



Report 09.463  
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Committee Finance, Audit and Risk Committee  
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## Financial report for the year ended 30 June 2009

### 1. Purpose

- To inform the Committee of Greater Wellington's (GWRC) preliminary financial performance for the year ended 30 June 2009 and to provide an explanation of major variances to budget by Division
- To inform the Committee of the WRC Holdings Group's financial performance for the year ended 30 June 2009 and to provide explanations of variances to budget
- To provide an interim position in terms of achievement against the published performance targets in the Council's 2008/09 Annual Plan.

### 2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

### 3. Background

GWRC prepares monthly financial statements for review. Each quarter a more detailed review of GWRC's financial results is undertaken with each of the Divisions by the Chief Executive and the Chief Financial Officer.

As a result of those reviews, a summary of GWRC's performance for the year ended 30 June 2009 is presented to the Committee.

The detailed reviews by division have been sent to Councillors under separate cover.

The WRC Holdings Group monthly financial statements are prepared and reviewed by management and the Boards of Directors of the individual companies within the Group. Therefore, only summary financial statements are presented for consideration by the Committee.

## **4. The year in review**

In additional to the normal day to day activities of GWRC, there have been a number of notable achievements, which have been noted below.

### **4.1 Environment Management**

#### ***Divisional and Environmental Support/Special Projects***

- Reviewed the RMA charging policy for the third time in three years
- Successfully applied for \$240,000 of funds from the MAF administered Community Irrigation Fund.

#### ***Environmental Policy***

- Regional Policy Statement prepared and released for submissions after extensive collaboration with other councils and feedback as a draft RPS
- Preliminary work commenced on the review of our suite of regional plans
- Prepared and presented council wide submission on the RMA Amendment Bill
- Preparation of submission, and presentation to the Board of Inquiry, on the proposed National Policy Statement for freshwater.

#### ***Environmental Education***

- Established and launched the Emission carbon reduction programme
- A new version of Take Action for Water published and a partnership established with Meridian Energy as a long term sponsor.

#### ***Harbour Management***

- Successfully reviewed the Navigational and Safety bylaws
- Completed tender process and started construction of the Beacon Hill upgrade
- Facilitated the removal of the abandoned vessel Seafire to the Bay Artificial Reef Trust for sinking as a dive site in the Bay of Plenty.

#### ***Environmental Regulation***

- 100% success rate in the highest number and widest variety of enforcement proceedings in recent years
- Continued to process historically high numbers of notified consent application and manage associated hearings and appeal processes.

### *Environmental Monitoring and Investigations*

- Proactively managed another year of high profile toxic algae outbreaks in the summer months
- Successfully retendered for our SOE water sampling programme
- Provided support to the Wairarapa drought committee
- Hosted a visit from the Minister of Agriculture.

## **4.2 Catchment Management**

### *Biosecurity*

- The revised Regional Pest Management Strategy became operative on 12 June 2009 after 2-3 years of review.
- The Bovine Tb vector management team has been successful in ensuring the majority of contracted work for the 2008/09 year was completed. A total of 176,500ha was completed by year end with an additional 4,700ha completed in early July.
- Completion of all Tb vector survey work for 2008/09 (251,000ha).
- The number of Tb infected herds for the Wellington region at the end of June 2009 was five with three of these herds having one clear test. The regional target for 30 June 2009 was nine herds. The new total places the region near the national target of 0.2% period prevalence under the Tb strategy.
- Completed pest control in KNE sites (11,952ha) and 55 TLA Reserves (6,704ha). The programmes were completed 47% over the budgeted cost, but were compensated by a 73% increase in revenue from our TLA funding partners.

### *BioWorks*

- BioWorks completed 91% of the annual work programme by the end of June. The business unit achieved a funding surplus of \$177,600 for the year.

### *Land Management*

- Work began on the Stage 1 development at the Akura Conservation Centre. Upgrade the irrigation system.
- The Wellington Regional Erosion Control Initiative (WRECI) was approved by MAF in October 2008 and by GWRC in June 2009. WRECI will focus on five priority catchments in the Wairarapa and will prepare new Sustainability Plans and implement erosion control work programmes targeting 3,000 hectares of erosion prone land in the first 10 years.

- The Afforestation Grant Scheme has been operative for the last 12 months. In that time a total of \$5.5 million has been allocated to projects from the Regional Council pool. Projects in the Wellington region have accounted for \$1.85 million (33%).
- Approved soil conservation programmes were completed on 133 properties, 19 hectares of conservation woodlots and 3km of shelterbelts. Conservation woodlots covering 82 hectares were funded under the Government's Afforestation Grant Scheme.
- 3.9km of new riparian planting and 6.5km of maintenance planting were carried out as part of the riparian management programme to increase biodiversity.

### ***Flood Protection***

- \$5.37 million was spent on new flood protection defences
- Waiwhetu Stream consents for clean up and flood protection works were approved and a contractor appointed
- Completion of the Strand Park stopbank \$1.0 million under budget
- Maoribank investigations were completed and approval for remedial works obtained
- Completion of Year 2 of the Lower Wairarapa Valley Development Scheme development programme
- Investigation for the Boulcott/Hutt stopbank was advanced following extensive community consultation.

