greater WELLINGTON
REGIONAL COUNCIL

Report	09.661
Date	29 October 2009
File	CFO/13/02/01
Committee	Council
Author	Chris Gray, Finance Manager

Financial report for the three months ending 30 September 2009

1. Purpose

- To inform the Council of Greater Wellington's (GWRC) preliminary financial performance for the three months ended 30 September 2009 and to provide an explanation of major variances to budget by Division.

- To inform the Council of the WRC Holdings Group's financial performance for the three months ended 30 September 2009 and to provide explanations of variances to budget.

- To provide an interim position in terms of achievement against the published performance targets in the Council's 2009/10 Annual Plan.

2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Background

GWRC prepares monthly financial statements for review. Each quarter a more detailed review of GWRC's financial results is undertaken with each of the Divisions by the Chief Executive and the Chief Financial Officer.

As a result of those reviews, a summary of GWRC's performance for the three months ended 30 September 2009 is detailed in this report.

The WRC Holdings Group monthly financial statements are prepared and reviewed by management and the Boards of Directors of the individual companies within the Group. Therefore, only summary financial statements are presented for consideration by the Council.

The Funding Impact Statement and Balance sheet for GWRC are attached (refer **Attachments 1 and 2**).

4. Financial Performance

4.1 Year to date

GWRC achieved an operating surplus of $2,102,000 (budget $2,043,000) for the three months. This result excludes grants to fund public transport capital expenditure and revaluations. Including these amounts, GWRC's surplus was $189,000 (budget surplus $200,000).

The WRC Holdings Group achieved a net surplus before tax of $2,565,000 (budget $1,900,000).

Further details on the performance for the three months are discussed below.

4.2 Forecast to June 2010

GWRC is forecasting an operating surplus of $6,845,000 (budget $7,798,000) for the year ending 30 June 2010. This result excludes grants to fund public transport capital expenditure and revaluations. Including these amounts, GWRC's forecast deficit is $2,598,000 (budget surplus $1,104,000).

The WRC Holdings Group forecast remains unchanged from the budget, a net surplus of $7,758,000 before tax.

Further details are discussed below.

4.3 Financial Summary - Council

Greater Wellington Regional Council	Year to Date			
Summary income statement	Last Year	Actual	Budget	Variance
For the 3 months ended 30 September 2009	$000s	$000s	$000s	$000s
Regional rates	19,050	19,773	19,773	-
Water supply levy	5,865	5,865	5,870	(5)
Other operating revenue	18,827	19,784	20,737	(953)
Total operating revenue	43,742	45,422	46,380	(958)
Operational expenditure	(42,209)	(43,320)	(44,337)	1,017
Operating surplus/(deficit) before transport improvement grants	**1,533**	**2,102**	**2,043**	**59**
Operating (deficit) from transport improvements	6,311	1,913	2,150	(237)
Operating surplus/(deficit) before unrealised items	**(4,778)**	**189**	**(107)**	**296**
Unrealised revaluation gains/(losses)	-	-	307	(307)
Operating surplus/(deficit)	**(4,778)**	**189**	**200**	**(11)**

Greater Wellington Regional Council Operating surplus / (deficit) by division For the 3 months ended 30 September 2009	Year to date Last Year $(000)'s	 Actual $(000)'s	 Budget $(000)'s	 Variance $(000)'s
Environment	(7)	174	(178)	352
Catchment management	769	1,125	902	223
Forestry	(605)	(551)	70	(621)
Regional parks	137	180	92	88
Corporate	252	290	26	264
WRS	(136)	(51)	(1)	(50)
Finance, IT & support services	245	338	(57)	395
Investment in democracy	(2)	22	17	5
Rates funded operating surplus / (deficit)	653	1,527	871	656
Transport policy and strategy	36	103	52	51
Public transport	947	709	(104)	813
Transport rates funded operating surplus / (deficit)	983	812	(52)	864
Investment management	2,031	2,141	1,975	166
Business unit rates contribution	(2,078)	(1,745)	(1,745)	-
Total rates funded operating surplus / (deficit)	**1,589**	**2,735**	**1,049**	**1,686**
Water group	158	(298)	(156)	(142)
Total rates & levy funded operating surplus / (deficit)	1,747	2,437	893	1,544
Non-operational movements				
Revaluation of debt and stadium advance	-	-	66	(66)
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(230)	(334)	(164)	(170)
EMU investment - GW Rail	16	-	1,555	(1,555)
Public transport - capex / investment	(6,311)	(1,914)	(2,150)	236
Total council surplus / (deficit)	**(4,778)**	**189**	**200**	**(11)**

