greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Committee	**Finance, Risk & Assurance**
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Summary of Financial Statements for the four months ended 31 October 2015

1. Purpose

For the Financial Risk and Assurance Committee to receive the summary performance report for the four months ended 31 October 2015.

2. Background

This report provides a review of the financial performance of Council activities.

3. Council Financial Summary

3.1 Year to Date Financial Summary

Summary Income Statement $(000)'s	**Period ending 31 October 2015**			
	Actual	**Budget**	**Variance**	**Last Year**
Regional Rates	35,596	35,330	266	32,456
Regional Water Supply Levies	9,201	9,201	-	8,759
Other Operating Revenue	26,711	28,038	(1,327)	26,848
Total Operating Revenue	**71,508**	**72,569**	**(1,061)**	**68,063**
Operational Costs	71,401	75,176	3,775	69,005
Operating Surplus / (Deficit) before Transport Improvements	**107**	**(2,607)**	**2,714**	**(942)**
Operating Surplus / (Deficit) from Transport Improvements	4,415	8,090	(3,675)	3,821
Operating Surplus before other movements	**4,522**	**5,483**	**(961)**	**2,879**
Non-operational movements	631	(122)	753	-
Operating Surplus / (Deficit)	**5,153**	**5,361**	**(208)**	**2,879**
Net fixed asset revaluations	-	-	-	-
Total council comprehensive income	**5,153**	**5,361**	**(208)**	**2,879**

Overall, the year to date operating surplus before transport improvements and non-operational movements is favourable by **$2.7m** relative to budget.

This surplus is primarily driven by timing differences due to a delay in activities with spending to catch-up later in the year, as well as a small number of permanent savings.

The Councils overall operating surplus after transport improvements and non-operational movements is $0.2m unfavourable to budget. This is driven by a $3.7m unfavourable variance in Public Transport due to timing on NZTA grant revenue for capital expenditure.

Details by Group follow in section 4.

3.2 Year to Date Financial Summary by Group

Total operating surplus / (deficit)	**Period ended 31 October 2015**			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Catchment Management	2,404	2,063	341	1,902
Environmental Management	345	173	172	42
Regional Parks	(312)	(515)	203	(458)
Wairarapa Water Use project	(12)	(2)	(10)	33
Public Transport	(530)	(1,390)	860	76
Strategy	499	(63)	562	53
WRS	(240)	5	(245)	32
Corporate	(163)	(245)	82	(136)
Te Hunga Whiriwhiri	57	(2)	(59)	11
Emergency Management	(59)	(111)	52	9
Total operational surplus / (deficit)	**1,989**	**(87)**	**2,076**	**1,564**
Investment Management	3,481	3,785	(304)	3,186
Business unit rates contribution	(3,439)	(3,439)	-	(3,335)
Total rates funded operating surplus / (deficit)	**2,031**	**259**	**1,772**	**1,415**
Water Supply	(1,924)	(2,866)	942	(2,357)
Total rates & levy funded operating surplus / (deficit)	**107**	**(2,607)**	**2,714**	**(942)**
Non-operational movements				
Parks Grant Revenue from NZTA	631	-	631	-
Warm Greater Wellington	-	(122)	122	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	4,415	8,090	(3,675)	3,821
Total non-operational surplus / (deficit)	**5,046**	**7,968**	**(2,922)**	**3,821**
Total council surplus / (deficit)	**5,153**	**5,361**	**(208)**	**2,879**
Net fixed asset revaluations	**-**	**-**	**-**	**-**
Total council comprehensive income / (deficit)	**5,153**	**5,361**	**(208)**	**2,879**

The main reasons for the year to date budget variance are:

- **Catchment Management** is *$0.3m favourable* due to savings in staff, contractor and material costs, with the re-phasing of contractor activities to later in the year.
- **Environment** is *$0.2m favourable* to budget, largely due to additional Roads of National Significance (RoNS) consenting revenue.
- **Parks** is *$0.2m favourable* to budget due to delays to the planned maintenance programme caused by repair work related to the May flood repairs, which is covered by insurance.
- **Public Transport** is *$0.9m favourable* to budget reflecting less than expected expenditure on rail network renewal costs and lower trolley bus overhead network maintenance.
- **Strategy** is *$0.6m favourable* to budget due to timing on consultants, materials and supplies mainly due to the timing of projects such as Public Transport Model, Sustainable Pathway and the Regional Land Transport Plan.
- **WRS –** WREDA is *$0.2m unfavourable* due to drawing additional $0.3m under spent funds from previous years to complete unfinished projects. This is funded from the WRS reserve, but this will show as a deficit in the summary income statement.
- **Investment Management** was *$0.3m unfavourable* to budget due to higher interest revenue for term deposits. This is partially offset by much lower internal interest due to lower internal debt opening position.
- **Water Supply** is *$0.9m favourable* to budget primarily due $0.5m of contractors and consultants costs related to the timing of the work programme and greater use of internal resources. Materials and supplies are also below budget due to lower chemicals and maintenance supplies expenditure and depreciation and interest is also below budget due to timing of the capital programme.

3.3 Forecast to 30 June 2016

The full year forecast operating deficit of $8.0m is **$0.2m** unfavourable to budget.

Including revenue and expenditure related to public transport capital improvement projects and non-operating movements, the unfavourable variance is **$1.9m**.

The overall variance is primarily driven by NZTA grant revenue associated with delivery delays of the new Matangi trains.

Details by Group follow in section 4.

