greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

Report	15.139
Date	5 May 2015
File	CFO/20/01/01-v1
Committee	Strategy and Policy Committee
Author	Chris Gray, Manager, Finance and Support/ Acting Chief Financial Officer

Summary of Financial Statements for the nine months ending 31 March 2015

1. Purpose

For the Strategy and Policy Committee to receive the summary financial report for the nine months ending 31 March 2015.

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 $5,489k relative to budget. When the transport improvement numbers; the capital grants from the RONS projects for the Belmont Woolshed and QEP Cycleway and other non-operational movements are included the financial results for the nine months are $7,322k favourable compared to budget.

This is mainly due to, reduced expenditure in Public Transport, and the timing of expenditure in Catchment Management, Strategy and Community Engagement (SCEG) and Water Supply which is partially offset by increased costs within Environment Management.

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.

In Environmental Management, there was increased expenditure on staff for Environmental Science (ESci) and consultants to support the Whaitua and RONS projects.

Details by Group follow in section 4.

3.1 Financial Summary

Summary Income Statement $(000)'s	Period ending 31 March 2015 Actual	Budget	Variance	Last Year
Regional Rates	72,404	72,403	1	68,478
Regional Water Supply Levies	19,707	19,707	-	19,226
Other Operating Revenue	58,932	59,141	(209)	72,281
Total Operating Revenue	**151,043**	**151,251**	**(208)**	**159,985**
Operational Costs	156,678	162,375	5,697	157,089
Operating Surplus / (Deficit) before Transport Improvements	**(5,635)**	**(11,124)**	**5,489**	**2,896**
Operating Surplus / (Deficit) from Transport Improvements	7,556	7,210	346	2,335
Operating Surplus before other movements	**1,921**	**(3,914)**	**5,835**	**5,231**
Non-operational movements	1,486	(1)	1,487	(533)
Operating Surplus / (Deficit)	**3,407**	**(3,915)**	**7,322**	**4,698**
Net fixed asset revaluations	-	-	-	-
Total council comprehensive income	**3,407**	**(3,915)**	**7,322**	**4,698**

3.2 Financial Summary by Group

Total operating surplus / (deficit) $(000)'s	Period ending 31 March 2015 Actual	Budget	Variance	Last Year
Catchment Management	3,648	2,444	1,204	2,731
Forestry	(137)	(93)	(44)	986
Environmental Management	(651)	50	(701)	(71)
Regional Parks	(1,024)	(1,095)	71	293
Wairarapa Water Use project	22	(8)	30	(41)
Public Transport	(1,212)	(3,830)	2,618	2,852
Strategy & Community Engagement	153	(833)	986	664
WRS	(156)	12	(168)	74
Other Corporate	118	195	(77)	(52)
Emergency Management	123	(253)	376	286
Finance and Support	(412)	(912)	500	(652)
Total operational surplus / (deficit)	**472**	**(4,323)**	**4,795**	**7,070**
Investment Management	7,111	6,839	272	9,711
Business unit rates contribution	(7,500)	(7,500)	-	(7,804)
Total rates funded operating surplus / (deficit)	**83**	**(4,984)**	**5,067**	**8,977**
Water Supply	(5,718)	(6,140)	422	(6,081)
Total rates & levy funded operating surplus / (deficit)	**(5,635)**	**(11,124)**	**5,489**	**2,896**
Non-operational movements				
Forestry cost of goods sold	(6)	-	(6)	(533)
Parks Grant Revenue from RONs projects	1,492	-	1,492	-
Warm Greater Wellington	-	(1)	1	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	7,556	7,210	346	2,335
Total non-operational surplus / (deficit)	**9,042**	**7,209**	**1,833**	**1,802**
Total council surplus / (deficit)	**3,407**	**(3,915)**	**7,322**	**4,698**
Net fixed asset revaluations	**-**	**-**	**-**	**-**
Total council comprehensive income / (deficit)	**3,407**	**(3,915)**	**7,322**	**4,698**

3.3 Forecast to 30 June 2015

Greater Wellington Regional Council (GWRC) is forecasting an operating deficit of $9,291k (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; the capital grants from the RONs projects for the Belmont Woolshed and QEP Cycleway and revaluations. Including these amounts, GWRC is forecasting a surplus of $3,007k (budget, a deficit of $2,350k).

