

QUARTERLY REPORT

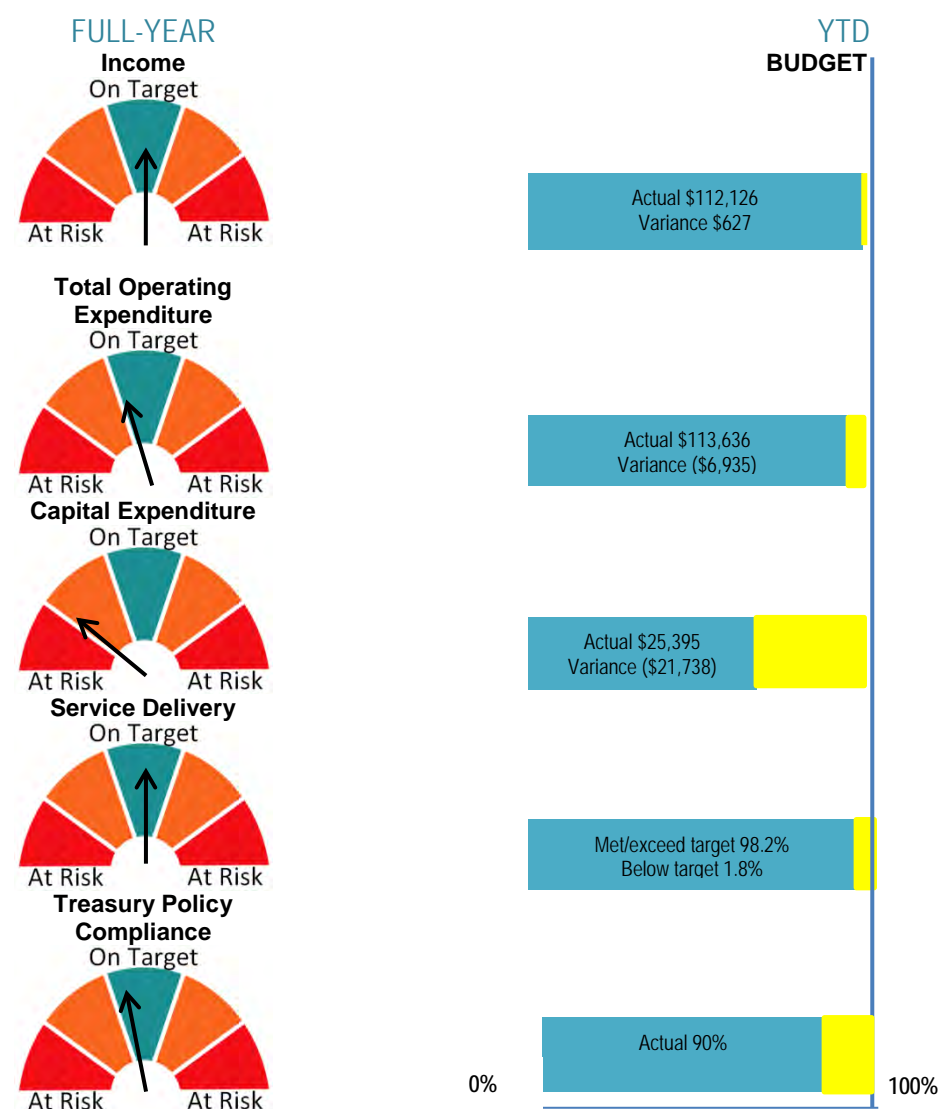
QUARTER 1 (1 JULY – 30 SEPTEMBER 2016)

This report summarises the Council's progress in the first quarter of 2016/17 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 to 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: 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 2017). 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 2016 to 30 September 2016 is presented in this section.

Note the numbers in brackets indicate an unfavourable variance from budget.

Strategy area	YTD 2017			Full Year 2017	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Rates Income	71,505	71,207	298	284,177	284,177
Income from Activities	30,035	26,775	3,260	125,158	121,563
Lease Income	2,706	2,334	372	20,447	20,447
Interest Income	0	3	(3)	13	13
Other income	6,870	10,681	(3,811)	42,629	42,723
Development Contributions	1,011	500	511	2,000	2,000
Total Income	112,126	111,499	627	474,424	470,923
Personnel Expenditure	26,353	26,286	(67)	105,149	104,115
General Expenses	57,424	62,151	4,727	232,331	230,514
Financing Expenditure	4,842	6,404	1,562	24,617	25,617
Depreciation and loss/gain on sale	25,017	25,730	714	101,593	101,975
Total Expenditure	113,636	120,571	6,935	463,691	462,222
Net Operating Surplus / (Deficit)	(1,510)	(9,072)	7,562	10,733	8,702

The year to date net operating deficit of \$1.510m is \$7.562m better than the budgeted deficit of \$9.072m. This favourable variance is due to a combination of factors as outlined below.

