

# QUARTERLY REPORT

QUARTER 3 (1 JANUARY–31 MARCH 2014)

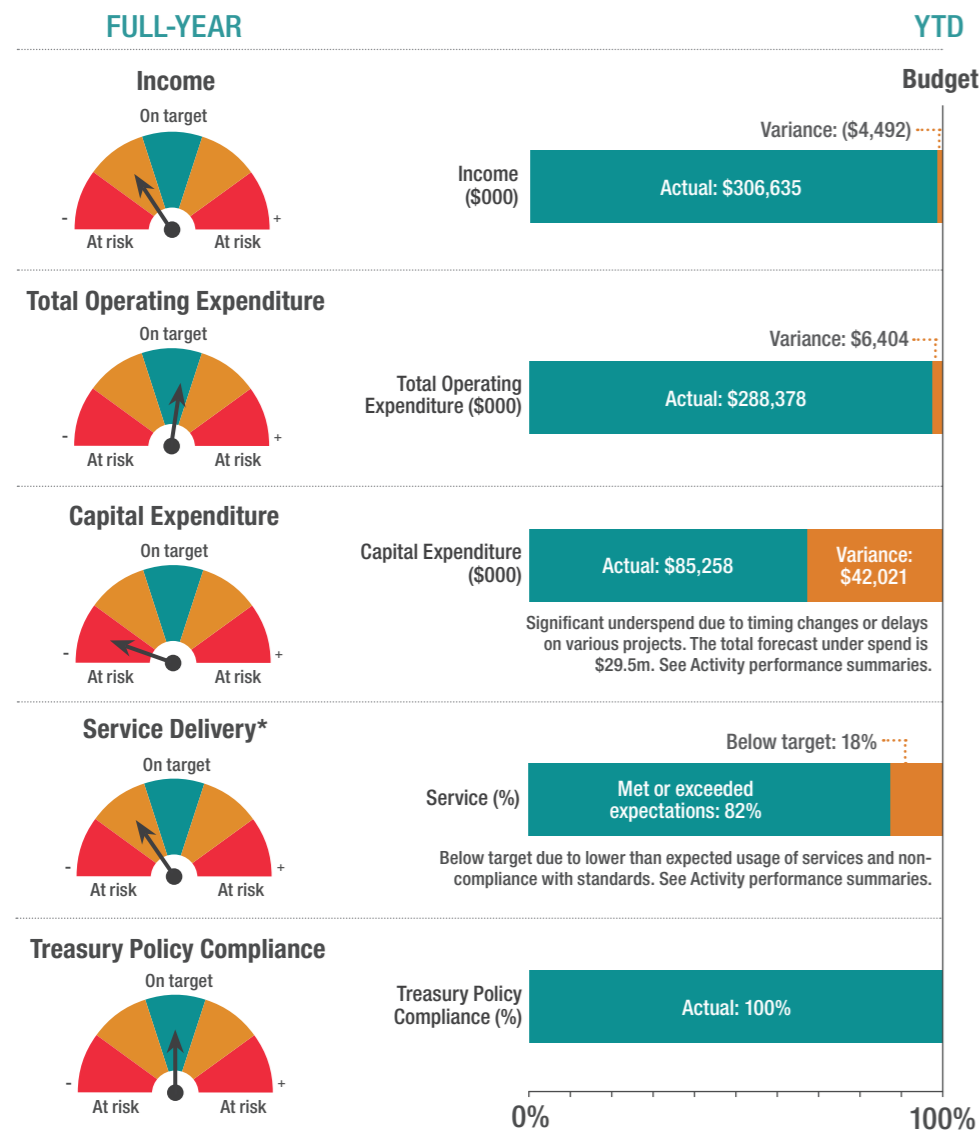
This report summarises the Council's progress in the third quarter of 2013/14 towards fulfilling the intentions outlined in the Annual Plan. Quarterly performance is assessed against:

- Income
- Total Operating Expenditure
- Capital Expenditure
- Service Delivery (KPI performance)
- Treasury Policy compliance.

Areas where there is a risk to or significant variance from budgeted expectations are discussed in the performance summaries for each of the Council's seven activity areas.

Council is making good progress with the major projects it had planned for the year. It also shows that by year-end, the Council will not complete its planned capital expenditure programme and is unlikely to achieve its income targets. This is largely due to delays experienced with capital projects and lower than projected use of services. See activity performance summaries for more information.