4.4 Financial Forecast - Council

Greater Wellington Regional Council Forecast summary income statement For the year ended 30 June 2010	Full Year Forecast Last Year $000s	 Forecast $000s	 Budget $000s	 Variance $000s
Regional rates	76,628	79,093	79,093	-
Water supply levy	23,460	23,460	23,460	-
Other operating revenue	79,911	86,356	83,450	2,906
Total operating revenue	179,999	188,909	186,003	2,906
Operational expenditure	(171,751)	(182,064)	(178,205)	(3,859)
Operating surplus/(deficit) before transport improvement grants	**8,248**	**6,845**	**7,798**	**(953)**
Operating (deficit) from transport improvements	16,005	10,776	8,027	2,749
Operating surplus/(deficit) before unrealised items	**(7,757)**	**(3,931)**	**(229)**	**(3,702)**
Unrealised revaluation gains/(losses)	7,442	1,333	1,333	-
Operating surplus/(deficit)	**(315)**	**(2,598)**	**1,104**	**(3,702)**

Greater Wellington Regional Council	Full Year Forecast			
Forecast summary income statement	Last Year	Forecast	Budget	Variance
For the year ended 30 June 2010	$(000)'s	$(000)'s	$(000)'s	$(000)'s
Environment	(273)	(412)	(412)	-
Catchment management	3,179	3,154	3,200	(46)
Forestry	(2,035)	(678)	(678)	-
Regional parks	(509)	191	191	-
Corporate	(54)	(56)	(56)	-
WRS	(187)	(50)	-	(50)
Finance, IT & support services	1,244	(227)	(227)	-
Investment in democracy	153	70	70	-
Rates funded operating surplus / (deficit)	1,518	1,992	2,088	(96)
Transport policy and strategy	544	(24)	(42)	18
Public transport	2,892	381	(895)	1,276
Transport rates funded operating surplus / (deficit)	3,436	357	(937)	1,294
Investment management	11,601	9,408	8,710	698
Business unit rates contribution	(8,310)	(6,980)	(6,980)	-
Total rates funded operating surplus / (deficit)	**8,245**	**4,777**	**2,881**	**1,896**
Water group	(116)	(645)	(645)	-
Total rates & levy funded operating surplus / (deficit)	8,129	4,132	2,236	1,896
Non-operational movements				
Revaluation of debt and stadium advance	7,260	(570)	(570)	-
Revaluation of forestry	182	1,903	1,903	-
Forestry cost of goods sold	(1,106)	(655)	(655)	-
EMU investment - GW Rail	1,225	3,368	6,218	(2,850)
Public transport - capex / investment	(16,005)	(10,776)	(8,028)	(2,748)
Total council surplus / (deficit)	**(315)**	**(2,598)**	**1,104**	**(3,702)**

4.5 Environmental management

Financial Summary	Year to date 30 September 2009				Full Year Forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	3,253	3,439	3,252	187	13,288	13,530	13,293	237
Operating expenditure	3,260	3,265	3,430	(165)	13,561	13,942	13,705	237
Operating surplus / (deficit)	(7)	174	(178)	352	(273)	(412)	(412)	-
Net capital expenditure	108	79	461	(382)	572	1,285	1,285	-

4.5.1 Year to date

Overall, a favourable operating variance of $352,000, comprising higher revenue of $187,000 and lower expenditure of $165,000.

