

QUARTERLY REPORT

QUARTER 1 (1 JULY–30 SEPTEMBER 2013)

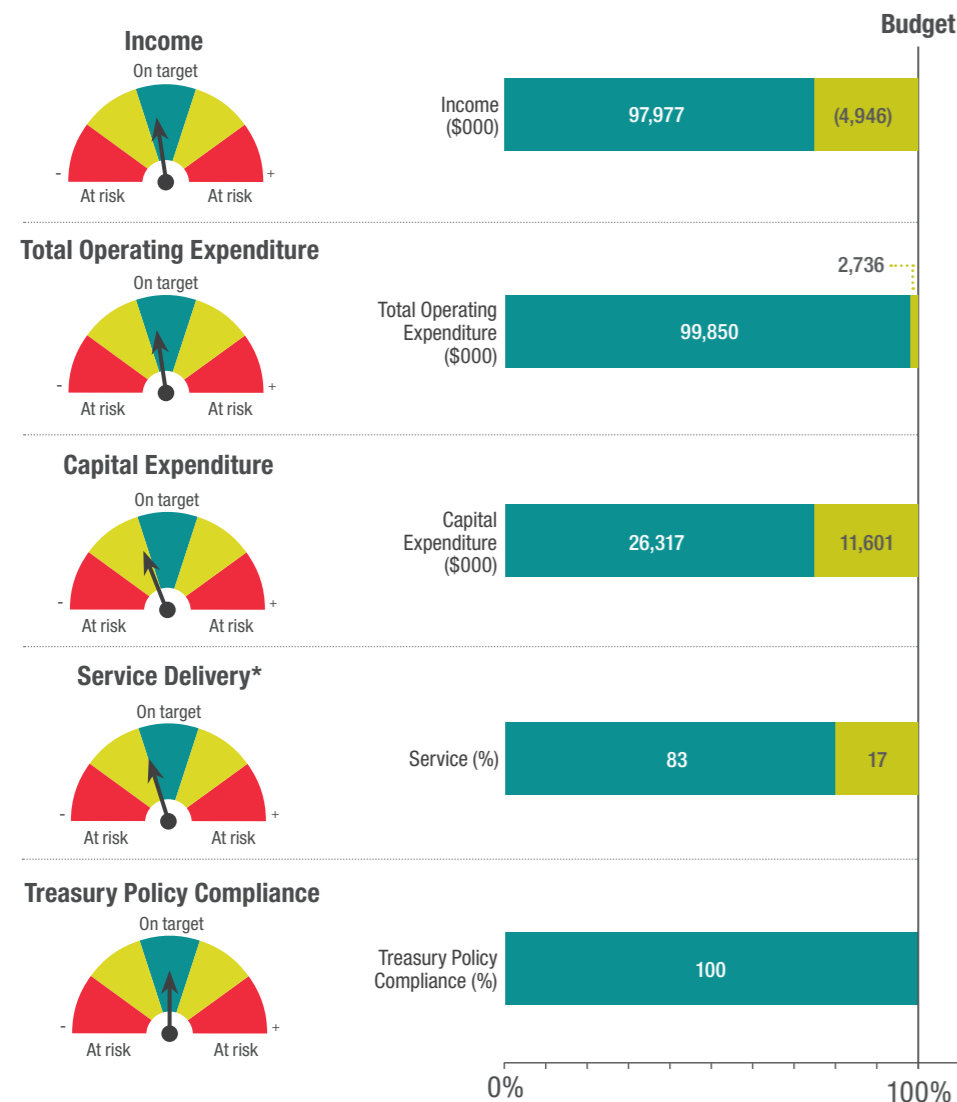
This report summarises the Council's progress towards fulfilling the intentions outlined in the 2013/14 Annual Plan. This report highlights quarterly performance against:

- 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.

Overall, Wellington City Council progress this quarter met expectations and is on track to meet year-end targets. Exceptions this quarter were primarily due to timing delays in capital projects.

HOW ARE WE PERFORMING?



FINANCIAL SNAPSHOT

STATEMENT OF FINANCIAL PERFORMANCE

The Council's consolidated financial performance for the period 1 July 2013 to 30 September 2013 is presented below.

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			Full Year	
	Actual 2014 \$000	Budget 2014 \$000	Variance 2014 \$000	Forecast 2014 \$000	Budget 2014 \$000
Rates Income	61,607	61,408	199	247,884	247,884
Other Income	880	793	87	13,070	13,070
Lease Income	8,455	8,172	283	32,912	32,912
Interest Income	0	2	(2)	10	10
Income from Activities	26,522	31,298	(4,776)	124,271	125,487
Development Contributions	513	1,250	(737)	5,000	5,000
Total Income	97,977	102,924	(4,946)	423,147	424,363
Personnel Expenditure	22,808	22,389	(419)	89,355	88,412
General Expenses	49,069	51,709	2,640	180,721	186,213
Financing Expenditure	5,121	5,491	370	21,924	21,964
Depreciation & Loss/Gain on Sale	22,852	22,997	145	95,204	92,108
Total Expenditure	99,850	102,587	2,736	387,204	388,697
Net Operating Surplus/(Deficit)*	(1,873)	338	(2,210)	35,943	35,666

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 deficit of \$1.873m is \$2.210m worse than the budgeted surplus of \$0.338m. This unfavourable variance is attributable to a combination of factors as outlined below.

