greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Financial report for the nine months ended 31 March 2011

1. Purpose

To inform the Council of Greater Wellington's financial performance for the nine months ended 31 March 2011 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 the 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 8.

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 $5,359,000 (budget, a deficit of $1,479,000) for the nine months to 31 March. This result excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington made a deficit of $4,108,000 (budget, a deficit of $6,374,000). The main components of this variance are savings within Public Transport and the payments for the Matangi trains as discussed in section 6.5, 6.6 and 6.10.

Further details on the performance by Group for the nine months are discussed in section 6.

4.2 Financial Summary - Council

Greater Wellington Regional Council Summary income statement	For the nine months ended 31 March 2011			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s
Regional rates	59,316	60,645	60,644	1
Water supply levy	17,595	17,595	17,595	-
Other operating revenue	60,807	59,581	59,675	(94)
Total operating revenue	**137,718**	**137,821**	**137,914**	**(93)**
Operational expenditure	(130,847)	(132,462)	(139,393)	6,931
Operating surplus/(deficit) before transport improvements	**6,871**	**5,359**	**(1,479)**	**6,838**
Operating (deficit) from transport improvements	(5,720)	(6,740)	(10,629)	3,889
Operating surplus/(deficit) before unrealised items	**1,151**	**(1,381)**	**(12,108)**	**10,727**
Non-operational movements	(843)	(2,727)	5,734	(8,461)
Operating surplus/(deficit)	**308**	**(4,108)**	**(6,374)**	**2,266**

4.3 Financial Summary – Council by Group

Greater Wellington Regional Council Summary income statement	For the nine months ended 31 March 2011			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s
Operational Groups				
Catchment Management	2,397	2,835	2,421	414
Environmental Management	217	581	(86)	667
Forestry	(737)	(369)	(1,249)	880
Parks and Forests	312	134	(165)	299
Public Transport	1,404	1,013	(616)	1,629
Total rates funded operational surplus / (deficit)	**3,593**	**4,194**	**305**	**3,889**
Corporate				
Strategy & Community Engagement	834	248	(271)	519
Finance and Support	855	171	(133)	304
Other corporate activities	379	56	(26)	82
Investment Management	6,655	6,038	4,765	1,273
Business unit rates contribution	(5,235)	(4,913)	(4,913)	-
Total rates funded operating surplus / (deficit)	**7,081**	**5,794**	**(273)**	**6,067**
Water	(210)	(435)	(1,206)	771
Total rates & levy funded operating surplus / (deficit)	**6,871**	**5,359**	**(1,479)**	**6,838**
Non-operational movements				
Revaluation of debt and stadium advance	-	-	-	-
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(844)	(1,420)	(629)	(791)
Grants for Baring Head Purchase	-	-	-	-
Warm Greater Wellington	-	(1,308)	(1,037)	(271)
EMU investment - GW Rail	1	1	7,400	(7,399)
Public Transport - improvements	(5,720)	(6,740)	(10,629)	3,889
Total Council surplus / (deficit)	**308**	**(4,108)**	**(6,374)**	**2,266**

4.4 Forecast to 30 June 2011

Greater Wellington is forecasting an operating surplus of $5,268,000 (budget, a deficit of $2,220,000) 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 surplus of $831,000 (budget, a deficit of $5,850,000).

Further details on the forecast by Group are discussed in section 6.

4.5 Financial forecast - Council

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2011			
	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Regional rates	79,089	80,861	80,861	-
Water supply levy	23,460	23,460	23,460	-
Other operating revenue	84,777	82,393	80,923	1,470
Total operating revenue	**187,326**	**186,714**	**185,244**	**1,470**
Operational expenditure	(178,441)	(181,446)	(187,464)	6,018
Operating surplus/(deficit) before transport improvements	**8,885**	**5,268**	**(2,220)**	**7,488**
Operating (deficit) from transport improvements	(6,042)	(8,117)	(18,158)	10,041
Operating surplus/(deficit) before unrealised items	**2,843**	**(2,849)**	**(20,378)**	**17,529**
Non-operational movements	1,561	3,680	14,528	(10,848)
Operating surplus/(deficit)	**4,404**	**831**	**(5,850)**	**6,681**

Subsequent to completion of our Year End Forecasts for 2011 at 31 March 2011, TranzMetro have advised us that they are expecting their full year cost to be $2.7M less favourable than forecast at 28 February 2011.

