greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Author	Chris Gray, Manager, Finance and Support

Summary of Financial Statements for the four months ended 31 October 2014

1. Purpose

For the Strategy and Policy Committee (the Committee) to receive the summary financial report for the four months ended 31 October 2014.

2. Background

This report provides a review of performance of Council activities.

3. Council Financial Summary

Overall, the operating surplus before transport improvements is favourable by $3,222k relative to budget. When the transport improvement numbers and non-operational movements are included the financial results for the four months were $3,704k favourable compared to budget. This is mainly due to reduced expenditure in Public Transport, and timing of expenditure in Catchment Management, Strategy and Community Engagement (SCEG) and Water Supply.

For Public Transport, this was largely due to increased patronage reported by KiwiRail and reduced rail expenditure.

In Catchment Management there were savings for Akura nursery, as well as reduced predator control and ecosystems expenditure due to the timing of projects.

In SCEG, there was reduced expenditure on consultants, materials and supplies due mainly to timing of the projects such as the Regional Land Transport Plan and Iwi projects.

Similarly with Water Supply, materials spend has been below budget due to timing of projects, coupled with lower depreciation as a result of adjustments made to asset values at 30 June 2014.

Details by Group follow in section 4.

3.1 Financial Summary

Summary Income Statement $(000)'s	Period ending 31 October 2014 Actual	Budget	Variance	Last Year
Regional Rates	32,180	32,179	1	30,435
Regional Water Supply Levies	8,759	8,759	-	8,545
Other Operating Revenue	26,679	27,283	(604)	31,890
Total Operating Revenue	**67,618**	**68,221**	**(603)**	**70,870**
Operational Costs	68,665	72,490	3,825	70,458
Operating Surplus / (Deficit) before Transport Improvements	**(1,047)**	**(4,269)**	**3,222**	**412**
Operating Surplus / (Deficit) from Transport Improvements	3,921	3,434	487	1,089
Operating Surplus before other movements	**2,874**	**(835)**	**3,709**	**1,501**
Non-operational movements	(6)	(1)	(5)	(325)
Operating Surplus / (Deficit)	**2,868**	**(836)**	**3,704**	**1,176**

3.2 Financial Summary by Group

Total operating surplus / (deficit) $(000)'s	Period ending 31 October 2014 Actual	Budget	Variance	Last Year
Catchment Management	2,081	1,596	485	1,364
Forestry	(173)	(41)	(132)	933
Environmental Management	42	(5)	47	160
Regional Parks	(458)	(523)	65	112
Wairarapa Water Use project	33	(4)	37	(105)
Public Transport	(24)	(1,760)	1,736	1,397
Strategy & Community Engagement	53	(380)	433	237
WRS	32	6	26	(31)
Other Corporate	125	173	(48)	72
Emergency Management	9	(113)	122	120
Finance and Support	(261)	(377)	116	(455)
Total operational surplus / (deficit)	**1,459**	**(1,428)**	**2,887**	**3,804**
Investment Management	3,186	3,256	(70)	3,133
Business unit rates contribution	(3,335)	(3,334)	(1)	(3,467)
Total rates funded operating surplus / (deficit)	**1,310**	**(1,506)**	**2,816**	**3,470**
Water Supply	(2,357)	(2,763)	406	(3,058)
Total rates & levy funded operating surplus / (deficit)	**(1,047)**	**(4,269)**	**3,222**	**412**
Non-operational movements				
Forestry cost of goods sold	(6)	-	(6)	(325)
Warm Greater Wellington	-	(1)	1	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	3,921	3,434	487	1,089
Total non-operational surplus / (deficit)	**3,915**	**3,433**	**482**	**764**
Total council surplus / (deficit)	**2,868**	**(836)**	**3,704**	**1,176**

3.3 Forecast to 30 June 2015

Greater Wellington Regional Council (GWRC) is forecasting an operating deficit of $10,446k (budget, a deficit of $11,558k) for the year to 30 June 2015. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, GWRC is forecasting a deficit of $1,193k (budget, a deficit of $2,350k). The primary difference is a forecast decrease in spend in Public Transport as well as favourable Investment Management returns. These are slightly offset by an increased depreciation in Parks.

Details by Group follow in section 4.

3.3.1 Financial forecast

Summary Income Statement $(000)'s	**Year ended 30 June 2015 Forecast**	**Budget**	**Variance**	**Last Year**
Regional Rates	96,538	96,538	-	92,454
Regional Water Supply Levies	26,276	26,276	-	25,635
Other Operating Revenue	80,795	81,112	(317)	99,567
Total Operating Revenue	**203,609**	**203,926**	**(317)**	**217,656**
Operational Costs	214,055	215,484	1,429	217,154
Operating Surplus / (Deficit) before Transport Improvements	**(10,446)**	**(11,558)**	**1,112**	**502**
Operating Surplus / (Deficit) from Transport Improvements	9,101	9,051	50	3,587
Operating Surplus before other movements	**(1,345)**	**(2,507)**	**1,162**	**4,089**
Non-operational movements	152	157	(5)	18,961
Operating Surplus / (Deficit)	**(1,193)**	**(2,350)**	**1,157**	**23,050**
Net fixed asset revaluations	**-**	**-**	**-**	**27,600**
Total council comprehensive income	**(1,193)**	**(2,350)**	**1,157**	**50,650**

