# Cross Council Overview | Financial Summary – Full Year Forecast to 30 June 2017

*As at 31 August 2016*

Favourable

Unfavourable

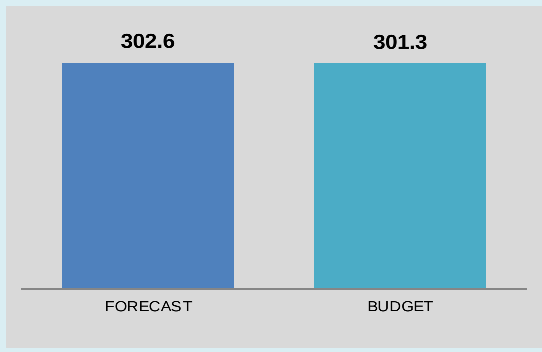
**OPERATING EXPENDITURE**

## $311.7m

$1.5m Unfavourable

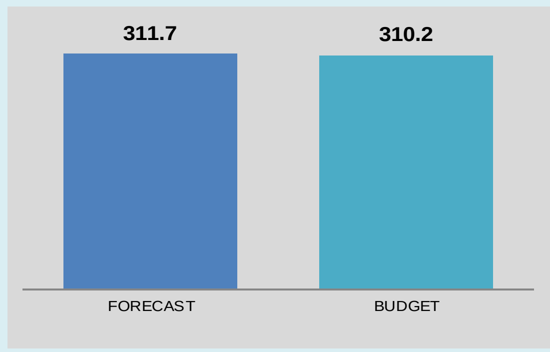
**OPERATING REVENUE ($m)**
*(excluding capital grants)*

Trend Forecast




**OPERATING EXPENDITURE ($m)**

Trend Forecast



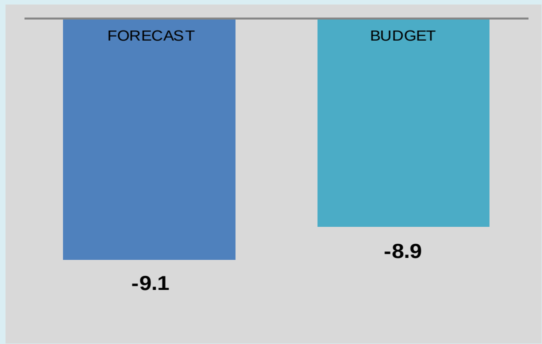

**CAPITAL EXPENDITURE - NET**

## $66.2m

$2.9m Favourable

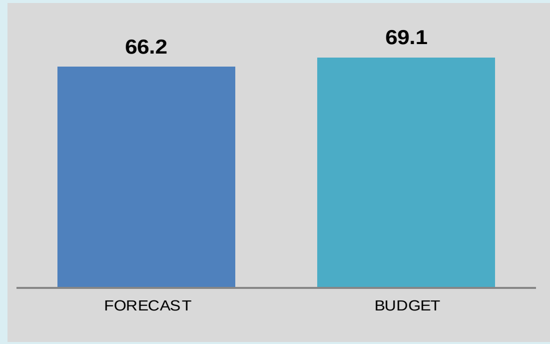
**OPERATING SURPLUS/(DEFICIT)**
*(excluding capital grants)*

Trend Forecast



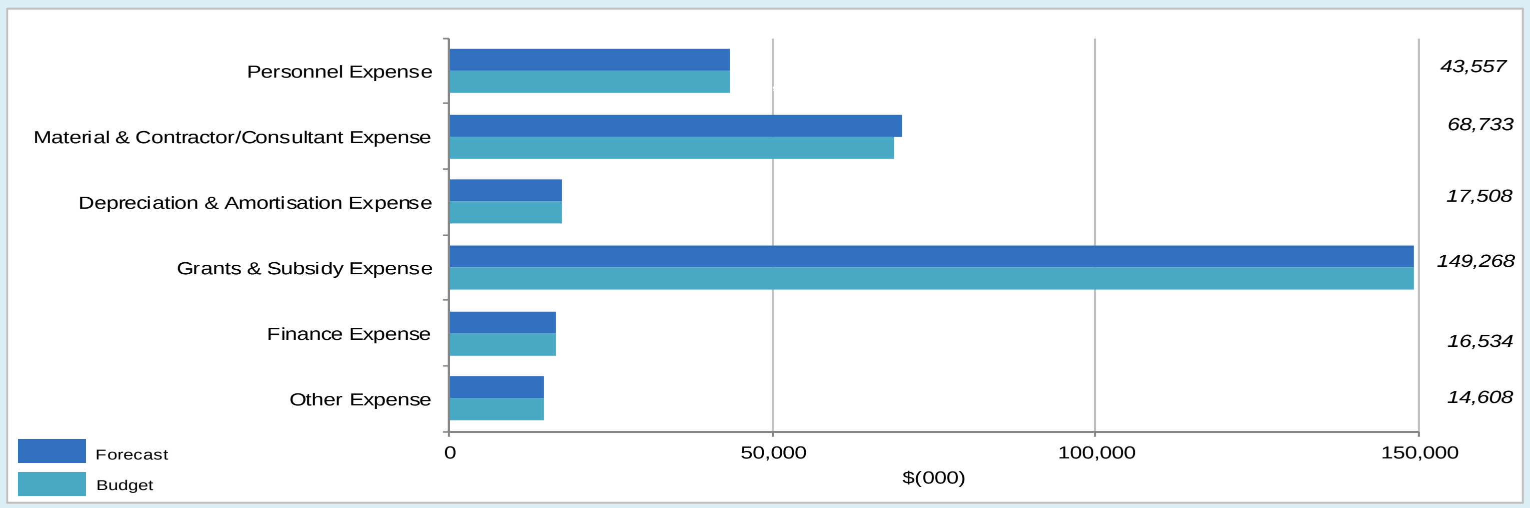

**CAPITAL EXPENDITURE - NET ($m)**

Trend Forecast




**OPERATING EXPENDITURE - Full Year by Category $(000)**

*Total Budget*




## Key Highlights

- ***Operating Revenue: $1.4m Favourable***

  **Other revenue** is forecast to be $1.2m favourable to budget, reflecting additional consenting revenue expected from RONS (Roads of National Significance) and large notified consents.

