

QUARTERLY REPORT

QUARTER 2 (1 OCTOBER–31 DECEMBER 2013)

This report summarises the Council's progress in the second quarter of 2013/14 towards fulfilling the intentions outlined in the Annual Plan.

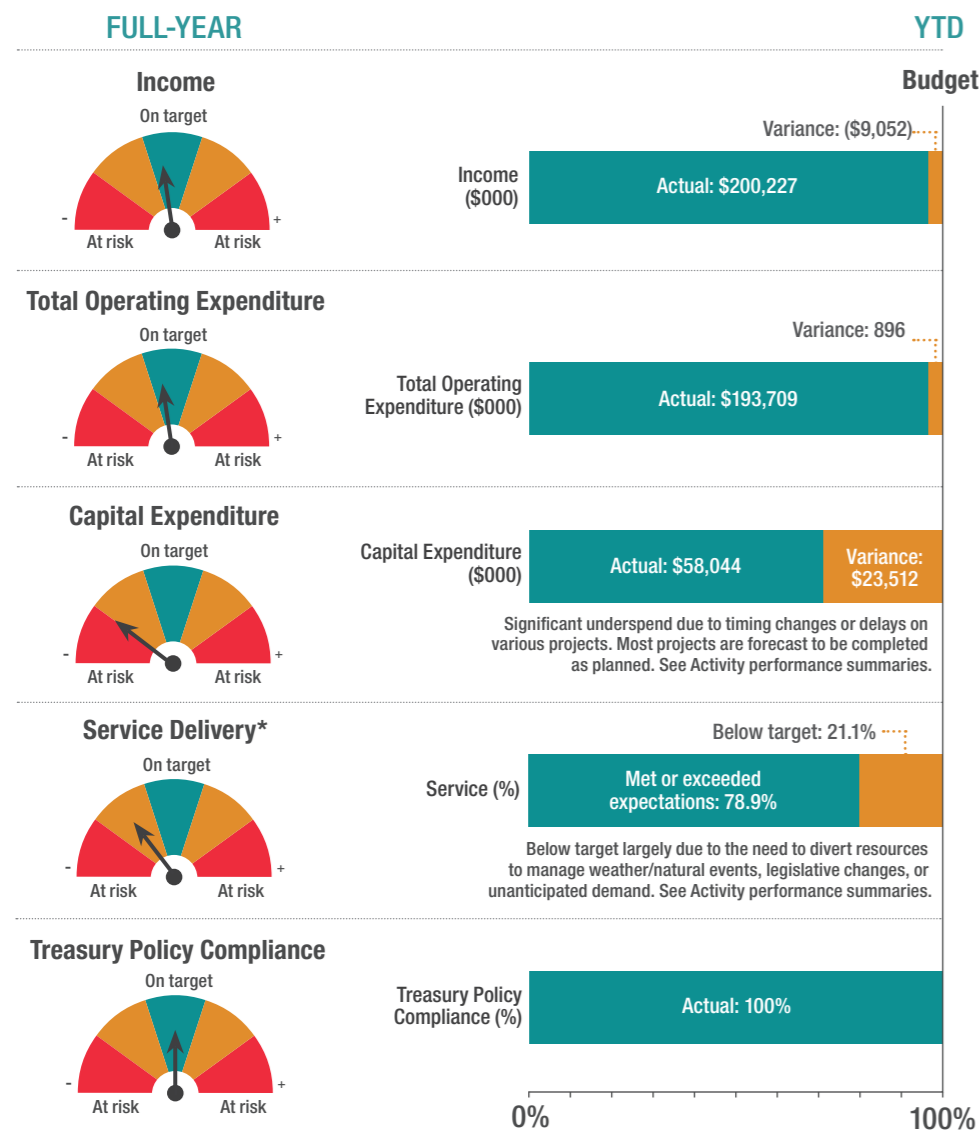
Quarterly performance is assessed against:

- 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.

Overall, Wellington City Council progress this quarter met expectations and is largely on track to meet year-end targets. The exceptions were largely due to delays in capital projects and unforeseen events (such as the July/August earthquakes and June storm) that affected the Council's ability to achieve KPIs.

