greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Summary of Financial Statements for the eight months ending 28 February 2015

1. Purpose

For the Strategy and Policy Committee to receive the summary financial report for the eight months ending 28 February 2015.

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 \$6,420k relative to budget. When the transport improvement numbers and non-operational movements are included the financial results for the eight months are \$6,492k favourable compared to budget.

This is mainly due to increased revenue in Parks, and reduced expenditure in Public Transport, and the timing of expenditure in Catchment Management, Strategy and Community Engagement (SCEG) and Water Supply.

In Parks, there is additional revenue of \$1.6m from NZTA for the new Woolshed & Queen Elizabeth Park (QEP) Cycleway capital projects.

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

In Catchment Management there is additional external revenue whilst overall costs are being maintained.

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, Long Term Plan and Annual Plan.

Details by Group follow in section 4.

3.1 Financial Summary

Summary Income Statement $(000)'s	Period ending 28 February 2015 Actual	Budget	Variance	Last Year
Regional Rates	64,360	64,359	1	60,869
Regional Water Supply Levies	17,517	17,517	-	17,090
Other Operating Revenue	54,113	53,236	877	63,737
Total Operating Revenue	**135,990**	**135,112**	**878**	**141,696**
Operational Costs	139,482	145,024	5,542	138,867
Operating Surplus / (Deficit) before Transport Improvements	**(3,492)**	**(9,912)**	**6,420**	**2,829**
Operating Surplus / (Deficit) from Transport Improvements	6,554	6,477	77	1,819
Operating Surplus before other movements	**3,062**	**(3,435)**	**6,497**	**4,648**
Non-operational movements	(6)	(1)	(5)	(488)
Operating Surplus / (Deficit)	**3,056**	**(3,436)**	**6,492**	**4,160**
Net fixed asset revaluations	-	-	-	-
Total council comprehensive income	**3,056**	**(3,436)**	**6,492**	**4,160**

3.2 Financial Summary by Group

Total operating surplus / (deficit) $(000)'s	Period ending 28 February 2015 Actual	Budget	Variance	Last Year
Catchment Management	3,460	2,377	1,083	2,396
Forestry	(125)	(82)	(43)	909
Environmental Management	(480)	46	(526)	(350)
Regional Parks	529	(980)	1,509	233
Wairarapa Water Use project	(4)	(7)	3	38
Public Transport	(1,325)	(3,760)	2,435	3,188
Strategy & Community Engagement	121	(745)	866	723
WRS	(29)	11	(40)	62
Other Corporate	171	197	(26)	(61)
Emergency Management	153	(225)	378	111
Finance and Support	(600)	(781)	181	(460)
Total operational surplus / (deficit)	**1,871**	**(3,949)**	**5,820**	**6,789**
Investment Management	6,285	6,154	131	8,491
Business unit rates contribution	(6,667)	(6,667)	-	(6,935)
Total rates funded operating surplus / (deficit)	**1,489**	**(4,462)**	**5,951**	**8,345**
Water Supply	(4,981)	(5,450)	469	(5,516)
Total rates & levy funded operating surplus / (deficit)	**(3,492)**	**(9,912)**	**6,420**	**2,829**
Non-operational movements				
Forestry cost of goods sold	(6)	-	(6)	(488)
Warm Greater Wellington	-	(1)	1	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	6,554	6,477	77	1,819
Total non-operational surplus / (deficit)	**6,548**	**6,476**	**72**	**1,331**
Total council surplus / (deficit)	**3,056**	**(3,436)**	**6,492**	**4,160**
Net fixed asset revaluations	-	-	-	-
Total council comprehensive income / (deficit)	**3,056**	**(3,436)**	**6,492**	**4,160**

3.3 Forecast to 30 June 2015

Greater Wellington Regional Council (GWRC) is forecasting an operating deficit of $7,952k (budget, a deficit of $11,560k) 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 surplus of $1,421k (budget, a deficit of $2,350k).

The primary difference is a forecast change for Parks of $2.8m for the capital contributions from NZTA for the Woolshed and QEP Cycleway capital projects. Without the Parks additional revenue the operating variance to budget is a favourable $808k.

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	84,222	81,111	3,111	99,567
Total Operating Revenue	**207,036**	**203,925**	**3,111**	**217,656**
Operational Costs	214,988	215,485	497	217,154
Operating Surplus / (Deficit) before Transport Improvements	**(7,952)**	**(11,560)**	**3,608**	**502**
Operating Surplus / (Deficit) from Transport Improvements	9,222	9,053	169	3,587
Operating Surplus before other movements	**1,270**	**(2,507)**	**3,777**	**4,089**
Non-operational movements	151	157	(6)	18,961
Operating Surplus / (Deficit)	**1,421**	**(2,350)**	**3,771**	**23,050**
Net fixed asset revaluations	**-**	**-**	**-**	**27,600**
Total council comprehensive income	**1,421**	**(2,350)**	**3,771**	**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	3,799	3,434	365	3,058
Forestry	(246)	(122)	(124)	330
Environmental Management	(739)	29	(768)	(563)
Regional Parks	1,144	(1,342)	2,486	(1,989)
Wairarapa Water Use project	(12)	(12)	-	(78)
Public Transport	(3,006)	(4,682)	1,676	4,229
Strategy & Community Engagement	(367)	(362)	(5)	391
WRS	(283)	17	(300)	(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)	**(1,386)**	**(4,716)**	**3,330**	**4,482**
Investment Management	11,656	11,378	278	12,524
Business unit rates contribution	(10,001)	(10,001)	-	(10,406)
Total rates funded operating surplus / (deficit)	**269**	**(3,339)**	**3,608**	**6,600**
Water Supply	(8,221)	(8,221)	-	(6,098)
Total rates & levy funded operating surplus / (deficit)	**(7,952)**	**(11,560)**	**3,608**	**502**
Non-operational movements				
Forestry cost of goods sold	(6)	-	(6)	(682)
Warm Greater Wellington	(2)	(2)	-	-
Public Transport net surplus / (deficit) on capital, improvement and investment projects	9,222	9,053	169	3,587
Total non-operational surplus / (deficit)	**9,373**	**9,210**	**163**	**22,548**
Total council surplus / (deficit)	**1,421**	**(2,350)**	**3,771**	**23,050**
Net fixed asset revaluations	**-**	**-**	**-**	**27,600**
Total council comprehensive income / (deficit)	**1,421**	**(2,350)**	**3,771**	**50,650**

