Report 09.89
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Committee Council
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Financial report for the six months ended 31 December 2008

1. Purpose

- To inform the Council of Greater Wellington's (GWRC) financial performance for the six months ended 31 December 2008 and to provide an explanation of major variances by Division.
- To forecast the end of year position based on the management reviews completed with each Division.
- To inform the Council of the WRC Holdings Group's financial performance for the six months ended 31 December 2008 and to provide explanations of variances to budget.
- To provide an interim position in terms of achievement against the published performance targets in the Council's 2008/09 Annual Plan.
- To consider any additional expenditure items.

2. Consideration by Committee

The matters raised in this report were considered by the Finance, Evaluation and Risk Committee at its meeting on 24 February (Report 09.65 refers). The recommendations contained in this report have been endorsed by the Committee for the Council's consideration and decision.

3. 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.

4. Background

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

As a result of those reviews, a summary of GWRC's performance for the six months ended 31 December 2008 is presented to the Council.

The detailed reviews by division have been sent to Councillors under separate cover.

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

5. Financial Performance

5.1 Year to date Operating Performance

GWRC achieved an operating surplus of $3,146,000 (budget $1,310,000). This result excludes grants to fund public transport capital expenditure, debt revaluations and forestry cost of goods sold. Including these amounts GWRC's deficit was $9,810,000 (budget, a deficit $11,889,000).

The major reason for the favourable variance was the lower than budgeted oil price which reduced the payments for inflation under GWRC's bus contracts

The WRC Holdings Group achieved a net surplus before tax of $5,755,000 (budget $4,246,000).

Further details on the year to date performance are discussed below.

6. Financial Summary - Council

Wellington Regional Council
Summary Income Statement - Revenue
For the six months ended 31 December 2008

Total operating revenue	**Year to date**			
$(000)'s	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	1,397	2,053	1,668	385
Public Transport	35,576	40,055	39,803	252
Total Transport	**36,973**	**42,108**	**41,471**	**637**
Environment	5,967	6,456	6,498	(42)
Catchment Management	12,864	13,044	12,296	748
Forestry	2,939	2,473	3,408	(935)
Regional Parks	3,225	3,242	3,156	86
Corporate	1,161	1,130	1,058	72
WRS	2,000	2,189	2,251	(62)
Finance, IT & Support Services	3,508	3,812	3,717	95
Investment in Democracy	2,320	2,365	2,362	3
Rates funded divisional operating revenue	**70,957**	**76,819**	**76,217**	**602**
Investment Management	2,622	2,594	2,483	111
Business Unit Rates Contribution	(4,371)	(4,154)	(4,154)	-
Rates funded operating revenue	**69,208**	**75,259**	**74,546**	**713**
Water Group	13,598	13,628	13,635	(7)
Rates & levy funded operating revenue	**82,806**	**88,887**	**88,181**	**706**
Non-Operational movements				
Revaluation of debt and stadium advance	-	(177)	(177)	-
Revaluation of forestry	-	-	-	-
Public Transport - Capex / Investment	8,017	17,990	23,233	(5,243)
Total Council revenue	**90,823**	**106,700**	**111,237**	**(4,537)**

Wellington Regional Council
Summary Income Statement - Expenditure
For the six months ended 31 December 2008

