Report 11.25
Date 10 February 2011
File CFO/13/02/01

Committee Council
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Financial report for the six months ended 31 December 2010

1. Purpose

To inform the Council of Greater Wellington's financial performance for the six months ended 31 December 2010 and to provide an explanation of major variances to budget by Group.

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

Financial statements are prepared and presented to management for review each month. More detailed reports and review by operational Group is undertaken each quarter by the Chief Executive and the Chief Financial Officer.

This report is a summary of these quarterly detailed reports which are provided to Councillors under separate cover. In the intervening months, reports to the Council are done by exception.

The results of the WRC Holdings Group are reported to the Council on a quarterly basis and are included in section 7.

The Funding Impact Statement and Balance Sheet for Greater Wellington are attached (refer **Attachments 1 and 2**).

4. Financial Performance - Council

4.1 Year to date

Greater Wellington achieved an operating surplus of $1,385,000 (budget, a deficit of $201,000) for the six months to 31 December. This result excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington made a deficit of $5,431,000 (budget, a surplus of $230,000). The main component of this variance is the delayed payment for the Matangi trains as discussed in section 5.6 and 5.10.

Further details on the performance by Group for the six months are discussed in section 5.

4.2 Financial Summary - Council

Greater Wellington Regional Council Summary income statement	Last Year $000s	Actual $000s	Budget $000s	Variance $000s
	For the six months ended 31 December 2010			
Regional rates	39,546	40,430	40,429	1
Water supply levy	11,730	11,730	11,730	-
Other operating revenue	40,631	40,407	39,827	580
Total operating revenue	**91,907**	**92,567**	**91,986**	**581**
Operational expenditure	(88,020)	(91,182)	(92,187)	1,005
Operating surplus/(deficit) before transport improvements	**3,887**	**1,385**	**(201)**	**1,586**
Operating (deficit) from transport improvements	(3,470)	(4,904)	(5,859)	955
Operating surplus/(deficit) before unrealised items	**417**	**(3,519)**	**(6,060)**	**2,541**
Non-operational movements	(648)	(1,912)	6,290	(8,202)
Operating surplus/(deficit)	**(231)**	**(5,431)**	**230**	**(5,661)**

4.3 Financial Summary – Council by Group

Greater Wellington Regional Council Summary income statement	Last Year $(000)'s	Actual $(000)'s	Budget $(000)'s	Variance $(000)'s
	For the six months ended 31 December 2010			
Operational Groups				
Catchment Management	1,666	1,776	1,874	(98)
Environmental Management	(30)	54	(8)	62
Forestry	(948)	(428)	(833)	405
Parks and Forests	145	(49)	84	(133)
Public Transport	819	(563)	(377)	(186)
Total rates funded operational surplus / (deficit)	**1,652**	**790**	**740**	**50**
Corporate				
Strategy & Community Engagement	797	99	(209)	308
Finance and Support	664	258	(161)	419
Other corporate activities	188	13	61	(48)
Investment Management	4,377	3,748	3,369	379
Business unit rates contribution	(3,490)	(3,275)	(3,275)	-
Total rates funded operating surplus / (deficit)	**4,188**	**1,633**	**525**	**1,108**
Water	(301)	(248)	(726)	478
Total rates & levy funded operating surplus / (deficit)	**3,887**	**1,385**	**(201)**	**1,586**
Non-operational movements				
Revaluation of debt and stadium advance	-	-	-	-
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(649)	(921)	(419)	(502)
Grants for Baring Head Purchase	-	-	-	-
Warm Greater Wellington	-	(996)	(691)	(305)
EMU investment - GW Rail	1	5	7,400	(7,395)
Public Transport - improvements	(3,470)	(4,904)	(5,859)	955
Total Council surplus / (deficit)	**(231)**	**(5,431)**	**230**	**(5,661)**

4.4 Forecast to 30 June 2011

Greater Wellington is forecasting an operating surplus of $196,000 (budget, a deficit of $2,357,000) for the year to 30 June 2011. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington is forecasting a deficit of $3,462,000 (budget, a deficit of $5,850,000).

Further details on the forecast by Group are discussed in section 5.

