

Greater Wellington Regional Council

Annual Report Summary 2010/11

Summarising Greater Wellington's Annual report 2010/11

Chair's report

Fran Wilde

Key achievements for 2010/11

Resource management

A focus of our work this year has been the continued development of our regional resource management plan, working through Te Upoko Taiao (Natural Resource Management Committee) and the wider community. This plan will bring together our five regional plans into one and outline how we balance regulation against voluntary methods to protect our environment. We also established a governance group for the Wairarapa Water Use Project, which aims to harvest water for economic and community use, and completed a number of technical investigations into groundwater resources. As part of our regulatory functions, we issued 598 consents, of which 98.7% were processed within statutory timeframes, and responded to more than 1,000 pollution incidents.

Transport

We funded more than 1.1 million trips on rail and bus services in the region. The reliability of some rail services was a continuing issue over the last year, with 83.8% of services on-time, however considerable progress was made in upgrading the rail system for future years. The first 9 of the 48 new two-car Matangi trains were in service - some delays were experienced in receiving the Matangi trains from the supplier. For bus services, the installation of Real Time Information on much of the network provided accurate information on the timing of buses for passengers. For disabled passengers, the Total Mobility System was upgraded through the introduction of new electronic cards. We also made progress in reviewing our transport plans for Freight and the Hutt Corridor, and continued our successful programmes encouraging more sustainable transport choices.

Water supply

Over the last year we supplied 52,777 million litres of water to the region, which is 0.3% less than the previous year, and on-track to achieve the target of a 10% reduction by 2019. All of the water supplied which was top quality, with all treatment plants being given the highest possible grading for their type. To enhance the resilience of the water network we continued work to earthquake strengthen the Stuart Macaskill water storage Lakes in Te Marua, and relocated the water supply pipeline to Karori.

Parks and forests

The Parks Network Plan, which provides strategic direction to all of our parks and forests, was completed and approved by Council in December 2010. Since then a number of new additions have been made to the regional parks network, including through the opening of Baring Head in February 2011, and through Council agreeing to manage Whiteria Park in partnership with Ngati Toa Rangatira. The regional parks continued to accommodate a significant number of visits, with 766,545 visitors over the last year, and 3,848 participants in the Great Outdoors Summer Events programme.

Land management

We commenced the Regional Possum Predator Control Programme over 19,200ha in the northern Wairarapa, to lock in the economic and environmental benefits of low possum numbers in areas previously subject to bovine Tb control. We also continued our work to protect soils and to promote more sustainable land management through the Wellington Regional Erosion Control Initiative, the Afforestation Grant Scheme, riparian planting and the preparation of farm sustainability plans. A total of 432ha of erosion prone land, and 289ha of other land was planted, 13 farm sustainability plans were approved, and 2.24km of new riparian planting. A 10 year Biodiversity Strategy was adopted to guide the future direction of our biodiversity work.

Safety and flood protection

Our civil defence staff provided assistance to the National Crisis Management Centre as part of the response to the Canterbury earthquakes. Work on 40 year flood protection programme continued, with completion of the design of the Boulcott-Hutt Stopbank, and the strengthening of the Tobins Stopbank on the Ruamahunga River. The new Beacon Hill Signal Station commenced operation in December 2010, providing an enhanced harbour management function.

Regional sustainable development

An independent review of the Wellington Regional Strategy (WRS) was completed and agreed by the WRS Committee. The review highlighted some areas for improvements, and a refresh of the WRS will be undertaken in the coming year. The Warm Greater Wellington programme, which provides loan funding to households installing insulation, was rolled out to 1,151 homes.

Community

The Council elections were held in October 2010, and the four new councillors were provided with appropriate training. A new committee structure was established based on the four wellbeings – environmental, economic, social and cultural. With the region's mayors a review of the current local government arrangements was commissioned. The report concluded that some changes were desirable and further work will be undertaken this coming year.

**Financial overview
for the year ended 30 June 2011**

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Council - Summary income statement

	Council		
	2011 Actual \$000s	2011 Budget \$000s	2010 Actual \$000s
Revenue	211,875	229,258	193,779
Finance costs	(5,424)	(7,020)	(5,158)
Operating expenditure*	(178,201)	(218,392)	(158,271)
Depreciation and amortisation	(12,154)	(10,389)	(11,511)
Operating surplus	16,096	(6,543)	18,839
External funding Baring Head land purchase	-	-	1,100
Unrealised gains and (losses) on financial instruments	(4,036)	(306)	(5,389)
Forestry revaluation / cost of goods sold	6,263	1,601	4,884
Transport improvement revenue	78,286	145,939	54,985
Transport improvement expenditure *	(83,064)	(146,541)	(70,015)
Net operating surplus / (deficit) for the year before tax	13,545	(5,850)	4,404
Other comprehensive income			
Increases / (decreases) in asset revaluations **	(6)	-	-
Total comprehensive income	13,539	(5,850)	4,404

Greater Wellington's net operating surplus for the 2010/11 year before unrealised gains and losses and transport improvements was \$16.096 million, compared with a budgeted deficit of \$6.543 million. Including the revenue and expenditure on the transport improvements and valuation movements the net surplus was \$13.539 million, which is \$19.389 million ahead of budget.

