to:

- Reduced expenditure on consultants due mainly to timing of payments to external parties.
- This has been offset by Grow Wellington funding being $150k above budget as they continue to draw on their reserve.

Forecast to 30 June 2015

The forecast operating deficit is $300k below budget. This is due to Grow Wellington utilising the unspent WRS reserve from 2013/14.

4.9 People and Capability

Financial Summary	Period ending 31 December 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,644	1,632	12	1,712	3,262	3,262	-	3,436
Operating expenditure	1,454	1,466	12	1,882	3,223	3,171	52	3,452
Operating surplus / (deficit)	**190**	**166**	**24**	**(170)**	**39**	**91**	**(52)**	**(16)**
Net capital expenditure	31	35	4	-	35	35	-	31

Overall, a favourable operating variance of $24k, comprising lower revenue of $12k and lower expenditure of $12k.

Forecast to 30 June 2015

The forecast operating deficit is $52k below budget due to additional resourcing in this group whilst the Chief Financial Officer role is vacant. This is offset by a reduction in Finance, ICT and Support.

4.10 Finance, ICT and Support

Financial Summary	Period ending 31 December 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	3,204	3,114	90	2,923	6,228	6,228	-	6,926
Operating expenditure	3,597	3,672	75	3,360	7,648	7,700	52	7,948
Operating surplus / (deficit)	**(393)**	**(558)**	**165**	**(437)**	**(1,420)**	**(1,472)**	**52**	**(1,022)**
Net capital expenditure	198	729	531	779	1,908	1,504	(404)	2,420

Overall, a favourable operating variance of $165k comprising higher revenue of $90k and lower expenditure of $75k.

Operating revenue and expenditure is in-line with budgeted expectations.

Capital expenditure for the year is $531k less than budget primarily due to:

- The Hummingbird document management system replacement is underway, but shared service reviews have meant that the project will be delivered later in the year.

Forecast to 30 June 2015

The forecast operating deficit is $52k below budget. This is due to the vacant CFO position.

The forecast capital expenditure to June 2015 is expected to be $404k higher than budget due to:

- The project to upgrade the Digital Radios has been brought forward to line up with other agencies reviews.

4.11 Emergency Management

Financial Summary $(000)'s	Period ending 31 December 2014				Year ended 30 June 2015			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,436	1,434	2	1,370	2,869	2,869	-	2,932
Operating expenditure	1,349	1,603	254	1,220	3,206	3,206	-	2,755
Operating surplus / (deficit)	**87**	**(169)**	**256**	**150**	**(337)**	**(337)**	**-**	**177**
Net capital expenditure	67	70	3	-	70	70	-	(14)

Overall, a favourable operating variance of $256k comprising lower revenue of $2k and lower expenditure of $254k.

Operating revenue is running to budget.

Operating expenditure is lower than budget due to:

- Timing of community projects now expected later in the financial year.

Forecast to 30 June 2015

The forecast operating deficit is in line with budget.

4.12 Warm Greater Wellington

Financial Summary $(000)'s	Period ending 31 December 2014				Year ended 30 June 2015			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,204	1,371	(167)	857	2,057	2,742	(685)	2,732
Operating expenditure	1,204	1,372	168	857	2,059	2,744	(685)	2,732
Operating surplus / (deficit)	**-**	**(1)**	**1**	**-**	**(2)**	**(2)**	**-**	**-**

Overall, a break-even position, comprising lower revenue of $167k and lower expenditure of $168k.

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.

Forecast to 30 June 2015

- The net forecast operating result is in line with budget with lower revenue and expenditure.

4.13 Investment Management

Investment Management								
Financial Summary	**Period ending 31 December 2014**				**Year ended 30 June 2015**			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**	**Forecast**	**Budget**	**Variance**	**Last Year**
Revenue	4,149	3,298	851	7,988	9,761	8,580	1,181	9,342
Internal Interest Recovery	6,766	7,639	(873)	14,531	14,392	15,278	(886)	14,141
Operating revenue	**10,915**	**10,937**	**(22)**	**22,519**	**24,153**	**23,858**	**295**	**23,483**
Expenditure	5,681	5,813	132	15,040	11,575	11,594	19	10,057
Internal Reserve Costs	485	443	(42)	459	886	886	-	901
Operating expenditure	**6,166**	**6,256**	**90**	**15,499**	**12,461**	**12,480**	**19**	**10,958**
Operating surplus / (deficit)	**4,749**	**4,681**	**68**	**7,020**	**11,692**	**11,378**	**314**	**12,525**
Net capital expenditure	13	-	(13)	1,759	-	-	-	2,328

Overall, a favourable variance of $72k compared with budget.