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 December 2013 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			Full Year	
	Actual 2014 \$000	Budget 2014 \$000	Variance 2014 \$000	Forecast 2014 \$000	Budget 2014 \$000
Rates Income	123,332	123,423	(91)	247,184	247,884
Other Income	1,859	1,586	273	13,642	13,070
Lease Income	16,980	16,480	500	33,133	32,912
Interest Income	0	5	(5)	16	10
Income from Activities	56,832	65,285	(8,453)	119,747	125,487
Development Contributions	1,224	2,500	(1,276)	5,000	5,000
Total Income	200,227	209,279	(9,052)	418,722	424,363
Personnel Expenditure	46,307	44,787	(1,520)	89,263	88,412
General Expenses	91,118	92,821	1,703	180,423	186,209
Financing Expenditure	10,224	10,982	758	21,844	21,964
Depreciation & Loss/Gain on Sale	46,060	46,015	(45)	94,530	92,108
Total Expenditure	193,709	194,605	896	386,060	388,693
Net Operating Surplus/(Deficit)*	6,518	14,674	(8,156)	32,662	35,670

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 \$6.518m is \$8.156m worse than the budgeted surplus of \$14.674m. This unfavourable variance is attributable to a combination of factors as outlined below.

INCOME

Year-to-date total income is under budget by \$9.052m:

- Lease income is ahead of budget by \$0.500m due to increased Housing rental income (higher occupancy rates and reduced void times).
- Income from Activities is \$8.453m under budget due to delays in both the roading and housing upgrade capital programmes resulting in lower funding from New Zealand Transport Agency (\$1.317m) and the Crown (\$5.149m) respectively; and shortfalls in our income from parking enforcement, building compliance and consenting activities, and other user fees and charges.
- Development Contributions are \$1.276m less than budget for the first six months, due to timing differences.

EXPENDITURE

Year-to-date total expenditure is under budget by \$0.896 million:

- Personnel Expenditure is \$1.520m over budget due to an increase in the annual leave accrual in the first six months and timing differences in other budgeted expenditure.
- General Expenses are \$1.703m under budget primarily due to timing variances.
- Financing Expenditure is under budget by \$0.758m due to lower levels of borrowings and delays in the capital programme in the first half of the year.

FULL YEAR FORECAST

- The forecast Net Operating Surplus for the year is currently \$3.0m less than budget. This is mainly due to forecast delays in the housing upgrade programme (\$3.65m), resulting in a delay in recognition of government grant income. Revenue from parking and libraries is also forecast to be less than budget. Forecast operating expenditure is also less than budget reducing the impact of the decreases in income. Note that the current forecast does not include \$3m expenditure for the Wellington Economic Initiatives Development Fund (WEID) not included in the 2013/14 Annual Plan, which Council has agreed to fund from reserves.

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	8,670	8,913	243	16,299	16,584
Environment	63,124	65,372	2,247	127,499	129,542
Economic Development	9,967	9,593	(374)	18,626	18,894
Cultural Wellbeing	8,888	8,909	21	16,356	16,349
Social and Recreation	20,909	14,851	(6,058)	36,797	32,660
Urban Development	9,024	7,911	(1,113)	16,638	16,163
Transport	9,845	10,786	941	21,920	21,419
Total Strategy Area	130,427	126,334	(4,093)	254,136	251,611
Council	(136,945)	(141,008)	(4,063)	(286,798)	(287,281)
Total	(6,518)	(14,674)	(8,156)	(32,662)	(35,670)

CAPITAL EXPENDITURE

Capital Expenditure by Activity Area	YTD 2014			Full Year 2014	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Governance	4	64	61	4	110
Environment	11,607	14,726	3,119	31,791	34,671
Economic Development	2,048	1,835	(213)	4,295	4,295
Cultural Wellbeing	0	13	13	26	26
Social and Recreation	17,471	27,820	10,349	45,071	51,517
Urban Development	8,359	9,619	1,260	27,178	28,983
Transport	10,783	15,370	4,587	32,691	33,391
Total Strategy Area	50,273	69,448	19,175	141,056	152,994
Council	7,771	12,108	4,337	18,578	19,468
Total	58,044	81,556	23,512	159,635	172,462

STATEMENT OF BORROWINGS

Total committed borrowing facilities as at the end of December are \$452.5m providing headroom of \$124.0m. Our liquidity ratio is at 118% compared to the policy minimum of 110%.

