

# Finance REPORT



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31 October 2013

GREATER WELLINGTON REGIONAL  
COUNCIL



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# 1 COUNCIL SUMMARY

## 1.1 Overview

Overall at the operating surplus level, before transport improvements, the result for the council is favourable by \$3,395k relative to budget. When the transport improvement numbers and non-operational movements are included then the financial results for the first four months were \$2,959k favourable compared to budget. This is mainly due to reduced expenditure in public transport and good forestry returns being offset by a large increase in depreciation as a result of the 2013 water revaluation.



## 1.2 Council Financial Performance

### Year to date

Greater Wellington achieved an operating surplus of \$2,028k (budget, a deficit of \$1,367k) for the four months to 31 October, a \$3,395k favourable result. This result excludes revenue and expenditure for public transport capital and improvement projects and the non-operational movements. Including these amounts, Greater Wellington made a surplus of \$1,106k (budget, a surplus of \$606k), a favourable variance of \$500k. Details by group follow in section 2.

## 1.3 Financial Summary

Summary Income Statement \$(000)'s	4 Months ended 31 October 2013			
	Actual	Budget	Variance	Last Year
Regional Rates	30,625	30,435	190	91,304
Regional Water Supply Levies	8,545	8,545	-	25,635
Other Operating Revenue	30,862	30,465	397	(49,329)
<b>Total Operating Revenue</b>	<b>70,032</b>	<b>69,445</b>	<b>587</b>	<b>67,610</b>
Operational Costs	68,004	70,812	2,808	65,286
<b>Operating Surplus / (Deficit) before Transport Improvements</b>	<b>2,028</b>	<b>(1,367)</b>	<b>3,395</b>	<b>2,324</b>
Operating Surplus / (Deficit) from Transport Improvements	1,753	2,189	(436)	(9,709)
<b>Operating Surplus before other movements</b>	<b>3,781</b>	<b>822</b>	<b>2,959</b>	<b>(7,385)</b>
Non-operational movements	(2,675)	(216)	(2,459)	(2,479)
<b>Operating Surplus / (Deficit)</b>	<b>1,106</b>	<b>606</b>	<b>500</b>	<b>(9,864)</b>

## 1.4 Financial Summary by Group

Total operating surplus / (deficit) \$(000)'s	4 Months ended 31 October 2013			
	Actual	Budget	Variance	Last Year
Catchment Management	1,364	1,285	79	1,285
Forestry	933	1	932	(206)
Environmental Management	158	(31)	189	31
Regional Parks	112	(123)	235	188
Wairarapa Water Use project	(105)	(4)	(101)	64
Public Transport	733	(830)	1,563	1,520
Strategy & Community Engagement	237	(46)	283	105
WRS	(31)	-	(31)	129
Other Corporate	72	1	71	202
Emergency Management	120	(88)	208	673
Finance and Support	(523)	(520)	(3)	(245)
<b>Total operational surplus / (deficit)</b>	<b>3,070</b>	<b>(355)</b>	<b>3,425</b>	<b>3,746</b>
Investment Management	3,133	3,528	(395)	3,577
Business unit rates contribution	(3,467)	(3,469)	2	(3,785)
<b>Total rates funded operating surplus / (deficit)</b>	<b>2,736</b>	<b>(296)</b>	<b>3,032</b>	<b>3,538</b>
Water Supply	(708)	(1,071)	363	(1,214)
<b>Total rates &amp; levy funded operating surplus / (deficit)</b>	<b>2,028</b>	<b>(1,367)</b>	<b>3,395</b>	<b>2,324</b>
<b>Non-operational movements</b>				
Forestry cost of goods sold	(325)	(216)	(109)	(214)
Additional depreciation from 2013 Water Revaluation	(2,350)	-	(2,350)	-
Warm Greater Wellington	-	-	-	(2,265)
EMU investment - GW Rail	-	-	-	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	1,753	2,189	(436)	(9,709)
<b>Total non-operational surplus / (deficit)</b>	<b>(922)</b>	<b>1,973</b>	<b>(2,895)</b>	<b>(12,188)</b>
<b>Total council surplus / (deficit)</b>	<b>1,106</b>	<b>606</b>	<b>500</b>	<b>(9,864)</b>

## 1.5 Forecast to 30 June 2014

Greater Wellington is forecasting an operating deficit of \$3,635k (budget, a deficit of \$4,481k) for the year to 30 June 2014. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington is forecasting a deficit of \$736k (budget, a surplus of \$3,371k). The primary difference is a forecast \$5m increase in depreciation as a result of the 30 June 2013 revaluation of the water supply assets. Details by group follow in section 2.

