

QUARTERLY REPORT

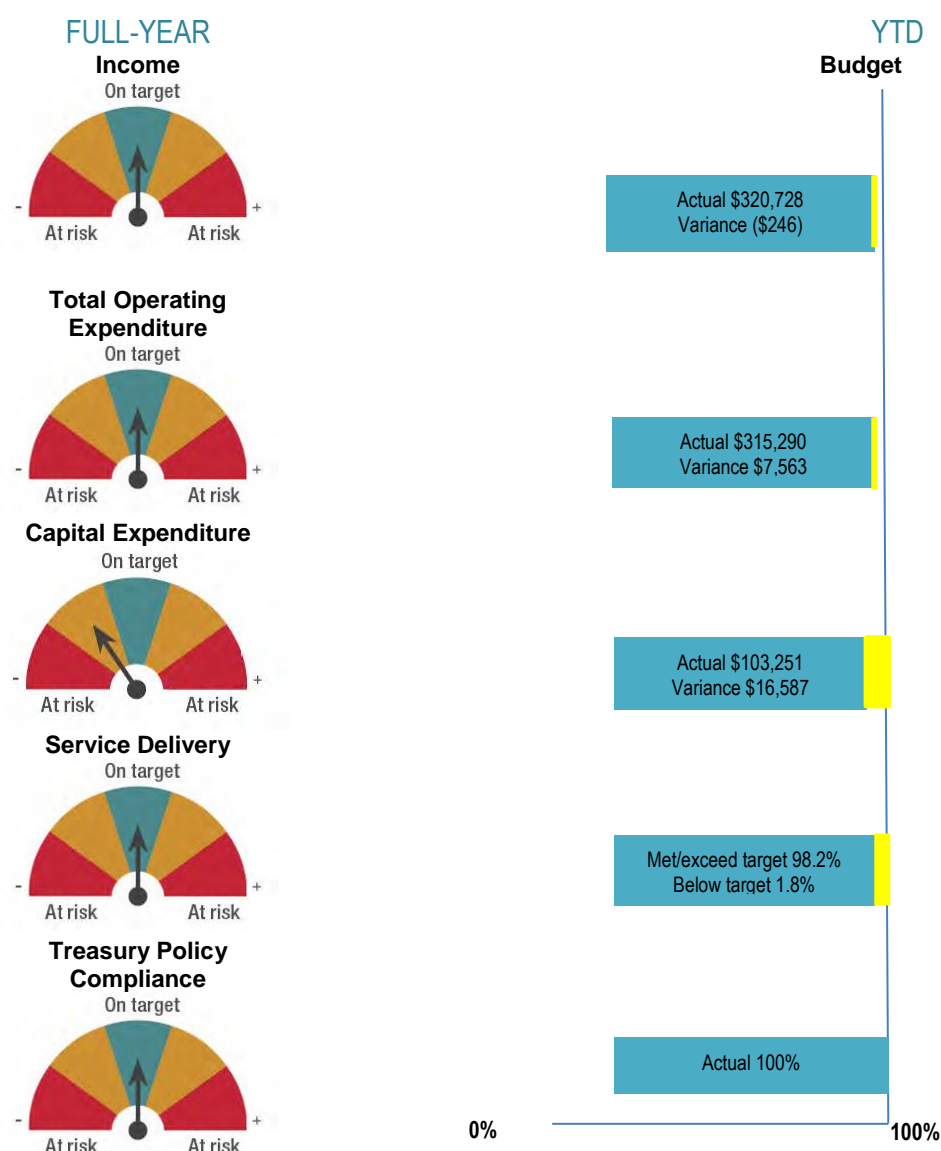
QUARTER 3 (1 JANUARY – 31 MARCH 2016)

This report summarises the Council's progress in the third quarter of 2015/16 towards fulfilling the intentions outlined in the Long-term Plan 2015/25. Quarterly performance is assessed against:

- Income
 - Total operating expenditure
 - Service delivery (KPI performance)
 - Treasury policy compliance
- Areas where there is a risk or significant variance (>10%) 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 outlined in the Long-term Plan 2015/25 and is largely on track to meet year-end targets. See activity performance summaries for more information.

