

CONSOLIDATED FINANCIAL OVERVIEW

CONTENTS

Introduction	vi
Financial performance at a glance	vi
Table 1: Statement of financial performance	
Financial position at a glance	vii
Table 2: Statement of financial position	
Borrowings and investments at a glance	vii
Figure 1: 2009/10 Projected accumulated borrowings	
Table 3: Statement of borrowings	
Figure 2: Borrowing and investment summary	
Figure 3: Cost of funds	
Table 4: Prudential treasury limits	
Strategy areas at a glance	ix
Table 5: Operating revenue by strategy area	
Table 6: Operating expenditure by strategy area	
Table 7: Net operating expenditure by strategy area	
Table 8: Capital expenditure by strategy area	

INTRODUCTION

The Council's consolidated financial position and performance for the period 1 July 2010 to 31 December 2010 are presented in this section. This includes a Statement of Financial Performance, a Statement of Financial Position, a Statement of Borrowings and a Segment 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 2011 \$'000	YTD Budget 2011 \$'000	YTD Variance 2011 \$'000	Full Year Budget 2011 \$'000
Rates Income	112,509	111,382	1,127	222,850
Income from Activities	63,523	62,361	1,162	131,498
Lease Income	15,406	15,874	(469)	31,595
Interest Income	505	5	500	10
Other Income	1,083	1,008	75	7,268
Development Contributions	2,240	3,531	(1,291)	7,065
Total Income	195,266	194,162	1,104	400,286
General Expenses	76,184	79,502	3,318	156,100
Personnel Expenditure	49,369	48,825	(544)	96,644
Depreciation & Loss/Gain on Sale	38,902	38,487	(414)	76,983
Financing Expenditure	9,321	10,777	1,455	21,569
Total Expenditure	173,776	177,591	3,815	351,295
Net operating surplus/(deficit)	21,490	16,571	4,919	48,991

The year-to-date net operating surplus of \$21.5 million is \$4.9 million higher than the budgeted surplus of \$16.6 million. This favourable variance is attributable to a combination of factors as outlined below.

Income

Year-to-date total income is over budget by \$1.1 million.

Rates income is \$1.1 million over budget – this is largely a timing issue and also reflects higher water meter income and higher than budgeted late payment penalties.

Income from activities is over budget by \$1.2 million. This is a timing variance on a total budget of over \$131 million.

Development contributions are \$1.3 million under budget, which reflects the current downturn in major development activity.

Expenditure

Year-to-date total expenditure is under budget by \$3.8 million.

General expenses are under budget by \$3.3 million. The majority of this is simply timing-related on a total budget of \$156 million.

Personnel expenditure is over budget by \$0.5 million which largely reflects higher than budgeted levels of reactive works carried out by Council staff during the bad weather in the first quarter of this financial year. However, this is offset by savings in general expenditure.

Depreciation is over budget by \$0.4 million mainly due to accelerated depreciation resulting from the sale/disposal of assets.

Financing expenditure is under budget by \$1.5 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 2011 \$'000	Year End 2010 \$'000
Current assets	56,144	42,576
Non-current assets	6,116,163	6,086,268
Total assets	6,172,307	6,128,844
Current liabilities	164,777	116,661
Non-current liabilities	243,109	263,184
Total liabilities	407,886	379,845
Net assets / equity	5,764,421	5,748,999

The increase in current assets is primarily due to an increase in cash deposits held.

The increase in non-current assets reflects the increase in capex offset by additional accumulated depreciation.

The increase in current liabilities is primarily due to an increase in revenue in advance, predominantly relating to the Housing Upgrade Project as well as an increase in short-term borrowings.

The decrease in non-current liabilities is due to a reduction in longer term borrowings.

BORROWINGS AND INVESTMENTS AT A GLANCE

Introduction

Borrowing forecast

Total committed facilities as at the end of December are \$381.0m. With total borrowings at 31 December 2010 of \$267.1m we have liquidity headroom of \$113m. This position continues to benefit from the upfront receipt of \$37.5m from the Crown for the Housing Upgrade project in July and the Capex programme being behind schedule.

As a comparison the total borrowings as at 31 December 2009 were \$263.0m compared to 31 December 2010 of \$267.1m, an increase in borrowings of only \$4.1m over the twelve months.

Figure 1: Forecast Debt Profile

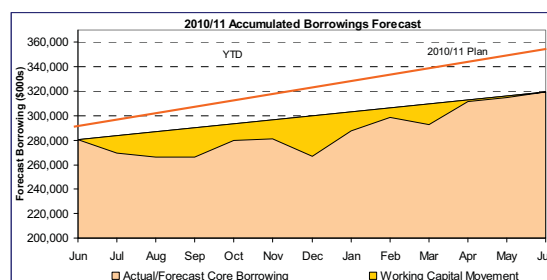


Table 3: Statement of Borrowings

Statement of Borrowings	YTD Actual 2011 \$'000	Year End 2010 \$'000
Facilities at start of year	361,000	317,000
New / matured facilities (net)	20,000	44,000
Facilities at end of period	381,000	361,000
Borrowings at start of year	280,500	260,000
Change in core borrowing + (-)	16,208	20,500
Repayment of loans + (-)	0	0
Change in working capital requirement + (-)	(29,608)	0
Actual Borrowings at end of period	267,100	280,500
Plus unutilised facilities	113,900	80,500
Total Borrowing Facilities Available	381,000	361,000

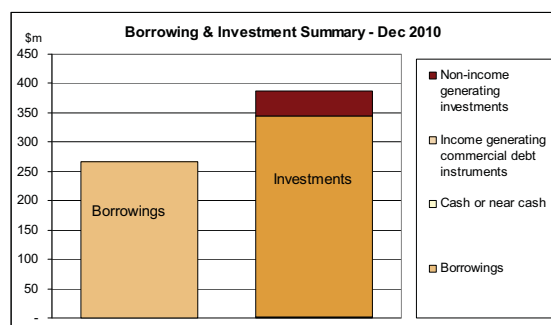
Figure 1 above shows the forecast debt profile for the 2010/11 year. The difference between the 2010/11 Plan and the forecast core borrowing is as a result of carry forwards expected at the end of 2010/11. The impact of the upfront Housing Upgrade Project grant can be seen in the working capital movement and is reducing our actual levels of net borrowings. This timing difference will reverse over the year as the housing capex programme advances.

