greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Finance report for the period ended 31 December 2012

1. Purpose

To inform the Council of Greater Wellington's preliminary financial performance for the 6 months ended 31 December 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 December quarterly reviews.

The results of the WRC Holdings Group are reported to the Council on a quarterly basis and are included in section 6.

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

4. Council Summary

Overall at the operating surplus level before transport improvements the result for the council is positive by \$5.27m relative to budget. When the transport improvement numbers are included then the financial results for the first six months were unfavourable compared to budget due to the timing of the Matangi payments and the associated GW Rail share call. The forecast remains favourable to budget as per last quarter.

4.1 Key Achievements

- Revised Wellington City Bus network concept approved after 10 workshops with resident and other stakeholder groups.
- Providing sector input and developing GWRC submission into the Marine Legislation Bill and ongoing coordination with LGNZ over its passage through Parliament.
- Council adoption of the implementation programme for compliance with the NPS for Freshwater.
- Great Outdoors Programme underway and general increase in park usage with the great summer weather.
- Ongoing assessment of actual demand for irrigation water across the Wairarapa Valley.
- Land Management successfully managed the planting of 25,000 poplar and willow poles.
- The Pukeatua aerial 1080 operation was completed without incident and fully complied with the AHB aerial SOP and all GWRC, DOC and MOH requirements.
- A major milestone was reached following agreement with the Boulcott Heritage Golf Club over the standard of reinstatement works following construction of the Boulcott/Hutt section of the new stopbank.
- 99.6 % of rail services delivered (up 0.8%)
- 95.4% of rail services on-time (up 3.9%)
- A draft management plan for Parangarahu Lakes was prepared
- Councillors and ELT participated in Mahuri – Maori capacity building training.
- Spring to the Street was coordinated, with sponsors secured and workplaces recruited. The three week challenge kicked off on September 24, and by the end of the first week, 1400 people were taking part.

4.2 Council Financial Performance

4.2.1 Year to date

Greater Wellington achieved an operating surplus of $2,629k (budget, a deficit of $2,641k) for the six months to 31 December, a $5,270k 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 $13,028k (budget, a deficit of $9,791k), an unfavourable variance of $3,237k.

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

4.2.2 Financial Summary

Greater Wellington Regional Council Summary income statement	For the 6 months ended 31 December 2012 Actual $000s	Budget $000s	Variance $000s	Last Year $000s
Regional rates	45,050	45,117	(67)	42,611
Water supply levy	12,444	12,444	-	12,082
Other operating revenue	45,247	45,910	(663)	45,753
Total operating revenue	**102,741**	**103,471**	**(730)**	**100,446**
Operational expenditure	(100,112)	(106,112)	6,000	(99,280)
Operating surplus/(deficit) before transport improvements	**2,629**	**(2,641)**	**5,270**	**1,166**
Operating (deficit) from transport improvements	(15,366)	(21,724)	6,358	(4,424)
Operating surplus/(deficit) before non-operational items	**(12,737)**	**(24,365)**	**11,628**	**(3,258)**
Non-operational movements	(291)	14,574	(14,865)	(3,237)
Operating surplus/(deficit)	**(13,028)**	**(9,791)**	**(3,237)**	**(6,495)**