3.3.1 Financial Forecast

Summary Income Statement $(000)'s	Year ended 30 June 2016 Forecast	Budget	Variance
Regional Rates	105,998	105,998	-
Regional Water Supply Levies	27,604	27,604	-
Other Operating Revenue	86,654	85,775	879
Total Operating Revenue	**220,256**	**219,377**	**879**
Operational Costs	228,304	227,270	(1,034)
Operating Surplus / (Deficit) before Transport Improvements	**(8,048)**	**(7,893)**	**(155)**
Operating Surplus / (Deficit) from Transport Improvements	13,453	15,804	(2,351)
Operating Surplus before other movements	**5,405**	**7,911**	**(2,506)**
Non-operational movements	1,046	415	631
Operating Surplus / (Deficit)	**6,451**	**8,326**	**(1,875)**
Net fixed asset revaluations	-	-	-
Total council comprehensive income	**6,451**	**8,326**	**(1,875)**

3.3.2 Financial Forecast by Group

Total operating surplus / (deficit)	Year ended 30 June 2016			
$(000)'s	**Forecast**	**Budget**	**Variance**	**Last Year**
Catchment Management	3,723	3,361	362	3,696
Environmental Management	532	513	19	(800)
Regional Parks	(1,793)	(1,832)	39	910
Wairarapa Water Use project	(6)	(6)	-	(13)
Public Transport	(4,976)	(3,922)	(1,054)	49
Strategy	(179)	(179)	-	(236)
WRS	(287)	13	(300)	98
Corporate	(792)	(934)	142	(1,123)
Te Hunga Whiriwhiri	(6)	(6)	-	
Emergency Management	(349)	(349)	-	37
Total operational surplus / (deficit)	**(4,133)**	**(3,341)**	**(792)**	**2,721**
Investment Management	12,910	12,163	747	11,829
Business unit rates contribution	(10,317)	(10,317)	-	(10,003)
Total rates funded operating surplus / (deficit)	**(1,540)**	**(1,495)**	**(45)**	**4,547**
Water Supply	(6,508)	(6,398)	(110)	(8,537)
Total rates & levy funded operating surplus / (deficit)	**(8,048)**	**(7,893)**	**(155)**	**(3,990)**
Non-operational movements				
Parks Grant Revenue from NZTA	631	-	631	1,969
Warm Greater Wellington	(367)	(367)	-	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	13,453	15,804	(2,351)	8,152
Total non-operational surplus / (deficit)	**14,499**	**16,219**	**(1,720)**	**(9,396)**
Total council surplus / (deficit)	**6,451**	**8,326**	**(1,875)**	**(13,386)**
Net fixed asset revaluations	**-**	**-**	**-**	**-**
Total council comprehensive income / (deficit)	**6,451**	**8,326**	**(1,875)**	**(13,386)**

The main reasons for the forecast operating variance are:

- **Catchment** Management is *$0.4m favourable* to budget due to MPI revenue for WRECI, and financial cost savings due to anticipated timing of capital expenditure.
- **Public Transport** is *$1.1m unfavourable* to budget primarily driven by higher than budgeted PTOM and rail contract costs, offset by savings in BRT studies and investigations.
- **WRS – WREDA** is *$0.3m unfavourable* due to WREDA completing projects from previous years, funded from the WRS reserve.
- **Investment Management** is *$0.7m favourable* to budget due to largely due to lower interests cost partially offset by lower interest revenue from the pre-funding of debt.

Details by Group follow in section 4.

3.4 Capital expenditure

3.4.1 Year to Date Capital Expenditure by Group

Capital and transport investment and improvement expenditure $(000)'s	Period ended 31 October 2015 Actual	Budget	Variance	Last Year
Catchment Management	2,036	1,632	(404)	588
Environmental Management	182	49	(133)	88
Regional Parks	860	1,086	226	65
Wairarapa Water Use project	47	200	153	562
Public Transport capital projects	2,404	3,315	911	3,313
Strategy	(7)	87	94	72
Corporate	282	597	315	54
Emergency Management	(18)	-	18	31
Total capital expenditure	**5,786**	**6,966**	**1,180**	**4,773**
Investment and property management	-	-	-	13
Total rates funded capital expenditure	**5,786**	**6,966**	**1,180**	**4,786**
Water Supply	808	715	(93)	1,588
Total rates & levy funded capital expenditure	**6,594**	**7,681**	**1,087**	**6,374**
Public Transport investment projects - GWRL	33,298	52,415	19,117	2,118
Total council capital and transport investment expenditure	**39,892**	**60,096**	**20,204**	**8,492**

Capital expenditure is **$1.2m** favourable to budget for the year to date.

The main reasons for theses variance are:

- **Catchment Management** is *$0.4m unfavourable* due to the acquisition of property for Pinehaven capital improvement works which is ahead of schedule. The Pinehaven property purchases are being jointly funded with the Upper Hutt City Council.
- **Public Transport** is *$0.9m favourable* due to timing for park and ride, integrated ticketing and other upgrades.

Public transport investment projects are **$19.1m** favourable to budget due to delays in the delivery of the Matangi trains as well as timing on station renewals and upgrades.

3.4.2 Capital Expenditure Forecast by Group

Capital and transport investment and improvement expenditure $(000)'s	Year ended 30 June 2016 Forecast	Budget	Variance	Last Year
Catchment Management	5,693	10,728	5,035	4,180
Environmental Management	906	906	-	371
Regional Parks	3,971	3,394	(577)	2,490
Wairarapa Water Use project	600	600	-	929
Public Transport capital projects	5,290	6,730	1,440	5,314
Strategy	345	345	-	172
Corporate	2,397	2,835	438	1,033
Emergency Management	70	70	-	67
Total capital expenditure	**19,272**	**25,608**	**6,336**	**14,556**
Investment and property management	-	-	-	(72)
Total rates funded capital expenditure	**19,272**	**25,608**	**6,336**	**14,484**
Water Supply	3,634	3,634	-	6,138
Total rates & levy funded capital expenditure	**22,906**	**29,242**	**6,336**	**20,622**
Public Transport investment projects - GWRL	130,076	139,623	9,547	24,405
Total council capital and transport investment expenditure	**152,982**	**168,865**	**15,883**	**45,027**

Capital expenditure is forecast to be **$6.3m** favourable to budget for the year.

