

QUARTERLY REPORT

QUARTER THREE (1 JANUARY – 31 MARCH 2015)

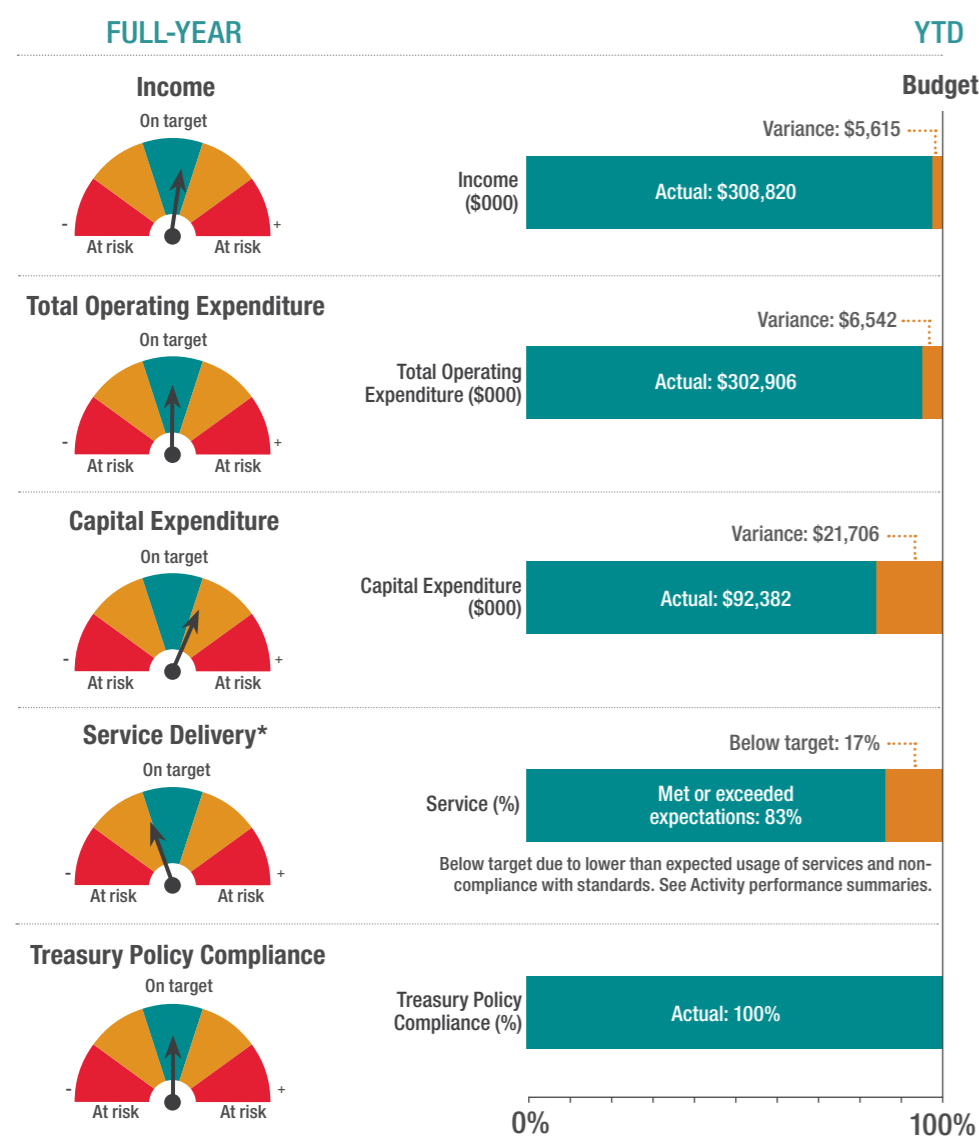
This report summarises the Council's progress in the third quarter of 2014/15 towards fulfilling the intentions outlined in the Annual Plan. Quarterly performance is assessed against:

- 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 and is largely on track to meet year-end targets. Service performance exceptions are mainly due to lower than forecast 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 2015). In some areas, KPIs exceeded their targets by over 10%. 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 2014 to 31 March 2015 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 2014/15			Full year 2014/15	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Rates Income	191,509	191,450	59	254,667	255,267
Other Income	1,889	2,011	(121)	11,423	13,681
Lease Income	27,592	27,376	215	36,245	36,574
Interest Income	0	33	(33)	8	44
Income from Activities	86,185	80,835	5,350	129,765	123,205
Development Contributions	1,645	1,500	145	2,000	2,000
Total Income	308,820	303,205	5,615	434,108	430,771
Personnel Expenditure	73,318	73,248	(70)	96,907	97,678
General Expenses	141,711	142,333	622	200,378	200,245
Financing Expenditure	14,890	17,281	2,390	20,897	23,041
Depreciation & Loss/Gain on Sale	72,986	76,585	3,599	98,194	102,164
Total Expenditure	302,906	309,448	6,542	416,376	423,127
Net Operating Surplus/(Deficit)	5,914	(6,243)	12,157	17,732	7,644

The year-to-date net operating surplus of \$5.914m is \$12.157m better than the budgeted deficit of \$6.243m. This favourable variance is attributable to a combination of factors as outlined below.

INCOME

Year-to-date total income is above budget by \$5.615m:

- Income from Activities is \$5.350m above budget mainly due to higher New Zealand Transport Agency funding (\$4.7m) for the capital roading programme and recognition of increased government funding from the housing upgrade programme (\$0.703m).

EXPENDITURE

Year-to-date total expenditure is under budget by \$6.542m:

- Depreciation & Loss/Gain on Sale is \$3.599m under budget largely due to savings as a result of lower infrastructure asset values at 30 June 2014 than forecast. These differences will be permanent.
- Financing Expenditure is under budget by \$2.390m due to lower levels of borrowings resulting from 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 \$10.1m more than budget. This includes \$4.0m of depreciation savings resulting from lower infrastructure asset values at 30 June 2014, \$6.1m additional funding from the New Zealand Transport Agency funding in respect of the capital roading programme, \$1.3m recognition of additional government grant income from the housing upgrade programme and \$2.1m of financing expenditure savings due to a more favourable borrowings position. Offsetting these favourable forecast variances is lower revenue from parking, pools and fitness centres, the ASB centre and building consents (\$3.1m), and Council-approved overspends for Community Events and the Events Development Fund (\$1.6m).

NET OPERATING EXPENDITURE

	YTD 2014/15			Full Year 2014/15	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Governance	10,543	10,837	294	14,281	14,438
Environment	94,200	101,308	7,108	126,371	133,486
Economic Development	18,487	19,466	979	24,770	23,774
Cultural Wellbeing	15,575	14,975	(600)	18,047	17,190
Social and Recreation	37,852	38,319	466	49,945	50,228
Urban Development	15,121	14,413	(707)	20,346	19,270
Transport	17,149	18,536	1,387	24,405	25,028
Total Activity Area	208,927	217,854	8,927	278,166	283,414
Council	(214,841)	(211,611)	3,230	(295,897)	(291,058)
Total	(5,914)	6,243	12,157	(17,732)	(7,644)

CAPITAL EXPENDITURE

	YTD 2014/15			Full Year 2014/15	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Environment	18,116	26,645	8,530	33,122	33,216
Economic Development	1,339	2,030	691	2,471	2,471
Cultural Wellbeing	113	1,875	1,763	2,321	2,321
Social and Recreation	20,913	23,440	2,527	31,421	30,775
Urban Development	13,430	14,037	608	25,714	23,058
Transport	28,522	30,637	2,115	42,612	39,803
Total Activity Area	82,432	98,665	16,233	137,661	131,644
Council	9,949	15,423	5,474	19,297	20,369
Total	92,382	114,088	21,706	156,958	152,013

Year to date

Year to date underspend is due to several projects being behind schedule: Water and Sewer Network renewals project \$5.1m offset by unbudgeted external funding \$4.8 m (net forecast overspend \$0.3m); Victoria Street upgrade \$4.9m offset by unbudgeted external funding \$2.2m (net forecast overspend \$2.7m); and the Housing Upgrade Programme (Kotuku project) \$1.4m (ahead of budget - to be brought forward from 2015/16). The forecast overspends are offset by forecast project underspends of \$11.0m.

Full year forecast

The full year forecast includes forecast overspends in three large projects: Johnsonville Triangle roading project \$5.1m offset by unbudgeted external funding \$4.8 m (net forecast overspend \$0.3m); Victoria Street upgrade \$4.9m offset by unbudgeted external funding \$2.2m (net forecast overspend \$2.7m); and the Housing Upgrade Programme (Kotuku project) \$1.4m (ahead of budget - to be brought forward from 2015/16). The forecast overspends are offset by forecast project underspends of \$11.0m.