  **Finance revenue** is forecast to be $0.2m favourable to budget, reflecting the prefunding of debt and additional interest earned from investing.

- ***Operating Expenditure $1.5m Unfavourable***

  **Materials and Contractor costs** are forecast to be $1.3m unfavourable to budget largely due to:
  - Environment is $0.3m unfavourable to budget due to additional consultancy costs ($1.0m) incurred to support consenting activity for RONS and large notified consents. Partially offset by savings from Natural Resource Plan hearings $0.6m which will now occur in 17/18.
  - Corporate Services is $0.3m unfavourable to budget due to additional rates collection and valuations costs from local TA's.
  - Public Transport is $0.4m unfavourable to budget reflecting prior year operator adjustment.
  - Water Supply is $0.5m unfavourable due to lower than planned labour expected to be capitalised in 16/17. Two key factors have leaded to this lower level of labour capitalisation:
    1) With the cross harbour pipeline being re-assessed from CAPEX to OPEX approximately $0.2m of labour effort will not be capitalised to this project.
    2) GW allocated capex project design and management allocation methodology has changed resulting in $0.3m less labour being capitalised for the year.
  - Catchment is $0.4m favourable to budget due to delays in planned work for wetland restoration $0.3m (now expected to occur in 17/18) and lower isolated flood protection works for the Wairarapa.

  **Other expenses** are forecast to be $0.2m unfavourable to budget, reflecting the loss on sale incurred for Water Supply on 44 Oxford Terrace, Lower Hutt.

- ***Capital Expenditure $2.9m Favourable***

  **Public Transport** is forecast to be $1.7m favourable to budget largely reflecting later than planned use of the Matangi 1 Upgrade contingency fund ($2.2m) which is now planned to occur in 17/18. Partially offsetting this is $0.5m to support the development of Waikanae Park n Ride site.

  **Regional Parks** is forecast to be $0.7m favourable to budget reflecting delays with the commencement of Baring Head Bridge replacement now expected to occur in 17/18.

  **Water Supply** is forecast to be $0.5m favourable to budget as lower than planned labour will be allocated to capex projects as noted above. Additional unbudgeted work on the Eastern Hutt Rd Trunk Main Relocation $0.2m, which will be offset by a forecast reduction in reactive capital works.

