greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Finance report for the period ended 30 September 2012

1. Purpose

To inform the Council of Greater Wellington's preliminary financial performance for the 3 months ended 30 September 2012 and to provide an explanation of major variances to budget by Group.

2. The decision-making process and significance

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

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

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

3. Background

Financial statements are prepared and presented to management for review each month. More detailed reports and review by operational Group are undertaken each quarter by the Chief Executive and the Chief Financial Officer. This report is a summary of the September quarterly reviews.

The Funding Impact Statement and Balance Sheet for Greater Wellington are attached (refer **Attachments 1 and 2**).

4. Council Summary

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

4.1 Key Achievements

- All 48 two car Matangi units have been delivered to NZ.
- The 2011/12 Annual Monitoring Report on the Regional Land Transport Strategy was completed and adopted by the Regional Transport Committee at their meeting of 15 August.
- Bay of Plenty Regional Council was set up as the 7th region on the national Let's Carpool website and assisted them, along with Palmerston North City Council, Hamilton City Council and New Plymouth District Council to start to administer their region.
- Warm Greater Wellington passed 5,700 properties and $10 million dollars in support provided.
- The Greater Wellington Health and Safety Action Plan and performance target we set and endorsed by the Executive Leadership Team.
- A 120% increase in visits to the mobile Metlink website compared to the same period the previous year. This now accounts for 36% of total Metlink web traffic.
- Public feedback was sought on the initial options for the fare structure review. Over 2200 website responses and around 20 written responses were received, in addition to the results of a survey run by the Victoria University of Wellington Student Association (VUWSA) focusing on use of public transport by students and their views on a tertiary concession fare.
- Councillors and ELT participated in Mahuri – Maori capacity building training.
- Installation of the polyethylene membrane liner within Lake 2 was completed early in September and the lake is now in the process of being refilled.

4.2 Council Financial Performance

4.2.1 Year to date

Greater Wellington achieved an operating surplus of $1,473k (budget, a deficit of $1,427k) for the three months to 30 September, a $2,899k favourable result. This result excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater

Wellington made a deficit of $6,175k (budget, a deficit of $17,520k), a favourable variance of $11,345k. Transport improvements accounts for the majority of the favourable variance at this level.

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

4.2.2 Financial Summary

Greater Wellington Regional Council	**For the 3 months ended 30 September 2012**			
Summary income statement	**Actual**	**Budget**	**Variance**	**Last Year**
	$000s	**$000s**	**$000s**	**$000s**
Regional rates	22,525	22,558	(33)	21,306
Water supply levy	6,222	6,222	-	6,041
Other operating revenue	21,019	23,034	(2,015)	23,191
Total operating revenue	**49,766**	**51,814**	**(2,048)**	**50,538**
Operational expenditure	(48,293)	(53,240)	4,947	(49,188)
Operating surplus/(deficit) before transport improvements	**1,473**	**(1,426)**	**2,899**	**1,350**
Operating (deficit) from transport improvements	(7,481)	(15,941)	8,460	(1,521)
Operating surplus/(deficit) before non-operational items	**(6,008)**	**(17,367)**	**11,359**	**(171)**
Non-operational movements	(167)	(153)	(14)	(1,951)
Operating surplus/(deficit)	**(6,175)**	**(17,520)**	**11,345**	**(2,122)**

