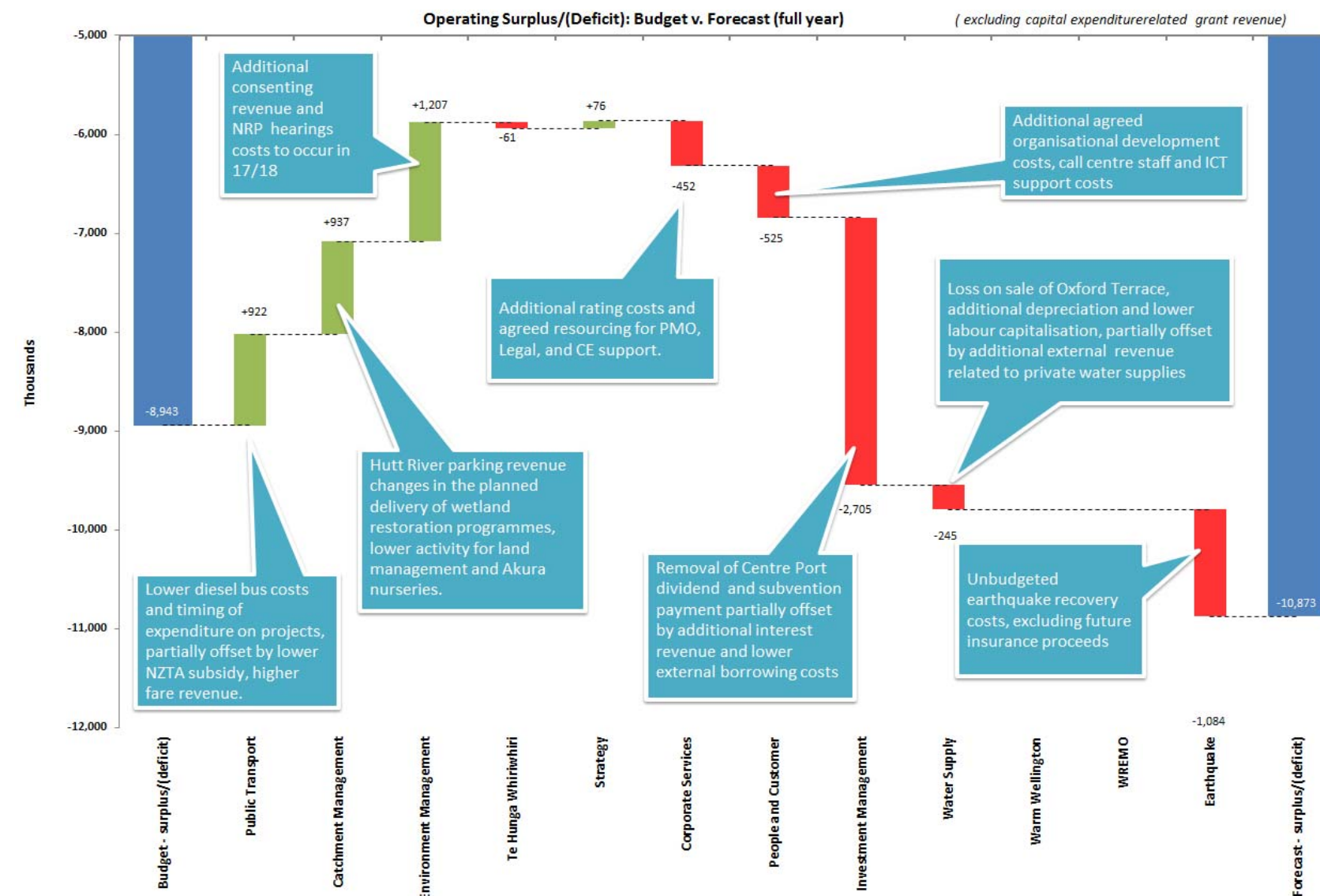
