greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Summary of Financial Statements ended 30 September 2014

1. Purpose

For the Strategy and Policy Committee (the Committee) to receive the summary financial and performance report for the quarter ending 30 September 2014.

2. Background

This report enables a review of performance of Council activities.

3. Council Financial Summary

Overall, the operating surplus before transport improvements is favourable by \$2,687k relative to budget. When the transport improvement numbers and non-operational movements are included the financial results for the quarter were \$3,059k favourable compared to budget. This is mainly due to reduced expenditure in Public Transport, Catchment Management and Water Supply.

For Public Transport, this was largely due to increased patronage reported by KiwiRail and reduced rail expenditure.

In Catchment Management there were savings for Akura nursery, as well as reduced predator control and ecosystems expenditure due to the timing of projects.

Similarly with Water Supply, materials spend has been below budget due to timing of projects, coupled with lower depreciation as a result of adjustments made to asset values at 30 June 2014.

Details by Group follow in section 4.

3.1 Financial Summary

Summary Income Statement $(000)'s	Period ending 30 September 2014 Actual	Budget	Variance	Last Year
Regional Rates	24,135	24,134	1	22,827
Regional Water Supply Levies	6,569	6,569	-	6,409
Other Operating Revenue	19,271	20,506	(1,235)	23,436
Total Operating Revenue	**49,975**	**51,209**	**(1,234)**	**52,672**
Operational Costs	50,315	54,228	3,913	52,249
Operating Surplus / (Deficit) before Transport Improvements	**(340)**	**(3,019)**	**2,679**	**423**
Operating Surplus / (Deficit) from Transport Improvements	3,343	2,957	386	842
Operating Surplus before other movements	**3,003**	**(62)**	**3,065**	**1,265**
Non-operational movements	(6)	-	(6)	(242)
Operating Surplus / (Deficit)	**2,997**	**(62)**	**3,059**	**1,023**

3.2 Financial Summary by Group

Total operating surplus / (deficit) $(000)'s	Period ending 30 September 2014 Actual	Budget	Variance	Last Year
Catchment Management	1,723	1,278	445	893
Forestry	(68)	(31)	(37)	740
Environmental Management	35	(10)	45	243
Regional Parks	(431)	(407)	(24)	76
Wairarapa Water Use project	(50)	(3)	(47)	(32)
Public Transport	151	(1,240)	1,391	1,143
Strategy & Community Engagement	27	(273)	300	240
WRS	89	4	85	36
Other Corporate	144	174	(30)	68
Emergency Management	32	(65)	97	(170)
Finance and Support	(242)	(286)	44	(246)
Total operational surplus / (deficit)	**1,410**	**(859)**	**2,269**	**2,991**
Investment Management	2,291	2,412	(121)	2,310
Business unit rates contribution	(2,501)	(2,500)	(1)	(2,600)
Total rates funded operating surplus / (deficit)	**1,200**	**(947)**	**2,147**	**2,701**
Water Supply	(1,540)	(2,072)	532	(2,278)
Total rates & levy funded operating surplus / (deficit)	**(340)**	**(3,019)**	**2,679**	**423**
Non-operational movements				
Forestry cost of goods sold	(6)	-	(6)	(242)
Warm Greater Wellington	-	-	-	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	3,343	2,957	386	842
Total non-operational surplus / (deficit)	**3,337**	**2,957**	**380**	**600**
Total council surplus / (deficit)	**2,997**	**(62)**	**3,059**	**1,023**

3.3 Forecast to 30 June 2015

Greater Wellington Regional Council (GWRC) is forecasting an operating deficit of $10,651k (budget, a deficit of $11,558k) for the year to 30 June 2015. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, GWRC is forecasting a deficit of $1,772k (budget, a deficit of $2,350k). The primary difference is a forecast decrease in spend in Public Transport as well as favourable Investment Management returns. These are slightly offset by an increased depreciation in Parks.

Details by Group follow in section 4.

3.3.1 Financial forecast

Summary Income Statement $(000)'s	**Year ended 30 June 2015**			
	Forecast	**Budget**	**Variance**	**Last Year**
Regional Rates	96,538	96,538	-	92,454
Regional Water Supply Levies	26,276	26,276	-	25,635
Other Operating Revenue	80,990	81,112	(122)	99,567
Total Operating Revenue	**203,804**	**203,926**	**(122)**	**217,656**
Operational Costs	214,455	215,484	1,029	217,154
Operating Surplus / (Deficit) before Transport Improvements	**(10,651)**	**(11,558)**	**907**	**502**
Operating Surplus / (Deficit) from Transport Improvements	8,727	9,051	(324)	3,587
Operating Surplus before other movements	**(1,924)**	**(2,507)**	**583**	**4,089**
Non-operational movements	152	157	(5)	18,961
Operating Surplus / (Deficit)	**(1,772)**	**(2,350)**	**578**	**23,050**
Net fixed asset revaluations	**-**	**-**	**-**	**27,600**
Total council comprehensive income	**(1,772)**	**(2,350)**	**578**	**50,650**