	YTD 31 Dec 2013 \$000	30 June 2013 \$000
Facilities at start of year	429,000	411,000
New/matured facilities (net)	23,500	18,000
Facilities at end of period	452,500	429,000
Borrowings at start of year	341,000	337,760
Change in core borrowing + (-)	17,169	3,240
Repayment of loans + (-)		
Change in working capital requirement + (-)	(29,669)	-
Net borrowings at end of period	328,500	341,000
Plus unutilised facilities	124,000	88,000
Total borrowing facilities available	452,500	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 31 December 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	77.4	Yes
Net interest as a % of annual rates income	<20	8.6	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	85	Yes
Broken down: 0–3 year bucket	20–60	24	Yes
Broken down: 3–5 year bucket	20–60	27	Yes
Broken down: 5–10 year bucket	20–60	50	Yes

Liquidity/funding risk (access to funds)	Policy limit (%)	Actual (%)	Compliance
Liquidity/funding risk (access to funds)	>110	118	Yes
Broken down: 0–3 year bucket	20–60	57	Yes
Broken down: 3–5 year bucket	20–60	20	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 Planned (1 Jan–31 March 2014)	Q4 Planned (1 April–30 June 2014)
Committee	Programme	Milestones			
GOVERNANCE Ensure residents are kept informed about what the Council is doing, are able to have their say, and feel confident that their views count	ELECTION PROJECT	Election project	Election project completed – Wellington City was the only large metropolitan council to record an increase in voter turnout (from 39.54% in 2010 to 41.43% in 2013)		
	ANNUAL PLAN		Draft 2014/2015 Annual Plan adopted for consultation, featuring plans to: <ul style="list-style-type: none"> – Invest in cycling as a priority – Remove red tape to stimulate growth – Invest in growth centres 	Draft 2014/2105 Annual Plan consultation, including stalls at the: <ul style="list-style-type: none"> – Island Bay Festival – Sunday 16 February – Newtown Festival – Sunday 2 March – Kilbirnie Festival – Sunday 9 March 	2014/2015 Annual Plan adopted
ECONOMIC GROWTH AND ARTS Deliver sustainable long-term economic growth and increased employment; promote the city’s visitor attractions; deliver high-quality events; support the development of smart businesses in the city	DESTINATION WELLINGTON (in partnership with Grow Wellington and Positively Wellington Tourism)	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 to attract skilled migrants to Wellington and ran associated campaigns Ran screen industry attraction campaigns in the US Promoted Wellington at eight specialised business attraction conferences in Australia and UK Obtained 2 direct investments in Wellington business as a result of meetings with NZ Venture Investment Fund and Taiwan businesses Attended talent attraction campaigns in the UK Obtained 130 leads (international student agencies) to consider Wellington as an educational destination through attending international student campaigns	Run screen industry attraction campaigns in the US and Europe Promote Wellington at: Gamers Development conference in San Francisco; “AnimfxNZ” conference for the animation, games and visual effects industry IT talent attraction campaign in partnership with a private sector recruitment business Support international screen campaigns that promote the Wellington film industry Present Council’s proposed visual identity/logo to the Economic and Arts Committee	Launch digital portal to attract business, investment, skilled migrants, and students to Wellington Continue business attraction, student, talent and screen attraction campaigns and follow up activities
	BUSINESS IMPROVEMENT DISTRICT (BID)	A grant (\$33,000) was awarded to Enterprise Miramar Peninsula to establish a Business Improvement District (BID) in Miramar	Miramar BID established and included in 2014/15 Draft Annual Plan Council agreed to include a proposed \$80,000 targeted rate (to be collected from members of the BID) in the 2014/15 Draft Annual Plan	Continue to liaise with the Miramar community to embed BID	2014/15 Annual Plan adopted. Funding available from 1 July 2014
	EVENTS	Bledisloe Cup: All Blacks vs. Australia – 24 Aug WOW awards – 26 Sept to 6 Oct	Over 220,000 people attended a range of Wellington events this quarter, including: Semi Permanent Design Conference – 13 Oct FIFA World Cup Qualifier – 20 Nov	Sevens Wellington – 7 to 8 Feb New Zealand vs. India cricket test – 14 to 18 Feb Homegrown – 15 Feb NZ Festival – 21 Feb to 16 Mar National Master Hockey Championships – 2 to 8 Mar Caffeination: NZ Festival of Coffee – 22 to 23 Mar	Wellington Fashion Week – 3 Apr to 7 Apr AFL St Kilda vs. Brisbane – 25 Apr 2014 International Comedy Festival – 28 April to 18 May Wellington Jazz Festival on Cuba – 6 to 8 June
COMMUNITY, SPORTS AND RECREATION Build strong, safe, healthy communities for a better quality of life	HOUSING UPGRADE PROJECT	Arlington – indicative business case reviewed and approved by Councillors		Arlington – detailed business case to Councillors for approval	Arlington – project initiation
		Marshall Court – Resource Consent enabling works	Marshall Court – main construction underway. Due to an unanticipated resource consent hearing, this project is now scheduled to finish four months later, in December 2014		Marshall Court – construction
		Kotuku – Preliminary Design approved	Kotuku – design work underway	Kotuku – detailed design to be complete by March 2014	Kotuku – tender main construction contract
		Berkeley Dallard and Etona – construction. Slight delay in the project, but still largely on-track to be completed as planned			
	EVENTS	Bledisloe Cup Fanzone & Fantrail – 24 Aug	Diwali Festival – 27 Oct Sky Show – 9 Nov Capital Christmas – 15 Dec	Summer City programme – 1 Jan to 31 March Gardens Magic – 7 to 27 Jan Pasifika Festival – 18 Jan Bowl-a-rama – 29 Jan to 2 Feb Waitangi Day – 6 Feb	ANZAC Day – 25 Apr Matariki – 1 to 30 June

