

CONSOLIDATED FINANCIAL OVERVIEW

INTRODUCTION

The Council's consolidated financial position and performance for the period 1 July 2012 to 31 March 2012 is presented in this section. This includes a Statement of Financial Performance, a Statement of Financial Position, a Statement of Borrowings and an analysis by strategy area.

Positive numbers in the financial statements indicate a favourable variance from budget and negative numbers (represented by brackets) indicate an unfavourable variance from budget.

Detailed discussion in respect of strategy area revenue and expenditure for each activity is contained within the body of this report.

FINANCIAL PERFORMANCE AT A GLANCE

Table 1: Statement of Financial Performance

Statement of Financial Performance	YTD Actual 2012 \$'000	YTD Budget 2012 \$'000	YTD Variance 2012 \$'000	Full Year Budget 2012 \$'000
Rates Income	174,960	172,909	2,051	231,282
Income from Activities	106,745	106,897	(152)	138,390
Lease Income	22,802	23,419	(617)	31,519
Interest Income	1,191	7	1,184	10
Other Income	20,695	1,934	18,761	11,876
Development Contributions	2,014	4,315	(2,301)	5,753
Total Income	328,407	309,481	18,926	418,830
General Expenses	119,419	122,676	3,257	161,530
Personnel Expenditure	70,546	71,582	1,036	95,388
Depreciation & Loss/Gain on Sale	63,565	64,736	1,170	86,349
Financing Expenditure	15,943	16,646	703	22,194
Total Expenditure	269,473	275,640	6,166	365,461
Net operating surplus/(deficit)	58,934	33,840	25,094	53,370

The year-to-date net operating surplus of \$58.9 million is \$25.1 million higher than the budgeted surplus of \$33.8 million. This favourable variance is attributable to a combination of factors as outlined below.

Income

Year-to-date total income is over budget by \$18.9 million.

Rates income is \$2.1 million over budget which is mainly a timing difference on a total annual rates budget of \$231.3 million.

Income from activities is slightly under budget by \$0.2 million on a total budget of \$138.4m.

Lease income is under budget by \$0.6 million. This is mainly due to rental loss during the construction phase of the Housing Upgrade Programme.

Interest Income is over budget by \$1.2million. This represents the interest earned on Crown grants received in advance and other significant receipts as well as realised gains on investments.

Other Income is over budget by \$18.8 million. This is primarily due to the special dividend from Wellington International Airport Limited and assets passed to Council ownership (known as Vested Assets).

Development contributions are \$2.3m million under budget which reflects the current downturn in major development activity.

Expenditure

Year-to-date total expenditure is under budget by \$6.2 million.

General expenses are under budget by \$3.3 million. The majority of this is simply timing-related on a total budget of \$161.5 million.

Personnel expenditure is under budget by \$1.0 million which reflects slightly higher than anticipated levels of vacancies.

Depreciation is under budget by \$1.4 million mainly due to asset revaluations. In addition there was a net loss on the sale of assets of \$0.2m

Financing expenditure is under budget by \$0.7 million due to a combination of lower interest rates and lower than budgeted borrowing.

FINANCIAL POSITION AT A GLANCE

Table 2: Statement of financial position

Statement of Financial Position	YTD Actual 2012 \$'000	Year End 2011 \$'000
Current assets	56,366	54,048
Non-current assets	6,469,540	6,423,757
Total assets	6,525,906	6,477,805
Current liabilities	217,903	212,419
Non-current liabilities	257,655	253,177
Total liabilities	475,558	465,596
Net assets / equity	6,050,348	6,012,209

The increase in current assets primarily reflects an increase in cash and short term investment deposits held as part of the overall borrowing strategy.

The increase in non-current assets primarily reflects the increase in capitalised assets partially offset by accumulated depreciation.

The increase in current liabilities primarily reflects the unearned revenue in advance (largely housing upgrade monies received in advance) as well as a small increase in short term borrowings.

The increase in non-current liabilities reflects a small increase in long term borrowings.

BORROWINGS AND INVESTMENTS AT A GLANCE

Borrowing forecast

Total committed facilities as at the end of March remained unchanged at \$396.0m. Total net borrowings at 31 March 2012 were \$322m giving liquidity headroom of \$74m.

Annual plan borrowings for the full year are budgeted at \$369m. In terms of forecasting year end debt positions we are forecasting \$342m for treasury purposes which factors in a lower than normal capex underspend of \$15m and the receipt of the special airport dividend. Capex under-spend year to date is \$27m, 20% behind budget for the year to date.