4.2.3 Financial Summary by Group

Greater Wellington Regional Council Summary income statement by Group	For the 6 months ended 31 December 2012			
	Actual $000s	Budget $000s	Variance $000s	Last Year $000s
Operational Groups				
Catchment Management	1,494	1,723	(229)	2,357
Environmental Management	330	299	31	215
Forestry	(371)	141	(512)	(758)
Regional Parks	164	(11)	175	(31)
Public Transport	856	(990)	1,846	332
Total rates funded operational surplus / (deficit)	**2,473**	**1,162**	**1,311**	**2,115**
Corporate				
Strategy & Community Engagement	375	(133)	508	754
Finance and Support	(548)	(653)	105	(127)
Other corporate activities	1,249	92	1,157	257
Investment Management	6,416	4,884	1,532	4,734
Business unit rates contribution	(5,677)	(5,676)	(1)	(5,217)
Total rates funded operating surplus / (deficit)	**4,288**	**(324)**	**4,612**	**2,516**
Water	(1,659)	(2,317)	658	(1,350)
Total rates & levy funded operating surplus / (deficit)	**2,629**	**(2,641)**	**5,270**	**1,166**
Public Transport - improvements	(15,366)	(21,724)	6,358	(4,424)
Operating surplus/(deficit) before non-operational items	**(12,737)**	**(24,365)**	**11,628**	**(3,258)**
Non-operational movements				
Revaluation of debt and stadium advance	-	-	-	-
Revaluation of forestry	-	-	-	-
Forestry cost of goods sold	(294)	(281)	(13)	(481)
Warm Greater Wellington	-	-	-	(2,756)
EMU investment - GW Rail	3	14,855	(14,852)	-
Non-operational movements	(291)	14,574	(14,865)	(3,237)
Total Council surplus / (deficit)	**(13,028)**	**(9,791)**	**(3,237)**	**(6,495)**

4.3 Forecast to 30 June 2013

Greater Wellington is forecasting an operating surplus of $1,477k (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 $3,860k (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	93,212	94,274	(1,062)	98,589
Total operating revenue	**208,194**	**209,419**	**(1,225)**	**207,755**
Operational expenditure	(206,717)	(214,867)	8,150	(200,180)
Operating surplus/(deficit) before transport improvements	**1,477**	**(5,448)**	**6,925**	**7,575**
Operating (deficit) from transport improvements	(23,239)	(24,276)	1,037	(13,189)
Operating surplus/(deficit) before non-operational items	**(21,762)**	**(29,724)**	**7,962**	**(5,614)**
Non-operational movements	17,902	17,903	(1)	2,605
Operating surplus/(deficit)	**(3,860)**	**(11,821)**	**7,961**	**(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	2,754	3,048	(294)	3,885
Environmental Management	474	229	245	(13)
Forestry	(955)	63	(1,018)	472
Regional Parks	(134)	(234)	100	(266)
Public Transport	261	(2,999)	3,260	2,768
Total rates funded operational surplus / (deficit)	**2,400**	**107**	**2,293**	**6,846**
Corporate				
Strategy & Community Engagement	(69)	(266)	197	878
Finance and Support	(1,621)	(1,525)	(96)	(274)
Other corporate activities	78	48	30	328
Investment Management	15,970	12,348	3,622	13,761
Business unit rates contribution	(11,352)	(11,352)	-	(10,434)
Total rates funded operating surplus / (deficit)	**5,406**	**(640)**	**6,046**	**11,105**
Water	(3,929)	(4,808)	879	(3,530)
Total rates & levy funded operating surplus / (deficit)	**1,477**	**(5,448)**	**6,925**	**7,575**
Public Transport - improvements	(23,239)	(24,276)	1,037	(13,189)
Operating surplus/(deficit) before non-operational items -	**(21,762)**	**(29,724)**	**7,962**	**(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	(563)	(561)	(2)	(521)
Warm Greater Wellington	-	-	-	-
EMU investment - GW Rail	14,855	14,855	-	3,958
Non-operational movements	17,902	17,903	(1)	2,605
Total Council surplus / (deficit)	**(3,860)**	**(11,821)**	**7,961**	**(3,009)**

4.4 Capital expenditure

4.4.1 Capital expenditure by Group

Capital expenditure is $3,176k below budget, year to date. This is primarily due to project timings in Water Supply being underspent, offset by Catchment Management being ahead of budget. There are various unders and overs across the other business groups.

Details by Group are discussed in section 5.