## HOW ARE WE PERFORMING?



Note: that the figures for service performance only include key performance indicators (KPI) that are measured on a monthly or quarterly basis. Annual KPIs will be incorporated at year-end (30 June 2014). In some areas, KPIs exceeded their targets by over 20%. These exceptional results are also outlined in the Activity performance summaries.

## FINANCIAL SNAPSHOT

### STATEMENT OF FINANCIAL PERFORMANCE

The Council's consolidated financial performance for the period 1 July 2013 to 31 March 2014 is presented in this section. Positive numbers in the financial statements indicate a favourable variance from budget and negative numbers (represented by brackets) indicate an unfavourable variance from budget.

	YTD 2014			Full Year 2014	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Rates Income	185,161	185,371	(210)	247,684	247,884
Other Income	3,060	2,379	681	13,560	13,070
Lease Income	25,206	24,672	534	33,712	32,912
Interest Income	0	7	(7)	21	10
Income from Activities	86,975	94,947	(7,971)	118,796	125,487
Development Contributions	6,233	3,750	2,483	6,300	5,000
<b>Total Income</b>	<b>306,635</b>	<b>311,127</b>	<b>(4,492)</b>	<b>420,072</b>	<b>424,363</b>
Personnel Expenditure	67,475	66,541	(934)	90,802	88,412
General Expenses	137,009	142,717	5,708	182,492	186,209
Financing Expenditure	15,278	16,473	1,195	20,834	21,964
Depreciation & Loss/Gain on Sale	68,616	69,051	435	95,412	92,108
<b>Total Expenditure</b>	<b>288,378</b>	<b>294,782</b>	<b>6,404</b>	<b>389,540</b>	<b>388,693</b>
<b>Net Operating Surplus/(Deficit)*</b>	<b>18,256</b>	<b>16,344</b>	<b>1,912</b>	<b>30,532</b>	<b>35,670</b>

Note: \*The majority of the Full Year Budget Net Operating Surplus is due to funding received from the Crown to fund capital expenditure projects. External funding for capital expenditure is recorded in financial statements as income but the capital expenditure is not.

The year-to-date net operating surplus of \$18.256m is \$1.912m better than the budgeted surplus of \$16.344m. This favourable variance is attributable to a combination of factors as outlined below.

#### INCOME

Year-to-date total income is under budget by \$4.492m:

- Other income is ahead of budget by \$0.681m due to unbudgeted gains from the disposal of assets and vested income.
- Income from Activities is \$7.971m under budget due to lower funding for the Housing Upgrade Programme due to delays (\$5.249m); lower New Zealand Transport Agency funding (\$0.844m) because of timing differences in the planned capital roading programme; and shortfalls in our income from parking enforcement, building compliance and user fees and charges.
- Development Contributions are \$2.483m higher than budget for the first nine months, due to higher income from several residential developments.

#### EXPENDITURE

Year-to-date total expenditure is under budget by \$6.404 million:

- Personnel Expenditure is \$0.934m over budget due to changes in structure, additional work programmes and the introduction of the living wage from January 2014.
- General Expenses are \$5.708m under budget primarily due to lower contract and professional costs. These cost savings offset the lower income from activities.
- Financing Expenditure is under budget by \$1.195m due to lower levels of borrowings and delays in the capital programme in the first nine months of the year.

#### FULL YEAR FORECAST

The forecast Net Operating Surplus for the year is currently \$5.1m less than budget. This includes \$4.75m delayed government grant income as a result of forecast timing differences in the housing upgrade programme, and \$1m expenditure from the Wellington Economic Initiatives Development Fund (WEID), which was not included in the 2013/14 Annual Plan, that Council agreed to fund up to \$3m this year from reserves. Excluding these two variances, the Council's forecast net operating surplus is \$0.65m better than budget. Other variances contributing to this forecast result include lower revenue from parking, libraries and building consents, and unbudgeted accelerated depreciation offset by lower contract costs, reduced interest expenditure and higher development contribution revenue.