STATEMENT OF BORROWINGS

Total committed borrowing facilities are \$451.5m providing headroom of \$111.5m. Our liquidity ratio is at 112% compared to the policy minimum of 110%.

	Forecast 30 June 2015 \$000	YTD 31 March 2015 \$000	30 June 2014 \$000
Facilities at start of year	460,500	460,500	429,000
New/matured facilities (net)	(9,000)	(9,000)	31,500
Facilities at end of period	451,500	451,500	460,500
Borrowings at start of year	348,000	348,000	341,000
Change in core borrowing + (-)	22,457	16,843	6,638
Repayment of loans + (-)	-	-	-
Change in working capital requirement + (-)	(1,457)	(24,843)	362
Net borrowings at end of period	369,000	340,000	348,000
Plus unutilised facilities	82,500	111,500	112,500
Total borrowing facilities available	451,500	451,500	460,500

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

TREASURY POLICY COMPLIANCE

All of the core policy compliance requirements were achieved as shown below.

PRUDENTIAL TREASURY LIMITS

Prudential limits*	Policy limit (%)	Actual (%)	Compliance
Borrowings as a % of equity	<10	5.3	Yes
Borrowing as a % of income	<150	86.1	Yes
Net interest as a % of annual rates income	<20	8.2	Yes

Interest rate risk control limits (interest rate exposure)	Policy limit (%)	Actual (%)	Compliance
Fixed interest proportion	50-95	92	Yes
Broken down: 0-3 year bucket	20-60	20	Yes
Broken down: 3-5 year bucket	20-60	21	Yes
Broken down: 5-10 year bucket	20-60	59	Yes

Liquidity/funding risk (access to funds)**	Policy limit (%)	Actual (%)	Compliance
Liquidity/funding risk (access to funds)	>110	112	Yes
Broken down: 0-3 year bucket	20-60	52	Yes
Broken down: 3-5 year bucket	20-60	28	Yes
Broken down: 5-10 year bucket	15-60	20	Yes

* Equity is based on the 2014/15 annual plan. Net interest is actual. Annual rates and income are based on 2014/15 annual plan.