Greater Wellington Regional Council	For the 6 months ended 31 December 2012			
Capital expenditure by Group	**Actual**	**Budget**	**Variance**	**Last Year**
	$(000)'s	**$(000)'s**	**$(000)'s**	**$(000)'s**
Operational Groups				
Catchment Management	6,821	3,795	(3,026)	2,147
Environmental Management	547	855	308	171
Forestry	83	259	176	69
Regional Parks	153	476	323	90
Public Transport	404	904	500	1,647
Operational Groups capital expenditure	**8,008**	**6,289**	**(1,719)**	**4,124**
Corporate				
Strategy & Community Engagement	(8)	19	27	638
Finance and Support	580	290	(290)	169
Other corporate activities	24	-	(24)	182
Investment Management	120	-	(120)	206
Total rates funded capital expenditure	**8,724**	**6,598**	**(2,126)**	**5,319**
Water Supply	4,134	9,436	5,302	4,055
Total rates & levy funded capital expenditure	**12,858**	**16,034**	**3,176**	**9,374**

4.4.2 Capital expenditure forecast by Group

Capital expenditure is forecast to be $6,532k 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 Investment Management 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	9,967	7,732	(2,235)	7,462
Environmental Management	1,666	1,030	(636)	666
Forestry	344	472	128	221
Regional Parks	802	813	11	426
Public Transport	1,908	1,991	83	(2,849)
Operational Groups capital expenditure	**14,687**	**12,038**	**(2,649)**	**5,926**
Corporate				
Strategy & Community Engagement	264	264	-	1,103
Finance and Support	3,265	1,915	(1,350)	421
Other corporate activities	62	62	-	304
Investment Management	2,550	100	(2,450)	496
Total rates funded capital expenditure	**20,828**	**14,379**	**(6,449)**	**8,250**
Water Supply	14,875	14,792	(83)	9,360
Total rates & levy funded capital expenditure	**35,703**	**29,171**	**(6,532)**	**17,610**

5. Financial Performance by Group

5.1 Catchment management

Financial Summary	For the 6 months ended 31 December 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	16,134	16,627	(493)	15,092	31,892	32,440	(548)	29,982
Operating expenditure	14,640	14,904	264	12,735	29,138	29,392	254	26,097
Operating surplus / (deficit)	1,494	1,723	(229)	2,357	2,754	3,048	(294)	3,885
Net capital expenditure	6,821	3,795	(3,026)	2,147	9,967	7,732	(2,235)	7,462

5.1.1 Year to date

An unfavourable operating variance of $229k, comprising lower revenue of $493k and lower operating costs of $264k.

- Operating revenue is lower than budget due mainly to:
  - Reduced AHB revenue of $528k for BioWorks due to delays in completing 2011/12 contracts and a reduced work programme for 2012/13.
  - Reduced external revenue of $78k for Biodiversity due to the timing of District Council contributions for Key Native Ecosystem programmes
  - The above was offset by additional revenue of $142k for the Akura Conservation Centre
- Operating expenditure was lower than budget due to:

- Reduced materials expenditure of $203k for Biosecurity due to the timing of RPMS and predator control programmes.

- Reduced contractor expenditure of $134k due to the timing of various Biodiversity implementation programmes

- Reduced isolated works for flood protection $101k

- The above is offset by additional personnel costs of $162k for Flood Protection. A fixed term staff member has been used instead of contractors.

- Capital expenditure is $3,026k higher than budget, primarily due to:

  - Boulcott/Hutt stopbank expenditure $4,021K ahead of budget as the work programme has been brought forward.

5.1.2 Forecast to 30 June 2013

- The forecast operating surplus is $294k less than budget. This is due to:

  - Reduced AHB revenue for BioWorks of $898k, partly offset by increased internal revenue of $385k. There are also further savings in expenditure related to change in work programmes.

  - Reduced expenditure of $175k for Biodiversity (personnel, materials and contractors) due to reduced work programme.

