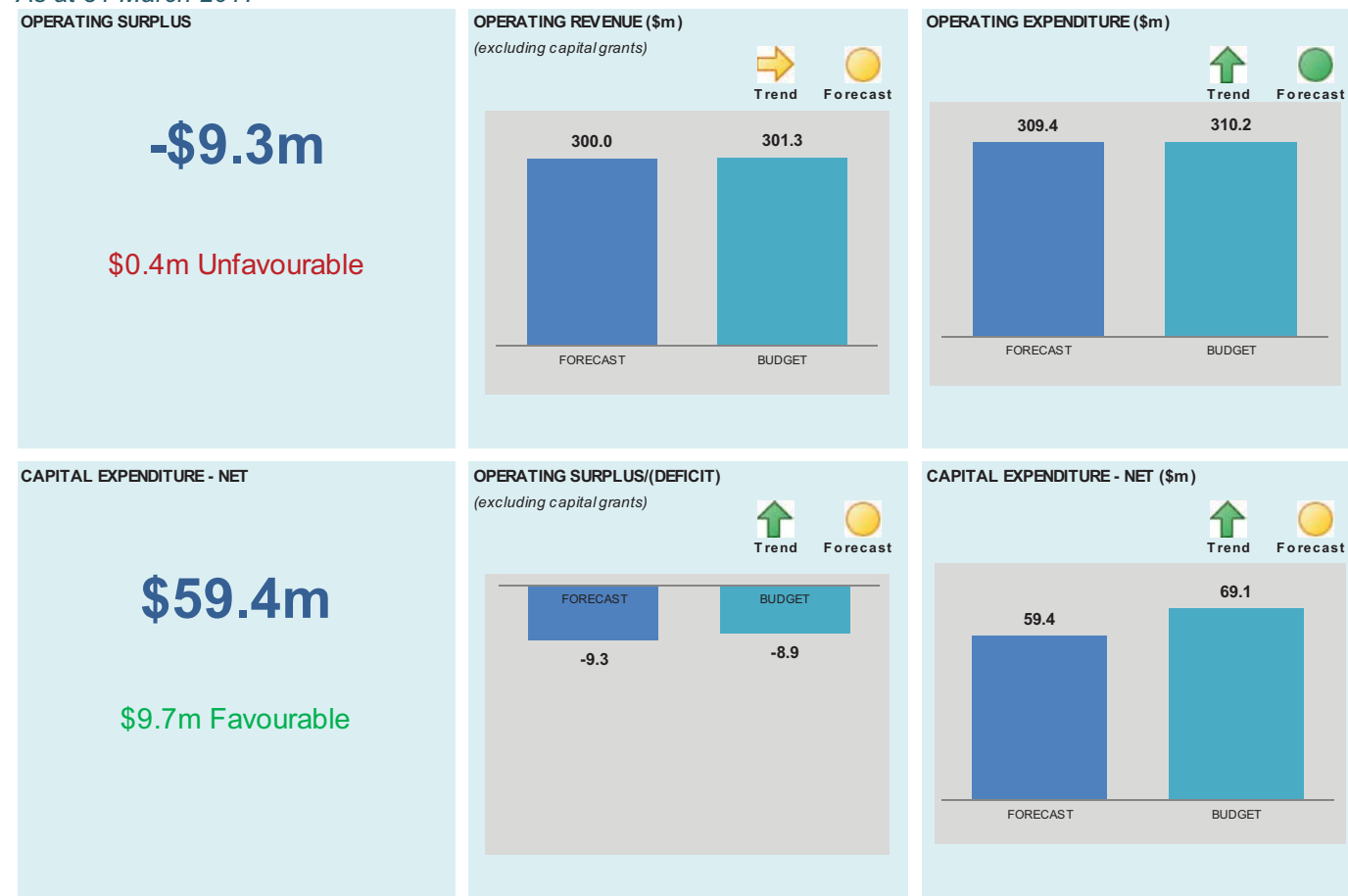


Cross Council Overview Financial Summary – Full Year Forecast

As at 31 March 2017



Council Summary

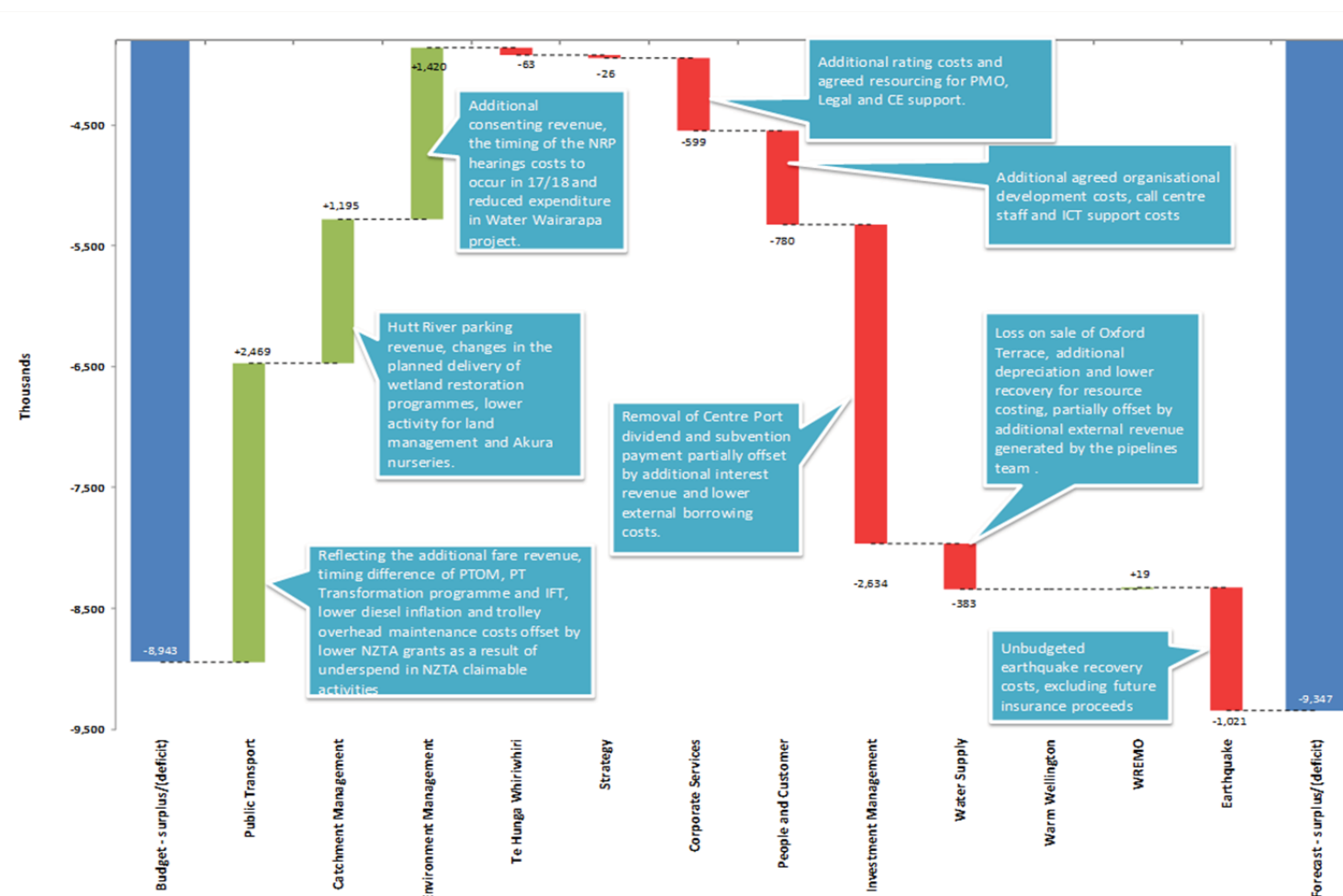
Forecast operating performance (before capital grants) is **\$0.4m unfavourable** to budget. Excluding earthquake related costs and loss of revenue of \$4.7m; performance is forecast to be **\$4.3m favourable** to budget. The variance is primarily related to Public Transport – lower diesel bus costs for operators, timing of expenditure on transformation projects, Catchment – changes in the planned delivery of wetland restoration programmes and lower activity for land management and Akura and Environment – RONS revenue and consenting activity.