3.4 Capital & transport improvements expenditure

3.4.1 Capital expenditure by Group

Capital expenditure is $9,408k below budget, year to date. This is due to lower spend by Public Transport improvement projects, Water Supply & Catchment Management.

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. This is partially offset by Parks' above budget expenditure from the new woolshed & QEP cycleway funded by NZTA.

Details by Group follow in section 4.

Total capital and transport investment and improvement expenditure $(000)'s	Period ending 28 February 2015			
	Actual	Budget	Variance	Last Year
Catchment Management	2,378	3,311	933	1,926
Forestry	3	-	(3)	204
Environmental Management	201	280	79	(810)
Regional Parks	1,565	617	(948)	420
Wairarapa Water Use project	627	417	(210)	484
Public Transport capital projects	3,916	4,356	440	17
Strategy & Community Engagement	68	2	(66)	180
Other Corporate	14	71	57	22
Emergency Management	67	70	3	-
Finance, ICT and Support	459	902	443	1,119
Total capital expenditure	**9,298**	**10,026**	**728**	**3,562**
Investment and property management	13	-	(13)	2,215
Total rates funded capital expenditure	**9,311**	**10,026**	**715**	**5,777**
Water Supply	2,766	5,496	2,730	3,575
Total rates & levy funded capital expenditure	**12,077**	**15,522**	**3,445**	**9,352**
Public Transport investment projects - GWRL	5,450	11,413	5,963	13,490
Total council capital and transport investment expenditure	**17,527**	**26,935**	**9,408**	**22,842**

3.4.2 Capital & transport improvement expenditure forecast by Group

Capital expenditure is forecast to be $5,005k less than budget by year end. This is primarily due to changes within Public Transport partially offset by Parks which are discussed in section 4.

Total capital and transport investment and improvement expenditure $(000)'s	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Catchment Management	5,266	5,008	(258)	5,956
Forestry	-	-	-	240
Environmental Management	450	450	-	(696)
Regional Parks	3,968	1,168	(2,800)	212
Wairarapa Water Use project	825	825	-	627
Public Transport capital projects	5,587	5,299	(288)	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	**18,342**	**14,592**	**(3,750)**	**10,095**
Investment and property management	-	-	-	2,328
Total rates funded capital expenditure	**18,342**	**14,592**	**(3,750)**	**12,423**
Water Supply	8,125	8,125	-	10,069
Total rates & levy funded capital expenditure	**26,467**	**22,717**	**(3,750)**	**22,492**
Public Transport investment projects - GWRL	38,678	47,433	8,755	28,041
Total council capital and transport investment expenditure	**65,145**	**70,150**	**5,005**	**50,533**

4. Council Financial Performance by Group

4.1 Catchment Management

Financial Summary	Period ending 28 February 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	22,900	22,515	385	21,513	34,051	33,250	801	32,873
Operating expenditure	19,440	20,138	698	19,117	30,252	29,816	(436)	29,815
Operating surplus / (deficit)	**3,460**	**2,377**	**1,083**	**2,396**	**3,799**	**3,434**	**365**	**3,058**
Net capital expenditure	2,378	3,311	933	1,926	5,266	5,008	(258)	5,956

Year to date

A favourable operating variance of $1,083k, comprising higher revenue of $385k and lower operating costs of $698k.

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 pest control operations, reduced land management forestry consultations and lower tree sales for Akura.

Operating expenditure was lower than budget due to:

- Reduced material purchases of $260k for Akura due to lower external demand.
- Reduced materials of $302k for Flood Protection due to the timing of rock supplies for river maintenance programmes.
- Additional Wairarapa Moana Clean Up expenditure of $376k for riparian planting, fencing and wetland improvements.
- Reduced land management expenditure of $201k, due to lower demand for forestry consultation & WRECI programmes.
- Depreciation is tracking higher than budget by $166k.
- Reduced personnel costs of $182k due to lower Biodiversity staffing levels.

Capital expenditure is $933k lower than budget, primarily due to:

- Slower than anticipated progress in the Flood Protection stop bank improvements in Waikanae and Otaki, with the design, consent and land entry arrangements still ongoing. Unspent expenditure to be carried forward into 2015/16.

Forecast to 30 June 2015

The forecast operating surplus is $365k above budget.

Operating revenue is forecast to be above budget due to:

- MfE revenue of $610k for the Wairarapa Moana Clean Up Fund
- Additional TBfree revenue of $396k for pest control operations.
- Additional MPI revenue of $100k for Wellington Erosion Control
- Reduced forestry consultations revenue.