We have no existing term debt maturing until July 2012. We will continue to pick up small parcels of new debt as required to maintain our liquidity profile.

Table 3: Statement of Borrowings

Statement of Borrowings	YTD Actual 2012 \$'000	Year End 2011 \$'000
Facilities at start of year	391,000	361,000
New / matured facilities (net)	5,000	30,000
Facilities at end of period	396,000	391,000
Borrowings at start of year	310,000	280,500
Change in core borrowing + (-)	15,011	29,500
Repayment of loans + (-)	0	0
Change in working capital requirement + (-)	(3,011)	0
Actual Borrowings at end of period	322,000	310,000
Plus unutilised facilities	74,000	81,000
Total Borrowing Facilities Available	396,000	391,000

*Note: 'Borrowing Facilities' excludes \$5 million of uncommitted funding lines

Figure 1: Forecast Debt Profile

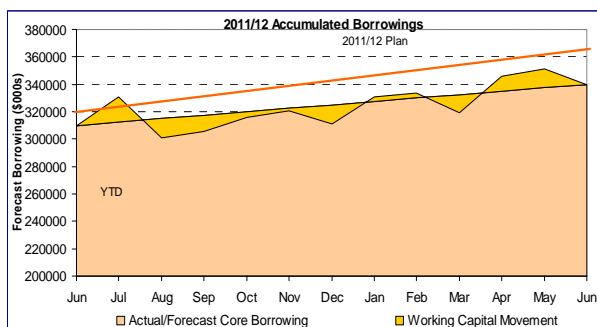


Figure 1 above shows the expected debt profile for the 2011/12 year. The main features are unchanged: lower than planned opening borrowings; the impact of the housing grant; and the impact of the airport special dividend.

Cost of funds

Year to date net interest costs are \$15.0m compared to the plan of \$15.9m, a favourable variance of \$0.9m. This largely reflects the benefit from lower debt arising out of the special airport dividend, lower than plan opening debt position and lower than plan year to date capex. These savings will be permanent savings versus plan.

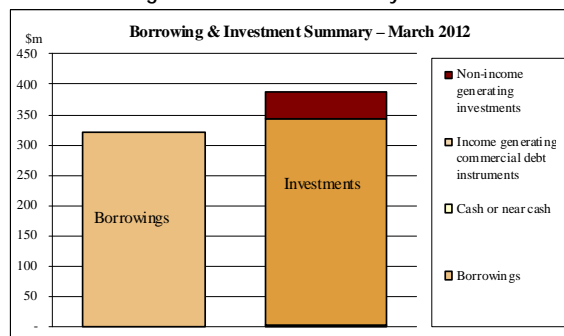
Treasury policy compliance

At 31 March 2012 all of the core policy compliance requirements were achieved as shown in Table 4 below.

Investments summary

Total net borrowings of \$322m compares to total investments of \$389m, as shown in Figure 2 below. The main components of Investments are the investment property portfolio and the investment in Wellington International Airport. The non-income generating investments are primarily the investments in CCO's.

Figure 2: Borrowing and investment summary



Note: For the purposes of the graph above, the definition of investments includes all Council investments as reported in its Annual Report

Table 4: Prudential treasury limits

Prudential limits	Policy Limit	Actual	Compliance
Borrowings as a % of equity	<10%	5.2%	Yes
Borrowings as a % of income	<150%	76.8%	Yes
Net interest as a % of annual rates income	<15%	9.6%	Yes
Notes: * Equity is based on the 30 June 2011 annual report Equity * Net interest, Annual Rates and Income are based on 2011/12 annual plan			
Interest rate risk control limits (interest rate exposure)	Policy Limit	Actual	Compliance
Fixed interest proportion	50% - 95%	83%	Yes
Broken down as follows:			
1 - 3 year bucket	20% - 60%	24%	Yes
3 - 5 year bucket	20% - 60%	29%	Yes
5 - 10 year bucket	20% - 60%	47%	Yes
Liquidity/funding risk (access to funds)	Policy Limit	Actual	Compliance
Liquidity/funding risk (access to funds)	>110%	113%	Yes
Broken down as follows:			
0 - 3 year bucket	20% - 60%	51%	Yes
3 - 5 year bucket	20% - 60%	32%	Yes
5 - 10 year bucket	15% - 60%	18%	Yes
Notes: * "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)			

Local Government Funding Agency (LGFA)

The first debt issuances by the LGFA were during Feb 2012. Council did not participate in the first issuances as they offered a very limited range of maturity dates which do not suit our maturity profile requirements.