4.5 Financial forecast - Council

Greater Wellington Regional Council	For the year ending 30 June 2011			
Summary income statement	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s
Regional rates	79,089	80,861	80,861	-
Water supply levy	23,460	23,460	23,460	-
Other operating revenue	84,777	82,107	80,923	1,184
Total operating revenue	**187,326**	**186,428**	**185,244**	**1,184**
Operational expenditure	(178,441)	(186,232)	(187,601)	1,369
Operating surplus/(deficit) before transport improvements	**8,885**	**196**	**(2,357)**	**2,553**
Operating (deficit) from transport improvements	(6,042)	(10,718)	(18,021)	7,303
Operating surplus/(deficit) before unrealised items	**2,843**	**(10,522)**	**(20,378)**	**9,856**
Non-operational movements	1,561	7,060	14,528	(7,468)
Operating surplus/(deficit)	**4,404**	**(3,462)**	**(5,850)**	**2,388**

4.6 Financial forecast – Council by Group

Greater Wellington Regional Council Summary income statement	Last Year $(000)'s	Forecast $(000)'s	Budget $(000)'s	Variance $(000)'s
	For the year ending 30 June 2011			
Operational Groups				
Catchment Management	3,337	3,252	3,430	(178)
Environmental Management	(214)	(418)	(352)	(66)
Forestry	(992)	(1,107)	(1,662)	555
Parks and Forests	(108)	(415)	(413)	(2)
Public Transport	755	(1,460)	(1,231)	(229)
Total rates funded operational surplus / (deficit)	**2,778**	**(148)**	**(228)**	**80**
Corporate				
Strategy & Community Engagement	1,093	(109)	(295)	186
Finance and Support	982	(581)	(487)	(94)
Other corporate activities	326	(120)	(87)	(33)
Investment Management	11,188	9,173	6,971	2,202
Business unit rates contribution	(6,980)	(6,550)	(6,550)	-
Total rates funded operating surplus / (deficit)	**9,387**	**1,665**	**(676)**	**2,341**
Water	(502)	(1,469)	(1,681)	212
Total rates & levy funded operating surplus / (deficit)	**8,885**	**196**	**(2,357)**	**2,553**
Non-operational movements				
Revaluation of debt and stadium advance	(5,389)	(306)	(306)	-
Revaluation of forestry	6,010	2,256	2,256	-
Forestry cost of goods sold	(1,125)	(1,793)	(839)	(954)
Grants for Baring Head Purchase	1,100	-	-	-
Warm Greater Wellington	(282)	(1,384)	(1,384)	-
EMU investment - GW Rail	1,247	8,287	14,801	(6,514)
Public Transport - improvements	(6,042)	(10,718)	(18,021)	7,303
Total Council surplus / (deficit)	**4,404**	**(3,462)**	**(5,850)**	**2,388**

5. Capital expenditure – By Group

5.1 Year to date

Capital expenditure is $7,835,000 below budget year to date. This is primarily due to the longer timeframe in finalising the Boulcott/Hutt stopbank; the delayed rollout of the Real Time Information system and project delays in the Water Supply capital programme.

Details by Group are discussed in section 7.

Greater Wellington Regional Council	For the six months ended 31 December 2010			
Capital expenditure by Group	Last Year	Actual	Budget	Variance
	$(000)'s	$(000)'s	$(000)'s	$(000)'s
Operational Groups				
Catchment Management	4,393	1,205	2,083	878
Environmental Management	529	84	213	129
Forestry	96	218	167	(51)
Parks and Forests	221	31	196	165
Public Transport	601	452	3,893	3,441
Operational Groups capital expenditure	**5,840**	**1,990**	**6,552**	**4,562**
Corporate				
Strategy & Community Engagement	2	54	60	6
Finance and Support	350	237	631	394
Other corporate activities	-	33	44	11
Corporate Groups capital expenditure	**352**	**324**	**735**	**411**
Investment Management	3	15	-	(15)
Total rates funded capital expenditure	**6,195**	**2,329**	**7,287**	**4,958**
Water Supply	2,105	2,333	5,210	2,877
Total rates & levy funded capital expenditure	**8,300**	**4,662**	**12,497**	**7,835**

6. Capital expenditure forecast– By Group

6.1 Forecast by Group

Capital expenditure is forecast to be $5,439,000 behind budget by year end. This is primarily due to the delayed start of the Boulcott/Hutt stopbank which will require rebudgeting to 2011/12, the delayed rollout of the Real Time Information system and project delays in the Water Supply capital programme that will also require rebudgeting to 2011/12.