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

- Expenditure of $593k for the Wairarapa Moana Clean Up Project.
- Additional contractor costs of $149k for TBfree operations.
- Reduced material costs for Akura and staffing for Biodiversity
- Depreciation is forecast to be higher than budget.

The forecast capital expenditure to June 2015 is expected to be $258k higher than budget due to:

- Additional expenditure of $1.6m for the purchase of properties ahead of the budgeted time period, but within overall programme budget.
- Reduced expenditure on stopbank improvements for Waikanae and Otaki.

4.2 Environmental Management

Financial Summary	Period ending 28 February 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	10,465	10,268	197	9,827	16,117	15,422	695	15,467
Operating expenditure	10,945	10,222	(723)	10,177	16,856	15,393	(1,463)	16,030
Operating surplus / (deficit)	**(480)**	**46**	**(526)**	**(350)**	**(739)**	**29**	**(768)**	**(563)**
Net capital expenditure	201	280	(79)	(810)	450	450	-	(696)

Overall, there is an unfavourable operating variance of $526k, comprising higher revenue of $197k and higher expenditure of $723k.

Operating revenue is ahead of budget primarily due to:

- External revenue is $2,309k which is $259k more than budget. $155k of this variance is in Environmental Regulation Group (EREG) and is due to consent processing including additional on charging of consultants costs for the Roads of National Significance (RONS) projects. There is $75k unbudgeted funding from MfE towards some of the Science work.

Operating expenditure was higher than budget due mainly to:

- Operating expenditure of $10,945k which is $723k more than budget. Staff costs are $254k more than budget mainly in ESci department due to two new staff have been recruited for the Whaitua process and additional casuals assisting with terrestrial monitoring work. EREG consultants' costs are $293k over budget, which relates to RONS projects and have been on-charged. Provisions for doubtful debts have also been increased $72k in line with policy.

Capital expenditure is $79k less than budget, primarily due to:

- E-Science are replacing old monitoring equipment in line with their asset management plan. To date they have spent $135k from a full year budget of $221k.
- Harbours has spent $56k of a full year budget of $77k on refurbishing Steeple Rock light & completion of the work on Halswell Lighthouse.

Forecast to 30 June 2015

The forecast operating surplus is $768k below budget, of which $668k relates to ESci and $100k relates to EReg.

Operating revenue is forecast to be above budget due to:

- Forecast external revenue has been increased by $695k and this includes $400k for the RONS project recoveries; $100k in Policy for the Hazard Strategy funding by the TAs; and $195k external funding of Science work.

Operating expenditure is also forecast to be $1,463k above budget due to:

- ESci is forecasting $863k additional spend, of which $350k is for staff costs and $513k is consultants & materials on the Collaborative Modelling Project for the Whaitua processes.
- EREG is forecasting additional costs for the RONS project of $400k which includes consultant costs of $320k and $80k for staff costs.
- Policy forecast has increased $100k for the costs for the Regional Hazards Strategy, offset by funding from territorial authorities.

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

4.3 Forestry

Financial Summary	Period ending 28 February 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	322	208	114	8,148	431	313	118	11,199
Operating expenditure	447	290	(157)	7,239	677	435	(242)	10,869
Cash Operating surplus / (deficit)	**(125)**	**(82)**	**(43)**	**909**	**(246)**	**(122)**	**(124)**	**330**
Revaluation of forestry (ETS and Trees)	-	-	-	-	-	-	-	17,335
Forestry cost of goods sold	(6)	-	(6)	(488)	(6)	-	(6)	(682)
Operating surplus / (deficit)	**(131)**	**(82)**	**(49)**	**421**	**(252)**	**(122)**	**(130)**	**16,983**
Net capital expenditure	3	-	(3)	204	-	-	-	240

Overall, an unfavourable operating variance of $49k.

Operating surplus is below budget primarily due to:

- Residual harvesting and legal costs from the sale of the forestry cutting rights.
- Additional resourcing costs to support forestry.

Forecast to 30 June 2015

The forecast operating deficit is $130k below budget due to additional consultancy, culvert maintenance and net harvesting costs.

4.4 Regional Parks

Financial Summary $(000)'s	Period ending 28 February 2015 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	5,672	4,039	1,633	4,573	9,047	6,247	2,800	6,501
Operating expenditure	5,143	5,019	(124)	4,340	7,903	7,589	(314)	8,490
Operational Surplus / (deficit) before other items	**529**	**(980)**	**1,509**	**233**	**1,144**	**(1,342)**	**2,486**	**(1,989)**
Net capital expenditure	1,565	617	948	420	3,968	1,168	(2,800)	212

Overall, there is a favourable operating variance of $1,509k, comprising higher revenue of $1,633k and offset by higher expenditure of $124k.

Operating Revenue was higher than budget due to:

- Parks external income is $1,633k higher than budget, mainly due to the $1.4m capital contribution from NZTA for the new woolshed and the on-charging of property costs associated with the Transmission Gully Project to NZTA, and funding carried over from last year for development of the farm hub.

Operating expenditure was $124k higher than budget due to:

- Expenditure is greater than budget largely due to increased depreciation of $233k as a result of the revaluation of Parks Infrastructure assets as at 30 June 2014.

Capital expenditure was $948k ahead of budget due primarily to:

- Parks has a full year budget of $1,168k. The budget includes $456k for the Queen Elizabeth Park heritage project which will upgrade the Mackays Crossing entrance. Capital work is being planned with jobs out to tender in several Parks, some of this work may need to be deferred to the next financial year.
- Woolshed cost of $1.4m were transferred from operating spend to capital expenditure. Funded by NZTA capital contribution noted above.