## 1.6 Financial forecast

Summary Income Statement \$(000)'s	Year ending 30 June 2014			
	Forecast	Budget	Variance	Last Year
Regional Rates	91,304	91,304	-	90,114
Regional Water Supply Levies	25,635	25,635	-	24,890
Other Operating Revenue	92,943	91,591	1,352	91,925
<b>Total Operating Revenue</b>	<b>209,882</b>	<b>208,530</b>	<b>1,352</b>	<b>206,929</b>
Operational Costs	213,517	213,011	(506)	199,772
<b>Operating Surplus / (Deficit) before Transport Improvements</b>	<b>(3,635)</b>	<b>(4,481)</b>	<b>846</b>	<b>7,157</b>
Operating Surplus / (Deficit) from Transport Improvements	5,150	5,103	47	(18,129)
<b>Operating Surplus before other movements</b>	<b>1,515</b>	<b>622</b>	<b>893</b>	<b>(10,972)</b>
Non-operational movements	(2,251)	2,749	(5,000)	11,503
<b>Operating Surplus / (Deficit)</b>	<b>(736)</b>	<b>3,371</b>	<b>(4,107)</b>	<b>531</b>
Net fixed asset revaluations	-	-	-	111,102
<b>Total council comprehensive income</b>	<b>(736)</b>	<b>3,371</b>	<b>(4,107)</b>	<b>111,633</b>

## 1.7 Financial forecast by Group

Total operating surplus / (deficit) \$(000)'s	Year ending 30 June 2014			
	Forecast	Budget	Variance	Last Year
Catchment Management	2,681	2,595	86	2,975
Forestry	396	6	390	(268)
Environmental Management	(75)	(75)	-	(323)
Regional Parks	(283)	(283)	-	(301)
Wairarapa Water Use project	(12)	(12)	-	(5)
Public Transport	(2,439)	(2,598)	159	6,110
Strategy & Community Engagement	(321)	(299)	(22)	(1)
WRS	-	-	-	621
Other Corporate	(245)	(245)	-	100
Emergency Management	(264)	(264)	-	424
Finance and Support	(1,454)	(1,730)	276	(418)
<b>Total operational surplus / (deficit)</b>	<b>(2,016)</b>	<b>(2,905)</b>	<b>889</b>	<b>8,914</b>
Investment Management	12,010	12,053	(43)	12,856
Business unit rates contribution	(10,406)	(10,406)	-	(11,359)
<b>Total rates funded operating surplus / (deficit)</b>	<b>(412)</b>	<b>(1,258)</b>	<b>846</b>	<b>10,411</b>
Water Supply	(3,223)	(3,223)	-	(3,254)
<b>Total rates &amp; levy funded operating surplus / (deficit)</b>	<b>(3,635)</b>	<b>(4,481)</b>	<b>846</b>	<b>7,157</b>
<b>Non-operational movements</b>				
Forestry cost of goods sold	(647)	(647)	-	(530)
Additional depreciation from 2013 Water Revaluation	(5,000)	-	(5,000)	-
Warm Greater Wellington	-	-	-	-
EMU investment - GW Rail	-	-	-	8,533
Public Transport net surplus / (deficit) on capital, improvement and investment projects	5,150	5,103	47	(18,129)
<b>Total non-operational surplus / (deficit)</b>	<b>2,899</b>	<b>7,852</b>	<b>(4,953)</b>	<b>(6,626)</b>
<b>Total council surplus / (deficit)</b>	<b>(736)</b>	<b>3,371</b>	<b>(4,107)</b>	<b>531</b>
Net fixed asset revaluations	-	-	-	111,102
<b>Total council comprehensive income</b>	<b>(736)</b>	<b>3,371</b>	<b>(4,107)</b>	<b>111,633</b>



## 1.8 Capital expenditure

### Capital expenditure by Group

Capital expenditure is \$12,360k below budget, year to date. This is due the land purchase for lake three not been completed for Water Supply, the fit out expenditure on shed 39 and the public transport capital, improvement and investment expenditure being later than planned. Details by group follow in section 2.

Total capital and transport investment and improvement expenditure \$(000)'s	4 Months ended 31 October 2013			
	Actual	Budget	Variance	Last Year
Catchment Management	551	649	98	1,868
Forestry	169	135	(34)	73
Environmental Management	(2)	-	2	54
Regional Parks	213	47	(166)	49
Wairarapa Water Use project	202	82	(120)	343
Public Transport capital projects	85	937	852	372
Strategy & Community Engagement	50	83	33	(10)
Other Corporate	-	-	-	(11)
Emergency Management	-	-	-	-
Finance, ICT and Support	409	772	363	5
<b>Total capital expenditure</b>	<b>1,677</b>	<b>2,705</b>	<b>1,028</b>	<b>2,743</b>
Investment and property management	1,196	1,000	(196)	104
<b>Total rates funded capital expenditure</b>	<b>2,873</b>	<b>3,705</b>	<b>832</b>	<b>2,847</b>
Water Supply	1,766	6,428	4,662	2,447
<b>Total rates &amp; levy funded capital expenditure</b>	<b>4,639</b>	<b>10,133</b>	<b>5,494</b>	<b>5,294</b>
Public Transport improvement and investment projects	9,178	16,044	6,866	22,988
<b>Total council capital and transport investment expenditure</b>	<b>13,817</b>	<b>26,177</b>	<b>12,360</b>	<b>28,282</b>

## Capital expenditure forecast by Group

Capital expenditure is forecast to be \$1m more than budget by year end. This is primarily due to changes within public transport which are discussed in section 2.