# Cross Council Overview | Financial Summary – Year to Date 31 August 2016

Favourable

Unfavourable

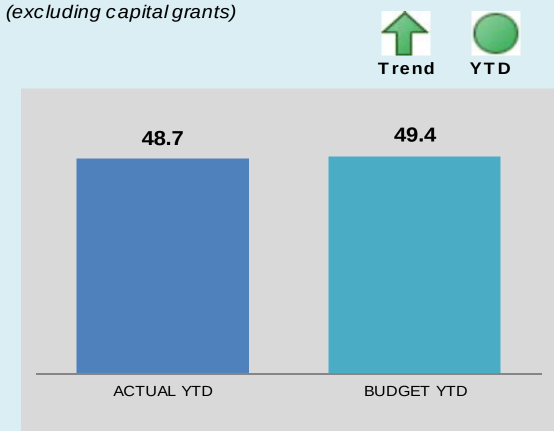
**OPERATING EXPENDITURE**

## $48.5m

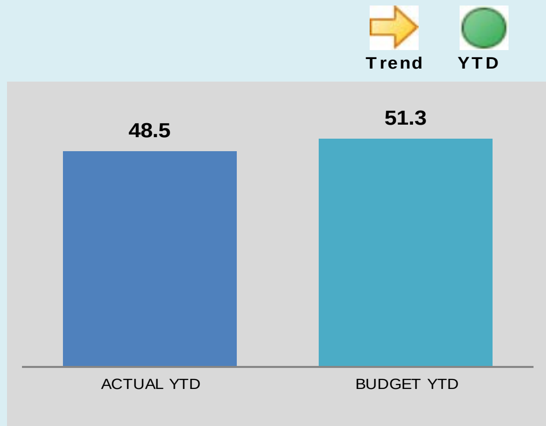
$2.8m Favourable YTD

**OPERATING REVENUE ($m)**

*(excluding capital grants)*




**OPERATING EXPENDITURE ($m)**



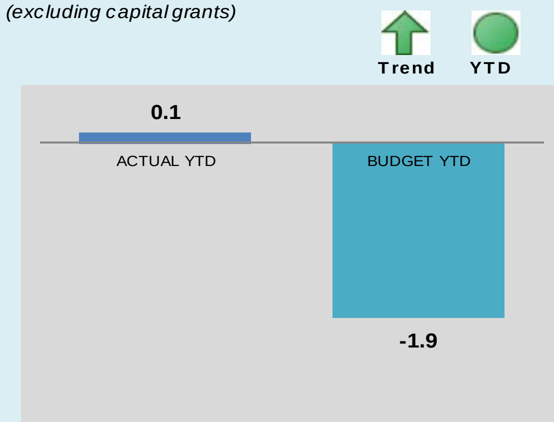

**CAPITAL EXPENDITURE - NET**

## $10.9m

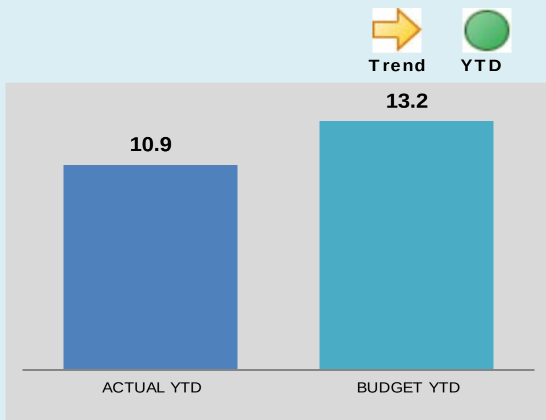
$2.3m Favourable YTD

**OPERATING SURPLUS /(DEFICIT)**

*(excluding capital grants)*

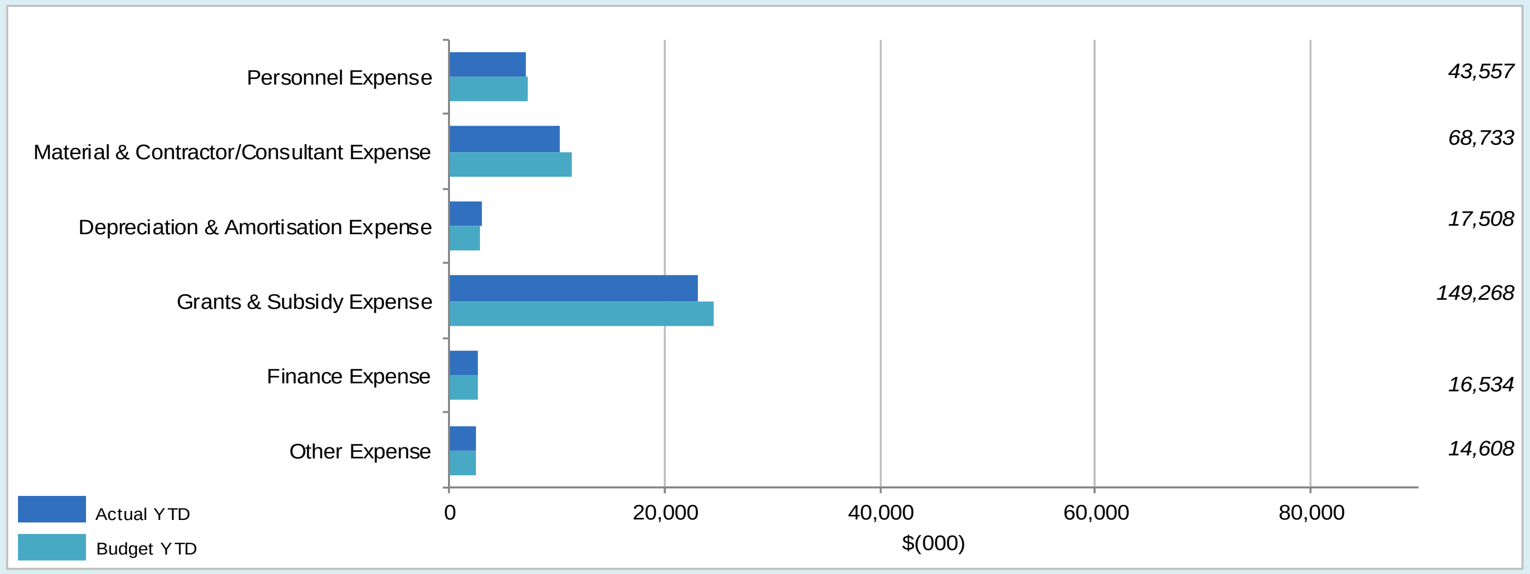



**CAPITAL EXPENDITURE - NET ($m)**




**OPERATING EXPENDITURE - YTD by Category $(000)**

***Total Budget***




## Key Highlights

- ***Operating Revenue: $0.9m Unfavourable***

  **Finance revenue** is $0.2m favourable to budget, this largely reflects the prefunding of debt and additional interest earned from investing.

  **Other revenue** is $0.2m favourable to budget, largely due to greater than planned rail fare revenue which is $0.3m favourable to budget.

  **Grants and subsidy revenue** is $1.2m unfavourable to budget as a consequential result of lower incurred costs/higher fare revenue which NZTA subsidies are based on.

- ***Operating Expenditure $2.8M Favourable***

  **Materials and Contractors expenditure** is $1.2m favourable to budget primarily due to:
  - Public Transport expenditure is $0.9m below budget primarily due to timing of PT Transformation programme and Fares & Ticketing programme expenditure.
  - Environment expenditure is $0.2m below budget reflecting minor delays in planned programmes at this stage in the year.
  - Catchment is $0.5m below budget largely reflecting lower land management activity $0.3m, and slower than planned delivery of flood protection maintenance and biodiversity programmes.

  Partially offsetting this are higher Water Supply contractor costs $0.3m which is offset by savings in G&S expenditure. Corporate Services is $0.4m higher than budget largely reflecting timing of expenditure compared to budget.