KEY PROGRAMMES

		Q1 Actual (1 July–30 Sept 2013)	Q2 Actual (1 October–31 Dec 2013)	Q3 Planned (1 Jan–31 March 2014)	Q4 Planned (1 April–30 June 2014)
Committee	Programme	Milestones			
COMMUNITY, SPORTS AND RECREATION Build strong, safe, healthy communities for a better quality of life	SOCIAL & RECREATION PROJECTS	Alex Moore Park – obtained resource consent, completed detailed design and finalised contracts	Alex Moore Park – tender awarded and construction commenced. Timing delays in beautification works; work is still well underway. The track will be completed by April as planned	Alex Moore Park – construction	Alex Moore Park – construction – completion expected April 2014
		Grasslees Reserve Upgrade – obtained resource consent and completed detailed design	Grasslees Reserve Upgrade – tender let and contract awarded. The upgrade was deliberately delayed to leave the park in a usable state for the Christmas Holiday, and the project is scheduled to resume mid-January. This project is still on-track to be completed by financial year end	Grasslees Reserve Upgrade – construction commenced	Grasslees Reserve Upgrade – construction completed
		Clyde Quay Boat Harbour/Public Space Improvements – pricing and contractor confirmed, Memorandum of Understanding in development	Clyde Quay Boat Harbour/Public Space Improvements – investigative works underway	Clyde Quay Boat Harbour/Public Space Improvements – Memorandum of Understanding to be presented to GFP Committee on 12 February. Results and reports from investigative studies received	Clyde Quay Boat Harbour/Public Space Improvements – no works scheduled
		Couch Grass Trial – Evans Bay Park confirmed as location; pricing and contractor confirmed	Couch Grass Trial – work commenced and completed	Couch Grass Trial – establishment & maintenance of grass cover	Couch Grass Trial – field available for use
		Keith Spry Pool – new pools under construction. Delays to work on Keith Spry Pool, however the overall programme is not affected			
ENVIRONMENT 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)	NATURAL ENVIRONMENT	Our Capital Spaces – framework approved by Council on 28 Aug	Our Capital Spaces projects considered and approved for consultation as part of the 2014/15 Draft Annual Plan, including: – Increased investment in the Makara Peak Mountain Bike Park – Funding to implement the Open Space Access Plan (tracks and walkways) – Increased support for community planting and pest control – Funding to support the Project Halo partnership project, which supports backyard biodiversity in a buffer around Zealandia and pest control in the adjoining rural area	Our Capital Spaces – 2014/15 Draft Annual Plan consultation	Our Capital Spaces – projects funded, subject to consultation and Council adoption, as part of the 2014/15 Draft 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 in August on the Town Belt at Te Ahumairangi Hill Story-sharing website created	Our Living City: Two million trees – first planting in August on the Town Belt at Te Ahumairangi Hill Our Living City website – public launch Island Bay sea wall options engagement and feasibility study Initiate engagement on sea level rise through Island Bay Festival	Our Living City: Two million trees – finalise our funding partners for 2014/15 Water Sensitive Urban Design (WSUD) – finalise guide
		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: Completed a solar energy project at the Karori Recreation Centre, which will help to reduce electricity costs Initiated a voluntary rental housing WoF field test in Wellington Published Climate Change Action Plan, which seeks to reduce greenhouse gas emissions by 30% (from 2001 levels) by 2020 Agreed funding partnership with Energy Management Association and corporate partners to develop an energy performance contract	Smart Energy Capital: Warrant of Fitness (WoF) – deliver and report on voluntary rental housing WoF field test in Wellington Final report on the greenhouse gas emissions inventory produced. Greenhouse gas projects for 2020 developed Smart Energy Innovation Challenge launch Agree partnership with EECA for NABERS and commercial energy efficiency Investigate financing options for commercial solar installation	Smart Energy Capital: Outline investment into the 2014/15 Smart Energy Capital Complete Smart Energy Innovation Challenge
	WATER	Seismic strengthening – work was undertaken on the Maldive, Maupuia and Linden Reservoirs	Seismic strengthening – work is being undertaken on the Maldive, Maupuia and Linden Reservoirs	Seismic strengthening – due for completion June 2014	
Firefighting – completed firefighting water main upgrades for 2013/14		Firefighting – installed emergency water tanks in Miramar and Newtown Capacity Infrastructure Services Ltd – Upper Hutt & Porirua City Councils joined Wellington & Hutt City Councils as shareholders of Capacity Infrastructure Services Ltd.	Firefighting – installed emergency water tanks in Brooklyn		