3.3.2 Financial forecast by Group

Total operating surplus / (deficit) $(000)'s	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Catchment Management	3,538	3,434	104	3,058
Forestry	(195)	(122)	(73)	330
Environmental Management	29	29	-	(563)
Regional Parks	(1,656)	(1,342)	(314)	(1,989)
Wairarapa Water Use project	(12)	(12)	-	(78)
Public Transport	(3,896)	(4,680)	784	4,229
Strategy & Community Engagement	(362)	(362)	-	391
WRS	17	17	-	(39)
Other Corporate	81	133	(52)	(12)
Emergency Management	(337)	(337)	-	177
Finance and Support	(1,420)	(1,472)	52	(1,022)
Total operational surplus / (deficit)	**(4,213)**	**(4,714)**	**501**	**4,482**
Investment Management	11,989	11,378	611	12,524
Business unit rates contribution	(10,001)	(10,001)	-	(10,406)
Total rates funded operating surplus / (deficit)	**(2,225)**	**(3,337)**	**1,112**	**6,600**
Water Supply	(8,221)	(8,221)	-	(6,098)
Total rates & levy funded operating surplus / (deficit)	**(10,446)**	**(11,558)**	**1,112**	**502**
Non-operational movements				
Forestry cost of goods sold	(5)	-	(5)	(682)
Warm Greater Wellington	(2)	(2)	-	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	9,101	9,051	50	3,587
Total non-operational surplus / (deficit)	**9,253**	**9,208**	**45**	**22,548**
Total council surplus / (deficit)	**(1,193)**	**(2,350)**	**1,157**	**23,050**
Net fixed asset revaluations	**-**	**-**	**-**	**27,600**
Total council comprehensive income	**(1,193)**	**(2,350)**	**1,157**	**50,650**

3.4 Capital expenditure

3.4.1 Capital expenditure by Group

Capital expenditure is $4,330k below budget, year to date. This is due to lower spend by Catchment Management, Water Supply and the Public Transport improvement projects.

Public Transport improvement projects are mainly below budget due to the timing of payments for the Matangi trains. For Water Supply, projects are progressing however, as a result of timing of payments, these are below budget. In Catchment Management spend is below budget due to the timing of stop bank improvements in Waikanae and Otaki. Some Wairarapa Water Use Project work streams were brought forward in the year, but the project remains on track.

Details by Group follow in section 4.

Total capital and transport investment and improvement expenditure	Period ending 31 October 2014			
$(000)'s	**Actual**	**Budget**	**Variance**	**Last Year**
Catchment Management	588	1,351	763	551
Forestry	-	-	-	169
Environmental Management	88	64	(24)	(417)
Regional Parks	65	293	228	213
Wairarapa Water Use project	562	208	(354)	202
Public Transport capital projects	3,313	3,374	61	85
Strategy & Community Engagement	72	-	(72)	50
Other Corporate	(17)	5	22	-
Emergency Management	31	-	(31)	-
Finance, ICT and Support	71	417	346	409
Total capital expenditure	**4,773**	**5,712**	**939**	**1,262**
Investment and property management	13	-	(13)	1,196
Total rates funded capital expenditure	**4,786**	**5,712**	**926**	**2,458**
Water Supply	1,588	2,627	1,039	1,766
Total rates & levy funded capital expenditure	**6,374**	**8,339**	**1,965**	**4,224**
Public Transport investment projects - GWRL	2,118	4,483	2,365	9,004
Total council capital and transport investment expenditure	**8,492**	**12,822**	**4,330**	**13,228**

3.4.2 Capital expenditure forecast by Group

Capital expenditure is forecast to be $2,918k more than budget by year end. This is primarily due to changes within Public Transport and ICT which are discussed in section 4.

Total capital and transport investment and improvement expenditure	**Year ended 30 June 2015**			
$(000)'s	**Forecast**	**Budget**	**Variance**	**Last Year**
Catchment Management	4,960	5,008	48	5,956
Forestry	-	-	-	240
Environmental Management	450	450	-	(696)
Regional Parks	1,168	1,168	-	212
Wairarapa Water Use project	825	825	-	627
Public Transport capital projects	4,829	5,286	457	1,091
Strategy & Community Engagement	197	197	-	228
Other Corporate	71	71	-	31
Emergency Management	70	70	-	(14)
Finance, ICT and Support	1,908	1,504	(404)	2,420
Total capital expenditure	**14,478**	**14,579**	**101**	**10,095**
Investment and property management	-	-	-	2,328
Total rates funded capital expenditure	**14,478**	**14,579**	**101**	**12,423**
Water Supply	8,125	8,125	-	10,069
Total rates & levy funded capital expenditure	**22,603**	**22,704**	**101**	**22,492**
Public Transport investment projects - GWRL	50,452	47,433	(3,019)	28,041
Total council capital and transport investment expenditure	**73,055**	**70,137**	**(2,918)**	**50,533**

4. Council Financial Performance by Group

4.1 Catchment Management

Financial Summary	Period ending 31 October 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	12,146	11,943	203	11,141	33,733	33,250	483	32,873
Operating expenditure	10,065	10,347	282	9,777	30,195	29,816	(379)	29,815
Operating surplus / (deficit)	**2,081**	**1,596**	**485**	**1,364**	**3,538**	**3,434**	**104**	**3,058**
Net capital expenditure	588	1,351	763	551	4,960	5,008	48	5,956

Year to date

A favourable operating variance of $485k, comprising higher revenue of $203k and lower operating costs of $282k.

