

# Performance and Financial Report to Council

September 2023

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# Chief Executive's Summary

This report covers the first quarter of the 2023/24 financial year outlining operating performance, capital delivery, and non-financial performance of Council.

At the end of September Council's controllable operating position was 0.1M unfavourable against the revised budget. This is a pleasing result, although there are some variances across operating revenue and expenditure. The largest variances in operating revenue are in fees and charges (unfavourable by 0.7M) and in other revenues (unfavourable by 0.7M across various activities, with offsetting lower expenditure). For operating expenditure, the largest variance is contractors (favourable by 1.0M). Further information outlining operating variances is provided in the subsequent sections of this report.

A key cost pressure to monitor this year is utilities, which ended FY2023 0.4M unfavourable against budget. At the end of September utilities are 0.4M unfavourable against budget, with the current unfavourable variance largely absorbed by other favourable operating variances YTD. The current variance is largely related to the Biogas generator being offline. Analysis and forecasting is being undertaken to understand the impact of this for the remainder of the year.

For the Capital Programme, delivery momentum has continued since the end of FY2023. Capital spend for the first quarter reached 16.7M, compared to a 9.0M spend for the equivalent period of FY2023. Of the 283 total capital projects, 120 projects are in progress with 8 projects complete.

## **New financial and regulatory systems transition**

Over the first quarter, officers have been working hard to implement the new finance and regulatory system, as well as a new reporting system. As a result, for this quarterly report, high level budget phasing has been undertaken by Council officers for reporting of Council's current operating and capital positions. Some refinements may be made to this phasing during the next quarter, for accuracy.

Some of our processes in the new system are also being refined and built as we continue to increase our knowledge of the new systems. This has meant that more estimates have been made for the results, particularly relating to revenues, than normally would be made. Since the end of the quarter, further analysis has been ongoing to analyse the accuracy of these with early indications being that operating revenues may be approximately 0.3M understated.

# Operating Performance

Summary of Financial Performance	2023/24 (\$M)			
	Year to Date			FY
For the period to 30 September 2023	Actual	Budget	Variance	Budget
Fees & Charges	2.0	2.7	(0.7)	8.0
Subsidies and grants	1.3	1.3	0.0	8.2
Other revenues	5.6	6.3	(0.7)	25.0
<b>Operating Revenue</b>	<b>8.9</b>	<b>10.3</b>	<b>(1.4)</b>	<b>41.2</b>
Administration	6.2	6.3	0.1	13.8
Contracted services	4.9	5.9	1.0	23.6
Grants	2.8	3.0	0.2	10.3
Materials	1.1	1.5	0.4	6.2
Professional services	5.3	5.3	0.0	19.5
Remuneration	15.2	15.4	0.2	61.0
Utilities	1.1	0.7	(0.4)	3.0
Capitalised labour and plant	(2.3)	(2.4)	(0.1)	(9.6)
<b>Operating expenses</b>	<b>34.3</b>	<b>35.7</b>	<b>1.4</b>	<b>127.8</b>
<b>Net Operating Surplus/(Deficit)</b>	<b>(25.4)</b>	<b>(25.4)</b>	<b>0.0</b>	<b>(86.6)</b>
Rates	31.3	31.2	0.1	124.2
Net Interest	(2.6)	(2.4)	(0.2)	(9.7)
<b>Operating Controllable Surplus/ (Deficit)</b>	<b>3.3</b>	<b>3.4</b>	<b>(0.1)</b>	<b>27.9</b>
Depreciation	(10.8)	(10.8)	0.0	(43.0)
Non-Operating Revenue	7.0	5.7	1.3	23.8
Non-Operating Expenses	0.0	0.0	0.0	0.0
<b>Net result</b>	<b>(0.5)</b>	<b>(1.7)</b>	<b>1.2</b>	<b>8.7</b>

The net operating position at the end of September breaks even, although there are some key deviations from budget to highlight:

- Operating revenue
  - Fees and charges revenue is unfavourable YTD by 0.7M, mainly related to building and resource consents, driven from both demand and processing in the new finance system.
  - Other revenues are unfavourable YTD by 0.7M. This mainly relates to income that has offsetting savings in expenditure.
- Operating expenditure
  - Contractors are favourable YTD by 1.0M related to Transport and 3 Waters.
  - Utilities are unfavourable YTD by 0.4M. Although the impact of this variance is not material on the operating position, it is important to identify early due to ongoing

utility cost pressures. Analysis and forecasting is being undertaken to understand the impact of this for the remainder of the year.