- The forecast capital expenditure to June 2013 is expected to be $2,235k higher than budget. These are timing changes to projects with total costs still within LTP budget limits

  - Additional expenditure of $350k for the development of the Ngaumutawa Road Depot;

  - Brought forward expenditure of $2,600k for the Boulcott/Hutt stopbank;

  - Reduced expenditure of $400k for the Chrystalls extended land purchase as the acquisition capex cost was accrued to the 2011/12 financial year;

  - Reduced expenditure of $750k for Lower Waitohu due to landowner negotiations;

  - Otaki environmental enhancement work of $55k postponed to be carried out with capital work next year;

  - Additional $585k requested to complete Mills Street land purchase for the City Centre Upgrade.

5.2 Environmental management

Financial Summary	For the 6 months ended 31 December 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	7,310	6,690	620	6,868	14,130	14,030	100	13,929
Operating expenditure	6,980	6,391	(589)	6,653	13,656	13,801	145	13,942
Operating surplus / (deficit)	330	299	31	215	474	229	245	(13)
Net capital expenditure	62	355	(293)	43	416	405	11	347

5.2.1 Year to date

Overall, a favourable operating variance of $31k, comprising higher revenue of $620k and higher expenditure of $589k.

- Operating revenue is ahead of budget primarily due to:
  - Wairarapa Water Use Project external funding of $446k received in the quarter.
  - There is also $122k of restitution income carried forward from the previous year.
  - Higher then expected processing and monitoring charges invoiced for the 6 month to December.
- Operating expenditure was more than budget due mainly to:
  - High spend on consultants for work on the Regional Plan in Policy department and unbudgeted consultants spend in Regulation for work on the MacKay’s to Peka Peka Board Inquiry HearingContractors.

5.2.2 Forecast to 30 June 2013

- The forecast operating surplus of $474k is $245k higher than budget due to:
  - A reclassification of spend for WWUP - $625k reclassified as capital.
  - The above is offset by $280k additional costs for the Regional Plan work in Policy and $100k costs of non recoverable RONS work.

5.3 Forestry

Financial Summary	For the 6 months ended 31 December 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	3,962	4,504	(542)	3,677	7,659	9,007	(1,348)	8,784
Operating expenditure	4,333	4,363	30	4,435	8,614	8,944	330	8,312
Operating surplus / (deficit) before cost of goods sold	**(371)**	**141**	**(512)**	**(758)**	**(955)**	**63**	**(1,018)**	**472**
Cost of goods sold*	294	281	(13)	481	563	561	(2)	521
Operating surplus / (deficit) before valuation	(665)	(140)	(525)	(1,239)	(1,518)	(498)	(1,020)	(49)
Forestry valuation	-	-	-	-	2,629	2,629	-	2,683
Operating surplus / (deficit)	(665)	(140)	(525)	(1,239)	1,111	2,131	(1,020)	2,634
Net capital expenditure	83	259	176	69	344	472	128	221

* cost of goods sold is a non cash accounting adjustment

5.3.1 Year to date

- An unfavourable operating variance of $512k, prior to cost of goods sold due to:

  - Plantation Forestry harvested tonnages being below expectations and the actual price per tonne received being well below budget.

  - Costs for both Plantation and Reserve are all on a per tonne harvested. These have all been increased from January 2013 in line with the contract price review periods.

5.3.2 Forecast to 30 June 2013

- The forecast surplus is $1,020k below budget due to lower revenue, a result of lower than expected volumes and reduced prices.

5.4 Regional Parks

Financial Summary	For the 6 months ended 31 December 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	2,816	2,794	22	2,944	5,591	5,591	-	5,990
Operating expenditure	2,652	2,805	153	2,975	5,725	5,825	100	6,256
Operating surplus / (deficit)	164	(11)	175	(31)	(134)	(234)	100	(266)
Net capital expenditure	153	476	323	90	802	813	11	426

5.4.1 Year to date

- A favourable operating variance of $175k, due to lower expenditure in relation to:

- Personnel costs are $137k less than budget of which $50k is staff costs charged to capital projects and to other groups and the balance is due to vacancies.

- Contractor spend is $333k which is $132k more than budget due to increased maintenance work at our regional parks.

- Capital expenditure was $323k 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 $100k less than budget due to savings in personnel costs.