Total operating expenditure	**Year to date**			
$(000)'s	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	1,204	1,846	1,715	(131)
Public Transport	35,199	38,202	39,680	1,478
Total Transport	**36,403**	**40,048**	**41,395**	**1,347**
Environment	5,981	6,531	6,166	(365)
Catchment Management	11,215	11,328	10,748	(580)
Forestry	3,582	3,509	4,082	573
Regional Parks	2,891	3,302	2,768	(534)
Corporate	1,063	919	1,037	118
WRS	1,800	2,509	2,425	(84)
Finance, IT & Support Services	2,960	3,085	3,423	338
Investment in Democracy	2,249	2,311	2,324	13
Rates funded divisional operating expenditure	**68,144**	**73,542**	**74,368**	**826**
Investment Management	(1,606)	(1,833)	(1,884)	(51)
Business Unit Rates Contribution	-	1	-	(1)
Rates funded operating expenditure	**66,538**	**71,710**	**72,484**	**774**
Water Group	12,945	14,031	14,387	356
Rates & levy funded operating expenditure	**79,483**	**85,741**	**86,871**	**1,130**
Non-Operational movements				
Revaluation of debt and stadium advance	-	-	-	-
Forestry cost of goods sold	638	395	867	472
EMU Investment - GW Rail	-	(8)	(1,090)	(1,082)
Public Transport - Capex / Investment	12,651	30,382	36,478	6,096
Total Council expenditure	**92,772**	**116,510**	**123,126**	**6,616**

Wellington Regional Council
Summary Income Statement - Operating Surplus \ (Deficit)
For the six months ended 31 December 2008

OPERATING SURPLUS / (DEFICIT)	**Year to date**			
$(000)'s	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	193	207	(47)	254
Public Transport	377	1,853	123	1,730
Total Transport	**570**	**2,060**	**76**	**1,984**
Environment	(14)	(75)	332	(407)
Catchment Management	1,649	1,716	1,548	168
Forestry	(643)	(1,036)	(674)	(362)
Regional Parks	334	(60)	388	(448)
Corporate	98	211	21	190
WRS	200	(320)	(174)	(146)
Finance, IT & Support Services	548	727	294	433
Investment in Democracy	71	54	38	16
Rates funded divisional operating surplus / (deficit)	**2,813**	**3,277**	**1,849**	**1,428**
Investment Management	4,228	4,427	4,367	60
Business Unit Rates Contribution	(4,371)	(4,155)	(4,154)	(1)
Rates funded operating surplus / (deficit)	**2,670**	**3,549**	**2,062**	**1,487**
Water Group	653	(403)	(752)	349
Rates & levy funded operating surplus / (deficit)	**3,323**	**3,146**	**1,310**	**1,836**
Non-Operational movements				
Revaluation of Debt and Stadium Advance	-	(177)	(177)	-
Revaluation Forestry - Revaluation	-	-	-	-
Forestry cost of goods sold	(638)	(395)	(867)	472
EMU Investment - GW Rail	-	8	1,090	(1,082)
Public Transport - Capex / Investment	(4,634)	(12,392)	(13,245)	853
Total Council surplus / (deficit)	**(1,949)**	**(9,810)**	**(11,889)**	**2,079**

6.1 Public Transport - favourable variance of $1,730,000 due primarily to:

- The fluctuating exchange rate and lower oil price have resulted in lower payments to the diesel bus operators by $1,564,000. This saving is forecast to continue.

- Shelter, station and car park maintenance is $314,000 below budget. This budget is expected to be fully utilised by year end.

- Total mobility expenditure is lower by $168,000, due to lower than anticipated use of the scheme.

- Unbudgeted Super gold card expenditure of $1,010,000. This is fully funded from the New Zealand Transport Agency (NZTA).

- Budgeted grants revenue from the NZTA is down by $906,000 due to the lower expenditure detailed above.

6.2 Public Transport improvement projects - favourable variance of $853,000 due primarily to:

- Rail infrastructure projects including station platforms, signalling, Johnsonville stations and McKay's to Waikanae double tracking, are under budget by $1,805,000. However, Ontrack has forecast that these multi-year work programs will be accelerated resulting in expenditure being ahead of budget by year end.

- Rail rolling stock heavy maintenance programme is now $903,000 over budget, as work has been completed ahead of schedule. Expenditure is forecast to be on budget for the year.

- Additional capacity rolling stock projects are near completion and are currently $1,291,000 below budget. Approximately $800,000 of these savings is forecast to be permanent.