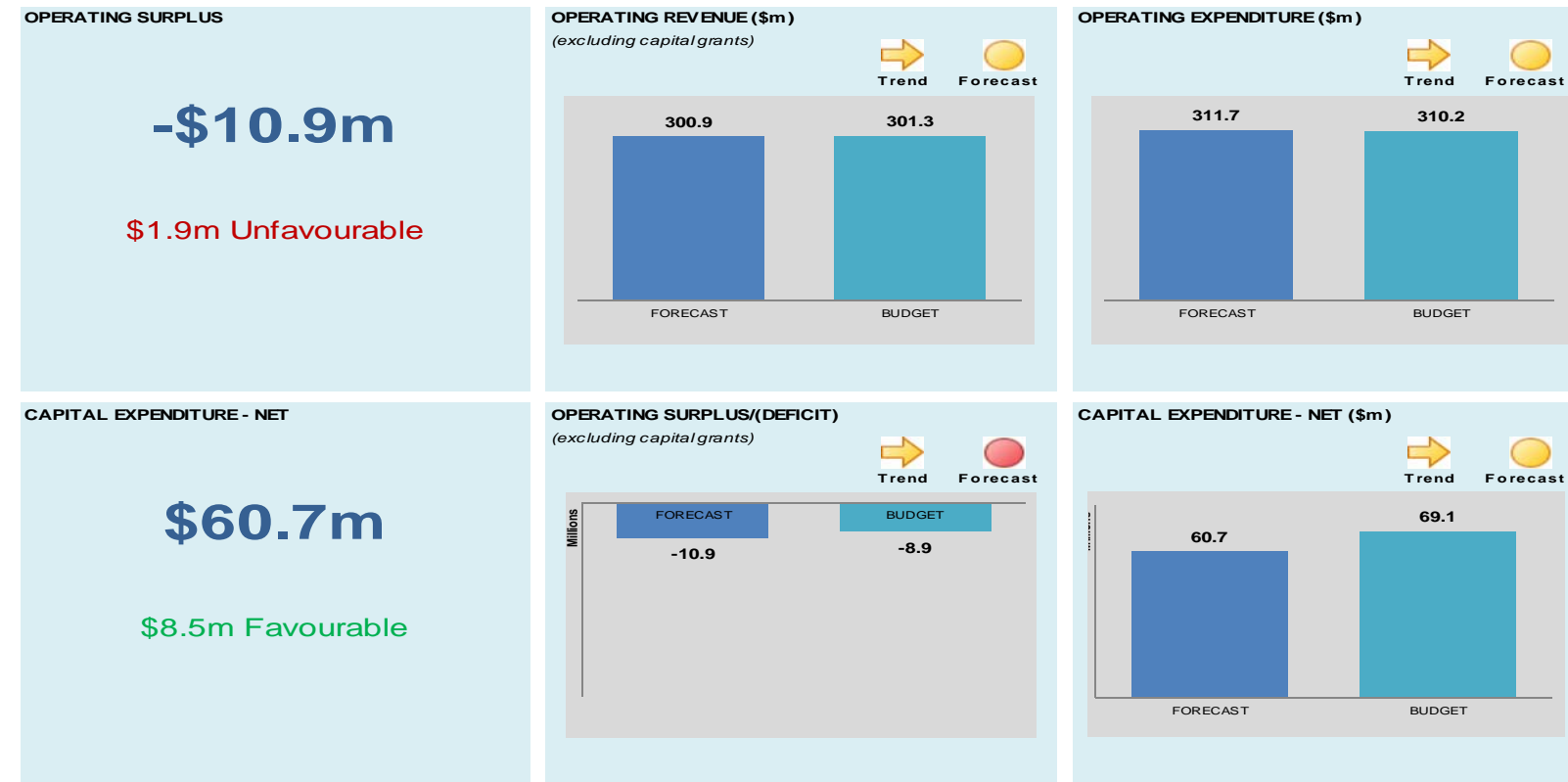