- Operating revenue is ahead of budget due to additional revenue from Environsmart, EECA and emissions.

- Operating expenditure was below budget due to contractors and consultants being $134,000 below budget as there was no expenditure on the Waiwhetu project during the period.

- Capital expenditure was $382,000 below budget due to delays in the Beacon Hill building and fitout.

4.5.2 Forecast to 30 June 2010

The forecast is unchanged from the budget.

4.6 Catchment management

Financial Summary	Year to date 30 September 2009				Full Year Forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	6,418	6,806	6,338	468	25,499	26,247	23,575	2,672
Operating expenditure	5,649	5,681	5,436	245	22,320	23,093	20,375	2,718
Operating surplus / (deficit)	769	1,125	902	223	3,179	3,154	3,200	(46)
Net capital expenditure	562	1,057	1,738	(681)	6,086	9,668	9,863	(195)

4.6.1 Year to date

A favourable operating variance of $223,000 comprising higher revenue of $468,000 partly offset by increased operating costs of $245,000.

- Operating revenue was higher than budget due to:
  - Waiwhetu stream project, $259,000
  - Internal revenue for the completion of the Hutt Catchment aerial operation, $85,000
  - Land Afforestation grant scheme, $70,000.

- Operating expenditure was higher than budget due to:
  - The timing of river scheme maintenance, $82,000
  - Timing of riparian planting, $147,000
  - Higher contractor costs due to work on the Waiwhetu cleanup project, $200,000
  - Western river maintenance tracking behind budget.

- Capital expenditure was $681,000 below budget due to:
  - Akura irrigation project $70,000 behind due to the timing of the upgrade

- Boulcott/Hutt stopbank design, $86,000 ahead of budget
- Mills Street house purchase of $465,000 not budgeted for in 2009/10.
- Waiwhetu project under budget by $1,170,000 due to the timing of work.

4.6.2 Forecast to 30 June 2010

Both revenue and expenditure are up $2.7 million reflecting funds to be received and spent for the Waiwhetu project.

Capital expenditure is forecast to be $195,000 below budget due to the timing of various projects.

4.7 Forestry

Financial Summary	Year to date 30 September 2009				Full Year Forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	1,305	1,280	2,138	(858)	5,456	7,586	7,586	-
Operating expenditure	1,910	1,831	2,068	(237)	7,491	8,264	8,264	-
Cost of goods sold	230	334	164	170	1,106	655	655	-
Operating surplus / (deficit) before val	(835)	(885)	(94)	(791)	(3,141)	(1,333)	(1,333)	-
Forestry valuation	-	-	-	-	182	1,903	1,903	-
Operating surplus / (deficit)	(835)	(885)	(94)	(791)	(2,959)	570	570	-
Net capital expenditure	59	35	71	(36)	363	310	310	-

4.7.1 Year to date

An unfavourable operating variance of $791,000, comprising lower revenue of $858,000, and lower expenditure of $67,000.

- Operating revenue was lower due to:
  - Higher log prices were significantly impacted by the high exchange rate and shipping costs
  - The budget included $241,000 revenue from the emissions trading scheme.

- Operating expenditure was lower than budget due to lower expenditure on contractors and higher costs of goods sold.

- Capital expenditure is $36,000 below budget due to timing of expenditure on roads.

4.7.2 Forecast to 30 June 2010

The forecast is unchanged from the budget.

4.8 Parks & forests

Financial Summary	Year to date 30 September 2009				Full Year Forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	1,619	1,619	1,627	(8)	6,547	6,508	6,508	-
Operating expenditure	1,482	1,439	1,535	(96)	7,056	6,317	6,317	-
Operating surplus / (deficit)	137	180	92	88	(509)	191	191	-
Net capital expenditure	23	14	126	(112)	323	723	723	-

4.8.1 Year to date

A favourable operating variance of $88,000, due to lower operating expenditure of $96,000.