- New Matangi EMU related expenditure is $3,549,000 below budget. Finalising the designs caused delays in 2007/08 resulting in expenditure being deferred to 2008/09. The new trains are still scheduled to be delivered from 2010.

- Grants revenue from NZTA is $5,246,000 less to date due to the changes detailed above.

6.3 Transport Policy - favourable variance of $254,000 due primarily to:

- Increase funding of $108,000 has been achieved through a review of the applicable NZTA funding rates for all projects.

- A number of projects are under budget including savings on the Ngauranga to Wellington Airport Corridor Plan.

6.4 Environment - unfavourable variance of $407,000 due primarily to:

- Lower than anticipated notified consents in the first quarter resulted in a $162,000 reduction in income.
- Education income was $86,000 ahead of budget but this is expected to reverse by year end.
- Personnel costs are $289,000 ahead of budget, due to higher staff costs than budgeted.
- Contractors and consultants fees are $146,000 ahead of budget due to additional legal and professional advice for appeals.

6.5 Catchment Management - favourable variance of $168,000 due primarily to:

- Additional revenue from the land management afforestation grant scheme.
- Maintenance expenditure for the Hutt, Waikanae and Otaki rivers is behind schedule but expected to be back on budget by year end.

6.6 Forestry - unfavourable variance of $362,000 due primarily to:

- Reduced volumes have been harvested due to poor weather in the first quarter and harvesting in difficult blocks in the second quarter.
- The world economic situation has also resulted in very large swings in prices being achieved on a month by month basis. Overall forestry revenue is $935,000 below budget, with expenditure $573,000 below budget due to a lower harvest.

6.7 Forestry – Costs of Goods Sold - favourable variance of $472,000 due primarily to:

- Reduced harvesting, primarily due to the weather in the first quarter, has reduced the non cash forestry cost of goods sold adjustment by $472,000.

6.8 Parks & Forests - unfavourable variance of $448,000 due primarily to:

- Overall expenditure is $534,000 over budget, however, this is due to the phasing of the budget and expenditure is forecast to be on budget by year end.

6.9 Corporate - favourable variance of $190,000 due primarily to:

- Additional revenue of $53,000 from the Honda Tree Fund.
- Personnel costs were below budget by $129,000 due to staff vacancies.

6.10 Finance, IT and Support - favourable variance of $433,000 due primarily to:

- Materials and supplies are under budget by $166,000, due to the timing of IT expenditure. This is expected to reverse by year end.

6.11 Investment Management - favourable variance of $60,000 due primarily to:

- Lower capital expenditure by the Divisions has reduced borrowings and finance costs.

6.12 Grants to Greater Wellington Rail Limited (GWRL) - unfavourable variance of $1,082,000 due primarily to:

- GWRC's share of the new Matangi units is funded by way of grants to GWRL. The unfavourable variance is due to the delayed timing of payments for the trains.

6.13 Water - favourable variance of $349,000 due primarily to:

- Personnel costs are $101,000 below budget, due to staff vacancies.

- Decreased depreciation of $100,000, due to the water supply assets being revalued at a later date than budgeted. This revaluation has now been completed with a net increase in GWRC's water assets of $44.5 million.

- Finance costs are $146,000 below budget, due to the opening debt position being lower than budget.

7. Finance costs

Finance costs for the six months to 31 December are $2,416,000 compared to the budget of $2,748,000, a favourable variance of $332,000. The favourable variance is due to lower borrowings and interest rates. The reduced borrowings are a result of lower capital expenditure as noted in Section 8 below.

8. Forecast to 30 June 2009

The forecast to 30 June 2009 is an operating surplus of $1,368,000, compared with the budget deficit of $1,911,000. These amounts exclude grants and expenditure for Public Transport capital expenditure, revaluations and the calculation of forestry cost of goods sold. Including these amounts, the forecast deficit is $10,566,000, compared to a budget deficit of $11,717,000.