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

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	96,538	96,538	-	92,454
Regional Water Supply Levies	26,276	26,276	-	25,635
Other Operating Revenue	82,124	81,111	1,013	99,567
Total Operating Revenue	**204,938**	**203,925**	**1,013**	**217,656**
Operational Costs	214,229	215,485	1,256	217,154
Operating Surplus / (Deficit) before Transport Improvements	**(9,291)**	**(11,560)**	**2,269**	**502**
Operating Surplus / (Deficit) from Transport Improvements	9,347	9,053	294	3,587
Operating Surplus before other movements	**56**	**(2,507)**	**2,563**	**4,089**
Non-operational movements	2,951	157	2,794	18,961
Operating Surplus / (Deficit)	**3,007**	**(2,350)**	**5,357**	**23,050**
Net fixed asset revaluations	**-**	**-**	**-**	**27,600**
Total council comprehensive income	**3,007**	**(2,350)**	**5,357**	**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	4,234	3,434	800	3,058
Forestry	(203)	(122)	(81)	330
Environmental Management	(1,049)	29	(1,078)	(563)
Regional Parks	(1,656)	(1,342)	(314)	(1,989)
Wairarapa Water Use project	(12)	(12)	-	(78)
Public Transport	(2,958)	(4,682)	1,724	4,229
Strategy & Community Engagement	(144)	(362)	218	391
WRS	(283)	17	(300)	(39)
Other Corporate	153	133	20	(12)
Emergency Management	(35)	(337)	302	177
Finance and Support	(1,362)	(1,472)	110	(1,022)
Total operational surplus / (deficit)	**(3,315)**	**(4,716)**	**1,401**	**4,482**
Investment Management	12,246	11,378	868	12,524
Business unit rates contribution	(10,001)	(10,001)	-	(10,406)
Total rates funded operating surplus / (deficit)	**(1,070)**	**(3,339)**	**2,269**	**6,600**
Water Supply	(8,221)	(8,221)	-	(6,098)
Total rates & levy funded operating surplus / (deficit)	**(9,291)**	**(11,560)**	**2,269**	**502**
Non-operational movements				
Forestry cost of goods sold	(6)	-	(6)	(682)
Parks Grant Revenue from RONs projects	2,800	-	2,800	-
Warm Greater Wellington	(2)	(2)	-	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	9,347	9,053	294	3,587
Total non-operational surplus / (deficit)	**12,298**	**9,210**	**3,088**	**22,548**
Total council surplus / (deficit)	**3,007**	**(2,350)**	**5,357**	**23,050**
Net fixed asset revaluations	**-**	**-**	**-**	**27,600**
Total council comprehensive income / (deficit)	**3,007**	**(2,350)**	**5,357**	**50,650**

3.4 Capital & transport improvements expenditure

3.4.1 Capital expenditure by Group

Capital expenditure is $16,994k below budget, year to date. This is largely due to lower spend by Public Transport improvement projects, and Water Supply.

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. This is partially offset by Parks' above budget expenditure from the new woolshed & QEP cycleway funded by NZTA.

Details by Group follow in section 4.

Total capital and transport investment and improvement expenditure	Period ending 31 March 2015			
$(000)'s	Actual	Budget	Variance	Last Year
Catchment Management	2,926	3,787	861	3,192
Forestry	3	-	(3)	227
Environmental Management	210	296	86	94
Regional Parks	1,672	691	(981)	412
Wairarapa Water Use project	708	469	(239)	534
Public Transport capital projects	4,413	4,552	139	146
Strategy & Community Engagement	105	2	(103)	228
WRS	-	-	-	-
People and Capability	31	35	4	22
Chief Executive	(17)	36	53	-
Other Corporate	14	71	57	22
Emergency Management	67	70	3	38
Finance, ICT and Support	506	1,119	613	1,287
Total capital expenditure	**10,624**	**11,057**	**433**	**6,180**
Investment and property management	11	-	(11)	2,237
Total rates funded capital expenditure	**10,635**	**11,057**	**422**	**8,417**
Water Supply	3,278	6,153	2,875	4,213
Total rates & levy funded capital expenditure	**13,913**	**17,210**	**3,297**	**12,630**
Public Transport investment projects - GWRL	6,360	19,757	13,397	16,884
Total council capital and transport investment expenditure	**20,273**	**36,967**	**16,694**	**29,514**

3.4.2 Capital & transport improvement expenditure forecast by Group

Capital expenditure is forecast to be $8,204k less than budget by year end. This is primarily due to changes within Public Transport partially offset by Parks which are discussed in section 4.

Total capital and transport investment and improvement expenditure $(000)'s	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Catchment Management	4,626	5,008	382	5,956
Forestry	(30)	-	30	240
Environmental Management	274	450	176	143
Regional Parks	3,349	1,168	(2,181)	212
Wairarapa Water Use project	865	825	(40)	627
Public Transport capital projects	5,596	5,299	(297)	1,091
Strategy & Community Engagement	147	197	50	228
WRS	-	-	-	-
People and Capability	35	35	-	31
Chief Executive	36	36	-	-
Other Corporate	71	71	-	31
Emergency Management	70	70	-	(14)
Finance, ICT and Support	1,094	1,504	410	2,420
Total capital expenditure	**16,062**	**14,592**	**(1,470)**	**10,934**
Investment and property management	-	-	-	2,328
Total rates funded capital expenditure	**16,062**	**14,592**	**(1,470)**	**13,262**
Water Supply	7,677	8,125	448	10,069
Total rates & levy funded capital expenditure	**23,739**	**22,717**	**(1,022)**	**23,331**
Public Transport investment projects - GWRL	38,207	47,433	9,226	28,041
Total council capital and transport investment expenditure	**61,946**	**70,150**	**8,204**	**51,372**

4. Council Financial Performance by Group

4.1 Catchment Management

Financial Summary	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	25,607	25,130	477	24,060	33,970	33,250	720	32,873
Operating expenditure	21,959	22,686	727	21,329	29,736	29,816	80	29,815
Operating surplus / (deficit)	**3,648**	**2,444**	**1,204**	**2,731**	**4,234**	**3,434**	**800**	**3,058**
Net capital expenditure	2,926	3,787	861	3,192	4,626	5,008	382	5,956

Year to date

A favourable operating variance of $1,204k, comprising higher revenue of $477k and lower operating costs of $727k.

