greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Finance report for the nine months ending 31 March 2012

1. Purpose

To inform the Council of Greater Wellington's financial performance for the nine months ended 31 March 2012 and to provide an explanation of major variances to budget by Group.

2. The decision-making process and significance

The matter requiring decision in the report has been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act).

Officers have considered the significance of the matter, taking the Council's significance policy and decision-making guidelines into account. Officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining considering of the decision-making process is required in this instance.

3. Background

Financial statements are prepared and presented to management for review each month. More detailed reports and review by operational Group are 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. 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. Council Summary

Overall, the financial results for the first nine months were favourable compared to budget and are forecast to remain so for the balance of the year.

4.1 Key Achievements

- Draft LTP out to the public with a clean audit.
- The draft Regional Land Transport Programme 2012-2015 was approved by the Regional Transport Committee for public consultation. A summary of the RLTP was distributed to all households in the region.
- Matangi trains successfully entered service on the Johnsonville Line on 19 March 2012.
- At the end of March 73% of the Matangi fleet had been delivered and 60% were commissioned and ready for service.
- Great Outdoor Summer Events programme attended by more than 14,000 people.
- Land management review undertaken in QEP and larger amount of work undertaken for the Marines 70th Anniversary held in the Park.
- National Interest Plants contracts for MAFBNZ and AsureQuality were delivered on schedule. Council has achieved significant success in reducing the number of targeted plants.
- The care group MIRO successfully released 40 robins from Kapiti Island into the mainland island in East Harbour Regional Park on 30 March.
- Selected Land Use Register (SLUR) now available on GIS viewer on the GW website.
- Completing the Otaki River edge protection works.
- Minimal damage from a 5 year flood in the Wairarapa rivers in March 2012.
- MoH Microbiological compliance - 100%.
- Successfully upgraded our Electronic Document and Records Managements System.
- A draft amendment to the Parks Network Plan to include Baring Head was approved for public consultation.
- Waiata training for staff commenced in March with fortnightly training sessions for one hour.
- A hybrid Wellington Transport Strategic Model (WTSM) was completed for the Public Transport Spine Study medium list testing.
- Active a2b programme delivery began on January 9, 2012 in 80 workplaces in the Wellington region. 1181 people registered for the programme and

received a range of tools, phone calls and weekly newsletters encouraging them to walk and cycle to work.

4.2 Council Financial Performance

4.2.1 Year to date

Greater Wellington achieved an operating surplus of $614k (budget, a deficit of $2,893k) for the nine months to 31 March, a $3,507k favourable result. This result excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington made a deficit of $5,991k (budget, a deficit of $7,747k), a favourable variance of $1,756k. The non-operational movement variance of $12,945k accounts for the majority of the negative variance at this level.

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

4.2.2 Financial Summary

Greater Wellington Regional Council Summary income statement	For the 9 months ended 31 March 2012 Actual $000s	 Budget $000s	 Variance $000s	 Last Year $000s
Regional rates	63,638	63,638	-	60,645
Water supply levy	18,123	18,123	-	17,595
Other operating revenue	64,205	63,230	975	59,581
Total operating revenue	**145,966**	**144,991**	**975**	**137,821**
Operational expenditure	(145,352)	(147,884)	2,532	(133,819)
Operating surplus/(deficit) before transport improvements	**614**	**(2,893)**	**3,507**	**4,002**
Operating (deficit) from transport improvements	(5,385)	(16,579)	11,194	(5,383)
Operating surplus/(deficit) before unrealised items	**(4,771)**	**(19,472)**	**14,701**	**(1,381)**
Non-operational movements	(1,220)	11,725	(12,945)	(2,728)
Operating surplus/(deficit)	**(5,991)**	**(7,747)**	**1,756**	**(4,109)**

4.2.3 Financial Summary by Group

Greater Wellington Regional Council Summary income statement	For the 9 months ended 31 March 2012 Actual $000s	 Budget $000s	 Variance $000s	 Last Year $000s
Operational Groups				
Catchment Management	3,620	2,549	1,071	2,835
Environmental Management	167	567	(400)	592
Forestry	(1,226)	(1,149)	(77)	(369)
Regional Parks	(122)	(80)	(42)	123
Public Transport	(656)	(1,245)	589	(344)
Total rates funded operational surplus / (deficit)	**1,783**	**642**	**1,141**	**2,837**
Corporate				
Strategy & Community Engagement	1,101	446	655	248
Finance and Support	140	(673)	813	171
Other corporate activities	201	164	36	45
Investment Management	7,041	6,798	243	6,038
Business unit rates contribution	(7,825)	(7,825)	-	(4,913)
Total rates funded operating surplus / (deficit)	**2,440**	**(448)**	**2,888**	**4,426**
Water	(1,826)	(2,445)	619	(424)
Total rates & levy funded operating surplus / (deficit)	**614**	**(2,893)**	**3,507**	**4,002**
Non-operational movements				
Forestry cost of goods sold	(1,225)	(351)	(874)	(1,420)
Grants for Baring Head Purchase	-	-	-	-
Warm Greater Wellington	1	(2,254)	2,255	(1,308)
EMU investment - GW Rail	-	14,334	(14,334)	1
Public Transport - improvements	(5,385)	(16,579)	11,194	(5,383)
Total Council surplus / (deficit)	**(5,991)**	**(7,747)**	**1,756**	**(4,109)**

4.3 Forecast to 30 June 2012

Greater Wellington is forecasting an operating surplus of $1,220k (budget, a deficit of $2,803k) for the year to 30 June 2012. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington is forecasting a surplus of $2,399k (budget, a deficit of $12,202k).