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

KEY PROGRAMMES

		Q1 Actual (1 Jul–30 Sep 2014)	Q2 Actual (1 Oct–31 Dec 2014)	Q3 Actual (1 Jan–31 Mar 2015)	Q4 Planned (1 Apr–30 Jun 2015)
Committee	Programme	Milestones			
GOVERNANCE	ACCOUNTABILITY AND PLANNING	Annual Report adopted			
		Long-term plan: <ul style="list-style-type: none"> Workshop series commenced. 	Long-term plan: <ul style="list-style-type: none"> Financial strategy. Infrastructure strategy. Programme overview. 	Long-term plan: <ul style="list-style-type: none"> Funding and financial policies. Performance framework. Adopt draft plan documents and consultation document. 	Long-term plan: <ul style="list-style-type: none"> Consultation. Adopt final plan.
		Mid-term capex review – \$15m investment package adopted and to be implemented, including: <ul style="list-style-type: none"> Funding for Meet the Locals enclosure at Wellington Zoo. Expansion of City to Sea Museum. Victoria Street transformation in line with Central City Framework. Urban catalyst projects. 			
ECONOMIC GROWTH AND ARTS	ECONOMIC DEVELOPMENT	Region wide consultation on development of Wellington Regional Economic Development Agency (WREDA).	<ul style="list-style-type: none"> WREDA established on 5 December 2014. WREDA Chair (Peter Biggs) and Board appointed. Recruitment process for WREDA Chief Executive commenced. 	<ul style="list-style-type: none"> WREDA transition and implementation. Continue recruitment process for WREDA Chief Executive. Developing draft business plan for 2015/16. To be presented to WRS Committee in April. 	
	8 BIG IDEAS	Convention centre: <ul style="list-style-type: none"> Public consultation undertaken. 	Convention centre: <ul style="list-style-type: none"> Final commercial terms agreed for Council consideration and final decision on proposal. Developer subsequently indicated problems in finalising deal on proposed site. 	Convention centre: <ul style="list-style-type: none"> Progress options for delivery of the project and report back to Council. 	
		Tech hub: <ul style="list-style-type: none"> Developed Expression of Interest (EOI) documentation. 	Tech hub: <ul style="list-style-type: none"> EOI process completed and preferred provider identified. 	Tech hub: <ul style="list-style-type: none"> Business case developed. 	Tech hub: <ul style="list-style-type: none"> Negotiations with preferred partner subject to LTP funding approval. Business case to be considered by Economic Growth and Arts committee.
		Airport runway extension: <ul style="list-style-type: none"> Results of economic impact assessments received. 	Airport runway extension: <ul style="list-style-type: none"> Reports peer reviewed by council officers and external experts. Report back to Council and approval of additional funding to complete RMA approvals process. 	Airport runway extension: <ul style="list-style-type: none"> Wellington Regional Mayoral Forum agreed in principle to fund up to \$150 million towards the project. Continue to develop business case for runway extension. 	Airport runway extension: <ul style="list-style-type: none"> Plan to present updates to the regional councils. Monitor progress of RMA approvals process.
		Film museum: <ul style="list-style-type: none"> Preliminary investigations and concept development continue. 			
MAJOR EVENTS	World of Wearable-Arts – 25 Sep to 12 Oct. Beervana – 22 to 23 Aug. All Blacks v South Africa Test – 13 Sep. LUX Light Festival – 22 Aug to 1 Sep. Oktoberfest – 19 to 20 Sep.	SkyShow – 8 Nov. Toi Māori Art Market – 14 to 16 Nov. Rugby League Four Nations Final – 15 Nov. Capital Christmas – 10 to 24 Dec. New Year's Eve Festival – 31 Dec.	IRB Sevens – 6 to 7 Feb. Homegrown Music Festival – 7 Mar. ICC Cricket World Cup – 14 Feb to 29 Mar. Cuba-Dupa – 28 to 29 Mar.	World Water Ski Racing Championships – 9 to 20 Apr. WW100 and ANZAC Commemorations – 25 Apr. AFL match – 25 Apr. FIFA Under-20 World Cup – 30 May to 20 Jun.	
COMMUNITY SPORTS AND RECREATION	HOUSING UPGRADE	Berkeley Dallard and Etona: <ul style="list-style-type: none"> Construction completed and buildings reoccupied. 			
		Arlington Site 1: <ul style="list-style-type: none"> Business case under development. 			Arlington Site 1: <ul style="list-style-type: none"> Councillor workshop on redevelopment options.
		Arlington Site 2: <ul style="list-style-type: none"> RFP under development. 	Arlington Site 2: <ul style="list-style-type: none"> High-level brief issued to potential suppliers. 	Arlington Site 2: <ul style="list-style-type: none"> RFP issued. 	Arlington Site 2: <ul style="list-style-type: none"> RFP results evaluation. Commence development of detailed design.