  **Grants and Subsidy expense** is $1.6m favourable to budget primarily due to lower diesel bus inflation ($0.2m), lower bus operator costs ($0.3m) due to savings from new planned services not commencing, and lower rail costs $0.7m. Water Supply is $0.3m favourable as expenditure was incurred as material and contractors instead

  **Personnel costs** are $0.1m favourable to budget, reflecting personnel cost savings for Corporate Services, People & Customer and Catchment.

  **Depreciation and amortisation** is $0.1m unfavourable to budget, largely due to higher than planned depreciation for Water and Strategy as a consequence of increased asset capitalisations late last year.

- ***Capital Expenditure $2.3m Favourable***

  **Public Transport** is $1.6m favourable to budget, largely reflecting the timing of some Matangi 2 expenditure ($1.0m) and improvement expenditure.

  **Catchment** is $0.3m favourable to budget due to timing of Riverlink property purchases.

  **Corporate Services** is $0.4m favourable to budget, reflecting later than planned expenditure on ERP upgrade and core IT expenditure.

# **Cross Council Overview** | Financial Summary by Group

Favourable
Unfavourable

## Statement of Revenue and Expense

| | YEAR TO DATE | | | | FULL YEAR | | | |
|---|---|---|---|---|---|---|---|---|
| **$000** | **Actual YTD** | **Budget YTD** | **Variance** | **%** | **Forecast** | **Total Budget** | **Variance** | **%** |
| **OPERATING REVENUE** | | | | | | | | |
| Rates | 19,217 | 19,173 | 44 | 0% | 115,040 | 115,040 | 0 | 0% |
| Subsidies & Grants | 10,294 | 11,486 | 1,192 | 10% | 69,883 | 69,944 | 61 | 0% |
| Other Revenue | 18,448 | 18,297 | 151 | 1% | 110,931 | 109,737 | 1,194 | 1% |
| Finance Revenue | 698 | 453 | 245 | 54% | 6,772 | 6,542 | 230 | 4% |
| **REVENUE** | **48,656** | **49,409** | **753** | **2%** | **302,626** | **301,263** | **1,363** | **0%** |
| **OPERATING EXPENDITURE** | | | | | | | | |
| Personnel Expense | 7,144 | 7,269 | 125 | 2% | 43,575 | 43,557 | 18 | 0% |
| Material & Contractor/Consultant Expense | 10,243 | 11,478 | 1,235 | 11% | 70,071 | 68,733 | 1,338 | 2% |
| Depreciation & Amortisation Expense | 3,038 | 2,918 | 120 | 4% | 17,508 | 17,508 | 0 | 0% |
| Grants & Subsidy Expense | 23,042 | 24,557 | 1,515 | 6% | 149,237 | 149,268 | 31 | 0% |
| Finance Expense | 2,604 | 2,586 | 18 | 1% | 16,534 | 16,534 | 0 | 0% |
| Other Expense | 2,477 | 2,533 | 56 | 2% | 14,813 | 14,608 | 205 | 1% |
| **TOTAL EXPENDITURE** | **48,549** | **51,341** | **2,792** | **5%** | **311,737** | **310,206** | **1,531** | **0%** |
| **OPERATING SURPLUS/(DEFICIT)** | **108** | **(1,932)** | **2,040** | **106%** | **(9,111)** | **(8,943)** | **168** | **2%** |
| **Subsidies & Grants - Capex** | **1,333** | **1,910** | **577** | **-30%** | **15,737** | **15,461** | **276** | **2%** |
| **SURPLUS/(DEFICIT)** | **1,441** | **(23)** | **1,463** | **6480%** | **6,626** | **6,518** | **108** | **2%** |