Relative to budget, the main variances are; personnel costs $829K; fuel and traction electricity $524K; and bus replacements $900K. There is still some uncertainty around the numbers because the accounting treatment of some items is yet to be finalised. The impact on Greater Wellington's bottom line will be 40% of the final number agreed.

4.6 Financial forecast – Council by Group

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2011			
	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operational Groups				
Catchment Management	3,337	3,754	3,430	324
Environmental Management	(214)	(139)	(352)	213
Forestry	(992)	(340)	(1,662)	1,322
Parks and Forests	(108)	(300)	(413)	113
Public Transport	755	611	(1,094)	1,705
Total rates funded operational surplus / (deficit)	**2,778**	**3,586**	**(91)**	**3,677**
Corporate				
Strategy & Community Engagement	1,093	(163)	(295)	132
Finance and Support	806	(378)	(340)	(38)
Other corporate activities	502	(73)	(234)	161
Investment Management	11,188	9,743	6,971	2,772
Business unit rates contribution	(6,980)	(6,550)	(6,550)	-
Total rates funded operating surplus / (deficit)	**9,387**	**6,165**	**(539)**	**6,704**
Water	(502)	(897)	(1,681)	784
Total rates & levy funded operating surplus / (deficit)	**8,885**	**5,268**	**(2,220)**	**7,488**
Non-operational movements				
Revaluation of debt and stadium advance	(5,389)	(352)	(306)	(46)
Revaluation of forestry	6,010	2,256	2,256	-
Forestry cost of goods sold	(1,125)	(2,008)	(839)	(1,169)
Grants for Baring Head Purchase	1,100	-	-	-
Warm Greater Wellington	(282)	(1,879)	(1,384)	(495)
EMU investment - GW Rail	1,247	5,663	14,801	(9,138)
Public Transport - improvements	(6,042)	(8,117)	(18,158)	10,041
Total Council surplus / (deficit)	**4,404**	**831**	**(5,850)**	**6,681**

5. Capital expenditure – Council

5.1 Capital expenditure by Group

Capital expenditure is $10,752,000 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 6.

Greater Wellington Regional Council Capital expenditure by Group	For the nine months ended 31 March 2011			
	Last Year $(000)'s	Actual $(000)'s	Budget $(000)'s	Variance $(000)'s
Operational Groups				
Catchment Management	7,666	2,137	5,386	3,249
Environmental Management	754	189	213	24
Forestry	118	269	250	(19)
Parks and Forests	326	121	237	116
Public Transport	953	1,371	4,988	3,617
Operational Groups capital expenditure	**9,817**	**4,087**	**11,074**	**6,987**
Corporate				
Strategy & Community Engagement	4	79	234	155
Finance and Support	556	399	667	268
Other corporate activities	-	65	98	33
Corporate Groups capital expenditure	**560**	**543**	**999**	**456**
Investment Management	3	149	63	(86)
Total rates funded capital expenditure	**10,380**	**4,779**	**12,136**	**7,357**
Water Supply	3,352	4,245	7,640	3,395
Total rates & levy funded capital expenditure	**13,732**	**9,024**	**19,776**	**10,752**

5.2 Capital expenditure forecast by Group

Capital expenditure is forecast to be $6,361,000 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 6.