Forecast to 30 June 2015

The forecast operating deficit is $2.5m favourable to budget.

Operating revenue is forecast to be $2.8m more than budget due to the funding from NZTA for the Woolshed and QEP Cycleway.

Operating expenditure is forecast to be $314k above budget due to additional depreciation following the infrastructure revaluation in the previous year.

The forecast capital expenditure to June 2015 is expected to be $2.8m more than budget.

- This is due to $2m for the Belmont Woolshed and $0.8m for the QEP Cycleway. Both these are funded via capital grant contributions from NZTA.

4.5 Public Transport

Financial Summary $(000)'s	Period ending 28 February 2015 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	64,892	68,130	(3,238)	66,196	98,323	100,908	(2,585)	103,160
Operating expenditure	66,217	71,890	5,673	63,008	101,329	105,590	4,261	98,931
Operating surplus / (deficit)	**(1,325)**	**(3,760)**	**2,435**	**3,188**	**(3,006)**	**(4,682)**	**1,676**	**4,229**

A favourable operating variance of $2.4 million, comprising lower expenditure of $5.7 million and reduced revenue of $3.3 million.

Operating revenue was below budget due to:

- Grants and subsidies revenue was $3.2 million below budget which reflects the reduction in operational expenditure for the year.
- SuperGold card Grants and subsidies revenue was $0.2 million above budget which reflects the increase in operational expenditure for the year
- External revenue was $0.3 million below budget. Rail studies and investigation expenditure is no longer reimbursed by Greater Wellington Rail Limited (GWRL), but is directly charged to GWRL.

Operating expenditure is below budget primarily due to:

- Rail contract costs were $3.0 million below budget. The results reported by TranzMetro show that fare revenue was above budget by $1.0 million and expenditure was below budget by $1.3 million. A late change in budget phasing by KiwiRail also meant that there was a difference between the TranzMetro and GWRC budgets of $0.7 million.
- Network renewals costs were $0.5 million above budget because of increased track maintenance costs, partly offset by traction and civil works costs.
- Train maintenance expenditure was $0.9 million below budget primarily because there were less staff than budget and less unplanned maintenance. A robust planned maintenance programme has meant lower unplanned maintenance costs on the Matangi and Ganz Mavag trains.
- Rail insurance expenditure was $0.1 million below budget. The insurance premium is lower than anticipated when the budgets were set.
- Station expenditure was $0.1 million below budget, primarily because of over accruals from last year, as well as a reduction in the year to date expenditure.
- Diesel bus operations expenditure was $0.6 million below budget primarily because bus inflation costs were lower than budgeted and cost reductions related to services not run.
- Trolley bus operations expenditure was $0.3 million below budget. There were cost reductions from services not run as well as savings in the cost of operating trolley bus services.
- SuperGold card expenditure was $0.2 million above budget which reflects the increase in expenditure for the year.
- Projects and planning expenditure was $0.9 million below budget. The Integrated Fares and Ticketing Investigation commenced later than expected and Bus Rapid Transit Implementation Planning has commenced

later than expected - some of this work is now expected to occur in 2015/16.

- Public Transport Operating Model (PTOM) expenditure was $0.2 million above budget. The budget has been updated following a detailed project and expenditure review.
- Metlink network, services, systems and management expenditure was $0.5 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 excluded from administration costs).
- There has also been less than budgeted expenditure on Total Mobility, Rail Studies, and Marketing and Communications.

Forecast to 30 June 2015

The forecast operating deficit of $3.0 million is $1.7 million favourable to budget.

Operating revenue is forecast to be below budget due to:

- Grants and subsidies revenue is forecast to be $2.5 million below budget because the full year forecast expenditure is expected to be below budget.
- SuperGold card grants and subsidies revenue is forecast to be $0.3 million above budget because the full year forecast SuperGold card expenditure is expected to be above budget
- External revenue is forecast to be $0.4 million below budget because rail studies and investigation expenditure is now being directly charged to GWRL.

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

- Rail contract full year forecast expenditure is $2.8 million below budget. Rail contract costs are forecast to be $2.0 million below budget and fare revenue is forecast to be $0.8 million above budget.
- Train maintenance full year forecast expenditure is $0.8 million below budget, because there were less staff than budget and less unplanned maintenance.
- Station expenditure full year forecast expenditure is $0.2 million above budget. Effective from 1 October 2014, station electricity which was originally part of the TranzMetro contract is now paid directly by GWRL
- Carpark and station security full year forecast expenditure is $0.7 million above budget. $0.6 million of the security related rail improvements are reclassified as operating expenditure because we will not own the resulting asset e.g. fibre optic connections to stations.
- Diesel bus operations expenditure is $1.1 million below budget. Forecast bus inflation costs for the year are lower than budgeted and there will be cost reductions related to services not run.
- Trolley bus operations full year forecast expenditure is $0.2 million below budget. There will be cost reductions from services not run and savings in costs of operating the trolley bus contract.
- SuperGold card full year forecast expenditure is $0.2 million above budget.

- Projects and planning full year forecast expenditure is $0.8 million below budget reflecting the reduction in expected expenditure on Bus Rapid Transit Implementation Planning 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.
- Metlink network, services, systems and management full year forecast expenditure is $0.7 million below budget. There are anticipated to be lower staff costs and GWRL administration charges.