- Operating expenditure was lower than budget, due to:
  - Staff costs $64,000 under budget due to staff vacancies
  - Weed control, $31,000 under budget due to timing
  - Internal expenditure ahead of budget due to the timing of the completion of the Hutt Catchment aerial operation, $85,000
  - Contractors $148,000 behind budget due to timing of expected repairs.
- Capital expenditure was $112,000 below budget, due to the timing of capital projects within the parks.

4.8.2 Forecast to 30 June 2010

The forecast is unchanged from the budget.

4.9 Corporate & strategy

Financial Summary	Year to date 30 September 2009				Full Year Forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	586	605	570	35	2,217	2,278	2,278	-
Operating expenditure	334	315	544	(229)	2,271	2,334	2,334	-
Operating surplus / (deficit)	252	290	26	264	(54)	(56)	(56)	-
Net capital expenditure	32	2	-	2	53	34	34	-

4.9.1 Year to date

Overall a favourable operating variance of $264,000, with higher operating revenue, $35,000 and lower operating costs, $229,000.

- Operating revenue was ahead of budget due to additional revenue from the Honda tree fund of $52,000.

- Operating expenditure was lower than budget due to:

  - Staff costs $31,000 under budget due to staff vacancies
  - Delay in the timing of the “Its Our Fault” programme, $50,000
  - Delayed start of the intranet development project, $58,000.

4.9.2 Forecast to 30 June 2010

The forecast is unchanged from the budget.

4.10 Wellington regional strategy

Financial Summary	Year to date 30 September 2009				Full Year Forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	1,126	1,149	1,161	(12)	4,404	4,595	4,645	(50)
Operating expenditure	1,262	1,200	1,162	38	4,591	4,645	4,645	-
Operating surplus / (deficit)	(136)	(51)	(1)	(50)	(187)	(50)	-	(50)
Net capital expenditure	-	-	-	-	-	-	-	-

4.10.1 Year to date

Overall an unfavourable operating variance of 50,000, due mainly to the timing of payments to Grow Wellington.

4.10.2 Forecast to 30 June 2010

The forecast is unchanged from the budget.

4.11 Finance, IT and Support

Financial Summary	Year to date 30 September 2009				Full Year Forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	1,842	1,938	1,951	(13)	8,226	7,805	7,805	-
Operating expenditure	1,597	1,600	2,008	(408)	6,982	8,032	8,032	-
Operating surplus / (deficit)	245	338	(57)	395	1,244	(227)	(227)	-
Net capital expenditure	634	231	450	(219)	2,215	1,800	1,800	-

4.11.1 Year to date

A favourable operating variance of $395,000 due to lower operating expenditure of $408,000, resulting from:

- Staff vacancies resulting in lower personnel costs of $69,000
- Contractors and consultants were $171,000 below budget due to the timing of expenditure
- Lower depreciation due to reduced PC renewal costs in 2008/09 and the asset management project not yet completed, $111,000

- Finance costs, $16,000 below budget as a result of the lower capital expenditure in 2008/09.

Capital expenditure was $219,000 below budget due to the delayed start of the telecommunications upgrade project.

4.11.2 Forecast to 30 June 2010

The forecast is unchanged from the budget.

4.12 Transport policy and strategy

Financial Summary	Year to date 30 September 2009				Full Year Forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	817	976	1,005	(29)	4,242	4,115	4,101	14
Operating expenditure	781	873	953	(80)	3,698	4,139	4,143	(4)
Operating surplus / (deficit)	36	103	52	51	544	(24)	(42)	18
Net capital expenditure	-	-	-	-	-	-	-	-

4.12.1 Year to date

Overall a favourable operating variance of $51,000 compared to budget due mainly to lower operating expenditure of $80,000, due to the phasing on a number of projects.