3.3.2 Financial forecast by Group

Total operating surplus / (deficit) $(000)'s	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Catchment Management	3,559	3,434	125	3,058
Forestry	(82)	(122)	40	330
Environmental Management	29	29	-	(563)
Regional Parks	(1,656)	(1,342)	(314)	(1,989)
Wairarapa Water Use project	(12)	(12)	-	(78)
Public Transport	(4,155)	(4,680)	525	4,229
Strategy & Community Engagement	(362)	(362)	-	391
WRS	17	17	-	(39)
Other Corporate	81	133	(52)	(12)
Emergency Management	(337)	(337)	-	177
Finance and Support	(1,420)	(1,472)	52	(1,022)
Total operational surplus / (deficit)	**(4,338)**	**(4,714)**	**376**	**4,482**
Investment Management	11,909	11,378	531	12,524
Business unit rates contribution	(10,001)	(10,001)	-	(10,406)
Total rates funded operating surplus / (deficit)	**(2,430)**	**(3,337)**	**907**	**6,600**
Water Supply	(8,221)	(8,221)	-	(6,098)
Total rates & levy funded operating surplus / (deficit)	**(10,651)**	**(11,558)**	**907**	**502**
Non-operational movements				
Revaluation of interest rate swaps and stadium advance	159	159	-	3,868
Revaluation of Transport Interest free debt	-	-	-	(1,560)
Revaluation of forestry (ETS and Trees)	-	-	-	17,335
Forestry cost of goods sold	(5)	-	(5)	(682)
Warm Greater Wellington	(2)	(2)	-	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	8,727	9,051	(324)	3,587
Total non-operational surplus / (deficit)	**8,879**	**9,208**	**(329)**	**22,548**
Total council surplus / (deficit)	**(1,772)**	**(2,350)**	**578**	**23,050**
Net fixed asset revaluations	**-**	**-**	**-**	**27,600**
Total council comprehensive income	**(1,772)**	**(2,350)**	**578**	**50,650**

3.4 Capital expenditure

3.4.1 Capital expenditure by Group

Capital expenditure is $3,784k below budget, year to date. This is due to lower spend by Catchment Management, Water Supply and the Public Transport improvement projects.

Public Transport improvement projects are mainly below budget due to the timing of payments for the Matangi trains. For Water Supply, projects are progressing however, as a result of timing of payments, these are below budget. In Catchment Management spend is below budget due to the timing of stop bank improvements in Waikanae and Otaki. Invoicing of external revenue for the Wairarapa Water Use Project occurred in October which brings this project back on track for the year.

Details by Group follow in section 4.

Total capital and transport investment and improvement expenditure $(000)'s	Period ending 30 September 2014			
	Actual	**Budget**	**Variance**	**Last Year**
Catchment Management	402	976	574	408
Forestry	-	-	-	135
Environmental Management	19	48	29	(413)
Regional Parks	2	220	218	215
Wairarapa Water Use project	546	156	(390)	196
Public Transport capital projects	3,309	3,205	(104)	2
Strategy & Community Engagement	37	-	(37)	50
Other Corporate	(17)	5	22	-
Emergency Management	-	-	-	-
Finance, ICT and Support	118	350	232	237
Total capital expenditure	**4,416**	**4,960**	**544**	**830**
Investment and property management	13	-	(13)	55
Total rates funded capital expenditure	**4,429**	**4,960**	**531**	**885**
Water Supply	866	1,970	1,104	1,306
Total rates & levy funded capital expenditure	**5,295**	**6,930**	**1,635**	**2,191**
Public Transport investment projects - GWRL	1,553	3,702	2,149	7,800
Total council capital and transport investment expenditure	**6,848**	**10,632**	**3,784**	**9,991**

3.4.2 Capital expenditure forecast by Group

Capital expenditure is forecast to be $1,960k more than budget by year end. This is primarily due to changes within Public Transport and ICT which are discussed in section 4.

Total capital and transport investment and improvement expenditure	Year ended 30 June 2015			
$(000)'s	Forecast	Budget	Variance	Last Year
Catchment Management	4,960	5,008	48	5,956
Forestry	-	-	-	240
Environmental Management	450	450	-	(696)
Regional Parks	1,168	1,168	-	212
Wairarapa Water Use project	825	825	-	627
Public Transport capital projects	4,829	5,286	457	1,091
Strategy & Community Engagement	197	197	-	228
Other Corporate	71	71	-	31
Emergency Management	70	70	-	(14)
Finance, ICT and Support	1,908	1,504	(404)	2,420
Total capital expenditure	**14,478**	**14,579**	**101**	**10,095**
Investment and property management	-	-	-	2,328
Total rates funded capital expenditure	**14,478**	**14,579**	**101**	**12,423**
Water Supply	8,125	8,125	-	10,069
Total rates & levy funded capital expenditure	**22,603**	**22,704**	**101**	**22,492**
Public Transport investment projects - GWRL	49,494	47,433	(2,061)	28,041
Total council capital and transport investment expenditure	**72,097**	**70,137**	**(1,960)**	**50,533**

4. Council Financial Performance by Group

4.1 Catchment Management

Financial Summary	Period ending 30 September 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	9,181	9,152	29	8,379	33,663	33,250	413	32,873
Operating expenditure	7,458	7,874	416	7,486	30,104	29,816	(288)	29,815
Operating surplus / (deficit)	**1,723**	**1,278**	**445**	**893**	**3,559**	**3,434**	**125**	**3,058**
Net capital expenditure	402	976	574	408	4,960	5,008	48	5,956

Year to date

A favourable operating variance of $445k, comprising higher revenue of $29k and lower operating costs of $416k.