Operating revenue is higher than budget due mainly to:

- A number of offsetting variances including additional Ministry for the Environment (Mfe) revenue for the Wairarapa Moana Clean Up Project, additional TbFree revenue for aerial control operations, reduced WRECI and forestry consultation activity for Land Management and internal sales for Akura due to timing.

Operating expenditure was lower than budget due to:

- Reduced material purchases of $242k for Akura due to timing and savings
- Additional Wairarapa Moana Clean Up expenditure of $230k
- Reduced Predator Control expenditure of $161k and Key Native Ecosystem expenditure of $98k due to timing.

Capital expenditure is $763k lower than budget, primarily due to:

- The timing of Flood Protection stopbank improvements in Waikanae and Otaki and expenditure for the Resource Consent renewal project.

Forecast to 30 June 2015

The forecast operating surplus is $104k above budget.

Operating revenue is forecast to be above budget due to:

- Mfe revenue of $326k for the Wairarapa Moana Clean Up Fund
- Additional TBfree revenue of $124k for pest control operations.

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

- Expenditure of $327k for the Wairarapa Moana Clean Up Project.

The forecast capital expenditure to June 2015 is expected to be $48k lower than budget due to:

- The disposal of property at Tinui.

4.2 Environmental Management

Financial Summary $(000)'s	Period ending 31 October 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	5,405	5,134	271	5,014	15,622	15,422	200	15,467
Operating expenditure	5,363	5,139	(224)	4,854	15,593	15,393	(200)	16,030
Operating surplus / (deficit)	**42**	**(5)**	**47**	**160**	**29**	**29**	**-**	**(563)**
Net capital expenditure	88	64	24	(417)	450	450	-	(696)

Overall, a favourable operating variance of $47k, comprising higher revenue of $271k and higher expenditure of $224k.

Operating revenue is ahead of budget primarily due to:

- External revenue is $1,324k which is $299k more than budget of which $298k is for consent processing including additional on charging of consultants costs for the Roads of National Significance (RONS) projects.

Operating expenditure was higher than budget due mainly to:

- Direct costs (personnel, materials and consultants) of $4,802k are $263k more than budget mainly due to $217k of RONS related legal and consultants costs and an additional $72k for work on the Whaitua and Regional Plan.

Capital expenditure is $24k more than budget, primarily due to:

- E-Science are replacing old monitoring equipment in line with their asset management plan. To date they have spent $71k from a full year budget of $105k.

Forecast to 30 June 2015

The forecast operating surplus is in line with budget.

Operating revenue is forecast to be above budget due to:

- Forecast external revenue has been increased by $200k for the RONS project recoveries.

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

- Forecast consultants costs have been increased by $200k to include additional consultants and legal costs for the RONS projects.

The forecast capital expenditure to June 2015 is expected to be in line with budget.

4.3 Forestry

Financial Summary $(000)'s	Period ending 31 October 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	199	104	95	5,271	432	313	119	11,199
Operating expenditure	372	145	(227)	4,338	627	435	(192)	10,869
Cash Operating surplus / (deficit)	**(173)**	**(41)**	**(132)**	**933**	**(195)**	**(122)**	**(73)**	**330**
Revaluation of forestry (ETS and Trees)	-	-	-	-	-	-	-	17,335
Forestry cost of goods sold	(6)	-	(6)	(325)	(5)	-	(5)	(682)
Operating surplus / (deficit)	**(179)**	**(41)**	**(138)**	**608**	**(200)**	**(122)**	**(78)**	**16,983**
Net capital expenditure	-	-	-	169	-	-	-	240

Overall, an unfavourable operating variance of $138k.

Operating surplus is below budget primarily due to:

- Residual harvesting and legal costs from the sale of the forestry cutting rights.

Forecast to 30 June 2015

The forecast operating deficit is $78k below budget due to additional consultancy and net harvesting costs.

4.4 Regional Parks

Financial Summary $(000)'s	Period ending 31 October 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	2,305	2,020	285	2,063	6,247	6,247	-	6,501
Operating expenditure	2,763	2,543	(220)	1,951	7,903	7,589	(314)	8,490
Operational Surplus / (deficit) before other items	**(458)**	**(523)**	**65**	**112**	**(1,656)**	**(1,342)**	**(314)**	**(1,989)**
Net capital expenditure	65	293	(228)	213	1,168	1,168	-	212

A favourable operating variance of $65k, most of the variances in Parks accounts are due to costs and reimbursement of costs associated with the transmission gully project.

Operating Revenue was higher than budget due to:

- Parks external income is $434k which is $286k higher than budget, mainly due to the on-charging of property costs associated with the Transmission Gully Project to the New Zealand Transport Agency (NZTA), funding of the farm, hub and reimbursement of costs for the woolshed from NZTA.