HOW ARE WE PERFORMING?



Note: The figures for service performance only include key performance indicators (KPIs) that are measured on a monthly or quarterly basis. Annual KPIs will be incorporated at year-end (30 June 2016). In some areas KPIs exceeded their targets by over 20%. These exceptional results are outlined in the Activity performance summaries.

FINANCIAL SNAPSHOT

STATEMENT OF FINANCIAL PERFORMANCE

The Council's consolidated financial performance for the period 1 July 2015 to 31 March 2016 is presented in this section.

Note that numbers in brackets indicate an unfavourable variance from budget

	YTD 2016			Full Year 2016	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Rates Income	204,126	202,431	1,695	270,908	270,908
Other Income	4,878	2,060	2,818	17,407	13,746
Lease Income	28,710	28,009	701	37,477	37,405
Interest Income	0	10	(10)	13	13
Income from Activities	81,869	86,964	(5,095)	127,209	135,581
Development Contributions	1,145	1,500	(355)	2,000	2,000
Total Income	320,728	320,974	(246)	455,014	459,653
Personnel Expenditure	74,428	74,383	(45)	99,477	98,665
General Expenses	153,033	156,386	3,353	219,031	219,384
Financing Expenditure	15,496	17,226	1,730	21,526	22,961
Depreciation and Loss/Gain on Sale	72,332	74,857	2,525	97,702	99,797
Total Expenditure	315,290	322,852	7,563	437,735	440,807
Net Operating Surplus/(Deficit)	5,438	(1,878)	7,316	17,279	18,846

The year to date net operating surplus of \$5.438m is \$7.316m better than the budgeted deficit of \$1.878m. This favourable variance is due to a combination of factors as outlined below.

INCOME

Year to date total income is below budget by \$0.246m:

- Other income is \$2.8m above budget due to unbudgeted income from water assets vested to Council since 1 July 2015.
- Rates Income is \$1.7m above budget mainly due to timing variances in the charging of rates penalties compared to budget and higher Water Rate by Meter income due to a combination of slightly higher consumption and seasonal timing variances compared to budget.
- Income from Activities is \$5.1m lower than budget mainly due to lower government grant income for capital projects including the housing upgrade programme (\$5.0m), NZTA and Urban Cycleway Fund (for the Bus Rapid Transport Plan and cycleway network). Unbudgeted income in a number of other areas masks approximately \$3.2m of below budget income in pools and recreation centres, parking enforcement, building consents and inspections and resource consent processing.

EXPENDITURE

Year to date total expenditure is under budget by \$7.563m:

- General Expenses are \$3.3m under budget due to lower contract and maintenance costs in the 3 Waters, transport, parks and property areas; and lower parking-related costs which partly offsets lower enforcement revenue. These underspends are offset by higher professional costs for several major projects.
- Financing Expenditure is under budget by \$1.7m due to lower levels of borrowings and some delays in the capital programme in the first nine months of the year.
- Depreciation and Loss/Gain on Sale is \$2.5m under budget due to slightly lower asset valuations than originally forecast at 30 June 2015.

FULL YEAR FORECAST

The forecast Net Operating Surplus for the year is currently \$1.6m less than budget (0.4% of total expenditure). This is due to lower forecast government grant income from the housing upgrade programme (\$4.3m), lower revenue from NZTA and Urban Cycleway Fund (\$2.5m for the Bus Rapid Transport Plan/NZTA and cycleway network), pools and recreation centres, parking enforcement, and building consents and inspections (\$3.2m), and higher Personnel costs (\$0.8m). Offsetting these unfavourable forecast variances are: \$2.8m unbudgeted income from water assets vested to Council since 1 July 2015; \$2.1m of depreciation savings resulting from lower asset values at 30 June 2015; and \$1.5m of financing expenditure savings due to a more favourable borrowings position.