Operating revenue is higher than budget due mainly to:

- A number of offsetting variances including additional Ministry for the Environment (Mfe) revenue for the Wairarapa Moana Clean Up Project, additional TBfree revenue for aerial control operations, reduced shingle revenue for Flood Protection, reduced internal revenue for aerial pest control and internal sales to Akura due to timing.

Operating expenditure was lower than budget due to:

- Reduced material purchases of $235k for Akura due to timing and savings
- Additional Wairarapa Moana Clean Up expenditure of $193k
- Reduced Predator Control expenditure of $197k and Key Native Ecosystem expenditure of $130k due to timing.

Capital expenditure is $574k lower than budget, primarily due to:

- The timing of Flood Protection stop bank improvements in Waikanae and Otaki and the Resource Consent project

Forecast to 30 June 2015

The forecast operating surplus is $125k above budget.

Operating revenue is forecast to be above budget due to:

- Mfe revenue of $326k for the Wairarapa Moana Clean Up Fund
- Additional TBfree revenue of $124k for pest control operations.

Operating expenditure is also forecast to be above budget due to:

- Expenditure of $356k for the Wairarapa Moana Clean Up Project.

The forecast capital expenditure to June 2015 is expected to be $48k lower than budget due to:

- The disposal of property at Tinui.

4.2 Environmental Management

Financial Summary $(000)'s	Period ending 30 September 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	4,070	3,850	220	3,855	15,622	15,422	200	15,467
Operating expenditure	4,035	3,860	(175)	3,612	15,593	15,393	(200)	16,030
Operating surplus / (deficit)	**35**	**(10)**	**45**	**243**	**29**	**29**	**-**	**(563)**
Net capital expenditure	19	48	(29)	(413)	450	450	-	(696)

Overall, a favourable operating variance of $45k, comprising higher revenue of $220k and higher expenditure of $175k.

Operating revenue is ahead of budget primarily due to:

- External revenue is $1,004k which is $235k more than budget of which $286k is for consent processing including additional on charging of consultants costs for the Roads of National Significance (RONS) projects.

Operating expenditure was higher than budget due mainly to:

- Direct costs (personnel, materials and consultants) of $3,612k are $201k more than budget mainly due to $134k of RONS related legal and consultants costs and an additional $54k for work on the Whaitua and Regional Plan.

Capital expenditure is $29k lower than budget, primarily due to:

- Timing of spend on projects.

Forecast to 30 June 2015

The forecast operating surplus is in line with budget.

Operating revenue is forecast to be above budget due to:

- Forecast external revenue has been increased by $200k for the RONS project recoveries.

Operating expenditure is also forecast to be above budget due to:

- Forecast consultants costs have been increased by $200k to include additional consultants and legal costs for the RONS projects.

The forecast capital expenditure to June 2015 is expected to be in line with budget.

4.3 Forestry

Financial Summary $(000)'s	Period ending 30 September 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	168	78	90	3,990	432	313	119	11,199
Operating expenditure	236	109	(127)	3,250	514	435	(79)	10,869
Cash Operating surplus / (deficit)	**(68)**	**(31)**	**(37)**	**740**	**(82)**	**(122)**	**40**	**330**
Revaluation of forestry (ETS and Trees)	-	-	-	-	-	-	-	17,335
Forestry cost of goods sold	(6)	-	(6)	(242)	(5)	-	(5)	(682)
Operating surplus / (deficit)	**(74)**	**(31)**	**(43)**	**498**	**(87)**	**(122)**	**35**	**16,983**
Net capital expenditure	-	-	-	135	-	-	-	240

Overall, an unfavourable operating variance of $43k.

Operating surplus is below budget primarily due to:

- Residual harvesting and legal costs from the sale of the forestry cutting rights.

Forecast to 30 June 2015

The forecast operating deficit is $35k below budget due to savings in personnel costs.

4.4 Regional Parks

Financial Summary $(000)'s	Period ending 30 September 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	1,546	1,515	31	1,585	6,247	6,247	-	6,501
Operating expenditure	1,977	1,922	(55)	1,509	7,903	7,589	(314)	8,490
Operational Surplus / (deficit) before other items	**(431)**	**(407)**	**(24)**	**76**	**(1,656)**	**(1,342)**	**(314)**	**(1,989)**
Net capital expenditure	2	220	(218)	215	1,168	1,168	-	212

An unfavourable operating variance of $24k, largely due to increased depreciation costs following the infrastructure assets revaluation at year end.

Operating Revenue was higher than budget due to:

- Parks external income is $31k higher than budget, mainly due to the on-charging of property costs associated with the Transmission Gully Project to the New Zealand Transport Agency (NZTA).

Operating expenditure was higher than budget due to:

- The main variance in Parks costs is the depreciation cost which has increased following the revaluation of Parks Infrastructure assets at June 2014. This is an ongoing variance so the forecast has been updated by $314k to reflect this.

Capital expenditure was $218k below budget due primarily to:

- Parks have a full year budget of $1,186k. The budget includes $456k for the Queen Elizabeth Park heritage project which will upgrade the Mackays

Crossing entrance. Capital work is being planned and will take place over the summer months.

Forecast to 30 June 2015

The forecast operating deficit is $314k adverse to budget.

Operating revenue is forecast to be in line with budget.

Operating expenditure is forecast to be $314k above budget due to:

Additional depreciation following the infrastructure revaluation in the previous year. Depreciation is a non-cash transaction.