FY Forecast by Business Group

- Operating Revenue: \$1.3m Unfavourable**
Public Transport is forecast to be **\$1.3m unfavourable** to budget reflecting a decrease in NZTA Grants and Subsidies (\$2.4m) due to lower claimable costs, partially offset by higher than budgeted fare revenue (\$1.1m) due to patronage growth (although growth has been impacted by the earthquake.)
Catchment is forecast to be in line with budget, largely reflecting lower activity from Akura and Land Management (\$0.5m) because of unfavourable planting conditions (low rainfall) offset by prior year Hutt River Parking revenue share from HCC (\$0.4m).
Environment is forecast to be **\$1.0m favourable** to budget largely reflecting additional revenue from RONS and other consenting activity (\$0.9m), camping fees, rents for Parks (\$0.2m), partially offset by reduced Crown funding for the Water Wairarapa project (\$0.3m).
Strategy is forecast to be **\$0.3m favourable** to budget which reflects additional stakeholder contributions to support Regional Infrastructure Resilience Business case (\$0.7m) offset by lower NZTA grants on claimable costs (\$0.6m).
Investment Management is forecast to be **\$2.2m unfavourable** to budget reflecting the removal of the Centre Port dividend and subvention payment of \$3.7m, partially offset by the prefunding of debt and additional interest earned.
Water Supply is forecast to be **\$0.7m favourable** to budget reflecting higher interest rates on contingency funds and additional external revenue generated by the pipelines team (\$0.6m).
- Operating Expenditure \$0.9m favourable**
Public Transport is forecast to be **\$3.7m favourable** to budget reflecting timing difference of the in projects such as Fares and Ticketing and PT Transformation & PTOM (\$1.8m), lower diesel bus inflation for operators (\$1.0m), and lower trolley overhead wire maintenance.
Catchment is forecast to be **\$1.2m favourable** to budget largely reflecting changes in the planned delivery of wetland restoration programmes (\$0.2m), lower activity for land management and Akura nursery (\$0.7m) and lower interest costs (\$0.3m) due to the timing difference of various capex projects.
Environment is forecast to be **\$0.4m favourable** to budget reflecting the reduced expenditures on Water Wairarapa project (\$0.4m), NRP hearing costs deferred to 17/18 (\$0.8m) offset by additional costs to support resource consent activity (\$1.0m).
Strategy is forecast to be **\$0.3m unfavourable** to budget, reflecting additional costs in Regional Infrastructure Resilience (\$0.3m), WREDA inflation adjustment, and agreed additional resource to support the group.
Corporate Services is forecast to be **\$0.6m unfavourable** to budget due to additional rating costs (\$0.2m), higher than budgeted depreciation (\$0.3m), and agreed resources to support legal, PMO, and CE support.
P&C is forecast to be **\$0.7m unfavourable** to budget reflecting additional agreed expenditure for organisational development (\$0.3m), call centre staff (\$0.2m) and additional ICT support costs (\$0.2m).
Investment Management is forecast to be **\$0.4m unfavourable** to budget reflecting additional funding cost from prefunding of debt and lower internal interest recoveries due to the timing difference in capex and growth in debt levels.
Water Supply is forecast to be **\$1.1m unfavourable** to budget reflects lower recovery for resource costing (\$0.4m), loss on disposal of 44 Oxford Cres (\$0.2m), additional costs in depreciation (\$0.2m), feasibility works (\$0.3m), testing and investigations of water treatment options (\$0.4m) offset by savings in power (\$0.2m) and Chemicals (\$0.2m).
 Unbudgeted **earthquake recovery costs** are currently forecast to be **\$1.1m unfavourable**. This amount *excludes* future insurance proceeds, which will be determined once the claims process is completed.
- Capital Expenditure \$9.7m Favourable**
Public Transport is forecast to be **\$5.6m favourable** to budget largely reflecting later than planned use of the Matangi 2 Upgrade contingency for purchase of a simulator (\$0.6m), decrease in Matangi 1 retrofit costs (\$2.2m) and lower heavy maintenance on the trains (\$2.2m). Partially offsetting this is the higher costs for Waikanae park and ride site due to asbestos clean-up (\$1.0m).
Catchment is forecast to be **\$4.8m favourable** to budget due to timing of property acquisitions for the Hutt River Flood Protection Upgrade – Riverlink (\$2.0m), timing difference in Wairarapa improvements (\$1.24m), FMP investigations (\$0.5m) and Kapiti improvements (\$0.9m).
Environment is forecast to be **\$1.9m favourable** to budget reflecting timing difference on the commencement of various projects such as Baring Head Bridge replacement (\$0.73m), QEP development (\$0.6m), Collaborative Modelling (\$0.2m) and the Pencarrow and Hinds Point light upgrades for Harbours (\$0.32m) which is expecting to occur in 17/18.
Corporate Services is forecast to be **\$0.5m favourable** to budget reflecting timing of planned ICT projects.
Water Supply is forecast to be **\$3.1m unfavourable** to budget reflects Te Marua budget was bought forward into 2016/17 to address the algae issue at the Te Marua treatment plant.

