

# Finance REPORT



31 December 2013

|          |   |           |
|----------|---|-----------|
| <b>1</b> | <b>Council Summary</b>                            | <b>1</b>  |
| 1.1      | Overview  | 1         |
| 1.2      | Council Financial Performance                     | 1         |
| 1.3      | Financial Summary                                 | 1         |
| 1.4      | Financial Summary by Group                        | 2         |
| 1.5      | Forecast to 30 June 2014                          | 2         |
| 1.6      | Financial forecast                                | 3         |
| 1.7      | Financial forecast by Group                       | 4         |
| 1.8      | Capital expenditure                               | 5         |
| <b>2</b> | <b>Financial Performance by Group</b>             | <b>7</b>  |
| 2.1      | Catchment Management                              | 7         |
| 2.2      | Environmental Management                          | 8         |
| 2.3      | Forestry  | 9         |
| 2.4      | Regional Parks                                    | 10        |
| 2.5      | Public Transport                                  | 11        |
| 2.6      | Public Transport capital and improvement projects | 12        |
| 2.7      | Strategy & Community Engagement                   | 14        |
| 2.8      | WRS   | 15        |
| 2.9      | Finance ICT and Support                           | 16        |
| 2.10     | Emergency Management                              | 17        |
| 2.11     | Warm Greater Wellington                           | 17        |
| 2.12     | Investment Management                             | 18        |
| 2.13     | Water   | 21        |
| 2.14     | Financial Results for the WRC Holdings Group      | 22        |
| <b>3</b> | <b>Funding Impact Statement</b>                   | <b>23</b> |
| <b>4</b> | <b>Balance Sheet</b>                              | <b>24</b> |
| <b>5</b> | <b>Compliance with Treasury Risk Management</b>   | <b>25</b> |

# 1 COUNCIL SUMMARY

## 1.1 Overview

Overall at the operating surplus level, before transport improvements, the result for the council is favourable by \$4,233k relative to budget. When the transport improvement numbers and non-operational movements are included then the financial results for the first six months were \$3,350k 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 \$4,020k (budget, a deficit of \$213k) for the six months to 31 December, a \$4,233k 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 \$3,843k (budget, a surplus of \$3,051k), a favourable variance of \$792k. Details by group follow in section 2.

## 1.3 Financial Summary

| Summary Income Statement<br>\$(000)'s                              | 6 Months ended 31 December 2013 |                |              |                 |
|--|---------------------------------|----------------|--------------|-----------------|
|  | Actual                          | Budget         | Variance     | Last Year       |
| Regional Rates   | 46,001                          | 45,652         | 349          | 91,304          |
| Regional Water Supply Levies                                       | 12,818                          | 12,818         | -            | 25,635          |
| Other Operating Revenue  | 48,250                          | 46,663         | 1,587        | (13,769)        |
| <b>Total Operating Revenue</b>                                     | <b>107,069</b>                  | <b>105,133</b> | <b>1,936</b> | <b>103,170</b>  |
| Operational Costs  | 103,049                         | 105,346        | 2,297        | 99,644          |
| <b>Operating Surplus / (Deficit) before Transport Improvements</b> | <b>4,020</b>                    | <b>(213)</b>   | <b>4,233</b> | <b>3,526</b>    |
| Operating Surplus / (Deficit) from Transport Improvements          | 2,704                           | 3,587          | (883)        | (16,260)        |
| <b>Operating Surplus before other movements</b>                    | <b>6,724</b>                    | <b>3,374</b>   | <b>3,350</b> | <b>(12,734)</b> |
| Non-operational movements  | (2,881)                         | (323)          | (2,558)      | (294)           |
| <b>Operating Surplus / (Deficit)</b>                               | <b>3,843</b>                    | <b>3,051</b>   | <b>792</b>   | <b>(13,028)</b> |

## 1.4 Financial Summary by Group

| Greater Wellington Regional Council  |                                 |              |                |                 |
|--|---------------------------------|--------------|----------------|-----------------|
| Summary income statement - Operating Surplus / (Deficit)                                 |                                 |              |                |                 |
| Total operating surplus / (deficit)<br>\$(000)'s   | 6 Months ended 31 December 2013 |              |                |                 |
|  | Actual                          | Budget       | Variance       | Last Year       |
| Catchment Management   | 2,064                           | 1,650        | 414            | 1,495           |
| Forestry   | 971                             | 1            | 970            | (372)           |
| Environmental Management   | (75)                            | (27)         | (48)           | (109)           |
| Regional Parks   | 145                             | (124)        | 269            | 165             |
| Wairarapa Water Use project  | (15)                            | (6)          | (9)            | 439             |
| Public Transport   | 671                             | (1,257)      | 1,928          | 1,749           |
| Strategy & Community Engagement  | 544                             | (90)         | 634            | 97              |
| WRS  | 96                              | -            | 96             | 278             |
| Other Corporate  | (188)                           | (234)        | 46             | 270             |
| Emergency Management   | 150                             | (132)        | 282            | 980             |
| Finance and Support  | (437)                           | (779)        | 342            | (548)           |
| <b>Total operational surplus / (deficit)</b>   | <b>3,926</b>                    | <b>(998)</b> | <b>4,924</b>   | <b>4,444</b>    |
| Investment Management  | 7,020                           | 7,573        | (553)          | 6,418           |
| Business unit rates contribution   | (5,201)                         | (5,203)      | 2              | (5,677)         |
| <b>Total rates funded operating surplus / (deficit)</b>                                  | <b>5,745</b>                    | <b>1,372</b> | <b>4,373</b>   | <b>5,185</b>    |
| Water Supply   | (1,725)                         | (1,585)      | (140)          | (1,659)         |
| <b>Total rates &amp; levy funded operating surplus / (deficit)</b>                       | <b>4,020</b>                    | <b>(213)</b> | <b>4,233</b>   | <b>3,526</b>    |
| <b>Non-operational movements</b>   |                                 |              |                |                 |
| Forestry cost of goods sold  | (381)                           | (323)        | (58)           | (294)           |
| Additional depreciation from 2013 Water Revaluation                                      | (2,500)                         | -            | (2,500)        | -               |
| Warm Greater Wellington  | -                               | -            | -              | -               |
| EMU investment - GW Rail   | -                               | -            | -              | -               |
| Public Transport net surplus / (deficit) on capital, improvement and investment projects | 2,704                           | 3,587        | (883)          | (16,260)        |
| <b>Total non-operational surplus / (deficit)</b>   | <b>(177)</b>                    | <b>3,264</b> | <b>(3,441)</b> | <b>(16,554)</b> |
| <b>Total council surplus / (deficit)</b>   | <b>3,843</b>                    | <b>3,051</b> | <b>792</b>     | <b>(13,028)</b> |

## 1.5 Forecast to 30 June 2014

Greater Wellington is forecasting an operating deficit of \$2,264k (budget, a deficit of \$4,482k) 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 surplus of \$1,684k (budget, a surplus of \$3,370k). The primary difference is a forecast \$5m increase in depreciation as a result of the 30 June 2013 revaluation of the water supply assets as well as an increase in external logging revenue and interest revenue. There have also been significant favourable variances in the Public Transport division. Details by group follow in section 2.