5.5 Public transport

Financial Summary	For the 6 months ended 31 December 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	49,435	51,159	(1,724)	47,527	98,921	101,186	(2,265)	94,292
Operating expenditure	48,579	52,149	3,570	47,195	98,660	104,185	5,525	91,524
Operating surplus / (deficit)	856	(990)	1,846	332	261	(2,999)	3,260	2,768
Net capital expenditure	20	22	2	(11)	22	22	-	(5,153)

5.5.1 Year to date

A favourable operating variance of $1,846k, comprising lower expenditure of $3,570k and reduced revenue of $1,724k.

- Operating revenue is $1,724k below budget due to:

  - Grants and subsidies revenue was $2,000k below budget which reflects the reduction in operational expenditure for the year
  - External revenue was $300k above budget because of spending in Rail studies projects and reimbursed through GWRL. This represents work that is now being charged through to 100% owned subsidiary GWRL and offsets an increase in admin expenditure.

- Operating expenditure is $3,570k below budget primarily due to:

  - Rail studies and PTOM expenditure was $1,200k below budget due to timing.
  - Rail contract expenditure was $500k below budget because of increased fare revenue.
  - Rail insurance expenditure was $500k below budget. Premiums are lower than those anticipated when the budget was set.
  - Diesel bus operations expenditure was $300k below budget. Contractual inflation payments have been less than expected.

- Financial costs were $200k below budget. This primarily relates to delays to improvement projects and capital expenditure.

5.5.2 Forecast to 30 June 2013

The overall forecast surplus of $260k is $3,260k better than budget. This is due to:

- Lower revenue of $2,265k made up of:
  - Lower grants and subsidies revenue of $2,800k because of a reduction in expenditure.
  - Increased external revenue of $400k because of spending in Rail studies projects and reimbursed through GWRL. This represents work that is now being charged through to 100% owned subsidiary GWRL and offsets an increase in admin expenditure
  - Higher internal revenue of $200k. This is because of a change in how we account for staff and contractors charged out to specific projects.
- Operating expenditure is forecast to be $5,525k below budget due to:
  - Rail contract expenditure forecast to be $1,100k below budget.
  - Rail studies and PTOM expenditure is expected to be $2,400k 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.

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 6 months ended 31 December 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	15,751	15,926	(175)	58,871	25,741	23,998	1,743	115,928
Operating expenditure	31,117	37,650	6,533	63,295	48,980	48,274	(706)	129,117
Operating surplus / (deficit)	(15,366)	(21,724)	6,358	(4,424)	(23,239)	(24,276)	1,037	(13,189)
External debt revaluation gains /(loss)	-	-	-	-	-	-	-	(1,337)
Operating surplus / (deficit)	(15,366)	(21,724)	6,358	(4,424)	(23,239)	(24,276)	1,037	(14,526)
Net capital expenditure	404	904	500	1,647	1,908	1,991	83	(2,849)

5.6.1 Year to date

Overall, a favourable operating variance of $6,358k, due to:

- Operating expenditure $6,533 lower than budget due to:
  - Matangi 1 expenditure was $1,500k below budget and reflects some changes to the timing of payments.
  - Trolley bus infrastructure renewals are $2,100k behind budget due to timing of work carried out.
  - Timing of station renewals and upgrades has seen lower than expected expenditure of $800k.
  - No expenditure to date on Porirua station car park – a variance of $1,500k.
- Capital expenditure is $500k less than budget mainly due to timing of payments related to RTI.

5.6.2 Forecast to 30 June 2013

- The forecast operating surplus is $1,037k ahead of budget. This is mainly due to an increase in grant revenue available for the Matangi Project.

5.7 Strategy & Community Engagement

Financial Summary	For the 6 months ended 31 December 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	4,434	4,506	(72)	5,193	9,330	9,243	87	10,742
Operating expenditure	4,059	4,639	580	4,439	9,399	9,509	110	9,864
Operating surplus / (deficit)	375	(133)	508	754	(69)	(266)	197	878
Net capital expenditure	(8)	19	27	638	264	264	-	1,103

5.7.1 Year to date

Overall, a favourable operating variance of $508k, comprising lower expenditure of $580k and reduced revenue of $72k.