Greater Wellington Regional Council Capital expenditure by Group	For the year ending 30 June 2011			
	Last Year $(000)'s	Forecast $(000)'s	Budget $(000)'s	Variance $(000)'s
Operational Groups				
Catchment Management	10,659	3,913	7,916	4,003
Environmental Management	1,259	251	223	(28)
Forestry	184	429	334	(95)
Parks and Forests	2,234	367	367	-
Public Transport	2,950	5,520	6,315	795
Operational Groups capital expenditure	**17,286**	**10,480**	**15,155**	**4,675**
Corporate				
Strategy & Community Engagement	(17)	145	410	265
Finance and Support	790	568	847	279
Other corporate activities	9	91	128	37
Corporate Groups capital expenditure	**782**	**804**	**1,385**	**581**
Investment Management	-	160	160	-
Total rates funded capital expenditure	**18,068**	**11,444**	**16,700**	**5,256**
Water Supply	6,190	8,965	10,070	1,105
Total rates & levy funded capital expenditure	**24,258**	**20,409**	**26,770**	**6,361**

6. Financial Performance – By Group

6.1 Catchment management

Financial Summary	For the nine months ended 31 March 2011				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	18,758	18,378	18,538	(160)	25,104	24,835	24,680	155
Operating expenditure	16,361	15,543	16,117	574	21,767	21,081	21,250	169
Operating surplus / (deficit)	2,397	2,835	2,421	414	3,337	3,754	3,430	324
Net capital expenditure	7,666	2,137	5,386	3,249	10,659	3,913	7,916	4,003

6.1.1 Year to date

A favourable operating variance of $414,000, comprising lower revenue of $160,000 and lower operating costs of $574,000.

- Operating revenue is lower than budget due mainly to:
  - Reduced external revenue due to lower levels of gravel extraction
  - Reduced commercial property lease revenue
  - Reduced land management revenue for property plans and silviculture consultations.
- Operating expenditure was lower than budget due mainly to:
  - Contractors and consultants expenditure $416,000 below budget due to the delays in river maintenance programmes and capitalisation of flood repair work
  - Finance costs are $86,000 below budget due to lower capital spend.
- Capital expenditure is $3,249,000 below budget primarily due to the timing of the Waiwhetu and Boulcott/Hutt stop bank projects and the Ebdentown rock lining project.

6.1.2 Forecast to 30 June 2011

- The forecast operating surplus of $3,754,000 is $324,000 better than budget due to:
  - Additional external revenue due to a successful large aerial contract, higher returns from secured ground tenders and commencing of the possum predator control programme.
  - Reduced financial costs and depreciation due to reduced capital works.
- The forecast capital expenditure to June 2011 of $3,913,000 is $4,003,000 below budget due to:
  - Delays in the Boulcott/Hutt stop bank ($2.4 million); Covent Road and South Waitohu 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.

6.2 Environmental management

Financial Summary	For the nine months ended 31 March 2011				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	10,203	10,466	10,075	391	13,596	13,817	13,433	384
Operating expenditure	9,986	9,885	10,161	276	13,810	13,956	13,785	(171)
Operating surplus / (deficit)	217	581	(86)	667	(214)	(139)	(352)	213
Net capital expenditure	754	189	213	24	1,259	251	223	(28)

6.2.1 Year to date

Overall, a favourable operating variance of $667,000, comprising higher revenue of $391,000 and lower expenditure of $276,000.

- Operating revenue is ahead of budget primarily due to:
  - Higher than expected revenue from consents processing
  - Community Irrigation Fund (CIF) funding of $137,000 that was not budgeted.
- Operating expenditure was lower than budget due mainly to:
  - Reduced expenditure on contractors and consultants due to the timing of projects. These costs will flow through in the final quarter
  - Materials and supplies were also lower than budget due to timing. With most of the planting work planned for the final quarter these costs will also increase.
- Capital expenditure is forecast to be above budget due to the office refurbishment costs that was not part of the original budget.