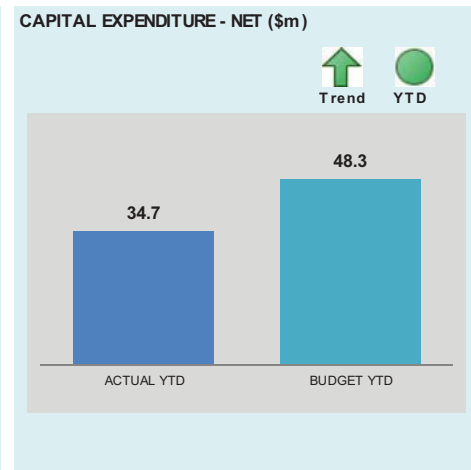
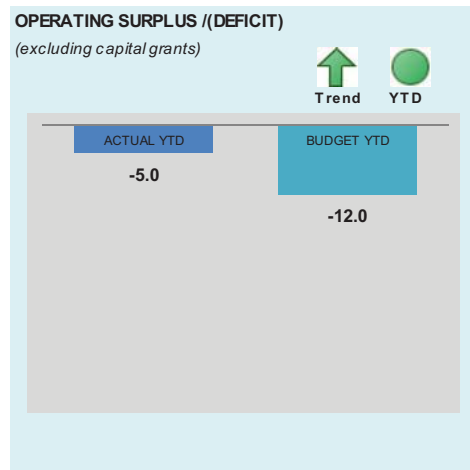
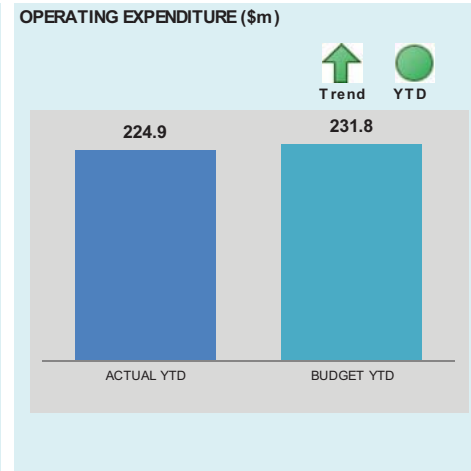
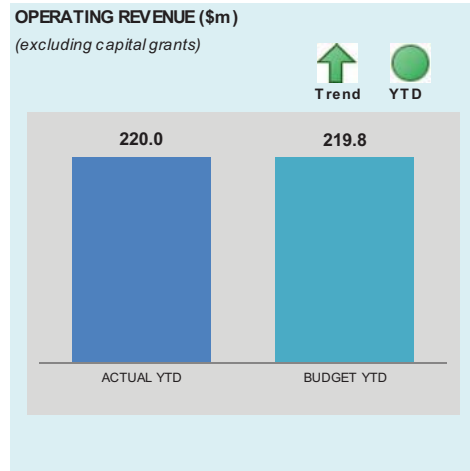
Operating Surplus/(Deficit): Budget v. Forecast (full year)

(numbers exclude Capex revenue)