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

4.3.1 Financial forecast

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2012 Forecast $000s	 Budget $000s	 Variance $000s	 Last Year $000s
Regional rates	84,852	84,852	-	81,933
Water supply levy	24,164	24,164	-	23,460
Other operating revenue	90,604	87,453	3,151	83,102
Total operating revenue	**199,620**	**196,469**	**3,151**	**188,495**
Operational expenditure	(198,400)	(199,272)	872	(184,446)
Operating surplus/(deficit) before transport improvements	**1,220**	**(2,803)**	**4,023**	**4,049**
Operating (deficit) from transport improvements	(11,486)	(47,025)	35,539	(7,458)
Operating surplus/(deficit) before unrealised items	**(10,266)**	**(49,828)**	**39,562**	**(3,409)**
Non-operational movements	12,665	37,626	(24,961)	16,947
Operating surplus/(deficit)	**2,399**	**(12,202)**	**14,601**	**13,538**

4.3.2 Financial forecast by Group

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2012 Forecast $000s	 Budget $000s	 Variance $000s	 Last Year $000s
Operational Groups				
Catchment Management	3,806	3,192	614	3,580
Environmental Management	(53)	96	(149)	(27)
Forestry	(1,194)	(1,534)	340	(368)
Regional Parks	(259)	(223)	(36)	(1,323)
Public Transport	(1,830)	(1,775)	(55)	(1,750)
Total rates funded operational surplus / (deficit)	**470**	**(244)**	**714**	**112**
Corporate				
Strategy & Community Engagement	933	577	356	315
Finance and Support	(402)	(964)	562	1,102
Other corporate activities	242	168	74	46
Investment Management	12,932	11,421	1,511	9,943
Business unit rates contribution	(10,433)	(10,433)	-	(6,550)
Total rates funded operating surplus / (deficit)	**3,742**	**525**	**3,217**	**4,968**
Water	(2,522)	(3,328)	806	(919)
Total rates & levy funded operating surplus / (deficit)	**1,220**	**(2,803)**	**4,023**	**4,049**
Non-operational movements				
Forestry cost of goods sold	(1,983)	(467)	(1,516)	(1,899)
Grants for Baring Head Purchase	-	-	-	1,100
Warm Greater Wellington	(4,309)	(2,801)	(1,508)	280
EMU investment - GW Rail	17,844	39,781	(21,937)	13,341
Public Transport - improvements	(11,486)	(47,025)	35,539	(7,458)
Total Council surplus / (deficit)	**2,399**	**(12,202)**	**14,601**	**13,538**

4.4 Capital expenditure

4.4.1 Capital expenditure by Group

Capital expenditure is $9,582k below budget, year to date. This is primarily due to the extended rollout of the Real Time Information system and project timings in the Water Supply capital programme.

Details by Group are discussed in section 5.

Greater Wellington Regional Council	For the 9 months ended 31 March 2012			
Capital expenditure by Group	**Actual**	**Budget**	**Variance**	**Last Year**
	$(000)'s	**$(000)'s**	**$(000)'s**	**$(000)'s**
Operational Groups				
Catchment Management	4,117	3,668	(449)	2,137
Environmental Management	140	329	189	190
Forestry	93	275	182	269
Regional Parks	189	414	225	145
Public Transport	1,731	3,060	1,329	1,371
Operational Groups capital expenditure	**6,270**	**7,746**	**1,476**	**4,112**
Corporate				
Strategy & Community Engagement	803	900	97	79
Finance and Support	224	1,072	848	399
Other corporate activities	557	748	191	65
Investment Management	375	1,818	1,443	149
Total rates funded capital expenditure	**8,229**	**12,284**	**4,055**	**4,804**
Water Supply	6,620	12,147	5,527	4,220
Total rates & levy funded capital expenditure	**14,849**	**24,431**	**9,582**	**9,024**

4.4.2 Capital expenditure forecast by Group

Capital expenditure is forecast to be $8,801k behind budget by year end. This is primarily due to the extended rollout of the Real Time Information system and project timings in the Water Supply capital programme that will also require rebudgeting to 2012/13. This is offset by additional expenditure forecast for the Catchment Management Group, mainly due to bringing forward Boulcott/Hutt stopbank works.

Details by Group are discussed in section 5.