4.6 Public Transport capital expenditure, improvement projects and investment additions

Revenue and expenditure associated with capex

Financial Summary $(000)'s	Period ending 28 February 2015 Actual	Budget	Variance	Last Year	Year ended 30 June 2015 Forecast	Budget	Variance	Last Year
Operating revenue	**12,218**	**14,588**	**(2,370)**	**5,955**	**22,249**	**22,517**	**(268)**	**11,843**
Improvement Projects (Opex)	1,514	2,798	1,284	1,213	6,233	5,492	741	4,601
Operating expenditure - Other	4,150	5,313	1,163	2,923	6,794	7,972	(1,178)	3,655
Total operating expenditure	**5,664**	**8,111**	**2,447**	**4,136**	**13,027**	**13,464**	**437**	**8,256**
Operating surplus / (deficit)	**6,554**	**6,477**	**77**	**1,819**	**9,222**	**9,053**	**169**	**3,587**

Overall, an increase operating surplus of $77k due to reduced operating expenditure of $2,370 and reduced revenue of $2,447k.

Operating revenue was lower than budget due to:

- Operating revenue includes grant and subsidies revenue which was $2.4 million below budget because of reductions in improvement projects and investments.

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 $1.4 million below budget partially offset by Station Road work at Porirua Station which is $0.1million above budget. There has been reduced year to date expenditure on the necessary overhead wire replacement and minimal cost has been incurred on the network wide fault protection safety system.

Other operating expenditure

- Other operating expenditure includes finance costs which were $0.9 million less than budget because of reductions in expenditure on improvement projects and investments.

Forecast to 30 June 2015

The forecast operating surplus for capital expenditure of $9.2 million is $0.2 million favourable to budget. This is because of lower financial and depreciation costs, offset to a lesser extent by increased improvement project expenditure (Porirua station roading improvements and trolley bus infrastructure renewals), and reduced operating revenue.

Capital and investment additions

Financial Summary	Period ending 28 February 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Public Transport capital projects	3,916	4,356	440	17	5,587	5,299	(288)	1,091
Public Transport investment projects - GWRL	5,450	11,413	5,963	13,490	38,678	47,433	8,755	28,041
Capital and investment expenditure	**9,366**	**15,769**	**6,403**	**13,507**	**44,265**	**52,732**	**8,467**	**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 $6.4 million below budget due to:

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

- New Matangi trains - $4.6 million below budget because of changes to the timing of payments.
- Station renewals and upgrades - $1.5 million below budget. The programme of work is underway and more work is now planned to occur in the second half of the year.
- Security related rail improvements - $0.5 million below budget. The work programme has only recently been finalised.
- Wellington depot and stabling - $0.6 million above budget, which mainly reflects the unspent budget from last financial year. Additional expenditure above the overall project budget has been funded from a reduction in the Matangi 1 capital spares budget.
- Park and Ride land - $0.4 million above budget. The price paid for the Tawa land was $0.1 million more than budgeted (additional land was purchased which will provide extra car parks). Additional land was also purchased in Paraparaumu for Park n Ride. GWRC's share of the project will be funded through reserves.
- Customer information system - $0.5 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 year.

Forecast to 30 June 2015

The forecast net capital and investment expenditure is $8.5 million below budget.

This includes changes to the timing of expenditure relating to:

- New Matangi trains - $8.5 million below budget. Overall, the Matangi 1 and Matangi 2 trains are expected to be delivered within budget.
- Station renewals and upgrades - $0.3 million below budget. Part of the Porirua station roading improvements project will be funded from this saving.
- Wellington depot and stabling - $0.6 million above budget and reflects the unspent budget from last financial year.
- Integrated Fares and Ticketing project - $0.5 million below budget because the capital project is now not expected to commence this year.
- Porirua station roading improvements - $0.3 million below budget because the project is no longer a capital expenditure.
- Park and Ride land - $1.1 million above budget primarily because of the additional cost of land for Paraparaumu. GWRC share of the costs will be funded through reserves.

4.7 Strategy & Community Engagement

Financial Summary	Period ending 28 February 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	3,064	2,801	263	3,041	4,852	4,952	(100)	4,698
Operating expenditure	2,943	3,546	603	2,318	5,219	5,314	95	4,307
Operating surplus / (deficit)	**121**	**(745)**	**866**	**723**	**(367)**	**(362)**	**(5)**	**391**
Net capital expenditure	68	2	(66)	180	197	197	-	228

Overall, a favourable operating variance of $866k, comprising lower expenditure of $603k and increased revenue of $263k.

Operating revenue is above budget due to:

- Revenue is ahead of budget by $263k, largely due to New Zealand Transport Agency (NZTA) funding for transport planning projects being received earlier than budgeted during the year.

Operating expenditure was lower than budget due to:

- Reduced expenditure on consultants, materials and supplies due mainly to the timing of projects such as the Regional Land Transport Plan (RLTP).
- Reduced expenditure on consultants, materials and supplies due mainly to the timing of projects such as the Long Term Plan and the Annual Plan.
- Reduced expenditure on consultants due mainly to the timing of projects such as Public Transport Model & monitoring the Regional Land Transport Plan.

Forecast to 30 June 2015

The forecast operating deficit is in line with budgeted levels.

4.8 Wellington Regional Strategy

Financial Summary $(000)'s	Period ending 28 February 2015				Year ended 30 June 2015			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	3,096	3,100	(4)	3,087	4,650	4,650	-	4,631
Operating expenditure	3,125	3,089	(36)	3,025	4,933	4,633	(300)	4,670
Operating surplus / (deficit)	**(29)**	**11**	**(40)**	**62**	**(283)**	**17**	**(300)**	**(39)**

Overall, an unfavourable operating variance of $40k, comprising higher expenditure of $36k.