Details by Group are discussed in section 5.

Greater Wellington Regional Council	For the year ending 30 June 2011			
Capital expenditure by Group	Last Year	Forecast	Budget	Variance
	$(000)'s	$(000)'s	$(000)'s	$(000)'s
Operational Groups				
Catchment Management	10,659	4,546	7,916	3,370
Environmental Management	1,259	253	223	(30)
Forestry	184	429	334	(95)
Parks and Forests	2,234	367	367	-
Public Transport	2,950	5,312	6,315	1,003
Operational Groups capital expenditure	**17,286**	**10,907**	**15,155**	**4,248**
Corporate				
Strategy & Community Engagement	(17)	415	410	(5)
Finance and Support	799	877	931	54
Other corporate activities	-	52	44	(8)
Corporate Groups capital expenditure	**782**	**1,344**	**1,385**	**41**
Investment Management	-	160	160	-
Total rates funded capital expenditure	**18,068**	**12,411**	**16,700**	**4,289**
Water Supply	6,190	8,920	10,070	1,150
Total rates & levy funded capital expenditure	**24,258**	**21,331**	**26,770**	**5,439**

7. Financial Performance – By Group

7.1 Catchment management

Financial Summary	For the six months ended 31 December 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	13,060	12,620	12,625	(5)	25,104	24,845	24,680	165
Operating expenditure	11,394	10,844	10,751	(93)	21,767	21,593	21,250	(343)
Operating surplus / (deficit)	1,666	1,776	1,874	(98)	3,337	3,252	3,430	(178)
Net capital expenditure	4,393	1,205	2,083	878	10,659	4,546	7,916	3,370

7.1.1 Year to date

An unfavourable operating variance of $98,000, comprising lower revenue of $5,000 and higher operating costs of $93,000.

- Operating expenditure was higher than budget due mainly to:
  - The creation of the new Biodiversity Department has increased personnel costs.
  - Delays in river maintenance programmes have seen savings in materials and supplies. This is a timing issue and the costs will be incurred in the second half of the year.

- – Finance costs are $50,000 below budget due to lower capital spend.

- Capital expenditure is $878,000 below budget primarily due to the timing of the Waiwhetu and Boulcott/Hutt stop bank projects.

7.1.2 Forecast to 30 June 2011

- The forecast operating surplus of $3,252,000 is $343,000 below budget due to:
  - An increase of $100,000 in contractor costs for the predator control programme which will be funded from the bovine reserve.
  - Additional contractor expenditure of $318,000 for river scheme flood damage which will be funded from flood contingency and scheme reserves.
  - Increased personnel costs due to the new Biodiversity Department.

- The forecast capital expenditure to June 2011 of $4,546,000 is $3,370,000 below budget due to:
  - Delays in the Boulcott/Hutt stop bank ($2.2 million); Covent Road and South Waitahu stop bank improvements ($0.9 million) and delays to the Ebdentown rock lining ($0.6 million). These projects will need to be rebudgeted at year end.

7.2 Environmental management

Financial Summary	For the six months ended 31 December 2010				Full year forecast 30 June 2011			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	6,770	6,947	6,717	230	13,596	13,590	13,433	157
Operating expenditure	6,800	6,893	6,725	(168)	13,810	14,008	13,785	(223)
Operating surplus / (deficit)	(30)	54	(8)	62	(214)	(418)	(352)	(66)
Net capital expenditure	529	84	213	129	1,259	253	223	(30)

7.2.1 Year to date

- Overall, a favourable operating variance of $62,000, comprising higher revenue of $230,000 and higher expenditure of $168,000.
  - Operating revenue is ahead of budget primarily due to higher than expected revenue from consents processing and deferred revenue from 2009/10.
  - Increased personnel costs contributed to operating expenditure being higher than budget. This included restructuring costs and market salary data putting pressure on maintaining the overall personnel expenditure for the year.
- Capital expenditure is below budget and is expected to be in line with budget by year end.

7.2.2 Forecast to 30 June 2011

- The forecast operating deficit is $418,000, $66,000 above budget due to:
  - $157,000 additional income from increased consents activity.
  - $223,000 additional costs including legal fees for appeals and prosecutions; restructuring costs and continued pressure to maintain personnel costs.