Operating expenditure was higher than budget due to:

- The main variance in Parks costs is the depreciation cost which has increased following the revaluation of Parks Infrastructure assets at June 2014. This is an ongoing variance so the forecast has been updated by $314k to reflect this. The other spend variances are related to Transmission Gully projects as explained above.

Capital expenditure was $228k below budget due primarily to:

- Parks have a full year budget of $1,186k. The budget includes $456k for the Queen Elizabeth Park heritage project which will upgrade the Mackays Crossing entrance. Capital work is being planned and will take place over the summer months.

Forecast to 30 June 2015

The forecast operating deficit is $314k adverse to budget due to increased depreciation expense.

Operating revenue is forecast to be in line with budget.

Operating expenditure is forecast to be $314k above budget due to:

Additional depreciation following the infrastructure revaluation in the previous year. Depreciation is a non-cash transaction.

The forecast capital expenditure to June 2015 is expected to be in line with budget.

4.5 Public Transport

Financial Summary	Period ending 31 October 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	31,616	33,937	(2,321)	32,665	99,174	100,909	(1,735)	103,160
Operating expenditure	31,640	35,697	4,057	31,268	103,070	105,589	2,519	98,931
Operating surplus / (deficit)	**(24)**	**(1,760)**	**1,736**	**1,397**	**(3,896)**	**(4,680)**	**784**	**4,229**

A favourable operating variance of $1,736k, comprising lower expenditure of $4,057k and reduced revenue of $2,321k.

Operating revenue was below budget due to:

- Grants and subsidies revenue was $2.3 million below budget which reflects the reduction in operational expenditure for the year.

Operating expenditure is below budget primarily due to:

- Rail contract costs were $1.9 million below budget. The results reported by TranzMetro show that fare revenue was above budget by $0.8 million and expenditure was below budget by $1.1 million.
- Network operations and maintenance costs were $0.2 million below budget because of reduced track maintenance and electricity costs, partly offset by increased vegetation control costs.
- Network renewals costs were $0.2 million below budget because of reduced track renewal costs.
- Train maintenance expenditure was $0.4 million below budget, primarily because of the late implementation of the extra late shift, reduced number of staff and less unplanned maintenance. A robust planned maintenance programme has meant lower unplanned maintenance costs on the Matangi and Ganz Mavag trains.

- Diesel bus operations expenditure was $10.3 million which is $0.2 million below budget primarily because bus inflation costs for the year were lower than budgeted and there were cost reductions from services not run.
- Trolley bus operations expenditure was $2.8 million which is $0.3 million below budget. There were cost reduction from services not run and savings in costs of operating the overhead network.
- Projects and planning expenditure was $0.5 million below budget. The Integrated Ticketing Investigation commenced later than expected and the Bus Rapid Transit Implementation Plan is yet to commence. Some of the work is now expected to occur in 2015/16.
- Public Transport Operating Model (PTOM) expenditure was $0.8 million which is $0.1 million above budget. The budget has been updated following a detailed project and expenditure review.
- Administration expenditure was $3.7 million which is $0.3 million below budget. There were lower staff costs and GWRL administration charges. $0.4 million of rail studies and investigation expenditure is now directly charged to GWRL and has been separated out from the administration costs.
- There has also been less than budgeted expenditure in SuperGold card costs, Rail Studies, and Marketing and Communications.

Forecast to 30 June 2015

The forecast operating deficit of $3,896k is $784k better than budget.

Operating revenue is forecast to be below budget due to:

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

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

- Rail contract full year forecast expenditure is $1.6 million below budget, because of increased fare revenue and lower expenditure.
- Train maintenance full year forecast expenditure is $0.3 million below budget, because of the late implementation of the extra late shift, reduced number of staff and less unplanned maintenance.
- Diesel bus operations expenditure is $0.6 million below budget because bus inflation costs for the year are lower than budgeted and there were cost reductions from services not run.
- Projects and planning full year forecast expenditure is $0.5 million below budget reflecting the reduction in expected expenditure on Bus Rapid Transit Implementation Plan this year.
- PTOM full year forecast expenditure is $1.0 million above budget. The budget has been updated following a detailed project and expenditure review. GWRC’s share of the project is funded through reserves because of the one-off nature of the expenditure.
- Administration full year forecast expenditure is $0.6 million below budget. There were lower staff costs and GWRL administration charges. $0.4 million of rail studies and investigation expenditure is now directly charged to GWRL and has been separated out from the administration costs.

4.6 Public Transport capital expenditure, improvement projects and investment additions

Revenue and expenditure associated with capex

Financial Summary $(000)'s	Period ending 31 October 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	6,485	7,267	(782)	2,904	22,539	22,516	23	11,843
Improvement Projects (Opex)	494	1,174	680	1,213	5,711	5,492	219	4,601
Operating expenditure - Other	2,070	2,659	589	602	7,727	7,973	(246)	3,655
Total operating expenditure	2,564	3,833	1,269	1,815	13,438	13,465	27	8,256
Operating surplus / (deficit)	3,921	3,434	487	1,089	9,101	9,051	50	3,587

Overall, an increase operating surplus of $487k due to reduced operating expenditure of $1,269 and reduced revenue of $782k.

Operating revenue was lower than budget due to:

- Operating revenue includes grant and subsidies revenue which was $0.8 million below budget because of reductions in capital expenditure, improvement projects and investment additions.