The main reasons for the variance are:

- **Catchment Management** is *$5.0m favourable* due to delays and deferral of Kapiti, Waiohine, Waiwhetu and Te Kauru work programmes.
- **Parks are forecast** to be *$0.6m unfavourable* to budget due to additional capex on QEP cycleway and Woolshed which are funded by NZTA grants.
- **Public Transport** is *$1.4m favourable* mostly due to lower than budgeted expenditure for integrated ticketing expected in the current year.
- **Corporate capital expenditure** is *$0.4m favourable* to budget due to timing on ICT projects.

Public transport investment projects **$9.5m** favourable to budget due to expected delay in delivery of the Matangi trains.

4. Council Financial Performance by Group

4.1 Catchment Management

Financial Summary $(000)'s	Period ended 31 October 2015 Actual	Budget	Variance	Last Year	Year ended 30 June 2016 Forecast	Budget	Variance	Last Year
Operating revenue	12,115	12,181	(66)	12,345	33,882	34,241	(359)	35,223
Operating expenditure	9,711	10,118	407	10,443	30,159	30,880	721	31,527
Operating surplus / (deficit)	**2,404**	**2,063**	**341**	**1,902**	**3,723**	**3,361**	**362**	**3,696**
Net capital expenditure	2,036	1,632	(404)	588	5,693	10,728	5,035	4,180

Year to date

The operating variance is **$341k** favourable to budget, comprising of lower revenue of $66k and lower operating costs of $407k.

Operating revenue is lower than budget due to a number of offsetting variances including:

- Reduced revenue of $302k for Land Management due to low demand for forestry consultations and for property plan work because of the higher incentives available through WRECI programmes.
- Increased MPI revenue of $160k for the Wellington Region Erosion Control Initiative (WRECI) due to securing Ministry funding support for the next four years.
- Increased Tb Free revenue of $83k due to the completion of the Owahanga aerial operation.

Operating expenditure is lower than budget due to:

- Reduced personnel costs of $90k for BioWorks due to staff vacancies.
- Reduced land management costs of $149k due to reduced demand for Property Plans and Forestry consultations and the timing of Farm Environment Plan programmes.
- Reduced materials cost of $168k for Biodiversity due to the timing of seasonal planting and spraying contracts for Porirua harbour restoration and Wairarapa Moana, and delays with QEII land retirement.

Capital expenditure is $404k higher than budget, primarily due to:

- The acquisition of property for Pinehaven capital improvement works was ahead of schedule. The Pinehaven property purchases are being jointly funded with the Upper Hutt City Council.

Forecast to 30 June 2016

- The forecast operating surplus is $362k favourable to budget.

Operating revenue is forecast to be $359k below budget due to:

- Reduced revenue of $640k for Akura, Forestry Consultations, Property Plans and WRECI programmes, partly offset by $224k of MPI revenue for WRECI.
- Increased property rent and gravel royalty of $60k for Flood Protection.

Operating expenditure is forecast to be $721k below budget due to:

- Reduced costs of $345k for Forestry Consultations and Property Plans.
- Reduced materials of $106k for Akura due to lower sales (rural slowdown.)
- Financial costs savings of $123k due to reduced FP capital expenditure.
- Personnel cost savings of $100k for BioWorks because of vacancies.

The forecast net capital expenditure to June 2016 is expected to be $5,035k lower than budget due to:

- Reduced expenditure of $1,503k for Kapiti Flood Protection improvements due to FMP delays and extended land entry negotiations.
- Waiohine stopbank upgrade of $2,939k deferred until the completion of the Flood Management Plan.
- Reduced expenditure of $593k for the Waiwhetu FMP, Te Kauru FMP and the resource consent project due to resource reprioritisation, opposition to flood hazard information and delays with consent notification and hearings.

4.2 Environmental Management

Financial Summary $(000)'s	Period ended 31 October 2015 Actual	 Budget	 Variance	 Last Year	Year ended 30 June 2016 Forecast	 Budget	 Variance	 Last Year
Operating revenue	6,391	6,210	181	5,405	18,790	18,604	186	16,085
Operating expenditure	6,046	6,037	(9)	5,363	18,258	18,091	(167)	16,885
Operating surplus / (deficit)	**345**	**173**	**172**	**42**	**532**	**513**	**19**	**(800)**
Net capital expenditure	182	49	(133)	88	906	906	-	371

Year to date

A favourable operating variance of $172k, comprises largely of higher operating revenue of $181k.

Operating revenue is higher than budget due to:

- Increased consent processing revenue of $195k from the Road of National Significance (RONS).
- Reduced revenue for the Wairarapa Water Use Project due to delays with approval of the IAF application

Operating expenditure is in line with budget.

Capital expenditure is $133k higher budget, primarily due to:

- The replacement of vehicles and flood gauging equipment for Environmental Science a few months ahead of schedule.

Forecast to 30 June 2016

The forecast operating surplus and capital expenditure is in line with budgeted levels.

4.3 Regional Parks

Financial Summary $(000)'s	Period ended 31 October 2015				Year ended 30 June 2016			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	2,123	2,152	(29)	2,305	6,421	6,457	(36)	9,136
Operating expenditure	2,435	2,667	232	2,763	8,214	8,289	75	8,226
Operational Surplus / (deficit) before o	**(312)**	**(515)**	**203**	**(458)**	**(1,793)**	**(1,832)**	**39**	**910**
Parks Grant Revenue from NZTA	631	-	631	-	631	-	631	1,969
Operational Surplus / (deficit)	**319**	**(515)**	**834**	**(458)**	**(1,162)**	**(1,832)**	**670**	**(1,059)**
Net fixed asset revaluation	-	-	-	-	-	-	-	-
Net capital expenditure	860	1,086	226	65	3,971	3,394	(577)	2,490

Year to date

A favourable operating variance of $203k, comprising largely of lower operating costs of $232k.