KEY PROGRAMMES

Q1 Actual (1 July–30 Sept 2013)

Q2 Actual (1 October–31 Dec 2013)

Q3 Planned (1 Jan–31 March 2014)

Q4 Planned (1 April–30 June 2014)

Committee	Programme	Milestones				
TRANSPORT AND URBAN DEVELOPMENT Deliver a quality compact urban environment, and a safe, efficient and sustainable transport system	URBAN DEVELOPMENT	Memorial Park – tunnel construction underway (expected to be completed in December 2014)				
		Parliamentary Precinct – concept design	Parliamentary Precinct – concept design – detailed design commissioned	Parliamentary Precinct – detailed design	Parliamentary Precinct – construction begins	
		Lombard Lane – project initiated	Lombard Lane – concept design			
		Opera House Lane – in construction		Opera House Lane – construction completed		
	EARTHQUAKE RESILIENCE	Earthquake Strengthening Programme – Civic Square portico closed, preparation for deconstruction commences	Earthquake Strengthening Programme: Civic Square portico closed, preparation for deconstruction continued Town Hall closed for strengthening – initial decommissioning works carried out Tawa Library strengthening completed	Earthquake Strengthening Programme: Civic Square portico deconstruction Town Hall – assess final estimates for strengthening work Commence Thistle Hall strengthening (the Hall will be closed from end of February) Plan for Brooklyn Library, Clarrie Gibbons and Truby King House strengthening	Earthquake Strengthening Programme: Continue Civic Square portico deconstruction Complete strengthening and re-open Thistle Hall Complete Brooklyn Library, Clarrie Gibbons and Truby King House strengthening	
	WELLINGTON WATERFRONT	Shed 6 – Completion of temporary venue				
		Queens Wharf – completion of wharf strengthening				Queens Wharf – begin work to investigate feasibility of activities for this area (activities are yet to be determined)
		North Kumutoto Proposal – report/briefing on proposal		North Kumutoto Proposal – public consultation on proposal	North Kumutoto Proposal – recommendation to Transport & Urban Development Committee	
				Taranaki St Wharf – dive platform issues resolved		
				Frank Kitts Park playground – public input sought on the design	Frank Kitts Park playground – resource consent secured	
				Overseas Passenger Terminal – wharf, seawall and fender work	Overseas Passenger Terminal – undertake public space work including wharf upgrades, public toilet facilities and work on the seawall	
						Waitangi Precinct – undertake feasibility work for a proposed transition site
	TRANSPORT	Public Transport Spine Study – public consultation on report and associated documentation closed on 30 Sep	Public Transport Spine Study – subcommittee undertook hearings on 26 Nov and 2 Dec then reported to Regional Transport Committee on 19 Dec	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 to be completed with any additional funding required secured through the 2014/2015 Annual Plan process	
		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 finalised ‘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 under construction Councillor workshop on cycling priorities	Cycling: Tawa Shared Pathway complete Island Bay to CBD options consultation with communities	Cycling – design construction Phase 1 of Island Bay to John Street	
Hataitai Bus Tunnel – seismic risk assessment		Hataitai Bus Tunnel – completed design option report for Hataitai Bus Tunnel and agreed on preferred option for strengthening	Hataitai Bus Tunnel – design and tender completed for strengthening options			
Johnsonville Roading Improvements – submitted joint funding application (WCC & NZTA’s Highways Network Operations Group) to NZTA’s Planning and Investment Group. Total cost of project \$10.5M with funding assistance sought at 54%		Johnsonville Roading Improvements – NZTA approval notified subject to further detailed scheme assessments – expected completion end of January	Johnsonville Roading Improvements – concept design to be completed. Detailed scheme design and associated tasks to be progressed	Johnsonville Roading Improvements – detailed design completed and approved. Specification and tender documents under preparation		