4.12.2 Forecast to 30 June 2010

The forecast is unchanged from the budget.

4.13 Public transport

Financial Summary	Year to date 30 September 2009				Full Year Forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	19,573	20,076	20,972	(896)	82,351	83,577	84,392	(815)
Operating expenditure	18,626	19,367	21,076	(1,709)	79,459	83,196	85,287	(2,091)
Operating surplus / (deficit)	947	709	(104)	813	2,892	381	(895)	1,276
Net capital expenditure	(9)	-	19	(19)	14	97	97	-

4.13.1 Year to date

Overall, a favourable operating variance of $813,000 comprising lower revenue of $896,000, and lower expenditure of $1,709,000.

Operating revenue was below budget due to the lower expenditure as detailed below.

- Operating expenditure was lower than budget due to:
  - Rail operations $376,000 below budget due to a credit from 2008/09
  - The higher exchange rate and a lower oil prices have resulted in decreased payments to the diesel bus operators of $610,000
  - Fully funded SuperGold Card expenditure is $112,000 over budget for the quarter
  - Operational expenditure on real time is not expected until later in the year, a saving of $163,000.

- Capital expenditure was $19,000 below budget mainly due to the timing of journey planner expenditure.

4.13.2 Forecast to 30 June 2010

The forecast shows a favourable variance of $1,276,000 when compared to the budget, reflecting the expected changes in the timing of expenditure.

- Forecast operating revenue is $815,000 below budget due to lower expenditure.

- Forecast operating expenditure is $2,091,000 lower than budget due to:
  - The higher exchange rate and a lower oil prices have resulted in forecast payments to the diesel bus operators being $2,308,000 less than budget
  - Fully funded SuperGold card expenditure is forecast to be $435,000 over budget for the year
  - Reduced operational expenditure for the real time information project, a saving of $505,000.

4.14 Public transport improvement projects

Financial Summary	Year to date 30 September 2009				Full Year Forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	6,875	18,273	35,934	(17,661)	54,985	109,225	145,940	(36,715)
Operating expenditure	13,186	20,187	38,084	(17,897)	70,990	120,001	153,968	(33,967)
Operating surplus / (deficit)	(6,311)	(1,914)	(2,150)	236	(16,005)	(10,776)	(8,028)	(2,748)
Net capital expenditure	40	15	2,107	(2,092)	603	1,720	8,967	(7,247)

4.14.1 Year to date

Overall a favourable operating variance of $236,000 comprising lower revenue of $17,661,000 and lower expenditure of $17,897,000.

Operating revenue was below budget, due to the lower expenditure.

- Operating expenditure was lower than budget due to:

  - Expenditure on the Matangi EMU project is $8,100,000 below budget due to the revision of the expected payment dates. The project remains on budget with the new trains still scheduled to be delivered from 2010
  - Rail infrastructure projects including station platforms, signalling, Johnsonville stations and McKay's to Waikanae double tracking, are under budget by $9,107,000, the difference is mainly timing differences on the Waikanae double tracking and electrification project
  - Rail rolling stock heavy maintenance programme is $476,000 under budget, as KiwiRail are behind their planned programme
  - The Ganz Mavag pilot refurbishment is $279,000 below budget due to the delayed start of the project.

- Capital expenditure was $2,092,000 below budget due to:

  - A number of projects have been reclassified as improvement projects from capital expenditure, as the underlying assets will not be owned by Greater Wellington, $855,000
  - The real time information project has commenced later than anticipated. The spend to date is currently $1,175,000 behind budget, some expenditure will be deferred until 2010/11.

4.14.2 Forecast to 30 June 2010

The forecast operating expenditure is $33,967,000 below budget, which contributes to the reduction in revenue of $36,715,000.