Cross Council Overview Financial Summary – Full Year Forecast

As at 28 February 2017



Council Summary

Forecast operating performance (before capital grants) is **\$1.9m unfavourable** to budget. Excluding earthquake related costs and loss of revenue of \$4.8m, performance is forecast to be **\$2.9m 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: \$0.4m Unfavourable**
Public Transport is forecast to be **\$0.2m unfavourable** to budget reflecting a decrease in NZTA Grants and Subsidies due to lower claimable costs, partially offset by higher than budgeted fare revenue due to patronage growth.
Catchment is **\$0.1m favourable** to 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 (low rainfall).
Environment is forecast to be **\$1.1m favourable** to budget largely reflecting additional RONS revenue and consenting activity.
Strategy is forecast to be **\$0.3m favourable** to budget which reflects additional stakeholder contributions to support Regional Infrastructure Resilience Business case.
Investment Management is forecast to be **\$2.4m 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 **\$0.5m favourable** to budget largely reflecting additional external revenue related to private water supplies.

- Operating Expenditure \$1.5m Unfavourable**
Public Transport is forecast to be **\$1.2m favourable** to budget reflecting lower diesel bus inflation for operators, trolley bus costs, and timing of expenditure on projects.
Catchment is forecast to be **\$0.9m favourable** to budget largely reflecting changes in the planned delivery of wetland restoration programmes and lower activity for land management and Akura nurseries.
Environment is forecast to be to budget with additional costs to support resource consent activity offset by NRP hearing costs deferred to 17/18.
Strategy is forecast to be **\$0.2m unfavourable** to budget, reflecting additional costs in Regional Infrastructure Resilience, WREDA inflation adjustment, and additional resource in sustainable transport.
Corporate Services is forecast to be **\$0.4m unfavourable** to budget due to additional rating costs, higher than budgeted depreciation, and agreed capability enhancement to house legal, PMO, and CE support.
P&C is forecast to be **\$0.5m unfavourable** to budget reflecting additional agreed expenditure for organisational development, call centre staff and additional ICT support costs.
Investment Management is forecast to be **\$0.2m unfavourable** to budget reflecting additional funding cost from prefunding of debt and lower internal interest recoveries due to delays in capex and growth in debt levels.
Water Supply is forecast to be **\$0.7m unfavourable** to budget reflects loss on sale of Oxford Terrace \$0.2m, additional depreciation from assets capitalised \$0.2m and lower labour capitalisations to projects \$0.3m.
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.

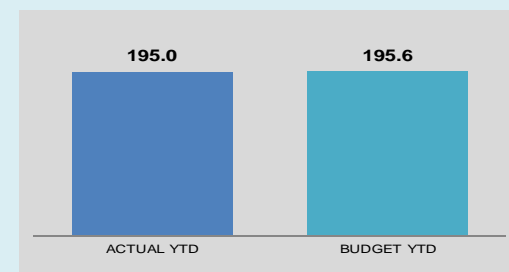
- Capital Expenditure \$8.5m Favourable**
Public Transport is forecast to be **\$3.1m favourable** to budget largely reflecting later than planned use of the Matangi 1 Upgrade contingency for purchase of a simulator \$2.2m and lower heavy maintenance on the trains. Partially offsetting this is \$0.5m for the Waikanae park and ride site due to asbestos.
Catchment is forecast to be **\$4.2m favourable** to budget due to timing of property acquisitions for the Hutt River Flood Protection Upgrade (Riverlink)
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.
Corporate Services is forecast to be **\$0.5m favourable** to budget reflecting timing of planned ICT projects.

OPERATING SURPLUS

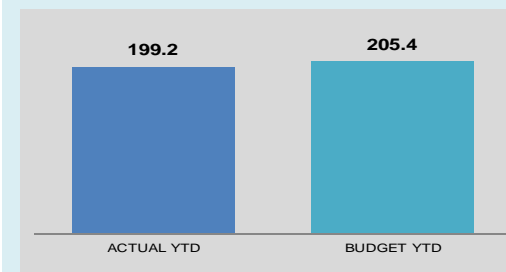
-\$4.2m

\$5.6m Favourable YTD

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



OPERATING EXPENDITURE (\$m)