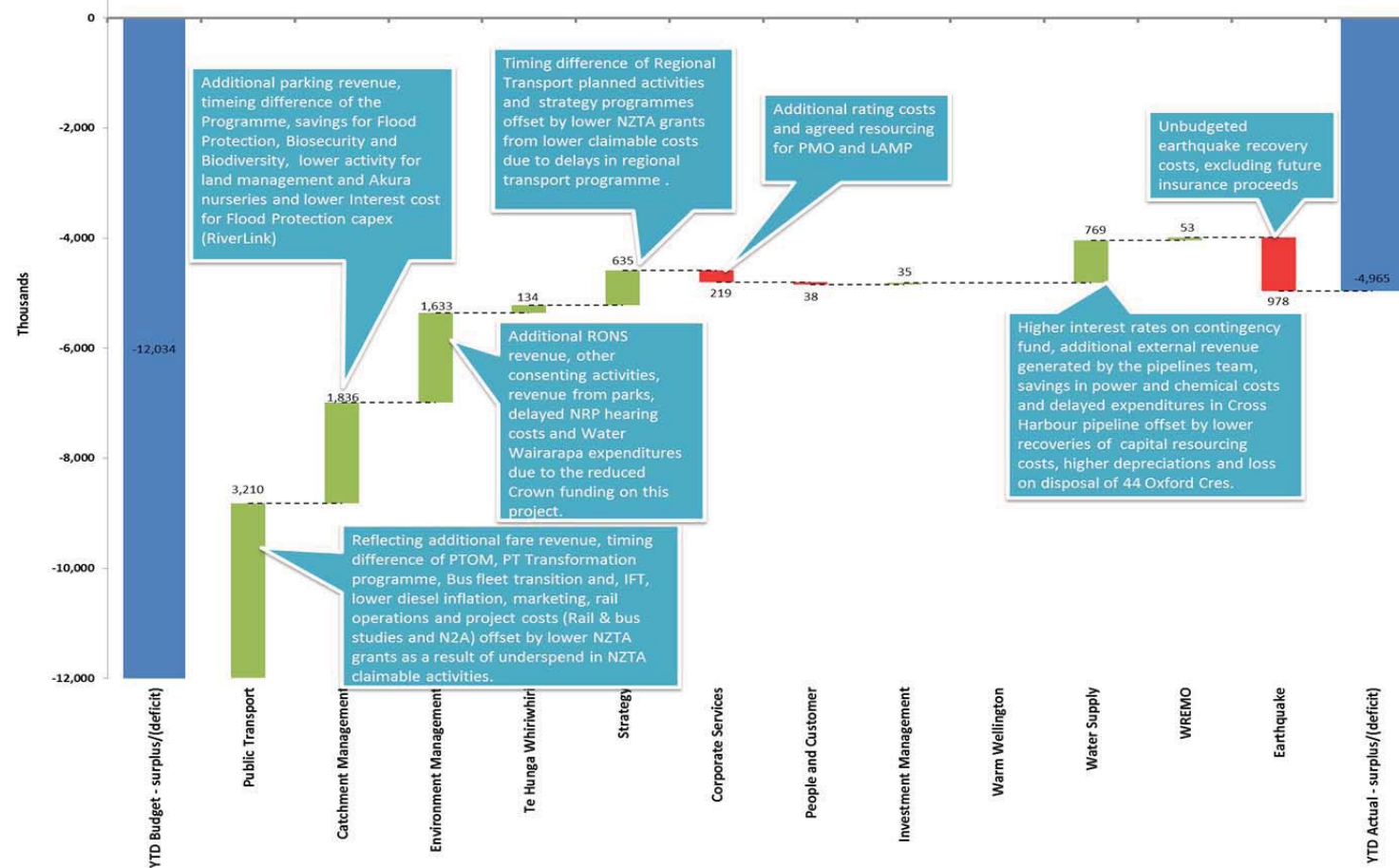


Cross Council Overview Financial Summary

Year to Date 31 March 2017



Operating Surplus/(Deficit): YTD Budget v. YTD Actual
(numbers exclude Capex revenue)



Council Summary

Year to date operating performance (before capital grants) is **\$7.0m favourable** to budget. Excluding earthquake related costs of \$1.0m, performance is **\$8.0m favourable** to budget. The variance is primarily related to Public Transport – timing difference of the transformation programme, lower diesel inflation and lower rail operations costs, Catchment – changes in the planned delivery of wetland restoration programmes and lower activity for land management and Akura and Environment - additional RONS revenue and consenting activity.

YTD Business Group Commentary:

- Operating Revenue: \$0.2m Unfavourable**

Public Transport is **\$3.1m unfavourable** to budget, largely reflecting lower NZTA grants as a result of underspend in NZTA claimable activities (\$3.8m) offset by higher than budgeted fare revenue (\$0.7m).

Catchment is in line with budget, largely reflecting prior year Hutt River Parking revenue share from HCC (\$0.4m) partially offset by lower activity from Akura and Land Management because of unfavourable planting conditions due to low rainfall (\$0.4m).