Total capital and transport investment and improvement expenditure \$(000)'s	Year ending 30 June 2014			
	Forecast	Budget	Variance	Last Year
Catchment Management	4,514	4,331	(183)	10,259
Forestry	404	404	-	214
Environmental Management	240	240	-	250
Regional Parks	1,033	1,033	-	837
Wairarapa Water Use project	271	271	-	597
Public Transport capital projects	1,826	1,946	120	2,314
Strategy & Community Engagement	269	269	-	85
Other Corporate	46	46	-	(11)
Emergency Management	-	-	-	137
Finance, ICT and Support	2,748	3,180	432	2,010
<b>Total capital expenditure</b>	<b>11,351</b>	<b>11,720</b>	<b>369</b>	<b>16,692</b>
Investment and property management	2,618	2,500	(118)	309
<b>Total rates funded capital expenditure</b>	<b>13,969</b>	<b>14,220</b>	<b>251</b>	<b>17,001</b>
Water Supply	9,981	9,981	-	9,776
<b>Total rates &amp; levy funded capital expenditure</b>	<b>23,950</b>	<b>24,201</b>	<b>251</b>	<b>26,777</b>
Public Transport improvement and investment projects	37,528	36,278	(1,250)	39,018
<b>Total council capital and transport investment expenditure</b>	<b>61,478</b>	<b>60,479</b>	<b>(999)</b>	<b>65,795</b>

# 2 FINANCIAL PERFORMANCE BY GROUP

## 2.1 Catchment Management

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	11,141	11,201	(60)	11,017	30,956	31,137	(181)	32,104
Operating expenditure	9,777	9,916	139	9,732	28,275	28,542	267	29,129
<b>Operating surplus / (deficit)</b>	<b>1,364</b>	<b>1,285</b>	<b>79</b>	<b>1,285</b>	<b>2,681</b>	<b>2,595</b>	<b>86</b>	<b>2,975</b>
Net fixed asset revaluation	-	-	-	-	-	-	-	-
Net capital expenditure	551	649	(98)	1,868	4,514	4,331	(183)	10,259

### Year to date

A favourable operating variance of \$79k, comprising lower revenue of \$60k and lower operating costs of \$139k.

#### Operating revenue is lower than budget due mainly to:

- ▶ Reduced external revenue of \$60k for BioWorks due to the timing of the TB Free contracts.
- ▶ Reduced external revenue of \$125k for Land Management due to the timing of forestry consultation income.
- ▶ Additional external revenue of \$123k for the Wairarapa Moana project due to revenue carried forward from 2012/13.

#### Operating expenditure was lower than budget due to:

- ▶ Biosecurity expenditure was \$242k below budget due to the timing of pest plant and possum predator control work.
- ▶ Flood Protection expenditure \$77k above budget due to the timing of Wairarapa scheme maintenance, and additional asset management consultancy expenditure.

#### Capital expenditure is \$98k lower than budget, primarily due to:

- ▶ Flood Protection capital expenditure was \$122k behind budget due to timing of the Waiohine design and the Upper Wairarapa Valley FMP investigation.
- ▶ Flood Protection asset expenditure was \$61k unfavourable relating to the timing of two 2012/13 vehicle acquisitions.
- ▶ New nursery expenditure (Akura) was \$32k behind budget.

## Forecast to 30 June 2014

The forecast operating surplus is \$84k above budget.

### Operating revenue is forecast to be below budget due to:

- ▶ Reduced external sales revenue of \$85k for the Akura Conservation Centre.
- ▶ Reduced property plan and Hill Country Erosion programme revenue of \$97k in Land Management.
- ▶ Additional investment revenue of \$30K for Flood Protection.

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

- ▶ Costs will be reduced at Akura in line with reduced revenue.
- ▶ Reduced property plan and Hill Country Erosion programme costs.
- ▶ Minor programme savings for Biodiversity and Biosecurity.

### The forecast capital expenditure to June 2014 is expected to be \$129k higher than budget due to:

- ▶ Deferral of:
  - Otaki River North Stopbank improvements \$250k.
  - Otaki River Works Mouth to SH1 \$370k.
  - Waiohine Stopbank improvements \$300k.
- ▶ Additional expenditure of:
  - \$240k for Otaki River Works Chrystalls to Gorge.
  - \$297k for the UWVFMP Phase 2.
  - \$100k for Boulcott Stopbank project (still within overall project budget)
  - \$103k for the Waiohine FMP and flood hazard website development.
  - \$255k for Biosecurity portacom.