Improvement projects

- Improvement projects relate to capital works where the underlying asset will not be directly owned by GWRC. They include trolley bus infrastructure renewals which were $0.7 million below budget. There was slower than expected expenditure on necessary overhead wire replacement and lower costs on the network wide fault protection safety system.

Other operating expenditure

- Other operating expenditure includes finance costs which were $0.5 million less than expected because of a reduction in improvement projects, capital expenditure and investment additions.

Capital and investment additions

Financial Summary $(000)'s	Period ending 31 October 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Public Transport capital projects	3,313	3,374	61	85	4,829	5,286	457	1,091
Public Transport investment projects - GWRL	2,118	4,483	2,365	9,004	50,452	47,433	(3,019)	28,041
Capital and investment expenditure	5,431	7,857	2,426	9,089	55,281	52,719	(2,562)	29,132

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

Investment additions relate to capital works where the underlying asset will be owned by our subsidiary, GWRL**.**

Capital and investment expenditure is $2.4 million below budget due to:

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

- New Matangi trains - $2.6 million below budget because of changes to the timing of payments.

- Station renewals and upgrades - $0.1 million below budget. More work is now planned to occur in the second half of the year.
- Security related rail improvements - $0.1 million below budget. The work programme will be finalised shortly and there has been no cost incurred to date.
- Wellington depot and stabling - $0.5 million above budget, which mainly reflects changes to the timing of payments. Additional expenditure above the overall project budget has been funded from a reduction in the Matangi 1 capital spares budget.
- Park and Ride land - $0.1 million above budget. The price paid for the Tawa land was $0.1 million more than budgeted, however additional land was purchased which will provide extra carparks. GWRC share of the project will be funded through reserves.
- Bus shelter and signage upgrades - $0.1 million above budget because the work programme for bus shelters is being undertaken earlier in the financial year.
- Customer information system - $0.2 million below budget. Difficulties with the initial supplier meant that the Publication and Planning System project was delayed. The project is now underway and is expected to be completed by the end of the financial year.

Forecast to 30 June 2015

The favourable forecast operating variance relating to capital expenditure is $50k. This is primarily a result of lower improvement project expenditure and increased operating revenue.

The forecast net capital and investment expenditure is $2,562k above budget.

This includes changes to the timing of expenditure relating to:

- Integrated Fares and Ticketing project - $0.5 million below budget because the capital investment in the project is not expected to commence this year.
- Park and Ride land - $0.1 million above budget. The price paid for the Tawa land was $0.1 million more than budgeted, however additional land was purchased which will provide extra carparks. GWRC share of the project will be funded through reserves.
- Customer information systems - $0.1 million below budget. The replacement Call Handling System project is now expected to be completed as part of a corporate initiative.
- New Matangi trains - $2.4 million above budget. Overall, the Matangi 1 and Matangi 2 trains are expected to be delivered within budget.
- Wellington depot and stabling - $0.5 million above budget. Additional expenditure above the overall project budget has been funded from a reduction in the Matangi 1 capital spares budget.
- Train heavy maintenance and minor improvements - $0.1 million above budget because of the requirement to fit fire suppression units on the Wairarapa trains.

4.7 Strategy & Community Engagement

Financial Summary $(000)'s	Period ending 31 October 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	1,508	1,401	107	1,515	4,952	4,952	-	4,698
Operating expenditure	1,455	1,781	326	1,278	5,314	5,314	-	4,307
Operating surplus / (deficit)	**53**	**(380)**	**433**	**237**	**(362)**	**(362)**	**-**	**391**
Net capital expenditure	72	-	(72)	50	197	197	-	228

Overall, a favourable operating variance of $433k, comprising lower expenditure of $326k and increased revenue of $107k.

Operating revenue is above budget due to:

- Contributions for the carpool software which is unbudgeted. This is offset by the costs which sit within operating expenditure.

Operating expenditure was lower than budget due to:

- Reduced expenditure on consultants, materials and supplies due mainly to timing of the projects including the Regional Land Transport Plan.
- Reduced expenditure on Iwi Projects and GWRC capacity training to date.
- Printing costs for the Annual Report 2013/14 are still to come in.

Forecast to 30 June 2015

The forecast operating deficit is in line with budget but RLTP costs may be further delayed.

4.8 Wellington Regional Strategy

Financial Summary $(000)'s	Period ending 31 October 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	1,548	1,550	(2)	1,544	4,650	4,650	-	4,631
Operating expenditure	1,516	1,544	28	1,575	4,633	4,633	-	4,670
Operating surplus / (deficit)	**32**	**6**	**26**	**(31)**	**17**	**17**	**-**	**(39)**
Net capital expenditure	-	-	-	-	-	-	-	-

Overall, a favourable operating variance of $26k, comprising lower expenditure of $28k.

Operating expenditure was higher than budget due to:

- Reduced expenditure on consultants due mainly to timing of payments to external parties.
- This has been offset by Grow Wellington funding being $100k above budget as they continue to draw on their reserve.

Forecast to 30 June 2015

The forecast operating surplus is in line with budget.

