

Greater Wellington Regional Council

Annual Report Summary 2010/11

Summarising Greater Wellington's Annual report 2010/11

Chair's report

The year under review has been extremely busy and challenging for Greater Wellington. Elections in October 2010 brought us four new Councillors and we subsequently implemented a new committee system. This is based on local government's statutory responsibilities for community wellbeing (environmental, economic, social and cultural) and we think it better reflects the diverse nature of our business.

Tough economic times prevail – we are acutely aware of the need to provide value for money. Yet within this context, we have not only undertaken normal delivery of planned business across a wide range of activities, but we also made significant progress on key strategic policies and projects

A new Biodiversity Strategy has been completed and endorsed by the Council. The strategy provides an integrated framework to assist the Council in our leadership role and to ensure ecosystem functions are maintained and high-value biodiversity areas protected.

We have also adopted a new Parks Network Plan that, for the first time, provides a consolidated and consistent guide for managing the regional parks network. The network itself was enlarged in February when the recently acquired Baring Head land was opened to the public as a valuable extension to East Harbour Regional Park.

The Wairarapa Water Use project became more formalised with the establishment of a governance group involving local councils, iwi and potential users in Wairarapa. This project could have major benefits for the region in all aspects of wellbeing.

As with previous years, transport has been a key area of delivery. Our mandate includes public transport funding, together with working with the Regional Transport Committee on planning the region's overall transport network. As part of this, we implemented the real-time information system for public transport users, and consulted and made significant progress on the Hutt Corridor Plan and Regional Freight Plan.

While public transport delivery remains a vexed issue, particularly with regard to rail, the biggest achievements this year were introducing the new Matangi trains and the new rail package we agreed with the Government and KiwiRail. The agreement gives us certainty of funding from the Government and among other initiatives will enable the old Ganz Mavag fleet to be refurbished over the next few years.

In today's environment, local government needs to constantly look at ways of being more effective at dealing with complex issues that span current political and cultural boundaries. Greater Wellington works closely with a range of groups round the region – the volunteers who help with our parks and streams, landowners with whom we work on soil erosion and environmental

protection measures, schools and businesses with travel programmes, iwi in a range of activities and, on a regular and bigger scale, the region's local authorities.

We also welcome interest in our work from individuals who may not have any particular group affiliation. During the year under review, several hundred people throughout the region helped with the early stage of the development of our new Regional Plan and there will be further opportunities for involvement in the near future as we progress the plan. This work stream being led by our Natural Resource Plan Committee (Te Upoko Taiao) - itself a collaborative model with regional iwi. We are taking a bottom-up approach and the objective is to produce not only a new set of regulations but also a set of non-regulatory tools that will together future proof our regional environment.

As a regional council we also have a role in ensuring that our economy is both resilient in the face of unexpected change and able to take advantage of new opportunities as they arise. A range of our activities support this – including commuter transport, a healthy environment and bulk water supply. We are also part of a partnership with the city and district councils of the region through the Wellington Regional Strategy, which is aimed at sustainable economic development. While some delivery improvements are needed, Greater Wellington and the region's territorial authorities have agreed to continue promoting economic development at the regional scale and we will be reviewing this in the forthcoming year.

On behalf of Councillors, I thank our Greater Wellington staff and the many others round the region who contributed to a year of successful delivery.

Fran Wilde

Key achievements for 2010/11

Resource management

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

Transport

We funded more than 1.1 million rail and bus services in the region – over 35 million trips. The reliability of some rail services was a continuing issue over the past year, with 83.8% of services on time. However, considerable progress was made in upgrading the rail system for future years. The first nine of the 48 new two-car Matangi trains were put in service – some delays were experienced in receiving the Matangi trains from the supplier. For bus services, the installation of Real Time Information on much of the network provided accurate information on the timing of buses for passengers. For disabled passengers, the Total Mobility System was upgraded through the introduction of new electronic cards. We also made progress in reviewing our transport plans for freight and the Hutt Corridor, and continued our successful programmes encouraging more sustainable transport choices.