Operating revenue is higher than budget due mainly to:

- Increased revenue of $455k from Ministry for the Environment (MfE) and landowners for the Wairarapa Moana Clean Up Project.
- Increased revenue of $347k from TBfree for pest control operations.
- Reduced revenue of $325k from reduced land management forestry consultations and lower tree sales for Akura.

Operating expenditure was lower than budget due to:

- Reduced material purchases of $185k for Akura due to lower external demand.
- Reduced materials of $270k for Flood Protection due to the timing of rock supplies for river maintenance programmes.
- Additional Wairarapa Moana Clean Up expenditure of $469k for riparian planting, fencing and wetland improvements.
- Reduced land management expenditure of $214k, due to lower demand for forestry consultation & WRECI programmes.
- Depreciation is tracking higher than budget by $185k.
- Reduced personnel costs of $177k due to lower Biodiversity staffing levels.

Capital expenditure is $861k 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 $800k above budget.

Operating revenue is forecast to be above budget due to:

- MfE revenue of $570k for the Wairarapa Moana Clean Up Fund
- Additional TBfree revenue of $326k for pest control operations.
- Additional MPI revenue of $100k for Wellington Erosion Control
- Reduced revenue of $386k from Akura, forestry consultations and erosion control.

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

- Expenditure of $515k for the Wairarapa Moana Clean Up Project.
- Additional contractor costs of $122k for TBfree operations.
- Reduced material costs for Akura and staffing for Biodiversity
- Depreciation is forecast to be higher than budget.

The forecast capital expenditure to June 2015 is expected to be $382k higher than budget due to:

- Additional expenditure of $1.4m for the purchase of properties ahead of the budgeted time period, but within overall programme budget.
- Reduced expenditure of $1.4m on stopbank improvements for Waikanae and Otaki.
- Reduced expenditure of $0.4m for Waiwhetu FMP, and Te Kauru FMP due to delays.

4.2 Environmental Management

Financial Summary	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	11,788	11,551	237	11,363	15,847	15,422	425	15,467
Operating expenditure	12,439	11,501	(938)	11,434	16,896	15,393	(1,503)	16,030
Operating surplus / (deficit)	**(651)**	**50**	**(701)**	**(71)**	**(1,049)**	**29**	**(1,078)**	**(563)**
Net capital expenditure	210	296	(86)	(852)	274	450	176	(696)

Overall, there is an unfavourable operating variance of $701k, comprising higher revenue of $237k and higher expenditure of $938k.

Operating revenue is ahead of budget primarily due to:

- Increased revenue of $237k due to Environmental Regulation Group (EREG) consent processing including additional on charging of consultants costs for the Roads of National Significance (RONS) projects. There is $103k unbudgeted funding from MfE towards some of the Science work.

Operating expenditure was higher than budget due mainly to:

- Increased expenditure of $738k due to staff costs being $332k 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 consultants' costs are $334k over budget, which relates to RONS projects and have been on-charged. Provisions for doubtful debts have also been increased $72k in line with policy.

Capital expenditure is $86k less than budget, primarily due to:

- E-Science are replacing old monitoring equipment in line with their asset management plan. To date they have spent $142k from a full year budget of $221k.

- Harbours has spent $58k of a full year budget of $77k on refurbishing Steeple Rock light & completion of the work on Halswell Lighthouse.

Forecast to 30 June 2015

The forecast operating surplus is $1078k below budget, of which $668k relates to ESci and $370k relates to EReg.

Operating revenue is forecast to be above budget due to:

- Forecast external revenue has been increased by $425k and this includes $105k 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 $1,503k above budget due to:

- ESci is forecasting $1,003k additional spend, of which $350k is for staff costs and $653k is consultants & materials on the Collaborative Modelling Project for the Whaitua processes.
- EREG is forecasting additional costs for the RONS project of $400k which includes consultant costs of $320k and $80k for staff costs.
- Policy forecast has increased $100k for the costs for the Regional Hazards Strategy, offset by funding from territorial authorities.

The forecast capital expenditure to June 2015 is expected to be $274k.