Operating expenditure is lower than budget due to:

- Parks savings of $183k due to timing of maintenance programmes and prioritising flood damage repair, which is funded by insurance claims.
- Financial cost savings from delaying some Parks capex.

Capital expenditure is $226k below budget, primarily due to:

- Project planning is progressing well, but most of the construction works are scheduled for the summer season.

Forecast to 30 June 2016

The forecast operating surplus is close to budget. It should be noted that parks will receive NZTA capital grants of $631k which will fund the additional CAPEX on the QEP cycleway and Woolshed.

The forecast net capital expenditure to June 2016 is expected to be $577k higher than budget due to:

- NZTA grant funded capex for the QEP cycleway and Belmont Woolshed projects.

4.4 Public Transport

Financial Summary	Period ended 31 October 2015				Year ended 30 June 2016			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	34,255	35,569	(1,314)	31,774	108,144	107,395	749	100,810
Operating expenditure	34,785	36,959	2,174	31,698	113,120	111,317	(1,803)	100,761
Operating surplus / (deficit)	**(530)**	**(1,390)**	**860**	**76**	**(4,976)**	**(3,922)**	**(1,054)**	**49**

Year to Date

A favourable operating variance of $0.9 million, comprising lower expenditure of $2.2 million and reduced revenue of $1.3 million.

Operating revenue is $1.3m below budget due to:

- Grants and subsidies revenue was $1.4 million below budget which reflects the reduction in operational expenditure to date.
- SuperGold card Grants and subsidies revenue was $0.1 million above budget because of increased usage of SuperGold card.

Operating expenditure is $2.2m below budget primarily due to:

- Rail network renewals costs were $2.1 million which is $0.8 million below budget because of reduced track and civil renewals costs, although partly offset by increased traction renewals costs.
- Rail contract costs were $0.5 million, which is $0.4 million above budget because of lower fare revenue and higher expenditure
- Rail network operations and maintenance costs were $3.6 million which is $0.3 million below budget because of reduced traction inspection and traction maintenance costs, although partly offset by increased track maintenance costs.
- Trolley bus operations expenditure was $3.1 million, which is $0.3 million below budget. The saving is primarily a reduction in the cost of maintaining the trolley overhead network.
- SuperGold card expenditure was $2.2 million, which is $0.1 million above budget and reflects increased usage of SuperGold card.
- PTOM and PT Transformation expenditure was $1.7 million which is $0.1 million below budget because of reduced PTOM costs partly offset by PTT costs which was not budgeted. These costs currently being funded through the PT reserve.
- Other studies and investigations expenditure was $0.1 million which is $0.8 million below budget. This is primarily because IFT investigation is below budget by $0.5 million. We expect to get guidance over the shape of the project from NZTA by the end of November. The BRT detailed business case is below budget by $0.3 million because it has not started.

Forecast to 30 June 2016

The forecast operating deficit of $5.0 million is $1.1 million unfavourable to budget.

Operating revenue is forecast to be $0.7m above budget due to:

- Grants and subsidies revenue is forecast to be $0.6 million above budget because of the forecast increase in expenditure.
- SuperGold card grants and subsidies revenue is forecast to be $0.4 million above budget because of the forecast increase in SuperGold card expenditure.
- External revenue is forecast to be $0.2 million below budget because the BRT business case project is no longer receiving some of the funding from WCC.

Operating expenditure is forecast to be $1.8m above budget due to:

- PTOM and PT Transformation full year forecast expenditure is $6.9 million which is $1.6 million above budget. GWRC's share of the project will be funded through reserves because of the one-off nature of the expenditure. GWRC is continually reviewing these projects.
- Rail contract full year forecast expenditure is $1.1 million which is $0.6 million above budget. Rail contract costs are forecast to be $0.1 million above budget and fare revenue is forecast to be $0.5 million below budget.
- SuperGold card full year forecast expenditure is $6.7 million which is $0.4 million above budget. The forecast SuperGold card expenditure reflects the increase in usage.
- Other studies and investigations full year forecast expenditure is $1.1 million which is $0.5 million below budget. The Bus Rapid Transit (BRT) business case is forecast to be $0.6 million below budget partly offset by the IFT investigation which is $0.1 million above budget.

- Diesel bus operations full year forecast expenditure is $31.6 million which is $0.2 million below budget and reflects the reduction in bus contractual inflation payments although partly offset by increased bus contractual costs.

4.5 Public Transport capital expenditure, improvement projects and investment additions

Revenue and expenditure associated with capex

Financial Summary	Period ended 31 October 2015				Year ended 30 June 2016			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	**7,589**	**13,486**	**(5,897)**	**6,327**	**26,163**	**30,096**	**(3,933)**	**19,671**
Improvement Projects (Opex)	155	702	547	125	6,026	5,492	(534)	4,601
Operating expenditure - Other	3,019	4,694	1,675	2,381	6,684	8,800	2,116	6,918
Total operating expenditure	**3,174**	**5,396**	**2,222**	**2,506**	**12,710**	**14,292**	**1,582**	**11,519**
Operating surplus / (deficit)	**4,415**	**8,090**	**(3,675)**	**3,821**	**13,453**	**15,804**	**(2,351)**	**8,152**

Overall, revenue and expenditure associated with capex is showing an unfavourable operating surplus of $3.7 million due to reduced revenue of $5.9 million and reduced operating expenditure of $2.2 million.

Operating revenue was lower than budget due to:

Operating revenue (primarily grant and subsidies revenue) was $5.9 million below budget because of the timing of $20.0 million of improvement projects, capital and investment expenditure in the year to date.

Improvement projects

Improvement projects relate to capital works where the underlying asset will not be directly owned by GWRC. Improvement projects were $1.0 million below budget. Trolley bus infrastructure renewals were $0.7 million below budget and the Porirua Station Road renewal project was $0.3 million below budget. The Porirua Station Road project was completed in June 2015 – the budget assumed some expenditure would run into 2015/16.