## Statement of Revenue and Expense by Business Group -Year to Date

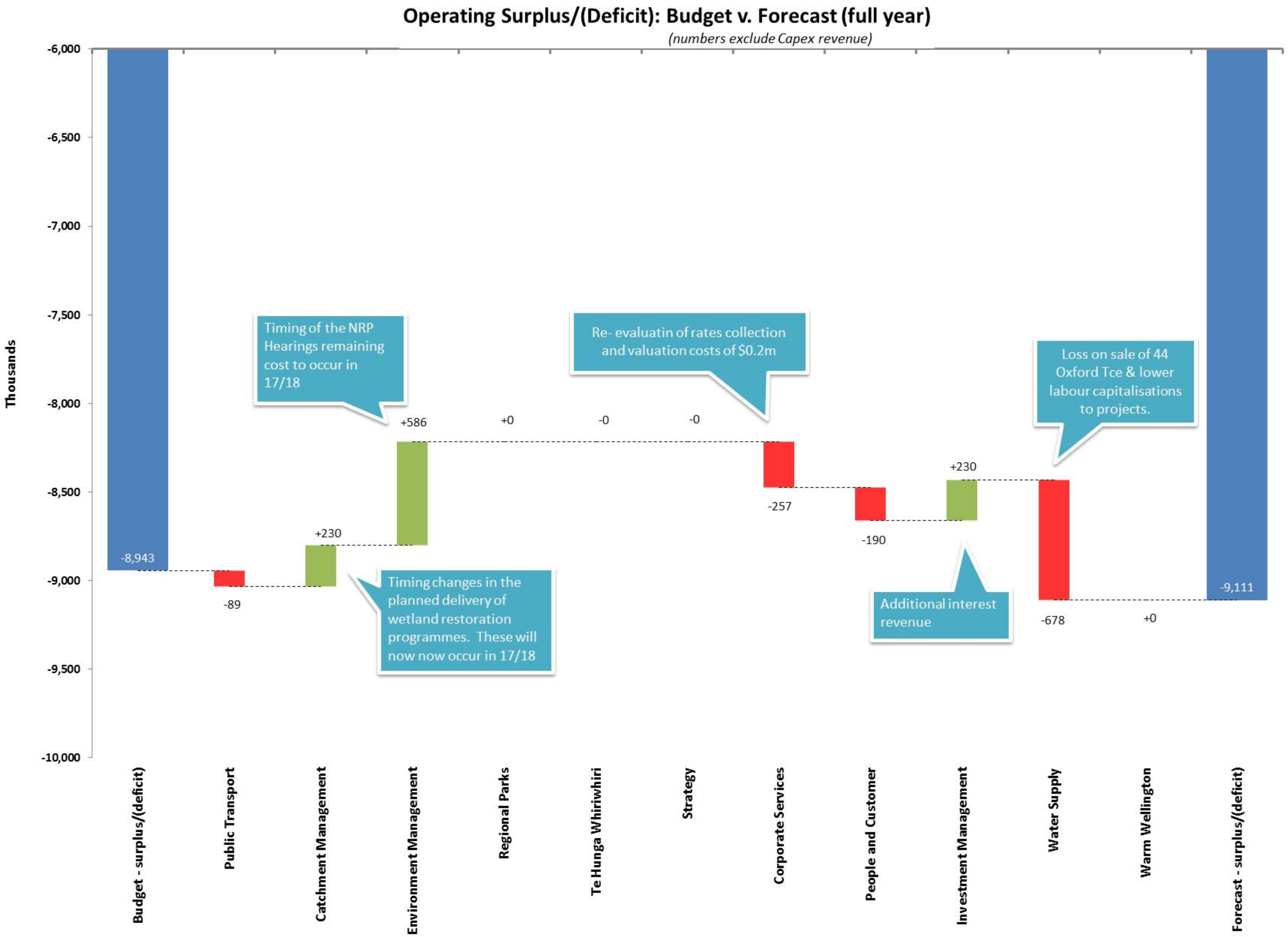
| | YEAR TO DATE Operational Revenue | | | | YEAR TO DATE Operational Expenditure | | | | YEAR TO DATE Operational Surplus / (Deficit) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **$000** | **Actual YTD** | **Budget YTD** | **Variance** | **%** | **Actual YTD** | **Budget YTD** | **Variance** | **%** | **Actual YTD** | **Budget YTD** | **Variance** | **%** |
| **Group** | | | | | | | | | | | | |
| Public Transport | 28,583 | 29,370 | 787 | 3% | 27,388 | 29,656 | 2,269 | 8% | 1,195 | (287) | 1,482 | 517% |
| Catchment Management | 5,924 | 6,095 | 171 | 3% | 4,175 | 4,983 | 808 | 16% | 1,750 | 1,113 | 637 | 57% |
| Environment Management | 3,377 | 3,492 | 115 | 3% | 3,029 | 3,203 | 174 | 5% | 348 | 289 | 58 | 20% |
| Regional Parks | 1,435 | 1,370 | 65 | 5% | 1,131 | 1,240 | 110 | 9% | 305 | 130 | 175 | 135% |
| Te Hunga Whiriwhiri | 151 | 150 | 1 | 1% | 107 | 113 | 6 | 5% | 43 | 37 | 6 | 17% |
| Strategy | 1,832 | 1,931 | 99 | 5% | 2,010 | 2,097 | 87 | 4% | (177) | (166) | 11 | 7% |
| Corporate Services | 1,530 | 1,495 | 35 | 2% | 3,026 | 2,650 | 376 | 14% | (1,497) | (1,155) | 341 | 30% |
| People and Customer | 987 | 977 | 10 | 1% | 1,845 | 1,903 | 57 | 3% | (859) | (926) | 67 | 7% |
| Investment Management | (801) | (1,005) | 204 | 20% | (588) | (836) | 248 | 30% | (213) | (169) | 44 | 26% |
| Water Supply | 5,045 | 5,020 | 25 | 1% | 5,832 | 5,818 | 14 | 0% | (787) | (798) | 11 | 1% |
| Warm Wellington | 594 | 515 | 79 | 15% | 594 | 515 | 79 | 15% | (0) | (0) | 0 | 12% |
| **TOTAL** | **48,656** | **49,409** | **753** | **2%** | **48,549** | **51,341** | **2,792** | **5%** | **108** | **(1,932)** | **2,040** | **106%** |