4.2.3 Financial Summary by Group

Greater Wellington Regional Council Summary income statement by Group	Actual $000s	Budget $000s	Variance $000s	Last Year $000s
	For the 3 months ended 30 September 2012			
Operational Groups				
Catchment Management	1,202	726	476	1,437
Environmental Management	207	146	61	55
Forestry	(134)	137	(271)	(230)
Regional Parks	183	18	165	97
Public Transport	499	(575)	1,074	239
Total rates funded operational surplus / (deficit)	**1,957**	**452**	**1,505**	**1,598**
Corporate				
Strategy & Community Engagement	193	28	165	465
Finance and Support	(241)	(376)	135	(37)
Other corporate activities	449	47	402	289
Investment Management	2,705	2,475	230	2,184
Business unit rates contribution	(2,839)	(2,838)	(1)	(2,608)
Total rates funded operating surplus / (deficit)	**2,224**	**(213)**	**2,436**	**1,891**
Water	(751)	(1,214)	463	(541)
Total rates & levy funded operating surplus / (deficit)	**1,473**	**(1,427)**	**2,899**	**1,350**
Public Transport - improvements	(7,481)	(15,941)	8,460	(1,521)
Operating surplus/(deficit) before non-operational items	**(6,008)**	**(17,368)**	**11,359**	**(171)**
Non-operational movements				
Revaluation of debt and stadium advance	-	-	-	-
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(170)	(153)	(17)	(769)
Warm Greater Wellington	(4)	-	(4)	(1,188)
EMU investment - GW Rail	7	-	7	6
Non-operational movements	(167)	(153)	(14)	(1,951)
Total Council surplus / (deficit)	**(6,175)**	**(17,521)**	**11,345**	**(2,122)**

4.3 Forecast to 30 June 2013

Greater Wellington is forecasting an operating surplus of $569k (budget, a deficit of $5,448k) for the year to 30 June 2013. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington is forecasting a deficit of $4,220k (budget, a deficit of $11,821k).

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

4.3.1 Financial forecast

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2013			
	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Regional rates	90,094	90,257	(163)	85,002
Water supply levy	24,888	24,888	-	24,164
Other operating revenue	96,080	94,274	1,806	98,589
Total operating revenue	**211,062**	**209,419**	**1,643**	**207,755**
Operational expenditure	(211,492)	(214,867)	3,375	(200,180)
Operating surplus/(deficit) before transport improvements	**(430)**	**(5,448)**	**5,018**	**7,575**
Operating (deficit) from transport improvements	(22,849)	(24,276)	1,427	(13,189)
Operating surplus/(deficit) before non-operational items	**(23,279)**	**(29,724)**	**6,445**	**(5,614)**
Non-operational movements	17,904	17,903	1	2,605
Operating surplus/(deficit)	**(5,375)**	**(11,821)**	**6,446**	**(3,009)**

4.3.2 Financial forecast by Group

Greater Wellington Regional Council Summary income statement by Group	For the year ending 30 June 2013			
	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operational Groups				
Catchment Management	3,033	3,048	(15)	3,885
Environmental Management	49	229	(180)	(49)
Forestry	63	63	-	472
Regional Parks	(234)	(234)	-	(266)
Public Transport	(1,106)	(2,999)	1,893	2,768
Total rates funded operational surplus / (deficit)	**1,805**	**107**	**1,698**	**6,810**
Corporate				
Strategy & Community Engagement	(150)	(266)	116	878
Finance and Support	(1,711)	(1,525)	(186)	(274)
Other corporate activities	80	48	32	364
Investment Management	15,571	12,348	3,223	13,761
Business unit rates contribution	(11,352)	(11,352)	-	(10,434)
Total rates funded operating surplus / (deficit)	**4,243**	**(640)**	**4,883**	**11,105**
Water	(4,673)	(4,808)	135	(3,530)
Total rates & levy funded operating surplus / (deficit)	**(430)**	**(5,448)**	**5,018**	**7,575**
Public Transport - improvements	(22,849)	(24,276)	1,427	(13,189)
Operating surplus/(deficit) before non-operational items -	**(23,279)**	**(29,724)**	**6,445**	**(5,614)**
Non-operational movements				
Revaluation of debt and stadium advance	981	980	1	(3,515)
Revaluation of forestry	2,629	2,629	-	2,683
Forestry cost of goods sold	(561)	(561)	-	(521)
Warm Greater Wellington	-	-	-	-
EMU investment - GW Rail	14,855	14,855	-	3,958
Non-operational movements	17,904	17,903	1	2,605
Total Council surplus / (deficit)	**(5,375)**	**(11,821)**	**6,446**	**(3,009)**

4.4 Capital expenditure

4.4.1 Capital expenditure by Group

Capital expenditure is $1,124k below budget, year to date. This is primarily due to project timings in the Water Supply capital programme.

Details by Group are discussed in section 5.