## 2.2 Environmental Management

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	5,013	4,795	218	4,565	14,384	14,384	-	13,541
Operating expenditure	4,855	4,826	(29)	4,534	14,459	14,459	-	13,864
Operating surplus / (deficit)	158	(31)	189	31	(75)	(75)	-	(323)
Net capital expenditure	(2)	-	(2)	54	240	240	-	250

## Year to date

Overall, a favourable operating variance of \$189k, comprising higher revenue of \$218k and lower expenditure of \$29k.

### Operating revenue is ahead of budget primarily due to:

- ▶ Regulation external income for the four months to October is \$801k which is \$177k more than budget. This includes invoices for 3 notified consents, KCDC water supply Winstone Aggregates and NCI Packaging. There is also additional revenue for RONS projects. Much of this invoicing is on charging of commissioners & consultants costs.

### Operating expenditure was lower than budget due mainly to:

- ▶ Staff costs, travel and vehicle costs are all close to budget and materials spend is less than budget following a review of all outstanding purchase orders.
- ▶ In Regulation consultants & contractors spend of \$397k which is \$267k more than budget and includes Hearing commissioners costs, contracts for earthworks monitoring, contract staff for consent processing, enforcement legal costs and technical advice for RONS projects. The forecast expenditure has been increased by \$200k for external advice on consents and the RONS projects. Costs relating to RONS projects and notified consents have been on charged.
- ▶ In Policy the consultants budget is largely unspent so is \$169k favourable which offsets the Regulation unfavourable variance.

## Forecast to 30 June 2013

The forecast is in line with budget and will be reviewed at the half year.

## 2.3 Forestry

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	5,271	3,048	2,223	2,811	9,918	9,145	773	8,383
Operating expenditure	4,338	3,047	(1,291)	3,017	9,522	9,139	(383)	8,651
Cash Operating surplus / (deficit)	933	1	932	(206)	396	6	390	(268)
Revaluation of forestry (ETS and Trees)	-	-	-	-	2,661	2,661	-	232
Forestry cost of goods sold	(325)	(216)	(109)	(214)	(647)	(647)	-	(530)
Operating surplus / (deficit)	608	(215)	823	(420)	2,410	2,020	390	(566)
Net fixed asset revaluation	-	-	-	-	-	-	-	(1,511)
Net capital expenditure	169	135	(34)	73	404	404	-	214

## Year to date

A favourable operating variance of \$823k.

### Operating revenue is ahead of budget primarily due to:

- ▶ Favourable logging revenue and volume due to having additional harvesting crews available during the first four months of the year. Prices have held up and maintenance and contractors costs were lower than budgeted.

## Forecast to 30 June 2014

Additional logging revenue (\$773k) and logging costs (\$383k) for the Hiwinui Reserve Forest due to higher price and volume yields. Plantation Forests harvest revenues and costs are tracking about 15% ahead of full-year plan targets. The forecast for Plantation Forests will be reviewed at the half-year.

## 2.4 Regional Parks

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	2,063	1,930	133	1,888	6,079	5,879	200	5,818
Operating expenditure	1,951	2,053	102	1,700	6,362	6,162	(200)	6,119
<b>Operating surplus / (deficit)</b>	<b>112</b>	<b>(123)</b>	<b>235</b>	<b>188</b>	<b>(283)</b>	<b>(283)</b>	<b>-</b>	<b>(301)</b>
Net fixed asset revaluation	-	-	-	-	-	-	-	3,899
Net capital expenditure	213	47	166	49	1,033	1,033	-	837

## Year to date

A favourable operating variance of \$235k, due to increased revenue of \$133k and lower expenditure of \$102k.

### Operating Revenue was higher than budget due to:

- ▶ Additional external income of \$164k from logging activities in Belmont Park, this revenue is offset by harvesting costs.

### Operating expenditure is slightly lower than budget due to:

- ▶ Consultants & contractors includes an additional \$176k for the costs of Belmont logging.
- ▶ Personal costs are below budget due to vacancies and a higher level of staff resources charges to capital projects
- ▶ Material costs have been lower than anticipated to October mainly due to a review of accruals and closing old purchase orders

Capital expenditure was \$208k compared with the full year budget of \$880k which leaves \$672k available to spend

- ▶ Most capital spend is in QEP and Whitireia Parks.
- ▶ The forecast remains in line with budget of \$880k.

## Forecast to 30 June 2014

- ▶ The forecast has been updated to include \$200k logging income and \$200k logging costs in Belmont Park which has nil impact on the net result.

## 2.5 Public Transport

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	31,896	34,243	(2,347)	33,004	102,771	102,856	(85)	101,051
Operating expenditure	31,163	35,073	3,910	31,484	105,210	105,454	244	94,941
Operating surplus / (deficit)	733	(830)	1,563	1,520	(2,439)	(2,598)	159	6,110

## Year to date

An operating surplus of \$1.6 million because of lower expenditure of \$3.9 million and reduced revenue of \$2.3 million.