- 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 $50k 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 $87k to date.
  - Lower grant expenditure to Grow Wellington of $100k, this is only a timing issue.
  - Lower project expenditure for the WRS Office of $113k a result of change in planned activity for the year.

5.7.2 Forecast to 30 June 2013

The forecast operating surplus is $197k 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 and project costs f $114k.
- Increased revenue from NZTA following approval of the Model Application and Analysis project.

5.8 Finance and Support

Financial Summary	For the 6 months ended 31 December 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	2,868	2,748	120	4,013	6,095	5,661	434	7,807
Operating expenditure	3,416	3,401	(15)	4,140	7,716	7,186	(530)	8,081
Operating surplus / (deficit)	(548)	(653)	105	(127)	(1,621)	(1,525)	(96)	(274)
Net capital expenditure	580	290	(290)	169	3,265	1,915	(1,350)	421

5.8.1 Year to date

Overall, a favourable operating variance of $105k comprising higher revenue of $120k and lower expenditure of $15k.

- Operating revenue is higher than budget due to rates penalties being higher than expected.
- Capital expenditure is higher than budget due to timing of ITC projects.

5.8.2 Forecast to 30 June 2013

- Capital expenditure for the year is forecast to be $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 6 months ended 31 December 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	1,849	1,849	-	3,083	3,698	3,698	-	6,145
Operating expenditure	1,650	1,774	124	2,958	3,608	3,640	32	5,993
Operating surplus / (deficit)	199	75	124	125	90	58	32	152
Net capital expenditure	(11)	-	11	153	32	32	-	149

5.9.1 Year to date

Overall, a favourable operating variance of $124k due to lower expenditure.

- Operating expenditure was below budget due:
  - Reduced personnel costs for the group.
- Forecast savings reflect a lower estimate of personnel expenditure for the 2012/13 year.

5.10 Investment management

Financial Summary	For the 6 months ended 31 December 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	3,538	1,660	1,878	2,915	9,792	6,516	3,276	9,684
Operating expenditure	(2,878)	(3,224)	(346)	(1,819)	(6,178)	(5,832)	346	(4,077)
Operating surplus / (deficit)	6,416	4,884	1,532	4,734	15,970	12,348	3,622	13,761
Net capital expenditure	120	-	(120)	206	2,550	100	(2,450)	496

5.10.1 Year to date

- Operating revenue is $1,878k ahead of budget, due to higher interest revenue from money market investments and deposits as well as subvention revenue from CentrePort.
- Net operating expenditure recoveries are $346k less than budget. This is mainly due lower internal debt interest recovery, as there is lower capital expenditure by operational Groups.
- Capital expenditure of $120k relates to the green star certification process based on the plans for the new Masterton office.

5.10.2 Forecast to 30 June 2013

- The operating surplus is forecast to be $15,970k, which is $3,622k 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.

- The forecasted capital expenditure is $2,450k above budget, this includes $2,000k related to the move to shed 39.

5.11 Investment management – Non operational movements

Financial Summary	For the 6 months ended 31 December 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	3	14,855	(14,852)	-	14,855	14,855	-	3,958
Valuation Movements	-	-	-	-	981	981	-	(7,050)
Operating surplus / (deficit)	3	(14,855)	14,858	-	15,836	15,836	-	(3,092)

5.11.1 Year to date – Matangi investment

The year to date variance is due to a timing difference of when the GWR share call will take place. This is not expected to happen till later in the year when the bulk of the payments for the Matangi will have been made.