Greater Wellington Regional Council	**For the 3 months ended 30 September 2012**			
Capital expenditure by Group	**Actual**	**Budget**	**Variance**	**Last Year**
	$(000)'s	**$(000)'s**	**$(000)'s**	**$(000)'s**
Operational Groups				
Catchment Management	1,454	1,640	186	669
Environmental Management	54	-	(54)	39
Forestry	54	106	52	26
Regional Parks	37	115	78	63
Public Transport	388	380	(8)	1,475
Operational Groups capital expenditure	**1,987**	**2,241**	**254**	**2,272**
Corporate				
Strategy & Community Engagement	(10)	-	10	486
Finance and Support	(12)	90	102	33
Other corporate activities	135	250	115	77
Investment Management	97	-	(97)	55
Total rates funded capital expenditure	**2,197**	**2,581**	**384**	**2,923**
Water Supply	1,708	2,448	740	1,822
Total rates & levy funded capital expenditure	**3,905**	**5,029**	**1,124**	**4,745**

4.4.2 Capital expenditure forecast by Group

Capital expenditure is forecast to be $1,900k ahead of budget by year end. This is primarily due to a number of changes within the Catchment Management capital programme and changes within the corporate capital programme

Details by Group are discussed in section 5.

Greater Wellington Regional Council Capital expenditure by Group	For the year ending 30 June 2013 Forecast $(000)'s	 Budget $(000)'s	 Variance $(000)'s	 Last Year $(000)'s
Operational Groups				
Catchment Management	8,282	7,732	(550)	7,462
Environmental Management	416	405	(11)	348
Forestry	472	472	-	221
Regional Parks	802	813	11	426
Public Transport	1,991	1,991	-	(2,849)
Operational Groups capital expenditure	**11,963**	**11,413**	**(550)**	**5,608**
Corporate				
Strategy & Community Engagement	264	264	-	1,103
Finance and Support	3,265	1,915	(1,350)	421
Other corporate activities	687	687	-	621
Investment Management	100	100	-	496
Total rates funded capital expenditure	**16,279**	**14,379**	**(1,900)**	**8,249**
Water Supply	14,792	14,792	-	9,360
Total rates & levy funded capital expenditure	**31,071**	**29,171**	**(1,900)**	**17,609**

5. Financial Performance by Group

5.1 Catchment management

Financial Summary	For the 3 months ended 30 September 2012 Actual $000s	 Budget $000s	 Variance $000s	 Last Year $000s	For the year ending 30 June 2013 Forecast $000s	 Budget $000s	 Variance $000s	 Last Year $000s
Operating revenue	8,311	8,653	(342)	7,756	32,513	32,440	73	29,982
Operating expenditure	7,109	7,927	818	6,319	29,480	29,392	(88)	26,097
Operating surplus / (deficit)	1,202	726	476	1,437	3,033	3,048	(15)	3,885
Net capital expenditure	1,454	1,640	186	669	8,282	7,732	(550)	7,462

5.1.1 Year to date

A favourable operating variance of $476k, comprising lower revenue of $342k and lower operating costs of $818k.

- Operating revenue is lower than budget due mainly to reduced AHB revenue as a result of adverse weather delays in completing the aerial contracts
- Operating expenditure was lower than budget due mainly to the timing of operational work programmes including:
  - Reduced materials and contractors due to the delays in the predator control programmes, $268k
  - Reduced contractor expenditure due to lower level of forestry consultations and hill country erosion and scheme work, $216k

- Reduced isolated works for flood protection $101k

- Reduced material and contractor expenditure due to a lower level of river maintenance across the region than budgeted

- Capital expenditure is $186k lower than budget, primarily due to:

  - Discussions with Otaki and Porirua Trusts Board Stream management have slowed works in the Lower Waitohu. Much of the works programme will now be carried over to 2013/14.

5.1.2 Forecast to 30 June 2013

- The forecast operating surplus is mostly in line with budget.