Greater Wellington Regional Council Capital expenditure by Group	For the year ending 30 June 2012			
	Forecast	Budget	Variance	Last Year
	$(000)'s	$(000)'s	$(000)'s	$(000)'s
Operational Groups				
Catchment Management	7,677	5,553	(2,124)	4,256
Environmental Management	369	369	-	178
Forestry	360	360	-	414
Regional Parks	512	512	-	194
Public Transport	2,779	3,990	1,211	3,334
Operational Groups capital expenditure	**11,697**	**10,784**	**(913)**	**8,376**
Corporate				
Strategy & Community Engagement	1,101	1,332	231	178
Finance and Support	397	1,072	675	660
Other corporate activities	1,066	958	(108)	93
Investment Management	565	2,424	1,859	252
Total rates funded capital expenditure	**14,826**	**16,570**	**1,744**	**9,559**
Water Supply	9,635	16,692	7,057	7,393
Total rates & levy funded capital expenditure	**24,461**	**33,262**	**8,801**	**16,952**

5. Financial Performance by Group

5.1 Catchment management

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	21,808	22,704	(896)	18,378	29,805	30,136	(331)	24,592
Operating expenditure	18,188	20,155	1,967	15,543	25,999	26,944	945	21,012
Operating surplus / (deficit)	3,620	2,549	1,071	2,835	3,806	3,192	614	3,580
Net capital expenditure	4,117	3,668	(449)	2,137	7,677	5,553	(2,124)	4,256

5.1.1 Year to date

A favourable operating variance of $1,071k, comprising lower revenue of $896k and lower operating costs of $1,967k.

- Operating revenue is lower than budget due mainly to:
  - Reduced AHB revenue of $549k for BioWorks due to timing of contract commencement, partly offset by expenditure savings of $144k.
  - Reduced gravel, NZTA and isolated works external revenue of $155k for Flood Protection.
- Operating expenditure was lower than budget due mainly to:
  - Reduced contractor expenditure of $879k and materials expenditure of $82K for flood protection due to timing of maintenance works and savings.

- Reduced expenditure of $360k for Pest Animals, Pest Plants, Bovine Tb and Predator control work due to savings and timing.
- Reduced expenditure of $487k for Biodiversity due to savings in QEII restoration, Pauatahanui, and the deferment of the Akatarawa aerial possum operation.

- Capital expenditure is $449k ahead of budget, primarily due to:

  - Additional expenditure for Boulcott, Waiwhetu, LWVD, and River Works, partly offset by reduced expenditure for Lower Waitohu and the Waiohine design.

5.1.2 Forecast to 30 June 2012

- The forecast operating surplus of $3,806k is $614k better than budget made up of:

- Reduced internal revenue and internal charges from Biodiversity to Biosecurity of $164K due to KNE savings and the deferment of the Akatarawa pest control operation, with associated savings in materials and contractors in Biosecurity.
- $249k funding deficit for BioWorks. Revenue and operating expenditure $233k and $423k, above budget, respectively.
- Reduced external revenue of $310k for Flood Protection, ie, gravel, NZTA, leases and isolated works.
- Reduced contract expenditure of $645k for Flood Protection, isolated works $155k, Wairarapa maintenance $290k, Hutt and Kapiti maintenance $95k, other $105k.
- Reduced contractor expenditure of $347k for Biodiversity, covering reduced monitoring, pest control and QEII expenditure timing.

- The forecast capital expenditure to June 2011 is expected to be $2,124k higher than budget. This is due to:

- River works from mouth to SH1 on the Otaki River will be increased by $200k to allow for extra erosion control work at two sites.
- Otaki capex $366k over budget due to the settlement of the Chrystalls land purchase.
- Lower Waitohu project is forecast to be $350k under budget, noting $200k of this saving has already been included in the proposed 12/13 plan.
- LWVD flood improvements $443k over budget due to bringing forward expenditure from 2012/13 for the Tobin’s stopbank and the Tawaha catchment diversion.
- Additional capex of $1,300k to bring forward Boulcott/Hutt stopbank works by one year.
- Expenditure of $250k for Waiwhetu retention payments.

5.2 Environmental management

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	10,186	9,353	833	9,477	13,177	12,472	705	13,576
Operating expenditure	10,019	8,786	(1,233)	8,885	13,230	12,376	(854)	13,603
Operating surplus / (deficit)	167	567	(400)	592	(53)	96	(149)	(27)
Net capital expenditure	140	329	189	190	369	369	-	178

5.2.1 Year to date

Overall, an unfavourable operating variance of $400k, comprising higher revenue of $833k and higher expenditure of $1,233k.