6.2.2 Forecast to 30 June 2011

- The forecast operating deficit is $139,000, $213,000 better than budget due to:
  - Additional income from increased consents activity and CIF funding
  - Reduced consultant expenditure for the QE11 project which is to be carried out next year.

6.3 Forestry

Financial Summary	For the nine months ended 31 March 2011				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	4,826	5,472	4,843	629	6,373	7,616	6,461	1,155
Operating expenditure	5,562	5,841	6,092	251	7,365	7,956	8,123	167
Operating surplus / (deficit) before cost of goods sold	(736)	(369)	(1,249)	880	(992)	(340)	(1,662)	1,322
Cost of goods sold*	845	1,420	629	(791)	1,125	2,008	839	(1,169)
Operating surplus / (deficit) before valuation	(1,581)	(1,789)	(1,878)	89	(2,117)	(2,348)	(2,501)	153
Forestry valuation	-	-	-	-	6,010	2,256	2,256	-
Operating surplus / (deficit)	(1,581)	(1,789)	(1,878)	89	3,893	(92)	(245)	153
Net capital expenditure	118	269	250	(19)	184	429	334	(95)

* cost of goods sold is a non cash accounting adjustment

6.3.1 Year to date

- A favourable operating variance of $879,000, prior to cost of goods sold, due to:
  - Higher operating revenue primarily due to improved log prices
  - Operating expenditure is below budget including reduced costs of contractors and consultants as there was a reduction in harvested volume over the quarter and a saving in interest costs of $60,000.
- The non cash variance for cost of goods sold of $790,000 reflects the higher valuation of the forestry investment at 30 June 2010 compared to budget.
- Capital expenditure is only slightly above budget.

6.3.2 Forecast to 30 June 2011

- The forecast operating deficit is $340,000, $1,322,000 better than budget, primarily due to higher log prices increasing revenue.
- Capital expenditure is forecast to be above budget due to higher expenditure required on roads.

6.4 Parks & forests

Financial Summary	For the nine months ended 31 March 2011				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	4,960	4,689	4,695	(6)	6,574	6,294	6,259	35
Operating expenditure	4,648	4,555	4,860	305	6,682	6,594	6,672	78
Operating surplus / (deficit)	312	134	(165)	299	(108)	(300)	(413)	113
Grants for Baring Head purchase	-		-	-	1,100	-	-	-
Operating surplus / (deficit)	312	134	(165)	299	992	(300)	(413)	113
Baring Head purchase			-	-	1,775	-	-	-
Net capital expenditure	326	121	237	116	459	367	367	-

6.4.1 Year to date

A favourable operating variance of $299,000, comprising reduced revenue of $6,000 and lower expenditure of $305,000.

- Operating expenditure was below budget due primarily to:
  - Reduced contractors and consultants expenditure of $225,000 as there has been a delay in taking over the management service at Whitireia Park plus other activities that have been delayed.
  - Materials and supplies are also below budget by $66,000 due to the reason above plus delay in the planned 1080 drop in the Wainuiomata area.

6.4.2 Forecast to 30 June 2011

- The forecast operating deficit is $113,000 better than budget as the expenditure on materials and supplies will be reduced due to spraying work that is not required.

6.5 Public transport

Financial Summary	For the nine months ended 31 March 2011				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	61,744	61,617	63,298	(1,681)	83,289	82,679	84,786	(2,107)
Operating expenditure	60,340	60,604	63,914	3,310	82,534	82,069	85,880	3,811
Operating surplus / (deficit)	1,404	1,013	(616)	1,629	755	610	(1,094)	1,704
Net capital expenditure	18	23	162	139	18	34	200	166

6.5.1 Year to date

A favourable operating variance of $1,629,000, comprising lower expenditure of $3,310,000 and reduced revenue of $1,681,000 (which is as a result of the lower expenditure).