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Committee	Programme	Milestones			
COMMUNITY SPORTS AND RECREATION	HOUSING UPGRADE	<p>Marshall Court:</p> <ul style="list-style-type: none"> Under construction. <p>Kotuku:</p> <ul style="list-style-type: none"> Tender evaluation complete. 	<p>Kotuku:</p> <ul style="list-style-type: none"> Construction contract commenced. 	<p>Marshall Court:</p> <ul style="list-style-type: none"> Construction complete. Units let to suitable occupants. <p>Kotuku:</p> <ul style="list-style-type: none"> Under construction. 	<p>Standalone properties renewal and upgrade programme:</p> <ul style="list-style-type: none"> Programme planning and investigation continues. First 15 properties completed.
	RECREATION UPGRADES	<p>Keith Spry Pool:</p> <ul style="list-style-type: none"> Teaching pool and children's pool tanks completed. Maintenance work started on existing pool. 	<p>Keith Spry Pool:</p> <ul style="list-style-type: none"> Upgrade work on new pools and change rooms continued. 	<p>Keith Spry Pool:</p> <ul style="list-style-type: none"> Upgrade work completed and pool opened to the public in February 2015. 	
ENVIRONMENT	WATER UPGRADES	<p>Seismic strengthening:</p> <ul style="list-style-type: none"> Strengthening of Maupuia No1 and No2 reservoirs completed. Melrose reservoir design work completed. 	<p>Seismic strengthening:</p> <ul style="list-style-type: none"> Melrose reservoir tender completed. 	<p>Seismic strengthening:</p> <ul style="list-style-type: none"> Melrose reservoir construction commenced. Completion due January 2016. Auto-shut valve (ASV) at Roseneath No 2 reservoir installed. Linden and Newlands reservoir design work completed. 	<p>Seismic strengthening:</p> <ul style="list-style-type: none"> Linden and Newlands reservoir construction contract awarded. ASV installations at Montgomery, Mt Wakefield and Broadmeadows reservoirs commences.
	NATURAL ENVIRONMENT	<p>Our Capital Spaces:</p> <ul style="list-style-type: none"> Completed pre-engagement for review of Biodiversity Action Plan. Completed sediment reduction plan for Porirua Harbour Strategy. Established interagency planning group for the development of Watts Peninsula as a heritage park. Funding approved for Mountain Bike Economic Growth Initiative (MBEGI) to develop business plan for Wellington as a premier mountain bike destination. 	<p>Our Capital Spaces:</p> <ul style="list-style-type: none"> Biodiversity Strategy approved by Environment Committee to formally consult. Consultation on draft Suburban Reserves Management Plan completed. MBEGI undertaking economic modelling for visitor mountain biking activity in Wellington. 	<p>Our Capital Spaces:</p> <ul style="list-style-type: none"> Consultation completed on Our Natural Capital - Biodiversity Strategy. We received 52 detailed submissions and 26 oral submissions. Completed consultation on Mt Victoria Master Plan. 	<p>Our Capital Spaces:</p> <ul style="list-style-type: none"> Final Biodiversity Strategy to Environment Committee for approval (4 June). Mt Victoria Master Plan finalised. MBEGI completed business plan for Wellington as a premier mountain bike destination.
TRANSPORT AND URBAN DEVELOPMENT	CITY RESILIENCE	<p>Earthquake strengthening of Council buildings:</p> <ul style="list-style-type: none"> Clarrie Gibbons Building strengthening completed. Network Newtown strengthening commenced. Truby King House chimney strengthening completed. Thistle Hall strengthening continues. 	<p>Earthquake strengthening of Council buildings:</p> <ul style="list-style-type: none"> Network Newtown strengthening nearly completed. Portico demolition commenced. Band Rotunda design work commenced. Planning for strengthening chapel and crematorium at Karori Cemetery commenced. Thistle Hall strengthening completed. 	<p>Earthquake strengthening of Council buildings:</p> <ul style="list-style-type: none"> Band Rotunda strengthening plan and tendering process complete. Thistle Hall contract maintenance period complete. 	<p>Earthquake strengthening of Council buildings:</p> <ul style="list-style-type: none"> Band Rotunda remediation complete. Portico demolition completed. Planning for strengthening chapel and crematorium at Karori Cemetery completed.
		<p>Application submitted to the Rockefeller Foundation's "100 Resilient Cities" programme.</p>	<p>Application to "100 Resilient Cities" programme successful.</p>	<p>Wellington City Council part of the New Zealand delegation to the World Conference on Disaster Risk Reduction in Sendai Japan.</p>	<p>Appoint Chief Resilience Officer to lead development of a city resilience strategy.</p>
		<p>Town Hall strengthening project is awaiting further information on options. Alternative use continues to be worked on.</p>			