## 1.6 Financial forecast

| Summary Income Statement<br>\$(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  | 92,101                   | 89,877         | 2,224          | 91,925          |
| <b>Total Operating Revenue</b>                                     | <b>209,040</b>           | <b>206,816</b> | <b>2,224</b>   | <b>206,929</b>  |
| Operational Costs  | 211,304                  | 211,298        | (6)            | 199,772         |
| <b>Operating Surplus / (Deficit) before Transport Improvements</b> | <b>(2,264)</b>           | <b>(4,482)</b> | <b>2,218</b>   | <b>7,157</b>    |
| Operating Surplus / (Deficit) from Transport Improvements          | 6,377                    | 5,103          | 1,274          | (18,129)        |
| <b>Operating Surplus before other movements</b>                    | <b>4,113</b>             | <b>621</b>     | <b>3,492</b>   | <b>(10,972)</b> |
| Non-operational movements  | (2,429)                  | 2,749          | (5,178)        | 11,503          |
| <b>Operating Surplus / (Deficit)</b>                               | <b>1,684</b>             | <b>3,370</b>   | <b>(1,686)</b> | <b>531</b>      |
| Net fixed asset revaluations                                       | -                        | -              | -              | 111,102         |
| <b>Total council comprehensive income</b>                          | <b>1,684</b>             | <b>3,370</b>   | <b>(1,686)</b> | <b>111,633</b>  |

## 1.7 Financial forecast by Group

| Greater Wellington Regional Council  |                          |                |                |                |
|--|--------------------------|----------------|----------------|----------------|
| Summary income statement - Operating Surplus / (Deficit)                                 |                          |                |                |                |
| Total operating surplus / (deficit)<br>\$(000)'s   | Year ending 30 June 2014 |                |                |                |
|  | Forecast                 | Budget         | Variance       | Last Year      |
| Catchment Management   | 2,834                    | 2,595          | 239            | 2,975          |
| Forestry   | 915                      | 6              | 909            | (268)          |
| Environmental Management   | (296)                    | (76)           | (220)          | (323)          |
| Regional Parks   | (283)                    | (283)          | -              | (301)          |
| Wairarapa Water Use project  | (12)                     | (12)           | -              | (5)            |
| Public Transport   | (1,046)                  | (2,598)        | 1,552          | 6,110          |
| Strategy & Community Engagement  | (321)                    | (299)          | (22)           | (1)            |
| WRS  | (50)                     | -              | (50)           | 621            |
| Other Corporate  | (245)                    | (245)          | -              | 100            |
| Emergency Management   | (264)                    | (264)          | -              | 424            |
| Finance and Support  | (1,551)                  | (1,730)        | 179            | (418)          |
| <b>Total operational surplus / (deficit)</b>   | <b>(319)</b>             | <b>(2,906)</b> | <b>2,587</b>   | <b>8,914</b>   |
| Investment Management  | 11,471                   | 12,053         | (582)          | 12,856         |
| Business unit rates contribution   | (10,406)                 | (10,406)       | -              | (11,359)       |
| <b>Total rates funded operating surplus / (deficit)</b>                                  | <b>746</b>               | <b>(1,259)</b> | <b>2,005</b>   | <b>10,411</b>  |
| Water Supply   | (3,010)                  | (3,223)        | 213            | (3,254)        |
| <b>Total rates &amp; levy funded operating surplus / (deficit)</b>                       | <b>(2,264)</b>           | <b>(4,482)</b> | <b>2,218</b>   | <b>7,157</b>   |
| <b>Non-operational movements</b>   |                          |                |                |                |
| Forestry cost of goods sold  | (825)                    | (647)          | (178)          | (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 | 6,377                    | 5,103          | 1,274          | (18,129)       |
| <b>Total non-operational surplus / (deficit)</b>   | <b>3,948</b>             | <b>7,852</b>   | <b>(3,904)</b> | <b>(6,626)</b> |
| <b>Total council surplus / (deficit)</b>   | <b>1,684</b>             | <b>3,370</b>   | <b>(1,686)</b> | <b>531</b>     |
| Net fixed asset revaluations   | -                        | -              | -              | 111,102        |
| <b>Total council comprehensive income</b>  | <b>1,684</b>             | <b>3,370</b>   | <b>(1,686)</b> | <b>111,633</b> |

## 1.8 Capital expenditure

### Capital expenditure by Group

Capital expenditure is \$17,825k 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<br>\$(000)'s | 6 Months ended 31 December 2013 |               |               |               |
|---|---------------------------------|---------------|---------------|---------------|
|   | Actual                          | Budget        | Variance      | Last Year     |
| Catchment Management  | 1,425                           | 1,427         | 2             | 6,821         |
| Forestry  | 182                             | 202           | 20            | 83            |
| Environmental Management  | 57                              | 38            | (19)          | (576)         |
| Regional Parks  | 221                             | 70            | (151)         | 153           |
| Wairarapa Water Use project   | 411                             | 123           | (288)         | 485           |
| Public Transport capital projects   | 611                             | 1,405         | 794           | 404           |
| Strategy & Community Engagement   | 132                             | 144           | 12            | (8)           |
| Other Corporate   | -                               | 46            | 46            | (11)          |
| Emergency Management  | -                               | 35            | 35            | 35            |
| Finance, ICT and Support  | 779                             | 1,489         | 710           | 580           |
| <b>Total capital expenditure</b>  | <b>3,818</b>                    | <b>4,979</b>  | <b>1,161</b>  | <b>7,966</b>  |
| Investment and property management  | 1,759                           | 2,500         | 741           | 120           |
| Business unit rates contribution  | -                               | -             | -             | -             |
| <b>Total rates funded capital expenditure</b>                                   | <b>5,577</b>                    | <b>7,479</b>  | <b>1,902</b>  | <b>8,086</b>  |
| Water Supply  | 3,266                           | 7,587         | 4,321         | 4,134         |
| <b>Total rates &amp; levy funded capital expenditure</b>                        | <b>8,843</b>                    | <b>15,066</b> | <b>6,223</b>  | <b>12,220</b> |
| Public Transport improvement and investment projects                            | 10,698                          | 22,300        | 11,602        | 31,029        |
| <b>Total council capital and transport investment expenditure</b>               | <b>19,541</b>                   | <b>37,366</b> | <b>17,825</b> | <b>43,249</b> |

## Capital expenditure forecast by Group

Capital expenditure is forecast to be \$376k less than budget by year end. This is primarily due to changes within public transport, catchment and finance and ICT which are discussed in section 2.

| Total capital and transport investment and improvement expenditure<br>\$(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           | -          | (1,185)       |
| Regional Parks  | 1,033                    | 1,033         | -          | 837           |
| Wairarapa Water Use project   | 271                      | 271           | -          | 597           |
| Public Transport capital projects   | 2,086                    | 1,946         | (140)      | 2,314         |
| Strategy & Community Engagement   | 269                      | 269           | -          | 85            |
| Other Corporate   | 46                       | 46            | -          | (11)          |
| Emergency Management  | -                        | -             | -          | 137           |
| Finance, ICT and Support  | 2,760                    | 3,180         | 420        | 2,010         |
| <b>Total capital expenditure</b>  | <b>11,623</b>            | <b>11,720</b> | <b>97</b>  | <b>15,257</b> |
| Investment and property management  | 2,434                    | 2,500         | 66         | 309           |
| Business unit rates contribution  | -                        | -             | -          | -             |
| <b>Total rates funded capital expenditure</b>                                   | <b>14,057</b>            | <b>14,220</b> | <b>163</b> | <b>15,566</b> |
| Water Supply  | 9,981                    | 9,981         | -          | 9,776         |
| <b>Total rates &amp; levy funded capital expenditure</b>                        | <b>24,038</b>            | <b>24,201</b> | <b>163</b> | <b>25,342</b> |
| Public Transport improvement and investment projects                            | 36,065                   | 36,278        | 213        | 39,018        |
| <b>Total council capital and transport investment expenditure</b>               | <b>60,103</b>            | <b>60,479</b> | <b>376</b> | <b>64,360</b> |



# 2 FINANCIAL PERFORMANCE BY GROUP

## 2.1 Catchment Management

| Catchment Management                 |                                 |              |            |              |                          |              |            |              |
|--------------------------------------|---------------------------------|--------------|------------|--------------|--------------------------|--------------|------------|--------------|
| Financial Summary<br>\$(000)'s       | 6 Months ended 31 December 2013 |              |            |              | Year ending 30 June 2014 |              |            |              |
|                                      | Actual                          | Budget       | Variance   | Last Year    | Forecast                 | Budget       | Variance   | Last Year    |
| Operating revenue                    | 16,630                          | 16,207       | 423        | 16,135       | 31,543                   | 31,137       | 406        | 32,104       |
| Operating expenditure                | 14,566                          | 14,557       | (9)        | 14,640       | 28,709                   | 28,542       | (167)      | 29,129       |
| <b>Operating surplus / (deficit)</b> | <b>2,064</b>                    | <b>1,650</b> | <b>414</b> | <b>1,495</b> | <b>2,834</b>             | <b>2,595</b> | <b>239</b> | <b>2,975</b> |
| Net fixed asset revaluation          | -                               | -            | -          | -            | -                        | -            | -          | -            |
| Net capital expenditure              | 1,425                           | 1,427        | (2)        | 6,821        | 4,514                    | 4,331        | (183)      | 10,259       |

### Year to date

A favourable operating variance of \$414k, comprising higher revenue of \$423k and higher operating costs of \$9k.