- Operating revenue is $1,681,000 below budget due to:
  - Grants and Subsidies revenue being $2,000,000 below budget which reflects the overall reduction in operational expenditure.
  - Grants and Subsidies related to SuperGold card expenditure is $500,000 above budget because of higher numbers of SuperGold card passengers.
  - External revenue from Greater Wellington Rail Limited is lower because of reduced administration costs leading to lower reimbursements.
- Operating expenditure is $3,310,000 below budget primarily due to:
  - Savings of $1,500,000 on rail operations expenditure. Grant expenditure to Tranz Metro is reduced due to lower labour and station maintenance costs. Expenditure on SW car maintenance was also lower than budgeted.
  - Diesel bus contract expenditure was $1,300,000 less than budget, mainly due to higher exchange rates offsetting the increase in oil prices.
  - SuperGold card expenditure $500,000 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 compared with budget.

6.5.2 Forecast to 30 June 2011

The forecast favourable operating variance of $1,704,000 is comprised of lower expenditure of $3,811,000 and the resultant lower revenue of $2,107,000.

- Operating expenditure is forecast to be lower than budget due to:
  - Rail operating expenditure, $1,400,000, below budget, based on forecasts provided by TranzMetro and lower maintenance requirements as new Matangi trains come into service.
  - Trolley bus expenditure, $700,000 below budget, partly due to the fare increase.
  - Diesel bus contract expenditure $500,000 below budget based on current assumptions on oil prices and exchanges rates.

6.6 Public transport improvement projects

Financial Summary	For the nine months ended 31 March 2011				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	59,251	81,938	129,763	(47,825)	78,286	120,492	206,348	(85,856)
Operating expenditure	64,971	88,678	140,392	51,714	84,328	128,609	224,506	95,897
Operating surplus / (deficit)	(5,720)	(6,740)	(10,629)	3,889	(6,042)	(8,117)	(18,158)	10,041
External debt revaluation gains /(loss)	-	-	-	-	(1,146)	-	-	-
Operating surplus / (deficit)	(5,720)	(6,740)	(10,629)	3,889	(7,188)	(8,117)	(18,158)	10,041
Net capital expenditure	764	1,209	4,621	3,412	2,531	5,282	5,911	629

6.6.1 Year to date

Overall, a favourable operating variance of $3,889,000, comprising lower expenditure of $51,714,000, as a result of this lower expenditure, revenue of $47,825,000.

- Operating expenditure was lower than budget due to:
  - Expenditure on the Matangi EMU project is $60,000,000 below budget due to a further revision of the expected payment dates for the trains.
  - Rail infrastructure projects $12,000,000 over budget reflecting the timing of payments for the Waikanae double tracking and electrification projects and stabilising platforms.
  - Finance costs and depreciation costs have been reclassified to operational expenditure.
- Capital expenditure was $3,412,000 below budget due mainly to the change in timing of the payments for the real time project roll out.

6.6.2 Forecast to 30 June 2011

The forecast expenditure on the new Matangi units is $65.2 million compared to a budget of $147.3 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 $629,000 below budget due mainly to a change in the timing of the payments for the real time information project roll out.

6.7 Strategy & Community Engagement

Financial Summary	For the nine months ended 31 March 2011				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	7,076	6,692	6,780	(88)	9,533	8,970	9,147	(177)
Operating expenditure	6,242	6,474	7,051	577	8,440	9,208	9,442	234
Operating surplus / (deficit)	834	218	(271)	489	1,093	(238)	(295)	57
Net capital expenditure	4	79	234	155	(17)	145	410	265

6.7.1 Year to date

Overall a favourable operating variance of $489,000, comprising lower expenditure of $577,000 and reduced revenue of $88,000.