7.3 Forestry

Financial Summary	For the six months ended 31 December 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	2,622	3,524	3,229	295	6,373	7,054	6,461	593
Operating expenditure	3,569	3,952	4,061	109	7,365	8,161	8,123	(38)
Operating surplus / (deficit) before cost of goods sold	(947)	(428)	(832)	404	(992)	(1,107)	(1,662)	555
Cost of goods sold*	650	921	420	(501)	1,125	1,793	839	(954)
Operating surplus / (deficit) before valuation	(1,597)	(1,349)	(1,252)	(97)	(2,117)	(2,900)	(2,501)	(399)
Forestry valuation	-	-	-	-	6,010	2,256	2,256	-
Operating surplus / (deficit)	(1,597)	(1,349)	(1,252)	(97)	3,893	(644)	(245)	(399)
Net capital expenditure	96	218	167	(51)	184	429	334	(95)

* cost of goods sold is a non cash accounting adjustment

7.3.1 Year to date

- A favourable operating variance of $404,000, prior to cost of goods sold, due to:
  - Higher operating revenue than budget primarily due to improved log prices.
  - Operating expenditure is below budget including reduced costs of contractors and consultants by $74,000 as there was a reduction in harvested volume over the quarter and a saving in interest costs of $40,000.
- The non cash variance for cost of goods sold of $501,000 reflects the higher valuation of the forestry investment at 30 June 2010 compared to budget.
- Capital expenditure is under budget due to lower expenditure required on roads.

7.3.2 Forecast to 30 June 2011

- The forecast operating deficit is $1,107,000, $555,000 better than budgeted, primarily due to increased revenue from higher volumes and prices of logs.
- Capital expenditure is forecast to remain under budget due to lower expenditure required on roads.

7.4 Parks & forests

Financial Summary	For the six months ended 31 December 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	3,268	3,084	3,130	(46)	6,574	6,259	6,259	-
Operating expenditure	3,123	3,133	3,046	(87)	6,682	6,674	6,672	(2)
Operating surplus / (deficit)	145	(49)	84	(133)	(108)	(415)	(413)	(2)
Grants for Baring Head purchase	-		-	-	1,100	-	-	-
Operating surplus / (deficit)	145	(49)	84	(133)	992	(415)	(413)	(2)
Baring Head purchase			-	-	1,775	-	-	-
Net capital expenditure	221	31	196	165	459	367	367	-

7.4.1 Year to date

An unfavourable operating variance of $133,000, comprising reduced revenue of $46,000 and higher expenditure of $87,000.

- Operating expenditure was above budget due primarily to:
  - Expenditure incurred on the Baring Head work programme which was not budgeted.
  - There was also increased expenditure on materials and contractors for the Renewable Energy and Activity Management Planning projects.

7.4.2 Forecast to 30 June 2011

- The forecast remains on track with budget.

7.5 Public transport

Financial Summary	For the six months ended 31 December 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	41,265	41,575	42,002	(427)	83,289	83,160	84,786	(1,626)
Operating expenditure	40,446	42,138	42,379	241	82,534	84,620	86,017	1,397
Operating surplus / (deficit)	819	(563)	(377)	(186)	755	(1,460)	(1,231)	(229)
Net capital expenditure	0	35	106	71	18	173	200	27

7.5.1 Year to date

An unfavourable operating variance of $186,000, comprising lower expenditure of $241,000 and reduced revenue of $427,000 (which is as a result of the lower expenditure).

- Operating revenue is $427,000 below budget due to:
    - Grants and Subsidies revenue being $700,000 below budget which reflects the overall reduction in operational expenditure.
    - Grants and Subsidies related to SuperGold card expenditure is $400,000 above budget because of higher numbers of SuperGold card passengers.
- Operating expenditure is $241,000 below budget primarily due to:
    - Savings of $700,000 on rail operations expenditure. Grant expenditure to Tranz Metro is reduced because of unplanned revenue from Matangi commissioning. Expenditure on SW car maintenance was also lower than budgeted.
    - SuperGold card expenditure $400,000 higher than budget due to increased patronage as mentioned above, SuperGold is fully funded.
    - Increased use of the Total Mobility scheme has seen increased expenditure of $100,000 compared with budget.