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

- ▶ BioWorks external revenue of \$196K due to project Kaka aerial operation for DOC.
- ▶ Additional external revenue of \$220k for the Wairarapa Moana project due to the timing of milestone contributions from the MFE.

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

- ▶ BioWorks materials and supplies was \$57k above budget due to bait purchases for aerial operations.
- ▶ Grants & Subsidies expenditure for Biosecurity \$48k below budget due to a refund of the 12/13 regional share from Tb-Free.
- ▶ Additional materials expenditure and contractor expenditure have been above budget, though offset by savings in personnel and transport costs.

#### Capital expenditure is \$2k lower than budget, primarily due to:

- ▶ Flood Protection net capital expenditure was \$154K above budget due to a dwelling purchase for the City Centre project;
- ▶ Vehicle replacement expenditure was \$148K below budget due to timing.

## Forecast to 30 June 2014

The forecast operating surplus is \$239k above budget.

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

- ▶ Additional external revenue of \$250K for BioWorks (project Kaka).
- ▶ Additional external revenue of \$175K for the Wairarapa Moana Clean Up project

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

- ▶ Additional material costs for BioWorks.
  - ▶ Additional personnel costs of for Biosecurity.
- A number of offsetting variances within departments.

### The forecast capital expenditure to June 2014 is expected to be \$183k 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

| Environmental Management             |                                 |             |             |              |                          |             |              |              |
|--------------------------------------|---------------------------------|-------------|-------------|--------------|--------------------------|-------------|--------------|--------------|
| Financial Summary<br>\$(000)'s       | 6 Months ended 31 December 2013 |             |             |              | Year ending 30 June 2014 |             |              |              |
|                                      | Actual                          | Budget      | Variance    | Last Year    | Forecast                 | Budget      | Variance     | Last Year    |
| Operating revenue                    | 7,439                           | 7,192       | 247         | 6,802        | 14,584                   | 14,384      | 200          | 13,541       |
| Operating expenditure                | 7,514                           | 7,219       | (295)       | 6,911        | 14,880                   | 14,460      | (420)        | 13,864       |
| <b>Operating surplus / (deficit)</b> | <b>(75)</b>                     | <b>(27)</b> | <b>(48)</b> | <b>(109)</b> | <b>(296)</b>             | <b>(76)</b> | <b>(220)</b> | <b>(323)</b> |
| Net capital expenditure              | 57                              | 38          | 19          | (576)        | 240                      | 240         | -            | (1,185)      |

## Year to date

Overall, an unfavourable operating variance of \$48k, comprising higher revenue of \$247k and higher expenditure of \$295k.

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

- ▶ External income is \$1,477k which is \$203k more than budget of which \$150k is for additional on charging of consultants costs for consent processing.

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

- ▶ Staff costs are under budget in Support, Policy & Harbours but over budget in Regulation and Science due to unbudgeted staff and salaries higher than budgeted with no vacancies to offset the overspends.
- ▶ Travel and vehicle costs, materials, internal costs are all close to budget.
- ▶ Consultants & contractors spend which is \$135k 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.

## Forecast to 30 June 2013

Forecast has been updated to increase the net deficit by \$220k for additional consultant and staff back-fill costs for enforcement, the RONS projects advice, monitoring and earthworks compliance projects. Science forecast includes \$150k additional staff costs and \$70k additional consultants costs for air quality work (redefining the airsheds) in the Wairarapa. There is also \$200k external revenue for additional on charging of consultants costs.

## 2.3 Forestry

| Forestry                                |                                 |        |          |           |                          |        |          |           |
|---|---------------------------------|--------|----------|-----------|--------------------------|--------|----------|-----------|
| Financial Summary<br>\$(000)'s          | 6 Months ended 31 December 2013 |        |          |           | Year ending 30 June 2014 |        |          |           |
|   | Actual                          | Budget | Variance | Last Year | Forecast                 | Budget | Variance | Last Year |
| Operating revenue                       | 6,895                           | 4,572  | 2,323    | 3,962     | 11,061                   | 9,145  | 1,916    | 8,383     |
| Operating expenditure                   | 5,924                           | 4,571  | (1,353)  | 4,334     | 10,146                   | 9,139  | (1,007)  | 8,651     |
| Cash Operating surplus / (deficit)      | 971                             | 1      | 970      | (372)     | 915                      | 6      | 909      | (268)     |
| Revaluation of forestry (ETS and Trees) | -                               | -      | -        | -         | 2,661                    | 2,661  | -        | 232       |
| Forestry cost of goods sold             | (381)                           | (323)  | (58)     | (294)     | (825)                    | (647)  | (178)    | (530)     |
| Operating surplus / (deficit)           | 590                             | (322)  | 912      | (666)     | 2,751                    | 2,020  | 731      | (566)     |
| Net fixed asset revaluation             | -                               | -      | -        | -         | -                        | -      | -        | (1,511)   |
| Net capital expenditure                 | 182                             | 202    | 20       | 83        | 404                      | 404    | -        | 214       |

## Year to date

A favourable operating variance of \$970k prior to cost of goods sold

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

- ▶ Favourable external logging revenue is due to larger log volumes harvested in the first six months of the year, particularly in the Wairarapa. Associated operating expenses are also up. Prices have held up and lower maintenance and contractors costs than budgeted.

## Forecast to 30 June 2014

The forecast is in line with the reasons noted above are due to result in a favourable operating variance of \$909k prior to cost of goods sold.

## 2.4 Regional Parks

| Regional Parks                       |  | 6 Months ended 31 December 2013 |              |            |            | Year ending 30 June 2014 |              |          |              |
|--------------------------------------|--|---------------------------------|--------------|------------|------------|--------------------------|--------------|----------|--------------|
| Financial Summary<br>\$(000)'s       |  | Actual                          | Budget       | Variance   | Last Year  | Forecast                 | Budget       | Variance | Last Year    |
| Operating revenue                    |  | 3,225                           | 2,956        | 269        | 2,816      | 6,179                    | 5,879        | 300      | 5,818        |
| Operating expenditure                |  | 3,080                           | 3,080        | -          | 2,651      | 6,462                    | 6,162        | (300)    | 6,119        |
| <b>Operating surplus / (deficit)</b> |  | <b>145</b>                      | <b>(124)</b> | <b>269</b> | <b>165</b> | <b>(283)</b>             | <b>(283)</b> | <b>-</b> | <b>(301)</b> |
| Net fixed asset revaluation          |  | -                               | -            | -          | -          | -                        | -            | -        | 3,899        |
| Net capital expenditure              |  | 221                             | 70           | 151        | 153        | 1,033                    | 1,033        | -        | 837          |

## Year to date

A favourable operating variance of \$269k, due to increased revenue of \$269k.