4.9 People and Capability

Financial Summary $(000)'s	Period ending 31 October 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	1,095	1,088	7	1,143	3,262	3,262	-	3,436
Operating expenditure	883	922	39	1,064	3,223	3,171	52	3,452
Operating surplus / (deficit)	**212**	**166**	**46**	**79**	**39**	**91**	**(52)**	**(16)**
Net capital expenditure	-	5	5	-	35	35	-	31

Overall, a favourable operating variance of $46k, comprising largely of lower expenditure of $39k.

Forecast to 30 June 2015

The forecast operating deficit is $52k below budget due to additional resourcing in this group whilst the Chief Financial Officer role is vacant. This is offset by a reduction in Finance, ICT and Support.

4.10 Finance ICT and Support

Financial Summary $(000)'s	Period ending 31 October 2014 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	2,136	2,076	60	1,976	6,228	6,228	-	6,926
Operating expenditure	2,397	2,453	56	2,431	7,648	7,700	52	7,948
Operating surplus / (deficit)	**(261)**	**(377)**	**116**	**(455)**	**(1,420)**	**(1,472)**	**52**	**(1,022)**
Net capital expenditure	71	417	346	409	1,908	1,504	(404)	2,420

Overall, a favourable operating variance of $116k.

Operating revenue and expenditure is in-line with budgeted expectations.

Capital expenditure for the year is $346k less than budget primarily due to:

- The Hummingbird document management system replacement is underway, but shared service reviews have meant that the project will be delivered later in the year.

Forecast to 30 June 2015

The forecast operating deficit is $52k below budget.

The forecast capital expenditure to June 2015 is expected to be $404k higher than budget due to:

- The project to upgrade the Digital Radios has been brought forward to line up with other agencies reviews.

4.11 Emergency Management

Financial Summary	Period ending 31 October 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	957	956	1	942	2,869	2,869	-	2,932
Operating expenditure	948	1,069	121	822	3,206	3,206	-	2,755
Operating surplus / (deficit)	**9**	**(113)**	**122**	**120**	**(337)**	**(337)**	**-**	**177**
Net capital expenditure	31	-	(31)	-	70	70	-	(14)

Overall, a favourable operating variance of $122k comprising lower revenue of $1k and lower expenditure of $121k.

Operating revenue is running to budget.

Operating expenditure is lower than budget due to:

- Timing of community projects now expected later in the financial year.

Forecast to 30 June 2015

The forecast operating deficit is in line with budget.

4.12 Warm Greater Wellington

Financial Summary	Period ending 31 October 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	781	914	(133)	571	2,057	2,742	(685)	2,732
Operating expenditure	781	915	134	571	2,059	2,744	(685)	2,732
Operating surplus / (deficit)	**-**	**(1)**	**1**	**-**	**(2)**	**(2)**	**-**	**-**

Overall, a break-even position, comprising lower revenue of $133k and lower expenditure of $134k.

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 2014 which were lower than budgeted. This was due to a lower cash level of advances provided in 2013/14 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 2015

- The net forecast operating result is in line with budget with lower revenue and expenditure.

4.13 Investment Management

Financial Summary	Period ending 31 October 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Revenue	2,817	2,265	552	7,988	9,003	8,387	616	7,417
Internal Interest Recovery	4,474	5,093	(619)	14,531	15,461	15,471	(10)	14,685
Operating revenue	**7,291**	**7,358**	**(67)**	**22,519**	**24,464**	**23,858**	**606**	**22,102**
Expenditure	3,782	3,807	25	8,659	11,589	11,594	5	8,853
Internal Reserve Costs	323	295	(28)	1,004	886	886	-	901
Operating expenditure	**4,105**	**4,102**	**(3)**	**9,663**	**12,475**	**12,480**	**5**	**9,754**
Operating surplus / (deficit)	**3,186**	**3,256**	**(70)**	**12,856**	**11,989**	**11,378**	**611**	**12,348**
Net capital expenditure	13	-	(13)	1,196	-	-	-	2,328

Overall, an unfavourable variance of $70k compared with budget.

- Revenue is $552k above budget and is mainly due to interest on prefunded debt and receiving higher than budgeted rates on our investments.
- Interest Recovery from internal loans is $619k unfavourable. Capex has been at a much slower pace leading to lower internal loans and consequential lower interest recovery from the business units.
- Total direct expenditure (interest costs, personnel, consultants and materials) is $25k favourable, mainly due to lower than budgeted interest cost for capital expenditure.
- Internal Reserve Investment costs where Investment Management pays the business units interest on their reserve funds is $28k unfavourable to budget due to higher reserve opening balance than budgeted.

Capital expenditure is $13k for the year which is related to the design for the Upper Hutt Depot upgrade.