The previous forecast was an operating deficit of $1,449,000, an improvement of $2,817,000 due to the lower oil price reducing payments on the bus contracts.

The variances from budget are detailed below.

Wellington Regional Council
Summary Income Statement - Operating Surplus \ (Deficit)
For the year ending 30 June 2009

OPERATING SURPLUS / (DEFICIT) $(000)'s	Full Year Last Year	Forecast	Budget	Variance
Transport Policy and Strategy	202	196	(74)	270
Public Transport	46	3,002	40	2,962
Total Transport	**248**	**3,198**	**(34)**	**3,232**
Environment	(207)	(560)	(223)	(337)
Catchment Management	3,566	2,461	3,007	(546)
Forestry	(1,488)	(1,902)	(1,358)	(544)
Regional Parks	(208)	(722)	(653)	(69)
Corporate	(25)	(66)	(66)	-
WRS	250	(500)	(500)	-
Finance, IT & Support Services	691	472	298	174
Investment in Democracy	(75)	43	77	(34)
Rates funded divisional operating surplus / (deficit)	**2,752**	**2,424**	**548**	**1,876**
Investment Management	9,970	8,666	7,312	1,354
Business Unit Rates Contribution	(8,742)	(8,308)	(8,308)	-
Rates funded operating surplus / (deficit)	**3,980**	**2,782**	**(448)**	**3,230**
Water Group	1,223	(1,414)	(1,463)	49
Rates & levy funded operating surplus / (deficit)	**5,203**	**1,368**	**(1,911)**	**3,279**
Non-Operational movements				
Revaluation of Debt and Stadium Advance	5,460	1,503	2,103	(600)
Revaluation Forestry	(3,125)	2,643	2,643	-
Forestry cost of goods sold	(1,268)	(1,485)	(1,734)	249
EMU Investment - GW Rail	306	2,183	2,183	-
Public Transport - Capex / Investment	(9,118)	(16,778)	(15,001)	(1,777)
Total Council surplus / (deficit)	**(2,542)**	**(10,566)**	**(11,717)**	**1,151**

8.1 Public Transport - favourable variance of $2,962,000 due primarily to:

- Reduced expenditure on the diesel bus contracts, $4,207,000, due to lower forecast oil prices than budgeted. The oil price for the budget was NZ$186 compared with the current price of NZ$72.
- A reduction in total mobility expenditure $100,000, due to lower usage of the scheme than budgeted.
- SuperGold card expenditure is forecast to be $2,461,000 by year end, this is fully funded by the NZTA.
- Grants revenue from the NZTA is forecast to be lower by $2,461,000 due to the variances detailed above.

8.2 Public Transport improvement projects - unfavourable variance of $1,777,000 due primarily to:

- Ontrack rail infrastructure projects are forecast to be $13,873,000 ahead of budget as they accelerate the work program by bringing project work forward from 2009/10. These projects are 90% funded by the Government.
- New Matangi EMU related expenditure is forecast to be $1,721,000 ahead of budget by year end, due to the catch up of deferred 2007/08 expenditure. Overall the project remains on budget.
- Offsetting the increased expenditure is additional grant revenue from the NZTA of $12,334,000.

8.3 Transport Policy - favourable variance of $270,000 due primarily to:

- An increase in the NZTA funding rates of $210,000, coupled with savings on various projects of $60,000.

8.4 Environment - unfavourable variance of $337,000 due primarily to:

- External revenue is forecast to be $200,000 less than budget, due to lower income from consents.

- Personnel costs are forecast to be $337,000 ahead of budget, due to the overall increase in staff costs incurred this year.

- Reduction in contractors and consultants expenditure, $150,000, due to the use of the legal reserve to cover higher legal costs.

8.5 Catchment Management - unfavourable variance of $546,000 due primarily to:

- Repair work for flood damages, $300,000, this will be funded from the contingency reserves.