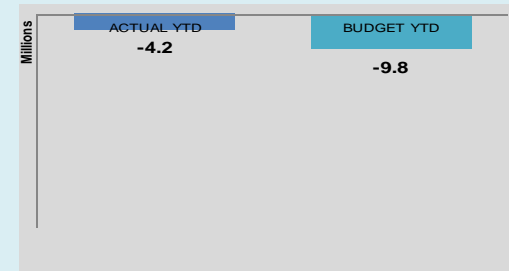


CAPITAL EXPENDITURE - NET

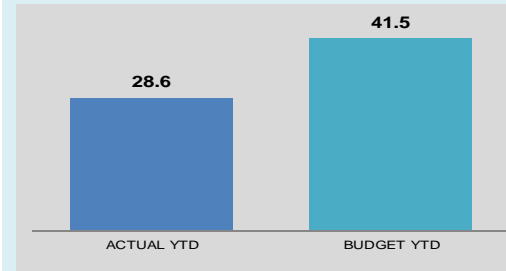
\$28.6m

\$13.0m Favourable YTD

OPERATING SURPLUS/(DEFICIT) (excluding capital grants)



CAPITAL EXPENDITURE - NET (\$m)



Council Summary

Year to date operating performance (before capital grants) is **\$5.6m favourable** to budget. Excluding earthquake related costs of \$0.9m, performance is **\$6.5m 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, Environment - additional RONS revenue and consenting activity and Strategy – delays in Regional Transport planned activities and timing of other Strategy programmes.

YTD Business Group Commentary:

- Operating Revenue: \$0.6m Unfavourable**

Public Transport is **\$2.5m unfavourable** to budget, largely reflecting lower NZTA grants \$2.4m as a result of underspend in NZTA claimable activities off-set by higher fare revenue due to growth in patronage levels.

Catchment is **\$0.1m favourable** to 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 (low rainfall).

Environment is **\$0.8m favourable** to budget reflecting additional RONS revenue and consenting activity.

Strategy is **\$0.2m unfavourable** to budget which reflects lower NZTA grants from lower claimable costs due to delays in regional transport programmes.

Investment Management is **\$0.4m favourable** to budget due to the prefunding of debt and additional interest earned.

Water Supply is **\$0.5m favourable** to budget largely reflecting additional external revenue related to private water supplies.

- Operating Expenditure \$6.1m Favourable**

Public Transport is **\$5.4m favourable** to budget, reflecting timing difference of PT Transformation programme and IFT \$2.7m, lower diesel inflation \$1m, lower marketing costs \$0.3m, lower rail operations costs \$0.8m, and lower project costs (Rail & bus studies and N2A) \$0.2m.

Catchment is **\$1.5m favourable** to budget, reflecting changes in the planned delivery of wetland restoration programmes, river maintenance and lower activity for land management and Akura.

Environment is in line with budget, additional costs to support resource consent activity offset by NRP hearing costs delayed to 17/18.

Strategy is **\$0.7m favourable** to budget, reflecting delays in Regional Transport planned activities and timing of other Strategy programmes.

Corporate Services is **\$0.1m unfavourable** to budget, due to the additional rating costs and agreed resourcing for PMO and LAMP.

People and customer is **\$0.2m unfavourable** to budget due to additional internal IT charges for call centre.

Investment Management is **\$0.5m unfavourable** to budget due to additional funding cost from prefunding of debt and lower internal interest recoveries due to delays in capex and growth in debt levels.

Unbudgeted **Earthquake** recovery costs to date are **\$0.9m**. This amount *excludes* insurance proceeds, which will be determined once the claims process is completed.

- Capital Expenditure \$13.0m Favourable**

Public Transport is **\$4.1m favourable** to budget due to the timing of expenditure on the Waikanae park and ride \$0.8m and the remainder reflecting timing in bus shelters upgrades, station upgrades and lower heavy maintenance.