7.5.2 Forecast to 30 June 2011

The forecast has an unfavourable operating variance of $229,000, comprising lower expenditure of $1,397,000 and the resultant lower revenue of $1,626,000.

- Operating expenditure is forecast to be lower than budget due to:
    - Rail operating expenditure, $1,400,000, below budget, primarily due to lower maintenance requirements as new Matangi trains come into service.
    - Trolley bus expenditure, $793,000 below budget, partly due to the fare increase.

Offsetting the expenditure savings above are increases in finance costs of $1,136,000 which have been transferred from the public transport improvements budget, with a corresponding reduction in expenditure as noted below.

7.6 Public transport improvement projects

Financial Summary	For the six months ended 31 December 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	37,944	60,606	80,150	(19,544)	78,286	151,469	206,348	(54,879)
Operating expenditure	41,414	65,510	86,009	20,499	84,328	162,187	224,369	62,182
Operating surplus / (deficit)	(3,470)	(4,904)	(5,859)	955	(6,042)	(10,718)	(18,021)	7,303
External debt revaluation gains /(loss)	-	-	-	-	(1,146)	-	-	-
Operating surplus / (deficit)	(3,470)	(4,904)	(5,859)	955	(7,188)	(10,718)	(18,021)	7,303
Net capital expenditure	551	262	3,601	3,339	2,531	4,934	5,911	977

7.6.1 Year to date

Overall, a favourable operating variance of $955,000, comprising lower expenditure of $20,499,000, and as a result lower revenue of $19,544,000.

- Operating expenditure was lower than budget due to:
  - Expenditure on the Matangi EMU project is $32,000,000 below budget due to a further revision of the expected payment dates for the trains.
  - Rail infrastructure projects $14,000,000 over budget reflecting the timing of payments for the Waikanae double tracking and electrification projects and stabilising platforms. Greater Wellington expects this project to come in on budget in total.
  - Finance costs and depreciation costs have been reclassified to operational expenditure.
- Capital expenditure was $3,339,000 below budget due mainly to the change in timing of the payments for the real time project roll out.

7.6.2 Forecast to 30 June 2011

The forecast for expenditure for 2011-12 on the new Matangi units is $85.8 million compared to a budget of $147.9 million. This reflects recent changes to the expected timing of the payments. All 48 two-car Matangi trains are still expected to be delivered by 2011/12.

The operating revenue forecast has been adjusted accordingly due to the reduction in expenditure this year.

Capital expenditure is forecast to be $977,000 below budget due mainly to a change in the timing of the payments for the real time information project roll out.

7.7 Strategy & Community Engagement

Financial Summary	For the six months ended 31 December 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	4,867	4,468	4,434	34	9,533	9,186	9,147	39
Operating expenditure	4,070	4,369	4,643	274	8,440	9,295	9,442	147
Operating surplus / (deficit)	797	99	(209)	308	1,093	(109)	(295)	186
Net capital expenditure	2	54	60	6	(17)	415	410	(5)

7.7.1 Year to date

Overall, a favourable operating variance of $308,000, comprising lower expenditure of $274,000 and increased revenue of $34,000.

- Operating expenditure was lower than budget due to a delay in the climate change work programme and reduced expenditure in Transport Planning.

7.7.2 Forecast to 30 June 2011

The forecast operating deficit of $109,000 is $186,000 better than budgeted. This is primarily due to:

- Reduced expenditure of $40,000 in Iwi projects.
- Savings of $123,000 in the Western Corridor Plan, as this plan will now be done in the next financial year.
- Savings of $54,000 were made in the Hutt Corridor Plan project.
- Higher than budgeted expenditure is expected in Park Policy. This relates to additional work to include Baring Head in the Greater Wellington Parks Network Plan and additional consultation of the Battle Hill Park provisions.

7.8 Finance and Support

Financial Summary	For the six months ended 31 December 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	6,679	6,804	6,649	155	13,429	13,298	13,298	-
Operating expenditure	6,015	6,546	6,810	264	12,447	13,879	13,785	(94)
Operating surplus / (deficit)	664	258	(161)	419	982	(581)	(487)	(94)
Net capital expenditure	350	237	631	394	799	877	931	54

7.8.1 Year to date

A favourable operating variance of $419,000 comprising lower expenditure of $264,000 and increased revenue of $155,000.