Significant components of this variance are:

- Greater Wellington receives grant revenue to fund various transport projects. Revenue is only received when expenditure is incurred including:
 - Lower expenditure for purchase of Matangi EMU's of \$94.0 million due to the delays in delivery compared to budgeted timetable and the revised payment schedule reduced revenue by \$84.0 million. A net variance of \$10 million.
 - Lower project expenditure including Real time information and trolley bus infrastructure renewals of \$5.2 million reduced grant revenue by \$2.86 million.
- Interest income and dividend income were \$2 million more than budget reflecting lower interest rates in the subsidiaries and better returns on term deposits
- Finance costs were lower than budget due to lower level of capital expenditure compared to budget.
- Greater Wellington's forestry investments are valued each year. higher market prices at year end resulted in a significant increase in the forestry valuation at year end. The budget variance arises from the difference in valuation expectations at the time of the budget and year end.

* Comparatives for 2010 and Budgets for 2011 have been reclassified to aid comparability

**Financial overview
for the year ended 30 June 2011**

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Council - Statement of financial position

	Council		
	2010 Actual \$000s	2010 Budget \$000s	2010 Actual \$000s
Current assets	80,147	91,225	101,879
Non-current assets	756,256	725,740	697,599
Total assets	836,403	816,965	799,478
Equity	673,319	647,912	659,780
Current liabilities	116,603	59,610	44,334
Non-current liabilities	46,481	109,443	95,364
	836,403	816,965	799,478

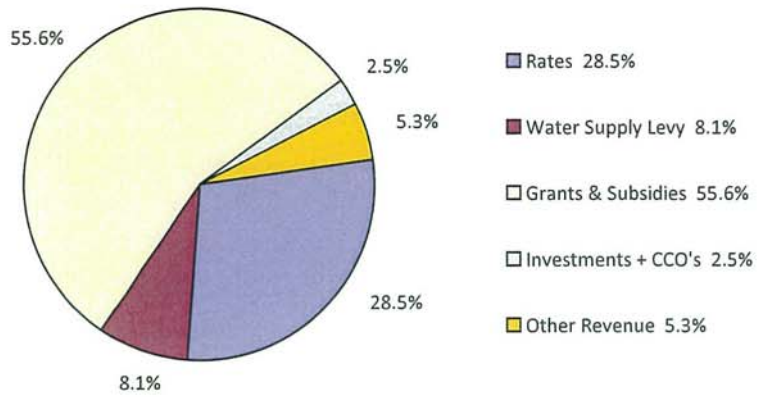
- Some deposits and investments have moved from a short term maturity into longer term maturity investments.
- Greater Wellington's forestry investments are valued each year. Higher market prices at year end resulted in a significant increase in the forestry valuation at year end. The budget variance arises from the difference in valuation expectations at the time of the budget and year end.
- Council share of the new rail rolling stock is funded by way of share capital in GW Rail Ltd. The timing of the Matangi expenditure is different to budget noted above. This movement for the year is attributed solely to share capital called of \$13.3 million
- Delays in the Real time information \$2.6 million and flood protection projects \$3.6 million have contributed to lower level of expenditure compared to budget.
- Debt has been moved from long-term to current. Overall term debt was lower than budget due to the lower level of capital expenditure compared to budget.

Council - Summary cashflow statement

	Council		
	2010 Actual \$000s	2010 Budget \$000s	2010 Actual \$000s
Cashflows from operating activities	37,666	4,921	17,995
Cashflows from investing activities	(41,326)	(41,570)	(17,788)
Cashflows from financing activities	6,220	38,252	18,467
Net increase (decrease) in cash, cash equivalents and bank overdraft	2,560	1,603	18,674
Opening cash equivalents	35,987	29,132	17,313
Closing cash equivalents	38,547	30,735	35,987