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 $200k above budget as they continue to draw on their reserve.

Forecast to 30 June 2015

The forecast operating deficit is $300k below budget. This is due to Grow Wellington utilising the unspent WRS reserve from 2013/14.

4.9 People and Capability

Financial Summary $(000)'s	Period ending 28 February 2015				Year ended 30 June 2015			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	2,189	2,176	13	2,282	3,262	3,262	-	3,436
Operating expenditure	1,902	2,015	113	2,336	3,223	3,171	52	3,452
Operating surplus / (deficit)	**287**	**161**	**126**	**(54)**	**39**	**91**	**(52)**	**(16)**
Net capital expenditure	31	35	4	22	35	35	-	31

Overall, a favourable operating variance of $126k, comprising lower revenue of $13k and lower expenditure of $113k.

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 28 February 2015				Year ended 30 June 2015			
	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	4,232	4,152	80	3,821	6,228	6,228	-	6,926
Operating expenditure	4,832	4,933	101	4,281	7,648	7,700	52	7,948
Operating surplus / (deficit)	**(600)**	**(781)**	**181**	**(460)**	**(1,420)**	**(1,472)**	**52**	**(1,022)**
Net capital expenditure	459	902	443	1,119	1,908	1,504	(404)	2,420

Overall, a favourable operating variance of $181k comprising higher revenue of $80k and lower expenditure of $101k.

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

Capital expenditure for the year is $443k 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. This is due to the vacant CFO position.

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 28 February 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,914	1,912	2	1,826	2,869	2,869	-	2,932
Operating expenditure	1,761	2,137	376	1,715	3,206	3,206	-	2,755
Operating surplus / (deficit)	**153**	**(225)**	**378**	**111**	**(337)**	**(337)**	**-**	**177**
Net capital expenditure	67	70	3	-	70	70	-	(14)

Overall, a favourable operating variance of $378k comprising lower revenue of $2k and lower expenditure of $376k.

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 28 February 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	1,628	1,828	(200)	1,142	2,057	2,742	(685)	2,732
Operating expenditure	1,628	1,829	201	1,142	2,059	2,744	(685)	2,732
Operating surplus / (deficit)	**-**	**(1)**	**1**	**-**	**(2)**	**(2)**	**-**	**-**

Overall, a break-even position, comprising lower revenue of $200k and lower expenditure of $201k.

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 28 February 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Revenue	5,433	4,313	1,120	6,874	9,761	8,579	1,182	9,342
Internal Interest Recovery	9,004	10,186	(1,182)	9,176	14,356	15,278	(922)	14,141
Operating revenue	**14,437**	**14,499**	**(62)**	**16,050**	**24,117**	**23,857**	**260**	**23,483**
Expenditure	7,506	7,755	249	6,947	11,575	11,594	19	10,015
Internal Reserve Costs	646	591	(55)	612	886	886	-	943
Operating expenditure	**8,152**	**8,346**	**194**	**7,559**	**12,461**	**12,480**	**19**	**10,958**
Operating surplus / (deficit)	**6,285**	**6,153**	**132**	**8,491**	**11,656**	**11,377**	**279**	**12,525**
Net capital expenditure	13	-	(13)	2,215	-	-	-	2,328

Overall, a favourable variance of $132k compared with budget.

- Revenue is $1.12 million 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 $1.18 million unfavourable. Capex, in particular in Public Transport, 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, consultants and materials) is $249k 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 $55k unfavourable to budget due to higher reserve opening balance than budgeted.

Capital expenditure is a $13k over budget, with all the cost relating to the occupancy of Shed 39.

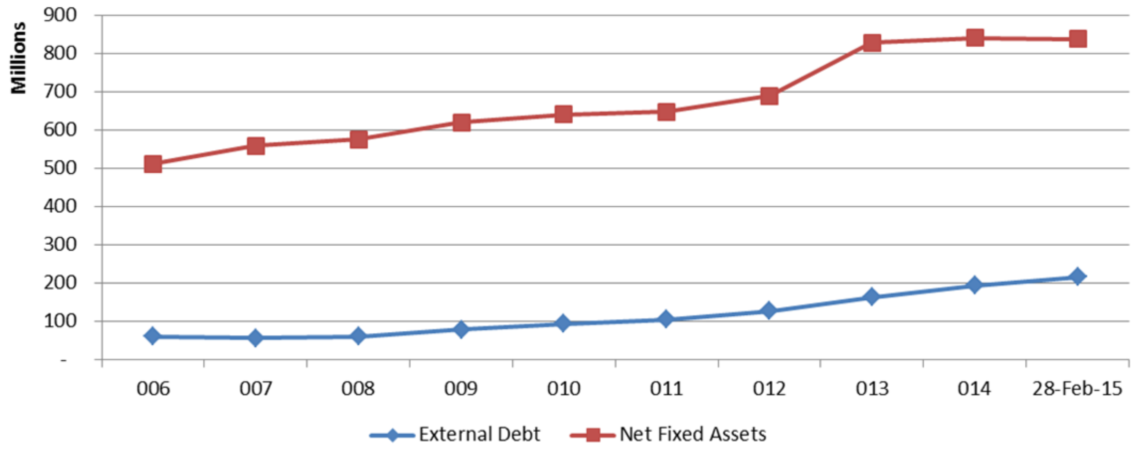
Forecast to 30 June 2015

The forecast operating surplus is forecasted to be $278k above budget.