Markets

Banks continue to signal that cost of funds will increase going forward. We are well placed having renegotiated all of our maturing facilities and we have no renewals until July 2012. It is hard to gauge where pricing is in the wholesale debt markets as most large local authority borrowers are waiting for the LGFA to start issuing. Commercial paper margins continue to be stable within a range of 0.11% to 0.15%.

STRATEGY AREAS AT A GLANCE

Tables 5, 6, 7 and 8 summarise the Council's revenue and expenditure by strategy area for the nine months ended 31 March 2012.

Table 5: Operating revenue by strategy area

Operating Revenue by Strategy Area	YTD	YTD	YTD	FULL YEAR
	Actual	Budget	Variance	Budget
	Revenue	Revenue	Revenue	Revenue
	2012	2012	2012	2012
	\$000	\$000	\$000	\$000
Governance	206	181	25	245
Environment	16,636	10,136	6,500	13,489
Economic Development	798	186	612	248
Cultural Wellbeing	899	961	(62)	1,195
Social and Recreation	62,048	61,902	146	78,028
Urban Development	7,196	8,248	(1,052)	11,164
Transport	23,713	24,919	(1,206)	33,429
Total Strategy Area	111,496	106,533	4,963	137,798
Council	216,911	202,948	13,963	281,032
Total Revenue	328,407	309,481	18,926	418,830

Table 6: Operating expenditure by strategy area

Operating Expenditure by Strategy Area	YTD	YTD	YTD	FULL YEAR
	Actual	Budget	Variance	Budget
	Expenditure	Expenditure	Expenditure	Expenditure
	2012	2012	2012	2012
	\$000	\$000	\$000	\$000
Governance	10,250	11,067	817	14,659
Environment	100,920	100,255	(665)	133,511
Economic Development	16,455	15,667	(788)	19,967
Cultural Wellbeing	11,442	11,682	240	15,126
Social and Recreation	71,173	73,690	2,517	97,367
Urban Development	17,025	18,662	1,637	25,035
Transport	36,187	40,664	4,477	54,297
Total Strategy Area	263,452	271,687	8,235	359,962
Council	6,021	3,953	(2,068)	5,499
Total Operating Expenditure	269,473	275,640	6,167	365,461

Table 7: Net operating expenditure by strategy area

Net Operating Expenditure Strategy Area	YTD	YTD	YTD	FULL YEAR
	Actual	Budget	Variance	Budget
	Net	Net	Net	Net
	Expenditure	Expenditure	Expenditure	Expenditure
	2012	2012	2012	2012
	\$000	\$000	\$000	\$000
Governance	(10,044)	(10,886)	842	(14,414)
Environment	(84,284)	(90,119)	5,835	(120,022)
Economic Development	(15,657)	(15,481)	(176)	(19,719)
Cultural Wellbeing	(10,543)	(10,721)	178	(13,931)
Social and Recreation	(9,125)	(11,788)	2,663	(19,339)
Urban Development	(9,829)	(10,414)	585	(13,871)
Transport	(12,474)	(15,745)	3,271	(20,868)
Total Strategy Area	(151,956)	(165,154)	13,198	(222,164)
Council	210,890	198,995	11,895	275,533
Net Operating Surplus / (Deficit)	58,934	33,841	25,093	53,369

Table 8: Capital expenditure by strategy area (including carry forward projects)

Capital Expenditure by Strategy Area	YTD	YTD	YTD	FULL Year
	Actual	Budget	Variance	Budget
	Expenditure	Expenditure	Expenditure	Expenditure
	2012	2012	2012	2012
	\$000	\$000	\$000	\$000
Governance	0	31	31	31
Environment	17,884	22,818	4,934	34,881
Economic Development	195	1,804	1,609	2,533
Cultural Wellbeing	281	264	(17)	275
Social and Recreation	52,617	55,649	3,032	68,255
Urban Development	4,002	7,365	3,363	9,885
Transport	27,482	37,373	9,891	46,334
Total Strategy Area	102,461	125,304	22,843	162,194
Council	7,802	12,071	4,269	20,005
Total Capital Expenditure	110,263	137,375	27,112	182,199

Note: the Council line within Table 8 reflects capital expenditure incurred by the Council in providing IT hardware and systems, replacement of vehicles and equipment, and meeting health and safety requirements.