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

Investments summary

The total borrowings as at 31 December 2010 of \$267.1m compares to total investments of \$388m as shown in Figure 2 below. The main components of Investments are the investment property portfolio and the investment in Wellington International Airport.

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.

Treasury policy compliance

At 31 December 2010 all of the core policy compliance requirements were achieved as shown in Table 4.

Cost of funds

YTD net interest expense is \$9.0m and is \$1.7m favourable to the YTD annual plan budget. The favourable variance is due to the impact of below plan opening borrowings, the advanced timing of the housing grant, capex underspend and lower than plan interest rates being achieved. At this stage we are forecasting full year interest costs to be \$2.0m favourable to plan.

We have now issued just over \$55m of short dated commercial paper (CP) at margins of between 10 and 12 basis points (0.10% to 0.12%), the funds raised through the CP issuances have been used to reduce more expensive debt – namely bank debt and repay maturing bonds.

The first of our CP issued in October 2010 matured on 5 January and it is pleasing to report that this was successfully re-issued in January at a margin of 10 basis points.

Table 4: Prudential treasury limits

Prudential limits	Policy Limit	Actual	Compliance
Borrowings as a % of equity	<10%	5%	Yes
Borrowings as a % of income	<150%	71%	Yes
Net interest as a % of annual rates income	<15%	10%	Yes
Notes:			
* Equity is based on the 30 June 2010 Annual Report			
* Net interest, Annual Rates and Income are based on Annual Plan budget			
Interest rate risk control limits (interest rate exposure)	Policy Limit	Actual	Compliance
Fixed interest proportion	50% - 95%	89%	Yes
Broken down as follows:			
1 - 3 year bucket	20% - 60%	20%	Yes
3 - 5 year bucket	20% - 60%	30%	Yes
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%	137%	Yes
Broken down as follows:			
0 - 3 year bucket	20% - 60%	58%	Yes
3 - 5 year bucket	20% - 60%	20%	Yes
5 - 10 year bucket	15% - 60%	22%	Yes
Notes:			
* "Liquidity" is defined as: Current borrowings + committed loan facilities divided by 12 month peak borrowings			

STRATEGY AREAS AT A GLANCE

Tables 5, 6, 7 and 8 summarise the Council's revenue and expenditure by strategy area for the six months ended 31 December 2010.

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
	2011	2011	2011	2011
	\$000	\$000	\$000	\$000
Governance	406	366	40	552
Environment	7,320	6,459	861	12,784
Economic Development	2,904	3,372	(468)	6,263
Cultural Wellbeing	527	597	(70)	1,057
Social and Recreation	32,058	31,856	202	70,245
Urban Development	4,558	5,471	(913)	10,404
Transport	16,152	16,223	(71)	32,128
Total Strategy Area	63,925	64,344	(419)	133,433
Council	131,341	129,818	1,523	266,853
Total Revenue	195,266	194,162	1,104	400,286

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
	2011	2011	2011	2011
	\$000	\$000	\$000	\$000
Governance	7,816	8,032	216	15,419
Environment	61,245	62,685	1,440	125,477
Economic Development	12,680	13,097	417	26,116
Cultural Wellbeing	7,430	7,778	348	14,921
Social and Recreation	44,129	45,898	1,769	89,664
Urban Development	11,365	12,929	1,564	25,695
Transport	23,705	25,079	1,374	50,238
Total Strategy Area	168,370	175,498	7,128	347,530
Council	5,406	2,093	(3,313)	3,765
Total Operating Expenditure	173,776	177,591	3,815	351,295

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
	2011	2011	2011	2011
	\$000	\$000	\$000	\$000
Governance	(7,410)	(7,666)	256	(14,867)
Environment	(53,925)	(56,226)	2,301	(112,693)
Economic Development	(9,776)	(9,725)	(51)	(19,853)
Cultural Wellbeing	(6,903)	(7,181)	278	(13,864)
Social and Recreation	(12,071)	(14,042)	1,971	(19,419)
Urban Development	(6,807)	(7,458)	651	(15,291)
Transport	(7,553)	(8,856)	1,303	(18,110)
Total Strategy Area	(104,445)	(111,154)	6,709	(214,097)
Council	125,935	127,725	(1,790)	263,088
Net Operating Surplus / (Deficit)	21,490	16,571	4,919	48,991

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
	2011	2011	2011	2011
	\$000	\$000	\$000	\$000
Governance	0	52	52	104
Environment	13,158	17,541	4,383	33,003
Economic Development	500	41	(459)	617
Cultural Wellbeing	256	190	(66)	518
Social and Recreation	34,745	42,264	7,519	85,312
Urban Development	3,018	6,744	3,726	12,412
Transport	18,095	21,740	3,645	47,816
Total Strategy Area	69,772	88,572	18,800	179,782
Council	5,688	11,297	5,609	19,234
Total Capital Expenditure	75,460	99,869	24,409	199,016

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. The Council line within Table 8 is under budget due to a lower level of internal cost capitalisation than budgeted and timing differences.