4.3 Forestry

Financial Summary	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	349	234	115	9,023	423	313	110	11,199
Operating expenditure	486	327	(159)	8,037	626	435	(191)	10,869
Cash Operating surplus / (deficit)	**(137)**	**(93)**	**(44)**	**986**	**(203)**	**(122)**	**(81)**	**330**
Revaluation of forestry (ETS and Trees)	-	-	-	-	-	-	-	17,335
Forestry cost of goods sold	(6)	-	(6)	(533)	(6)	-	(6)	(682)
Operating surplus / (deficit)	**(143)**	**(93)**	**(50)**	**453**	**(209)**	**(122)**	**(87)**	**16,983**
Net capital expenditure	3	-	(3)	227	(30)	-	30	240

Overall, an unfavourable operating variance of $50k.

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 $87k greater than budget due to additional consultancy, culvert maintenance and net harvesting costs.

4.4 Regional Parks

Financial Summary	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	4,785	4,544	241	5,028	6,247	6,247	-	6,501
Operating expenditure	5,809	5,639	(170)	4,735	7,903	7,589	(314)	8,490
Operational Surplus / (deficit) before other items	**(1,024)**	**(1,095)**	**71**	**293**	**(1,656)**	**(1,342)**	**(314)**	**(1,989)**
Parks Grant Revenue from RONs projects	1,492	-	1,492	-	2,800	-	2,800	-
Operational Surplus / (deficit)	**468**	**(1,095)**	**1,563**	**293**	**1,144**	**(1,342)**	**2,486**	**(1,989)**
Net capital expenditure	1,672	691	981	412	3,349	1,168	(2,181)	212

Overall, there is a favourable operating variance of $71k, comprising higher revenue of $241k and offset by higher expenditure of $170k. Additional capital grants from the RONs projects for the Belmont Woolshed and QEP Cycleway bring the reported operational surplus to $1,563k.

Operating Revenue was higher than budget due to:

- Parks external income is $241k higher than budget, mainly due to the surplus on logging in Belmont and the on-charging of property costs associated with the Transmission Gully Project to NZTA.

Operating expenditure was $170k higher than budget due to:

- Expenditure is greater than budget largely due to increased depreciation of $260k as a result of the revaluation of Parks Infrastructure assets as at 30 June 2014.

Capital expenditure was $981k ahead of budget due primarily to:

- Parks has 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, some of this work may need to be deferred to the next financial year.
- Woolshed cost of $1.4m were transferred from operating spend to capital expenditure. Funded by NZTA capital contribution.

Forecast to 30 June 2015

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

Operating expenditure is forecast to be $314k above budget due to additional depreciation following the infrastructure revaluation in the previous year.

Additional capital grants from the RONs projects for the Belmont Woolshed and QEP Cycleway bring the reported operational surplus to $2,486k

The forecast capital expenditure to June 2015 is expected to be $2.2m more than budget.

- This is due to $2m for the Belmont Woolshed and $0.8m for the QEP Cycleway. Both these are funded via capital grant contributions from NZTA.

4.5 Public Transport

Financial Summary	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	72,603	76,118	(3,515)	74,881	98,229	100,908	(2,679)	103,160
Operating expenditure	73,815	79,948	6,133	72,029	101,187	105,590	4,403	98,931
Operating surplus / (deficit)	**(1,212)**	**(3,830)**	**2,618**	**2,852**	**(2,958)**	**(4,682)**	**1,724**	**4,229**

A favourable operating variance of $2.6 million, comprising lower expenditure of $6.1 million and reduced revenue of $3.5 million.

Operating revenue was below budget due to:

- Grants and subsidies revenue was $3.5 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 $0.3 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 $3.4 million below budget. The results reported by TranzMetro show that fare revenue was above budget by $1.1million and expenditure was below budget by $1.7 million. A late change in budget phasing by KiwiRail also meant that there was a difference between the TranzMetro and GWRC budgets of $0.5 million.
- Network renewals costs were $0.8 million above budget because of increased track maintenance costs, partly offset by traction and civil works costs.
- Train maintenance expenditure was $1 million below budget primarily because there were 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.
- Diesel bus operations expenditure was $0.9 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 $0.5 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 $0.2 million above budget which reflects the increase in expenditure for the year.
- Projects and planning expenditure was $1.0 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 $0.4 million above budget. The budget has been updated following a detailed project and expenditure review.
- Metlink network, services, systems and management expenditure was $0.7 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).

Forecast to 30 June 2015

The forecast operating deficit of $3.0 million is $1.7 million favourable to budget.

Operating revenue is forecast to be below budget due to:

- Grants and subsidies revenue is forecast to be $2.6 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 $0.3 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 $2.8 million below budget. Rail contract costs are forecast to be $2.0 million below budget and fare revenue is forecast to be $0.8 million above budget.
- Train maintenance full year forecast expenditure is $1 million below budget, because there were less staff than budget and less unplanned maintenance.
- Station expenditure full year forecast expenditure is $0.3 million above budget. Effective from 1 October 2014, station electricity which was originally part of the TranzMetro contract is now paid directly by GWRL
- Carpark and station security full year forecast expenditure is $0.7 million above budget. $0.6 million of the security related rail improvements are reclassified as operating expenditure because we will not own the resulting asset e.g. fibre optic connections to stations.
- 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 $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 $0.3 million above budget.
- Projects and planning full year forecast expenditure is $0.5 million below budget reflecting the reduction in expected expenditure on Bus Rapid Transit Implementation Planning this year.
- PTOM full year forecast expenditure is $1 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	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	**14,037**	**16,392**	**(2,355)**	**7,277**	**22,314**	**22,517**	**(203)**	**11,843**
Improvement Projects (Opex)	1,802	3,204	1,402	1,213	6,233	5,492	741	4,601
Operating expenditure - Other	4,679	5,978	1,299	3,729	6,734	7,972	(1,238)	3,655
Total operating expenditure	**6,481**	**9,182**	**2,701**	**4,942**	**12,967**	**13,464**	**497**	**8,256**
Operating surplus / (deficit)	**7,556**	**7,210**	**346**	**2,335**	**9,347**	**9,053**	**294**	**3,587**

Overall, an increase operating surplus of $346k due to reduced operating expenditure of $2,701 and reduced revenue of $2,355k.

Operating revenue was lower than budget due to:

- Operating revenue includes grant and subsidies revenue which was $2.4 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 $1.4 million below budget partially offset by Station Road work at Porirua Station which is $0.1million above 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 $1 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 $0.3 million favourable to 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	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Public Transport capital projects	4,413	4,552	139	146	5,587	5,299	(288)	1,091
Public Transport investment projects - GWRL	6,360	19,757	13,397	16,884	38,207	47,433	9,226	28,041
Capital and investment expenditure	**10,773**	**24,309**	**13,536**	**17,030**	**43,794**	**52,732**	**8,938**	**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 $13.5 million below budget due to:

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

- New Matangi trains - $12.1 million below budget because of changes to the timing of payments.
- Station renewals and upgrades - $1.6 million below budget and mainly reflects changes to the timing of payments.
- Security related rail improvements - $0.6 million below budget. The work programme has only recently been finalised.
- Wellington depot and stabling - $0.7 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.
- Customer information system - $0.4 million below budget. The Timetable System (Publication and Planning System) and new Metlink website work is occurring later than expected in the financial year.

Forecast to 30 June 2015

The forecast net capital and investment expenditure is $8.9 million below budget.

This includes changes to the timing of expenditure relating to:

- New Matangi trains - $9.1 million below budget. Subsequent to preparing this forecast we now expect that delays to timing of payments will see around a further $11.7 million of expenditure deferred into 2015/16. The next forecast will be adjusted accordingly. 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 - $0.6 million above budget. Additional expenditure above the overall project has been funded from a reduction in Matangi 1 capital spares budget.
- Integrated Fares and Ticketing project - $0.5 million below budget because the capital project is now not expected to commence this year.
- Park and Ride land - $1.1 million above budget primarily because of the additional cost of land for Paraparaumu & Tawa. GWRC share of the costs will be funded through reserves.

4.7 Strategy & Community Engagement

Financial Summary	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	3,549	3,155	394	3,430	4,725	4,952	(227)	4,698
Operating expenditure	3,396	3,988	592	2,766	4,869	5,314	445	4,307
Operating surplus / (deficit)	**153**	**(833)**	**986**	**664**	**(144)**	**(362)**	**218**	**391**
Net capital expenditure	105	2	(103)	228	147	197	50	228

Overall, a favourable operating variance of $986k, comprising lower expenditure of $592k and increased revenue of $394k.

Operating revenue is above budget due to:

- Revenue is ahead of budget by $394k, 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 $218k favourable to budget, due to lower expenditure.

4.8 Wellington Regional Strategy

Financial Summary $(000)'s	Period ending 31 March 2015 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	3,483	3,487	(4)	3,473	4,650	4,650	-	4,631
Operating expenditure	3,639	3,475	(164)	3,399	4,933	4,633	(300)	4,670
Operating surplus / (deficit)	**(156)**	**12**	**(168)**	**74**	**(283)**	**17**	**(300)**	**(39)**

Overall, an unfavourable operating variance of $168k, comprising higher expenditure of $164k.

Operating expenditure was higher than budget due to:

- Grow Wellington funding being $225k above budget as they continue to draw on their reserve.
- This has been offset by reduced expenditure on consultants due mainly to timing of payments to external parties.

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 $(000)'s	Period ending 31 March 2015 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	2,461	2,447	14	2,575	3,279	3,262	17	3,436
Operating expenditure	2,224	2,289	65	2,628	3,168	3,171	(3)	3,452
Operating surplus / (deficit)	**237**	**158**	**79**	**(53)**	**111**	**91**	**20**	**(16)**
Net capital expenditure	31	35	4	22	35	35	-	31

Overall, a favourable operating variance of $79k, comprising lower revenue of $14k and lower expenditure of $65k.

Forecast to 30 June 2015

The forecast operating surplus is $20k above budget.