- Operating revenue is ahead of budget primarily due to:
  - Additional invoicing by the consents regulation team. This invoicing includes on-charging of consultants costs of around $500k.
  - There is also $104k of restitution income carried forward from the previous years.
- Operating expenditure was more than budget due mainly to:
  - Unbudgeted legal and other consultants costs in Environmental Regulation department, and also due to spend on projects in Environmental Monitoring occurring earlier than planned.
  - Materials spend is $184k more than budget and includes spend which was budgeted under consultants in Environmental Monitoring.
  - Consultants spend $819k more than budget due to projects getting underway earlier than was planned. In addition costs have been incurred in the Regulation department which have been on-charged to the consent applicant as discussed in external income above
- Capital expenditure is below budget due to delays in acquiring vehicles that are due for replacement.

5.2.2 Forecast to 30 June 2012

- The forecast operating deficit of $53k is $149k worse than budget due to:
  - $132k estimated increase in personnel costs for the group taking into account restructuring costs and savings arising from vacancies.
  - $100k increase in consultants' costs for the plan review work.
  - $408k increase in consultants' costs for consent applications, this is on-charged resulting in the increased forecast operating revenue.
  - The additional expenditure is offset by increased revenue from the consents regulation team.

5.3 Forestry

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	5,167	4,979	188	5,472	6,929	6,639	290	7,415
Operating expenditure	6,393	6,127	(266)	5,840	8,123	8,173	50	7,783
Operating surplus / (deficit) before cost of goods sold	(1,226)	(1,148)	(78)	(368)	(1,194)	(1,534)	340	(368)
Cost of goods sold*	1,225	352	(873)	1,421	1,983	467	(1,516)	1,899
Operating surplus / (deficit) before valuation	(2,451)	(1,500)	(951)	(1,789)	(3,177)	(2,001)	(1,176)	(2,267)
Forestry valuation	-	-	-	-	1,400	1,400	-	8,162
Operating surplus / (deficit)	(2,451)	(1,500)	(951)	(1,789)	(1,777)	(601)	(1,176)	5,895
Net capital expenditure	93	275	182	269	360	360	-	414

* cost of goods sold is a non cash accounting adjustment

5.3.1 Year to date

- An unfavourable operating variance of $78k, prior to cost of goods sold due to:
  - Higher operating revenue of $188k primarily due to increased volume of logging than was planned. This has offset the current reduced log price.
  - With increased volumes, operating expenditure was $266k higher than budget due to increased costs of harvesting and cartage.
  - The unfavourable non-cash variance for cost of goods sold of $873k reflects the higher valuation of the forestry investment, compared to budget. With the higher than budget volume logged this gives a much higher cost of goods sold.

5.3.2 Forecast to 30 June 2012

- The forecast operating deficit prior to cost of goods sold is $340k better than budget due to increased volume of logging than was planned.
- The unfavourable non-cash variance for cost of goods sold is forecast to be $1,516k worse than budget due to increased volumes harvested and the difference between budget and actual cost of goods sold per tonne.

5.4 Regional Parks

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	4,456	4,424	32	5,197	5,898	5,898	-	5,911
Operating expenditure	4,578	4,504	(74)	5,074	6,157	6,121	(36)	7,234
Operating surplus / (deficit)	(122)	(80)	(42)	123	(259)	(223)	(36)	(1,323)
Grants for Baring Head purchase		-	-	-	-	-	-	1,100
Operating surplus / (deficit)	(122)	(80)	(42)	123	(259)	(223)	(36)	(223)
Baring Head purchase		-	-		-	-	-	1,775
Net capital expenditure	189	414	225	145	512	512	-	(1,581)

5.4.1 Year to date

- An unfavourable operating variance of $42k, due to higher expenditure in relation to:
  - Personnel costs are $75k over budget. Unbudgeted restructuring costs have been partially offset by savings from vacancies.
  - This has been offset by increase external revenue of $32k.
- Capital expenditure was below budget due primarily to:
  - Delays in carrying out maintenance work due to poor weather conditions and timing of asset acquisitions.

5.4.2 Forecast to 30 June 2012

The forecast operating deficit is $36k worse than budget. This reflects the unbudgeted costs of restructuring offset slightly by savings from current vacancies.

5.5 Public transport

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	68,268	68,772	(504)	61,619	92,006	91,797	209	84,550
Operating expenditure	68,924	70,017	1,093	61,963	93,836	93,572	(264)	86,300
Operating surplus / (deficit)	(656)	(1,245)	589	(344)	(1,830)	(1,775)	(55)	(1,750)
Net capital expenditure	17	175	158	23	22	252	230	37

5.5.1 Year to date

A favourable operating variance of $589k, comprising lower expenditure of $1,093k and reduced revenue of $504k.

- Operating revenue is $504k below budget due to:
  - Grants and subsidies revenue was $0.9 million below budget which reflects the reduction in year-to-date operational expenditure.
  - SuperGold card revenue was $0.3 million above budget because of increased patronage.
- Operating expenditure is $1,093k below budget primarily due to:
  - Rail contract expenditure was $1.1 million below budget primarily because of increased fare revenue due to a higher than budgeted average fare.
  - Rolling stock maintenance expenditure was $0.3 million above budget primarily because of increased EMU maintenance costs.
  - Rail insurance expenditure was $0.5 million above budget due an increase in premiums.
  - Rail infrastructure maintenance expenditure was $0.2 million below budget because of lower costs associated with leases and rates.