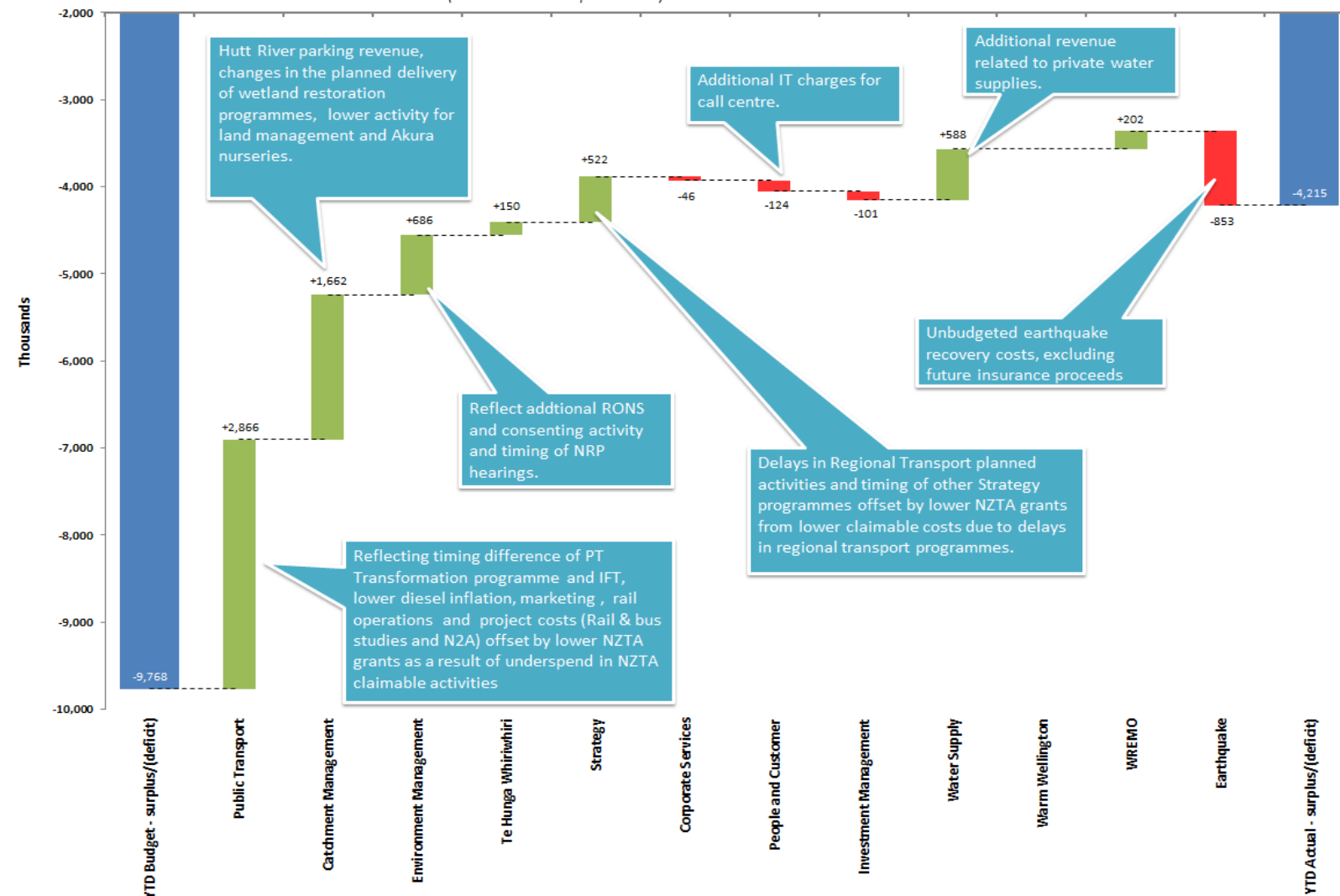
Catchment is **\$3.1m favourable** to budget due to timing of property acquisitions for the Hutt River Flood Protection Upgrade (Riverlink.) The Waiohine stop bank design is on hold until completion of the Waiohine flood management plan.

Environment is **\$2.8m favourable** to budget reflecting timing of Collaborative Modelling project expenditure and delays with the Pencarrow and Hinds Point light upgrades for Harbours.

Corporate Services is **\$2.1m favourable** to budget reflecting later than planned expenditure on ICT initiatives, primarily the core system refresh project.