## **4.3 Water Supply, Parks and Forests**

- Initial customer consultation on the new water sources study was completed.
- Investigations into the possibility of obtaining more water from the Kaitoke weir were completed and a decision will be made early in the new financial year as to whether or not to apply for resource consent.
- Supply of water to city reservoirs was 54,230 ML, 1,413 ML (2.5%) less than the previous year 55,643 ML and the lowest annual total since 2000. Relatively high demand during dry spring conditions in 2007/8 and a wet February last summer were significant factors behind the year on year improvement.
- Capital expenditure on Water Supply projects was very close to budget.
- A strategic review of regional parks has started and hearings were held for the Battle Hill Farm Forest Park Plan.

- Survey work to determine the number of visitors to the regional parks and forests now includes the East Harbour Regional Park and with this included, visits to the park were estimated at 967,000 for the year.
- This year's Regional Outdoors Programme was attended by 15,850 people, an increase of 1,750 over the previous year.
- 83,200 tonnes were harvested from the plantation forests during the year.
- The first of the mini-hydro developments planned was nearly completed by the end of the financial year.

#### **4.4 Public Transport**

- Total passenger boardings across all public transport modes in 2008/09 totalled 35.4 million, up 2.14% on 2007/08
- Greater Wellington's new procurement strategy for bus and ferry services was endorsed by the New Zealand Transport Agency (NZTA) in December 2008
- New trolley buses delivered and entered into service
- Improvements introduced to the Total Mobility Scheme
- The order for Matangi EMUs has been increased to 96 cars and several key milestones have been achieved over the last 12 months
- Additional capacity rolling stock entered service
- Earthworks for the Waikanae double tracking project advanced
- Significant work completed on the Johnsonville line and tunnels
- Power and signalling upgrade work has commenced and is well advanced
- Improvements made to Waterloo, Eponi and Naenae stations
- 161 additional park and ride car parks made available
- Sixteen new bus shelters installed and nine existing shelters retro-fitted with perforated steel
- Four CCTV sites upgraded
- Bus service changes implemented in Johnsonville and Newlands and major service reviews advanced in Kapiti, Porirua and Wellington
- Almost 840,000 printed timetables delivered to over 130 outlets
- 8,200 m of trolley bus overhead wire and 120 poles replaced.

### *Financial*

- Funding secured for a number of rail infrastructure upgrade projects
- Clear audit by Land Transport New Zealand
- Total expenditure on operations was \$72.9 million compared to the budget of \$72.6 million
- Capital expenditure and improvements projects amounted to \$25.1 million compared to the budget of \$68.0 million.

## **4.5 Transport Policy & Strategy**

- Published the first Regional Land Transport Programme. The programme was completed to a very high standard, within budget and to time
- Completed three reviews of plans that support the Regional Land Transport Strategy:
  - Ngauranga to Airport Corridor Plan
  - Regional Walking Plan
  - Regional Cycling Plan
- The Annual Monitoring Report on the RLTS published in October 2008
- Comprehensive report on the region's road safety issues prepared
- Schools travel programme continues to be a success:
  - 24 schools throughout the region now enrolled in the programme
  - Over 7,900 primary and secondary students and their parents exposed directly and indirectly involved.
  - Monitoring of schools in the programme shows 17% increase in the number of trips walked to school
- Business travel plan programme also experiencing positive results:
  - 12 organisations involved in the programme
  - About 4% overall decrease in driving to work
- Launch of the regional carpool programme, Let's Carpool
  - In the first 7 weeks of the launch 500 individuals and 24 businesses had registered

- The businesses represent an additional 3,000 employees.

#### **4.6 Wellington Regional Strategy**

- Progressing the genuine progress index (GPI)
- Hosted a GPI forum for regional councils
- Organising a joint presentation on ecological economics (including GPI) to Royal Society group of journalists
- Presenting to NZ Centre for Sustainable Cities seminar & contributing to monograph from seminar
- Facilitating and assisting with the broadband project and in particular responding to changing central government initiatives
- Publishing the Regional Broadband Plan
- Hosting a Wellington Regional Strategy summit
- Progressing the Regional Urban Design project, including leading a workshop on the options for lifting the region's urban design standards
- Progressing the Open Spaces project
- Assisting in the progress of the Industrial Land project with Hutt City Council & Boffas
- Assisting in the development of the report on governance arrangements for the Wellington Regional Labour Market Strategy (WRLMS)
- Engaging with the region's councils in conjunction with Grow Wellington. The WRS Office had made an offer to visit each council and has made 6 presentations during the period
- Hosting a Migrant and Refugee Employment project for the Ministry of Social Development. This is a one year project aimed at getting at least 50 skilled migrants/refugees into self employment or permanent Council positions. The project was fully funded by the Ministry.

#### **4.7 Corporate Strategy & Policy**

##### *Corporate strategy*

- Completed the 10-Year Plan 2009-19, including the 2009/10 annual plan, using a newly developed format. This involved preparing a summary document for all households in the region. A total of 464 submissions were received and draft responses were prepared for each submitter
- Completed a comprehensive report on Progress with Community Outcomes 2009

- Completed the Annual Report 2008 and the “Year in Review” document for each household in the region
- Developed a collaborative approach to climate change response in the region.

### *Secretariat*

- Handled 162 Official Information Act requests and co-ordinating responses to five detailed Ombudsman investigations
- Serviced a total of 91 formal meetings through preparation of order papers, minute taking and procedural advice
- Developed the terms of reference for the revised committee arrangements and put the new committee arrangements in place
- Reviewed Order Paper distribution lists, preparation deadlines and despatch processes to improve service and efficiencies.