5.12 Water

Financial Summary	For the 6 months ended 31 December 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	12,893	13,275	(382)	13,613	25,937	26,735	(798)	27,399
Operating expenditure	14,552	15,592	(1,040)	14,963	29,866	31,543	(1,677)	30,929
Operating surplus / (deficit)	(1,659)	(2,317)	658	(1,350)	(3,929)	(4,808)	879	(3,530)
Net capital expenditure	4,134	9,436	5,302	4,055	14,875	14,792	(83)	9,360

5.12.1 Year to date

Overall a favourable operating variance of $658k 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 $1,040k lower than budget due to:

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

- A reduction in internal charges due to a change in the way these are charged as mentioned above.
- Variance in resource costing because actual recoveries from capital projects are running well ahead of budget.

- Capital expenditure is $5,302k under budget due to the timing of the capital works programme and the delay in the land purchase at Kaitoke for lake 3. The forecast remains the same as budget.

5.12.2 Forecast to 30 June 2013

The forecast operating deficit is $879k better than budget. This is due to lower interest costs and a greater percentage of work being carried out on capital projects than compared to budget.

5.13 Finance costs

Finance Costs	For the 6 months ended 31 December 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
	3,788	3,786	(2)	3,617	7,934	8,173	239	7,233

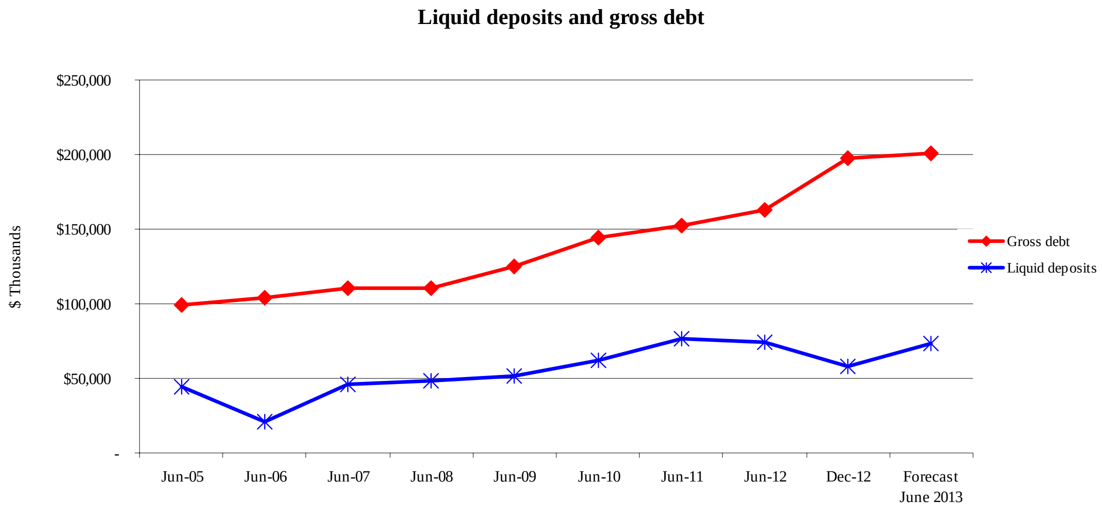
5.14 Year to date

Overall finance costs are in line with budget.