5.5.2 Forecast to 30 June 2012

- The overall forecast unfavourable operating variance of $55k close to budget.

5.6 Public transport improvement projects

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	79,159	121,874	(42,715)	81,938	127,895	128,092	(197)	116,365
Operating expenditure	84,544	138,453	53,909	87,321	139,381	175,117	35,736	123,823
Operating surplus / (deficit)	(5,385)	(16,579)	11,194	(5,383)	(11,486)	(47,025)	35,539	(7,458)
External debt revaluation gains /(loss)	-	-	-	-	-	-	-	(1,238)
Operating surplus / (deficit)	(5,385)	(16,579)	11,194	(5,383)	(11,486)	(47,025)	35,539	(8,696)
Net capital expenditure	1,714	3,012	1,298	1,209	2,757	3,968	1,211	3,159

5.6.1 Year to date

Overall, a favourable operating variance of $11,194k, comprising lower expenditure of $53,909k, as a result of this lower expenditure, reduced revenue of $42,715k.

- Operating expenditure was lower than budget due to:
  - Expenditure on the Matangi trains being $44,580k behind budget and reflects changes to the timing of payments.
  - Trolley bus infrastructure renewals are $749k behind budget due to timing of work carried out.
  - Expenditure on rail stations and car park renewal is $1,435k behind budget due to timing.
  - Ganz Mavag refurbishment expenditure was $5,700k below budget and reflects changes to the timing of payments. No further work is now expected this financial year.
- Capital expenditure was $1,298k below budget due to delays to the full roll-out of the Real Time Information Systems.

5.6.2 Forecast to 30 June 2012

- The forecast expenditure on the new Matangi units is $123.8 million compared to a budget of $144.9 million. This decrease is due to change in the timing of payments for trains.
- The Ganz Mavag refurbishment project is forecasting a reduction in expenditure of $11.0 million compared to budget, due to a delay in the final sign-off for the Ganz prototype which impacted on the signing of the contract for the refurbishment of the rest of the fleet.
- Rail infrastructure upgrades are forecasting savings of $3.3 million as most of the projects were substantially completed in the last financial year.

Capital expenditure is forecast to be $1,211k below budget due to delays with the Real Time project.

5.7 Strategy & Community Engagement

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	7,706	7,902	(196)	6,692	10,417	10,675	(258)	8,972
Operating expenditure	6,605	7,456	851	6,444	9,484	10,098	614	8,657
Operating surplus / (deficit)	1,101	446	655	248	933	577	356	315
Net capital expenditure	803	900	97	79	1,101	1,332	231	178

5.7.1 Year to date

Overall, a favourable operating variance of $655k, comprising lower expenditure of $851k and reduced revenue of $196k.

- Operating revenue is lower than budget due to:
  - Reduced grant revenue from NZTA due to lower expenditure on projects that receive funding.
- Operating expenditure was lower than budget due to:
  - Reduced expenditure in Transport Planning of $307k that mainly relates to savings of $155k made on the Hutt and Western Corridor Studies and reduced expenditure of $112k on the PT Spine Study to date.
  - Reduced expenditure of $70k related to timing of signage and display systems and media monitoring, and reduced costs of the 'Greater Wellington awareness' survey.
  - Reduced expenditure on Iwi Projects and GW capacity training of $81k to date.
  - Timing of payments related to School Travel Plan Programme. In the past grants were paid to TAs to administer this programme, now schools apply directly for funding. These applications won't start coming in until the final quarter of the year.
  - Overall the group has also had savings in personnel costs of $166k due to vacancies in various departments.
- Capital expenditure is slightly behind budget. This variance is due to timing of payments to consultants working on the transport model.

5.7.2 Forecast to 30 June 2012

The forecast operating surplus is $356k better than budget due to:

- Savings of $211k on the Western and Hutt Corridor Studies, internal resources were used instead of engaging consultants.
- Projects costs associated with the PT Spine Study will be $108k lower than budget. Some milestones will now fall into the next financial year and the costs have been rebudgeted.

- Savings will be made in design and printing costs for the 2012 annual report.
- Iwi projects forecast expenditure has been reduced by $115k.
- This is offset by an increased forecast of $80k in parks planning for the QEII Heritage Precinct.

- Capital expenditure is forecast to be $231k less than budget. These are costs associated with the transport model that will not be incurred as some work that was carried out in prior years is still valid. A reduction in grant revenue is also forecast as this expenditure received an NZTA contribution.

5.8 Finance and Support

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	6,022	5,821	201	6,043	7,963	7,763	200	9,108
Operating expenditure	5,882	6,494	612	5,872	8,365	8,727	362	8,006
Operating surplus / (deficit)	140	(673)	813	171	(402)	(964)	562	1,102
Net capital expenditure	224	1,072	848	399	397	1,072	675	660

5.8.1 Year to date

Overall, a favourable operating variance of $813k comprising higher revenue of $201k and lower expenditure of $612k.