A range of factors that have resulted in below budget operating revenue forecasts in 2015/16 for pools and recreation centres, parking enforcement and building and resource consents are also expected to put pressure on Council's operating budgets in 2016/17.

NET OPERATING EXPENDITURE

	YTD 2016			Full Year 2016	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Governance	10,639	11,537	899	15,168	15,475
Environment	93,295	100,225	6,930	127,946	132,458
Economic Development	19,760	20,863	1,104	25,139	24,329
Cultural Wellbeing	16,981	15,856	(1,125)	19,853	19,655
Social and Recreation	39,519	37,595	(1,924)	49,259	45,229
Urban Development	15,677	16,015	339	21,969	21,532
Transport	18,213	19,812	1,599	27,569	26,875
Total Activity Area	214,083	221,904	7,821	286,904	285,553
Council	(219,521)	(220,026)	(505)	(304,183)	(304,399)
Total	(5,438)	1,878	7,316	(17,279)	(18,846)

CAPITAL EXPENDITURE

	YTD 2016			Full Year 2016	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Environment	22,743	30,846	8,102	37,678	39,120
Economic development	1,254	1,577	323	1,288	2,418
Cultural Wellbeing	1,758	2,325	567	1,841	2,351
Social and Recreation	17,621	31,616	13,995	32,249	47,133
Urban Development	4,788	12,054	7,266	9,180	18,631
Transport	23,657	29,929	6,272	39,977	43,113
Total Activity Area	71,822	108,347	36,525	122,213	152,767
Council(*)	31,228	11,491	(19,738)	34,558	21,019
Total	103,051	119,838	16,787	156,771	173,786

(*)Includes the unbudgeted purchase of land for the Convention Centre/Film Museum

STATEMENT OF BORROWINGS

Total committed borrowing facilities as at the end of March 2016 are \$511.5m providing headroom of \$119.0m. Our liquidity ratio is at 124% compared to the policy minimum of 115%.

	YTD 31 March 2016 \$000	30 June 2015 \$000
Facilities at start of year	476,500	460,500
New/matured facilities (net)	35,000	16,000
Facilities at end of period	511,500	476,500
Borrowings at start of year	366,000	348,000
Change in core borrowing +(-)	31,046	22,457
Repayment of loans +(-)	-	-
Change in working capital requirement + (-)	(4,546)	(4,457)
Net borrowings at end of period	392,500	366,000
Plus unutilised facilities	119,000	110,500
Total borrowing facilities available	511,500	476,500

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

TREASURY POLICY COMPLIANCE

At 31 March 2016 all of the core policy compliance requirements were achieved as shown below.

Prudential limits	Policy limit (%)	Actual (%)	Compliance
Borrowing as a % of income	<175	86.1	Yes
Net interest as a % of annual rates income	<20	8.0	Yes

Note: Net interest is actual. Annual rates and income are based on 2015/16 Annual Plan.

PRUDENTIAL TREASURY LIMITS

Interest rate risk control limits (interest rate exposure)	Policy limit (%)	Actual (%)	Compliance
Fixed interest proportion	50-95	83	YES
Broken down: 1-3 year bucket	15-60	19	YES
Broken down: 3-5 year bucket	15-60	22	YES
Broken down: 5-10 year bucket	15-60	59	YES

Liquidity/ funding risk (access to funds)	Policy limit (%)	Actual (%)	Compliance
Liquidity/funding risk (access to funds)	>115	124	YES
Broken down: 0-3 year bucket	20-60	42	YES
Broken down: 3-5 year bucket	20-60	22	YES
Broken down: 5-10 year bucket	15-60	35	YES

Note: Liquidity is defined as: Current borrowings + committed loan facilities divided by current net external debt (for the purpose of measuring liquidity short dated Commercial Paper is excluded).