### NET OPERATING EXPENDITURE

Net Operating Expenditure by Activity Area	YTD 2014			Full Year 2014	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Governance	11,530	12,609	1,079	15,750	16,584
Environment	95,541	98,527	2,986	127,958	129,542
Economic Development	15,916	15,582	(335)	20,108	18,894
Cultural Wellbeing	14,249	14,282	33	16,321	16,349
Social and Recreation	27,283	23,309	(3,973)	38,454	32,660
Urban Development	11,817	12,313	496	16,714	16,163
Transport	14,997	16,098	1,101	22,583	21,419
<b>Total Strategy Area</b>	<b>191,332</b>	<b>192,720</b>	<b>1,388</b>	<b>257,888</b>	<b>251,611</b>
Council	(209,588)	(209,064)	524	(288,421)	(287,281)
<b>Total</b>	<b>(18,256)</b>	<b>(16,344)</b>	<b>1,912</b>	<b>(30,532)</b>	<b>(35,670)</b>

### CAPITAL EXPENDITURE

Capital Expenditure by Activity Area	YTD 2014			Full Year 2014	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Governance	4	92	88	45	110
Environment	16,548	25,279	8,731	29,893	34,671
Economic Development	2,128	3,999	1,871	3,825	4,295
Cultural Wellbeing	0	19	19	26	26
Social and Recreation	27,307	39,953	12,646	40,951	51,517
Urban Development	10,109	14,439	4,330	18,943	28,983
Transport	19,368	26,049	6,681	31,895	32,975
<b>Total Strategy Area</b>	<b>75,463</b>	<b>109,829</b>	<b>34,366</b>	<b>125,579</b>	<b>152,578</b>
Council	9,795	17,450	7,655	17,338	19,884
<b>Total</b>	<b>85,258</b>	<b>127,279</b>	<b>42,021</b>	<b>142,917</b>	<b>172,462</b>

### STATEMENT OF BORROWINGS

Total committed borrowing facilities as at the end of March are \$440.5m providing headroom of \$99.5m. Our liquidity ratio is at 120% compared to the policy minimum of 110%.

	YTD 31 March 2014 \$000	30 June 2013 \$000
Facilities at start of year	429,000	411,000
New/matured facilities (net)	11,500	18,000
Facilities at end of period	440,500	429,000
Borrowings at start of year	341,000	337,760
Change in core borrowing + (-)	10,754	3,240
Repayment of loans + (-)		
Change in working capital requirement + (-)	(10,754)	-
Net borrowings at end of period	341,000	341,000
Plus unutilised facilities	99,501	88,000
<b>Total borrowing facilities available</b>	<b>440,500</b>	<b>429,000</b>

Note: 'Borrowing facilities' excludes \$5m of uncommitted funding lines. Facilities do not include short term commercial paper or deposits.

### TREASURY POLICY COMPLIANCE

At 31 March 2014, all of the core policy compliance requirements were achieved as shown as below.

#### PRUDENTIAL TREASURY LIMITS

Prudential limits	Policy limit (%)	Actual (%)	Compliance
Borrowings as a % of equity	<10	5.2	Yes
Borrowings as a % of income	<150	80.4	Yes
Net interest as a % of annual rates income	<20	8.4	Yes

Notes: Equity is based on the 2013/14 annual plan. Net interest is actual. Annual Rates and Income are based on 2013/14 annual plan.

Interest rate risk control limits (interest rate exposure)	Policy limit (%)	Actual (%)	Compliance
Fixed interest proportion	50–95	94	Yes
Broken down: 0–3 year bucket	20–60	28	Yes
Broken down: 3–5 year bucket	20–60	24	Yes
Broken down: 5–10 year bucket	20–60	48	Yes

Liquidity/funding risk (access to funds)	Policy limit (%)	Actual (%)	Compliance
Liquidity/funding risk (access to funds)	>110	120	Yes
Broken down: 0–3 year bucket	20–60	53	Yes
Broken down: 3–5 year bucket	20–60	24	Yes
Broken down: 5–10 year bucket	15–60	23	Yes

Note: 'Liquidity' is defined as: Current borrowings + committed loan facilities divided by 12 month peak borrowings (for the purposes of measuring liquidity short dated Commercial Paper is excluded).