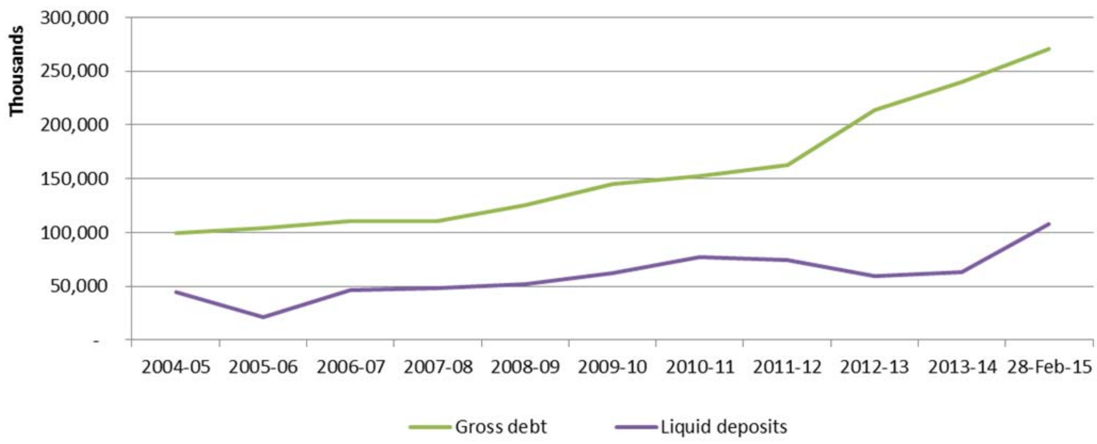
Operating revenue is forecast to be $260k above budget due to higher than budgeted investment revenue, mainly resulting from prefunded debt. We are forecasting to receive higher interest rates than budgeted due to banks continuing to pay higher margins over the 90 day benchmark rate.

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 $31.0 million to $276.6 million, mainly due to debt prefunding. There is $10 million of the proceeds from the sale of Forestry cutting rights invested in a term deposit. On maturity the funds will be used to repay external debt.

4.14 Water Supply

Financial Summary	Period ending 28 February 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Operating revenue	18,447	18,243	204	17,687	27,365	27,365	-	27,154
Operating expenditure	23,428	23,693	265	23,203	35,586	35,586	-	33,252
Operational Surplus / (deficit) before other items	**(4,981)**	**(5,450)**	**469**	**(5,516)**	**(8,221)**	**(8,221)**	**-**	**(6,098)**
Net capital expenditure	2,766	5,496	2,730	3,575	8,125	8,125	-	10,069

Overall a favourable operating variance of $469k compared to budget.

Operating revenue was $204k higher than budget due to:

- Investment revenue is $65k higher than budget and forecasted to be $80k higher than budget at year end. We continue to earn higher than budget interest rates on our Asset Rehabilitation Fund. Other external revenue was $100k above budget and is expected to be $690k better then budget by year end due to us undertaking a cost recovery project for Upper Hutt City. This will not generate a surplus as there are equal costs.

Operating expenditure was $265k lower than budget due to:

- Resource costing recoveries are $321k below and are forecast to be $381k under budget by year end due to less than budgeted staff time being spent on capital projects.
- Materials and supplies spend is $335k under budget due to timing of payments. We are expecting this to be on track by year end particularly as the dry period continues.
- Contractors and consultants is under budget by $414k, but is expected to be on track by year end as integration into Wellington Water beds down.
- Depreciation is $231k under budget and is expected to be under budget by $460k by year end. This is due to the 30 June 2014 year end valuation adjustments made to asset values.

Capital expenditure is $3.7m under budget, much of this is due to timing differences. Water Supply is currently reassessing it capital programme for the remainder of the year, with this being included in future forecasts updates.

4.15 Forecast to 30 June 2015

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 19 September 2014 until 30 June 2015 plus a contribution to the administration costs of Wellington Water Limited.