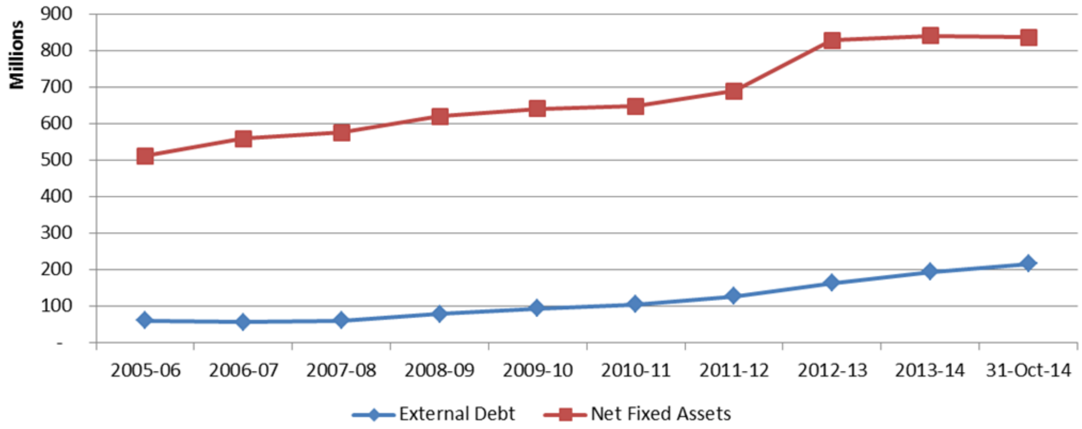
Forecast to 30 June 2015

The forecast operating surplus is forecasted to be $611k above budget.

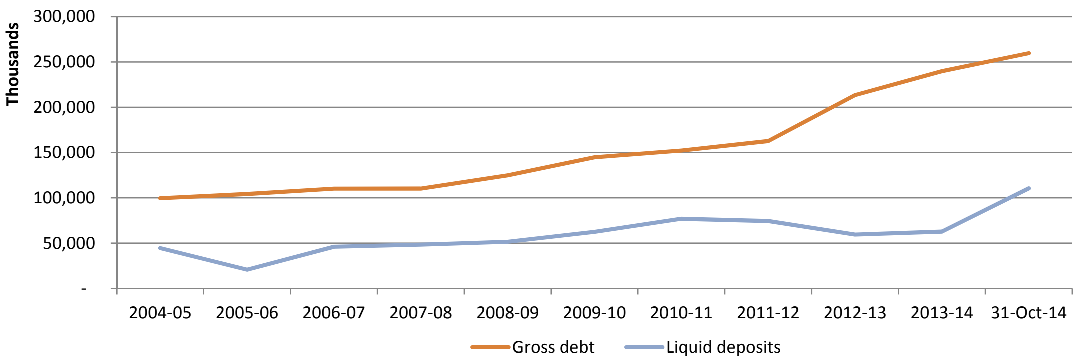
Operating revenue is forecast to be $606k above budget due to higher than budgeted investment revenue, mainly resulting from prefunded debt. We are forecasting to receive higher rates than budgeted due to banks continuing to pay higher margins over the 90 day benchmark rate.

Operating expenditure is forecasted to be very close to budget.

External Debt and Assets



External Debt and Cash investments



- External Debt including WRC Holdings has increased by $19.7million to $259.6million, mainly due to debt prefunding. The proceeds from the Forestry sale cutting rights have been placed on short term investment and will be used to lower external debt as it falls due.

4.14 Water Supply

Financial Summary	Period ending 31 October 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	9,237	9,122	115	8,887	27,365	27,365	-	27,154
Operating expenditure	11,594	11,885	291	11,945	35,586	35,586	-	33,252
Operational Surplus / (deficit) before other items	**(2,357)**	**(2,763)**	**406**	**(3,058)**	**(8,221)**	**(8,221)**	**-**	**(6,098)**
Net capital expenditure	1,588	2,627	1,039	1,766	8,125	8,125	-	10,069

Overall a favourable operating variance of $406k compared to budget. Water Supply is forecasting to be on budget by year end. GWRC entered into an interim agreement with Wellington Water Limited to transfer the full staff budgets from 19th September 2014 until 30 June 2015 plus a contribution to the administration costs of Wellington Water Limited.

Operating revenue was $115k higher than budget due to:

- Investment revenue is $31k higher than budget and forecasted to be $50k higher than budget at year end. We continue to earn higher than budget interest rates on our Asset Rehabilitation Fund. Also, there is unbudgeted income of $20k for the lease back of the Agresearch land purchased in June, and an additional duct lease has been entered into giving an additional $100k of unbudgeted income for the year.

Operating expenditure was $291k lower than budget due to:

- Resource costing recoveries are $111k below budget due to the slow start of 2014/15 projects.
- Gross payroll payments were over budget by $195k due to the pay out of all leave entitlements when GWRC staff transferred to Wellington Water.
- Materials and supplies spend is $231k under budget due to timing of payments. We are expecting increases as we move into summer, especially in the area of chemicals and power.
- Contractors and consultants is under budget by $172k, some operating projects have been slower to start than planned.
- Depreciation is $152k under budget reflecting the 30 June 2014 yearend adjustments made to asset values.

Capital expenditure is under budget. Projects are progressing, however, as a result of timing of payments and a quiet first four months, these are below budget.

4.15 Forecast to 30 June 2015

The forecast operating deficit is in line with budget which includes absorbing integration costs with the new entity Wellington Water Limited.