# KEY PROGRAMMES

		Q1 Actual (1 July–30 Sept 2013)	Q2 Actual (1 October–31 Dec 2013)	Q3 Actual (1 January–31 March 2014)	Q4 Planned (1 April–30 June 2014)	
Committee	Programme	Milestones				
<b>GOVERNANCE</b> Engage and maintain people's confidence in decision-making	<b>ELECTION PROJECT</b>	Election project	Election project completed			
	<b>ANNUAL PLAN</b>		Draft 2014/2015 Annual Plan finalised	Draft 2014/2015 Annual Plan consultation	2014/2015 Annual Plan adopted	
<b>ECONOMIC GROWTH AND ARTS</b> Contribute to the city's economic wellbeing and prosperity	<b>DESTINATION WELLINGTON</b>	Developed targeted promotional materials to attract overseas businesses and students to Wellington Attended key industry events (e.g. World Education Expo in Hanoi) to increase awareness of Wellington as an educational destination and Wellington's share of international students	Developed a talent strategy for Wellington Ran in-market screen attraction campaigns in the US and Europe	Business Attraction – presence at South by South-West event in Austin Texas; ran Animfx conference; Game Developers Conference in San Francisco Talent Attraction – General Managers Roundtable Screen Attraction – Locations Tradeshow in Los Angeles Student Attraction – China International Education Exhibition Tour in Beijing and Shanghai	Business Attraction – exhibiting at the CeBit Technology Event in Sydney Talent Attraction – exhibition at the Down Under Live Events in UK; hosting an ICT talent event in London; Wellington Recruiters Roundtable session Mayoral delegation to China and Japan	
	<b>8 BIG IDEAS</b>				Conference Centre – feasibility work progressing	Conference Centre – Council consideration
						Airport Runway Extension – assessment of potential economic and non-monetary impacts
				Tech Hub – stakeholder engagement	Tech Hub – concept development	
					Film Museum – concept development	
<b>EVENTS</b>	Bledisloe Cup: All Blacks vs. Australia – 24 August WOW awards – 26 September to 6 October	Diwali Festival – 27 October Sky Show – 9 November FIFA World Cup Qualifier – 20 November Capital Christmas – 15 December	Summer City programme – over 80 events including Pasifika Festival – 18 January and Waitangi Day – 6 February NZ Festival – 21 February to 16 March Wellington 7s – 7 to 8 February International Cricket – T20 New Zealand v West Indies – 15 January; ODI Cricket NZ v India – 31 January; New Zealand v India – 14 to 18 February Homegrown Music Festival – 15 February	ANZAC Day – 25 April AFL Game St Kilda v Brisbane Lions – 25 April Wellington Fashion Week – 9 to 13 April Wellington Jazz Festival – 6 to 8 June		
<b>COMMUNITY, SPORTS AND RECREATION</b> Build strong, safe, healthy communities for a better quality of life	<b>HOUSING UPGRADE PROJECT</b> Provide affordable housing to those in need	Arlington – Councillors reviewed indicative business case, and gave approval to proceed		Arlington – detailed business case under development	Arlington – detailed business case to Councillors for approval. Tender for consultation	
		Marshall Court – Resource Consent enabling works	Marshall Court – main construction contract starts 23 October	Marshall Court – construction progressing to schedule	Marshall Court – construction	
		Kotuku – Preliminary Design approved	Kotuku – initial design to be completed by December 2013	Kotuku – detailed design being developed	Kotuku – detailed design to be completed. Tender main construction	
		Berkeley Dallard and Etona – construction		Berkeley Dallard – construction progressing to schedule Etona – scope of works agreed and construction commenced	Berkeley Dallard – construction complete Etona – construction	