### *Emergency Management*

- Ran a major three day exercise – Phoenix V. For the first time we also exercised some aspects of recovery
- Conducted regular training in emergency for emergency management and volunteer staff according to a newly developed structured training programme
- Ran a number of public education initiatives including major awareness raising exercises for Disaster Awareness Week and the “Earth Rocks” event at Te Papa over the Labour Weekend in 2008.

### *Communications*

- Issued 162 press releases
- Implemented the Design and Print Gateway and delivered savings from this across GW
- Delivered a new corporate apparel supply framework and an associated range of core GW apparel
- Selected a new Internet Content Management System (CMS) for Metlink and all of GW’s web sites and largely migrated all content from the old CMS to the new.



### ***Human Resources***

- Arranged training courses (including induction) for a total of 587 attendees
- Changed the structure of the health insurance to provide more flexibility
- Developed TESSA, an employee information portal, which provides employees/managers with access to employees leave balances, salary information. Leave applications are able to be processed online
- Conducted the second Gallup Engagement Survey in November 2008. The project was managed in accordance with its timeframe. The response rate from the organisation was 87%. The Survey provided a good comparison against the 2007 results and the organisation achieved a meaningful increase of 0.17% from 3.69 to 3.86
- Launched Greater Managers, a development programme for managers. This was launched on 15 July and four groups started the programme. There has been extensive work undertaken in developing training materials and working with providers to ensure that the programme delivers to the needs of the organisation
- Conducted an external ACC WSMP audit on the Masterton office and the organisation achieving primary status of the WSMP programme, providing some cost savings
- Implemented a number of change management processes throughout the organisation. All processes have been legally compliant from a substantive and procedural perspective. No personal grievance actions arose.

### **4.8 Finance, IT and Support Services**

- Completion of the 2007/08 Annual Report with an unqualified audit opinion
- Completion of the 2009-19 LTCCP with an unqualified audit opinion
- Significant progress on the Asset Management project due to go live on 10 August for flood protection
- Taking payroll over from HR and reducing the staff numbers that will be involved
- Set the rates for the 2009/10 Annual Plan
- PCs replaced at significantly below the budgeted cost, a saving of \$270,000
- Ozone consents system goes live
- No major issues with the financial systems

- No major issues with the IT systems
- Involvement in the shared services project
- The division achieved a better than budgeted surplus by \$945,000.

#### **4.9 Investment Management**

- Maintained a credit rating of AA- from Standard and Poor's with a stable outlook and obtained a new rating for WRC Holdings at the same level as GWRC
- Continual to borrow and invest at cost effective rates
- A \$50 million bond issue maturing in February 2012 at 6.21% carried out in December 2008 using existing documentation
- Higher dividend of \$1,387,000 from WRC Holdings due to lower interest costs
- Valuation of interest rate swaps at year end, a gain of \$4,000,000 indicating current saving on interest costs over coming years
- Returns on cash investments held at high rates compared to current interest rates
- Insurance costs reduced for the coming year by \$180,000, due to a combination of an excess adjustment, more aggressive marketing of our risk and other cost savings.

### **5. Financial Performance**

#### **5.1 Year to date Operating Performance**

GWRC achieved an operating surplus of \$8,249,000 (budget \$703,000) for the year. This result excludes grants to fund public transport capital expenditure and revaluations. Including these amounts, GWRC's deficit was \$314,000 (budget, a deficit \$11,717,000).

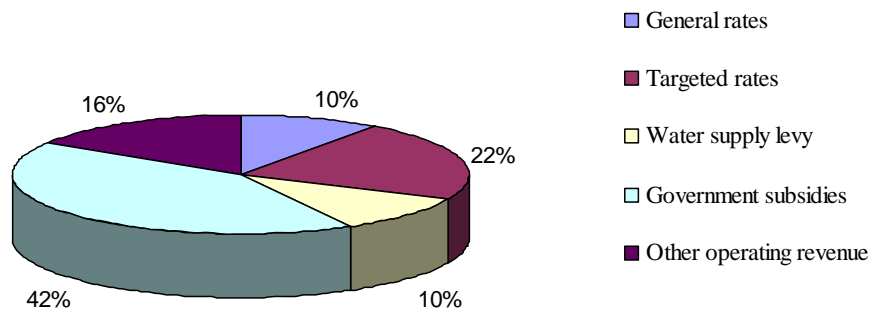
The WRC Holdings Group achieved a net surplus before tax of \$9,196,000 (budget \$8,513,000).

Further details on the performance for the year are discussed below.

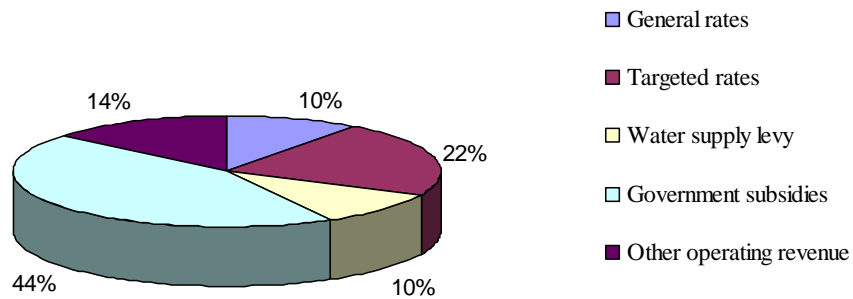
#### **5.2 Operating revenue**

The pie charts show that revenue share was in line with budget, with rates and levies consistent on 42% of total revenue.