- Operating revenue is higher than budget due to rates penalties being higher than expected.
- Operating expenditure is lower than budget due to savings in personnel costs as a result of a restructure in the finance team and vacancies in ICT.
- ICT costs for licences and external consultants are less than budget providing the other main variance.

5.8.2 Forecast to 30 June 2012

The forecast deficit for the group is expected to be $562k better than budget due to:

- Savings in personnel costs.
- Savings on consultants’ expenditure related to ITC projects.
- Capital expenditure for the year is $675k behind budget due to timing of network upgrades.

5.9 People and Capability

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	4,614	4,593	21	4,148	6,145	6,124	21	5,535
Operating expenditure	4,347	4,548	201	4,199	6,037	6,073	36	5,627
Operating surplus / (deficit)	267	45	222	(51)	108	51	57	(92)
Net capital expenditure	157	107	(50)	65	157	107	(50)	93

5.9.1 Year to date

Overall, a favourable operating variance of $222k due to lower expenditure of $201k and slightly higher revenue.

- Operating expenditure was lower than budget due to:
  - Reduced personnel costs of $66k, this is mainly in the area of staff training.
  - Other variances in the department are related to projects which have started slightly later than planned.
- Capital expenditure for the year is $50k ahead of budget. This relates to the re-fit of level 5.

5.10 Development Group

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	850	724	126	1,457	2,539	2,375	164	2,215
Operating expenditure	995	653	(342)	1,457	2,426	2,279	(147)	2,177
Operating surplus / (deficit)	(145)	71	(216)	-	113	96	17	38
Net capital expenditure (not incl Forestry)	348	605	257	-	880	815	(65)	-

5.10.1 Year to date

Overall, an unfavourable operating variance of $216k due to higher expenditure of $342k and lower revenue of $126.

- Operating expenditure was higher than budget due to:
  - Costs associated with setting up and finalising the CDEM structure. This is offset by the on charging of costs to the territorial authorities.
- Capital expenditure for the year is $257k behind budget due to:
  - Costs related to vehicle replacements are slightly delayed and are forecast to be above budget.
  - Delayed start of the WWUP but this is expected to be on track by year end.

5.11 Investment management

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	4,266	3,036	1,230	3,952	9,377	7,082	2,295	7,159
Operating expenditure	(2,775)	(3,762)	(987)	(2,086)	(3,554)	(4,339)	(785)	(2,784)
Operating surplus / (deficit)	7,041	6,798	243	6,038	12,931	11,421	1,510	9,943
Net capital expenditure	375	1,818	1,443	149	565	2,424	1,859	252

5.11.1 Year to date

Operating revenue is $1,230k ahead of budget, due to higher interest revenue from money market investments and deposits, and $81k higher other interest revenue, offset by $163k costs for a swap.

Net operating expenditure recoveries are $987k less than budget. This is mainly due to $1,540k lower internal debt interest recovery, as there is lower capital expenditure by other Groups.

5.11.2 Forecast to 30 June 2012

The operating surplus is forecast to be $12,931k, which is $1,510k higher than the budget surplus of $11,421k. The main reason for this is increased investment revenue from higher interest margins on liquid financial deposits, short term deposits and a higher dividend from CentrePort. This increase is offset by reduced internal revenue from internal loans.

5.12 Investment management – Non operational movements

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Investment - GW Rail	-	14,334	(14,334)	1	17,844	39,781	(21,937)	13,341
Valuation Movements	-	-	-	-	288	288	-	2,798
Operating surplus / (deficit)	-	14,334	(14,334)	1	18,132	40,069	(21,937)	16,139

5.12.1 Year to date – Matangi investment

An unfavourable variance of $14,334k is due to the timing of the grant from the Public Transport Group to fund the share capital of Greater Wellington Rail.

5.12.2 Forecast– Matangi investment

The grant from the Public Transport Group to fund the share capital of Greater Wellington Rail is forecast to be $21,937k below budget due to the timing of the Matangi train purchase.

5.13 Water

Financial Summary	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	20,405	20,474	(69)	20,060	27,154	27,299	(145)	27,050
Operating expenditure	22,231	22,919	688	20,484	29,676	30,627	951	27,969
Operating surplus / (deficit)	(1,826)	(2,445)	619	(424)	(2,522)	(3,328)	806	(919)
Net capital expenditure	6,620	12,147	5,527	4,220	9,635	16,692	7,057	7,393

5.13.1 Year to date

Overall a favourable operating variance of $619k compared to budget.

- Operating expenditure was $688k lower than budget due to:
  - Low levels of water demand have led to a corresponding reduction in expenditure on chemicals and power for the quarter. This saw a favourable variance in materials and supplies of $108k.
  - Reduced finance costs of $383k due to the lower level of capital expenditure for the lakes upgrade and deferred purchase of land for Lake 3.
  - Lower expenditure on consultants related to the asset information update programme.
- Capital expenditure is $5,527k under budget due to lower costs of consultants. Much of this relates to under-spending on the Stuart Macaskill Lakes upgrade project, which has achieved project savings to date, and expenditure on the lining contract was below forecast for March. The cost of the liner is accounted for under project supplies.