- The forecast capital expenditure to June 2013 is expected to be $550k higher than budget. These are timing changes to projects with total costs still within LTP budget limits

  - $350K brought forward for the development of the Ngaumutawa Road Depot

  - $1,200K brought forward for the Boulcott/Hutt stopbank

  - Reduced expenditure of $400K for the Chrystalls extended land purchase as the acquisition capex cost was funded in the 2011/12 financial year

  - Reduced expenditure of $650K for Lower Waitohu due to landowner negotiations

5.2 Environmental management

Financial Summary	**For the 3 months ended 30 September 2012**				**For the year ending 30 June 2013**			
	Actual	**Budget**	**Variance**	**Last Year**	**Forecast**	**Budget**	**Variance**	**Last Year**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
Operating revenue	3,476	3,333	143	3,513	13,457	13,357	100	13,544
Operating expenditure	3,269	3,187	(82)	3,458	13,408	13,128	(280)	13,593
Operating surplus / (deficit)	207	146	61	55	49	229	(180)	(49)
Net capital expenditure	54	-	54	39	416	405	11	347

5.2.1 Year to date

Overall, a favourable operating variance of $61k, comprising higher revenue of $143k and higher expenditure of $82k.

- Operating revenue is ahead of budget primarily due to:

- Higher then expected processing and monitoring charges invoiced for the month of September
- There is also $122k of restitution income carried forward from the previous year.

- Operating expenditure was more than budget due mainly to:

  - Contractors are $72k over a budget of $50k – contractor's budget has been phased more to the end of the financial year. Additional funding will be required for consultants work on the Regional Plan
  - Additional expenditure on consultants related to consents processing. These costs are on charged to consent applicants.

- Capital expenditure is ahead of budget due to the timing of equipment for Beacon Hill.

5.2.2 Forecast to 30 June 2013

- The forecast operating deficit of $49k is $180k worse than budget due to:

  - $80k additional staff costs and $100k additional consultant's costs for The Regional Plan work in Policy.

5.3 Forestry

Financial Summary	For the 3 months ended 30 September 2012				For the year ending 30 June 2013			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	2,122	2,456	(334)	2,115	9,007	9,007	-	8,784
Operating expenditure	2,256	2,319	63	2,345	8,944	8,944	-	8,312
Operating surplus / (deficit) before cost of goods sold	**(134)**	**137**	**(271)**	**(230)**	**63**	**63**	**-**	**472**
Cost of goods sold*	170	153	(17)	769	561	561	-	521
Operating surplus / (deficit) before valuation	(304)	(16)	(288)	(999)	(498)	(498)	-	(49)
Forestry valuation	-	-	-	-	2,629	2,629	-	2,683
Operating surplus / (deficit)	(304)	(16)	(288)	(999)	2,131	2,131	-	2,634
Net capital expenditure	54	106	52	26	472	472	-	221

* cost of goods sold is a non cash accounting adjustment

5.3.1 Year to date

- An unfavourable operating variance of $271k, prior to cost of goods sold due to:

  - Lower operating revenue of $334k primarily due to crew availability issues which has meant lower volumes have been harvested.
  - With reduced volumes, operating expenditure was $63k lower than budget due to reduced costs of harvesting and cartage.

- The unfavourable non-cash variance for cost of goods sold is in line with budget.

5.3.2 Forecast to 30 June 2013

- The forecast remains on track with the original budget. However this will require close monitoring as the year progresses.

5.4 Regional Parks

Financial Summary	For the 3 months ended 30 September 2012				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	1,428	1,394	34	1,468	5,591	5,591	-	5,990
Operating expenditure	1,245	1,376	131	1,371	5,825	5,825	-	6,256
Operating surplus / (deficit)	183	18	165	97	(234)	(234)	-	(266)
Net capital expenditure	37	115	78	63	802	813	11	426

5.4.1 Year to date

- A favourable operating variance of $165k, due to higher expenditure in relation to:
  - Lower than budget personal costs of $79k of which $27k is staff costs charged to capital projects and to other groups and the balance is due to vacancies.
  - Materials and supplies is $238k which is $42k less than budget of $280k due to the timing of activities.
- Capital expenditure was $78k below budget due primarily to:
  - The timing of capital works in the parks.