Actual operating revenue %s



Budgeted operating revenue %s



## 6. Financial Summary - Council

### Greater Wellington Regional Council Summary income statement For the year ended 30 June 2009

	Full Year			
	Last Year \$000s	Actual \$000s	Budget \$000s	Variance \$000s
Regional rates	70,201	76,628	76,200	428
Water supply levy	23,460	23,460	23,460	(0)
Other operating revenue	76,403	79,618	75,635	3,984
<b>Total operating revenue</b>	<b>170,064</b>	<b>179,706</b>	<b>175,294</b>	<b>4,412</b>
Operational expenditure	165,823	171,457	174,591	(3,134)
<b>Operating surplus/(deficit) before transport improvement grants</b>	<b>4,240</b>	<b>8,249</b>	<b>703</b>	<b>7,546</b>
Operating (deficit) from transport improvements	(9,118)	(16,005)	(17,165)	1,160
<b>Operating surplus/(deficit) before unrealised items</b>	<b>(4,878)</b>	<b>(7,756)</b>	<b>(16,462)</b>	<b>8,706</b>
Unrealised revaluation gains/(losses)	2,335	7,442	4,745	2,697
<b>Operating surplus/(deficit)</b>	<b>(2,542)</b>	<b>(314)</b>	<b>(11,717)</b>	<b>11,403</b>

**Greater Wellington Regional Council**  
**Operating surplus / (deficit) by division**  
**For the year ended 30 June 2009**

	Full Year			Variance \$(000)'s
	Last Year \$(000)'s	Actual \$(000)'s	Budget \$(000)'s	
Environmental management	(208)	(274)	(223)	(51)
Catchment management	3,566	3,179	3,008	171
Forestry	(2,757)	(3,142)	(3,091)	(51)
Regional parks	(208)	(508)	(653)	145
Corporate & strategy	(24)	(54)	(67)	13
WRS	251	(187)	(500)	313
Finance, IT & support services	691	1,244	299	945
Investment in democracy	(75)	153	77	76
<b>Rates funded operating surplus / (deficit)</b>	<b>1,236</b>	<b>411</b>	<b>(1,150)</b>	<b>1,561</b>
Transport policy & strategy	202	544	(74)	618
Public transport	46	2,892	40	2,852
<b>Transport rates funded operating surplus / (deficit)</b>	<b>248</b>	<b>3,436</b>	<b>(34)</b>	<b>3,470</b>
Investment management	9,970	11,601	9,475	2,126
Business unit rates contribution	(8,742)	(8,308)	(8,307)	(1)
<b>Total rates funded operating surplus / (deficit)</b>	<b>2,712</b>	<b>7,140</b>	<b>(16)</b>	<b>7,156</b>
Water group	1,223	(116)	(1,464)	1,348
<b>Total rates &amp; levy funded operating surplus / (deficit)</b>	<b>3,935</b>	<b>7,024</b>	<b>(1,480)</b>	<b>8,504</b>
<b>Non-operational movements</b>				
Revaluation of debt and stadium advance	5,460	7,260	2,103	5,157
Revaluation of forestry	(3,125)	182	2,643	(2,461)
EMU investment - GW Rail	306	1,225	2,183	(958)
Public transport - capex / investment	(9,118)	(16,005)	(17,166)	1,161
<b>Total council surplus / (deficit)</b>	<b>(2,542)</b>	<b>(314)</b>	<b>(11,717)</b>	<b>11,403</b>

## 6.1 Environmental management

**Financial Summary**  
**For the year ended 30 June 2009**

	Full Year			Variance \$000s
	Last Year \$000s	Actual \$000s	Budget \$000s	
Operating revenue	12,124	13,288	12,947	341
Operating expenditure	12,331	13,562	13,170	392
<b>Operating surplus / (deficit)</b>	<b>(208)</b>	<b>(274)</b>	<b>(223)</b>	<b>(51)</b>
<b>Net capital expenditure</b>	<b>487</b>	<b>572</b>	<b>1,557</b>	<b>(985)</b>

Overall an unfavourable operating variance of \$51,000 compared to budget.

- Operating revenue is \$342,000 above budget due to additional revenue of \$199,000 for educational projects and higher internal revenue, \$84,000
- Operating expenditure was \$392,000 above budget due to:
  - Additional costs of \$90,000 were incurred as part of the increased activity in environmental education
  - Personnel costs are \$259,000 ahead of budget, due to staff costs increasing in line with the market
- Capital expenditure was \$985,000 below budget due to:
  - Delays in the Beacon Hill upgrade due to changed design to bring the project within budget, but only \$84,000 was spent prior to year end, and is expected to be completed later this year. \$800,000 of capital expenditure is being rebudgeted to 2009/10
  - Air quality monitoring station upgrade has been deferred to 2009/10, saving \$120,000 in capital expenditure.

## 6.2 Catchment management

Financial Summary	Full Year			
	Last Year	Actual	Budget	Variance
For the year ended 30 June 2009	\$000s	\$000s	\$000s	\$000s
Operating revenue	27,006	25,426	24,065	1,361
Operating expenditure	23,440	22,247	21,058	1,189
<b>Operating surplus / (deficit)</b>	<b>3,566</b>	<b>3,179</b>	<b>3,008</b>	<b>171</b>
<b>Net capital expenditure</b>	<b>6,573</b>	<b>6,086</b>	<b>6,941</b>	<b>(856)</b>

Overall a favourable operating variance of \$171,000 compared to budget.