INCOME

Year to date total income is above budget by \$0.627m:

- Income from Activities is \$3.3m higher than budget mainly due to additional revenue for contaminated/special waste from city and regional projects and higher Housing rental income as delays in the capital programme have meant that properties are generating rental income that was not budgeted.
- Other Income is \$3.8m below budget mainly due to lower government grant income from the housing upgrade programme (\$1.6m) and lower revenue from NZTA (\$1.8m) for roading and cycleway projects due to delays in the capital programme.

EXPENDITURE

Year to date total expenditure is under budget by \$6.935m:

- General Expenses are \$4.7m under budget due to lower contract and maintenance costs in the 3 Water and Parks areas, and some budgeted operational and funding payments have not been made yet. These are timing differences only.
- Financing Expenditure is under budget by \$1.6m due to a more favourable borrowings position than budgeted with some delays in the capital programme in the first 3 months of the year.

FULL YEAR FORECAST

The forecast Net Operating Surplus for the year is currently \$2.0m ahead of budget. Housing rental income is forecast to be \$3.9m higher than budget as delays in the capital programme have meant that properties are generating rental income that was not budgeted.

NET OPERATING EXPENDITURE

Strategy area	YTD 2017			Full Year 2017	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Governance	4,218	4,607	389	17,835	17,835
Environment	32,838	37,638	4,800	142,311	142,701
Economic Development	7,247	9,327	2,079	26,665	26,665
Cultural Wellbeing	7,843	7,700	(142)	19,631	19,631
Social and Recreation	13,938	14,628	690	51,651	54,823
Urban Development	3,878	4,260	382	17,072	16,270
Transport	7,727	7,701	(27)	31,065	30,752
Total Activity Area	77,690	85,861	8,171	306,230	308,676
Council	(76,180)	(76,789)	(609)	(316,962)	(317,377)
Total	1,510	9,072	7,562	(10,733)	(8,702)

CAPITAL EXPENDITURE

Strategy area	YTD 2017			Full Year 2017	
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000
Environment	8,232	7,741	(491)	42,230	42,230
Economic development	343	2,479	2,136	10,645	11,755
Cultural Wellbeing	454	1,286	832	5,382	5,382
Social and Recreation (1)	4,691	7,242	2,551	47,735	50,360
Urban Development	3,560	5,466	1,906	18,998	18,998
Transport (2)	5,233	8,453	3,219	43,112	43,138
Total Activity Area	22,513	32,667	10,154	168,102	171,863
Council (3)	2,881	14,466	11,584	33,374	35,689
Total	25,395	47,133	21,738	201,476	207,552

(1) The Housing upgrade programme is underspent by \$2.0m due to delays in the programme in particular the Arlington Complex

(2) The Transport capital programme is behind schedule and underspent \$3.0m due to delays in finalising the 2016/17 work programme

(3) YTD Budget includes \$10.3m for the purchase of the of the Zealandia centre building. This has been delayed until Quarter Two

STATEMENT OF BORROWINGS

Total committed borrowing facilities as at 30 September 2016 are \$506.5m providing headroom of \$104.0m. Our liquidity ratio is at 123% compared to the policy minimum of 115%.

	YTD 30 Sept 2016 \$000	30 June 2016 \$000
Facilities at start of year	506,500	476,500
New/matured facilities (net)	-	30,000
Facilities at end of period	506,500	506,500
Borrowings at start of year	400,500	366,000
Change in core borrowing + (-)	17,153	41,395
Repayment of loans + (-)	-	-
Change in working capital requirement + (-)	(15,153)	(6,895)
Net borrowings at end of period	402,500	400,500
Plus unutilised facilities	104,000	106,000
Total borrowing facilities available	506,500	506,500

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

TREASURY POLICY COMPLIANCE

At 30 September 2016 all of the core policy compliance requirements, except one for the 5+ year policy limit for interest rate risk control limits, were achieved as shown below.

Prudential Treasury Limits

Prudential limits	Policy limit (%)	Actual (%)	Compliance
Borrowing as a % of income	<175	87.0	Yes
Net interest as a % of annual rates income	<20	8.5	Yes

Notes: Net interest is actual. Annual rates and income are based on 2016/17 Annual Plan.

Interest rate risk control limits (interest rate exposure)	Policy limit (%)	Actual (%)	Compliance
Fixed interest proportion	50-95	78	Yes
Broken down: 1-3 year bucket	15-60	21	Yes
Broken down: 3-5 year bucket	15-60	18	Yes
Broken down: 5+ year bucket	15-60	61	No

Note: Non-compliance with the '5 + year' Interest rate risk control limit of 15-60% (61% Actual).

Approved for compliance, by Chief Executive, in accordance with his delegations. Expect to be within policy limits within 90 days.

Liquidity/funding risk(access to funds)	Policy limit (%)	Actual (%)	Compliance
Liquidity/funding risk (access to funds)	>115	123	Yes
Broken down: 0-3 year bucket	20-60	36	Yes
Broken down: 3-5 year bucket	20-60	30	Yes
Broken down: 5+ 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).