## Statement of Revenue and Expense by Business Group - Full Year

| | FULL YEAR Operational Revenue | | | | FULL YEAR Operational Expenditure | | | | FULL YEAR Operational Surplus / (Deficit) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **$000** | **Forecast** | **Budget** | **Variance** | **%** | **Forecast** | **Budget** | **Variance** | **%** | **Forecast** | **Budget** | **Variance** | **%** |
| **Group** | | | | | | | | | | | | |
| Public Transport | 175,729 | 175,371 | 358 | 0% | 179,013 | 178,567 | 446 | 0% | (3,285) | (3,196) | 89 | 3% |
| Catchment Management | 35,891 | 36,119 | 228 | 1% | 28,670 | 29,128 | 458 | 2% | 7,221 | 6,991 | 230 | 3% |
| Environment Management | 21,291 | 20,351 | 940 | 5% | 20,124 | 19,770 | 354 | 2% | 1,167 | 581 | 586 | 101% |
| Regional Parks | 6,704 | 6,704 | 0 | 0% | 7,526 | 7,526 | 0 | 0% | (822) | (822) | 0 | 0% |
| Te Hunga Whiriwhiri | 899 | 899 | 0 | 0% | 888 | 888 | 0 | 0% | 11 | 11 | 0 | 0% |
| Strategy | 11,620 | 11,620 | 0 | 0% | 12,607 | 12,607 | 0 | 0% | (987) | (987) | 0 | 0% |
| Corporate Services | 9,033 | 8,969 | 64 | 1% | 16,232 | 15,911 | 321 | 2% | (7,199) | (6,942) | 257 | 4% |
| People and Customer | 5,050 | 5,050 | 0 | 0% | 11,658 | 11,468 | 190 | 2% | (6,609) | (6,419) | 190 | 3% |
| Investment Management | 3,204 | 2,974 | 230 | 8% | (4,352) | (4,352) | 0 | 0% | 7,556 | 7,326 | 230 | 3% |
| Water Supply | 30,117 | 30,117 | 0 | 0% | 36,281 | 35,603 | 678 | 2% | (6,164) | (5,486) | 678 | 12% |
| Warm Wellington | 3,089 | 3,089 | 0 | 0% | 3,089 | 3,089 | 0 | 0% | (0) | (0) | 0 | 0% |
| **TOTAL** | **302,626** | **301,263** | **1,363** | **0%** | **311,737** | **310,206** | **1,531** | **0%** | **(9,111)** | **(8,943)** | **168** | **-2%** |

## Net Capital Expenditure by Business Group

| | YEAR TO DATE | | | | FULL YEAR | | | |
|---|---|---|---|---|---|---|---|---|
| **$000** | **Actual YTD** | **Budget YTD** | **Variance** | **%** | **Forecast** | **Total Budget** | **Variance** | **%** |
| **Group** | | | | | | | | |
| Public Transport (incl investment projects) | 8,925 | 10,579 | 1,654 | 16% | 29,950 | 31,639 | 1,689 | 5% |
| Catchment Management | 1,093 | 1,352 | 259 | 19% | 21,669 | 21,669 | 0 | 0% |
| Environment Management | 145 | 100 | 45 | 45% | 3,161 | 3,161 | 0 | 0% |
| Regional Parks | 247 | 19 | 228 | 1212% | 3,078 | 3,807 | 729 | 19% |
| Strategy | 0 | 58 | 58 | 100% | 412 | 412 | 0 | 0% |
| Corporate Services | 188 | 599 | 411 | 69% | 3,665 | 3,665 | 0 | 0% |
| People and Customer | 0 | 0 | 0 | 0% | 350 | 350 | 0 | 0% |
| Investment Management | 1 | 160 | 158 | 99% | 379 | 379 | 0 | 0% |
| Water Supply | 264 | 335 | 71 | 21% | 3,547 | 4,020 | 473 | 12% |
| **TOTAL** | **10,863** | **13,202** | **2,340** | **18%** | **66,210** | **69,102** | **2,891** | **4%** |




**Key Highlights for: FY Budget to FY Forecast**

- *Environment $0.6m Favourable* largely due to delays with the Natural Plan Hearing costs as these will now expected to occur in 17/18.
- *Catchment $0.2m Favourable* largely due to delays in the planned wetland restoration programme. This is now expected to occur in 17/18.
- *Corporate Services $0.3m Unfavourable* largely due to additional rates collections and valuation costs $0.2m.
- *Investment Management $0.2m Favourable* largely due to additional interest earned from prefunding debt and investing.
- *Water Supply $0.7 m Unfavourable* largely due to a loss on the sale of 44 Oxford Terrace $0.2m, and the reminder reflects lower labour allocated to capex projects.

## Balance Sheet

| $000 | Aug-16 Actual | Jun-17 Budget | Jun-16 Actual |
|---|---|---|---|
| | | | |
| **ASSETS** | | | |
| Bank | (3,342) | 5,160 | 2,096 |
| Receivables | 36,952 | 47,027 | 16,258 |
| Accrued Revenue and Prepayments | 21,623 | 11,845 | 25,472 |
| Inventory | 2,876 | 3,119 | 3,093 |
| Other Investments | 112,761 | 71,572 | 82,683 |
| Derivative Financial Instruments | (55,108) | (38,092) | (55,108) |
| Investment in Subsidiaries | 231,215 | 272,902 | 231,215 |
| Fixed Assets | 924,671 | 994,394 | 924,310 |
| Accummulated Depreciation | (77,080) | (90,848) | (74,140) |
| Asset Under Construction | 18,755 | 12,595 | 17,156 |
| **TOTAL ASSETS** | **1,213,323** | **1,289,674** | **1,173,035** |
| | | | |
| **LIABILITIES** | | | |
| Current Liabilities | 36,786 | 121,103 | 26,292 |
| Non-current liabilities | 341,136 | 280,000 | 312,382 |
| **TOTAL LIABILITIES** | **377,922** | **401,103** | **338,674** |
| | | | |
| **EQUITY** | | | |
| Retained Earning | 321,167 | 385,017 | 319,156 |
| Asset Revaluation Reserves | 475,794 | 477,256 | 475,794 |
| Other Reserves | 38,440 | 26,298 | 39,411 |
| **TOTAL EQUITY** | **835,401** | **888,571** | **834,361** |
| | | | |
| **TOTAL LIABILITIES & EQUITY** | **1,213,323** | **1,289,674** | **1,173,035** |