4.10 Finance, ICT and Support

Financial Summary	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	4,832	4,671	161	4,329	6,153	6,228	(75)	6,926
Operating expenditure	5,244	5,583	339	4,981	7,515	7,700	185	7,948
Operating surplus / (deficit)	**(412)**	**(912)**	**500**	**(652)**	**(1,362)**	**(1,472)**	**110**	**(1,022)**
Net capital expenditure	506	1,119	613	1,287	1,094	1,504	410	2,420

Overall, a favourable operating variance of $500k comprising higher revenue of $161k and lower expenditure of $339k.

Operating revenue is more than expected as ICT is currently supporting 25% more pcs than was expected at the beginning of the year. Operating expenditure is less than budget due to depreciation (accounts for $200k). Depreciation is lower due to last year's capital programme not being completed.

Capital expenditure for the year is $613k 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.
- The Biosecurity database (LRSS) is also still in its early stages – was meant to be completed this year
- To utilise existing ICT resource, the capital fund has be redirected to other projects.

Forecast to 30 June 2015

The forecast operating deficit is $110k below budget. This is due to the vacant CFO position and depreciation.

The forecast capital expenditure to June 2015 is expected to be $410k 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	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	2,154	2,152	2	2,184	2,869	2,869	-	2,932
Operating expenditure	2,031	2,405	374	1,898	2,904	3,206	(302)	2,755
Operating surplus / (deficit)	**123**	**(253)**	**376**	**286**	**(35)**	**(337)**	**302**	**177**
Net capital expenditure	67	70	3	38	70	70	-	(14)

Overall, a favourable operating variance of $376k comprising lower revenue of $2k and lower expenditure of $374k.

Operating expenditure is lower than budget due to:

- Timing of community projects now expected in the next financial year. The only abnormal expenditure will be to upgrade the Emergency Operating Centres

Forecast to 30 June 2015

The forecast operating deficit has been reviewed and many projects have been delayed until 2016. Any surplus will reserved for the following year. Details are included in the WREMO performance report.

4.12 Warm Greater Wellington

Financial Summary	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,836	2,057	(221)	1,285	2,057	2,742	(685)	2,732
Operating expenditure	1,836	2,058	222	1,285	2,059	2,744	(685)	2,732
Operating surplus / (deficit)	**-**	**(1)**	**1**	**-**	**(2)**	**(2)**	**-**	**-**

Overall, a break-even position, comprising lower revenue of $221k and lower expenditure of $222k.

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

Financial Summary	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Revenue	6,127	4,827	1,300	7,725	10,288	8,579	1,709	9,342
Internal Interest Recovery	10,181	11,459	(1,278)	10,374	14,356	15,278	(922)	14,141
Operating revenue	**16,308**	**16,286**	**22**	**18,099**	**24,644**	**23,857**	**787**	**23,483**
Expenditure	8,471	8,781	310	7,701	11,519	11,594	75	10,015
Internal Reserve Costs	727	665	(62)	688	880	886	6	943
Operating expenditure	**9,198**	**9,446**	**248**	**8,389**	**12,399**	**12,480**	**81**	**10,958**
Operating surplus / (deficit)	**7,110**	**6,840**	**270**	**9,710**	**12,245**	**11,377**	**868**	**12,525**
Net capital expenditure	11	-	(11)	2,237	-	-	-	2,328

Overall, a favourable variance of $270k compared with budget.

- Revenue is $1.30 million 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 $1.28 million 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, consultants and materials) is $310k 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 $62k unfavourable to budget due to higher reserve opening balance than budgeted.

Capital expenditure is $11k over budget, with all the cost relating to the occupancy of Shed 39.

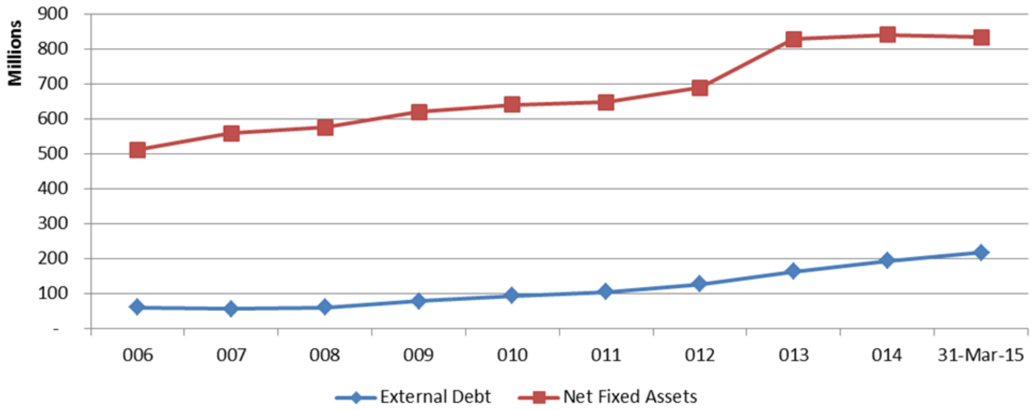
Forecast to 30 June 2015

The forecast operating surplus is forecasted to be $868k above budget.