5.4.2 Forecast to 30 June 2013

The forecast operating deficit is unchanged from the original budget. Capital expenditure is expected to be slightly higher than budget.

5.5 Public transport

Financial Summary	For the 3 months ended 30 September 2012				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	23,642	25,124	(1,482)	23,556	98,645	101,186	(2,541)	94,292
Operating expenditure	23,143	25,699	2,556	23,317	99,751	104,185	4,434	91,524
Operating surplus / (deficit)	499	(575)	1,074	239	(1,106)	(2,999)	1,893	2,768
Net capital expenditure	20	-	(20)	-	22	22	-	(5,153)

5.5.1 Year to date

A favourable operating variance of $1,074k, comprising lower expenditure of $2,556k and reduced revenue of $1,482k.

- Operating revenue is $1,482k below budget due to:
  - Grants and subsidies revenue was $1,400k below budget which reflects the reduction in operational expenditure for the year.
  - SuperGold card revenue was $100k below budget because of decreased patronage.
- Operating expenditure is $2,556k below budget primarily due to:
  - Network renewals expenditure was $1,400k below budget primarily because of timing of expenditure and phasing. Our budget phasing did not take into account Kiwirail's planned timing of the work which increases over the summer months, particularly through the Christmas network shutdown.
  - SuperGold card expenditure was $100k below budget. This scheme is 100% funded by NZTA.
  - Rail insurance expenditure was $200k below budget. Premiums are lower than those anticipated when the budget was set.

5.5.2 Forecast to 30 June 2013

The overall forecast deficit of $1,106k is $1,893k better than budget. This favourable variance is due to:

- Grants and subsidies revenue is forecast to be $2,541 million below budget because of the reduction in expenditure.
- Operating expenditure is forecast to be $4,434k below budget due to:
  - Rail studies and PTOM expenditure is expected to be $2,700k below budget. Timing of some rail contracting expenditure is now likely to occur later than originally planned – this expenditure is likely to occur between now and the expiry of current contracts in June 2016.
  - Reduced insurance premiums of $1,000k.

- Diesel bus contract expenditure is forecast to be $500k below budget. The forecast assumes that oil prices and the $NZ/US exchange rate return to budgeted levels by the end of the financial year.
- A reduction in the forecast for depreciation by $700k as the transfer of rail station assets from Greater Wellington to Greater Wellington Rail Ltd at 30 June 2012 was not taken into account.
- Financial costs are expected to be $900k below budget as a result of reduced capital expenditure.

5.6 Public transport 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. Real time information and bus shelters are capital items owned by the Council.

Financial Summary	For the 3 months ended 30 September 2012				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	13,851	11,989	1,862	25,798	25,030	23,998	1,032	115,928
Operating expenditure	21,332	27,930	6,598	27,319	47,879	48,274	395	129,117
Operating surplus / (deficit)	(7,481)	(15,941)	8,460	(1,521)	(22,849)	(24,276)	1,427	(13,189)
External debt revaluation gains /(loss)	-	-	-	-	-	-	-	(1,337)
Operating surplus / (deficit)	(7,481)	(15,941)	8,460	(1,521)	(22,849)	(24,276)	1,427	(14,526)
Net capital expenditure	388	380	(8)	1,475	1,991	1,991	-	(2,849)

5.6.1 Year to date

Overall, a favourable operating variance of $8,460k, comprising lower expenditure of $6,598k and higher revenue of $1,862k.

- Operating revenue is higher than budget due to the carry forward of NZTA grants revenue when the work was not completed by 30 June 2012.
- Operating expenditure was lower than budget due to:
  - Expenditure on the Matangi trains being $4,800k behind budget and reflects changes to the timing of payments.
  - Trolley bus infrastructure renewals are $1,000k behind budget due to timing of work carried out.
- Capital expenditure is in line with budget.

5.6.2 Forecast to 30 June 2013

- The forecast operating surplus is $1,427 ahead of budget, reflecting overall decreased depreciation due to transferring the rail assets to GW Rail at 30 June 2012, and lower finance costs due to the delayed payment schedule of the Matangi’s.