4.16 Funding Impact Statement

Funding Impact Statement	Period ending 31 October 2014				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Targeted Rates	21,789	21,789	-	20,943	65,368	65,368	-	62,828
General Rate	10,391	10,390	1	9,492	31,170	31,170	-	29,626
Regional Rates	**32,180**	**32,179**	**1**	**30,435**	**96,538**	**96,538**	**-**	**92,454**
Regional Water Supply Levies	8,759	8,759	-	8,545	26,276	26,276	-	25,635
Warm Greater Wellington Rates	651	914	(263)	571	2,057	2,742	(685)	1,713
Grants and Subsidies Revenue	14,547	16,624	(2,077)	15,701	48,266	49,602	(1,336)	52,174
Other Operating Revenue	11,481	9,745	1,736	15,618	30,472	28,768	1,704	45,680
Total Operating Revenue	**67,618**	**68,221**	**(603)**	**70,870**	**203,609**	**203,926**	**(317)**	**217,656**
Operational Costs	39,278	40,454	1,176	40,638	121,498	120,767	(731)	124,990
Grants and Subsidies Expenditure	25,955	28,584	2,629	26,736	81,802	83,957	2,155	82,740
Finance Costs	3,432	3,452	20	3,084	10,755	10,760	5	9,424
Total Operating Expenditure	**68,665**	**72,490**	**3,825**	**70,458**	**214,055**	**215,484**	**1,429**	**217,154**
Operating Surplus / (Deficit) before Transport Improvements	**(1,047)**	**(4,269)**	**3,222**	**412**	**(10,446)**	**(11,558)**	**1,112**	**502**
Transport Improvement revenue	6,485	7,267	(782)	2,904	22,539	22,516	23	11,843
Transport Improvement expenditure	(2,564)	(3,833)	1,269	(1,815)	(13,438)	(13,465)	27	(8,256)
Operating Surplus / (Deficit) fromTransport Improvements	**3,921**	**3,434**	**487**	**1,089**	**9,101**	**9,051**	**50**	**3,587**
Operating Surplus before other movements	**2,874**	**(835)**	**3,709**	**1,501**	**(1,345)**	**(2,507)**	**1,162**	**4,089**
Revaluation of interest rate swaps and stadium advance	-	-	-	-	159	159	-	3,868
Revaluation of Transport Interest free debt	-	-	-	-	-	-	-	(1,560)
Revaluation of forestry (ETS and Trees)	-	-	-	-	-	-	-	17,335
Forestry cost of goods sold	(6)	-	(6)	(325)	(5)	-	(5)	(682)
Revaluation PPE	-	-	-	-	-	-	-	27,600
Warm Greater Wellington	-	(1)	1	-	(2)	(2)	-	-
Total other movements	**(6)**	**(1)**	**(5)**	**(325)**	**152**	**157**	**(5)**	**46,561**
Operating Surplus / (Deficit)	**2,868**	**(836)**	**3,704**	**1,176**	**(1,193)**	**(2,350)**	**1,157**	**50,650**
Add Back Non Cash Items	6,151	6,317	(166)	6,476	18,593	18,479	114	(46,513)
Cash operating surplus/(deficit)	**9,019**	**5,481**	**3,538**	**7,652**	**17,400**	**16,129**	**1,271**	**4,137**
Less:								
Net capital expenditure	6,373	8,340	(1,967)	4,639	22,601	22,703	(102)	23,331
Debt movements	(21,727)	(8,618)	(13,109)	(65,665)	(61,760)	(59,412)	(2,348)	(29,310)
Investment movements	11,832	4,663	7,169	79,760	53,637	50,602	3,035	31,517
Working capital movements	(5,497)	(9,866)	4,369	(26,386)	(31,878)	(30,022)	(1,856)	(29,675)
Net Funding Surplus / (Deficit)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

4.17 Balance Sheet

Balance Sheet **$(000)'s**	**September 2014** **Actual**	**June 2015** **Budget**	**June 2014** **Actual**
Bank	7	27,695	19,516
Receivables	16,453	18,620	16,052
Accrued Revenue and Prepayments	17,320	14,542	13,055
Inventory	3,069	2,733	3,113
Total Current Assets	36,849	63,590	51,736
Other Investments	118,166	49,028	56,856
Forestry Investments	(408)	-	38,778
Derivative Financial Instruments	(135)	-	2,884
Investment in Subsidiaries	96,845	146,130	96,845
Total Investments	214,468	195,158	195,363
Fixed Asset at cost or valuation	903,940	897,800	900,939
less Accumulated Depreciation	(53,833)	(68,813)	(47,961)
Net Fixed Assets	850,107	828,987	852,978
Capital Works In Progess	15,299	9,500	11,618
Non Current Assets	1,079,874	1,033,645	1,059,959
Total Assets	**1,116,723**	**1,097,235**	**1,111,695**
less:			
Current Liabilities	31,053	23,663	108,775
Non Current Liabilities	216,283	214,000	124,627
Total Liabilities	**247,336**	**237,663**	**233,402**
Net Assets	**869,387**	**859,572**	**878,293**
Total Retained Earnings	378,154	372,806	375,365
Asset Revaluation Reserves	465,250	466,375	476,338
Other Reserves	25,983	20,391	26,590
Total Ratepayer Funds	**869,387**	**859,572**	**878,293**

5. The decision making process and significance

No decision is being sought in this report.

6. Recommendations

That the Committee:

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

Report prepared by:	Report approved by	Report approved by:
Chris Gray Manager, Finance and Support	Mike Timmer Treasurer/Acting Chief Financial Officer	Greg Campbell Chief Executive