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

- ▶ Additional external income of \$303k from logging activities in Belmont Park, offset by lower grants.

### Operating expenditure is in line with budget due to:

- ▶ Consultants & contractors includes an additional \$274k 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 significantly lower than anticipated by \$223k.

Capital expenditure was \$151k above budget due primarily to:

- ▶ Spend on the capital projects which include QEP heritage project being ahead of the budgeted programme. The forecast remains in line with budget.

## Forecast to 30 June 2014

- ▶ The forecast has been updated to include \$300k logging income and \$300k logging costs in Belmont Park which has nil impact on the net result.

## 2.5 Public Transport

| Public Transport               |                                 |         |          |           |                          |         |          |           |
|--------------------------------|---------------------------------|---------|----------|-----------|--------------------------|---------|----------|-----------|
| Financial Summary<br>\$(000)'s | 6 Months ended 31 December 2013 |         |          |           | Year ending 30 June 2014 |         |          |           |
|                                | Actual                          | Budget  | Variance | Last Year | Forecast                 | Budget  | Variance | Last Year |
| Operating revenue              | 48,582                          | 50,533  | (1,951)  | 50,417    | 99,656                   | 101,142 | (1,486)  | 101,051   |
| Operating expenditure          | 47,911                          | 51,790  | 3,879    | 48,668    | 100,702                  | 103,740 | 3,038    | 94,941    |
| Operating surplus / (deficit)  | 671                             | (1,257) | 1,928    | 1,749     | (1,046)                  | (2,598) | 1,552    | 6,110     |

### Year to date

A favourable operating variance of \$1,928k, comprising lower expenditure of \$3,879k and reduced revenue of \$1,951k.

#### Operating revenue was \$1,951k below budget due to:

- ▶ Grants and subsidies revenue was \$1.95 million below budget which reflects the reduction in operational expenditure for the year.

#### Operating expenditure is \$3,879k below budget primarily due to:

- ▶ Network renewals costs was \$0.7 million above budget because track work was completed earlier than planned.
- ▶ Train maintenance expenditure was \$0.6 million below budget. There was less unplanned work on the Ganz Mavag trains than budgeted.
- ▶ Diesel bus operations expenditure was \$14.7 million which is \$0.5 million below budget primarily because contractual inflation payments for the fourth quarter of 2012/13 were less than accrued at year-end and bus inflation payments in the year to date have been lower than budgeted.
- ▶ Trolley bus operations expenditure was \$3.8 million which is \$0.8 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 \$0.5 million below budget. The Integrated Ticketing Investigation was late commencing and expenditure has been minimal.

- ▶ PTOM expenditure was \$0.5 million below budget. A more detailed expenditure projection has been completed with a better indication of when expenditure is likely to occur.
- ▶ There have also been favourable variances in other areas of Bus Studies, Administration, Bus Shelter & Signage Maintenance and Total Mobility as a result of timing of expenditure.

## Forecast to 30 June 2014

The overall forecast deficit of \$1,046k is \$1,552k better than budget. This is due to lower revenue and expenditure.

### Operating revenue is forecast to be \$1,486k below budget due to:

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

### Operating expenditure is forecast to be \$3,038k below budget due to:

- ▶ Rail contract expenditure forecast to be \$1.2m below budget because of savings in rail operating costs.
- ▶ Diesel bus contract expenditure is forecast to be \$0.5m below budget because of oil prices and \$NZ/\$US exchange rate.
- ▶ Trolley bus operations full year forecast expenditure is \$100k below budget.
- ▶ Projects and planning full year forecast expenditure is \$0.4m below budget.
- ▶ PTOM is \$0.4m full year forecast expenditure is below budget.

PT is exploring options to utilise some of the surplus in 2013/14 and this may reduce the forecast reserves for this year.

## 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.

| Public Transport capital, improvement and investment projects |                                 |               |               |                 |                          |               |              |                 |
|---|---------------------------------|---------------|---------------|-----------------|--------------------------|---------------|--------------|-----------------|
| Financial Summary<br>\$(000)'s                                | 6 Months ended 31 December 2013 |               |               |                 | Year ending 30 June 2014 |               |              |                 |
|   | Actual                          | Budget        | Variance      | Last Year       | Forecast                 | Budget        | Variance     | Last Year       |
| Operating revenue   | 5,880                           | 7,508         | (1,628)       | 14,769          | 17,163                   | 17,063        | 100          | 20,889          |
| Operating expenditure   | 3,176                           | 3,921         | 745           | 31,029          | 10,786                   | 11,960        | 1,174        | 39,018          |
| <b>Operating surplus / (deficit)</b>                          | <b>2,704</b>                    | <b>3,587</b>  | <b>(883)</b>  | <b>(16,260)</b> | <b>6,377</b>             | <b>5,103</b>  | <b>1,274</b> | <b>(18,129)</b> |
| Public Transport capital projects                             | 611                             | 1,405         | 794           | 404             | 2,086                    | 1,946         | (140)        | 2,314           |
| Public Transport improvement and investment projects          | 10,698                          | 22,300        | 11,602        | 31,029          | 36,065                   | 36,278        | 213          | 39,018          |
| <b>Net capital, improvement and investment expenditure</b>    | <b>11,309</b>                   | <b>23,705</b> | <b>12,396</b> | <b>31,433</b>   | <b>38,151</b>            | <b>38,224</b> | <b>73</b>    | <b>41,332</b>   |

## Year to date

Overall, an unfavourable operating variance of \$883k due mainly to reduced operating expenditure and reduced revenue.

### Operating revenue was \$1,628k lower than budget due to:

- ▶ The Grant & Subsidies revenue was \$2.1 million below budget of a reduction in expenditure detailed below.
- ▶ This is offset by \$0.4 million of non-cash revenue. This comprises 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 \$745k lower than budget due to:

- ▶ Reduced finance costs of approx. \$295k.
- ▶ Trolley bus infrastructure renewals was \$551k below budget. The majority of this under spending relates to the business case items that have not yet been approved.

### Capital expenditure is \$12.4m less than budget mainly due to:

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

- ▶ Real Time Information project - \$0.3 million below budget
- ▶ New Matangi trains - \$7.2 million below budget.
- ▶ Station renewals and upgrades - \$1.1 million below budget.
- ▶ Wellington depot and stabling - \$2.1 million below budget.
- ▶ Insurance related rail improvements - is \$0.5 million below budget.
- ▶ Wellington review interchanges - This project will not commence this year and has been re-budgeted to 2014/15.

## Forecast to 30 June 2014

The forecast operating surplus is \$1.3m ahead of budget. This is a result of lower improvement project expenditure.

The forecast net capital spend is in line with budget being \$73k favourable. This however includes changes to the timing of expenditure relating to:

- ▶ Trolley bus infrastructure renewals - \$1.0m below budget.
- ▶ Real Time Information project - \$0.3 million above budget.
- ▶ New Matangi 1 trains - \$1.2 million below budget.
- ▶ New Matangi 2 trains - \$1.3 million above budget.
- ▶ Wellington depot and stabling - \$0.7 million above budget.

PT is exploring options to utilise some of the surplus in 2013/14 and this may reduce the forecast reserves for this year.