Other operating expenditure

Other operating expenditure includes finance costs which were $1.1 million less than budget primarily because of reduced expenditure on improvement projects, capital and investments. This has reduced the financial costs on the associated debt.

Forecast to 30 June 2016

The forecast operating surplus for capital expenditure is $13.5 million which is $2.4 million unfavourable to budget. This is because of reduced grant and subsidies operating revenue, offset to a lesser extent by reduced lower financial costs and improvement project expenditure (Porirua station roading improvements and trolley bus infrastructure renewals).

Capital and investment additions

Financial Summary $(000)'s	Period ended 31 October 2015 Actual	Budget	Variance	Last Year	Year ended 30 June 2016 Forecast	Budget	Variance	Last Year
Public Transport capital projects	2,404	3,315	911	3,313	5,290	6,730	1,440	5,314
Public Transport investment projects - GWRL	33,298	52,415	19,117	2,118	130,076	139,623	9,547	24,405
Capital and investment expenditure	**35,702**	**55,730**	**20,028**	**5,431**	**135,366**	**146,353**	**10,987**	**29,719**

Capital projects are projects that improve (or create) assets owned by GWRC and investment additions relate to capital works where the underlying asset will be owned by our subsidiary, GWRL**.**

Capital and investment expenditure were $20.0 million below budget due to:

- New Matangi trains - $15.4 million below budget because of changes to the delivery timetable. The project remains on budget.
- Park and Ride land - $1.9 million below budget. Development of the carpark at Kapiti was expected to have commenced, but will now proceed slightly later in the financial year after we work on the development plan with NZTA.
- Station renewals and upgrades - $1.2 million below budget. The budget phasing adopted at the beginning of the year has not materialised because of unexpected demands. A re-prioritisation of work has resulted in delays to the project.
- Security related rail improvements - $0.4 million below budget. The budget phasing adopted at the beginning of the year has not materialised because of unexpected delays.
- Park and Ride land purchase - $0.4 million below budget. GWRC is working through the process of acquiring the remaining parcel of land with the owners and local iwi.
- Integrated Fares and Ticketing - $0.2 million below budget. The project has been delayed and GWRC is continuing to work with NZTA on the development plan.

Forecast to 30 June 2016

The forecast net capital and investment expenditure is $11.0 million below budget.

This includes changes to the timing of expenditure relating to:

- New Matangi trains - $9.3 million below budget. However, the Matangi 1 and Matangi 2 trains are expected to be delivered within the overall budget.
- Station renewals and upgrades - $0.2 million above budget. The deficit will be funded from a reduction in the security related rail improvements budget.

- Security related rail improvements - $0.4 million below budget. The surplus will be applied to the station renewals and upgrades projects.
- Park and Ride land - $0.3 million above budget. The Petone land Park and Ride development is forecast to cost $0.3 million more than budget to be funded from savings in other capex.
- Integrated Fares and Ticketing project - $1.3 million below budget because the capital project is now expected to commence later in the year.

4.6 Strategy

Financial Summary $(000)'s	Period ended 31 October 2015				Year ended 30 June 2016			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	2,097	2,220	(123)	1,508	6,662	6,662	-	4,735
Operating expenditure	1,598	2,283	685	1,455	6,841	6,841	-	4,971
Operating surplus / (deficit)	**499**	**(63)**	**562**	**53**	**(179)**	**(179)**	**-**	**(236)**
Net capital expenditure	(7)	87	94	72	345	345	-	172

Overall, a favourable operating variance of $562k, comprising lower revenue of $123k and reduced expenses of $685k.

Operating revenue was below budget due to:

- Grants and subsidy revenue is below budget, largely due to funding from New Zealand Transport Agency (NZTA) for transport planning projects occurring later than planned as the costs are expected to be incurred later.

Operating expenditure was lower than budget due to:

- Reduced expenditure on consultants, materials and supplies mainly due to the timing of projects such as Public Transport Model, Sustainable Pathway and the Regional Land Transport Plan.
- Reduced expenditure on consultants, materials and supplies to deliver the Annual Report and the Annual Plan.

Forecast to 30 June 2016

The forecast operating deficit is in line with budgeted levels.

4.7 Wellington Regional Strategy

Financial Summary	Period ended 31 October 2015				Year ended 30 June 2016			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,575	1,575	-	1,548	4,724	4,724	-	4,644
Operating expenditure	1,815	1,570	(245)	1,516	5,011	4,711	(300)	4,546
Operating surplus / (deficit)	**(240)**	**5**	**(245)**	**32**	**(287)**	**13**	**(300)**	**98**

Overall, an unfavourable operating variance of $245k, comprising higher expenditure of $245k.

Operating expenditure was higher than budget due to:

- WREDA expected to spend $300k to complete projects from previous year. This is funded from the WRS reserve.
- WRS Office projects expenditure is favourable to budget due to lower material and consultant expenditure.

Forecast to 30 June 2016

The forecast operating deficit is $300k above budget. This is due to WREDA utilising the unspent WRS reserve from 2014/15.

4.8 Corporate

Financial Summary	Period ended 31 October 2015				Year ended 30 June 2016			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	2,962	3,149	(187)	3,231	9,447	9,447	-	11,268
Operating expenditure	3,125	3,394	269	3,367	10,239	10,381	(142)	12,288
Operating surplus / (deficit)	**(163)**	**(245)**	**82**	**(136)**	**(792)**	**(934)**	**142**	**(1,020)**
Net capital expenditure	282	597	315	54	2,397	2,835	438	1,033

Overall, a favourable operating variance of $82k comprising lower revenue of $187k and lower expenditure of $269k.

Operating revenue is less than expected as result of rates penalties being less than expected. Rates penalties are traditionally difficult to forecast and exceed budget by year end.

Operating expenditure is less than budget reflecting salaries of several vacant positions within ICT. Asset management consultancy is less than expected at this point in the year.