- Operating expenditure was lower than budget due to:
  - Reduced expenditure in Transport Planning of $188,000 that relates to delays in the completion of the Hutt and Western Corridor studies.
  - Reduced expenditure on the intranet upgrade and social media communication projects of $117,000 due to internal resources being used to date. With further developments required in the final quarter this expenditure will be in line with budget at year end.
  - Reduced expenditure on Iwi Projects to date.
  - Reduced expenditure on Wellington Regional Strategy activity due to delays in the GPI project and a reduction in grants to Grow Wellington.
- Capital expenditure is less than budget by $155,000 due to delays in the Wellington Transport Strategic Model.

6.7.2 Forecast to 30 June 2011

The forecast operating deficit of $238,000 is $57,000 better than budgeted. This is primarily due to:

- Reduced grant revenue due to the delays in NZTA funded projects
- Reduced expenditure on Iwi projects
- Reduced expenditure of on the Western Corridor Plan; this plan will now be worked on in the next financial year.

Capital expenditure is forecast to be $145,000, a favourable variance of $265,000. This is due to delays in the Wellington Regional Strategic Model.

6.8 Finance and Support

Financial Summary	For the nine months ended 31 March 2011				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	6,045	6,043	5,823	220	8,145	7,716	7,764	(48)
Operating expenditure	5,190	5,872	5,956	84	7,339	8,094	8,104	10
Operating surplus / (deficit)	855	171	(133)	304	806	(378)	(340)	(38)
Net capital expenditure	556	399	667	268	790	568	847	279

6.8.1 Year to date

A favourable operating variance of $304,000 comprising lower expenditure of $84,000 and increased revenue of $220,000.

- Operating revenue was above budget due to additional rates and penalties, as well as contributions to the aerial mapping flyover and increased investment revenue.
- Operating costs were less than budget due to financial costs being under budget by $65,000. This was a result of lower than expected capital expenditure.

6.8.2 Forecast to 30 June 2011

The forecast deficit is expected to increase to $378,000 compared with the budget of $340,000. This increase is due to lower internal funding.

- Capital expenditure for the year is below budget due to delays in the Biosecurity database Budget/Planning replacement. Savings are expected at year end due to the server virtualisation project.

6.9 Investment management

Financial Summary	For the nine months ended 31 March 2011				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	4,133	3,952	3,045	907	7,785	7,183	5,001	2,182
Operating expenditure	(2,522)	(2,086)	(1,720)	366	(3,403)	(2,560)	(1,970)	590
Operating surplus / (deficit)	6,655	6,038	4,765	1,273	11,188	9,743	6,971	2,772
Net capital expenditure	3	149	63	(86)	-	160	160	-

6.9.1 Year to date

Operating revenue is $907,000 ahead of budget due to higher interest revenue from money market investments and higher interest on liquid financial deposits.

Net operating expenditure recoveries are $366,000 more than budget due to lower borrowing requirements resulting from lower capital expenditure.

6.9.2 Forecast to 30 June 2011

The operating surplus is forecast to be $9,743,000, which is $2,272,000 higher then the budget surplus of $6,971,000. The main reason for this is increased investment revenue of $2,182,000 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.

6.10 Investment management – Non operational movements

Financial Summary	For the nine months ended 31 March 2011				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	1	7,400	(7,399)	1,247	5,663	14,801	(9,138)
Valuation Movements	-	-	-	-	4,243	346	306	40
Operating surplus / (deficit)	1	1	7,400	(7,399)	5,490	6,009	15,107	(9,098)

6.10.1 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, Greater Wellington will purchase shares in Greater Wellington rail for 10% of the Matangi cost. As noted in section 6.6, payments for the Matangi trains are later than scheduled, resulting in a $7,399,000 budget variance.

6.10.2 Forecast– Matangi investment

As noted above and in section 6.6, the payments for the Matangi trains are now forecast later than originally scheduled, resulting in a $9,138,000 budget variance by year end.