Operating Surplus/(Deficit): YTD Budget v. YTD Actual

(numbers exclude Capex revenue)



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	175,141	175,371	230	177,415	178,567	1,152	1%	(2,274)	(3,196)	922	29%
Catchment Management	36,173	36,119	55	28,246	29,128	882	3%	7,928	6,991	937	13%
Environment Management	28,195	27,055	1,140	27,228	27,296	67	0%	967	(240)	1,207	502%
Te Hunga Whiriwhiri	900	899	1	950	888	62	7%	(50)	11	61	561%
Strategy	11,870	11,620	250	12,782	12,607	174	1%	(912)	(987)	76	8%
Corporate Services	8,957	8,969	12	16,351	15,911	439	3%	(7,394)	(6,942)	452	7%
People and Customer	1,645	1,685	40	8,859	8,375	485	6%	(7,214)	(6,689)	525	8%
Investment Management	555	2,974	2,419	(4,065)	(4,352)	287	7%	4,621	7,326	2,705	37%
Water Supply	30,617	30,117	500	36,349	35,603	745	2%	(5,731)	(5,486)	245	4%
Warm Wellington	3,370	3,089	281	3,370	3,089	281	9%	0	(0)	0	100%
WREMO	3,364	3,364	0	3,094	3,094	0	0%	270	270	0	0%
Earthquake 2016	80	0	80	1,163	0	1,163	100%	(1,084)	0	1,084	100%
TOTAL	300,868	301,263	395	311,741	310,206	1,535	0%	(10,873)	(8,943)	1,930	22%

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	114,549	117,050	2,501	113,600	118,967	5,367	5%	948	(1,918)	2,866	149%
Catchment Management	24,008	23,891	117	17,149	18,694	1,545	8%	6,859	5,197	1,662	32%
Environment Management	18,984	18,226	758	17,900	17,828	72	0%	1,085	399	686	172%
Te Hunga Whiriwhiri	600	599	1	408	557	149	27%	192	43	150	351%
Strategy	7,556	7,724	168	7,702	8,392	690	8%	(146)	(668)	522	78%
Corporate Services	6,035	5,980	55	10,703	10,601	101	1%	(4,668)	(4,621)	46	1%
People and Customer	1,038	970	68	5,791	5,599	191	3%	(4,753)	(4,629)	124	3%
Investment Management	(2,958)	(3,395)	437	(2,345)	(2,883)	538	19%	(613)	(512)	101	20%
Water Supply	20,587	20,078	509	23,413	23,492	79	0%	(2,826)	(3,414)	588	17%
Warm Wellington	2,057	2,059	3	2,057	2,059	3	0%	0	(0)	0	100%
WREMO	2,469	2,416	53	1,911	2,060	149	7%	559	356	202	57%
Earthquake 2016	79	0	79	931	0	931	100%	(853)	0	853	100%
TOTAL	195,004	195,599	594	199,219	205,366	6,147	3%	(4,215)	(9,768)	5,553	57%

Statement of Revenue and Expense

\$000	%	YEAR TO DATE				FULL YEAR			
		Actual YTD	Budget YTD	Variance	%	Forecast	Total Budget	Variance	%
OPERATING REVENUE									
Rates		76,676	76,692	17	0%	115,040	115,040	0	0%
Subsidies & Grants		42,775	46,541	3,766	8%	68,469	69,944	1,475	2%
Other Revenue		72,511	69,929	2,583	4%	113,143	109,737	3,406	3%
Finance Revenue		3,042	2,437	605	25%	4,216	6,542	2,326	36%
REVENUE		195,004	195,599	594	0%	300,868	301,263	395	0%
OPERATING EXPENDITURE									
Personnel Expense		28,067	29,022	955	3%	42,891	43,557	666	2%
Material & Contractor/Consultant Expense		41,683	44,971	3,288	7%	72,362	68,733	3,629	5%
Depreciation & Amortisation Expense		11,991	11,672	319	3%	18,247	17,508	740	4%
Grants & Subsidy Expense		95,659	99,068	3,409	3%	146,177	149,268	3,090	2%
Finance Expense		10,819	10,804	15	0%	16,373	16,534	161	1%
Other Expense		11,000	9,829	1,171	12%	15,691	14,608	1,083	7%
TOTAL EXPENDITURE		199,219	205,366	6,147	3%	311,741	310,206	1,535	0%
OPERATING SURPLUS/(DEFICIT)		(4,215)	(9,768)	5,553	57%	(10,873)	(8,943)	1,930	22%
Subsidies & Grants - Capex		6,646	9,072	2,425	27%	14,938	15,461	522	-3%
SURPLUS/(DEFICIT)		2,432	(696)	3,127	-449%	4,066	6,518	2,452	38%