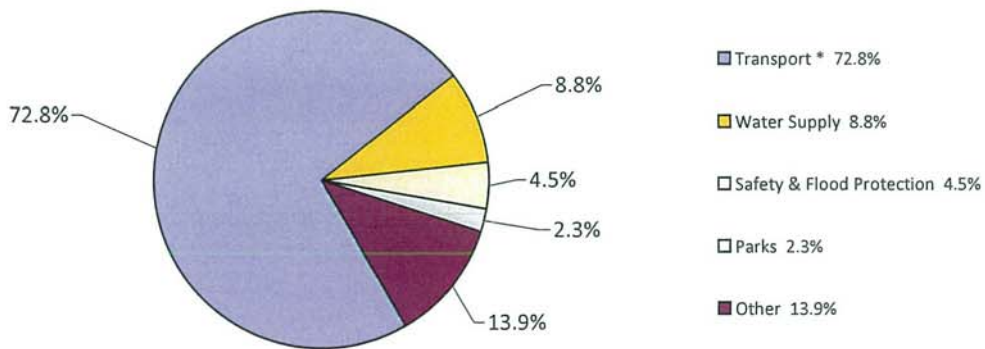
- Actual cashflow from operations is higher than budget due to lower expenditure on transport improvements. This is offset by lower borrowing requirements.

Council Revenue



This pie chart illustrates Greater Wellington's source of revenue. Rates made up 28.5% of our revenue in 2011. Grant and subsidies, predominately from Central Government for public transport makes up the largest share.

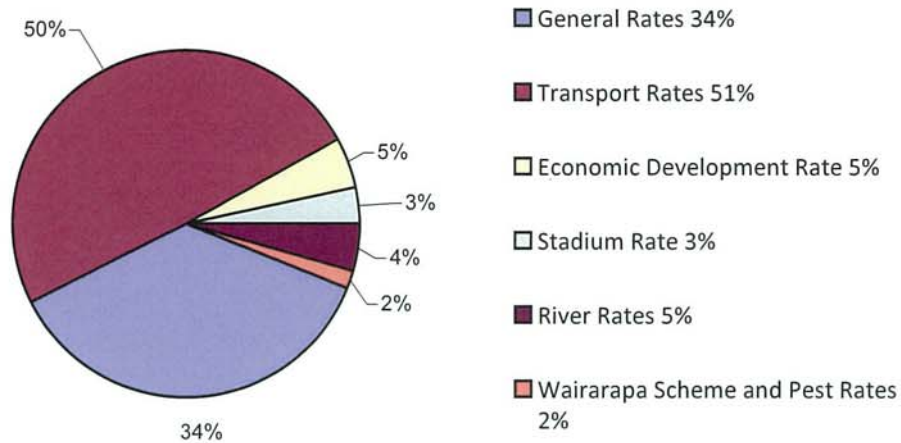
Council Operational Expenditure



* Includes \$123m of expenditure on transport improvements

This pie chart illustrates Greater Wellington's operational expenditure by outcome. The largest portion is for public transport, which includes \$123 million being invested in the rail network improvements during 2011.

Council Rates



- General rates charged to all ratepayers make up 34% of the total rates collected in 2010. The other rates, including the transport rate which made up 51% of rates are targeted rates which are apportioned to reflect the ratepayers that are benefiting more from the expenditure and investment that council is making.

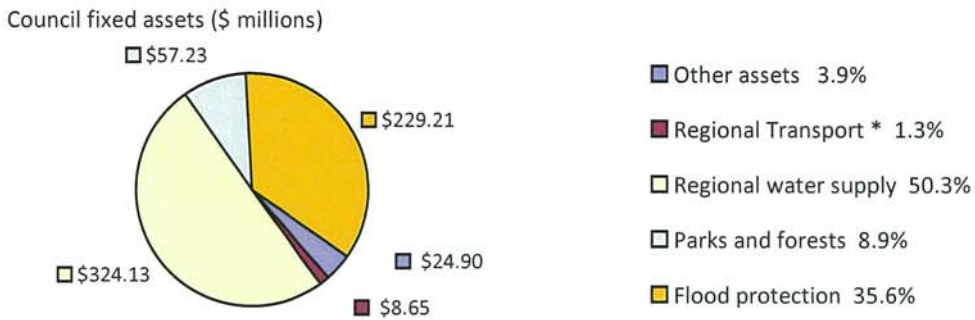
Average rates collected per property*



*The average is for all property types, including residential, rural and commercial properties

- Over the last eight years, rates for all properties have increased by an average of 5.2%. This increase includes the change for Greater Wellington taking on rating for economic development for the region; the current major investment in improving the rail network and the continuation of the flood protection programme.