Capital expenditure was $315k lower than budget, as the ICT programme is occurring slower than expected.

Forecast to 30 June 2016

The forecast operating deficit is $142k favourable to budget, largely reflecting the savings from the vacant positions in ICT.

4.9 Emergency Management

Financial Summary $(000)'s	Period ended 31 October 2015				Year ended 30 June 2016			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	976	980	(4)	957	2,919	2,919	-	2,879
Operating expenditure	1,035	1,091	56	948	3,268	3,268	-	2,842
Operating surplus / (deficit)	**(59)**	**(111)**	**52**	**9**	**(349)**	**(349)**	**-**	**37**
Net capital expenditure	(18)	-	18	31	70	70	-	67

Overall, a favourable operating variance of $52k comprising lower revenue of $4k and reduced expenditure of $56k.

Operating expenditure is $56k lower than budget, largely reflecting timing.

Forecast to 30 June 2016

The forecast operating deficit is expected to be in-line with budget.

4.10 Warm Greater Wellington

Financial Summary $(000)'s	Period ended 31 October 2015				Year ended 30 June 2016			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	923	1,118	(195)	781	3,353	3,353	-	2,921
Operating expenditure	923	1,240	317	781	3,720	3,720	-	2,921
Operating surplus / (deficit)	**-**	**(122)**	**122**	**-**	**(367)**	**(367)**	**-**	**-**

Overall, a surplus break-even position, comprising lower revenue of $195k and lower expenditure of $317k.

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 2015 which were lower than budgeted. This was due to a lower cash level of advances provided in 2014/15 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 2016

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

496 installations have been completed this year bringing the total to 9,976

4.11 Investment Management

Financial Summary	Period ended 31 October 2015				Year ended 30 June 2016			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Revenue	2,455	1,997	458	2,817	9,456	9,361	95	10,318
Internal Interest Recovery	5,496	6,830	(1,334)	4,474	19,509	20,490	(981)	13,528
Operating revenue	**7,951**	**8,827**	**(876)**	**7,291**	**28,965**	**29,851**	**(886)**	**23,846**
Expenditure	3,710	4,240	530	3,431	13,770	15,389	1,619	10,238
Internal Reserve Costs	319	281	(38)	323	880	886	6	943
Operating expenditure	**4,470**	**5,042**	**572**	**4,105**	**16,054**	**17,688**	**1,634**	**12,015**
Operating surplus / (deficit)	**3,481**	**3,785**	**(304)**	**3,186**	**12,911**	**12,163**	**748**	**11,831**
Net capital expenditure	-	-	-	13	-	-	-	(72)

Overall operating surplus, an unfavourable variance of $304k compared with budget.

Revenue is $458k above budget due to:

- Additional interest on prefunded debt and receiving slightly higher than budgeted rates on our investments.

Interest Recovery from internal loans is $1,334k unfavourable due to:

- Timing of Capex, in particular in Public Transport for the new Matangi trains has been significantly below budget leading to lower internal loans and consequential lower interest recovery from the business units.

Total operating expenditure is $572k favourable due to:

- Lower interest costs due to lower capital expenditure.
- Internal Reserve Investment costs where Investment Management pays the business units interest on their reserve funds is $38k unfavourable to budget mainly due to higher reserve opening balance than budgeted.

Forecast to 30 June 2016

- The net forecast operating result is $748k favourable to budget, largely due to lower interests cost partially offset by lower interest revenue from the pre-funding of debt.

4.12 Water Supply

Financial Summary $(000)'s	Period ended 31 October 2015 Actual	Budget	Variance	Last Year	Year ended 30 June 2016 Forecast	Budget	Variance	Last Year
Operating revenue	9,766	9,648	118	9,237	29,155	28,905	250	28,199
Operating expenditure	11,690	12,514	824	11,594	35,663	35,303	(360)	36,736
Operational Surplus / (deficit)	**(1,924)**	**(2,866)**	**942**	**(2,357)**	**(6,508)**	**(6,398)**	**(110)**	**(8,537)**
Net capital expenditure	808	715	(93)	1,588	3,634	3,634	-	6,138

Overall a favourable operating variance of $942k compared to budget.

Operating revenue was $118k higher than budget due to:

- Other external revenue was $118k above budget due to cost recovery on a project for Upper Hutt City Council.

Operating expenditure was $824k lower than budget due to:

- Materials and supplies spend is $100k below budget due to savings on chemicals and maintenance supplies due to a slower start to the year than planned. We expect to be on budget by year end.
- Finance costs and depreciation is $189k below budget, due to slower than planned capitalisation of new assets.
- Contractors and consultants are under budget by $505k, due to greater use of internal resources at Wellington Water.

Capital expenditure is $93k ahead of budget with this reflecting minor timing. Water Supply expect to spend the $3.6m of capex by year end.

Forecast to 30 June 2015

Water Supply is forecasting to be $110k unfavourable to budget by year end.