### Operating revenue was \$2.3 million below budget due to:

- ▶ Grants and subsidies revenue was \$1.7 million below budget which reflects the reduction in operational expenditure for the year.

### Operating expenditure is \$3.9 million below budget primarily due to:

- ▶ Network operations and maintenance costs was \$0.5 million below budget because of reduced signal work and phasing issue.
- ▶ Train maintenance expenditure was \$0.2 million below budget. There was less unplanned work on the Ganz Mavag trains than budgeted.
- ▶ Station expenditure was \$0.2 million below budget. Some items of expenditure were over accrued at 30 June 2013.
- ▶ Diesel bus operations expenditure was \$9.8 million which is \$0.3 million below budget primarily because contractual inflation payments for the fourth quarter of 2012/13 were less than accrued at year-end.
- ▶ Trolley bus operations expenditure was \$2.5 million which is \$0.5 million below budget. There were changes to the timing of related trolley bus operational costs and cost reductions from services not run.

- ▶ Projects and planning expenditure was \$0.3 million below budget. The Integrated Ticketing Investigation has commenced but expenditure has been minimal.
- ▶ PTOM expenditure was \$0.2 million or \$0.3 million below budget. Timing of PTOM major expenditure is now likely to occur later than originally planned.
- ▶ There have also been favourable variances in other areas of SuperGold, Bus shelter maintenance and Bus studies as a result of timing of expenditure

## Forecast to 30 June 2014

The forecast operating deficit of \$2.4 million is \$0.2 million better than budget. This is because of lower revenue and expenditure.

### Operating revenue is forecast to be \$85k below budget due to:

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

### Operating expenditure is forecast to be \$200k below budget due to:

- ▶ Diesel bus contract expenditure is forecast to be \$0.5 million below budget because of oil prices and \$NZ/\$US exchange rate.
- ▶ Rail network performance fee is forecast to be \$0.2 million below budget because of reduced performance by KiwiRail.
- ▶ Rail insurance is forecast to be \$0.1 million below budget because of lower premiums.
- ▶ Rail network incident expenditure is forecast to be \$0.8 million above budget because further work is required to reinstate the Petone seawall.

## 2.6 Public Transport capital and improvement projects

Improvement projects relate to capital works where the underlying asset will not be directly owned by the Council, and therefore are treated as operational expenditure in these accounts. This is predominately rail rolling stock and stations owned by Greater Wellington Rail Limited, or track and signal renewal work owned by KiwiRail.

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

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	3,673	4,822	(1,149)	13,279	17,023	17,063	(40)	20,889
Operating expenditure	1,920	2,633	713	22,988	11,873	11,960	87	39,018
<b>Operating surplus / (deficit)</b>	<b>1,753</b>	<b>2,189</b>	<b>(436)</b>	<b>(9,709)</b>	<b>5,150</b>	<b>5,103</b>	<b>47</b>	<b>(18,129)</b>
Public Transport capital projects	85	937	852	372	1,826	1,946	120	2,314
Public Transport improvement and investment projects	9,178	16,044	6,866	22,988	37,528	36,278	(1,250)	39,018
<b>Net capital, improvement and investment expenditure</b>	<b>9,263</b>	<b>16,981</b>	<b>7,718</b>	<b>23,360</b>	<b>39,354</b>	<b>38,224</b>	<b>(1,130)</b>	<b>41,332</b>



## Year to date

The operating surplus of \$1.8 million is \$0.4 million below budget. This is because of a reduction in expenditure and revenue.  
The improvement projects, capital and investment expenditure is \$9.3 million or \$7.7 million below budget. This is because of changes in timing of payment.

### Operating revenue was \$1.1 million lower than budget due to:

- ▶ The Grant & Subsidies revenue was \$1.6 million below budget of a reduction in expenditure detailed below.
- ▶ This is offset by the revenue of \$0.4 million in non-cash revenue. Bus stop assets that had originally been funded by GWRC which have now been gifted back to us by Upper Hutt City Council and Kapiti Coast District Council.

### Operating expenditure was \$0.7 million lower than budget due to:

- ▶ Reduced finance costs of \$0.2 million.
- ▶ Trolley bus infrastructure renewals was \$0.5 million below budget. The majority of this under spending relates to the business case items that have not yet been approved.

### Improvement projects, capital and improvement additions is \$7.7 million below budget. This is because:

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

- ▶ Real Time Information project
- ▶ New Matangi trains
- ▶ Station renewals and upgrades

## Forecast to 30 June 2014

The forecast operating surplus is in line with budget.

The forecast net capital spend is \$1.3m ahead of budget. This is mainly due to change to the timing of expenditure relating to Matangi 2 trains - the total project budget remains at \$170.2 million.