Environment is **\$1.3m favourable** to budget reflecting additional RONS revenue and other consenting activities (\$1m), camping fees and rents for Parks (\$0.3m), offset by the reduced Crown funding for Water Wairarapa (\$0.2m).

Strategy is **\$0.4m favourable** to budget which reflects additional stakeholder contributions to support Regional Infrastructure Resilience Business case (\$0.7m), offset by lower NZTA grants on claimable costs.

Investment Management is **\$0.6m favourable** to budget due to additional interest earned from investing prefunded debt as well as achieving higher than budgeted interest rates on existing investments.

Water Supply is **\$0.6m favourable** to budget largely reflecting a higher interest rates on contingency fund and additional external revenue generated by the pipelines team.

- Operating Expenditure \$6.8m Favourable**

Public Transport is **\$6.3m favourable** to budget, reflecting timing difference of PTOM, PT Transformation (\$3.0m) and Bus fleet transition projects, lower diesel bus inflation reflecting the lower oil price and stronger NZD (\$0.7m), lower trolley overhead maintenance cost (\$1.0m), lower contract and network cost in rail operations (\$1.0m), lower marketing and communications costs and over-budgeted personnel costs.

Catchment is **\$1.8m favourable** to budget, reflecting the timing difference and savings for Flood Protection (consent renewal, isolated works) (\$0.6m), Biosecurity (weather affecting spraying works) and Biodiversity (\$0.3m), lower activity for land management and Akura (\$0.3m) and Interest cost savings due to the timing difference in Flood Protection capex (RiverLink).

Environment is **\$0.4m favourable** to budget, additional costs to support resource consent activity (\$1.1m) offset by NRP hearing costs re-budgeted to 17/18 (\$0.6m) and reduced Water Wairarapa expenditure (\$0.2m).

Strategy is **\$0.2m favourable** to budget, reflecting timing difference in Regional Transport planned activities and other Strategy programmes (\$0.8m) offset by the additional costs in Regional Infrastructure Resilience project (\$0.3m).

Corporate Services is **\$0.3m unfavourable** to budget, due to the additional rating costs and agreed resourcing for PMO and LAMP.

People and customer is **\$0.1m unfavourable** to budget due to additional costs for organisational development and customer contact centre.

Investment Management is **\$0.6m unfavourable** to budget due to lower internal interest recoveries due to timing difference in capex and growth in debt levels.

Unbudgeted **Earthquake** recovery costs to date are **\$1.1m**. This amount *excludes* insurance proceeds, which will be determined once the claims process is completed.

Water Supply is **\$0.1m favourable** to budget largely reflecting savings in power (\$0.2m) and chemical costs (\$0.3) due to the favourable conditions, timing difference of expenditures in Cross Harbour pipeline (\$0.6m), reduced internal charge (\$0.1m), offset by lower capital resource costing recovery (\$0.4m), higher depreciation (\$0.2m), loss on sales of 44 Oxford Cres (\$0.2m) and pipelines recoverable works (\$0.3m).

- Capital Expenditure \$13.6m Favourable**

Public Transport is **\$4.3m favourable** to budget reflecting later than planned use of the Matangi 2 Upgrade contingency for purchase of a simulator (\$1.5m), decrease in Matangi 1 retrofit costs and lower heavy maintenance on the trains (\$2.4m), timing in bus shelters upgrades (\$0.5m) and station upgrades projects (\$0.6m).

Catchment is **\$3.0m favourable** to budget due to timing of property acquisitions for the Hutt River Flood Protection Upgrade – Riverlink (\$0.65m), Wairarapa improvements (\$0.5m), FMP investigations (\$0.5m) and Kapiti improvements (\$0.9m).

Environment is **\$3.0m favourable** to budget reflecting timing difference on QEP entranceway (\$0.6m), Baring Head (\$0.6m), Collaborative Modelling (\$0.7m) and other Parks CAPEX (\$0.8m) and the Pencarrow and Hinds Point light upgrades for Harbours (\$0.3m).

Corporate Services is **\$2.2m favourable** to budget reflecting later than planned expenditure on ICT initiatives, primarily the core system refresh project.