- Operating revenue was \$1,360,000 higher than budget due to:
  - \$466,000 for the Waiwhetu stream project
  - \$412,000 for the Strand Park stopbank upgrade
  - \$209,000 from the land afforestation grant scheme
- Operating expenditure was \$1,189,000 higher than budget due to:
  - \$300,000 to repair Wairarapa river scheme flood damage
  - \$141,000 additional expenditure for power and pump maintenance on the drainage schemes
  - \$209,000 for the land afforestation programme
  - Higher contractor costs due to work on the Waiwhetu cleanup project, \$510,000

- Capital expenditure was \$856,000 below budget due to:
  - Savings of \$735,000 on the Strand Park stopbank upgrade including a \$412,000 contribution from Hutt City Council
  - Boulcott/Hutt stopbank design, \$373,000 over budget, due to timing of expenditure, overall the project remains within budget
  - \$458,000 under spend on Chrystalls extended stopbank due to delays in finalising the land purchase
  - \$377,000 under spend on South Waitohu as this work has been postponed until 2010/11
  - Mills Street land purchase for the Lower Hutt city centre stopbank upgrade brought forward, \$400,000 additional spend. The project remains within the budget.

### 6.3 Forestry

Financial Summary	Full Year			
	Last Year	Actual	Budget	Variance
For the year ended 30 June 2009	\$000s	\$000s	\$000s	\$000s
Operating revenue	5,351	5,456	6,817	(1,361)
Operating expenditure	6,839	7,492	8,174	(682)
Cost of goods sold	1,268	1,106	1,734	(628)
<b>Operating surplus / (deficit) before valuation</b>	<b>(2,757)</b>	<b>(3,142)</b>	<b>(3,091)</b>	<b>(51)</b>
Forestry valuation	(3,125)	182	2,643	(2,461)
<b>Operating surplus / (deficit)</b>	<b>(5,882)</b>	<b>(2,960)</b>	<b>(448)</b>	<b>(2,512)</b>
<b>Net capital expenditure</b>	<b>278</b>	<b>363</b>	<b>364</b>	<b>(1)</b>

Overall an unfavourable operating variance of \$51,000 before forestry valuation compared to budget.

- Operating revenue was \$1,361,000 lower than budget due to:
  - Volumes harvested for the year were below budget by 10,384 tonnes due to poor weather earlier in the year
  - The world economic situation has also resulted in very large swings in prices being achieved on a month by month basis, overall prices were below budget.
- Operating expenditure was \$682,000 lower than budget due to:
  - The lower harvest
  - Lower road maintenance was required
  - The reduced harvesting has reduced the non cash forestry cost of goods sold adjustment by \$628,000.

- The forestry valuation showed a slight gain of \$182,000 compared with a budgeted increase of \$2,643,000. This is primarily due to log prices and freight costs as at 30<sup>th</sup> June 2009, being below expectations.

#### 6.4 Parks & forests

Financial Summary For the year ended 30 June 2009	Full Year			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
Operating revenue	6,407	6,547	6,466	81
Operating expenditure	6,615	7,055	7,119	(64)
<b>Operating surplus / (deficit)</b>	<b>(208)</b>	<b>(508)</b>	<b>(653)</b>	<b>145</b>
<b>Net capital expenditure</b>	<b>296</b>	<b>323</b>	<b>469</b>	<b>(146)</b>

Overall a favourable operating variance of \$145,000 compared to budget

- Operating revenue was \$81,000 ahead of budget primarily through increased camping fees; facilities hire and concession activities
- Operating expenditure was \$63,000 lower than budget primarily due to expenditure at Whitireia park not yet going ahead
- Capital expenditure was \$146,000 below budget, being the Whitireia Rangers office which was put on hold and the delayed replacement of two vehicles.

#### 6.5 Corporate & strategy

Financial Summary For the year ended 30 June 2009	Full Year			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
Operating revenue	2,212	2,217	2,132	85
Operating expenditure	2,236	2,271	2,199	72
<b>Operating surplus / (deficit)</b>	<b>(25)</b>	<b>(54)</b>	<b>(67)</b>	<b>13</b>
<b>Net capital expenditure</b>	<b>36</b>	<b>53</b>	<b>24</b>	<b>29</b>

Overall a favourable operating variance of \$13,000, compared to budget due to:

- Operating revenue was \$84,000 ahead of budget including additional revenue from the Honda tree fund of \$53,000
- Operating expenditure was \$72,000 more than budget mainly due to increased costs for LTCCP and community outcomes documents

- Capital expenditure was \$29,000 above budget due to a vehicle replacement delayed from 2007/08.

## 6.6 Wellington regional strategy

Financial Summary	Full Year			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
<b>For the year ended 30 June 2009</b>				
Operating revenue	4,278	4,404	4,464	(60)
Operating expenditure	4,028	4,591	4,964	(373)
<b>Operating surplus / (deficit)</b>	<b>251</b>	<b>(187)</b>	<b>(500)</b>	<b>313</b>

Overall a favourable operating variance of \$313,000, due mainly to the timing of payments to Grow Wellington, which were under budget in 2007/08.

## 6.7 Finance, IT and Support

Financial Summary	Full Year			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
<b>For the year ended 30 June 2009</b>				
Operating revenue	7,353	8,226	7,434	792
Operating expenditure	6,662	6,982	7,135	(153)
<b>Operating surplus / (deficit)</b>	<b>691</b>	<b>1,244</b>	<b>299</b>	<b>945</b>
<b>Net capital expenditure</b>	<b>546</b>	<b>2,215</b>	<b>2,788</b>	<b>(573)</b>

Overall a favourable operating variance of \$945,000 compared to budget.