KEY PROGRAMMES

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Committee	Programme	Milestones			
TRANSPORT AND URBAN DEVELOPMENT	CITY RESILIENCE	<p>Hataitai Bus Tunnel:</p> <ul style="list-style-type: none"> Portal strengthening design and tender documents completed and issued. Public notification of works and stakeholder briefings. 	<p>Hataitai Bus Tunnel:</p> <ul style="list-style-type: none"> Contract awarded and work to strengthen portals commenced in November 2014. Work is progressing on both sides of tunnel with 26% completed to date. <p>Seatoun Tunnel:</p> <ul style="list-style-type: none"> Received draft assessment report. 	<p>Hataitai Bus Tunnel:</p> <ul style="list-style-type: none"> Work to strengthen portals continues with 90% completed. <p>Seatoun Tunnel:</p> <ul style="list-style-type: none"> Contract tender for strengthening work on hold due to request from GWRC to delay work until after the trolley buses are decommissioned in 2017. 	<p>Hataitai Bus Tunnel:</p> <ul style="list-style-type: none"> Work to strengthen portals completed. <p>Seatoun Tunnel:</p> <ul style="list-style-type: none"> Complete detailed design for strengthening work.
	WATERFRONT FRAMEWORK AND WATERFRONT DEVELOPMENT PLAN	<p>North Kumutoto project:</p> <ul style="list-style-type: none"> Council decision on building, long-term lease and public space projects. 	<p>North Kumutoto project:</p> <ul style="list-style-type: none"> Application for resource consent submitted. 	<p>North Kumutoto project:</p> <ul style="list-style-type: none"> Resource consent application process continues. Council planning report lodged with Environment Court. 	
		<p>TSB Arena and Shed 6:</p> <ul style="list-style-type: none"> Investigations commenced. 	<p>TSB Arena and Shed 6:</p> <ul style="list-style-type: none"> Detailed planning completed and tender documentation prepared. 	<p>TSB Arena and Shed 6:</p> <ul style="list-style-type: none"> Work underway to renew exterior cladding. 	
				<p>Waterfront Development Plan</p> <ul style="list-style-type: none"> Agree and consult on draft three-year Waterfront Development Plan (WDP). 	<p>Waterfront Development Plan</p> <ul style="list-style-type: none"> Consider submissions and adopt final WDP including the design of Frank Kitts Park.
	URBAN DEVELOPMENT	<p>Parliamentary precinct:</p> <ul style="list-style-type: none"> Contractor appointed for Cenotaph upgrade. Construction commenced 1 September. 	<p>Parliamentary Precinct:</p> <ul style="list-style-type: none"> All demolition and ground works completed. Work commenced on new staircase and paving. 	<p>Parliamentary Precinct:</p> <ul style="list-style-type: none"> Work completed and space opened up for public use. 	
		<p>Memorial park:</p> <ul style="list-style-type: none"> Arras Tunnel opened and park construction commenced. 	<p>Memorial park:</p> <ul style="list-style-type: none"> Park construction underway. Australian Memorial construction commenced. 	<p>Memorial park:</p> <ul style="list-style-type: none"> Park construction complete. 	
		<p>Kilbirnie town centre phase two:</p> <ul style="list-style-type: none"> Deferred pending confirmation of design brief. 	<p>Kilbirnie town centre phase two:</p> <ul style="list-style-type: none"> Design brief still to confirmed following consultation. Concept design in progress. 	<p>Kilbirnie town centre phase two:</p> <ul style="list-style-type: none"> Detailed design completed and contract awarded (subject to suitable design being confirmed). 	
		<p>Victoria Street:</p> <ul style="list-style-type: none"> Funding and concept design approved and detailed design commenced. 	<p>Victoria Street:</p> <ul style="list-style-type: none"> Detailed design completed and construction commenced. 	<p>Victoria Street:</p> <ul style="list-style-type: none"> Full construction work underway with construction commencing in southern block. 	
		<p>Lombard Lane:</p> <ul style="list-style-type: none"> Design brief being confirmed. 	<p>Lombard Lane:</p> <ul style="list-style-type: none"> Concept design completed. 	<p>Lombard Lane:</p> <ul style="list-style-type: none"> Project placed on hold subject to adjacent building owner removing building and constructing a new one. 	
		TRANSPORT	<p>Island Bay to City Cycle route:</p> <ul style="list-style-type: none"> Section one (Shorland Park to Wakefield Park) design and consultation. Section two (Wakefield Park to John St) planning and preparation for public consultation. 	<p>Island Bay to City Cycle route:</p> <ul style="list-style-type: none"> Section one (Shorland Park to Wakefield Park) design and consultation completed. Committee agreed to final design. Section two (Wakefield Park to John St) planning and preparation for public consultation. 	<p>Island Bay to City cycle route:</p> <ul style="list-style-type: none"> Council vote deferred while cycling framework is developed in more detail.
<p>Johnsonville road improvements:</p> <ul style="list-style-type: none"> Broderick Rd Bridge construction started. 			<p>Johnsonville road improvements:</p> <ul style="list-style-type: none"> Broderick Rd Bridge construction continues. 	<p>Johnsonville road improvements:</p> <ul style="list-style-type: none"> Broderick Rd Bridge construction continued. State Highway One off-ramp work commenced. Other work commenced: Signal works, street and crossing upgrades, and pedestrian and cycling improvements. 	
<p>Public Transport Spine:</p> <ul style="list-style-type: none"> Undertake core spine assessments to determine physical corridor constraints and detailed assessment of core routes based on integration with the Council's cycle planning. 					