## 2.7 Strategy & Community Engagement

| Strategy & Community Engagement      |                                 |             |            |           |                          |              |             |            |  |
|--------------------------------------|---------------------------------|-------------|------------|-----------|--------------------------|--------------|-------------|------------|--|
| Financial Summary<br>\$(000)'s       | 6 Months ended 31 December 2013 |             |            |           | Year ending 30 June 2014 |              |             |            |  |
|                                      | Actual                          | Budget      | Variance   | Last Year | Forecast                 | Budget       | Variance    | Last Year  |  |
| Operating revenue                    | 2,299                           | 2,338       | (39)       | 2,100     | 4,669                    | 4,669        | -           | 4,666      |  |
| Operating expenditure                | 1,755                           | 2,428       | 673        | 2,003     | 4,990                    | 4,968        | (22)        | 4,667      |  |
| <b>Operating surplus / (deficit)</b> | <b>544</b>                      | <b>(90)</b> | <b>634</b> | <b>97</b> | <b>(321)</b>             | <b>(299)</b> | <b>(22)</b> | <b>(1)</b> |  |
| Net capital expenditure              | 132                             | 144         | 12         | (8)       | 269                      | 269          | -           | 85         |  |

### Year to date

Overall, a favourable operating variance of \$634k, comprising lower expenditure of \$673k and reduced revenue of \$39k.

#### 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 for e.g. PT Spine Study.
- ▶ Reduced expenditure on Iwi Projects and GW capacity training of \$57k to date. This is expected to be on budget at year-end.
- ▶ 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. The forecast surplus is expected to be higher at the end of the year, with likely savings in personnel costs. An adjustment to the forecast will be made in the next reporting period when the cost of filling vacancies will be known.

## 2.8 WRS

| WRS                                  |                                 |          |           |            |                          |          |          |            |  |
|--------------------------------------|---------------------------------|----------|-----------|------------|--------------------------|----------|----------|------------|--|
| Financial Summary<br>\$(000)'s       | 6 Months ended 31 December 2013 |          |           |            | Year ending 30 June 2014 |          |          |            |  |
|                                      | Actual                          | Budget   | Variance  | Last Year  | Forecast                 | Budget   | Variance | Last Year  |  |
| Operating revenue                    | 2,315                           | 2,315    | -         | 2,334      | 4,631                    | 4,631    | -        | 4,668      |  |
| Operating expenditure                | 2,219                           | 2,315    | 96        | 2,056      | 4,631                    | 4,631    | -        | 4,047      |  |
| <b>Operating surplus / (deficit)</b> | <b>96</b>                       | <b>-</b> | <b>96</b> | <b>278</b> | <b>-</b>                 | <b>-</b> | <b>-</b> | <b>621</b> |  |
| Net capital expenditure              | -                               | -        | -         | -          | -                        | -        | -        | -          |  |

## Year to date

Overall, a favourable operating variance of \$96k, comprising lower expenditure of \$96k.

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

- ▶ Reduced expenditure on consultants (\$74k) due mainly to timing of payments to external parties.
- ▶ Reduced grant expenditure paid to Grow Wellington which is \$16k below budget.

## Forecast to 30 June 2014

The forecast is in line with budget.

## 2.9 Finance ICT and Support

| Finance and Support                  |                                 |              |            |              |                          |                |            |              |
|--------------------------------------|---------------------------------|--------------|------------|--------------|--------------------------|----------------|------------|--------------|
| Financial Summary<br>\$(000)'s       | 6 Months ended 31 December 2013 |              |            |              | Year ending 30 June 2014 |                |            |              |
|                                      | Actual                          | Budget       | Variance   | Last Year    | Forecast                 | Budget         | Variance   | Last Year    |
| Operating revenue                    | 2,923                           | 2,893        | 30         | 2,868        | 5,785                    | 5,785          | -          | 6,992        |
| Operating expenditure                | 3,360                           | 3,672        | 312        | 3,416        | 7,336                    | 7,515          | 179        | 7,410        |
| <b>Operating surplus / (deficit)</b> | <b>(437)</b>                    | <b>(779)</b> | <b>342</b> | <b>(548)</b> | <b>(1,551)</b>           | <b>(1,730)</b> | <b>179</b> | <b>(418)</b> |
| Net capital expenditure              | 779                             | 1,489        | 710        | 580          | 2,760                    | 3,180          | 420        | 2,010        |

### Year to date

Overall, a favourable operating variance of \$342k comprising higher revenue of \$30k and lower expenditure of \$312k.

#### Operating revenue is slightly higher than budget due to:

- ▶ External revenue is largely in line with expectations with internal revenue being above budget.

#### 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.
- ▶ Capital expenditure in the previous year has resulted in depreciation being lower than budgeted in the current year.
- ▶ Rent costs are also ahead of budget as rent is being incurred on both RCC and more recently Shed 39. Rent has been reviewed for RCC and the Pringle House Board have agreed to a rent that covers on-going costs to hold the building at council request.

#### Capital expenditure is lower than budget:

- ▶ Capital expenditure is going to be below budget by year end. The Lidar is delayed while review of the slides is being performed. The hummingbird document management system replacement or upgrade is underway, and we expect the majority of the project to be delivered in 2015.

### 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 \$420k less than budget primarily due to:

- ▶ The hummingbird document management system replacement or upgrade being delayed.

## 2.10 Emergency Management

| Emergency Management                 |                                 |              |            |            |                          |              |          |            |
|--------------------------------------|---------------------------------|--------------|------------|------------|--------------------------|--------------|----------|------------|
| Financial Summary<br>\$(000)'s       | 6 Months ended 31 December 2013 |              |            |            | Year ending 30 June 2014 |              |          |            |
|                                      | Actual                          | Budget       | Variance   | Last Year  | Forecast                 | Budget       | Variance | Last Year  |
| Operating revenue                    | 1,370                           | 1,412        | (42)       | 2,276      | 2,823                    | 2,823        | -        | 3,207      |
| Operating expenditure                | 1,220                           | 1,544        | 324        | 1,296      | 3,087                    | 3,087        | -        | 2,783      |
| <b>Operating surplus / (deficit)</b> | <b>150</b>                      | <b>(132)</b> | <b>282</b> | <b>980</b> | <b>(264)</b>             | <b>(264)</b> | <b>-</b> | <b>424</b> |
| Net capital expenditure              | -                               | 35           | 35         | 35         | -                        | -            | -        | 137        |

### Year to date

Overall, a favourable operating variance of \$282k comprising lower revenue of \$282k and lower expenditure of \$324k.

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

- ▶ Revenue is below budget due to the timing of the invoices being raised to the Territorial local authorities which have since been raised. This year the costs are shared on a population basis.

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

- ▶ Saving in personnel costs due to vacancies
- ▶ Lower planned activity arising from the earthquakes.

### Forecast to 30 June 2014

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

## 2.11 Warm Greater Wellington

| Warm Greater Wellington              |                                 |          |          |           |                          |          |          |           |
|--------------------------------------|---------------------------------|----------|----------|-----------|--------------------------|----------|----------|-----------|
| Financial Summary<br>\$(000)'s       | 6 Months ended 31 December 2013 |          |          |           | Year ending 30 June 2014 |          |          |           |
|                                      | Actual                          | Budget   | Variance | Last Year | Forecast                 | Budget   | Variance | Last Year |
| Operating revenue                    | 857                             | 1,514    | (657)    | 552       | 1,715                    | 3,029    | (1,314)  | 1,100     |
| Operating expenditure                | 857                             | 1,514    | 657      | 552       | 1,715                    | 3,029    | (1,314)  | 1,100     |
| <b>Operating surplus / (deficit)</b> | <b>-</b>                        | <b>-</b> | <b>-</b> | <b>-</b>  | <b>-</b>                 | <b>-</b> | <b>-</b> | <b>-</b>  |

## Year to date

Overall, a break-even position, comprising lower revenue of \$657k and lower expenditure of \$657k.