5.7 Strategy & Community Engagement

Financial Summary	For the 3 months ended 30 September 2012				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	2,183	2,244	(61)	2,600	9,243	9,243	-	10,742
Operating expenditure	1,990	2,216	226	2,135	9,393	9,509	116	9,864
Operating surplus / (deficit)	193	28	165	465	(150)	(266)	116	878
Net capital expenditure	(10)	-	10	486	264	264	-	1,103

5.7.1 Year to date

Overall, a favourable operating variance of $165k, comprising lower expenditure of $226k and reduced revenue of $61k.

- Operating revenue is lower than budget due to:
  - Reduced grant revenue from NZTA due to lower expenditure on projects that receive funding.
- Operating expenditure was lower than budget due to:
  - Reduced expenditure in Transport Planning of $45k that relates to the timing of payments to consultants in relation to the PT Spine Study.
  - Reduced expenditure on Iwi Projects and GW capacity training of $41k to date.
  - Delayed purchasing of merchandise of $33k for the School Travel Plan Programme.
  - Overall the group is also under spent on personnel costs by $53k due to vacancies in various departments.

5.7.2 Forecast to 30 June 2013

The forecast operating surplus is $116k better than budget due to:

- Reduced iwi capacity payments of $34k. Only six iwi are receiving payments rather the seven that were planned for.
- Reduction in WRS committee fees of $35k.
- A reduction in depreciation expense as the costs of the transport model were less than budget last year.

5.8 Finance and Support

Financial Summary	For the 3 months ended 30 September 2012				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	1,392	1,374	18	1,940	6,096	5,661	435	7,807
Operating expenditure	1,633	1,750	117	1,977	7,807	7,186	(621)	8,081
Operating surplus / (deficit)	(241)	(376)	135	(37)	(1,711)	(1,525)	(186)	(274)
Net capital expenditure	(12)	90	102	33	3,265	1,915	(1,350)	421

5.8.1 Year to date

Overall, a favourable operating variance of $135k comprising higher revenue of $18k and lower expenditure of $117k.

- Operating revenue is higher than budget due to rates penalties being higher than expected.
- Operating expenditure is lower than budget due to the timing of software license renewals compared to budget.
- Capital expenditure is behind budget due to timing of the projects.

5.8.2 Forecast to 30 June 2013

The forecast deficit for the group is expected to be $186k less than budget due to:

- The net impact on revenue and expenditure due to changes to the ITC capital programme discussed below.
- Capital expenditure for the year is $1,350k greater than budget due to bringing several projects forward from 2013/14 including:
  - Data storage increases driving the need for a new backup system $200k
  - GIS upgrade including copyright ownership of LiDAR data and photography, $600k loan funded net cost for Greater Wellington.
  - Resilience in the connectivity of the councils wide area network $500k. The loan funded costs are shared by the Water Group, and the ITC reserve.

5.9 People and Capability

Financial Summary	For the 3 months ended 30 September 2012				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	924	924	-	1,531	3,698	3,698	-	6,145
Operating expenditure	796	888	92	1,367	3,608	3,640	32	5,993
Operating surplus / (deficit)	128	36	92	164	90	58	32	152
Net capital expenditure	(11)	-	11	38	32	32	-	149

5.9.1 Year to date

Overall, a favourable operating variance of $92k due to lower expenditure.

- Operating expenditure was lower than budget due to the timing of planning projects
- Forecast savings reflect a lower estimate of personnel expenditure for the 2012/13 year.

5.10 Development Group

Financial Summary	For the 3 months ended 30 September 2012				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	1,098	1,364	(266)	287	6,081	6,081	-	2,052
Operating expenditure	820	1,361	541	186	6,071	6,071	-	1,910
Operating surplus / (deficit)	278	3	275	101	10	10	-	142
Net capital expenditure	146	250	104	10	655	655	-	444

5.10.1 Year to date

Overall, a favourable operating variance of $275k due to lower expenditure of $541k and lower revenue of $226k.