- Forecast operating expenditure is $33,967,000 lower than budget due to:

  - Expenditure on the Matangi EMU project is forecast to be $28,865,000 below budget due the expected timing of payments. The project remains on budget with the new trains still scheduled to be delivered from 2010
  - Rail infrastructure projects including station platforms, signalling, Johnsonville stations and McKay's to Waikanae double tracking, are forecast to be under budget by $4,671,000, the difference is mainly timing differences on the Waikanae double tracking and electrification projects
  - The Ganz Mavag pilot refurbishment is forecast to be $401,000 below budget due to the delayed start of the project.

- Forecast capital expenditure is $7,247,000 below budget due to:

  - $3,867,000 will not be spent as capital expenditure, these projects have been reclassified as improvement projects as the underlying assets will not be owned by Greater Wellington

- The real time information project commenced later than anticipated. Expenditure for the year is forecast at $1,470,000, which is $3,867,000 lower than budget. The contract was for less than what was budgeted. Due to the later start of this project some expenditure will be deferred to 2010/11.

4.15 Investment management

	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	1,262	1,350	1,095	255	7,870	6,639	5,791	848
Grants for EMU purchase	16	-	1,555	(1,555)	1,225	3,368	6,218	(2,850)
External debt revaluation gains	-	-	66	(66)	2,659	(570)	(570)	-
Operating expenditure	769	791	880	(89)	(3,731)	(2,769)	(2,919)	150
Operating surplus / (deficit)	2,047	2,141	3,596	(1,455)	15,485	12,206	14,358	(2,152)
Net capital expenditure	13	1	-	1	(68)	63	400	(337)

4.15.1 Year to date

- GWRC's share of the new Matangi units is funded by way of grants to Greater Wellington Rail Limited. A $1,555,000 unfavourable variance is due to the changed timing of payments for the trains.

- Operating revenue was $255,000 ahead of budget mainly due to higher revenue from money market investments.

- Operating expenditure was $89,000 lower than budget, due to decreased level of borrowings as a result of lower capital expenditure and a lower starting debt position.

4.15.2 Forecast to 30 June 2010

The full year forecast is showing an unfavourable variance of $2,152,000. This is predominately due to the grant revenue to fund the Matangi units.

This is expected to be partly offset by favourable returns on financial investments and lower expected interest costs due to the lower forecasted levels of borrowings.

4.16 Water

Financial Summary	Year to date 30 September 2009				Full Year Forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	6,838	6,759	7,088	(329)	28,079	28,332	28,332	-
Operating expenditure	6,680	7,057	7,244	(187)	28,195	28,977	28,977	-
Operating surplus / (deficit)	158	(298)	(156)	(142)	(116)	(645)	(645)	-
Net capital expenditure	793	522	1,933	(1,411)	5,438	7,951	7,951	-

4.16.1 Year to date

Overall an unfavourable operating variance of $142,000 compared to budget, due to:

- Operating revenue was $329,000 below budget as a result of lower internal revenue charged to capital projects.
- Operating expenditure was $187,000 lower than budget due to:
  - Personnel costs are $68,000 below budget, due to staff vacancies
  - Better pricing for chemicals, $90,000
  - Contractors and consultants are $82,000 below budget due to timing of projects
  - Finance costs are $42,000 below budget, due to the opening debt position being lower than budgeted
  - Depreciation is 165,000 over budget due to the revaluation of assets in 2008/09.
- Capital expenditure was $1,411,000 below budget due to timing including:
  - Hydro generation at Wainuiomata, $400,000
  - Seismic work at Stuart Macaskill Lakes $200,000
  - Network capital works programme $800,000.

4.16.2 Forecast to 30 June 2010

The forecast is unchanged from the budget.