### 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

| Investment Management                                  |                                 |              |              |              |                          |               |              |               |
|--|---------------------------------|--------------|--------------|--------------|--------------------------|---------------|--------------|---------------|
| Financial Summary<br>\$(000)'s                         | 6 Months ended 31 December 2013 |              |              |              | Year ending 30 June 2014 |               |              |               |
|  | Actual                          | Budget       | Variance     | Last Year    | Forecast                 | Budget        | Variance     | Last Year     |
| Operating revenue                                      | 5,355                           | 4,519        | 836          | 3,538        | 7,697                    | 6,828         | 869          | 6,945         |
| Operating expenditure net of internal interest revenue | (1,665)                         | (3,054)      | (1,389)      | (2,880)      | (3,774)                  | (5,225)       | (1,451)      | (5,911)       |
| <b>Operating surplus / (deficit)</b>                   | <b>7,020</b>                    | <b>7,573</b> | <b>(553)</b> | <b>6,418</b> | <b>11,471</b>            | <b>12,053</b> | <b>(582)</b> | <b>12,856</b> |
| Net capital expenditure                                | 1,759                           | 2,500        | 741          | 120          | 2,434                    | 2,500         | 66           | 309           |

## Year to date

Overall, an unfavourable variance of \$553k compared with budget.

### This is due to:

- ▶ Investment Revenue is favourable to budget due to \$755k higher money market interest from higher than planned debt prefunding balances; \$55k higher guarantee fee for CentrePort's debt.
- ▶ Expenditure variance comprises of lower interest recovery of \$541k from internal debt as the capital expenditure by operational Groups is behind schedule.
- ▶ External finance costs are \$666k above budget, mainly as a result of prefunding of debt. The costs for our swaps are \$41,000 above budget and financing fees are \$18,000 above budget. The latter is mainly due to having paid part of our facilities fees for the third quarter in advance.
- ▶ \$80k higher expenditure for contractors and consultants emanating from moving costs relating to shed 39

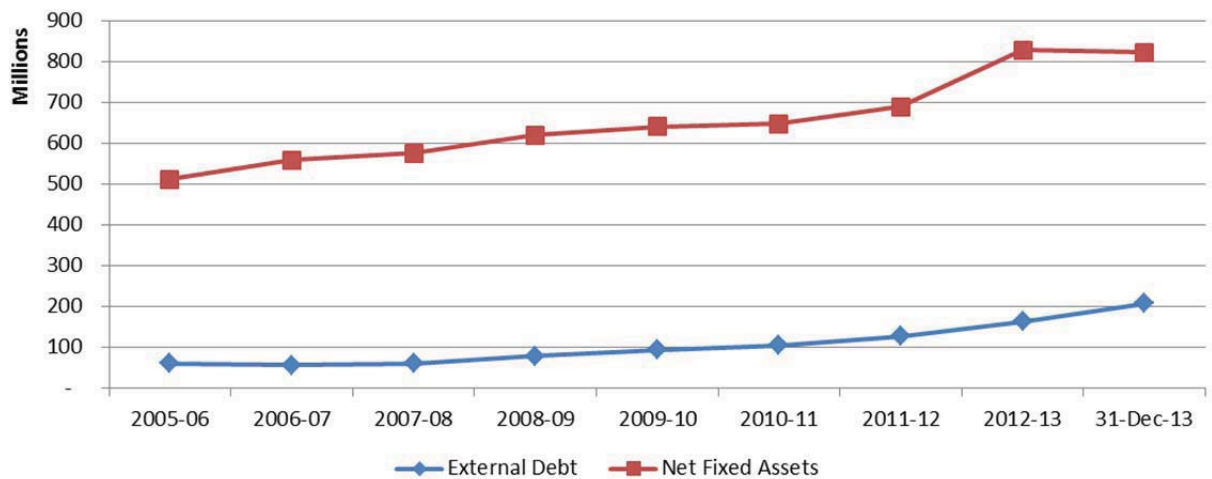
Capital expenditure relating to Shed 39 is \$1,759k for the year to date, which is \$741k below budget. This favourable variance results from the timing of payments relating to the work on shed 39.

## Forecast to 30 June 2014

The operating surplus is forecast to be \$582k lower than the budget. The main reason for this decrease is due to:

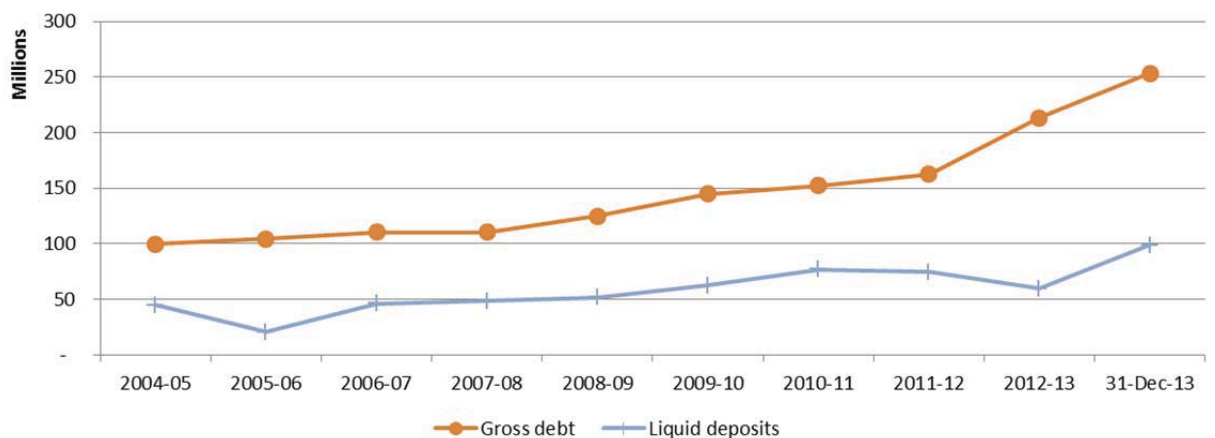
- ▶ Expectation of \$390,000 higher income, mainly resulting from \$968,000 higher investment revenue, offset by \$579,000 lower interest revenue (within operating expenditure per the table) from internal loans due to the timing of capital expenditure by the Council.
- ▶ The guarantee fee from CentrePort is expected to be \$108,000 more due to higher borrowings by CPL.
- ▶ Finance costs are forecasted to be \$801,000 above budget, mainly due to the prefunding of debt. The direct expenditure is forecasted to be \$171,000 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 slower rate than assets due to the 30 June 2013 asset revaluation.

## 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

| Water Supply  |                                 |                |                |                |                          |                |                |                |  |
|---|---------------------------------|----------------|----------------|----------------|--------------------------|----------------|----------------|----------------|--|
| Financial Summary<br>\$(000)'s                            | 6 Months ended 31 December 2013 |                |                |                | Year ending 30 June 2014 |                |                |                |  |
|   | Actual                          | Budget         | Variance       | Last Year      | Forecast                 | Budget         | Variance       | Last Year      |  |
| Operating revenue   | 13,270                          | 13,286         | (16)           | 13,240         | 26,710                   | 26,571         | 139            | 26,719         |  |
| Operating expenditure                                     | 14,995                          | 14,871         | (124)          | 14,899         | 29,720                   | 29,794         | 74             | 29,973         |  |
| <b>Operational Surplus / (deficit) before other items</b> | <b>(1,725)</b>                  | <b>(1,585)</b> | <b>(140)</b>   | <b>(1,659)</b> | <b>(3,010)</b>           | <b>(3,223)</b> | <b>213</b>     | <b>(3,254)</b> |  |
| Additional depreciation from 2013 Water Revaluation       | 2,500                           | -              | (2,500)        | -              | 5,000                    | -              | (5,000)        | -              |  |
| <b>Operational Surplus / (deficit)</b>                    | <b>(4,225)</b>                  | <b>(1,585)</b> | <b>(2,640)</b> | <b>(1,659)</b> | <b>(8,010)</b>           | <b>(3,223)</b> | <b>(4,787)</b> | <b>(3,254)</b> |  |
| Net fixed asset revaluation                               | -                               | -              | -              | -              | -                        | -              | -              | 108,714        |  |
| Net capital expenditure                                   | 3,266                           | 7,587          | 4,321          | 4,134          | 9,981                    | 9,981          | -              | 9,776          |  |

### Year to date

Overall an unfavourable operating variance of \$140k 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 \$124k higher than budget due to:**

- ▶ Resource costing recoveries for the half year were \$314k below budget due to the deferral of 2013/14 projects to focus on improvement of project delivery. This 'slow down' in capital projects has caused a below budget recovery which has been financed from savings in other areas as noted below.
- ▶ Materials and supplies spend is \$249k under budget due to timing of payments and savings due to budgeted cost increases not occurring.
- ▶ Finance costs. \$151k 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 \$2.5m over budget at 31 December, 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 \$4,321k under budget, primarily due to the lake 3 land purchase and associated development that will take place after this is completed. A decision regarding the re-budgeting of the \$4m land purchase project will be required by the end March 2014.