6.11 Water

Financial Summary	For the nine months ended 31 March 2011				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	20,588	20,568	20,890	(322)	27,708	27,665	27,810	(145)
Operating expenditure	20,798	21,003	22,096	1,093	28,210	28,562	29,491	929
Operating surplus / (deficit)	(210)	(435)	(1,206)	771	(502)	(897)	(1,681)	784
Net capital expenditure	3,352	4,245	7,640	3,395	6,190	8,965	10,070	1,105

6.11.1 Year to date

Overall a favourable operating variance of $771,000 compared to budget, due to:

- Reduced internal revenue, $317,000, primarily due to less time charged to capital projects.
- Operating expenditure was $1,093,000 lower than budget due to:
  - Contractors and consultants expenditure was lower than budget by $227,000 with lower than expected activity with regards to condition rating and engineering investigations into assessing the feasibility of constructing Lake 3 for water storage.
  - Reduced finance costs of $184,000 as internal debt is lower than budget.
  - The advertising for water conservation programme is $98,000 under spent.
- Capital expenditure is $3,395,000 under budget due to a mixture of savings, delays and some increased expenditure across the capital works programme.

6.11.2 Forecast to 30 June 2011

- The forecast deficit is expected to reduce to $897,000 due to:
  - Reduced expenditure on contractors and consultants to review assets and compliance.
  - Internal charges are much lower than expected.
  - A reduction in financial costs as a result of lower capital expenditure.
- Forecast capital expenditure is expected to reduce to $8,965,000, which is $1,105,000 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.

7. Finance costs

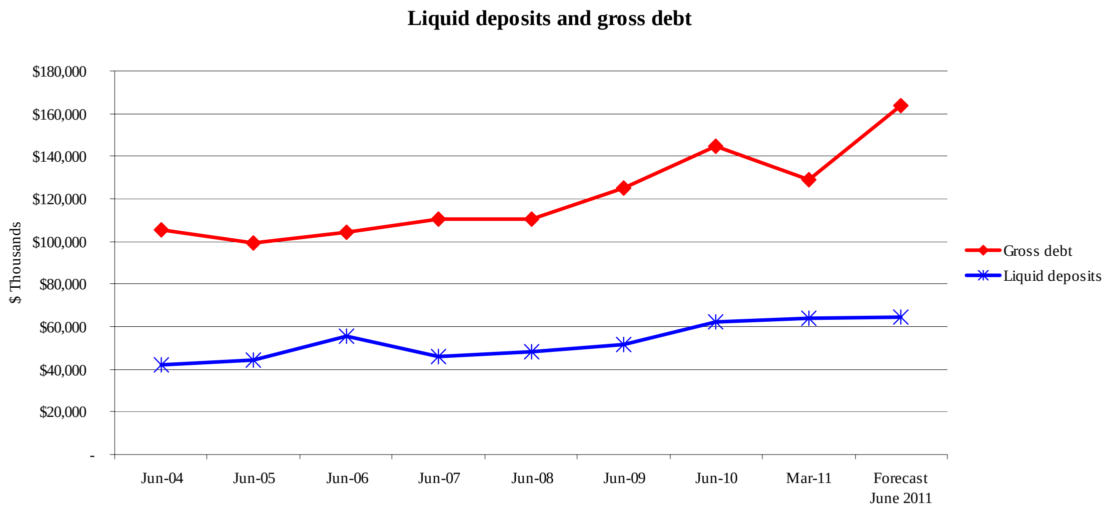
For the nine months ended 31 March 2011				Full year forecast 30 June 2011			
Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
3,738	3,944	5,061	1,117	5,159	5,792	7,020	1,228

7.1 Year to date

The favourable variance of $1,117,000 results from lower borrowings as a result of lower capital expenditure and an improved working capital position.

7.2 Forecast to 30 June 2011

Finance costs are forecast to be $1,228,000 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.