Water supply

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

Parks and forests

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

Land management

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

Safety and flood protection

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

Regional sustainable development

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

Community

The Council elections were held in October 2010 and the four new councillors provided with appropriate training. A new committee structure was established based on the four wellbeings – environmental, economic, social and cultural. This is based on local government's statutory responsibility for community wellbeing and better reflects the diverse nature of our business. A review with the region's mayors of the current local government arrangements was commissioned. The report concluded that some changes were desirable and further work will be undertaken this coming year.

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

Council - Summary income statement

	Council		
	2011 Actual \$000s	2011 Budget \$000s	2010 Actual \$000s
Revenue	173,796	168,849	170,478
Finance costs	(5,424)	(7,020)	(5,158)
Operating expenditure*	(151,237)	(142,563)	(145,223)
Depreciation and amortisation	(12,154)	(10,389)	(11,511)
Operating surplus	4,981	8,877	8,586
External funding Baring Head land purchase	-	-	1,100
Unrealised gains and (losses) on financial instruments	(4,036)	(306)	(5,389)
Forestry revaluation / cost of goods sold	6,263	1,417	4,885
Transport improvement revenue	116,365	206,348	78,286
Transport improvement expenditure *	(110,028)	(222,186)	(83,064)
Net operating surplus / (deficit) for the year before tax	13,545	(5,850)	4,404
Other comprehensive income			
Increases / (decreases) in asset revaluations **	(6)	-	-
Total comprehensive income	13,539	(5,850)	4,404

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

Significant components of this variance are:

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

* Comparatives for 2010 and Budgets for 2011 have been reclassified to aid comparability. Refer to relevant Notes for further information.

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

Council - Statement of financial position

	Council		
	2010 Actual \$000s	2010 Budget \$000s	2010 Actual \$000s
Current assets	78,347	91,225	101,879
Non-current assets	756,256	725,740	697,599
Total assets	834,603	816,965	799,478
Equity	673,319	647,912	659,780
Current liabilities	114,803	59,610	44,334
Non-current liabilities	46,481	109,443	95,364
	834,603	816,965	799,478

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

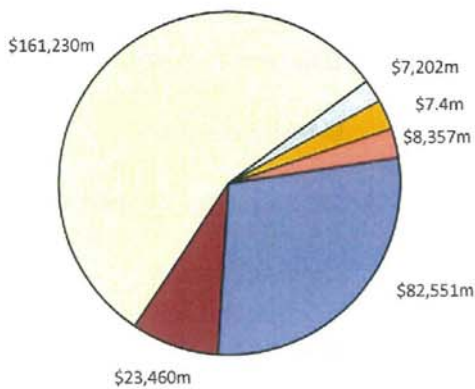
Council - Summary cashflow statement

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

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

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

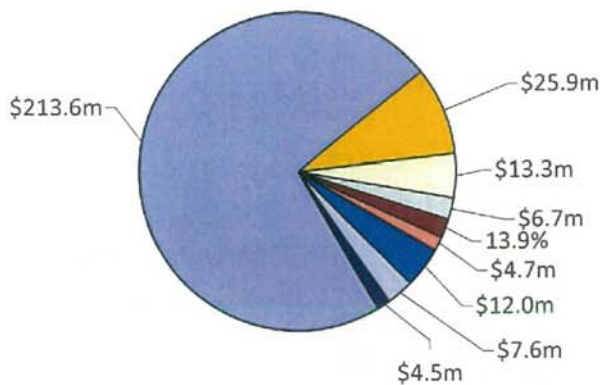
Council Revenue



- Rates 28.5%
- Water Supply Levy 8.1%
- Government Grants & Subsidies for Transport 55.6%
- Investments + CCO's 2.5%
- Logging revenue 2.5%
- Other Revenue 2.8%