- Operating revenue is lower than budget as the internal transfers to transfer the costs of the CDEM Committee and the transition costs have not been made. These were budgeted evenly over the year, The transfers will occur when the expenses have been incurred
- Operating expenditure was lower than budget due to:
  - Expenditure has been slower than budget in the first quarter as the group has been concentrating on establishing itself (The GW staff moved to the WCC EM office in Thorndon). The WREMO manger has indicated that expenditure will track back to budget as the year progresses.
- Capital expenditure for the year is $104k behind budget due to the timing of Wairarapa Water use project expenditure compared to budget

5.11 Investment management

Financial Summary	For the 3 months ended 30 September 2012				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	1,315	830	485	1,464	10,119	6,516	3,603	9,684
Operating expenditure	(1,390)	(1,645)	(255)	(720)	(5,452)	(5,832)	(380)	(4,075)
Operating surplus / (deficit)	2,705	2,475	230	2,184	15,571	12,348	3,223	13,759
Net capital expenditure	97	-	(97)	55	100	100	-	496

5.11.1 Year to date

Operating revenue is $485k ahead of budget, due to higher interest revenue from money market investments and deposits.

Net operating expenditure recoveries are $255k less than budget. This is mainly due lower internal debt interest recovery, as there is lower capital expenditure by operational Groups.

5.11.2 Forecast to 30 June 2013

The operating surplus is forecast to be $15,571k, which is $3,223k higher than the budget surplus of $12,348k. The main reason for this is increased investment revenue from higher subvention revenue from CentrePort and higher dividends from WRC Holdings. This increase is offset by reduced internal revenue from internal loans.

5.12 Investment management – Non operational movements

Financial Summary	For the 3 months ended 30 September 2012				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Investment - GW Rail	7	-	7	6	14,855	14,855	-	3,958
Valuation Movements	-	-	-	-	981	981	-	(7,050)
Operating surplus / (deficit)	7	-	7	6	15,836	15,836	-	(3,092)

5.12.1 Year to date – Matangi investment

The year to date surplus is on budget and the forecast remains in line with budget.

5.13 Water

Financial Summary	For the 3 months ended 30 September 2012				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
Operating revenue	6,440	6,640	(200)	6,807	26,870	26,735	135	27,399
Operating expenditure	7,191	7,854	663	7,348	31,543	31,543	-	30,929
Operating surplus / (deficit)	751	1,214	(463)	541	4,673	4,808	(135)	3,530
Net capital expenditure	1,708	2,448	740	1,822	14,792	14,792	-	9,360

5.13.1 Year to date

Overall an unfavourable operating variance of $463k compared to budget.

- Operating revenue is lower than budget due to a change in methodology of internal charging staff time to projects. Rather than recording internal revenue the costs will be directly charged using resource costing.

- Operating expenditure was $663k lower than budget due to:

    - Lower expenditure on consultants of $107k is a timing issue.

    - Finance costs are lower than budget due to the opening actual debt being lower than budgeted debt

- Capital expenditure is $740k under budget due to the timing of the capital works programme, the forecast remains the same as budget.

5.13.2 Forecast to 30 June 2013

Overall Forecast slightly ahead of budget

6. Finance costs

Finance Costs	For the 3 months ended 30 September 2012				For the year ending 30 June 2013			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s	Last Year $000s
	1,800	1,860	60	1,819	7,749	8,173	424	7,233