5.13.2 Forecast to 30 June 2012

The forecast capital expenditure is expected to be $7,057k less than budget due to:

- Purchase of land for the third lake at a cost of $4,000k will be deferred to next year.
- The work on upgrading the Stuart Macaskill Lakes is forecast to cost approximately $1,692k less than budget. This is mainly because the crest and liner tenders came in significantly less than the Engineer's estimate.

6. Finance costs

Finance Costs	For the 9 months ended 31 March 2012				For the year ending 30 June 2012			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
	5,448	5,928	480	3,944	7,604	8,533	929	5,424

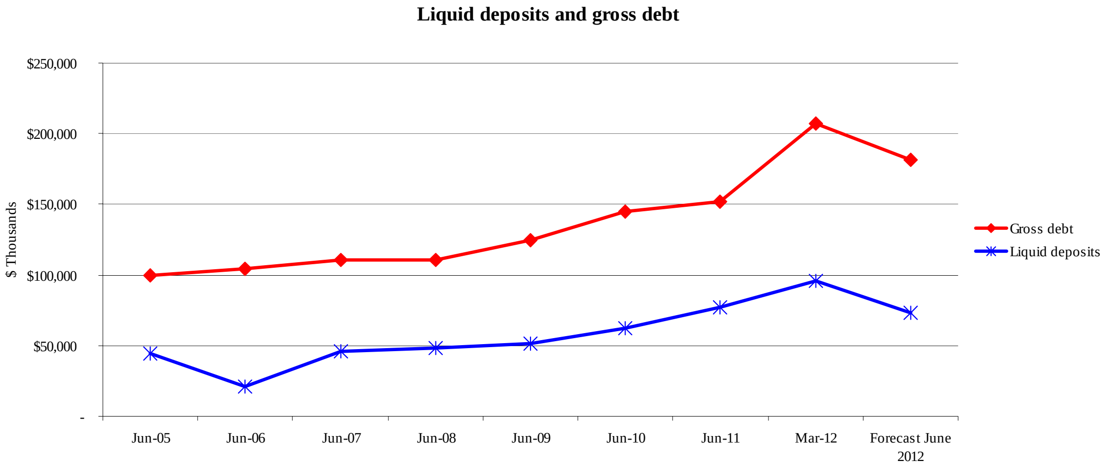
6.1 Year to date

Overall finance costs are lower than budget due to reduced capital expenditure.

6.2 Forecast to 30 June 2012

Finance costs are forecast to be $929k favourable to budget due to reduced capital expenditure, which will in turn reduce internal borrowing.

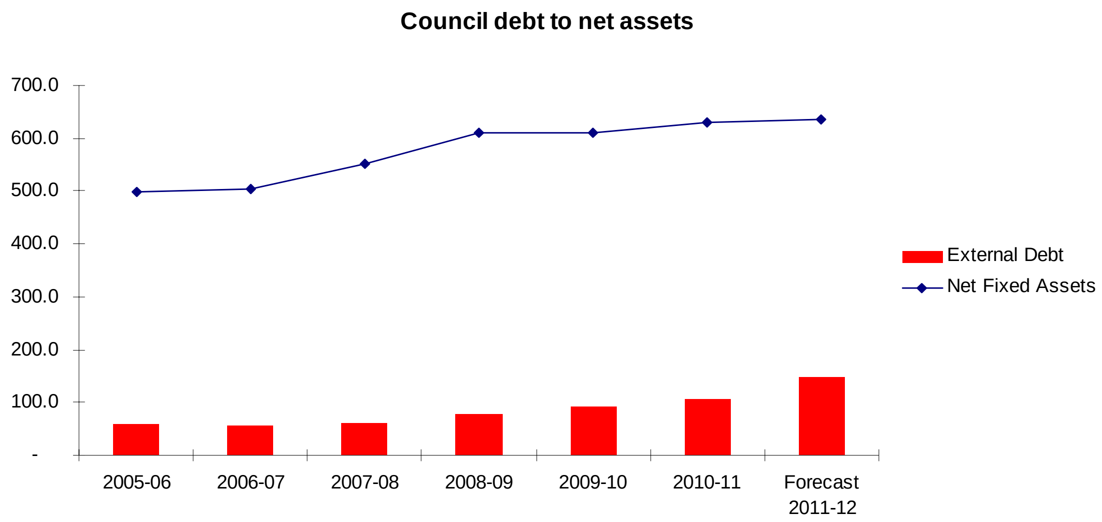
6.3 Deposits and debt



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

Greater Wellington's debt, including WRC Holdings, was $197 million at 31 March 2012, compared with $152 million on 30 June 2011, including debt revaluations of $10 million downwards. The debt level is higher than 30 June due to prefunding part of this year's capital expenditure requirements, but offset by funding received in advance for the Matangi trains. This debt excludes CentrePort debt.