5. Finance costs

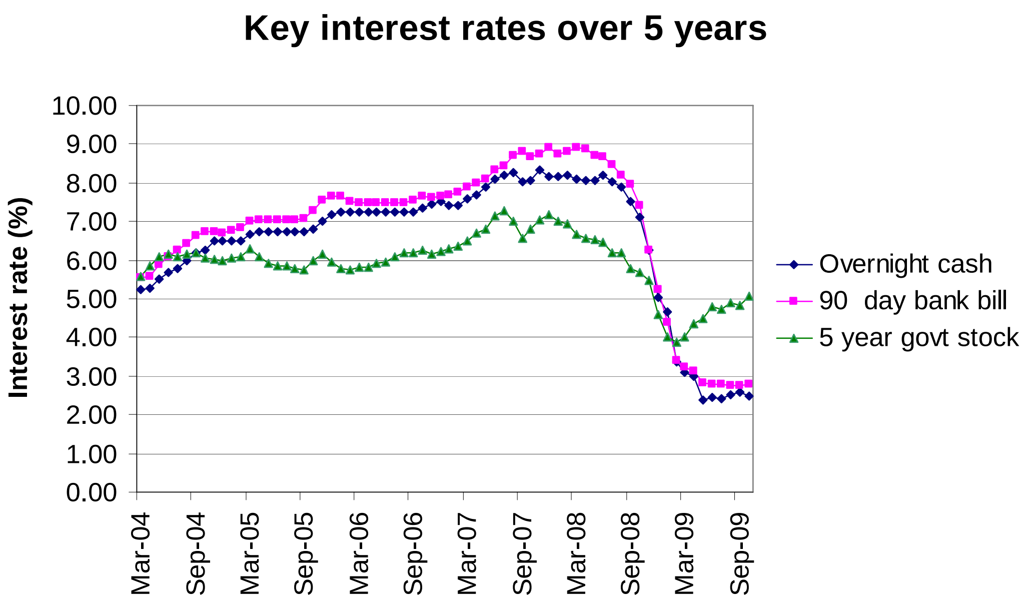
Finance Costs	Year to date 30 September 2009				Full Year Forecast 30 June 2010			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Finance Costs	1,280	1,226	1,365	(139)	4,908	6,104	5,999	105

5.1 Year to date

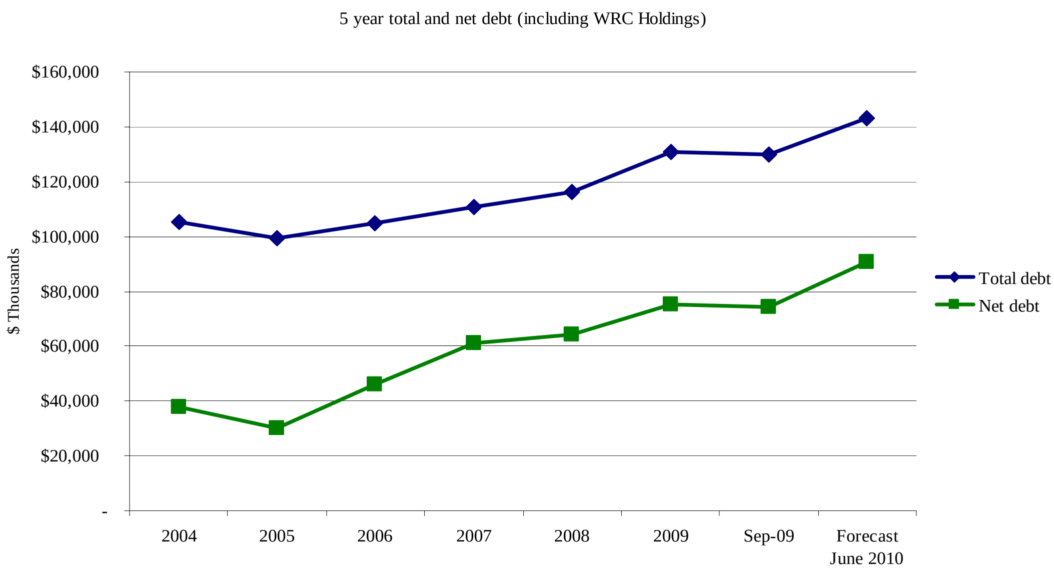
Finance costs for the year ended 30 September were $1,226,000, compared to the budget of $1,365,000, a favourable variance of $139,000. The favourable variance is due to lower borrowing levels resulting from lower capital expenditure since the beginning of the year and the actual opening debt being below budget.