8.6 Forestry - unfavourable variance of $544,000 due primarily to:

- Reduced harvesting and wildly fluctuating prices resulting in forecast revenue being $1,048,000 less than budget, with associated operational costs being $504,000 under budget.

8.7 Forestry – Costs of Goods Sold - favourable variance of $249,000 due primarily to:

- Reduced forecast harvesting reducing the non cash forestry cost of goods sold adjustment by $249,000.

8.8 Finance, IT and Support - favourable variance of $174,000 due primarily to:

- Lower forecast depreciation of $178,000 due to the delayed Asset Management Project roll out and lower cost of the new PC’s.

8.9 Investment Management - favourable variance $1,354,000 due primarily to:

- A higher dividend from WRC Holdings due to lower interest costs on the Group’s $44.0 million of debt. Lower debt and interest rates have also contributed to the favourable variance.

9. Capital Expenditure

9.1 Year to date

Year to date capital expenditure is $5,200,000 compared with the budget of $7,039,000.

The main contributors to this variance are detailed below:

Wellington Regional Council
Capital Expenditure
For the six months ended 31 December 2008

Capital expenditure	**Year to date**			
$(000)'s	Last Year	Actual	Budget	Variance
Transport Policy and Strategy	-	-	-	-
Public Transport	9	-	48	48
Public Transport Improvement Projects	62	-	159	159
Total Transport	71	-	207	207
Environment	1	196	463	267
Catchment Management	3,609	1,541	2,009	468
Forestry	123	147	193	46
Regional Parks	69	107	256	149
Corporate	21	76	(22)	(98)
WRS	-	-	-	-
Finance, IT & Support Services	82	1,209	1,905	696
Investment in Democracy	26	-	-	-
Rates funded divisional capital expenditure	**4,002**	**3,276**	**5,011**	**1,735**
Investment Management	5	22	160	138
Rates funded capital expenditure	**4,007**	**3,298**	**5,171**	**1,873**
Water Group	1,024	1,902	1,868	(34)
Rates & levy funded capital expenditure	**5,031**	**5,200**	**7,039**	**1,839**

9.2 Public Transport- favourable variance of $159,000 due primarily to:

- Expenditure on bus shelters to date has been on maintenance, not in creating new assets.

9.3 Environment - favourable variance of $267,000 due primarily to:

- The upgrade to air monitoring equipment is not likely to go ahead until 2009/10, $120,000.
- The Wairarapa ground water project is $83,000 behind budget but is expected to be on budget by year end.
- The Beacon Hill upgrade is progressing more slowly than desired, with some expenditure forecast to be deferred to 2009/10.

9.4 Catchment Management - favourable variance of $468,000 due primarily to:

- Various equipment upgrades, mainly vehicles have been delayed, these are expected to be completed in the next few months.

9.5 Parks & Forests - favourable variance of $149,000 due primarily to:

- The vehicle fleet upgrade had not been completed by December but will be on target by year end with savings forecast.

9.6 Finance and IT - favourable variance $696,000 due primarily to:

- The Asset management project has experienced some delays due to availability of external resources. This project is expected to be back on track by year end.
- Lower cost for the new PCs than budgeted, $439,000

10. Capital Expenditure - Full year forecast

Forecast capital expenditure is $16,334,000 compared with the budget of $19,942,000.

Wellington Regional Council Capital Expenditure For the year ending 30 June 2009				
Capital expenditure	**Full Year**			
$(000)'s	Last Year	Forecast	Budget	Variance
Transport Policy and Strategy	24	-	-	-
Public Transport	7	121	121	-
Public Transport Improvement Projects	1,007	470	2,059	1,589
Total Transport	1,038	591	2,180	1,589
Environment	487	1,137	1,557	420
Catchment Management	6,573	6,064	6,941	877
Forestry	278	364	364	-
Regional Parks	296	303	469	166
Corporate	(17)	55	55	-
WRS	-	-	-	-
Finance, IT & Support Services	546	2,788	2,788	-
Investment in Democracy	74	5	5	-
Rates funded divisional capital expenditure	**9,275**	**11,307**	**14,359**	**3,052**
Investment Management	39	20	400	380
Rates funded capital expenditure	**9,314**	**11,327**	**14,759**	**3,432**
Water Group	3,843	5,007	5,183	176
Rates & levy funded capital expenditure	**13,157**	**16,334**	**19,942**	**3,608**