- Operating revenue was above budget due to the timing of additional rates and penalties expected to be received later in the year, as well as increased investment revenue.
- Operating costs were less than budget due to:
  - Materials and supplies were $286,000 below budget and consultants and contractors $82,000 below budget due to the timing of costs particularly with ICT projects.
  - Depreciation was over budget by $116,000; however this will be in line with budget at year end.

7.8.2 Forecast to 30 June 2011

The forecast deficit is forecast to increase to a deficit of $581,000. Recruitment and consultant costs are expected to be higher than budget.

7.9 Investment management

Financial Summary	For the six months ended 31 December 2010				Full year forecast 30 June 2011			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	2,710	2,548	2,040	508	7,785	6,849	5,001	1,848
Operating expenditure	(1,667)	(1,200)	(1,329)	(129)	(3,403)	(2,324)	(1,970)	354
Operating surplus / (deficit)	4,377	3,748	3,369	379	11,188	9,173	6,971	2,202
Net capital expenditure	3	15	-	(15)	-	160	160	-

7.9.1 Year to date

Operating revenue is $508,000 ahead of budget due to a higher level of deposits and interest margins received. Net operating expenditure recoveries are $129,000 less than budget due to lower borrowing requirements resulting from lower capital expenditure.

7.9.2 Forecast to 30 June 2011

The operating surplus is forecast to be $9,173,000, which is $2,202,000 higher then the budgeted surplus of $6,971,000. The main reason for this is increased investment revenue of $1,847,000 from higher interest margins on liquid financial deposits, short term deposits and a higher dividend from WRC holdings. This increase is offset by reduced internal revenue from internal loans.

7.10 Investment management – Non operational movements

Financial Summary	For the six months ended 31 December 2010				Full year forecast 30 June 2011			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Matangi Investment - GW Rail	1	5	7,400	(7,395)	1,247	8,287	14,801	(6,514)
Valuation Movements	-	-	-	-	4,243	306	306	-
Operating surplus / (deficit)	1	5	7,400	(7,395)	5,490	8,593	15,107	(6,514)

7.10.1 Year to date – Matangi investment

The Matangi trains will be owned by Greater Wellington Rail Limited, a Council owned subsidiary. In order to account for this in the Greater Wellington accounts, Greater Wellington will purchase shares in Greater Wellington rail for 10% of the Matangi cost. As noted in section 5.6, payments for the Matangi trains are later than scheduled resulting in a $7,395,000 budget variance.

7.10.2 Forecast– Matangi investment

As noted above and in section 5.6, the payments for the Matangi trains are now forecast later than originally scheduled, resulting in a $6,514,000 budget variance by year end.

7.11 Water

Financial Summary	For the six months ended 31 December 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	13,706	13,804	13,976	(172)	27,708	27,782	27,810	(28)
Operating expenditure	14,007	14,052	14,702	650	28,210	29,251	29,491	240
Operating surplus / (deficit)	(301)	(248)	(726)	478	(502)	(1,469)	(1,681)	212
Net capital expenditure	2,105	2,333	5,210	2,877	6,190	8,920	10,070	1,150

7.11.1 Year to date

Overall a favourable operating variance of $478,000 compared to budget, due to:

- Reduced internal revenue, $198,000, primarily due to less time charged to capital projects.
- Operating expenditure was $650,000 lower than budget due to:
  - Contractors and consultants $237,000, due to lower than expected activity with regards to condition rating and engineering investigations into assessing the feasibility of constructing Lake 3 for water storage. This is a timing issue we and expect the costs to flow through in the second half of the year.
  - Reduced finance costs of $122,000 as internal debt is lower than budgeted.
  - The advertising for water conservation programme is $139,000 under spent.
- Capital expenditure is $878,000 under budget due to a mixture of savings, delays and some increased expenditure across the capital works programme.

7.11.2 Forecast to 30 June 2011

- The forecast deficit is expected to reduce to $1,469,000 due to an under spend of $100,000 expected with the advertising campaign and lower interest charges making up the remaining variance.
- Forecast capital expenditure is expected to reduce to $8,920,000, which is $1,150,000 below budget. This is primarily due to projected savings of $453,000; reduced scope on projects $249,000; delays on projects that will need to be rebudgeted $710,000 and $311,000 of increased project costs.