**Financial overview
for the year ended 30 June 2011**

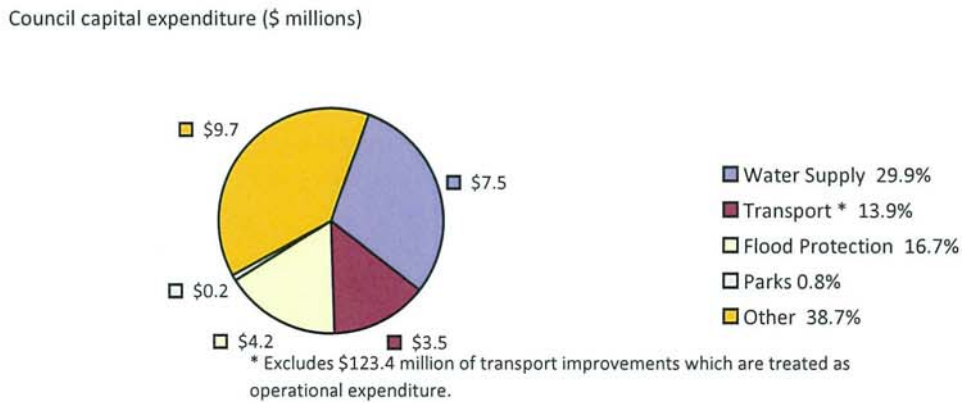


* Excludes \$143 million of rail rolling stock and \$41 million of rail station infrastructure owned by Greater Wellington Rail Ltd, a Council subsidiary.

This pie chart shows the breakdown of our assets at the year end.

Greater Wellington looks after many important community assets. Our asset base consists of regional water supply, regional parks and forests, flood protection and, increasingly, public transport. The new Matangi trains, the Ganz Mavag trains and all stations excluding Wellington station are now owned by the Greater Wellington subsidiary, Greater Wellington Rail Limited.

Continued management and investment in these assets is essential. Greater Wellington maintains and updates detailed asset management plans to ensure we look after these assets on behalf of the community.



This pie chart shows the breakdown of the \$25.1 million in capital expenditure for the year ended 30 June 2011. 2011 capital expenditure included the completion of Waiwhetu flood works, continued work on the Hutt River stopbanks and the start of the roll out of the real time information system on the Wellington bus network.

This expenditure excludes transport improvements of \$123.4 million (\$83.0 million 2010), which are treated as operating expenditure in the council accounts. The Matangi trains will be owned by the Greater Wellington subsidiary, Greater Wellington Rail Limited, other improvements will be owned by the Government entities, Ontrack and Kiwirail.

**Financial overview group
for the year ended 30 June 2011**

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Group - Summary income statement

	Group	
	2011	2010
	Actual	Actual
	\$000s	\$000s
Revenue	281,423	257,170
Finance costs	(19,050)	(15,498)
Operating expenditure*	(188,593)	(198,990)
Depreciation	(21,882)	(21,549)
Operating surplus	51,898	21,133
External funding Baring Head	-	1,100
Unrealised gains (losses)	(12,844)	(11,682)
Forestry net revaluation/cost of goods sold	6,263	4,884
Transport improvement revenue	78,286	54,985
Transport improvement expenditure *	(70,702)	(52,977)
Net operating surplus (deficit) for the year before tax	52,901	17,443
Tax	(21,262)	(3,196)
Net operating surplus (deficit) for the year after tax	31,639	14,247
Other comprehensive income		
Increases / (decreases) in asset revaluations **	73,428	10,380
Profit for the year from discontinued operations	-	-
Total comprehensive income	105,067	24,627

Group - Statement of financial position

	Group	
	2011	2010
	Actual	Actual
	\$000s	\$000s
Current assets	87,440	106,973
Non-current assets	1,300,498	1,131,073
Total assets	1,387,938	1,238,046
Equity	955,547	851,403
Current liabilities	261,840	161,314
Non-current liabilities	170,551	225,329
	1,387,938	1,238,046

Group - Summary cashflow statement

	Group	
	2011	2010
	Actual	Actual
	\$000s	\$000s
Cashflows from operating activities	54,162	36,728
Cashflows from investing activities	(53,629)	(44,922)
Cashflows from financing activities	2,875	26,836
Net increase / (decrease) in cash, cash equivalents and bank overdraft	3,408	18,642
Opening cash equivalents	36,511	17,869
Closing cash equivalents	39,919	36,511

The Group results include CentrePort Ltd, Grow Wellington, WRC Holdings, Pringle House Ltd, Port Investments Ltd and GW Rail Ltd.

* Comparatives for 2010 and Budgets for 2011 have been reclassified to aid comparability