- Operating revenue was \$791,000 ahead of budget due to:
  - Additional rates from new properties \$426,000
  - Additional rates penalties of \$286,000
- Operating expenditure was \$153,000 lower than budget due to:
  - Staff vacancies throughout the year \$162,000
  - \$170,000 lower depreciation due to reduced PC renewal costs and the delayed start to the asset management project
  - Contractors and consultants were \$400,000 ahead of budget due to the revamp of the external website, doubling of the LTCCP audit fee, and license fees for the Ozone project
  - Finance costs were \$84,000 below budget as a result of the lower capital expenditure.
- Capital expenditure was \$573,000 below budget including:
  - \$270,000 saving on the PC upgrade



- \$ 300,000 due to the delayed start to the asset management system implementation.

## 6.8 Transport policy and strategy

Financial Summary	Full Year			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
For the year ended 30 June 2009				
Operating revenue	2,809	4,242	3,493	749
Operating expenditure	2,607	3,698	3,567	131
<b>Operating surplus / (deficit)</b>	202	544	(74)	618
Net capital expenditure	24	-	-	-

Overall a favourable operating variance of \$618,000 compared to budget, due to an increase in the financial assistance rates from NZTA and lower operating costs (excluding internal charges).

## 6.9 Public transport

Financial Summary	Full Year			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
For the year ended 30 June 2009				
Operating revenue	72,945	82,350	79,786	2,564
Operating expenditure	72,899	79,458	79,745	(287)
<b>Operating surplus / (deficit)</b>	46	2,892	41	2,851
Net capital expenditure	6	14	121	(107)

Overall a favourable operating variance of \$2,851,000 compared to budget.

- Operating revenue was \$2,564,000 ahead of budget due to:
  - Unbudgeted SuperGold Card grants from NZTA of \$3,259,000
  - Reduced NZTA grants revenue of \$998,000 due to the overall lower operational expenditure (excluding SuperGold Card) as detailed below
- Operating expenditure was \$286,000 lower than budget due to:
  - Unbudgeted SuperGold Card grant expenditure of \$3,259,000
  - Increased costs in the rail contract of \$955,000 due to higher Ontrack renewal charges and Tranz metro operating costs partly offset by increased fare revenue from increased patronage

- The higher exchange rate and a lower oil prices have resulted in decreased payments to the diesel bus operators of \$3,592,000
- Total mobility expenditure is lower by \$295,000, due to lower than anticipated use of the scheme \$157,000 and lower hoist expenditure \$71,000
- Capital expenditure was \$107,000 below budget mainly due to Metlink website costs being expensed.

## 6.10 Public transport improvement projects

Financial Summary	Full Year			
	Last Year	Actual	Budget	Variance
For the year ended 30 June 2009	\$000s	\$000s	\$000s	\$000s
Operating revenue	15,006	54,985	66,589	(11,604)
Operating expenditure	24,124	70,990	83,754	(12,764)
<b>Operating surplus / (deficit)</b>	<b>(9,118)</b>	<b>(16,005)</b>	<b>(17,166)</b>	<b>1,161</b>
<b>Net capital expenditure</b>	<b>1,007</b>	<b>603</b>	<b>2,059</b>	<b>(1,456)</b>

Overall a favourable operating variance of \$1,161,000 compared to budget.

- Operating revenue was \$11,604,000 below budget, due to the lower expenditure listed below.
- Operating expenditure was \$12,764,000 lower than budget due to:
  - Expenditure on the Matangi EMU project is \$9,249,000 below budget due to the initial delays in the project. The project remains on budget with the new trains still scheduled to be delivered from 2010
  - Rail infrastructure projects including station platforms, signalling, Johnsonville stations and McKay's to Waikanae double tracking, are under budget by \$1,349,000, the difference is mainly a timing difference on the Waikanae double tracking and electrification project
  - Rail rolling stock heavy maintenance programme is now \$312,000 over budget, as work has been completed ahead of schedule
  - Additional capacity rolling stock is now in service with final savings of \$913,000 being achieved
  - The Ganz Mavag pilot refurbishment is \$1,199,000 below budget. This project has been deferred to 2009/10
- Capital expenditure was \$1,456,000 below budget due to:
  - \$900,000 not spent due to a change in scope for the Johnsonville bus/rail interchange has meant this project did not progress and will be deferred to a later project
  - The real time information project is progressing through the tender review phase at year end. \$626,000 has been deferred to 2009/10.

## 6.11 Investment management

Financial Summary	Full Year			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
<b>For the year ended 30 June 2009</b>				
Operating revenue	6,476	7,871	6,113	1,758
Grants for EMU purchase	306	1,225	2,183	(958)
External debt revaluation gains	5,460	2,659	(61)	2,720
Operating expenditure	(3,493)	(3,731)	(3,363)	(368)
<b>Operating surplus / (deficit)</b>	<b>15,736</b>	<b>15,486</b>	<b>11,598</b>	<b>3,888</b>
<b>Net capital expenditure</b>	<b>39</b>	<b>(68)</b>	<b>400</b>	<b>(468)</b>

Overall a favourable operating variance of \$3,888,000 including revaluation gains of \$2,720,000, compared to budget.