The forecast capital expenditure to June 2015 is expected to be in line with budget.

4.5 Public Transport

Public Transport								
Financial Summary	**Period ending 30 September 2014**				**Year ended 30 June 2015**			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**	**Forecast**	**Budget**	**Variance**	**Last Year**
Operating revenue	23,496	25,348	(1,852)	24,347	99,519	100,909	(1,390)	103,160
Operating expenditure	23,345	26,588	3,243	23,204	103,674	105,589	1,915	98,931
Operating surplus / (deficit)	**151**	**(1,240)**	**1,391**	**1,143**	**(4,155)**	**(4,680)**	**525**	**4,229**

A favourable operating variance of $1,391k, comprising lower expenditure of $3,243k and reduced revenue of $1,852k.

Operating revenue was below budget due to:

- Grants and subsidies revenue was $1.8 million below budget which reflects the reduction in operational expenditure for the year.

Operating expenditure is below budget primarily due to:

- Rail contract costs were $1.5 million below budget. The results reported by TranzMetro show that fare revenue was above budget by $0.9 million and expenditure was below budget by $0.6 million.
- Network operations and maintenance costs were $0.3 million below budget because of reduced track maintenance costs, partly offset by increased vegetation control costs.
- Train maintenance expenditure was $0.1 million below budget, primarily because of the late implementation of the extra late shift, reduced number of staff and less unplanned maintenance. A robust planned maintenance programme has meant lower unplanned maintenance costs on the Matangi and Ganz Mavag trains.
- Station expenditure was $0.3 million, which is $0.2 million below budget, primarily because of over accruals from last year and reduced year to date expenditure.
- Diesel bus operations expenditure was $7.7 million which is $0.2 million below budget primarily because bus inflation costs for the year were lower than budgeted.

- Trolley bus operations expenditure was $1.9 million which is $0.4 million below budget. The annual contribution adjustment for the trolley bus contract has not been finalised and therefore not accrued at this time, and there were cost reductions from services not run.
- Projects and planning expenditure was $0.4 million below budget. The Integrated Ticketing Investigation was late commencing and the Bus Rapid Transit Implementation plan has not started.
- Public Transport Operating Model (PTOM) expenditure was $0.7 million which is $0.2 million above budget. The budget has been updated following a detailed project and expenditure review.
- Administration expenditure was $2.8 million which is $0.2 million below budget. Rail studies and investigation expenditure is now directly charged to Greater Wellington Rail Limited (GWRL) and has been separated out from the administration costs.
- There has also been less than budgeted expenditure in Bus Studies, Marketing and Communications, and Systems and Information.

Forecast to 30 June 2015

The forecast operating deficit of $4,155k is $525k better than budget.

Operating revenue is forecast to be below budget due to:

- Lower grants and subsidies revenue because of the reduction in expenditure detailed below.

Operating expenditure is also forecast to be below budget due to:

- Rail contract full year forecast expenditure is $1.4 million below budget, because of increased fare revenue and lower expenditure.
- Projects and planning full year forecast expenditure is $0.5 million below budget. The Bus Rapid Transit implementation plan is expected to start at a later date.
- PTOM full year forecast expenditure is $1.0 million above budget. The budget has been updated following a detailed project and expenditure review. GWRC's share of the project will be funded through reserves because of the one-off nature of the expenditure.
- Administration full year forecast expenditure is $0.6 million below budget. There are lower costs in rail assets management and GWRL administration charges. Rail studies and investigation expenditure is now directly charged to GWRL and has been separated out from the administration cost.

4.6 Public Transport capital expenditure, improvement projects and investment additions

Improvement projects relate to capital works where the underlying asset will not be directly owned by GWRC, and therefore are treated as operational expenditure in these accounts (trolley bus infrastructure renewals).

Investment additions relate to capital works where the underlying asset will be owned by our subsidiary, GWRL.

Capital projects are projects that improve (or create) assets owned by GWRC.

Financial Summary	Period ending 30 September 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	5,119	5,718	(599)	2,186	22,392	22,516	(124)	11,843
Improvement Projects (Opex)	189	768	579	1,213	5,711	5,492	219	4,601
Operating expenditure - Other	1,588	1,993	405	131	7,954	7,973	(19)	3,655
Total operating expenditure	1,777	2,761	984	1,344	13,665	13,465	(200)	8,256
Operating surplus / (deficit)	3,342	2,957	385	842	8,727	9,051	(324)	3,587
Public Transport capital projects	3,309	3,205	(104)	2	4,829	5,286	457	1,091
Public Transport investment projects - GWRL	1,553	3,702	2,149	7,800	49,494	47,433	(2,061)	28,041
Capital and investment expenditure	4,862	6,907	2,045	7,802	54,323	52,719	(1,604)	29,132

Overall, a favourable operating variance of $385k due to reduced operating expenditure of $984k and reduced revenue of $599k.

Operating revenue was lower than budget due to:

- The Grant and Subsidies revenue was $0.6 million below budget because of reductions in expenditure on improvement projects and investments detailed below.

Operating expenditure was lower than budget due to:

- Reduced finance costs of approximately $0.3 million because of reduction in expenditure on improvement projects and investments.
- Trolley bus infrastructure renewals were $0.6 million below budget because of reduced year to date expenditure and minimal cost has been incurred on the network wide fault protection safety system.