## 2.7 Strategy & Community Engagement

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,515	1,558	(43)	1,376	4,669	4,669	-	4,666
Operating expenditure	1,278	1,604	326	1,271	4,990	4,968	(22)	4,667
<b>Operating surplus / (deficit)</b>	<b>237</b>	<b>(46)</b>	<b>283</b>	<b>105</b>	<b>(321)</b>	<b>(299)</b>	<b>(22)</b>	<b>(1)</b>
Net capital expenditure	50	83	33	(10)	269	269	-	85

### Year to date

Overall, a favourable operating variance of \$283k, comprising lower expenditure of \$326k and reduced revenue of \$43k.

#### 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 on consultants, materials and supplies due mainly to timing of the projects.
- ▶ Reduced expenditure on Iwi Projects and GW capacity training of \$41k to date this is expected to be on track as the year progresses.
- ▶ Reduced personnel costs due to vacancies.
- ▶ Printing costs for the Annual Plan and Annual report were lower than accrued for at the previous year end.

### Forecast to 30 June 2014

#### The forecast operating surplus is \$22k lower than budget due to:

- ▶ The adjustment to forecast is a result of higher software licence costs this year.

## 2.8 WRS

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,544	1,544	-	1,556	4,631	4,631	-	4,668
Operating expenditure	1,575	1,544	(31)	1,427	4,631	4,631	-	4,047
<b>Operating surplus / (deficit)</b>	<b>(31)</b>	<b>-</b>	<b>(31)</b>	<b>129</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>621</b>

## Year to date

Overall, a favourable operating variance of \$31k, comprising higher expenditure of \$31k.

### Operating expenditure was lower than budget due to:

- ▶ Increased expenditure on consultants (\$20k) and subscriptions due mainly to timing of payments to external parties.

## Forecast to 30 June 2014

The forecast is in line with budget and will be reviewed at the half year.

## 2.9 Finance ICT and Support

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,908	1,928	(20)	1,880	5,785	5,785	-	6,992
Operating expenditure	2,431	2,448	17	2,125	7,239	7,515	276	7,410
<b>Operating surplus / (deficit)</b>	<b>(523)</b>	<b>(520)</b>	<b>(3)</b>	<b>(245)</b>	<b>(1,454)</b>	<b>(1,730)</b>	<b>276</b>	<b>(418)</b>
Net capital expenditure	409	772	363	5	2,748	3,180	432	2,010

## Year to date

Overall, a slightly unfavourable operating variance of \$3k comprising lower revenue of \$20k and lower expenditure of \$17k.

### Operating revenue is lower than budget due to:

- ▶ External revenue is less than expected. This is largely driven by rates penalties which are quite variable year to year.

### Operating expenditure was lower than budget due to:

- ▶ Personnel costs are under budget as the Group looks to fill vacancies in ICT.
- ▶ The above savings have been offset by the early and hurried shift to Harbour Quays due to the earthquake have resulted in an additional \$147k of property related expenditure including travel, storage, equipment hire and property services costs.
- ▶ Rent costs are also ahead of budget as rent is being incurred on both RCC and more recently Shed 39. RCC rent is being reviewed with the Pringle House Limited Board.

Capital expenditure is higher than budget:

- ▶ Capital expenditure is currently tracking below budget as the document management project which was a shared service initiative has been delayed due to the regional ICT review which is currently underway. This project is now likely to occur next financial year.

## Forecast to 30 June 2014

Capital expenditure in the previous year has resulted in depreciation being lower than budgeted in the current year. This will remain throughout the year and hence the adjustment to forecast depreciation.

A net increase of \$100k in property services as a result of the early and rushed relocation to Shed 39.

Capital expenditure for the year is forecast to be \$432k less than budget due to:

- ▶ The regional ICT review will result in some delays to projects particularly the hummingbird document management system replacement or upgrade.

## 2.10 Emergency Management

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	942	941	1	1,489	2,823	2,823	-	3,207
Operating expenditure	822	1,029	207	816	3,087	3,087	-	2,783
Operating surplus / (deficit)	120	(88)	208	673	(264)	(264)	-	424
Net capital expenditure	-	-	-	-	-	-	-	137

## Year to date

Overall, an unfavourable operating variance of \$208k comprising lower expenditure of \$207k.

### Operating expenditure is lower than budget due to:

- ▶ Saving in personnel costs due to vacancies
- ▶ Lower planned awareness expenditure and activity due to the activities.

## Forecast to 30 June 2014

No change for the 2013/14 year compared to budget.

## 2.11 Warm Greater Wellington

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	571	1,010	(439)	365	3,029	3,029	-	1,100
Operating expenditure	571	1,010	439	2,630	3,029	3,029	-	1,100
Operating surplus / (deficit)	-	-	-	(2,265)	-	-	-	-

## Year to date

Overall, a break-even position, comprising lower revenue of \$439k and lower expenditure of \$439k.

### 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 2013 which were lower than budgeted. This was due to a lower cash level of advances provided in 2012/13 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 2014

Rates and expenditure are forecast down in line with the actual rates charged for the year.