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

Council Operational Expenditure



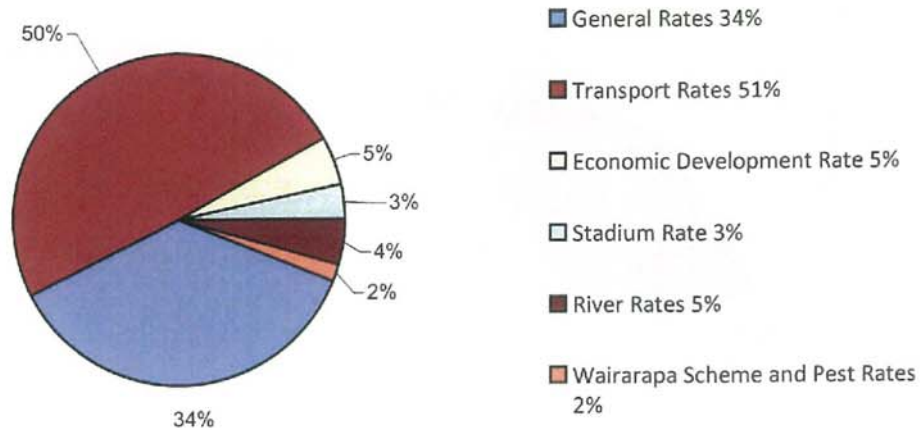
- Transport * 72.8%
- Water Supply 8.8%
- Safety & Flood Protection 4.5%
- Parks 2.3%
- Community 1.8%
- Regional Sustainable Development 1.6%
- Resource management 4.1%
- Land management 2.6%
- Other 1.5%

* Includes \$123m of expenditure on transport improvements

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

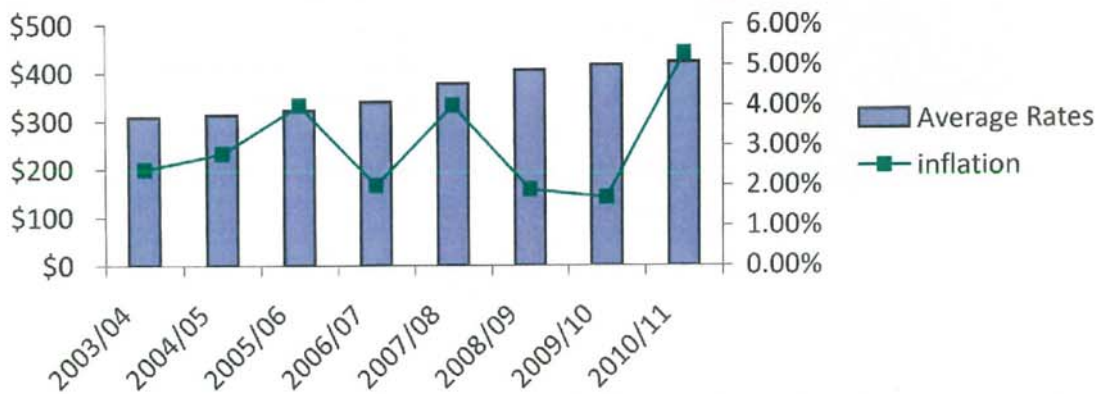
**Financial overview
for the year ended 30 June 2011**

Council Rates



General rates charged to all ratepayers make up 34% of the total rates collected in 2011. The other rates, including the transport rate which made up 51% of rates are targeted rates which are apportioned to reflect the ratepayers that are benefiting more from the expenditure and investment that council is making.

Average rates collected per property*

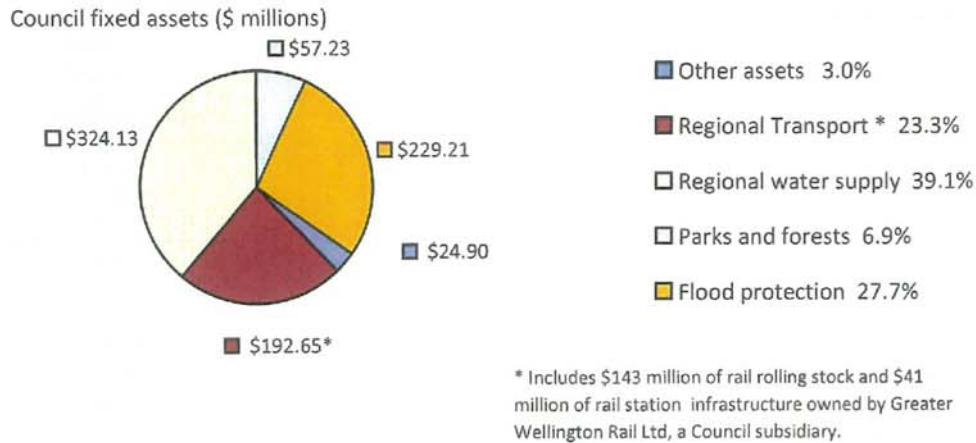


*The average is for all property types, including residential, rural and commercial properties

Over the last eight years, rates for all properties have increased by an average of 5.2% including inflation. Over this period inflation averaged 3% per annum.