Capital and investment expenditure is $2.0 million below budget due to:

This reduction in expenditure primarily relates to changes to the timing of projects expenditure including:

- New Matangi trains - $2.3 million below budget because of some changes to the timing of payments.
- Station renewals and upgrades - $0.1 million below budget primarily because of changes to the timing of payments.
- Security related rail improvements - $0.1 million below budget. There is no cost incurred to date.
- Wellington depot and stabling - $0.3 million above budget because of some changes to the timing of the project.
- Bus shelter and signage upgrades - $0.1 million above budget because the work programme was brought forward.
- Customer information system - $0.1 million below budget. The project was delayed but is now underway and is expected to be completed in the 2014/15 financial year.

Forecast to 30 June 2015

The unfavourable forecast operating variance relating to capital expenditure is $324k. This is primarily a result of higher improvement project expenditure and reduced operating revenue.

The forecast net capital and investment expenditure is $1,604k above budget.

This includes changes to the timing of expenditure relating to:

- Integrated Fares and Ticketing project - $0.5 million below budget because the capital investment in the project is not expected to commence this year.
- Park and Ride land - $0.1 million above budget. GWRC purchased land in Tawa and Petone for Park and Ride use. A higher price was paid for the land in Tawa than budgeted.
- Customer information systems – $0.1 million below budget. The Call Handing System project is now managed by ICT.
- New Matangi trains - $1.8 million above budget. Overall, the Matangi 1 and Matangi 2 trains are expected to be delivered within budget.
- Wellington depot and stabling - $0.3 million above budget.

4.7 Strategy & Community Engagement

Financial Summary	Period ending 30 September 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,081	1,052	29	1,071	4,952	4,952	-	4,698
Operating expenditure	1,054	1,325	271	831	5,314	5,314	-	4,307
Operating surplus / (deficit)	**27**	**(273)**	**300**	**240**	**(362)**	**(362)**	**-**	**391**
Net capital expenditure	37	-	(37)	50	197	197	-	228

Overall, a favourable operating variance of $300k, comprising lower expenditure of $271k and increased revenue of $29k.

Operating revenue is in line with budget.

Operating expenditure was lower than budget due to:

- Reduced expenditure on consultants, materials and supplies due mainly to timing of the projects including the Regional Land Transport Plan.
- Reduced expenditure on Iwi Projects and GWRC capacity training to date.
- Printing costs for the Annual Report 2013/14 are still to come in.

Forecast to 30 June 2015

The forecast operating deficit is in line with budget.

4.8 Wellington Regional Strategy

Financial Summary	Period ending 30 September 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,161	1,162	(1)	1,158	4,650	4,650	-	4,631
Operating expenditure	1,072	1,158	86	1,122	4,633	4,633	-	4,670
Operating surplus / (deficit)	**89**	**4**	**85**	**36**	**17**	**17**	**-**	**(39)**

Overall, a favourable operating variance of $85k, comprising lower expenditure of $86k.

Operating expenditure was higher than budget due to:

- Reduced expenditure on consultants due mainly to timing of payments to external parties.

Forecast to 30 June 2015

The forecast operating surplus is in line with budget.

4.9 People and Capability

Financial Summary $(000)'s	Period ending 30 September 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	822	816	6	858	3,262	3,262	-	3,436
Operating expenditure	604	647	43	807	3,223	3,171	52	3,452
Operating surplus / (deficit)	**218**	**169**	**49**	**51**	**39**	**91**	**(52)**	**(16)**
Net capital expenditure	-	5	5	-	35	35	-	31

Overall, a favourable operating variance of $49k, comprising largely of lower expenditure of $43k.

Forecast to 30 June 2015

The forecast operating surplus is $49k below budget due to additional resourcing in this group whilst the Chief Financial Officer role is vacant. This is offset by a reduction in Finance, ICT and Support.

4.10 Finance ICT and Support

Financial Summary $(000)'s	Period ending 30 September 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	1,517	1,557	(40)	1,433	6,228	6,228	-	6,926
Operating expenditure	1,759	1,843	84	1,679	7,648	7,700	52	7,948
Operating surplus / (deficit)	**(242)**	**(286)**	**44**	**(246)**	**(1,420)**	**(1,472)**	**52**	**(1,022)**
Net capital expenditure	118	350	232	237	1,908	1,504	(404)	2,420

Overall, a favourable operating variance of $44k.

Operating revenue and expenditure is in-line with budgeted expectations.

Capital expenditure for the year is $118k less than budget primarily due to:

- The Hummingbird document management system replacement is underway, but shared service reviews have meant that the project will be delivered later in the year.

Forecast to 30 June 2015

The forecast operating deficit is $52k below budget.

The forecast capital expenditure to June 2015 is expected to be $404k higher than budget due to:

- The project to upgrade the Digital Radios has been brought forward to line up with other agencies reviews.

4.11 Emergency Management

Financial Summary $(000)'s	Period ending 30 September 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	718	737	(19)	424	2,869	2,869	-	2,932
Operating expenditure	686	802	116	594	3,206	3,206	-	2,755
Operating surplus / (deficit)	**32**	**(65)**	**97**	**(170)**	**(337)**	**(337)**	**-**	**177**
Net capital expenditure	-	-	-	-	70	70	-	(14)

Overall, a favourable operating variance of $97k comprising lower revenue of $19k and lower expenditure of $116k.

Operating revenue is running to budget.

Operating expenditure is lower than budget due to:

- Timing of community projects now expected later in the financial year.