4.16 Funding Impact Statement

Funding Impact Statement	Period ending 28 February 2015				Year ended 30 June 2015			
$(000)'s	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance	Last Year
Targeted Rates	43,579	43,579	-	41,885	65,368	65,368	-	62,828
General Rate	20,781	20,780	1	18,984	31,170	31,170	-	29,626
Regional Rates	**64,360**	**64,359**	**1**	**60,869**	**96,538**	**96,538**	**-**	**92,454**
Regional Water Supply Levies	17,517	17,517	-	17,090	26,276	26,276	-	25,635
Warm Greater Wellington Rates	1,302	1,828	(526)	1,142	2,057	2,742	(685)	1,713
Grants and Subsidies Revenue	32,238	33,505	(1,267)	32,738	50,416	49,601	815	52,174
Other Operating Revenue	20,573	17,903	2,670	29,857	31,749	28,768	2,981	45,680
Total Operating Revenue	**135,990**	**135,112**	**878**	**141,696**	**207,036**	**203,925**	**3,111**	**217,656**
Operational Costs	78,347	80,372	2,025	78,767	124,246	120,767	(3,479)	124,990
Grants and Subsidies Expenditure	54,323	57,606	3,283	53,802	80,060	83,958	3,898	82,740
Finance Costs	6,812	7,046	234	6,298	10,682	10,760	78	9,424
Total Operating Expenditure	**139,482**	**145,024**	**5,542**	**138,867**	**214,988**	**215,485**	**497**	**217,154**
Operating Surplus / (Deficit) before Transport Improvements	**(3,492)**	**(9,912)**	**6,420**	**2,829**	**(7,952)**	**(11,560)**	**3,608**	**502**
Transport Improvement revenue	12,218	14,588	(2,370)	5,955	22,249	22,517	(268)	11,843
Transport Improvement expenditure	(5,664)	(8,111)	2,447	(4,136)	(13,027)	(13,464)	437	(8,256)
Operating Surplus / (Deficit) fromTransport Improvements	**6,554**	**6,477**	**77**	**1,819**	**9,222**	**9,053**	**169**	**3,587**
Operating Surplus before other movements	**3,062**	**(3,435)**	**6,497**	**4,648**	**1,270**	**(2,507)**	**3,777**	**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)	(488)	(6)	-	(6)	(682)
Revaluation PPE	-	-	-	-	-	-	-	27,600
Warm Greater Wellington	-	(1)	1	-	(2)	(2)	-	-
Total other movements	**(6)**	**(1)**	**(5)**	**(488)**	**151**	**157**	**(6)**	**46,561**
Operating Surplus / (Deficit)	**3,056**	**(3,436)**	**6,492**	**4,160**	**1,421**	**(2,350)**	**3,771**	**50,650**
Add Back Non Cash Items	12,240	12,326	(86)	12,582	18,797	18,479	318	(46,513)
Cash operating surplus/(deficit)	**15,296**	**8,890**	**6,406**	**16,742**	**20,218**	**16,129**	**4,089**	**4,137**
Less:								
Net capital expenditure	11,983	15,510	(3,527)	10,257	26,466	22,703	3,763	23,331
Debt movements	(33,029)	(15,877)	(17,152)	(44,766)	(10,551)	(59,412)	48,861	(29,310)
Investment movements	20,348	8,005	12,343	52,161	1,380	50,602	(49,222)	31,517
Working capital movements	(14,598)	(16,528)	1,930	(34,394)	(37,513)	(30,022)	(7,491)	(29,675)
Net Funding Surplus / (Deficit)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

This statement shows how GWRC's funded, from operating revenue and expenditure, to debt funding of the capital programme.

4.17 Balance Sheet

Balance Sheet $(000)'s	February 2015 Actual	June 2015 Budget	June 2014 Actual
Bank	7	27,695	19,516
Receivables	36,886	18,620	16,052
Accrued Revenue and Prepayments	13,650	14,542	13,055
Inventory	3,180	2,733	3,113
Total Current Assets	53,723	63,590	51,736
Other Investments	115,058	49,028	56,856
Forestry Investments	(408)	-	38,778
Derivative Financial Instruments	(135)	-	2,884
Investment in Subsidiaries	108,000	146,130	96,845
Total Investments	222,515	195,158	195,363
Fixed Asset at cost or valuation	908,518	897,800	901,048
less Accumulated Depreciation	(59,627)	(68,813)	(45,967)
Net Fixed Assets	848,891	828,987	855,081
Capital Works In Progess	16,343	9,500	10,400
Non Current Assets	1,087,749	1,033,645	1,060,844
Total Assets	**1,141,472**	**1,097,235**	**1,112,580**
less:			
Current Liabilities	48,707	23,663	109,736
Non Current Liabilities	224,411	214,000	124,626
Total Liabilities	**273,118**	**237,663**	**234,362**
Net Assets	**868,354**	**859,572**	**878,218**
Total Retained Earnings	377,606	372,806	375,365
Asset Revaluation Reserves	465,560	466,375	476,263
Other Reserves	25,188	20,391	26,590
Total Ratepayer Funds	**868,354**	**859,572**	**878,218**

Fixed Assets excludes the Rail Assets held by Greater Wellington Rail Limited

5. Compliance with Treasury Risk Management Policy

GWRC is fully compliant with its treasury management policy

As at 28 February 2015

Total Council Limit Compliance Analysis		Compliant Yes	No	actual %
Debt Interest Rate Policy Parameters				
Current	50% - 95%	✓		68%
year 1	45% - 95%	✓		62%
year 2	40% - 90%	✓		76%
year 3	35% - 85%	✓		78%
year 4	30% - 80%	✓		71%
year 5	25% - 75%	✓		63%
year 6	15% - 70%	✓		50%
year 7	5% - 65%	✓		47%
year 8	0% - 60%	✓		40%
year 9	0% - 55%	✓		38%
year 10	0% - 50%	✓		33%
year 11	0% - 45%	✓		25%
year 12	0% - 40%	✓		12%
year 13	0% - 35%	✓		8%
year 14	0% - 30%	✓		3%
year 15	0% - 25%	✓		0%
The maturity of total external debt less liquid financial investments to fall within the following timebands				
0 - 3 years	15% - 60%	✓		40%
3 - 5 years	15% - 60%	✓		23%
> 5 years	10% - 60%	✓		37%

		Compliant Yes	No	actual %
Countreparty credit exposure with New Zealand registerd banks which have a credit rating of at least A-, long term, and A2 short term		✓		
Other countreparty exposure within policy limits		✓		
Maximum countreparty exposure with a NZ registered bank is within $80 million limit		✓		
The repricing of liquid financial investments are to occur within the following timebands				
0 -1 year	40% - 100%	✓		100%
1 - 3 years	0% - 60%	✓		0%
3 - 5 years	0% - 40%	✓		0%
5 -10 years	0% - 20%	✓		0%
Core Council External Borrowing Limits - Ratios				
Net interest / Total Revenue < 20%		✓		2.1%
Net Debt / Total Revenue < 250%		✓		56.3%
Net interest / Annual rates and levies < 30%		✓		3.6%
Liquidity > 110%		✓		130%

6. The decision making process and significance

No decision is being sought in this report.

6.1 Engagement

Engagement on this matter is not necessary.

7. 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