Cross Council Overview Financial Summary

Statement of Revenue and Expense by Business Group - Full Year

\$000	FULL YEAR			FULL YEAR			FULL YEAR		
	Operational Revenue			Operational Expenditure			Operational Surplus / (Deficit)		
Group	Forecast	Budget	Variance	Forecast	Budget	Variance	Forecast	Budget	Variance
Public Transport	174,095	175,371	1,276	174,822	178,567	3,745	(727)	(3,196)	2,469
Catchment Management	36,095	36,119	23	27,910	29,128	1,218	8,186	6,991	1,195
Environment Management	28,092	27,055	1,037	26,912	27,296	384	1,180	(240)	1,420
Te Hunga Whiriwhiri	900	899	1	952	888	64	(52)	11	63
Strategy	11,875	11,620	255	12,888	12,607	280	(1,013)	(987)	26
Corporate Services	8,957	8,969	12	16,499	15,911	587	(7,541)	(6,942)	599
People and Customer	1,645	1,685	40	9,114	8,375	740	(7,469)	(6,689)	780
Investment Management	732	2,974	2,242	(3,959)	(4,352)	393	4,691	7,326	2,634
Water Supply	30,802	30,117	685	36,671	35,603	1,068	(5,869)	(5,486)	383
Warm Wellington	3,370	3,089	281	3,370	3,089	281	0	(0)	0
WREMO	3,364	3,364	0	3,075	3,094	19	289	270	19
Earthquake 2016	80	0	80	1,101	0	1,101	(1,021)	0	1,021
TOTAL	300,007	301,263	1,256	309,354	310,206	852	(9,347)	(8,943)	404

Net Capital Expenditure by Business Group

\$000	YEAR TO DATE			FULL YEAR		
	Actual YTD	Budget YTD	Variance	Forecast	Total Budget	Variance
Public Transport (incl investment)	18,507	22,807	4,300	26,003	31,639	5,636
Catchment Management	10,716	13,733	3,017	16,915	21,669	4,754
Environment Management	2,309	5,353	3,044	5,020	6,968	1,948
Strategy	31	325	294	412	412	0
Corporate Services	544	2,726	2,182	3,205	3,665	460
People and Customer	4	300	296	300	350	50
Investment Management	460	319	141	394	379	15
Water Supply	1,960	2,692	732	7,159	4,020	3,139
Earthquake 2016	152	0	152	0	0	0
TOTAL	34,684	48,255	13,571	59,408	69,102	9,694

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

\$000	YEAR TO DATE			YEAR TO DATE			YEAR TO DATE		
	Operational Revenue			Operational Expenditure			Operational Surplus / (Deficit)		
Group	Actual YTD	Budget YTD	Variance	Actual YTD	Budget YTD	Variance	Actual YTD	Budget YTD	Variance
Public Transport	128,828	131,889	3,061	127,808	134,080	6,271	1,020	(2,190)	3,210
Catchment Management	26,753	26,699	54	19,387	21,169	1,782	7,366	5,530	1,836
Environment Management	21,723	20,456	1,267	19,905	20,270	365	1,818	186	1,633
Te Hunga Whiriwhiri	675	674	1	533	666	133	142	8	134
Strategy	9,114	8,689	425	9,230	9,439	210	(115)	(750)	635
Corporate Services	6,805	6,727	78	12,223	11,926	297	(5,418)	(5,199)	219
People and Customer	1,171	1,092	79	6,411	6,293	118	(5,240)	(5,201)	38
Investment Management	(3,292)	(3,897)	605	(2,628)	(3,198)	570	(664)	(699)	35
Water Supply	23,210	22,588	623	26,364	26,510	146	(3,153)	(3,922)	769
Warm Wellington	2,329	2,317	12	2,329	2,317	12	0	(0)	0
WREMO	2,571	2,523	49	2,313	2,318	4	258	205	53
Earthquake 2016	90	0	90	1,068	0	1,068	(978)	0	978
TOTAL	219,979	219,756	222	224,943	231,790	6,847	(4,965)	(12,034)	7,069