Forecast to 30 June 2015

The forecast operating deficit is in line with budget.

4.12 Warm Greater Wellington

Financial Summary $(000)'s	Period ending 30 September 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	579	686	(107)	428	2,742	2,742	-	2,732
Operating expenditure	579	686	107	428	2,744	2,744	-	2,732
Operating surplus / (deficit)	**-**	**-**	**-**	**-**	**(2)**	**(2)**	**-**	**-**

Overall, a break-even position, comprising lower revenue of $107k and lower expenditure of $107k.

Operating revenue is lower than budget due to:

- Rates revenue is below budget as the rates are calculated on the actual outstanding advances at 30 June 2014 which were lower than budgeted. This was due to a lower cash level of advances provided in 2013/14 and a much larger than expected number of full repayments as houses sold and rates being set after the budgets were adopted.

Operating expenditure is lower than budget due to:

- The accounting treatment for this programme is that expenditure will match revenue as the programme progresses, resulting in a nil surplus / deficit. The costs of the programme are amortised back in line with the rates revenue.
- Only the ratepayers participating in the scheme fund this programme.

Forecast to 30 June 2015

The forecast operating result is in line with budget.

4.13 Investment Management

Financial Summary	Period ending 30 September 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Revenue	2,009	1,631	378	7,988	9,354	8,738	616	7,417
Internal Interest Recovery	3,533	3,868	(335)	14,531	15,461	15,471	(10)	14,685
Operating revenue	5,542	5,499	43	22,519	24,815	24,209	606	22,102
Expenditure	3,010	2,865	(145)	8,659	11,781	11,786	5	8,853
Internal Reserve Costs	241	222	(19)	1,004	966	886	(80)	901
Operating expenditure	3,251	3,087	(164)	9,663	12,747	12,672	(75)	9,754
Operating surplus / (deficit)	**2,291**	**2,412**	**(121)**	**12,856**	**12,068**	**11,537**	**531**	**12,348**
Net capital expenditure	13	-	(13)	55	-	-	-	2,328

Overall, an unfavourable variance of $121k compared with budget.

- Revenue is $378k above budget and is mainly due to prefunded debt. The investments stemming from the forestry cutting rights sale have been invested at higher interest rates than budget.
- Interest Recovery from internal loans is $335k unfavourable. Capex has been at a slower place leading to lower internal loans and consequential interest recovery from the business units.
- Total direct expenditure (interest costs, personnel, consultants and materials) is $145k unfavourable, mainly due to higher interest expense as a result of prefunding debt.
- Internal Reserve Investment costs where Invest Management pays the business units interest on their reserve funds is $19k unfavourable to budget due to higher reserve opening balance than budgeted.

Capital expenditure is $13k for the year which is related to the design for the Upper Hutt Depot upgrade.

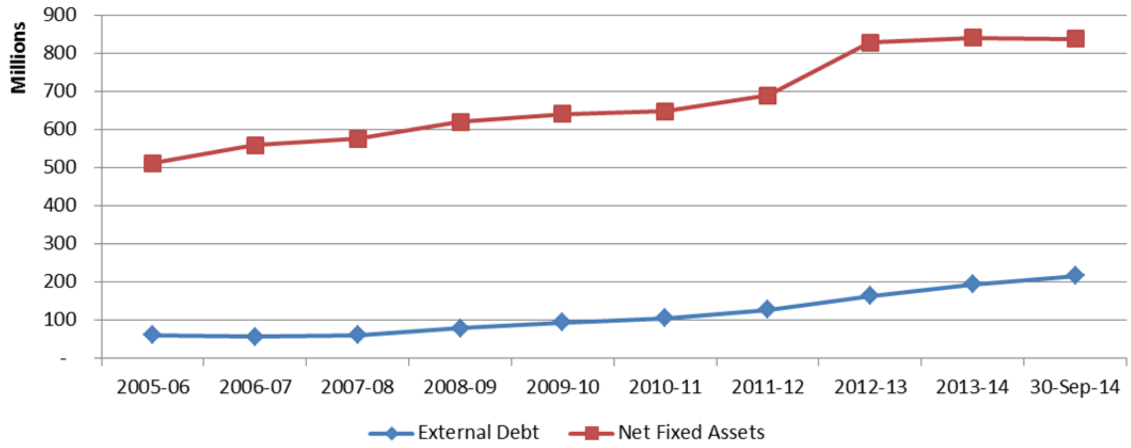
Forecast to 30 June 2015

The forecast operating surplus is forecasted to be $531k above budget.