- Revenue is $851k above budget and is mainly due to interest on prefunded debt and receiving higher than budgeted rates on our investments.
- Interest Recovery from internal loans is $873k unfavourable. Capex, in particular in Public Transport, has been at a much slower pace leading to lower internal loans and consequential lower interest recovery from the business units.
- Total direct expenditure (interest costs, personnel, consultants and materials) is $90k favourable, mainly due to lower than budgeted interest cost for capital expenditure.
- Internal Reserve Investment costs where Investment Management pays the business units interest on their reserve funds is $42k unfavourable to budget due to higher reserve opening balance than budgeted.

Capital expenditure is a $13k over budget, with all the cost relating to the occupancy of shed 39.

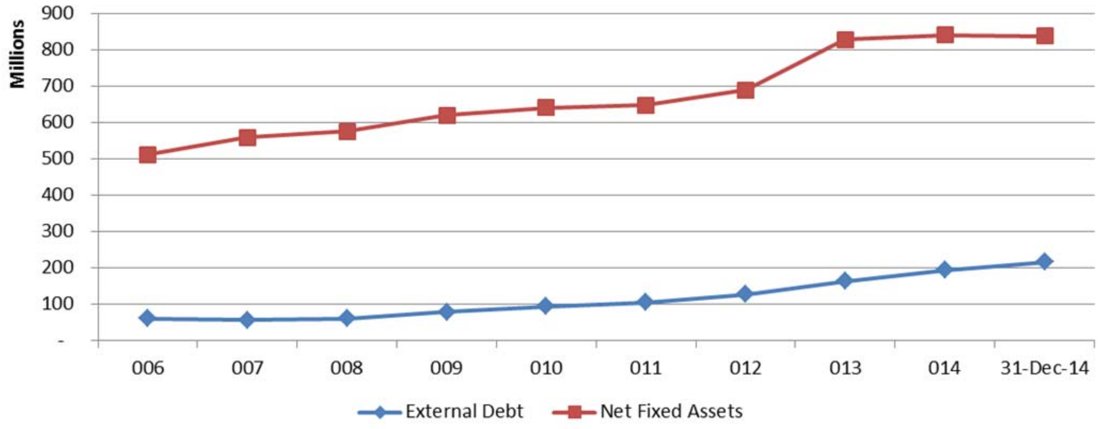
Forecast to 30 June 2015

The forecast operating surplus is forecasted to be $314k above budget.

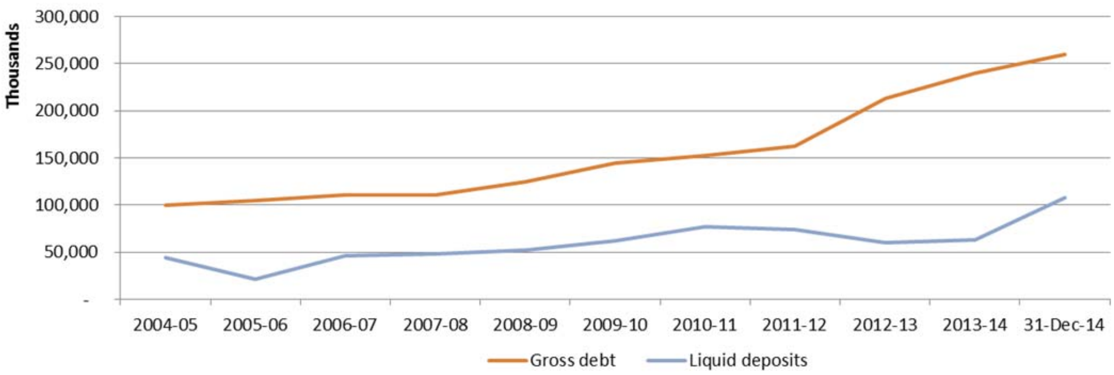
Operating revenue is forecast to be $295k above budget due to higher than budgeted investment revenue, mainly resulting from prefunded debt. We are forecasting to receive higher interest rates than budgeted due to banks continuing to pay higher margins over the 90 day benchmark rate.

Operating expenditure is forecasted to be very close to budget.

External Debt and Assets



External Debt and Cash investments



- External Debt including WRC Holdings has increased by $19.7 million to $265.3 million, mainly due to debt prefunding. There is $10 million of the proceeds from the sale of Forestry cutting rights invested in a term deposit. On maturity the funds will be used repay external debt.