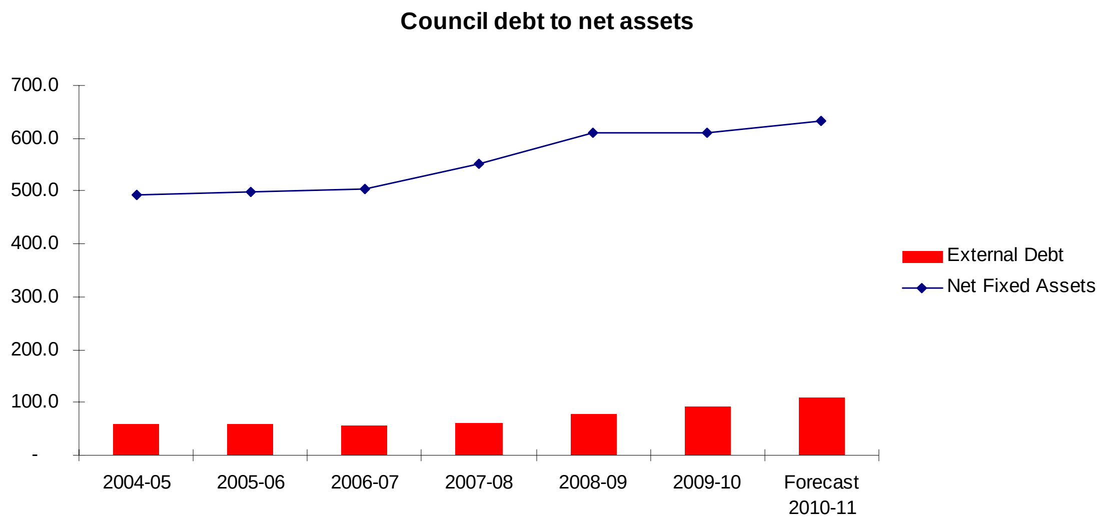


7.3 Deposits and debt

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

Greater Wellington's debt, including WRC Holdings, was $129 million at 31 March 2011, compared with $144 million on 30 June 2010, including debt revaluations of $11 million downwards. The debt level is lower than budgeted due to the timing of receipts for the payment of the Matangi units coupled with an improved working capital position. This debt excludes CentrePort debt.

The forecast debt for the end of the year is $153 million including WRC Holdings Ltd and including debt revaluations of $11 million downwards.



Greater Wellington currently has $65 million on deposit

7.4 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 March 2011 was $14,193,537.

8. WRC Holdings

The following table summarises WRC Holdings group of companies (the Group) operating results for the period ending 31 March 2011

WRC HOLDINGS GROUP
INCOME STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2011

	31 March 2011				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	53,664	58,188	59,164	(976)	79,773	78,867	78,712	155
Operating Expenses	35,441	36,473	38,828	2,355	46,783	51,193	51,702	509
Earnings before interest & tax (EBIT)	18,223	**21,715**	**20,336**	**1,379**	**32,990**	**27,674**	**27,010**	**664**
Less:								
Finance costs	7,797	10,033	11,031	998	4,936	14,300	15,289	989
Net surplus (deficit) before tax & revaluations	**10,426**	**11,682**	**9,305**	**2,377**	**28,054**	**13,374**	**11,721**	**1,653**

The Group achieved a surplus before tax for the period of $11,682,000, compared with the budget of $9,305,000, providing a favourable position to the budget of $2,377,000.

CentrePort contributed $1,994,000 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 of $13,374,000, compared to a budget of $11,721,000, giving a favourable variance of $1,653,000.

CentrePort contributes $1,344,000 of this variance, mainly as a result of lower interest cost coupled with higher revenue and lower operating costs.

Port Investments is $234,000 ahead of budget as a result of lower interest rates. Pringle House is also ahead of budget by $72,000, due to the unexpected rental income from Chartis Limited.

9. Compliance with Treasury Management Policy

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

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	Bruce Simpson Chief Financial Officer

Attachment 1: Funding Impact Statement

Attachment 2: Balance Sheet

Attachment 3 Compliance with Treasury Risk Management