This increase includes the change for Greater Wellington taking on rating for economic development for the region in 2008; the current major investment in improving the rail network and the continuation of the flood protection programme.

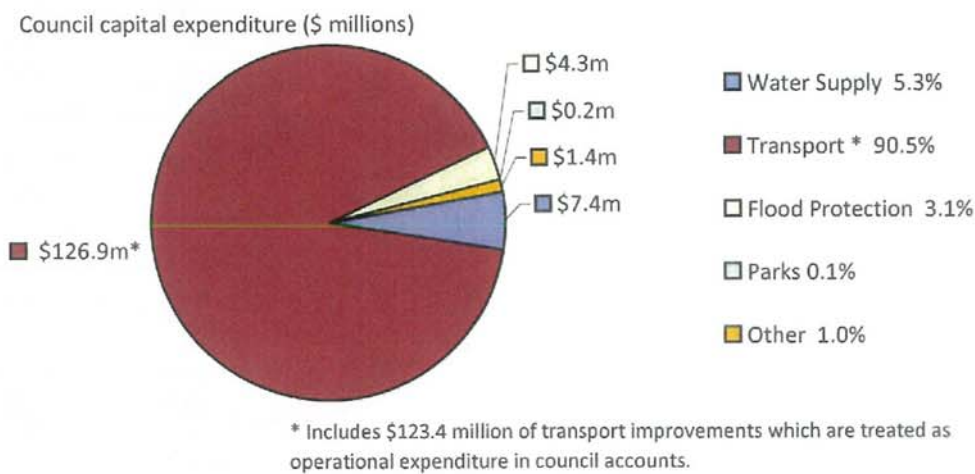
**Financial overview
for the year ended 30 June 2011**



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

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

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



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

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

Financial overview group for the year ended 30 June 2011

Group - Summary income statement

	Group	
	2011 Actual \$000s	2010 Actual \$000s
Revenue	243,344	233,869
Finance costs	(19,050)	(15,498)
Operating expenditure*	(164,226)	(181,265)
Depreciation	(21,882)	(21,549)
Operating surplus	38,186	15,557
External funding Baring Head	-	1,100
Unrealised gains (losses)	(12,844)	(11,682)
Forestry net revaluation/cost of goods sold	6,263	4,884
Transport improvement revenue	116,365	78,286
Transport improvement expenditure *	(95,064)	(70,702)
Net operating surplus (deficit) for the year before tax	52,906	17,443
Tax **	(17,320)	(3,196)
Net operating surplus (deficit) for the year after tax	35,586	14,247
Other comprehensive income		
Increases / (decreases) in asset revaluations **	73,428	10,380
Total comprehensive income	109,014	24,627

Group - Statement of financial position

	Group	
	2011 Actual \$000s	2010 Actual \$000s
Current assets	85,640	106,973
Non-current assets	1,307,836	1,133,660
Total assets	1,393,476	1,240,633
Equity	959,494	851,403
Current liabilities	260,040	161,314
Non-current liabilities	173,942	227,916
	1,393,476	1,240,633

Group - Summary cashflow statement

	Group	
	2011 Actual \$000s	2010 Actual \$000s
Cashflows from operating activities	39,616	36,728
Cashflows from investing activities	(40,283)	(44,922)
Cashflows from financing activities	4,075	26,836
Net increase / (decrease) in cash, cash equivalents and bank overdraft	3,408	18,642
Opening cash equivalents	36,511	17,869
Closing cash equivalents	39,919	36,511

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

* Comparatives for 2010 have been reclassified to aid comparability. Refer to relevant Notes for further information.

** At 30 June 2011 GW Rail purchased the Wellington Metropolitan rail assets from Kiwi Rail for nominal fee as part of the agreed Regional Rail Package with central government. These assets have an accounting value of \$74 million at balance date which is recognised by way of an increase in the revaluation reserve. As GW Rail is a council controlled organisation this transaction creates a nominal deferred tax liability of \$22 million. As the council does not intend to sell these assets this tax liability will not be realised.

Audit report

For the year ending 30 June 2011

For more information, contact Greater Wellington

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