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 projects)	16,999	21,057	4,058	28,491	31,639	3,148	10%
Catchment Management	7,623	10,720	3,097	17,484	21,669	4,184	19%
Environment Management	1,357	4,165	2,807	6,280	6,968	689	10%
Strategy	31	295	264	412	412	0	0%
Corporate Services	302	2,427	2,125	3,205	3,665	460	13%
People and Customer	0	300	300	350	350	0	0%
Investment Management	431	319	112	419	379	40	11%
Water Supply	1,689	2,258	569	4,010	4,020	10	0%
Earthquake 2016	152	0	152	0	0	0	0%
TOTAL	28,584	41,541	12,957	60,651	69,102	8,451	12%

Cross Council Overview Financial Summary (Cont.)

	Feb-17	Jun-17	Jun-16
\$000	Actual	Budget	Actual
ASSETS			
Bank	(5,088)	(669)	2,281
Receivables	25,838	18,724	16,258
Accrued Revenue and Prepayments	28,312	32,430	25,941
Inventory	3,107	3,119	3,097
Other Investments	114,831	85,118	94,035
Derivative Financial Instruments	(55,108)	(38,092)	(55,108)
Investment in Subsidiaries	231,215	272,902	231,215
Fixed Assets	930,160	994,394	924,310
Accumulated Depreciation	(85,833)	(90,848)	(74,140)
Asset Under Construction	22,896	12,596	17,156
TOTAL ASSETS	1,210,328	1,289,674	1,185,045
LIABILITIES			
Current Liabilities	23,817	121,103	95,496
Non-current liabilities	352,076	280,000	255,583
TOTAL LIABILITIES	375,894	401,103	351,079
NET ASSETS	834,435	888,571	833,966
EQUITY			
Retained Earning	322,700	385,017	318,761
Asset Revaluation Reserves	476,287	476,964	475,794
Other Reserves	35,448	26,590	39,411
TOTAL EQUITY	834,435	888,571	833,966

Compliance with Treasury Risk Management Policy

As at 28 February 2017

Total Council Limit Compliance Analysis	Compliant				Compliant		
	Yes	No	actual %		Yes	No	actual %
Debt Interest Rate Policy Parameters				Counterparty 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%	✓	75%			
year 1		45% - 95%	✓	88%			
year 2		40% - 90%	✓	79%			
year 3		35% - 85%	✓	70%			
year 4		30% - 80%	✓	57%			
year 5		25% - 75%	✓	55%			
year 6		15% - 70%	✓	48%			
year 7		5% - 65%	✓	46%			
year 8		0% - 60%	✓	41%			
year 9		0% - 55%	✓	33%			
year 10		0% - 50%	✓	19%			
year 11		0% - 45%	✓	10%			
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				Other counterparty exposure within policy limits	✓		
0 - 3 years		15% - 60%	✓	35%			
3 - 5 years		15% - 60%	✓	25%			
> 5 years		10% - 60%	✓	40%			
				Maximum counterparty exposure with a NZ registered bank is within \$86 million limit	✓		
				The repricing of liquid financial investments are to occur within the following timebands			
				0 -1 year	40% - 100%	✓	86%
				1 - 3 years	0% - 60%	✓	9%
				3 - 5 years	0% - 40%	✓	5%
				5 -10 years	0% - 20%	✓	0%
				Core Council External Borrowing Limits - Ratios			
				Net interest / Total Revenue < 20%	✓		4.1%
				Net Debt / Total Revenue < 250%	✓		80.8%
				Net interest / Annual rates and levies < 30%	✓		8.2%
				Liquidity > 110%	✓		123%

Compliance with Treasury Risk Management Policy (Cont.)