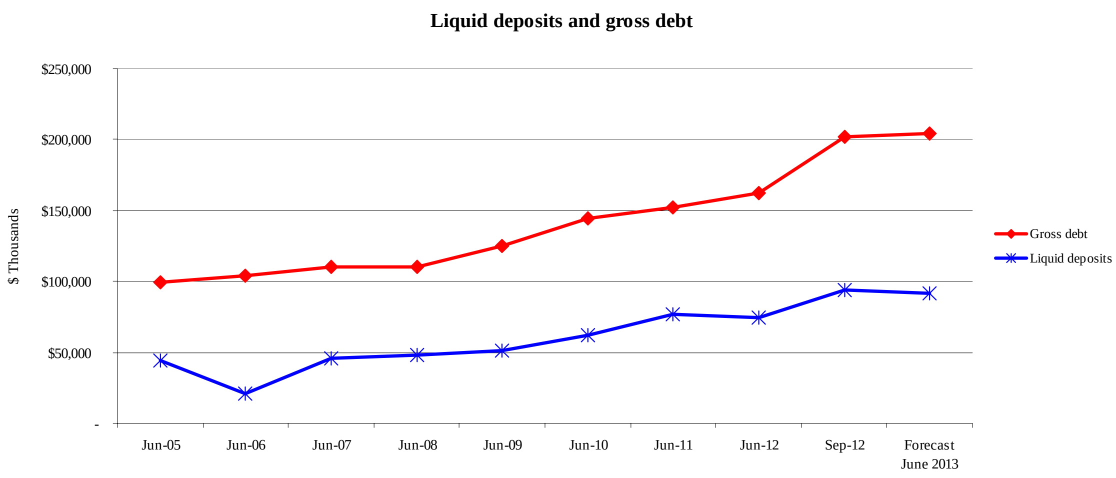
6.1 Year to date

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

6.2 Forecast to 30 June 2013

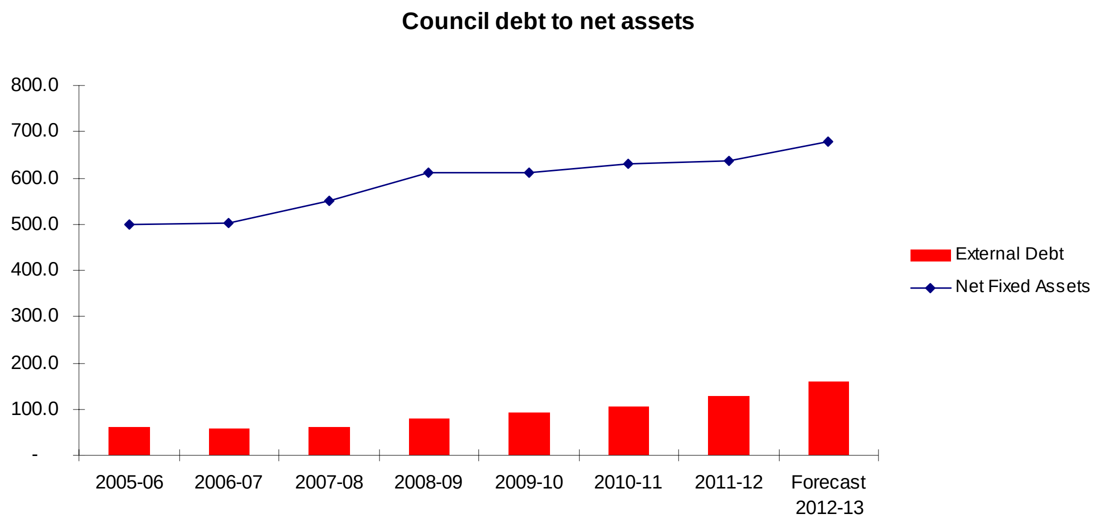
Finance costs are forecast to be $424k favourable to budget due to reduced capital expenditure, which will in turn reduce internal borrowing.

6.3 Deposits and debt



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

Greater Wellington's debt, including WRC Holdings, was $201 million at 30 September 2012, compared with $171 million on 30 June 2012. The debt level is higher than 30 June 2012 due to $30 million being borrowed via the issuance of Commercial Paper. The funds were placed on deposit with a margin. This debt excludes CentrePort debt.



Greater Wellington had $92 million on deposit at 30 September 2012, composed of $55 million of contingency funds, with the balance due to revenue in advance for the Matangi trains and working capital cash timing differences.

6.4 Stadium debt

In June 2007 the Council approved the restructuring of the Stadium debt of $18,985,000, which had been borrowed from the ANZ at a fixed interest rate of 8.55% until 2018.

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

The balance of this loan at 30 September 2012 was $11,528,355.

7. Compliance with Treasury Management Policy

All ratios for the Treasury Management Policy are in compliance.

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

8. Communication

No communications are necessary at this time.

9. Recommendations

That the Council:

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

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

Attachment 1: Funding Impact Statement
Attachment 2: Balance Sheet
Attachment 3 Compliance with Treasury Risk Management