- Operating revenue was \$1,758,000 ahead of budget mainly due to a higher dividend from WRC Holdings, resulting from a lower interest rate than budgeted
- GWRC's share of the new Matangi units is funded by way of grants to Greater Wellington Rail Limited. The unfavourable variance is due to the delayed timing of payments for the trains
- Revaluation gains of \$2,659,000 comprise an increase in fair value of GWRC's investment bonds and swaps, offset by a reduction in our foreign exchange contracts
- Net operating expenditure was \$368,000 lower than budget, due to decreased level of borrowings as a result of lower capital expenditure and a lower starting debt position and lower interest rates
- Capital expenditure was \$468,000 below budget due to the Masterton building project being delayed.

## 6.12 Water

Financial Summary	Full Year			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
<b>For the year ended 30 June 2009</b>				
Operating revenue	27,218	28,079	27,325	754
Operating expenditure	25,995	28,195	28,788	(594)
<b>Operating surplus / (deficit)</b>	<b>1,223</b>	<b>(116)</b>	<b>(1,464)</b>	<b>1,348</b>
<b>Net capital expenditure</b>	<b>3,843</b>	<b>5,067</b>	<b>5,183</b>	<b>(116)</b>

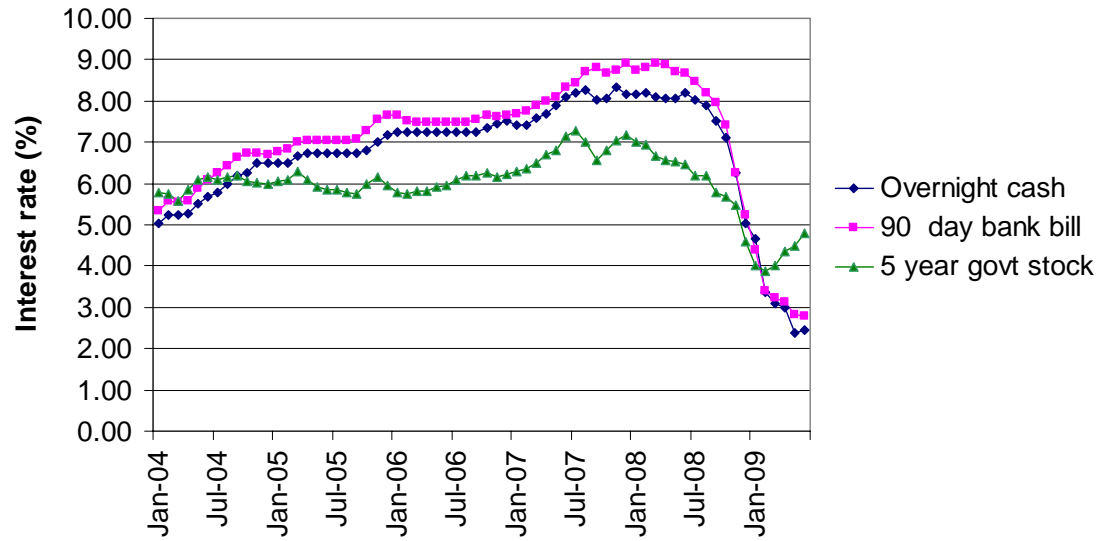
Overall a favourable operating variance of \$1,348,000 compared to budget.

- Operating revenue was \$754,000 ahead of budget due to:
  - Additional revenue of \$284,000 from the New Zealand Transport Agency for the use of the Ngauranga to Petone pipeline
  - Additional revenue also received from Citylink for use of a communication duct from Thorndon to Petone
  - Porirua City Council gifted the new branch main at the Brady Reservoir to Greater Wellington, at a transfer value of \$370,000
  
- Operating expenditure was \$594,000 lower than budget due to:
  - Personnel costs are \$250,000 below budget, due to staff vacancies and staff time being charged to the asset management project
  - Materials and supplies are \$130,000 below budget; with a lower spend on power, rates, and chemicals, which have been offset slightly by increased insurance premiums. Chemical costs have been contained, despite a marked increase in price over the previous year, due to improvements in our water treatment processes and a reduction to the amount of water treated. The insurance policy has been revised to cover previously uninsured assets to a maximum earthquake damage estimate
  - Contractors and consultants are \$110,000 below budget, resulting from a reduced call on external engineering support
  - Finance costs are \$297,000 below budget, as the opening debt position was lower than budgeted
  
- Capital expenditure was \$116,000 below budget.