5.2 Forecast to 30 June 2010

Finance costs for the full year are forecast to be close to budget with the savings from lower levels of debt offset by higher costs from derivatives due to lower interest rates.



6. Debt



The above graph represents GWRC's and WRC Holdings' gross debt position before revaluations.

GWRC's debt, including WRC Holdings, was $136.7 million at 30 September 2009, compared with $137.2 million on 30 June 2009. The position is down on year end reflecting an improvement in the working capital position offset by $10 million borrowed and placed on deposit.

The $136.7 million excludes the $12.2 million written down in respect of the Government loans. The write down is due to the interest free nature of the loans. With the write down included, GWRC's debt, including WRC Holdings, as at 30 September 2009 was $124.5 million. This debt excludes CentrePort.

It should be noted that GWRC has a total of $60 million on deposit which is comprised of $43 million in liquid financial deposits. The remainder consists of contingency funds for water supply and flood protection.

6.1 Stadium debt

In June 2007 the Council approved the restructuring of the Stadium debt of $18,985,000, which had been borrowed from the ANZ at a fixed interest rate of 8.55% until 2018.

The Stadium debt was repaid to the ANZ in late June 2007, including a break cost of $419,000, and was initially refinanced using GWRC's commercial paper programme.

The debt is currently funded at 6.21% for 3 years until February 2012.

From February 2012 until early 2018 an interest rate swap is in place, should it be required, to fix the base borrowing rate at 5.75% plus the lenders margin. It is likely substantial savings will result from this debt restructure.

Current estimates are in the order of $1.5 million. The current balance of this loan at 30 September 2009 is $16,646,177.

7. Annual plan performance targets

Divisional managers have reported their expectation that all significant annual plan performance targets will be achieved by 30 June 2010.

8. WRC Holdings

The following table summarises WRC Holdings group of companies (the Group) operating results for the period ended 30 September 2009.

WRC HOLDINGS GROUP
INCOME STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2009

	Last Year $000	Actual $000	Budget $000	Variance $000
Total Revenue	60,877	16,780	16,622	158
Operating Expenses	41,927	11,654	11,961	307
Earnings Before Interest & Tax (EBIT)	**18,950**	**5,126**	**4,661**	**465**
Less:				
Finance costs	8,481	2,561	2,761	200
Revaluation (loss)	(11,046)	-		-
Net Surplus Before (Deficit) Tax	**(576)**	**2,565**	**1,900**	**665**

The Group achieved a surplus before tax for the period of $2,565,000 compared with the budget of $1,900,000, providing a favourable variance of $665,000.

CentrePort's contributed $600,000 of this, emanating from higher revenues and lower costs including interest. The balance of the favourable variance results from lower borrowing costs in WRC Holdings.

8.1 Forecast to 30 June 2010

The forecast remains unchanged from the budget with a net surplus before tax of $7,758,000.

9. Compliance with Treasury Management Policy

A new Treasury Management Policy came into effect on 1 July 2009. There is a one year's grace period to comply with the new policy. Currently GWRC does not comply in two areas (refer **Attachment 3**):

- GWRC's level of fixed rate debt cover being greater than Policy.
- The debt maturity profile being shorter than Policy levels.

10. Communication

No communications are necessary at this time.

11. Recommendations

That the Council:

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

Report prepared by:	Report approved by:
Chris Gray Finance Manager	Barry Turfrey Chief Financial Officer

Attachment 1: Funding Impact Statement

Attachment 2: Balance Sheet

Attachment 3: Compliance with Treasury Risk Management Policy