8. Finance costs

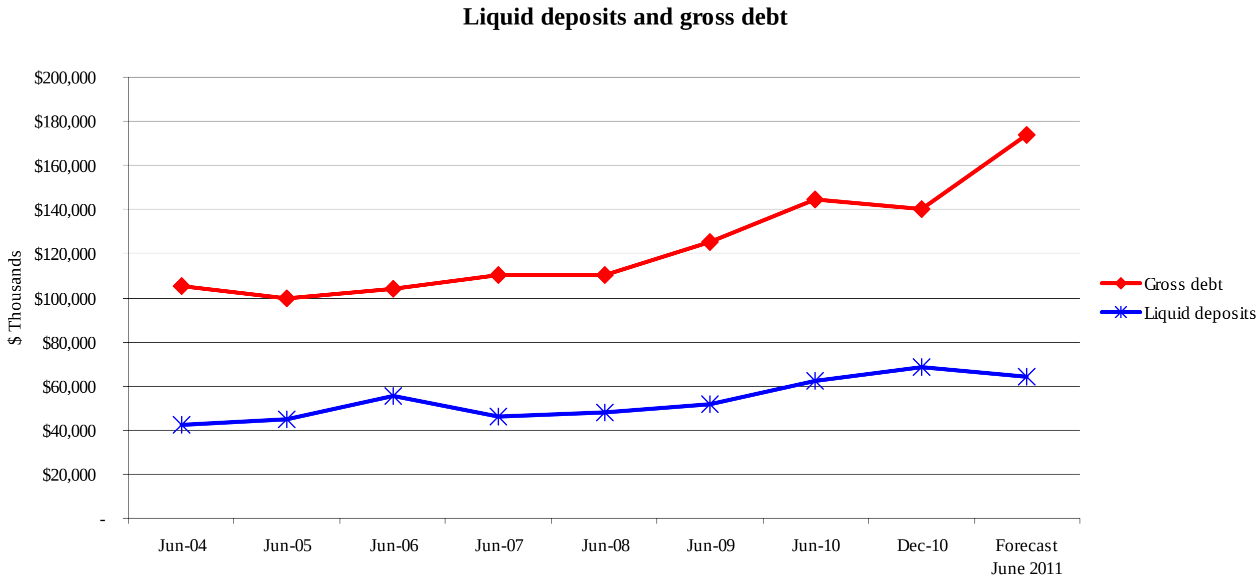
For the six months ended 31 December 2010				Full year forecast 30 June 2011			
Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
2,427	2,697	3,193	496	5,159	6,079	7,020	941

8.1 Year to date

The favourable variance of $496,000 results from lower borrowings as a result of lower capital expenditure and an improved working capital position.

8.2 Forecast to 30 June 2011

Finance costs are forecast to be $941,000 favourable to budget due to the timing of the capital expenditure spend and improved working capital position, as evidenced by our net debt position after deposits being lower in December than in June.