5. Funding Impact Statement

Funding Impact Statement	Period ending 31 October 2015				Year ended 30 June 2016			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Targeted Rates	23,159	23,156	3	21,789	69,476	69,476	-	65,368
General Rate	12,437	12,174	263	10,667	36,522	36,522	-	33,381
Regional Rates	**35,596**	**35,330**	**266**	**32,456**	**105,998**	**105,998**	**-**	**98,749**
Regional Water Supply Levies	9,201	9,201	-	8,759	27,604	27,604	-	26,276
Warm Greater Wellington Rates	676	1,118	(442)	651	3,353	3,353	-	1,953
Grants and Subsidies Revenue	16,321	17,090	(769)	14,705	53,796	51,960	1,836	50,475
Other Operating Revenue	9,714	9,830	(116)	11,492	29,505	30,462	(957)	35,734
Total Operating Revenue	**71,508**	**72,569**	**(1,061)**	**68,063**	**220,256**	**219,377**	**879**	**213,187**
Operational Costs	40,548	44,081	3,533	39,560	130,674	129,595	(1,079)	126,317
Grants and Subsidies Expenditure	27,141	26,842	(299)	26,013	83,822	82,248	(1,574)	80,612
Finance Costs	3,712	4,253	541	3,432	13,808	15,427	1,619	10,248
Total Operating Expenditure	**71,401**	**75,176**	**3,775**	**69,005**	**228,304**	**227,270**	**(1,034)**	**217,177**
Operating Surplus / (Deficit) before Transport Improvements	**107**	**(2,607)**	**2,714**	**(942)**	**(8,048)**	**(7,893)**	**(155)**	**(3,990)**
Transport Improvement revenue	7,589	13,486	(5,897)	6,327	26,163	30,096	(3,933)	19,671
Transport Improvement expenditure	(3,174)	(5,396)	2,222	(2,506)	(12,710)	(14,292)	1,582	(11,519)
Operating Surplus / (Deficit) fromTransport Improvements	**4,415**	**8,090**	**(3,675)**	**3,821**	**13,453**	**15,804**	**(2,351)**	**8,152**
Operating Surplus before other movements	**4,522**	**5,483**	**(961)**	**2,879**	**5,405**	**7,911**	**(2,506)**	**4,162**
Parks Grant Revenue from NZTA	631	-	631	-	631	-	631	1,969
Warm Greater Wellington	-	(122)	122	-	(367)	(367)	-	-
Total other movements	**631**	**(122)**	**753**	**-**	**1,046**	**415**	**631**	**(17,548)**
Operating Surplus / (Deficit)	**5,153**	**5,361**	**(208)**	**2,879**	**6,451**	**8,326**	**(1,875)**	**(13,386)**
Add Back Non Cash Items	5,749	6,216	(467)	6,151	17,632	17,738	(106)	37,345
Cash operating surplus/(deficit)	**10,902**	**11,577**	**(675)**	**9,030**	**24,083**	**26,064**	**(1,981)**	**23,959**
Less:								
Net capital expenditure	6,595	7,682	(1,087)	6,373	22,905	29,241	(6,336)	20,621
Debt movements	(48,218)	(50,928)	2,710	(21,727)	(137,851)	(151,752)	13,901	(6,491)
Investment movements	49,715	36,229	13,486	11,832	135,492	145,039	(9,547)	1,190
Working capital movements	(18,994)	(4,560)	(14,434)	(5,508)	(44,629)	(48,592)	3,963	(39,279)
Net Funding Surplus / (Deficit)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

6. Treasury Compliance Report

As at 31 October 2015

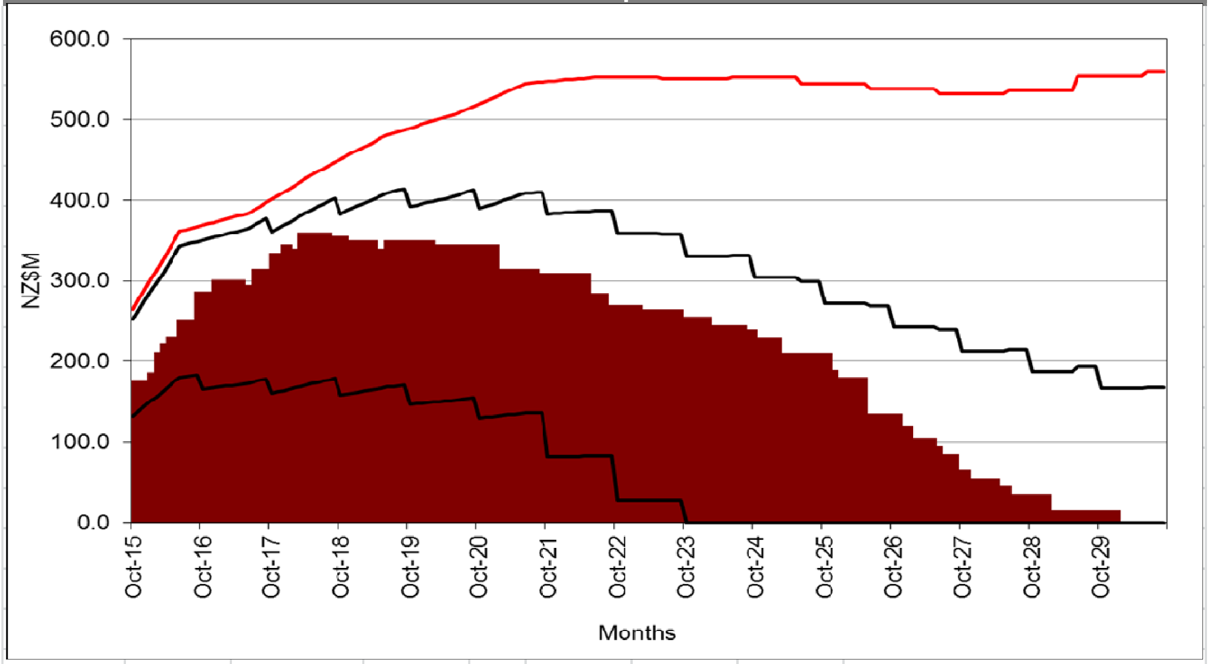
Total Council Limit Compliance Analysis		Compliant Yes	Compliant No	actual %
Debt Interest Rate Policy Parameters (also see attached graph)				
Current	50% - 95%	✓		67%
year 1	45% - 95%	✓		78%
year 2	40% - 90%	✓		84%
year 3	35% - 85%	✓		79%
year 4	30% - 80%	✓		72%
year 5	25% - 75%	✓		66%
year 6	15% - 70%	✓		57%
year 7	5% - 65%	✓		49%
year 8	0% - 60%	✓		46%
year 9	0% - 55%	✓		43%
year 10	0% - 50%	✓		39%
year 11	0% - 45%	✓		25%
year 12	0% - 40%	✓		12%
year 13	0% - 35%	✓		7%
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%	✓		27%
3 - 5 years	15% - 60%	✓		30%
> 5 years	10% - 60%	✓		43%

At the end of September we breached the $80 million couterparty credit limit with ANZ by $3.1 million for 9 days. This was rectified on 9th October.