## 2.12 Investment Management

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	2,006	1,460	546	1,722	7,473	6,828	645	6,945
Operating expenditure net of internal interest revenue	(1,127)	(2,068)	(941)	(1,855)	(4,537)	(5,225)	(688)	(5,911)
<b>Operating surplus / (deficit)</b>	<b>3,133</b>	<b>3,528</b>	<b>(395)</b>	<b>3,577</b>	<b>12,010</b>	<b>12,053</b>	<b>(43)</b>	<b>12,856</b>
Net capital expenditure	1,196	1,000	(196)	104	2,618	2,500	(118)	309

## Year to date

Overall, an unfavourable variance of \$395k compared with budget.

### This is due to:

- ▶ Investment Revenue is favourable to budget due to \$427k higher money market interest from higher than planned debt prefunding balances; \$34k higher guarantee fee for CentrePort's debt and having received \$115k Dividend earlier than anticipated.

- ▶ Expenditure variance comprises of \$ 423k lower interest recovery from internal debt as the capital expenditure by the operational Groups is behind schedule.
- ▶ External finance costs are \$391k above budget, mainly as a result of prefunding of debt.

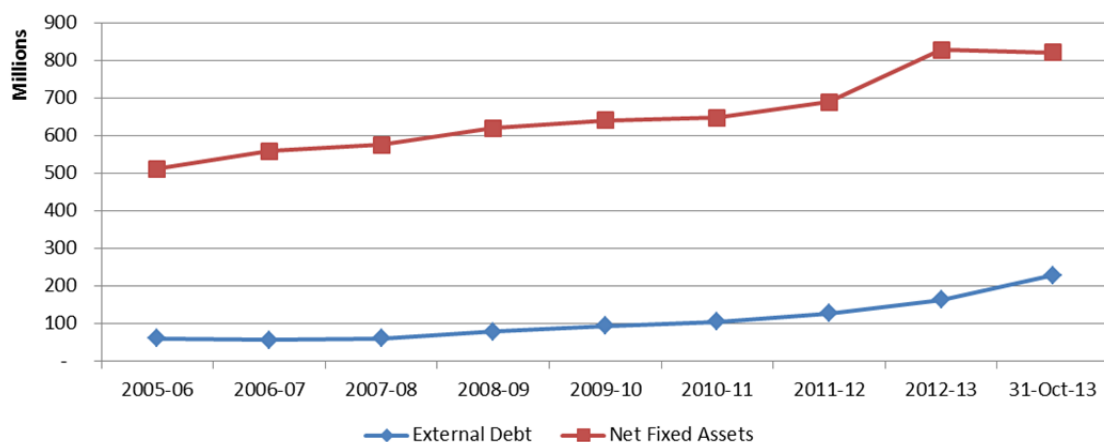
Capital expenditure relating to Shed 39 is \$1,196k for the year to date, which is \$196k above budget. This unfavourable variance results from the timing of payments relating to the work on shed 39.

## Forecast to 30 June 2014

The operating surplus is forecasted to be \$12,746k, which is \$42k lower than the budget surplus of \$12,788k. The main reason for this decrease is due to:

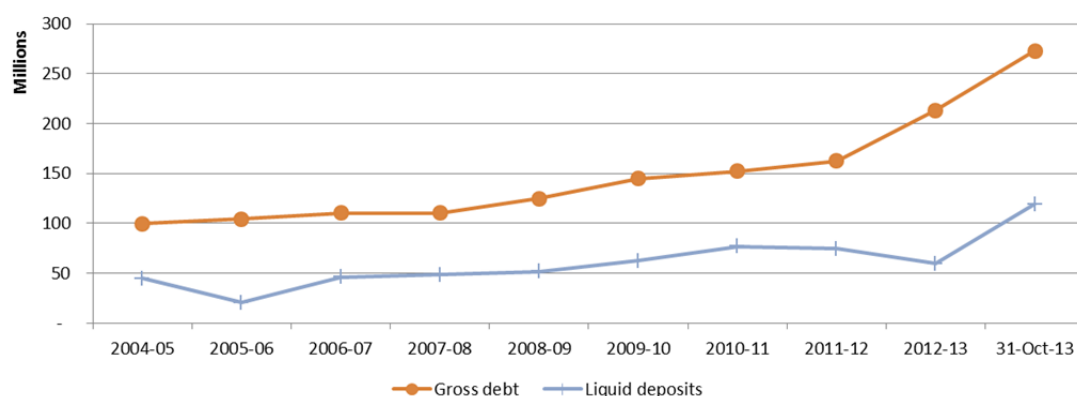
- ▶ Expectation of \$645,000 higher operating revenue which is mainly due to higher money market investment revenue resulting from the prefunding of debt.
- ▶ Operating expenditure is expected to be 687k unfavourable with \$288,000 lower interest revenue (within operating expenditure per the table) from internal loans due to the timing of capital expenditure by the Council. Finance costs are forecasted to be \$276,000 above budget, mainly due to the prefunding of debt. The direct expenditure is forecasted to be \$124,000 above budget. This is predominantly due to costs relating to the unscheduled move after the first earthquake and the final move to shed 39.