# KEY PROGRAMMES

		Q1 Actual (1 July–30 Sept 2013)	Q2 Actual (1 October–31 Dec 2013)	Q3 Actual (1 January–31 March 2014)	Q4 Planned (1 April–30 June 2014)	
Committee	Programme	Milestones				
<b>COMMUNITY, SPORTS AND RECREATION</b> Build strong, safe, healthy communities for a better quality of life	<b>SOCIAL &amp; RECREATION PROJECTS</b> Encourage and enable people of all ages to engage to live active, healthy lifestyles	Alex Moore Park – resource consent gained, detailed design completed and contracts finalised	Alex Moore Park – tender let and construction commenced	Alex Moore Park – construction well advanced with the majority of the synthetic grass installed	Alex Moore Park – construction completed Official opening planned for 17 May	
		Grasslees Reserve Upgrade – resource consent gained and detailed design completed	Grasslees Reserve Upgrade – tender let	Grasslees Reserve Upgrade – playground equipment installed, surrounding grass area seeded Works on the Luckie Street and Davies Street side near completion New pedestrian bridge installed onto abatements	Grasslees Reserve Upgrade – construction completed, and official opening	
		Clyde Quay Boat Harbour Public Space Improvements – pricing and contractor confirmed, MOU in development	Clyde Quay Boat Harbour Public Space Improvements – work programme underway	Clyde Quay Boat Harbour Public Space Improvements – MOU with Royal Port Nicholson Yacht Club signed in March Feasibility/investigative reports underway	Clyde Quay Boat Harbour Public Space Improvements – feasibility/investigative report due late April	
		Couch Grass Trial – Evans Bay Park confirmed as location, pricing and contractor confirmed	Couch Grass Trial – work to start early November	Couch Grass Trial – work completed. Couch grass continued to establish and is in the “grow in” period	Couch Grass Trial – park back in use	
		Keith Spry Pool – new pools under construction		Keith Spry Pool – new pools under construction Eastern change rooms foundation work completed Drainage work in eastern car park completed	Keith Spry Pool – existing facility to close 17 April for further work on existing building New complex scheduled to open February 2015	
<b>ENVIRONMENT</b> Ensure there are high quality outdoor areas for residents and visitors to enjoy, and the city’s natural resources are sustainably managed through waste minimisation, energy efficiency and management of the three waters (drinking water, stormwater and wastewater)	<b>NATURAL ENVIRONMENT</b> Promote a culture that values the environment and encourages sustainable behaviour	Our Capital Spaces – framework approved by Council on 28 August	Our Capital Spaces – components funded as part of the 2014/15 draft annual plan		Our Capital Spaces – components funded as part of the 2014/15 Annual Plan	
		Our Living City: Two million trees – first planting in August on the Town Belt at Te Ahumairangi Hill Water Sensitive Urban Design (WSUD) – consultation began on the draft guide	Our Living City: Two million trees – first planting at Te Ahumairangi Hill Water Sensitive Urban Design – finalise guide and investigate options in Taranaki and Newtown catchments	Our Living City: Our Living City website – publicly launched Island Bay Sea Wall – undertook community engagement and engineering assessment Submitted the integrated catchment management plan (stage 1) to GWRC	Our Living City: Two million trees – finalise our funding partners for 2014/15 Water Sensitive Urban Design – agree final version of guide Island Bay Sea Wall – decide on Council’s intentions	
		Smart Energy Capital: Agreed Schoolgen partnership with Genesis Energy Extended investment in Warm Up New Zealand – Healthy Homes programme from \$40k to \$100k	Smart Energy Capital: Complete installation of a 5kW solar PV array on the Karori Recreation Centre Warrant of Fitness (WoF) – deliver a voluntary rental housing WoF field test in Wellington Final report on the greenhouse gas emissions inventory produced, and Greenhouse gas projects for 2020 developed Climate Change Action Plan published	Smart Energy Capital: Warrant of Fitness – field test assessments completed Final report on the greenhouse gas emissions inventory produced Confirmed greenhouse gas emissions targets to 2020 Confirmed first 10 schools to go through Schoolgen project	Smart Energy Capital: Outline investment into the 2014/15 Smart Energy Capital Warrant of Fitness – field test evaluation completed and decisions made on future involvement City greenhouse gas projections produced out to 2020	
	<b>WATER</b> Ensure Wellingtonians have access to high-quality water	Seismic strengthening – Seismic strengthening work is being undertaken on the Maldive, Maupuia and Linden Reservoirs				Seismic strengthening – Maldive and Maupuia Reservoirs will be completed in June 2014; design work on the Linden Reservoir is due for completion in June 2014, construction will occur in 2014/15
		Firefighting – firefighting water main upgrades were completed for 2013/14	Emergency water tanks – to be installed in Miramar, Newtown and Brooklyn	Emergency water tanks – installed in Houghton Bay, Seatoun, Brooklyn, Island Bay, Berhamphore and Te Aro		Emergency water tanks – four sites being assessed for Resource Consent in Crofton Downs, Churton Park, Johnsonville and Karori West. Two of these will be installed in this quarter, the other two in 2014/15
		Capacity Infrastructure Services Ltd – Upper Hutt and Porirua City Councils join Wellington and Hutt City Councils as shareholders of Capacity Infrastructure Services Ltd.				