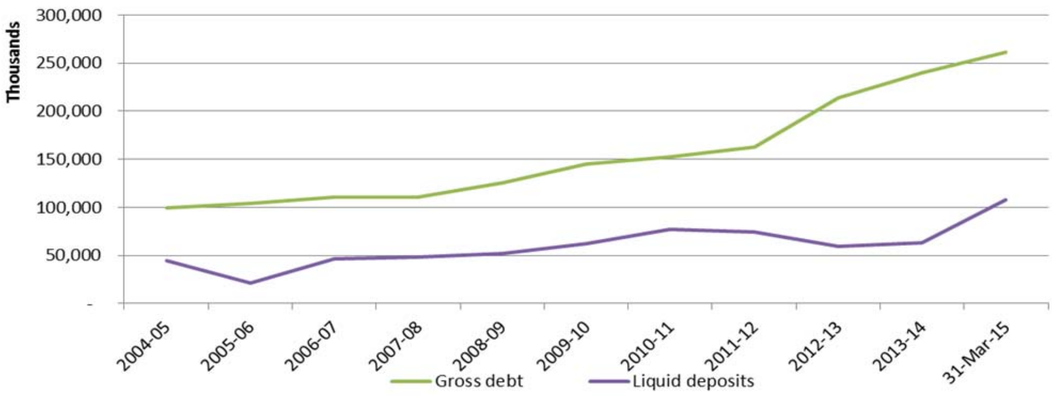
Operating revenue is forecast to be $787k above budget due to higher than budgeted investment revenue, mainly resulting from prefunded debt. We are forecasting to receive higher interest rates than budgeted due to banks continuing to pay higher margins over the 90 day benchmark rate.

Operating expenditure is forecasted to be $81,000 below budget, mainly due to lower interest expenditure and lower overheads.

External Debt and Assets



External Debt and Cash investments



- External Debt including WRC Holdings has increased by $21.0 million to $266.7 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 these funds will be used to repay external debt.

4.14 Water Supply

Financial Summary	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	20,779	20,524	255	20,032	28,174	27,365	809	27,154
Operating expenditure	26,497	26,664	167	26,113	36,395	35,586	(809)	33,252
Operational Surplus / (deficit) before other items	**(5,718)**	**(6,140)**	**422**	**(6,081)**	**(8,221)**	**(8,221)**	**-**	**(6,098)**
Net capital expenditure	3,278	6,153	2,875	4,213	7,677	8,125	448	10,069

Overall a favourable operating variance of $422k compared to budget.

Operating revenue was $255k higher than budget due to:

- Investment revenue is $78k higher than budget and forecasted to be $100k higher than budget at year end. We continue to earn higher than budget interest rates on our Asset Rehabilitation Fund. Other external revenue was $100k above budget and is expected to be $690k 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 to costs.

Operating expenditure was $167k lower than budget due to:

- Resource costing recoveries are $347k below and are forecast to be $463k under budget by year end due to less than budgeted staff time being spent on capital projects.
- Materials and supplies spend is $250k under budget due to timing of payments. We are expecting this to be $143k under budget by year end due to savings in the chemical budget.
- Contractors and consultants is under budget by $461k, but is expected to be $227k under budget by year end.

- Depreciation is $362k under budget and is expected to be under budget by $500k by year end. This is due to the 30 June 2014 year end valuation adjustments made to asset values.

Capital expenditure is $2.9m under budget. Water Supply expected to spend $7.7m by year end.

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.