10.1 Public Transport capital projects - favourable variance of $1,589,000 due primarily to:

- Tenders for the real time information project have been released, however, only $150,000 of the total budget of $750,000 will be spent in 2008/09. Approximately $600,000 of the expenditure will be rebudgeted to 2009/10.

- Upgrade to Johnsonville transport interchange, $900,000. This project is progressing slower than anticipated as the Johnsonville Mall redevelopment resource consent is not yet finalised.

10.2 Environment - favourable variance of $420,000 due primarily to:

- Upgrade of Air Monitoring equipment not expected to go ahead this year.

- The Beacon Hill building upgrade has been re-tendered with the $300,000 equipment upgrade deferred to 2009/10.

10.3 Catchment Management - favourable variance of $877,000 due primarily to:

- Permanent savings on the Strand Park upgrade, $1,000,000.

- Delayed start of the South Waitohu stopbank, $381,000.

- Additional expenditure on the Boulcott/Hutt stopbank, $158,000, due to the phasing of expenditure. The project remains on budget.

- Forecast expenditure on the Waiwhetu project for 2008/09 is now $1,500,000, an increase of $782,000. Overall, the project remains on budget.

10.4 Parks & Forests - favourable variance of $166,000 due primarily to:

- A review of the vehicle renewals required this year has resulted in a $144,000 forecast saving.

- The Whitireia Park ranger's office has been deferred pending 2009-19 LTCCP consultation.

10.5 Investment Management - favourable variance $320,000 due primarily to:

- Delay in upgrading the Masterton office pending 2009-19 LTCCP consultation

10.6 Water - favourable variance of $176,000 due primarily to:

- Changes in scope and timing of capital projects result in a forecast saving of $149,000 in the water program, further details are provided below.

11. Finance Costs

Finance costs for GWRC are forecast at $5,514,000, compared with the budget of $5,929,000. The favourable variance is due to lower levels of borrowing and falling interest rates. The lower borrowings result from the lower forecast capital expenditure.

12. Debt

GWRC's debt as at 31 December is $116 million. This is inflated due to the recent $50 million bond issue discussed below. This required GWRC to place excess funds on deposit until our existing short term debt expired. As a result of this, investments have increased by $21 million and bank and call deposits by $15 million.

GWRC's adjusted debt position as at 31 December was $87.7 million, compared to the 30 June 2008 position of $73.9 million. The $13.8 million increase comprised $10.2 million of interest free Government loans, with the balance of $3.6 million for capital expenditure.

The $87.7 million excludes the $7.6 million written down value of the Government loans, due to the interest free nature of the loans. With the write down included, GWRC's debt as at 31 December was $80.1 million.

On the 17 December 2008 GWRC raised $50,000,000 from the institutional investor market at a cost of 6.21% for a term of just over 3 years, maturing on 17 February 2012. This transaction was done in a difficult market which has worsened in the couple of months. For example Fonterra has just issued bonds to the market for 6 years at an interest rate of 7.75%. The bonds also lengthen out GWRC's maturity profile of our existing debt which matures in May 2010. It also enables GWRC to use existing bank facilities, maturing in May 2010, to finance capital expenditure and also provides a diversification in GWRC's funding sources.

WRC Holdings Ltd debt as at 31 December was $44.0 million. This is unchanged from 30 June 2008 and excludes debt borrowed by CentrePort Ltd.

On a consolidated basis total gross debt (excluding CentrePort Ltd) as at 31 December was $131.7 million.