### Forecast to 30 June 2014

The forecast operating deficit is \$4.7m 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.

This 'slow down' in capital projects has caused a below budget resource costing recovery which has been financed from savings in other areas such as materials, contractors and finance costs.

## 2.14 Financial Results for the WRC Holdings Group

| WRC HOLDINGS GROUP<br>Summary income statement  | 6 months ended 31/12/2013 |                 |                   | Year ending 30 June 2014 |                 |                   | Last Year           |                     |
|---|---------------------------|-----------------|-------------------|--------------------------|-----------------|-------------------|---------------------|---------------------|
|   | Actual<br>\$000           | Budget<br>\$000 | Variance<br>\$000 | Forecast<br>\$000        | Actual<br>\$000 | Variance<br>\$000 | 31/12/2012<br>\$000 | 30/06/2013<br>\$000 |
| Total Revenue                                   | 41,379                    | 45,875          | (4,496)           | 95,566                   | 95,814          | (248)             | 69,924              | 198,822             |
| Operating Expenses                              | 47,495                    | 40,888          | (6,607)           | 94,837                   | 81,474          | (13,363)          | 39,098              | 51,401              |
| Earnings before interest & tax ( EBIT )         | (6,116)                   | 4,988           | (11,104)          | 729                      | 14,340          | (13,611)          | 30,826              | 147,421             |
| Less:   |                           |                 |                   |                          |                 |                   |                     |                     |
| Finance costs                                   | 4,911                     | 5,239           | 328               | 10,123                   | 10,534          | 411               | 4,669               | 13,727              |
| Net surplus (deficit) before tax & revaluations | (11,027)                  | (251)           | (10,776)          | (9,394)                  | 3,806           | (13,200)          | 26,157              | 133,694             |

The result above shows a \$10,776K unfavourable position against budget.

**A detailed investigation into the components of the Group result before tax reveals the following:**

**Greater Wellington Rail Limited:** GWRL is \$2,797K unfavourable to budget. This is due incorrect budgeted depreciation which has no cash consequences.

**CentrePort:** \$7,504K unfavourable to budget due to earthquake expenditure of \$8,894K, however this was offset by a favourable operating variance of \$1,328K, driven mainly by lower operating expenditure.

**Port Investments Limited:** is \$129K favourable result against a budgeted due to slightly lower interest costs.

**Pringle House Investments:** PHI is \$593k unfavourable to budget because of the early departure of GW as the tenant following the July 2013 earthquakes. This left a shortfall in revenue compared to budget.

### Forecast for the Group to 30 June 2014

The Group is forecasting a \$13,200K unfavourable variance before tax.

CentrePort is \$7,674 adverse to budget. It is forecasting a profit of \$3,323K. The original forecast was \$10,997K profit. This can be explained by the unexpected earthquake cost of \$8,894K. This is offset by higher revenue and lower operating expenses and interest expense. Equity earnings from joint ventures is also lower than expected by \$934K due to acquiring the remaining 50% of Transport Systems 2000 Limited (TSL) which is now fully consolidated as opposed to being recorded on a net basis under equity earnings.

GWRL is forecasting a loss of \$5,444K adverse to budget. The main driver of this is depreciation, which was budgeted incorrectly. Depreciation is showing \$5,593K unfavourable against budget. This is offset by lower operating expenses of \$685K and lower revenue by \$535K.

PHL is \$433K adverse to budget due to higher expenses relating to the Seddon earthquakes and reduction in rental revenue.

PIL is forecasting to be \$175K favourable to budget due to slightly lower financing costs on its loan from WRC Holdings.



# 3 FUNDING IMPACT STATEMENT

| Funding Impact Statement<br>\$(000)'s                              | 6 Months ended 31 December 2013 |                |              |                 | Year ending 30 June 2014 |                |                |                 |
|--|---------------------------------|----------------|--------------|-----------------|--------------------------|----------------|----------------|-----------------|
|  | Actual                          | Budget         | Variance     | Last Year       | Forecast                 | Budget         | Variance       | Last Year       |
| Targeted Rates   | 31,414                          | 31,414         | -            | 62,828          | 62,828                   | 62,828         | -              | 61,536          |
| General Rate   | 14,587                          | 14,238         | 349          | 28,476          | 28,476                   | 28,476         | -              | 28,578          |
| <b>Regional Rates</b>  | <b>46,001</b>                   | <b>45,652</b>  | <b>349</b>   | <b>91,304</b>   | <b>91,304</b>            | <b>91,304</b>  | <b>-</b>       | <b>90,114</b>   |
| Regional Water Supply Levies                                       | 12,818                          | 12,818         | -            | 25,635          | 25,635                   | 25,635         | -              | 24,890          |
| Warm Greater Wellington Rates                                      | 857                             | 1,514          | (657)        | 1,715           | 1,715                    | 3,029          | (1,314)        | 1,095           |
| Grants and Subsidies Revenue                                       | 29,214                          | 33,549         | (4,335)      | 67,255          | 67,255                   | 69,174         | (1,919)        | 72,092          |
| Other Operating Revenue  | 18,179                          | 11,600         | 6,579        | (82,739)        | 23,131                   | 17,674         | 5,457          | 18,738          |
| <b>Total Operating Revenue</b>                                     | <b>107,069</b>                  | <b>105,133</b> | <b>1,936</b> | <b>103,170</b>  | <b>209,040</b>           | <b>206,816</b> | <b>2,224</b>   | <b>206,929</b>  |
| Operational Costs  | 54,220                          | 54,110         | (110)        | (5,204)         | 106,456                  | 104,055        | (2,401)        | 79,376          |
| Grants and Subsidies Expenditure                                   | 44,074                          | 47,150         | 3,076        | 95,396          | 95,396                   | 98,492         | 3,096          | 112,471         |
| Finance Costs  | 4,755                           | 4,086          | (669)        | 9,452           | 9,452                    | 8,751          | (701)          | 7,925           |
| <b>Total Operating Expenditure</b>                                 | <b>103,049</b>                  | <b>105,346</b> | <b>2,297</b> | <b>99,644</b>   | <b>211,304</b>           | <b>211,298</b> | <b>(6)</b>     | <b>199,772</b>  |
| <b>Operating Surplus / (Deficit) before Transport Improvements</b> | <b>4,020</b>                    | <b>(213)</b>   | <b>4,233</b> | <b>3,526</b>    | <b>(2,264)</b>           | <b>(4,482)</b> | <b>2,218</b>   | <b>7,157</b>    |
| Transport Improvement revenue                                      | 5,880                           | 7,508          | (1,628)      | 14,769          | 17,163                   | 17,063         | 100            | 20,889          |
| Transport Improvement expenditure                                  | (3,176)                         | (3,921)        | 745          | (31,029)        | (10,786)                 | (11,960)       | 1,174          | (39,018)        |
| <b>Operating Surplus / (Deficit) from Transport Improvements</b>   | <b>2,704</b>                    | <b>3,587</b>   | <b>(883)</b> | <b>(16,260)</b> | <b>6,377</b>             | <b>5,103</b>   | <b>1,274</b>   | <b>(18,129)</b> |
| <b>Operating Surplus before other movements</b>                    | <b>6,724</b>                    | <b>3,374</b>   | <b>3,350</b> | <b>(12,734)</b> | <b>4,113</b>             | <b>621</b>     | <b>3,492</b>   | <b>(10,972)</b> |
| Revaluation of debt and stadium advance                            | -                               | -              | -            | -               | 735                      | 735            | -              | 4,712           |
| Revaluation of Transport Interest free debt                        | -                               | -              | -            | -               | -                        | -              | -              | (1,444)         |
| Revaluation of forestry (ETS and Trees)                            | -                               | -              | -            | -               | 2,661                    | 2,661          | -              | 232             |
| Forestry cost of goods sold  | (381)                           | (323)          | (58)         | (294)           | (825)                    | (647)          | (178)          | (530)           |
| Additional depreciation from 2013 Water Revaluation                | (2,500)                         | -              | 2,500        | -               | (5,000)                  | -              | 5,000          | -               |
| Warm Greater Wellington  | -                               | -              | -            | -               | -                        | -              | -              | -               |
| EMU investment - GW Rail   | -                               | -              | -            | -               | -                        | -              | -              | 8,533           |
| <b>Total other movements</b>                                       | <b>(2,881)</b>                  | <b>(323)</b>   | <b>2,442</b> | <b>(294)</b>    | <b>(2,429)</b>           | <b>2,749</b>   | <b>4,822</b>   | <b>11,503</b>   |
| <b>Operating Surplus / (Deficit)</b>                               | <b>3,843</b>                    | <b>3,051</b>   | <b>792</b>   | <b>(13,028)</b> | <b>1,684</b>             | <b>3,370</b>   | <b>(1,686)</b> | <b>531</b>      |
| Add Back Non Cash Items  | 10,190                          | 6,965          | 3,225        | 15,929          | 20,929                   | 10,719         | 10,210         | 13,740          |
| <b>Cash operating surplus/(deficit)</b>                            | <b>14,033</b>                   | <b>10,016</b>  | <b>4,017</b> | <b>2,901</b>    | <b>22,613</b>            | <b>14,089</b>  | <b>8,524</b>   | <b>14,271</b>   |
| <b>Less:</b>   |                                 |                |              |                 |                          |                |                |                 |
| Net capital expenditure  | 9,690                           | 15,065         | (5,375)      | 24,038          | 24,038                   | 24,202         | (164)          | 26,776          |
| Debt movements   | (44,861)                        | (27,844)       | (17,017)     | (38,681)        | (38,681)                 | (46,297)       | 7,616          | (34,809)        |
| Investment movements   | 59,158                          | 22,492         | 36,666       | 34,557          | 34,557                   | 32,548         | 2,009          | (6,238)         |
| Working capital movements  | (38,020)                        | (19,729)       | (18,291)     | (22,815)        | (42,527)                 | (24,542)       | (17,985)       | -               |
| <b>Net Funding Surplus / (Deficit)</b>                             | <b>-</b>                        | <b>-</b>       | <b>-</b>     | <b>-</b>        | <b>-</b>                 | <b>-</b>       | <b>-</b>       | <b>-</b>        |