## **7. Finance costs**

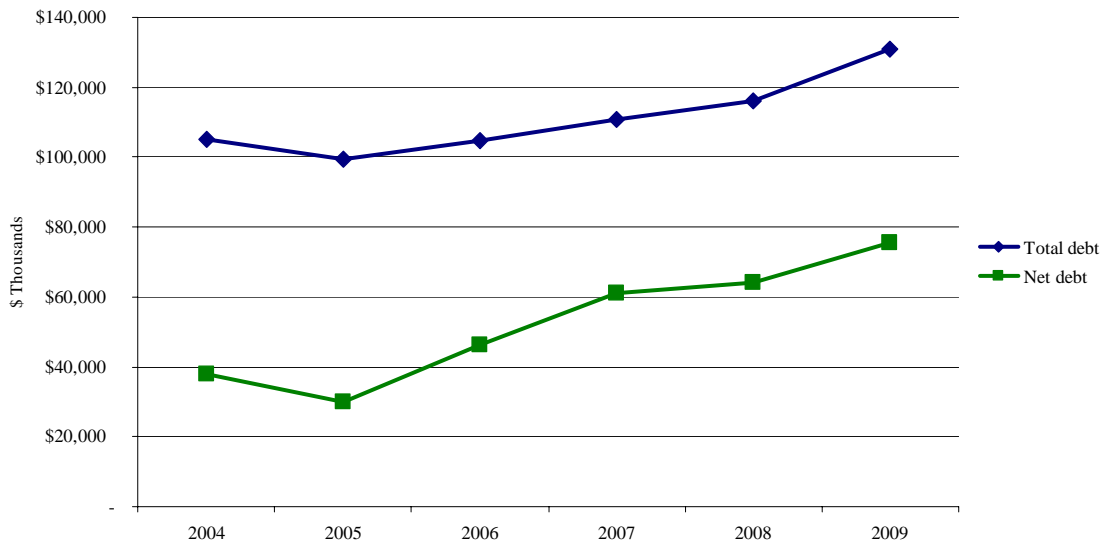
Finance costs for the year ended 30 June were \$4,907,000, compared to the budget of \$5,928,000, a favourable variance of \$1,021,000. The favourable variance is due to lower borrowings and interest rates. The reduced borrowings are a result of lower capital expenditure during the year and the actual opening debt being below budget.

## Key interest rates over 5 years



## 8. Debt

5 year total and net debt (including WRC Holdings)



The above graph represents GWRC's and WRC Holdings' gross debt position before revaluations.

GWRC's debt, including WRC Holdings, was \$137.2 million at 30 June 2009, compared with \$117.8 million on 30 June 2008. The \$19.4 million increase comprised \$11.3 million of interest free Government loans with the balance of \$8.1 million from increased loans to fund working capital, capital expenditure and repayment of forestry loans.

The \$137.2 million excludes the \$12.2 million written down in respect of the Government loans. The write down is due to the interest free nature of the loans. With the write down included, GWRC's debt, including WRC Holdings, as at 30 June 2009 was \$125.0 million. This debt excludes CentrePort debt.

It should be noted that GWRC has a total of \$50.4 million on deposit which is comprised of \$33 million in liquid financial deposits. The remainder consists of the self insurance funds for water supply and flood protection.

### **8.1 Stadium debt**

In June 2007 the Council approved the restructuring of the Stadium debt of \$18,985,000, which had been borrowed from the ANZ at a fixed interest rate of 8.55% until 2018.

The Stadium debt was repaid to the ANZ in late June 2007, including a break cost of \$419,000, and was initially refinanced using GWRC's commercial paper programme.

The debt is currently funded at 6.21% for 3 years until February 2012.

From February 2012 until early 2018 an interest rate swap is in place, should it be required, to fix the base borrowing rate at 5.75% plus the lenders margin. It is likely substantial savings will result from this debt restructure.

Current estimates are in the order of \$1.5 million. The current balance of this loan at 30 June 2009 is \$16,646,177.

## **9. Annual plan performance targets**

Divisional managers have reported their expectation that all significant annual plan performance targets will be achieved by 30 June 2009.

## **10. Compliance with Treasury Management Policy**

As at 30 June 2009, all Treasury Management Policy limits have been complied with, apart from internal borrowing limits for Forestry and Parks. (Refer **Attachment 3**)

## 11. WRC Holdings

The following table summarises WRC Holdings group of companies (the Group) operating results for the period ended 30 June 2009.

**WRC HOLDINGS GROUP**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Last Year \$000	Actual \$000	Budget \$000	Variance \$000
<b>Total Revenue</b>	56,550	59,534	63,210	(3,676)
<b>Operating Expenses</b>	39,333	41,187	44,313	3,126
<b>Earnings Before Interest &amp; Tax ( EBIT )</b>	<b>17,217</b>	<b>18,347</b>	<b>18,897</b>	<b>(550)</b>
<b>Less:</b>				
Finance costs	8,951	8,471	10,735	2,264
Revaluation (loss)	(830)	(681)		(681)
<b>Net Surplus Before (Deficit) Tax</b>	<b>7,436</b>	<b>9,196</b>	<b>8,162</b>	<b>1,034</b>

The Group achieved a surplus before tax for the period of \$9,196,000 compared with the budget of \$8,162,000, providing a favourable position to budget of \$1,034,000.

CentrePort's revenue is down on budget due to reduced volume throughput for the port. While there is a part saving in operating costs, the CentrePort's earnings before interest and tax are down on budget by \$646,000.

However, CentrePort's finance costs are down on budget due to lower interest rates giving them an overall favourable variance on net surplus before tax of \$315,000.

Port Investments is contributing \$1,303,000 favourably to interest expense due to lower funding costs on the \$44,000,000 debt, offset by net revaluation loss as detailed below.

The revaluation loss comprises:

	\$ 000
Pringle House devaluation	(1,800)
Revaluation gains interest rate swaps	1,119
	<u>681</u>

## **12. Compliance with Treasury Management Policy**

As at 30 June 2009, all Treasury Management Policy limits have been complied with, apart from internal borrowing limits for Forestry and Parks. (Refer **Attachment 1**)

## **13. Communication**

No communications are necessary at this time.

## **14. Recommendations**

*That the Committee:*

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

Report prepared by:

Report approved by:

**Chris Gray**  
Finance Manager

**Barry Turfrey**  
Chief Financial Officer

**Attachment 1:** Funding Impact Statement

**Attachment 2:** Balance Sheet

**Attachment 3:** Compliance with Treasury Management Policy