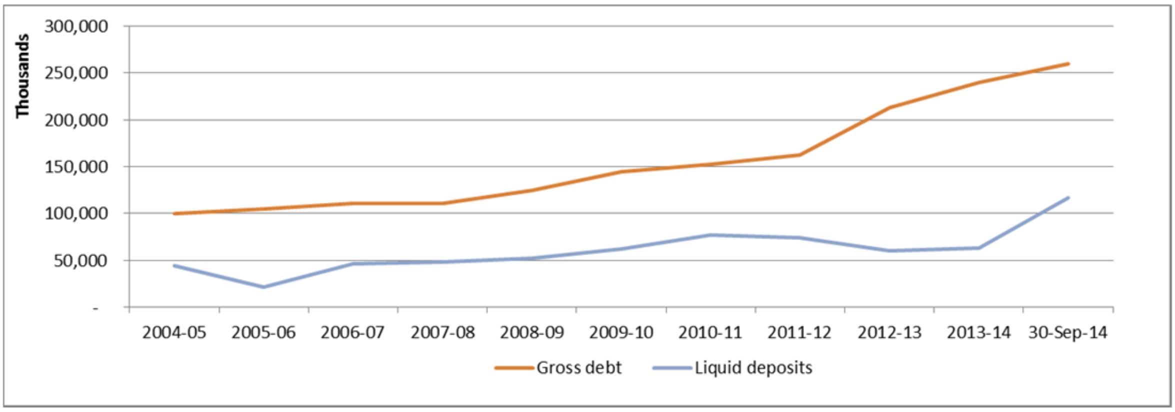
Operating revenue is forecast to be $606k above budget due to higher than budgeted investment revenue, mainly resulting from prefunded debt. We are forecasting to receive higher rates than budgeted due to banks continuing to pay higher margins over the 90 day benchmark rate.

Operating expenditure is forecast to be $75k above budget due higher interest expenditure on reserves, as the opening balance was higher than budgeted.

External Debt and Assets



External Debt and Cash investments



- External Debt including WRC Holdings has increased by $19.7million to $265.3million, mainly due to prefunding of debt and placing it on short term deposits.

4.14 Water Supply

Financial Summary	Period ending 30 September 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	6,876	6,841	35	6,636	27,365	27,365	-	27,154
Operating expenditure	8,416	8,913	497	8,914	35,586	35,586	-	33,252
Operational Surplus / (deficit) before other items	**(1,540)**	**(2,072)**	**532**	**(2,278)**	**(8,221)**	**(8,221)**	**-**	**(6,098)**
Net capital expenditure	866	1,970	1,104	1,306	8,125	8,125	-	10,069

Overall a favourable operating variance of $532k compared to budget. Water Supply is forecasting to be on budget by year end. GWRC has entered into an interim agreement with Wellington Water Limited to transfer the full staff budgets from 19th September 2014 until 30 June 2015. GWRC Water Supply will also contribute to the administration costs of Wellington Water Limited.

Operating revenue was $35k higher than budget due to:

- Investment revenue being $21k higher than budget and forecasted to be $50k higher than budget at year end. We continue to earn higher than budget interest rates on our Asset Rehabilitation Fund.

Operating expenditure was $497k lower than budget due to:

- Resource costing recoveries are $70k below budget due to the slow start of 2014/15 projects.
- Materials and supplies spend is $275k under budget due to timing of payments. We are expecting increases as we move into summer, especially in the area of chemicals and power.
- Depreciation is $114k under budget reflecting the 30 June 2014 yearend adjustments made to asset values.

Capital expenditure is under budget. Projects are progressing however as a result of timing of payments and traditionally quiet first quarter, these are below budget.

4.15 Forecast to 30 June 2015

The forecast operating deficit is in line with budget which includes absorbing integration costs with the new entity Wellington Water Limited.

4.16 Funding Impact Statement

Greater Wellington Regional Council Funding Impact Statement								
Funding Impact Statement	**Period ending 30 September 2014**				**Year ended 30 June 2015**			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**	**Forecast**	**Budget**	**Variance**	**Last Year**
Targeted Rates	16,342	16,342	-	15,707	65,368	65,368	-	62,828
General Rate	7,929	7,792	137	7,263	31,170	31,170	-	30,252
Regional Rates	**24,271**	**24,134**	**137**	**22,970**	**96,538**	**96,538**	**-**	**93,080**
Regional Water Supply Levies	6,569	6,569	-	6,409	26,276	26,276	-	25,635
Warm Greater Wellington Rates	488	686	(198)	428	2,742	2,742	-	1,713
Grants and Subsidies Revenue	10,669	12,559	(1,890)	11,494	50,574	50,718	(144)	52,174
Other Operating Revenue	8,107	7,456	651	11,371	28,522	28,768	(246)	45,054
Total Operating Revenue	**50,104**	**51,404**	**(1,300)**	**52,672**	**204,652**	**205,042**	**(390)**	**217,656**
Operational Costs	28,640	30,418	1,778	30,264	119,938	120,767	829	124,990
Grants and Subsidies Expenditure	19,172	21,375	2,203	19,781	84,220	84,420	200	82,740
Finance Costs	2,545	2,551	6	2,204	10,760	10,760	-	9,424
Total Operating Expenditure	**50,357**	**54,344**	**3,987**	**52,249**	**214,918**	**215,947**	**1,029**	**217,154**
Operating Surplus / (Deficit) before Transport Improvements	**(253)**	**(2,940)**	**2,687**	**423**	**(10,266)**	**(10,905)**	**639**	**502**
Transport Improvement revenue	4,991	5,523	(532)	2,186	21,544	21,400	144	11,843
Transport Improvement expenditure	(1,735)	(2,645)	910	(1,344)	(13,202)	(13,002)	(200)	(8,256)
Operating Surplus / (Deficit) fromTransport Improvements	**3,256**	**2,878**	**378**	**842**	**8,342**	**8,398**	**(56)**	**3,587**
Operating Surplus before other movements	**3,003**	**(62)**	**3,065**	**1,265**	**(1,924)**	**(2,507)**	**583**	**4,089**
Revaluation of interest rate swaps and stadium advance	-	-	-	-	159	159	-	3,868
Revaluation of Transport Interest free debt	-	-	-	-	-	-	-	(1,560)
Revaluation of forestry (ETS and Trees)	-	-	-	-	-	-	-	17,335
Forestry cost of goods sold	(6)	-	(6)	(242)	(5)	-	(5)	(682)
Revaluation PPE	-	-	-	-	-	-	-	27,600
Warm Greater Wellington	-	-	-	-	(2)	(2)	-	-
Total other movements	**(6)**	**-**	**(6)**	**(242)**	**152**	**157**	**(5)**	**46,561**
Operating Surplus / (Deficit)	**2,997**	**(62)**	**3,059**	**1,023**	**(1,772)**	**(2,350)**	**578**	**50,650**
Add Back Non Cash Items	4,607	4,737	(130)	4,890	18,479	18,479	-	(46,513)
Cash operating surplus/(deficit)	**7,604**	**4,675**	**2,929**	**5,913**	**16,707**	**16,129**	**578**	**4,137**
Less:								
Net capital expenditure	5,294	6,931	(1,637)	2,601	22,703	22,703	-	23,331
Debt movements	(21,728)	(7,720)	(14,008)	(65,666)	(59,412)	(59,412)	-	(29,310)
Investment movements	53,558	4,663	48,895	68,476	50,602	50,602	-	31,517
Working capital movements	(44,728)	(8,549)	(36,179)	(11,324)	(30,600)	(30,022)	(578)	(29,675)
Net Funding Surplus / (Deficit)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