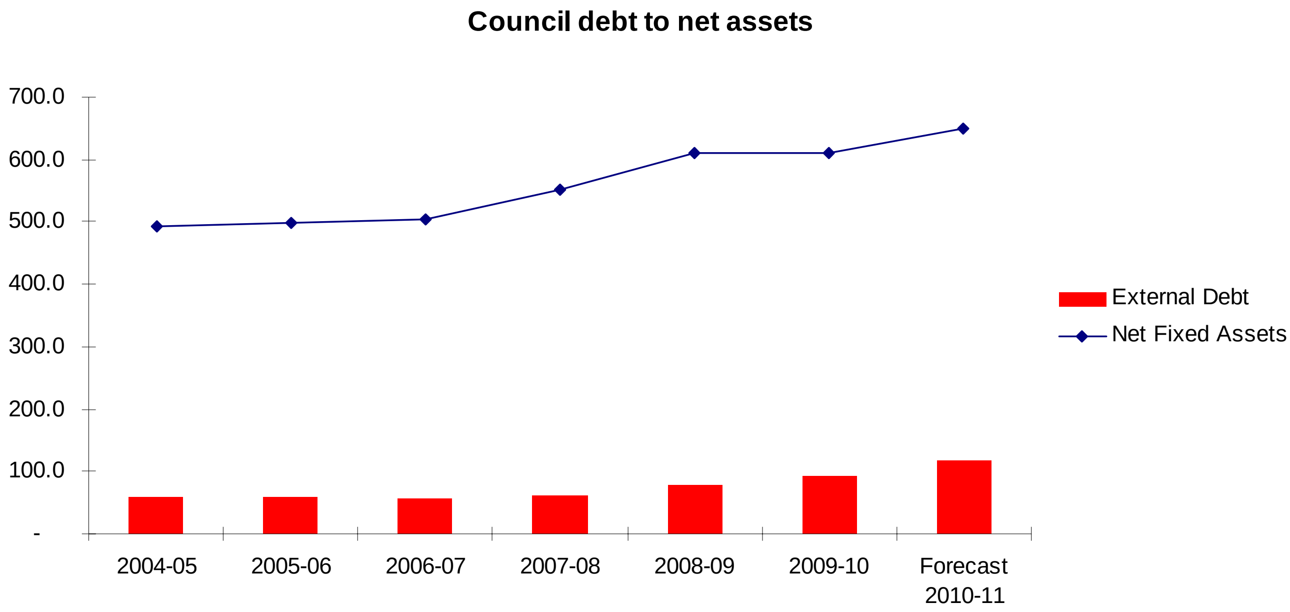
8.3 Deposits and debt

This graph represents Greater Wellington and WRC Holdings' combined debt position and cash deposits

Greater Wellington's debt, including WRC Holdings, was $152 million at 31 December 2010, compared with $156 million on 30 June 2010. The reduction in debt is due to the timing of receipts for the payment of the Matangi units, coupled with an improved working capital position.

The $152 million excludes an $11.0 million reduction in the value of the Government loans. The write down is due to the interest free nature of the loans. With the write down included, Greater Wellington's debt, including WRC Holdings, as at 31 December 2010 was $141 million. This debt excludes CentrePort.

Greater Wellington currently has $68 million on deposit.



8.4 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 debt is currently funded at an interest rate of 6.21% 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 lender's margin. Significant savings will result from this debt restructure. Current estimates are in the order of \$1.5 million.

The balance of this loan at 31 December 2010 was \$14,193,537.

9. WRC Holdings

The following table summarises WRC Holdings group of companies (the Group) operating results for the period ending 31 December 2010.

WRC HOLDINGS GROUP
INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2010

	31-December-2010				Year ending 30 June 2011			
	Last Year $000	Actual $000	Budget $000	Variance $000	Last Year $000	Forecast $000	Budget $000	Variance $000
Total Revenue	35,231	37,716	38,348	(632)	79,773	78,984	78,712	272
Operating Expenses	23,689	24,103	25,946	1,843	46,783	51,566	51,702	136
Earnings before interest & tax (EBIT)	11,542	**13,613**	**12,402**	**1,211**	**32,990**	**27,418**	**27,010**	**408**
Less:								
Finance costs	5,286	6,399	6,911	512	4,936	14,518	15,289	771
								-
Net surplus (deficit) before tax & revaluations	**6,256**	**7,214**	**5,491**	**1,723**	**28,054**	**12,900**	**11,721**	**1,179**

The Group achieved a surplus before tax for the period of $7,214,000, compared with the budget of $5,491,000, providing a favourable position to the budget of $1,723,000.

CentrePort contributed $1,493,000 of this favourable variance, emanating mainly from lower operating costs and interest costs, partly offset by lower revenue from property operations and associate companies.

The Group is forecasting a surplus before tax and revaluations of $12,900,000, compared to a budget of $11,721,000, giving a favourable variance of $1,179,000.

CentrePort contributes $870,000 of this variance, mainly as a result of higher revenue and lower interest cost, offset by higher operating costs.

Port Investments contributes $200,000 as a result of lower interest rates. Pringle House contributes $68,000 due to the unexpected rental income from Chartis.

10. Compliance with Treasury Management Policy

All ratios for the Treasury Management Policy are in compliance. See **Attachment 3** for the detailed ratios.

11. Communication

No communications are necessary at this time.

12. 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	Bruce Simpson Chief Financial Officer

Attachment 1: Funding Impact Statement

Attachment 2: Balance Sheet

Attachment 3 Compliance with Treasury Risk Management