# 4 BALANCE SHEET

| <b>Greater Wellington Regional Council</b> |                      |                  |                  |
|--|----------------------|------------------|------------------|
| <b>Balance Sheet</b>                       |                      |                  |                  |
|  | <b>December 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                                | 19,534               | 14,318           | 12,362           |
| Accrued Revenue and Prepayments            | 24,358               | 26,334           | 24,176           |
| Inventory                                  | 2,971                | 2,759            | 3,002            |
| <b>Total Current Assets</b>                | <b>46,871</b>        | <b>43,418</b>    | <b>47,875</b>    |
| Other Investments                          | 100,955              | 85,845           | 62,003           |
| Forestry Investments                       | 22,996               | 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>208,863</b>       | <b>173,198</b>   | <b>149,402</b>   |
| Fixed Asset at cost or valuation           | 864,468              | 765,449          | 861,225          |
| less Accumulated Depreciation              | (41,648)             | (73,903)         | (32,001)         |
| <b>Net Fixed Assets</b>                    | <b>822,820</b>       | <b>691,546</b>   | <b>829,224</b>   |
| Capital Works In Progress                  | 5,544                | 2,829            | 756              |
| <b>Non Current Assets</b>                  | <b>1,037,227</b>     | <b>867,573</b>   | <b>979,382</b>   |
| <b>Total Assets</b>                        | <b>1,084,098</b>     | <b>910,991</b>   | <b>1,027,257</b> |
| <b>less:</b>                               |                      |                  |                  |
| Current Liabilities                        | 41,966               | 49,922           | 21,298           |
| Non Current Liabilities                    | 210,664              | 202,247          | 178,332          |
| <b>Total Liabilities</b>                   | <b>252,630</b>       | <b>252,169</b>   | <b>199,630</b>   |
| <b>Net Assets</b>                          | <b>831,468</b>       | <b>658,822</b>   | <b>827,627</b>   |
| Total Retained Earnings                    | 356,445              | 337,873          | 352,832          |
| Asset Revaluation Reserves                 | 449,304              | 303,567          | 449,304          |
| Other Reserves                             | 25,719               | 17,382           | 25,491           |
| <b>Total Ratepayer Funds</b>               | <b>831,468</b>       | <b>658,822</b>   | <b>827,627</b>   |

# 5 COMPLIANCE WITH TREASURY RISK MANAGEMENT

| Total Council Limit Compliance Analysis   | Compliant |    | Compliant |    |
|---|-----------|----|-----------|----|
|   | Yes       | No | Yes       | No |
| The fixed net interest rate debt and swaps are to be between 40% and 95% of the total forecasted debt in 12 month time  | ✓         |    | 90%       |    |
| The maturity of fixed rate debt is within the following timebands<br>1 - 3 years<br>3 - 5 years<br>> 5 years  | ✓         |    | 15%       |    |
|   | ✓         |    | 40%       |    |
|   | ✓         |    | 44%       |    |
| The maturity of total external debt less liquid financial investments to fall within the following timebands<br>0 - 3 years<br>3 - 5 years<br>> 5 years   | ✓         |    | 23%       |    |
|   | ✓         |    | 43%       |    |
|   | ✓         |    | 35%       |    |
| Counterparty credit exposure with New Zealand registered banks which have a credit rating of at least A-, long term, and A2 short term  | ✓         |    |           |    |
| Other counterparty exposure within policy limits  | ✓         |    |           |    |
| Maximum counterparty exposure with a NZ registered bank is within \$70 million limit  | ✓         |    |           |    |
| <p>The repricing of liquid financial investments are to occur within the following timebands<br/>0 -1 year 40% - 100%<br/>1 - 3 years 0% - 60%<br/>3 - 5 years 0% - 40%<br/>5 -10 years 0% - 20%</p> <p><b>Core Council External Borrowing Limits - Ratios</b></p> <p>Net interest / Total Revenue &lt; 20% ✓ 2.6%</p> <p>Net Debt / Total Revenue &lt; 250% ✓ 54.7%</p> <p>Net interest / Annual rates and levies &lt; 30% ✓ 4.8%</p> <p>Liquidity &gt; 110% ✓ 134%</p> <p>The policy breach in the 1 - 3 year time band has been pre approved by the council, as swaps have been entered into which are related to the significant debt increase resulting from the purchase of the Matangi II trains.</p> <p>Note : Diesel Hedging is not in place</p> |           |    |           |    |



**greater WELLINGTON**

**REGIONAL COUNCIL**

**Te Pane Matua Taiao**