Income

Year-to-date total income is under budget by \$4.946m:

- Lease income is ahead of budget by \$0.283m due to increased Housing rental income (higher occupancy rates and reduced void times).
- Income from Activities is \$4.776m under budget due to: Lower New Zealand Transport Agency funding because of delays in the planned capital roading programme (\$1.843m); lower funding for the Housing Upgrade Programme due to delays (\$1.427m); and shortfalls in our income from parking enforcement, building compliance and user fees and charges.
- Development Contributions are \$0.737m less than budgeted, due to timing differences.

Expenditure

Year-to-date total expenditure is under budget by \$2.736 million:

- Personnel Expenditure is \$0.419m over budget due to timing differences in budgeted expenditure.
- General Expenses are under budget by \$2.640m largely due to timing differences in our programme expenditure budget of \$186.2m.
- Financing Expenditure is under budget by \$0.370m due to lower levels of borrowings and delays in the capital programme.
- Depreciation is also under budget by \$0.145m due to lower capital expenditure in 2012/13 than budgeted.

NET OPERATING EXPENDITURE

Net Operating Expenditure by Strategy Area	YTD			Full Year	
	Actual 2014 \$000	Budget 2014 \$000	Variance 2014 \$000	Forecast 2014 \$000	Budget 2014 \$000
Governance	3,922	4,427	505	16,345	16,584
Environment	32,070	33,771	1,701	127,454	129,542
Economic Development	5,976	6,125	149	19,314	18,894
Cultural Wellbeing	5,743	6,509	766	16,339	16,349
Social and Recreation	10,717	9,582	(1,136)	32,897	32,664
Urban Development	4,395	3,855	(540)	16,093	16,163
Transport	4,912	5,489	577	22,333	21,419
Total Strategy Area	67,736	69,759	2,022	250,775	251,615
Council	(65,864)	(70,096)	(4,233)	(286,718)	(287,281)
Total	1,873	(338)	(2,210)	(35,943)	(35,666)

CAPITAL EXPENDITURE

Capital Expenditure by Strategy Area	YTD			Full Year	
	Actual 2014 \$000	Budget 2014 \$000	Variance 2014 \$000	Forecast 2014 \$000	Budget 2014 \$000
Governance	4	0	(4)	110	110
Environment	4,417	5,732	1,315	34,420	34,420
Economic Development	1,382	1,592	210	4,295	4,295
Cultural Wellbeing	0	6	6	26	26
Social and Recreation	7,982	11,591	3,609	49,268	51,768
Urban Development	5,901	6,982	1,081	29,183	28,983
Transport	2,915	5,266	2,351	32,808	33,391
Total Strategy Area	22,600	31,169	8,569	150,110	152,994
Council	3,717	6,749	3,032	19,468	19,468
Total	26,317	37,918	11,601	169,578	172,462

STATEMENT OF BORROWINGS

Total committed borrowing facilities as at the end of September are \$450m, providing headroom of \$124.5m. Our liquidity ratio is at 119% compared to the policy minimum of 110%.

	YTD 30 Sep 2013 \$000	30 June 2013 \$000
Facilities at start of year	429,000	411,000
New/matured facilities (net)	21,000	18,000
Facilities at end of period	450,000	429,000
Borrowings at start of year	341,000	337,760
Change in core borrowing + (-)	8,585	3,240
Repayment of loans + (-)		
Change in working capital requirement + (-)	(24,085)	-
Net borrowings at end of period	325,500	341,000
Plus unutilised facilities	124,500	88,000
Total borrowing facilities available	450,000	429,000

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

TREASURY POLICY COMPLIANCE

At 30 September 2013, 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	5.0	Yes
Borrowings as a % of income	<150	76.7	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	84	Yes
Broken down: 0–3 year bucket	20–60	20	Yes
Broken down: 3–5 year bucket	20–60	28	Yes
Broken down: 5–10 year bucket	20–60	52	Yes

Liquidity/funding risk (access to funds)	Policy limit (%)	Actual (%)	Compliance
Liquidity/funding risk (access to funds)	>110	119	Yes
Broken down: 0–3 year bucket	20–60	60	Yes
Broken down: 3–5 year bucket	20–60	20	Yes
Broken down: 5–10 year bucket	15–60	20	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).

*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).

KEY PROGRAMMES