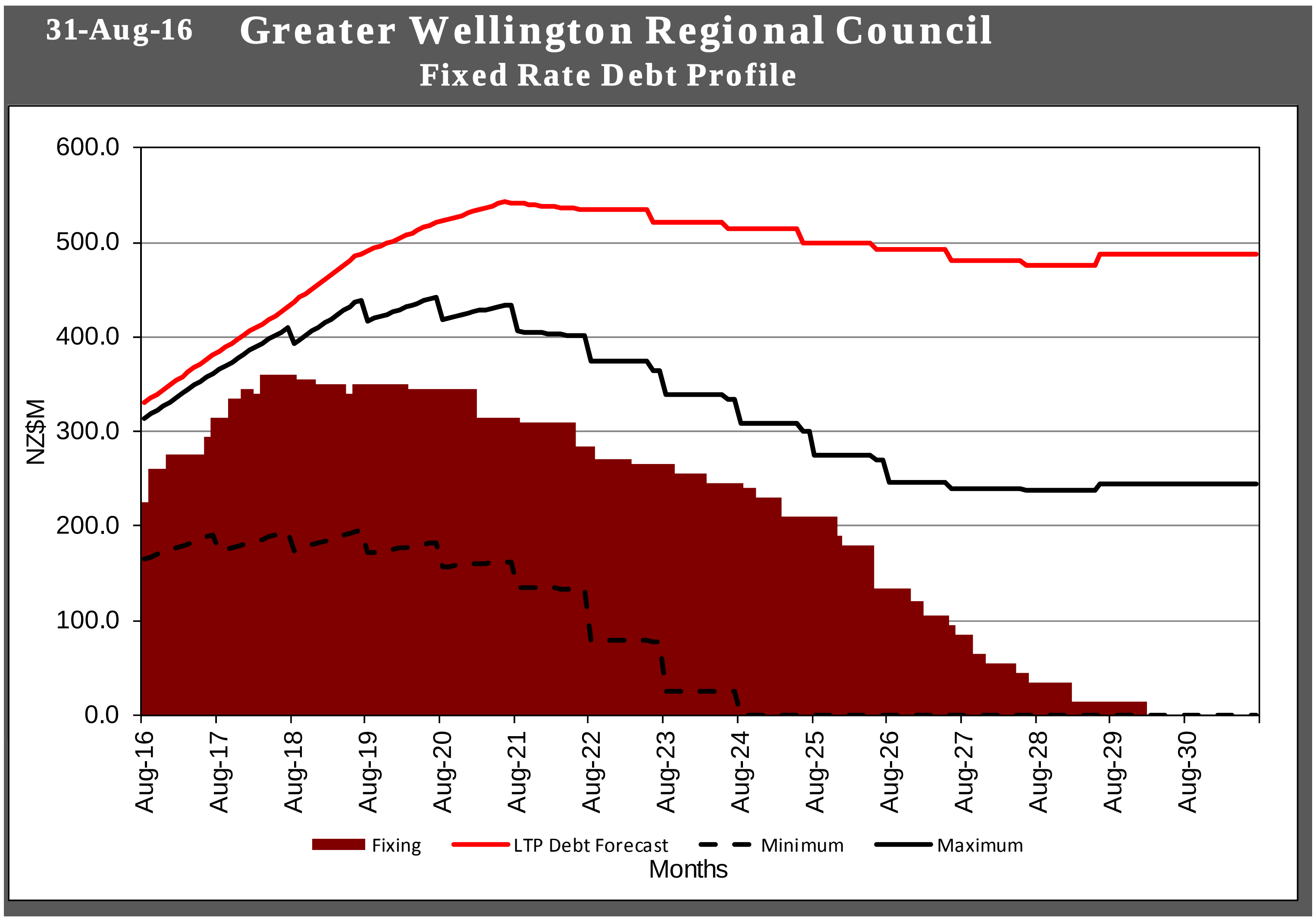
# Compliance with Treasury Risk Management Policy