## External Debt and Assets



- ▶ External Debt has been growing at a higher rate than assets as we prefunded debt and assets are being depreciated.

## External Debt and Cash investments



- ▶ External Debt including WRC Holdings has risen sharply this year due to prefunding of debt which has been placed on deposit till it is required. The Council has \$88m of debt to refinance this year, composed of \$50 million of expiring debt and \$38 million of new debt to cover capital expenditure.

## 2.13 Water

Financial Summary \$(000)'s	4 Months ended 31 October 2013				Year ending 30 June 2014			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	8,887	8,857	30	8,779	26,571	26,571	-	26,719
Operating expenditure	9,595	9,928	333	9,993	29,794	29,794	-	29,973
Operational Surplus / (deficit) before other items	(708)	(1,071)	363	(1,214)	(3,223)	(3,223)	-	(3,254)
Additional depreciation from 2013 Water Revaluation	2,350	-	(2,350)	-	5,000	-	(5,000)	-
Operational Surplus / (deficit)	(3,058)	(1,071)	(1,987)	(1,214)	(8,223)	(3,223)	(5,000)	(3,254)
Net fixed asset revaluation	-	-	-	-	-	-	-	108,714
Net capital expenditure	1,766	6,428	4,662	2,447	9,981	9,981	-	9,776

## Year to date

Overall a favourable operating variance of \$363k compared to budget before the additional depreciation resulting from the 30 June 2013 asset revaluation

**Operating revenue is in line with budget.**

**Operating expenditure was \$333k lower than budget due to:**

- ▶ Materials supplies and services. \$225k under budget. Power, chemicals and property expenses are all under budget. However repairs and maintenance offset these savings. There have been some large annual licence fees paid which is a timing issue.
- ▶ Contractors and consultants spend is \$279k under budget due to timing of payments.
- ▶ Finance costs. \$81k under budget. These savings are likely to continue as the budget was based on the Kaitoke land deal having been finalised in August.

As a result of the large increase in asset values from the previous years' valuation which was completed after the depreciation budgets were set for this year, depreciation is \$2.35m over budget at 30 October, and is expected to be \$5 million over budget at year end.

Depreciation is not a cash or performance item, so we have separated this large adjustment out to enable a more meaningful comparison with the operating budget.

Capital expenditure is \$4,662k under budget, primarily due to the lake 3 land purchase and associated development that will take place after this is completed.

## Forecast to 30 June 2014

The forecast operating deficit is \$5.m lower than budget. This is primarily due to the \$5m increase in depreciation as a result of the 30 June 2013 revaluation of the water supply assets.





# 4 BALANCE SHEET

<b>Greater Wellington Regional Council</b>			
<b>Balance Sheet</b>			
	<b>October 2013</b>	<b>June 2014</b>	<b>June 2013</b>
<b>\$(000)'s</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
Bank	8	7	8,335
Receivables	37,472	14,318	12,362
Accrued Revenue and Prepayments	28,409	26,334	24,176
Inventory	2,998	2,759	3,002
<b>Total Current Assets</b>	<b>68,887</b>	<b>43,418</b>	<b>47,875</b>
Other Investments	110,273	85,845	62,003
Forestry Investments	23,135	14,834	23,377
Derived Financial Instruments	(3,808)	(7,623)	(4,492)
Investment in Subsidiaries	88,720	80,142	68,514
<b>Total Investments</b>	<b>218,320</b>	<b>173,198</b>	<b>149,402</b>
Fixed Asset at cost or valuation	860,530	765,449	861,225
less Accumulated Depreciation	(37,164)	(73,903)	(32,001)
<b>Net Fixed Assets</b>	<b>823,366</b>	<b>691,546</b>	<b>829,224</b>
Capital Works In Progress	3,283	2,829	756
<b>Non Current Assets</b>	<b>1,044,969</b>	<b>867,573</b>	<b>979,382</b>
<b>Total Assets</b>	<b>1,113,856</b>	<b>910,991</b>	<b>1,027,257</b>
<b>less:</b>			
Current Liabilities	41,793	49,922	21,298
Non Current Liabilities	243,486	202,247	178,332
<b>Total Liabilities</b>	<b>285,279</b>	<b>252,169</b>	<b>199,630</b>
<b>Net Assets</b>	<b>828,577</b>	<b>658,822</b>	<b>827,627</b>
Total Retained Earnings	353,957	337,873	352,832
Asset Revaluation Reserves	449,304	303,567	449,304
Other Reserves	25,316	17,382	25,491
<b>Total Ratepayer Funds</b>	<b>828,577</b>	<b>658,822</b>	<b>827,627</b>





greater WELLINGTON

REGIONAL COUNCIL

Te Pane Matua Taiao