4.17 Balance Sheet

Greater Wellington Regional Council

Balance Sheet

$(000)'s	September 2014 Actual	June 2015 Budget	June 2014 Actual
Bank	7	27,695	19,516
Receivables	3,405	18,620	16,052
Accrued Revenue and Prepayments	28,123	14,542	13,055
Inventory	3,142	2,733	3,113
Total Current Assets	34,677	63,590	51,736
Other Investments	118,941	49,028	56,856
Forestry Investments	463	-	38,778
Derivative Financial Instruments	(135)	-	2,884
Investment in Subsidiaries	96,845	146,130	96,845
Total Investments	216,114	195,158	195,363
Fixed Asset at cost or valuation	903,802	897,800	900,939
less Accumulated Depreciation	(52,373)	(68,813)	(47,961)
Net Fixed Assets	851,429	828,987	852,978
Capital Works In Progess	14,443	9,500	11,618
Non Current Assets	1,081,986	1,033,645	1,059,959
Total Assets	**1,116,663**	**1,097,235**	**1,111,695**
less:			
Current Liabilities	31,253	23,663	108,775
Non Current Liabilities	215,754	214,000	124,627
Total Liabilities	**247,007**	**237,663**	**233,402**
Net Assets	**869,656**	**859,572**	**878,293**
Total Retained Earnings	376,862	372,806	375,365
Asset Revaluation Reserves	465,250	466,375	476,338
Other Reserves	27,544	20,391	26,590
Total Ratepayer Funds	**869,656**	**859,572**	**878,293**

4.18 Treasury Compliance

COMPLIANCE WITH TREASURY RISK MANAGEMENT POLICY
As at 30 September 2014

Total Council Limit Compliance Analysis		Compliant Yes	Compliant No	actual %
Debt Interest Rate Policy Parameters				
Current	50% - 95%	✓		73%
year 1	45% - 95%	✓		63%
year 2	40% - 90%	✓		67%
year 3	35% - 85%	✓		61%
year 4	30% - 80%	✓		46%
year 5	25% - 75%	✓		34%
year 6	15% - 70%	✓		27%
year 7	5% - 65%	✓		20%
year 8	0% - 60%	✓		19%
year 9	0% - 55%	✓		15%
year 10	0% - 50%	✓		13%
year 11	0% - 25%	✓		9%
year 12	0% - 25%	✓		2%
year 13 onwards	0% - 25%	✓		0%
The maturity of total external debt less liquid financial investments to fall within the following timebands				
0 - 3 years	15% - 60%		✓	14%
3 - 5 years	15% - 60%	✓		48%
> 5 years	10% - 60%	✓		38%

		Compliant Yes	Compliant No	actual %
Countreparty credit exposure with New Zealand registerd banks which have a credit rating of at least A-, long term, and A2 short term		✓		
Other countreparty exposure within policy limits		✓		
Maximum countreparty exposure with a NZ registered bank is within $80 million limit		✓		
The repricing of liquid financial investments are to occur within the following timebands				
0 -1 year	40% - 100%	✓		100%
1 - 3 years	0% - 60%	✓		0%
3 - 5 years	0% - 40%	✓		0%
5 -10 years	0% - 20%	✓		0%
Core Council External Borrowing Limits - Ratios				
Net interest / Total Revenue < 20%		✓		0.0%
Net Debt / Total Revenue < 250%		✓		0.0%
Net interest / Annual rates and levies < 30%		✓		0.0%
Liquidity > 110%		✓		133%

* Note the minor non-compliance above relates to the large amount of short-term deposits. This has resulted from debt pre-funding and forestry sale proceeds. This effectively reduced the net debt maturing in this band

5. The decision making process and significance

No decision is being sought in this report.

6. Recommendations

That the Committee:

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

Report prepared by:	Report approved by	Report approved by:
Chris Gray Finance Manager	Mike Timmer Treasurer/Acting Chief Financial Officer	Greg Campbell Chief Financial Officer