The forecast debt for the end of the year is $173 million including WRC Holdings Ltd and including debt revaluations of $9 million downwards.



Greater Wellington had $102 million on deposit at 31 March, composed of $54.6 million of contingency funds, with the balance due to prefunding of Greater Wellington’s capital expenditure programme and revenue in advance for the Matangi trains.

6.4 Stadium debt

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

Currently, an interest rate swap is in place from February 2012 until early 2018 to fix the base borrowing rate at 5.75% plus the recent LGFA lending margin, to bring the total new rate to 6.98%. Significant savings continue to result from this debt restructure.

The balance of this loan at 31 March 2012 was $12,176,220.

7. WRC Holdings

7.1 Financial result for the Group

The following table summarises WRC Holdings group of companies (the Group) operating results for the period ending 31 March 2012.

WRC HOLDINGS GROUP
INCOME STATEMENT
FOR THE PERIOD ENDED 31st March 2012

WRC HOLDINGS GROUP INCOME STATEMENT FOR THE PERIOD ENDED 31st March 2012	YTD as at 31 March				Full Year				Last Year	
	Actual $000	Budget $000	Variance $000		Forecast $000	Budget $000	Variance $000		Last Year $000	FY Actual $000
Total Revenue	147,076	154,510	(7,434)		210,322	222,170	(11,848)		58,188	198,822
Operating Expenses	53,705	56,678	2,973		73,102	76,666	3,564		36,473	51,401
Earnings before interest & tax (EBIT)	**93,371**	**97,832**	**(4,461)**		**137,220**	**145,504**	**(8,284)**		**21,715**	**147,421**
Less:										
Finance costs	11,169	11,272	103		14,690	14,963	273		10,033	13,727
							-			(10,330)
Net surplus (deficit) before tax & revaluations	**82,202**	**86,560**	**(4,358)**		**122,530**	**130,541**	**(8,011)**		**11,682**	**123,364**

Notes:
(1) Includes a summary consolidation of CentrePort Ltd's results before providing for minority interests

The Statement of Intent (SOI) for WRC Holding Group has been updated to reflect the change of Greater Wellington Rail Limited (GWRL) to a Public Benefit Entity.

This has resulted in a significant increase in the revenue and profit lines, due to the funds received for the purchase of the Matangi trains from Greater Wellington being treated as income.

Thus the bottom line and variance against budget is overwhelmed by this very large revenue stream.

The result shows a $4.4 million unfavourable position against budget, $5.95 million of this relates to GWRL, offset by favourable results from CentrePort and Port Investments.

A detailed investigation into the components of the Group result before tax reveals the following:

CentrePort: Overall a favourable result against budget of $1,320,000 before tax up to the end of March. This was mainly due to lower revenue on port operations of $765,000 offset by lower $2,142,000 operating costs.

Port Investments: $760,000 favourable to budget due to lower interest costs of $207,000 and an additional dividend being declared of $700,000 by CentrePort after year end. Of this, $538,000 has been paid to Port Investments as its share.

Greater Wellington Rail Limited: GWRL is $5.95 million unfavourable to budget due to the timing of the Matangi train purchase.

7.2 Financial forecast for the Group to 30 June 2012

The Group is forecasting an $8.01 million adverse position to full year budget, most of which is due to Greater Wellington Rail Limited.

Greater Wellington Rail Limited is forecasting an $8.83 million adverse position to budget due to the timing of the Matangi train purchase. This result is strongly influenced by the level of grant for the Matangi trains from Greater Wellington.

CentrePort is forecasting a net profit before tax at $14.8 million, slightly ahead of a budgeted Statement of Corporate Intent of $14.4 million for the full year.

Port Investments Limited is forecasting a $973,000 positive position against budget, mainly due to the additional dividend from CentrePort Limited and lower interest cost. We expect this figure to be increased due to a higher subvention payment from CentrePort, which is currently being finalised.

8. Compliance with Treasury Management Policy

All ratios for the Treasury Management Policy are in compliance, with the exception of the maturity profile of total external debt, less liquid financial investments.

Greater Wellington has insufficient maturities in the 3-5 year band relative to policy. This is currently not a problem as it is covered by the > 5 year band.

This breach will be rectified shortly as the $26.5 million of Crown loans will move from the >5 year band into the 3-5 year band thus giving full compliance at 30 June 2012.

Refer to **Attachment 3** for the detailed ratios.

9. Communication

No communications are necessary at this time.

10. Recommendations

That the Council:

1. ***Receives** the report.*

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

Report prepared by:	Report approved by:
Chris Gray	Bruce Simpson
Manager, Finance & Support	Chief Financial Officer

Attachment 1: Funding Impact Statement

Attachment 2: Balance Sheet

Attachment 3 Compliance with Treasury Risk Management