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		Q1 Actual (1 July–30 Sept 2013)	Q2 Actual (1 October–31 Dec 2013)	Q3 Actual (1 January–31 March 2014)	Q4 Planned (1 April–30 June 2014)	
Committee	Programme	Milestones				
<b>TRANSPORT AND URBAN DEVELOPMENT</b> Foster a compact, vibrant, attractive and safe city that is easy to navigate	<b>URBAN DEVELOPMENT</b> Foster a compact, vibrant, attractive and safe city that is easy to navigate	Memorial Park – tunnel construction underway (expected to be completed in December 2014)				
		Greening of Taranaki Street – feasibility studies/concept design	Greening of Taranaki Street – concept design			
		Parliamentary Precinct – concept design	Parliamentary Precinct – concept design	Parliamentary Precinct – detailed design	Parliamentary Precinct – detailed design and construction tender documentation	
		Lombard Lane – concept design	Lombard Lane – concept design			
		Opera House Lane – in construction	Opera House Lane – construction partly completed	Opera House Lane – construction completed		
	<b>EARTHQUAKE RESILIENCE</b> Help make the city safer and more resilient in a major earthquake event	Earthquake Strengthening Programme – Civic Square portico closed, preparation for deconstruction commences	Earthquake Strengthening Programme: Civic Square portico closed, preparation for deconstruction commences Town hall closed for strengthening – contract for strengthening is signed	Earthquake Strengthening Programme: Civic Square tender prepared Town Hall project under review Tawa Library strengthening completed Thistle Hall closed and strengthening commenced	Earthquake Strengthening Programme: Civic Square Portico deconstruction underway Thistle Hall strengthening continues Town Hall evaluation complete, recommendations presented to Council Network Newtown strengthening under way Clarrie Gibbons strengthening complete	
					Overseas Passenger Terminal – wharf, seawall and fender work	Overseas Passenger Terminal – building construction largely completed
	<b>WELLINGTON WATERFRONT</b> Enhance enjoyment of the city and contribute to our 'sense of place'	Shed 6 – completion of temporary venue				
		Queens Wharf – completion of Shed 6 wharf strengthening		Frank Kitts Park playground – continued working on plans		
				Queens Wharf – investigated feasibility of activities for this area		
				Taranaki Street Wharf – dive platform issues resolved		
				North Kumutoto Proposal – report/briefing on North Kumutoto proposal	North Kumutoto Proposal – public consultation on North Kumutoto proposal	North Kumutoto Proposal – Council decision
	<b>TRANSPORT</b> Enable people and goods to move through the city safely and efficiently	Public Transport Spine Study – public consultation on report and associated documentation closed on 30 September	Public Transport Spine Study – subcommittee undertakes hearings on 26 November and 2 December then reports to Regional Transport Committee on 19 December	Public Transport Spine Study – partners determine positions on hearings subcommittee recommendations for Regional Transport Committee meeting in February	Public Transport Spine Study – business case for detailed investigation of preferred option completed	
		State Highway Projects – Council submission on Basin Bridge project to 'support in part' and 'grant with conditions'	State Highway Projects – review Basin Bridge submissions and finalise 'expert' evidence in support of Council submission	State Highway Projects – expert evidence delivered to Basin Bridge Board of Inquiry	State Highway Projects – engage with NZTA on detailed mitigation design	
Cycling – Tawa Shared Pathway under construction		Cycling: Tawa Shared Pathway nearing completion Island Bay to CBD early engagement with those impacted by options	Cycling: Consultation undertaken for Island Bay route from Shorland Park to Wakefield Park. Citizens panel to refine options for Island Bay route from Wakefield Park to John Street underway Suburban master plans progressed and community engagement commenced for Kilbirnie, Miramar and Tawa/Linden			
Hataitai Bus Tunnel – seismic risk assessment		Hataitai Bus Tunnel – evaluation of assessment completed	Hataitai Bus Tunnel – Issued Request for Tender for design services and construction monitoring	Hataitai Bus Tunnel – complete detailed design for the preferred strengthening option		
Johnsonville Roading Improvements – submitted joint funding application (WCC and NZTA's Highways Network Operations Group) to NZTA's Planning and Investment Group. Total cost of project \$10.1M with funding assistance sought at 54%		Johnsonville Roading Improvements – NZTA approval notified subject to some matters of detail to be completed. Start design work	Johnsonville Roading Improvements – NZTA funding approval and processes confirmed; joint working protocols developed; public engagement commenced	Johnsonville Roading Improvements – further technical refinements to the project continuing; public Information Day planned for 8 April; negotiations underway for design and construction service		
				Waitangi Precinct – continue investigating feasibility work for a proposed transition site		