Statement of Revenue and Expense

\$000	YEAR TO DATE			FULL YEAR		
	Actual YTD	Budget YTD	Variance	Forecast	Total Budget	Variance
OPERATING REVENUE						
Rates	86,236	86,279	42	115,040	115,040	0
Subsidies & Grants	46,887	52,382	5,495	66,853	69,944	3,091
Other Revenue	83,389	78,433	4,957	113,739	109,737	4,002
Finance Revenue	3,466	2,663	803	4,375	6,542	2,167
TOTAL REVENUE	219,979	219,756	222	300,007	301,263	1,256
OPERATING EXPENDITURE						
Personnel	31,959	32,648	689	43,987	43,557	430
Material & Contractor/Consultant	47,320	51,032	3,712	70,756	68,733	2,023
Depreciation & Amortisation	13,479	13,131	348	18,076	17,508	569
Grants & Subsidy	107,520	111,721	4,200	145,284	149,268	3,983
Finance costs	12,228	12,200	28	16,438	16,534	96
Other Expense	12,437	11,059	1,378	14,813	14,608	205
TOTAL EXPENDITURE	224,943	231,790	6,847	309,354	310,206	852
OPERATING SURPLUS/(DEFICIT)	(4,965)	(12,034)	7,069	(9,347)	(8,943)	404
Subsidies & Grants - Capex	8,260	10,496	2,236	14,932	15,461	529
SURPLUS/(DEFICIT)	3,295	(1,538)	4,833	5,585	6,518	933

Cross Council Overview Financial Summary (Cont.)

Balance Sheet

\$000	Mar-17	Jun-17	Jun-16
	Actual	Budget	Actual
ASSETS			
Bank	(6,329)	(669)	2,281
Receivables	26,220	18,724	16,258
Accrued Revenue and Prepayments	18,727	32,430	25,941
Inventory	3,100	3,119	3,097
Other Investments	134,434	85,118	94,035
Derivative Financial Instruments	(55,108)	(38,092)	(55,108)
Investment in Subsidiaries	242,715	272,902	231,215
Fixed Assets	930,202	994,394	924,310
Accumulated Depreciation	(87,293)	(90,848)	(74,140)
Asset Under Construction	27,761	12,596	17,156
TOTAL ASSETS	1,234,430	1,289,674	1,185,045
LIABILITIES			
Current Liabilities	31,386	121,103	95,496
Non-current liabilities	365,042	280,000	255,583
TOTAL LIABILITIES	396,429	401,103	351,079
NET ASSETS	838,002	888,571	833,966
EQUITY			
Retained Earning	326,507	385,017	318,761
Asset Revaluation Reserves	476,287	476,964	475,794
Other Reserves	35,207	26,590	39,411
TOTAL EQUITY	838,002	888,571	833,966

Compliance with Treasury Risk Management Policy

As at 31 March 2017

Total Council Limit Compliance Analysis	Compliant				Compliant		
	Yes	No	actual %		Yes	No	actual %
Debt Interest Rate Policy Parameters				Countersparty credit exposure with New Zealand registered banks which have a credit rating of at least A-, long term, and A2 short term	✓		
Current	50% - 95%	✓	74%	Other countersparty exposure within policy limits	✓		
year 1	45% - 95%	✓	92%	Maximum countersparty exposure with a NZ registered bank is within \$86 million limit	✓		
year 2	40% - 90%	✓	78%	The repricing of liquid financial investments are to occur within the following timebands			
year 3	35% - 85%	✓	68%	0 - 1 year	40% - 100%	✓	88%
year 4	30% - 80%	✓	57%	1 - 3 years	0% - 60%	✓	8%
year 5	25% - 75%	✓	55%	3 - 5 years	0% - 40%	✓	4%
year 6	15% - 70%	✓	47%	5 - 10 years	0% - 20%	✓	0%
year 7	5% - 65%	✓	44%	Core Council External Borrowing Limits - Ratios			
year 8	0% - 60%	✓	38%	Net interest / Total Revenue < 20%	✓		4.1%
year 9	0% - 55%	✓	33%	Net Debt / Total Revenue < 250%	✓		78.6%
year 10	0% - 50%	✓	19%	Net interest / Annual rates and levies < 30%	✓		8.2%
year 11	0% - 45%	✓	10%	Liquidity > 110%	✓		123%
year 12	0% - 40%	✓	3%				
year 13	0% - 35%	✓	0%				
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%	✓	30%				
3 - 5 years	15% - 60%	✓	27%				
> 5 years	10% - 60%	✓	43%				

Compliance with Treasury Risk Management Policy (Cont.)