		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 counterparty exposure within policy limits		✓		
Maximum counterparty 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%		✓		2.7%
Net Debt / Total Revenue < 250%		✓		62.6%
Net interest / Annual rates and levies < 30%		✓		4.6%
Liquidity > 110%		✓		138%

Greater Wellington Regional Council

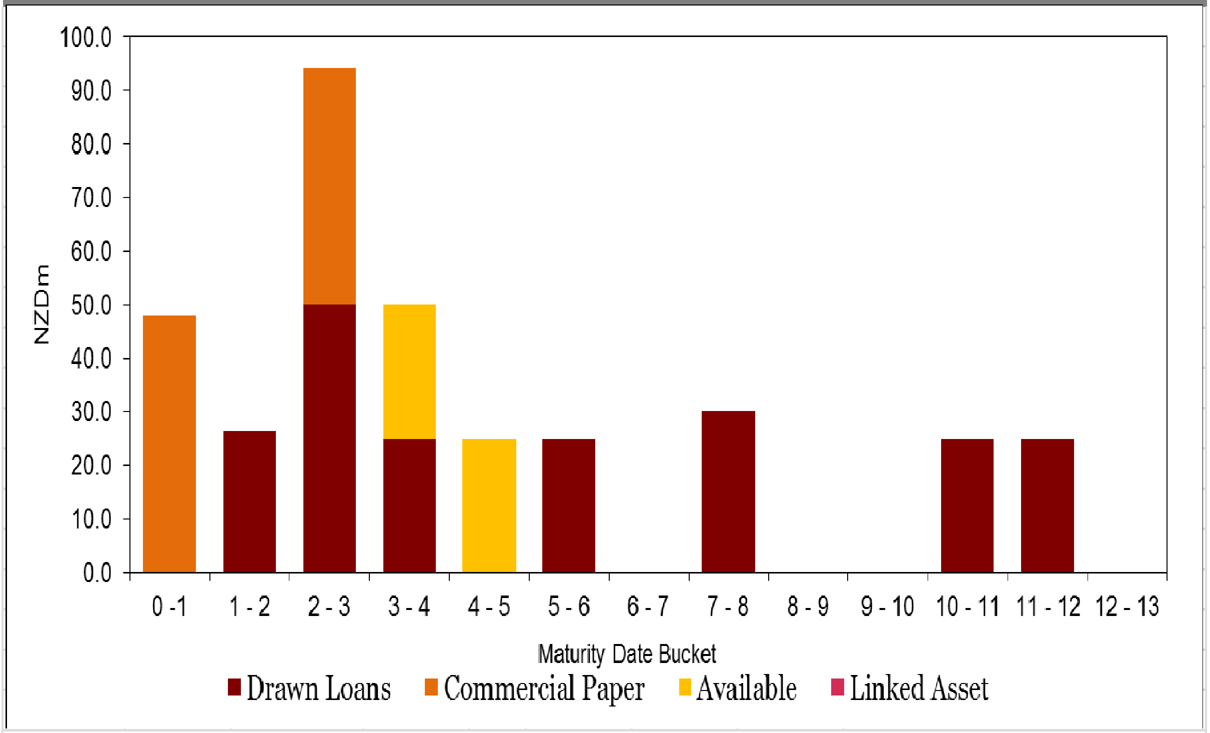
Fixed Rate Debt Profile per 31. October 2015



The above graph shows the profile of our fixed rate debt. The red shaded area represents our fixed rate debt and needs to be between the the two black lines which represent the minimum / maximum of fixed debt we can have according to our policy. The red line is our forecasted debt.

Greater Wellington Regional Council

	0 - 3 years	3 - 5 years	5 years plus
	15% - 60%	15% - 60%	10% - 60%
	48%	22%	30%



The above shows the maturity of our bank lines an debt we have issued and the compliance with the policy. It shows our total debt, but does not consider any investments.

7. Balance Sheet

Balance Sheet $(000)'s	October 2015 Actual	June 2016 Budget	June 2015 Actual
Bank	1,737	29,145	6,225
Receivables	11,084	13,872	10,799
Accrued Revenue and Prepayments	29,078	15,614	28,187
Inventory	3,084	3,112	3,120
Total Current Assets	44,983	61,743	48,331
Other Investments	108,131	59,107	87,253
Derivative Financial Instruments	(18,843)	-	(18,610)
Investment in Subsidiaries	145,285	361,961	120,285
Total Investments	234,573	421,068	188,928
Fixed Asset at cost or valuation	902,779	946,166	894,525
less Accumulated Depreciation	(64,589)	(79,568)	(52,272)
Net Fixed Assets	838,190	866,598	842,253
Capital Works In Progess	29,709	13,139	24,798
Non Current Assets	1,102,472	1,300,805	1,055,979
Total Assets	**1,147,455**	**1,362,548**	**1,104,310**
less:			
Current Liabilities	28,153	33,195	38,184
Non Current Liabilities	250,243	350,312	202,267
Total Liabilities	**278,396**	**383,507**	**240,451**
Net Assets	**869,059**	**979,041**	**863,859**
Total Retained Earnings	364,849	482,563	358,963
Asset Revaluation Reserves	477,256	476,087	478,751
Other Reserves	26,954	20,391	26,145
Total Ratepayer Funds	**869,059**	**979,041**	**863,859**

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

8. The decision making process and significance

No decision is being sought in this report.

9. Engagement

Engagement on this matter is not necessary.

10. Recommendations

That the Committee:

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

Report prepared by:	Report approved by:
Mark Ford	**Dave Humm**
Finance Manager	General Manager Corporate Services / CFO