5.15 Forecast to 30 June 2013

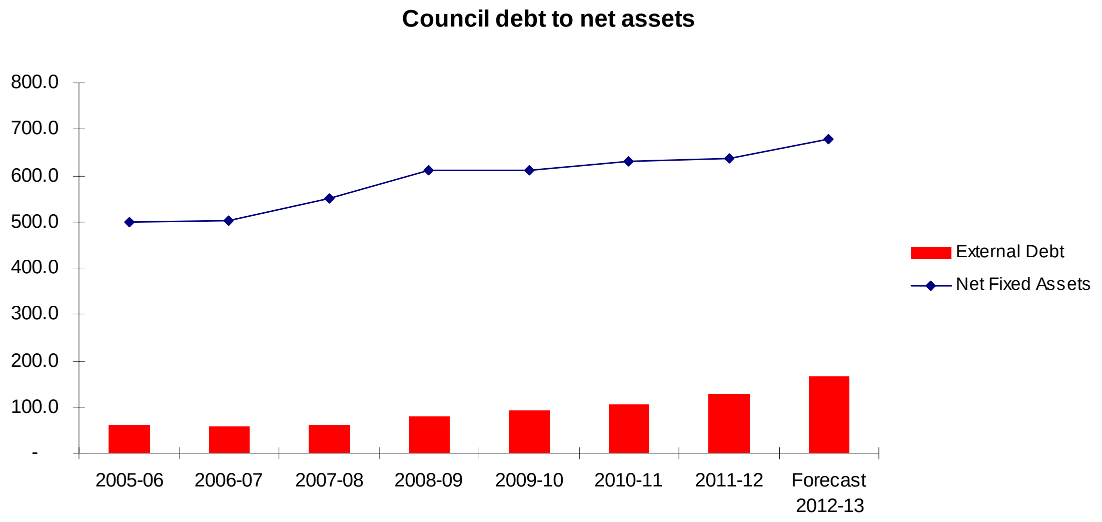
Finance costs are forecast to be $239k favourable to budget due to reduced capital expenditure, which will in turn reduce internal borrowing.

5.16 Deposits and debt



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

Greater Wellington's debt, including WRC Holdings, – excluding any prefunding – was $198 million at 31 December 2012, compared with $163 million on 30 June 2012. This debt excludes CentrePort debt. The debt increase is mainly due to the payments for the Matangi trains.



Greater Wellington had $58 million on deposit at 31 December 2012.

5.17 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 31 December 2012 was $10,623,108.

6. WRC Holdings

6.1 Financial result for the Parent

The following table summarises WRC Holdings group results for the period ending 31 December 2012.

6.2 Financial Results for WRC Holding Group

WRC HOLDINGS GROUP INCOME STATEMENT FOR THE PERIOD ENDED 31 January 2013	YTD as at 31 December			Full Year			Last Year
	Actual $000	Budget $000	Variance $000	Forecast $000	Budget $000	Variance $000	FY Actual $000
Total Revenue	70,070	72,478	(2,408)	122,549	109,610	12,939	198,822
Operating Expenses	39,158	43,482	4,324	80,794	83,177	2,383	51,401
Earnings before interest & tax (EBIT)	**30,912**	**28,995**	**1,917**	**41,755**	**26,433**	**15,322**	**147,421**
Less:							
Finance costs	4,811	4,957	146	9,322	9,515	193	13,727
						-	
Net surplus (deficit) before tax & revaluations	**26,101**	**24,039**	**2,062**	**32,433**	**16,918**	**15,515**	**133,694**

The result above shows a $2,062k favourable position against budget.

Components of the Group results before tax are:

Greater Wellington Rail Limited: GWRL is $630k unfavourable to budget. This is due to lower capital grant revenue to cover capex spending on the Matangi trains, offset by lower depreciation expense due to the timing of the Matangi trains.

Port Investments Limited: $683k favourable to budget due to an extra dividend of $654k paid out by Centre Port. This extra dividend is then eliminated from the group results.

CentrePort: Overall a favourable result against a budget of $905k before tax. The port had a $1.303 million favourable result due to lower cost than budgeted. The property section had a loss of $397k. This is the result of higher costs and lower revenue than budgeted for.

Pringle House Investments: Overall a favourable result against a budget of $155k before tax. This is due to lower insurance cost and repairs and maintenance and property management fees.

6.3 Forecast to 30 June 2013

The Group is forecasting a $1.957 million adverse variance before tax.

This is predominately due to $1.042 million adverse forecast for CentrePort as they have revised down their 2013 SCI pre-tax profit target from $13.9 million to $12.8 million. The main driver of this is a reduction in Port revenue of $1.43 million and $540,000 in the Property revenue including Equity earnings from JV's, this is offset by operating cost savings of $828k.

PIL is $278k adverse to budget due to a $1 million budgeted subvention payment being diverted to Greater Wellington, and is offset by lower interest costs in PIL of $95k and an additional dividend after year end of $654k.

PHL is delivering a better operating result of $291k.

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