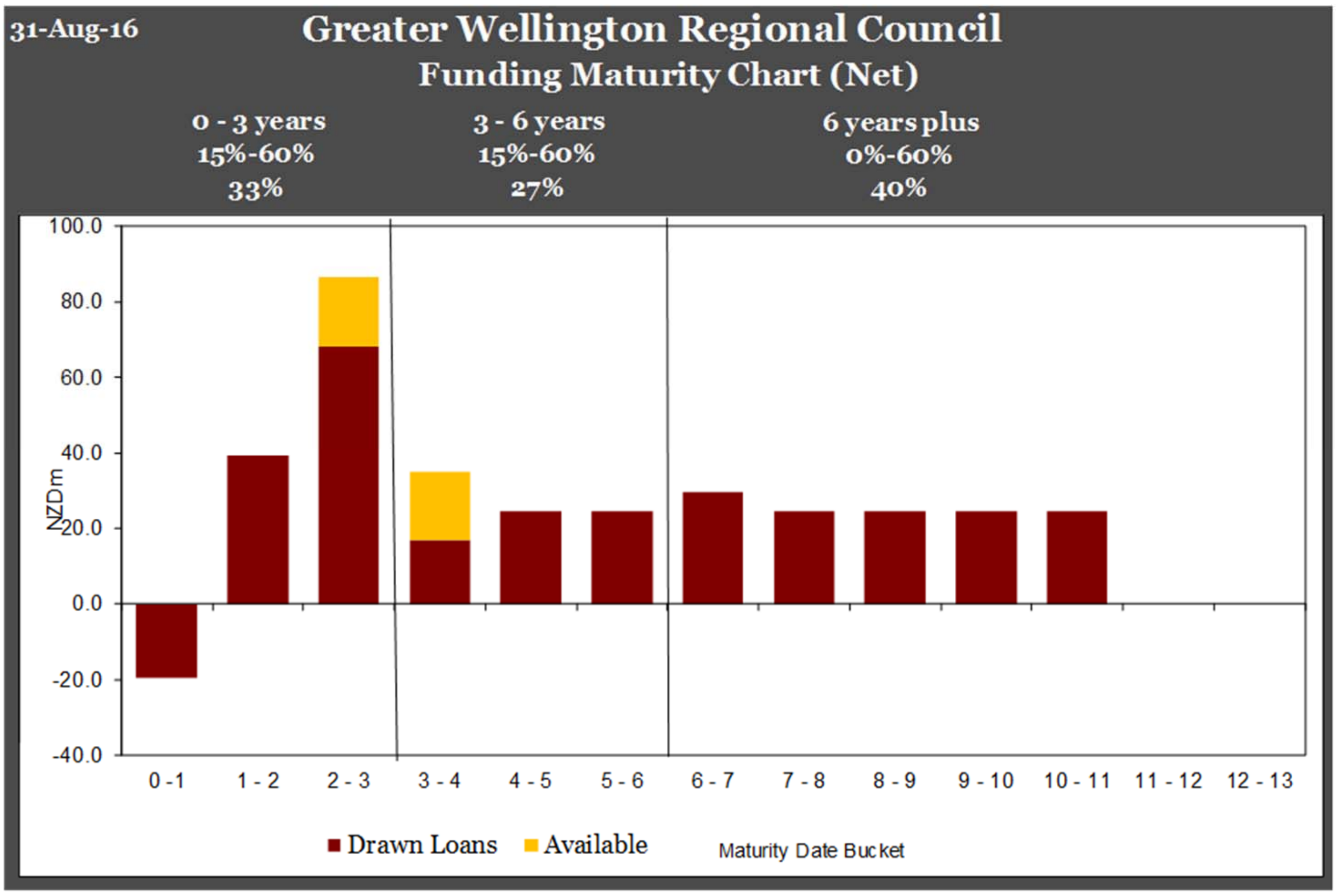
### As at 31 August 2016

| **Total Council Limit Compliance Analysis** | | *Compliant* *Yes* | *No* | **actual %** |
|---|---|---|---|---|
| Debt Interest Rate Policy Parameters | | | | |
| Current | 50% - 95% | ✓ | | 68% |
| year 1 | 45% - 95% | ✓ | | 82% |
| year 2 | 40% - 90% | ✓ | | 83% |
| year 3 | 35% - 85% | ✓ | | 71% |
| year 4 | 30% - 80% | ✓ | | 66% |
| year 5 | 25% - 75% | ✓ | | 58% |
| year 6 | 15% - 70% | ✓ | | 53% |
| year 7 | 5% - 65% | ✓ | | 51% |
| year 8 | 0% - 60% | ✓ | | 48% |
| year 9 | 0% - 55% | ✓ | | 42% |
| year 10 | 0% - 50% | ✓ | | 27% |
| year 11 | 0% - 45% | ✓ | | 18% |
| year 12 | 0% - 40% | ✓ | | 7% |
| year 13 | 0% - 35% | ✓ | | 3% |
| year 14 | 0% - 30% | ✓ | | 0% |
| 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% | ✓ | | 33% |
| 3 - 5 years | 15% - 60% | ✓ | | 27% |
| > 5 years | 10% - 60% | ✓ | | 40% |

| | | *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 counterparty exposure within policy limits | | ✓ | | |
| Maximum counterparty 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% | ✓ | | 81% |
| 1 - 3 years | 0% - 60% | ✓ | | 19% |
| 3 - 5 years | 0% - 40% | ✓ | | 0% |
| 5 -10 years | 0% - 20% | ✓ | | 0% |
| **Core Council External Borrowing Limits - Ratios** | | | | |
| Net interest / Total Revenue < 20% | | ✓ | | 4.0% |
| Net Debt / Total Revenue < 250% | | ✓ | | 78.4% |
| Net interest / Annual rates and levies < 30% | | ✓ | | 7.9% |
| Liquidity > 110% | | ✓ | | 126% |

*GWRC purchases electricity from the wholesale spot market and manages the risk of high market prices with an over-the-counter hedge contract. The average hedge volume for the year ended June 2016 was under the target range in the Treasury Risk Management Policy (80 percent compared with a target range of 85 percent to 115 percent). This slightly under-hedged position was mainly due to above average power consumption needed to minimise the risk of a water shortage during the 2015/16 summer drought. The option to implement a minor increase in hedge volume is being considered with any change to be approved by the CEO. NB. The value of the underlying contract for Electricity usage amounts to about $3 million per year.*


31-Aug-16
Greater Wellington Regional Council
Fixed Rate Debt Profile
600.0
500.0
400.0
300.0
200.0
100.0
0.0
NZ$M
Aug-16
Aug-17
Aug-18
Aug-19
Aug-20
Aug-21
Aug-22
Aug-23
Aug-24
Aug-25
Aug-26
Aug-27
Aug-28
Aug-29
Aug-30
Fixing
LTP Debt Forecast
Minimum
Maximum
Months


31-Aug-16
Greater Wellington Regional Council
Funding Maturity Chart (Net)
0 - 3 years
15%-60%
33%
3 - 6 years
15%-60%
27%
6 years plus
0%-60%
40%
100.0
80.0
60.0
40.0
20.0
0.0
-20.0
-40.0
NZDm
0 - 1
1 - 2
2 - 3
3 - 4
4 - 5
5 - 6
6 - 7
7 - 8
8 - 9
9 - 10
10 - 11
11 - 12
12 - 13
Drawn Loans
Available
Maturity Date Bucket