It should be noted that GWRC has a total of $49.5 million on deposit, excluding excess funds from the bond issuance. This comprises $33 million in liquid financial deposits, the remainder consists of the self insurance funds for water supply and flood protection.

12.1 Stadium debt

In June 2007 the Council approved the restructuring of the Stadium debt of $18,985,000 from the ANZ at a fixed interest rate of 8.55% until 2018 and requested regular updates on the cost of refinancing.

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

The interest rate risk on this debt has been fixed to January 2009 at a cost of 8.33%, compared with the previous interest rate of 8.55%. From January 2009 the debt will be funded at 6.2% for 3 years. It is likely substantial savings will result from this debt restructure.

13. Proposed New Expenditure and Reallocation of Projects

At the half year review the Divisions highlight any unbudgeted expenditure that requires approval. This excludes any unbudgeted amounts which are paid under contract, such as the rail and bus contracts.

13.1 Water

Overall, the Water capital expenditure programme is forecast to be under budget by $149,000. There are savings and reductions of $941,000 and additional costs of approximately $792,000 as a result of increased scope and costs. These additional amounts were noted and approved by the Parks Forests and Utilities Committee at their meeting on 12 February. Further details on these changes are contained in Report 09.126 being considered at this meeting.

- Waterloo Water Treatment Plant - replace equipment, $66,389
- Gear Island Water Treatment Plant - replace equipment, $13,000
- Upgrade distribution system for future demand, $15,000

- Te Marua distributed control system replacement, $50,000
- Replace air valves on the Kaitoke to Karori main, $210,000
- Te Marua, Wainuiomata and Waterloo diesel upgrades, $25,000
- Unplanned projects, $279,000.

13.2 Catchment Management

An additional $300,000 is requested for flood damage repairs for the Wairarapa river schemes. It is intended that these will be funded from the flood contingency reserves. This amount was endorsed at the Catchment Management Committee at its meeting on 3 February. Further details are contained in Report 09.124 being considered at this meeting.

14. Annual Plan Performance Targets

Divisional managers have reported their expectation that all significant annual plan performance targets will be achieved by 30 June 2009.

15. WRC Holdings

The following table summarises WRC Holdings group of companies operating results for the period ended 31 December 2008.

WRC HOLDINGS GROUP
INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2008

GROUP

YTD Last Year $000	YTD Actual $000	YTD Budget $000		Full Year Budget $000	Full Year Forecast $000	Last Year Actual $000
29,462	30,513	31,605	**Total Revenue**	63,210	62,002	56,550
20,327	20,200	22,157	**Operating Expenses**	44,313	44,316	39,333
9,135	**10,313**	**9,449**	**Earnings Before Interest & Tax**	**18,897**	**17,686**	**17,217**
			Less:			
4,577	4,558	5,203	Interest expense	10,735	8,189	8,951
	-		Revaluations (down)			(830)
4,558	**5,755**	**4,246**	**Net Surplus Before (Deficit) Tax**	**8,162**	**9,497**	**7,436**

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

The group achieved a net surplus before tax for the period of $5,755,000, compared with the budget of $4,426,000. The improved result was due mainly to lower interest costs and lower operating costs in Centreport Ltd, coupled with a lower interest cost in Port Investments Ltd.

The full year forecast is showing a favourable position to budget before tax of $1,335,000. This is mainly due to lower interest costs in Port Investments limited due to the lower interest rates.

16. Compliance with Treasury Management Policy

As at 31 December 2008, all Treasury Management Policy limits have been complied with apart from internal borrowing limits for Forestry and Parks. (Refer **Attachment 4)**

17. Communications

No communications are necessary at this time.

18. Recommendations

That the Council:

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

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

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

Attachment 1: Income Statement

Attachment 2: Funding Statement

Attachment 3: Balance Sheet

Attachment 4: Compliance with Treasury Management Policy