4.14 Water Supply

Financial Summary	Period ending 31 December 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	13,815	13,683	132	13,270	27,365	27,365	-	27,154
Operating expenditure	17,471	17,751	280	17,495	35,586	35,586	-	33,252
Operational Surplus / (deficit) before other items	**(3,656)**	**(4,068)**	**412**	**(4,225)**	**(8,221)**	**(8,221)**	**-**	**(6,098)**
Net capital expenditure	2,226	4,183	1,957	3,266	8,125	8,125	-	10,069

Overall a favourable operating variance of $412k compared to budget.

Operating revenue was $132k higher than budget due to:

- Investment revenue is $50k higher than budget and forecasted to be $70k higher than budget at year end. We continue to earn higher than budget interest rates on our Asset Rehabilitation Fund. Other external revenue was $86k above budget and is expected to be $620k better then budget by year end due to us undertaking a cost recovery project for Upper Hutt City. This will not generate a surplus as there are equal costs.

Operating expenditure was $280k lower than budget due to:

- Resource costing recoveries are $204k below and are forecast to be $381k under budget by year end due to less than budgeted staff time being spent on capital projects.
- Materials and supplies spend is $277k under budget due to timing of payments. We are expecting increases as we move into summer, especially in the area of chemicals and power.
- Contractors and consultants is under budget by $298k, with this being used in the next six months to fund several change programmes that have resulted from the amalgamation with Capacity.
- Depreciation is $231k under budget and is expected to be under budget by $460k by year end. This is due to the 30 June 2014 yearend adjustments made to asset values.

Capital expenditure is $3.3m under budget much of this is due to timing differences. Water Supply is currently reassessing it capital programme for the remainder of the year, with this being included in future forecasts updates.

4.15 Forecast to 30 June 2015

Water Supply is forecasting to be on budget by year end. GWRC entered into an interim agreement with Wellington Water Limited to transfer the full staff budgets from 19 September 2014 until 30 June 2015 plus a contribution to the administration costs of Wellington Water Limited.

4.16 Funding Impact Statement

Funding Impact Statement	Period ending 31 December 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Targeted Rates	32,684	32,684	-	31,414	65,668	65,368	300	62,828
General Rate	15,586	15,585	1	14,238	31,170	31,170	-	29,626
Regional Rates	**48,270**	**48,269**	**1**	**45,652**	**96,838**	**96,538**	**300**	**92,454**
Regional Water Supply Levies	13,138	13,138	-	12,818	26,276	26,276	-	25,635
Warm Greater Wellington Rates	977	1,371	(394)	857	2,057	2,742	(685)	1,713
Grants and Subsidies Revenue	23,223	25,274	(2,051)	24,827	48,712	49,601	(889)	52,174
Other Operating Revenue	17,193	13,864	3,329	24,408	31,204	28,768	2,436	45,680
Total Operating Revenue	**102,801**	**101,916**	**885**	**108,562**	**205,087**	**203,925**	**1,162**	**217,656**
Operational Costs	60,601	60,255	(346)	59,896	122,844	120,767	(2,077)	124,990
Grants and Subsidies Expenditure	40,742	43,457	2,715	41,059	81,720	83,958	2,238	82,740
Finance Costs	5,135	5,281	146	4,755	10,754	10,760	6	9,424
Total Operating Expenditure	**106,478**	**108,993**	**2,515**	**105,710**	**215,318**	**215,485**	**167**	**217,154**
Operating Surplus / (Deficit) before Transport Improvements	**(3,677)**	**(7,077)**	**3,400**	**2,852**	**(10,231)**	**(11,560)**	**1,329**	**502**
Transport Improvement revenue	9,417	10,935	(1,518)	4,387	22,398	22,517	(119)	11,843
Transport Improvement expenditure	(4,025)	(5,971)	1,946	(3,015)	(13,126)	(13,464)	338	(8,256)
Operating Surplus / (Deficit) fromTransport Improvements	**5,392**	**4,964**	**428**	**1,372**	**9,272**	**9,053**	**219**	**3,587**
Operating Surplus before other movements	**1,715**	**(2,113)**	**3,828**	**4,224**	**(959)**	**(2,507)**	**1,548**	**4,089**
Revaluation of interest rate swaps and stadium advance	-	-	-	-	159	159	-	3,868
Revaluation of Transport Interest free debt	-	-	-	-	-	-	-	(1,560)
Revaluation of forestry (ETS and Trees)	-	-	-	-	-	-	-	17,335
Forestry cost of goods sold	(6)	-	(6)	(381)	-	-	-	(682)
Revaluation PPE	-	-	-	-	-	-	-	27,600
Warm Greater Wellington	-	(1)	1	-	(2)	(2)	-	-
Total other movements	**(6)**	**(1)**	**(5)**	**(381)**	**157**	**157**	**-**	**46,561**
Operating Surplus / (Deficit)	**1,709**	**(2,114)**	**3,823**	**3,843**	**(802)**	**(2,350)**	**1,548**	**50,650**
Add Back Non Cash Items	7,679	7,896	(217)	8,031	18,593	18,479	114	(46,513)
Cash operating surplus/(deficit)	**9,388**	**5,782**	**3,606**	**11,874**	**17,791**	**16,129**	**1,662**	**4,137**
Less:								
Net capital expenditure	6,737	9,811	(3,074)	6,129	23,006	22,703	303	23,331
Debt movements	(21,727)	(9,251)	(12,476)	(65,665)	(52,304)	(59,412)	7,108	(29,310)
Investment movements	7,832	4,663	3,169	72,260	44,199	50,602	(6,403)	31,517
Working capital movements	(2,230)	(11,005)	8,775	(24,598)	(32,692)	(30,022)	(2,670)	(29,675)
Net Funding Surplus / (Deficit)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