4.15 Funding Impact Statement

Funding Impact Statement	Period ending 31 March 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Targeted Rates	49,026	49,026	-	47,121	65,368	65,368	-	62,828
General Rate	23,378	23,377	1	21,357	31,170	31,170	-	29,626
Regional Rates	**72,404**	**72,403**	**1**	**68,478**	**96,538**	**96,538**	**-**	**92,454**
Regional Water Supply Levies	19,707	19,707	-	19,226	26,276	26,276	-	25,635
Warm Greater Wellington Rates	1,465	2,057	(592)	1,285	2,057	2,742	(685)	1,713
Grants and Subsidies Revenue	35,797	37,164	(1,367)	37,245	50,202	49,601	601	52,174
Other Operating Revenue	21,670	19,920	1,750	33,751	29,865	28,768	1,097	45,680
Total Operating Revenue	**151,043**	**151,251**	**(208)**	**159,985**	**204,938**	**203,925**	**1,013**	**217,656**
Operational Costs	88,602	90,511	1,909	88,414	123,981	120,767	(3,214)	124,990
Grants and Subsidies Expenditure	60,367	63,880	3,513	61,686	79,582	83,958	4,376	82,740
Finance Costs	7,709	7,984	275	6,989	10,666	10,760	94	9,424
Total Operating Expenditure	**156,678**	**162,375**	**5,697**	**157,089**	**214,229**	**215,485**	**1,256**	**217,154**
Operating Surplus / (Deficit) before Transport Improvements	**(5,635)**	**(11,124)**	**5,489**	**2,896**	**(9,291)**	**(11,560)**	**2,269**	**502**
Transport Improvement revenue	14,037	16,392	(2,355)	7,277	22,314	22,517	(203)	11,843
Transport Improvement expenditure	(6,481)	(9,182)	2,701	(4,942)	(12,967)	(13,464)	497	(8,256)
Operating Surplus / (Deficit) fromTransport Improvements	**7,556**	**7,210**	**346**	**2,335**	**9,347**	**9,053**	**294**	**3,587**
Operating Surplus before other movements	**1,921**	**(3,914)**	**5,835**	**5,231**	**56**	**(2,507)**	**2,563**	**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)	(533)	(6)	-	(6)	(682)
Revaluation PPE	-	-	-	-	-	-	-	27,600
Parks Grant Revenue from RONs projects	1,492	-	1,492	-	2,800	-	2,800	-
Warm Greater Wellington	-	(1)	1	-	(2)	(2)	-	-
Total other movements	**1,486**	**(1)**	**1,487**	**(533)**	**2,951**	**157**	**2,794**	**46,561**
Operating Surplus / (Deficit)	**3,407**	**(3,915)**	**7,322**	**4,698**	**3,007**	**(2,350)**	**5,357**	**50,650**
Add Back Non Cash Items	13,762	13,905	(143)	13,944	18,334	18,479	(145)	(46,513)
Cash operating surplus/(deficit)	**17,169**	**9,990**	**7,179**	**18,642**	**21,341**	**16,129**	**5,212**	**4,137**
Less:								
Net capital expenditure	13,822	17,196	(3,374)	12,630	24,657	22,703	1,954	23,331
Debt movements	(23,121)	(30,719)	7,598	(44,725)	(6,761)	(59,412)	52,651	(29,310)
Investment movements	21,036	22,010	(974)	52,687	909	50,602	(49,693)	31,517
Working capital movements	(28,906)	(18,477)	(10,429)	(39,234)	(40,146)	(30,022)	(10,124)	(29,675)
Net Funding Surplus / (Deficit)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

This statement shows how GWRC's funded, from operating revenue and expenditure, to debt funding of the capital programme.

4.16 Balance Sheet

Balance Sheet $(000)'s	March 2015 Actual	June 2015 Budget	June 2014 Actual
Bank	7	27,695	19,516
Receivables	21,601	18,620	16,052
Accrued Revenue and Prepayments	16,794	14,542	13,055
Inventory	3,212	2,733	3,113
Total Current Assets	41,614	63,590	51,736
Other Investments	115,746	49,028	56,856
Forestry Investments	(408)	-	38,778
Derivative Financial Instruments	(135)	-	2,884
Investment in Subsidiaries	108,000	146,130	96,845
Total Investments	223,203	195,158	195,363
Fixed Asset at cost or valuation	908,560	897,800	901,048
less Accumulated Depreciation	(61,149)	(68,813)	(45,967)
Net Fixed Assets	847,411	828,987	855,081
Capital Works In Progess	18,140	9,500	10,400
Non Current Assets	1,088,754	1,033,645	1,060,844
Total Assets	**1,130,368**	**1,097,235**	**1,112,580**
less:			
Current Liabilities	45,494	23,663	109,736
Non Current Liabilities	216,169	214,000	124,626
Total Liabilities	**261,663**	**237,663**	**234,362**
Net Assets	**868,705**	**859,572**	**878,218**
Total Retained Earnings	377,888	372,806	375,365
Asset Revaluation Reserves	465,560	466,375	476,263
Other Reserves	25,257	20,391	26,590
Total Ratepayer Funds	**868,705**	**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 March 2015

Total Council Limit Compliance Analysis		Compliant Yes	Compliant No	actual %
Debt Interest Rate Policy Parameters				
Current	50% - 95%	✓		68%
year 1	45% - 95%	✓		63%
year 2	40% - 90%	✓		75%
year 3	35% - 85%	✓		82%
year 4	30% - 80%	✓		70%
year 5	25% - 75%	✓		61%
year 6	15% - 70%	✓		51%
year 7	5% - 65%	✓		49%
year 8	0% - 60%	✓		41%
year 9	0% - 55%	✓		38%
year 10	0% - 50%	✓		31%
year 11	0% - 45%	✓		26%
year 12	0% - 40%	✓		14%
year 13	0% - 35%	✓		10%
year 14	0% - 30%	✓		3%
year 15	0% - 25%	✓		0%
The maturity of total external debt less liquid financial investments to fall within the following timebands				
0 - 3 years	15% - 60%	✓		38%
3 - 5 years	15% - 60%	✓		24%
> 5 years	10% - 60%	✓		38%

		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 years	0% - 20%	✓		0%
Core Council External Borrowing Limits - Ratios				
Net interest / Total Revenue < 20%		✓		2.1%
Net Debt / Total Revenue < 250%		✓		51.4%
Net interest / Annual rates and levies < 30%		✓		3.6%
Liquidity > 110%		✓		131%

6. The decision making process and significance

No decision is being sought in this report.

6.1 Engagement

Engagement on this matter is not necessary.

7. Recommendations

That the Committee:

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

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