4.17 Balance Sheet

Balance Sheet $(000)'s	December 2014 Actual	June 2015 Budget	June 2014 Actual
Bank	7	27,695	19,516
Receivables	39,453	18,620	16,052
Accrued Revenue and Prepayments	9,923	14,542	13,055
Inventory	3,089	2,733	3,113
Total Current Assets	52,472	63,590	51,736
Other Investments	114,868	49,028	56,856
Forestry Investments	(408)	-	38,778
Derivative Financial Instruments	(135)	-	2,884
Investment in Subsidiaries	96,845	146,130	96,845
Total Investments	211,170	195,158	195,363
Fixed Asset at cost or valuation	908,276	897,800	901,048
less Accumulated Depreciation	(56,689)	(68,813)	(45,967)
Net Fixed Assets	851,587	828,987	855,081
Capital Works In Progess	13,203	9,500	10,400
Non Current Assets	1,075,960	1,033,645	1,060,844
Total Assets	**1,128,432**	**1,097,235**	**1,112,580**
less:			
Current Liabilities	40,108	23,663	109,736
Non Current Liabilities	221,317	214,000	124,626
Total Liabilities	**261,425**	**237,663**	**234,362**
Net Assets	**867,007**	**859,572**	**878,218**
Total Retained Earnings	376,167	372,806	375,365
Asset Revaluation Reserves	465,560	466,375	476,263
Other Reserves	25,280	20,391	26,590
Total Ratepayer Funds	**867,007**	**859,572**	**878,218**

Fixed Assets excludes the Rail Assets held by Greater Wellington Rail Limited

5. Compliance with Treasury Risk Management Policy

GWRC is fully compliant with its treasury management policy

As at 31 December 2014

Total Council Limit Compliance Analysis		Compliant Yes	Compliant No	actual %
Debt Interest Rate Policy Parameters				
Current	50% - 95%	✓		70%
year 1	45% - 95%	✓		56%
year 2	40% - 90%	✓		67%
year 3	35% - 85%	✓		70%
year 4	30% - 80%	✓		68%
year 5	25% - 75%	✓		54%
year 6	15% - 70%	✓		45%
year 7	5% - 65%	✓		36%
year 8	0% - 60%	✓		33%
year 9	0% - 55%	✓		29%
year 10	0% - 50%	✓		18%
year 11	0% - 25%	✓		11%
year 12	0% - 25%	✓		6%
year 13	0% - 25%	✓		4%
year 14 onwai	0% - 25%	✓		0%
The maturity of total external debt less liquid financial investments to fall within the following timebands				
0 - 3 years	15% - 60%	✓		37%
3 - 5 years	15% - 60%	✓		24%
> 5 years	10% - 60%	✓		39%

		Compliant Yes	Compliant No	actual %
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 $80 million limit		✓		
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 year	0% - 20%	✓		0%
Core Council External Borrowing Limits - Ratios				
Net interest / Total Revenue < 20%		✓		0.0%
Net Debt / Total Revenue < 250%		✓		0.0%
Net interest / Annual rates and levies < 30%		✓		0.0%
Liquidity > 110%		✓		131%

6. The decision making process and significance

No decision is being sought in this report.

7. Engagement

Engagement on this matter is not necessary.

8. Recommendations

That the Committee:

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

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

Report prepared by:	Report approved by	Report approved by:
Chris Gray Manager, Finance and Support	**Mike Timmer** Treasurer/Acting Chief Financial Officer	**Greg Campbell** Chief Executive