For further information on YTD performance see:

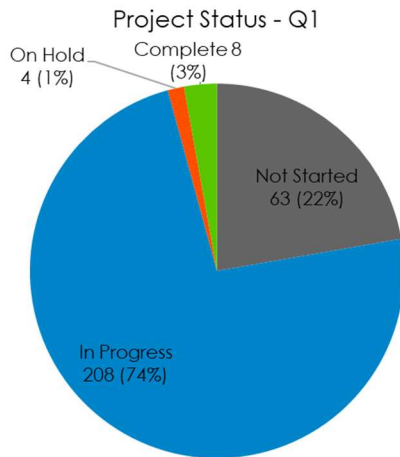
- Appendix 2 – Activities Operating Net Result
- Appendix 3 – Operating Programme Reporting
- Appendix 7 – Financial Statements
- Appendix 8 – Approved variations to Annual Budget





# Capital Delivery Status

## Current Delivery Status

The Quarter 1 spend of 16.7M reflects the delivery momentum that has continued from the second half of FY2023. For comparison, the Quarter 1 capital spend for FY2023 was 9.0M.

Of the 283 total capital projects, 208 projects are in progress with 8 projects complete. Programme deliverability confidence is high, the more integrated project delivery approach and the pending project management software will further support deliverability. Of the 208 projects in progress, 119 are expected to complete this financial year and 22 are renewal by nature where they are continuous or ongoing. The remaining 67 projects are multi-year or dependent on external growth.



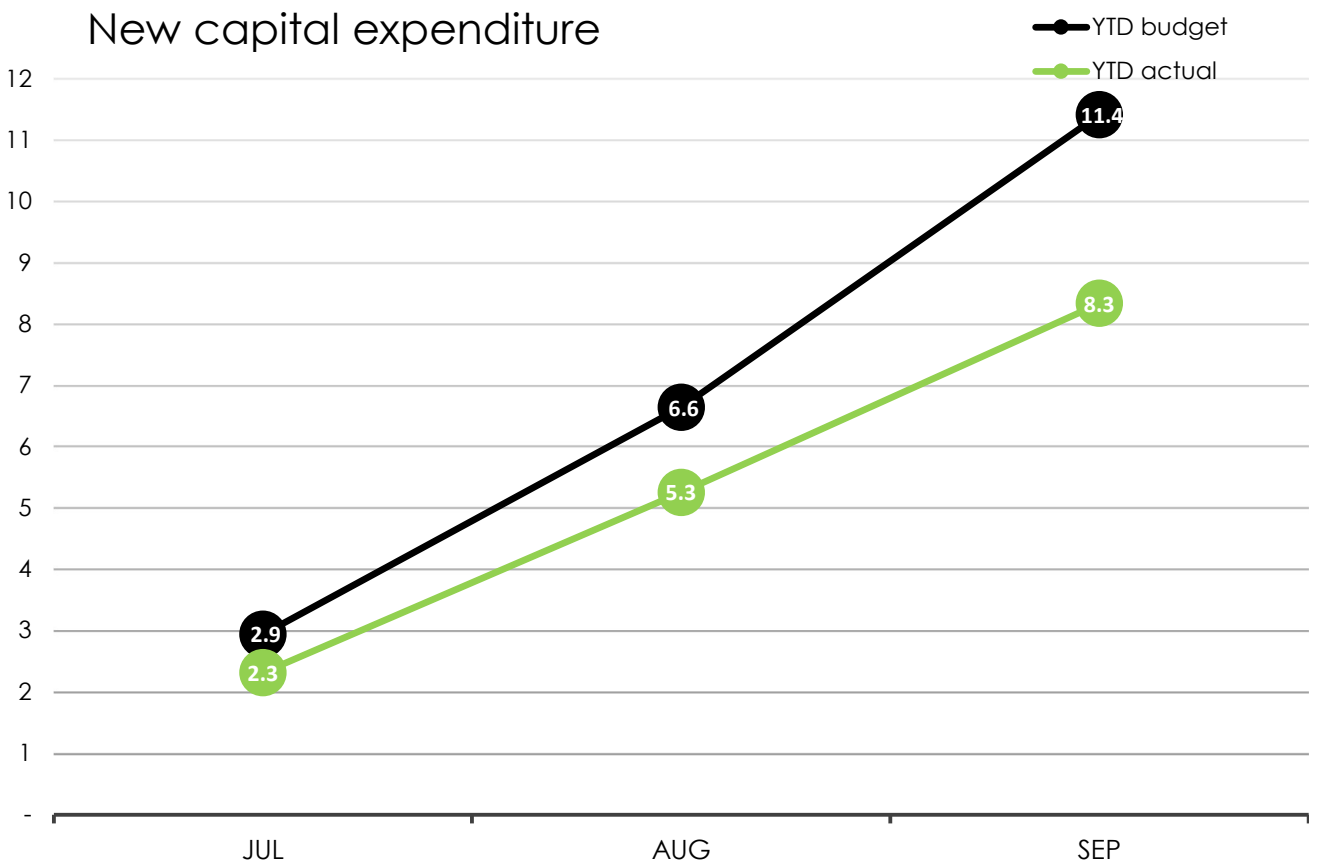
-  **Not Started** Project has not commenced.
-  **In Progress** Planning, Design or Construction is underway.
-  **Complete** Project is complete.
-  **On Hold** Project unable to be progressed

There has been excellent progress on several significant projects:

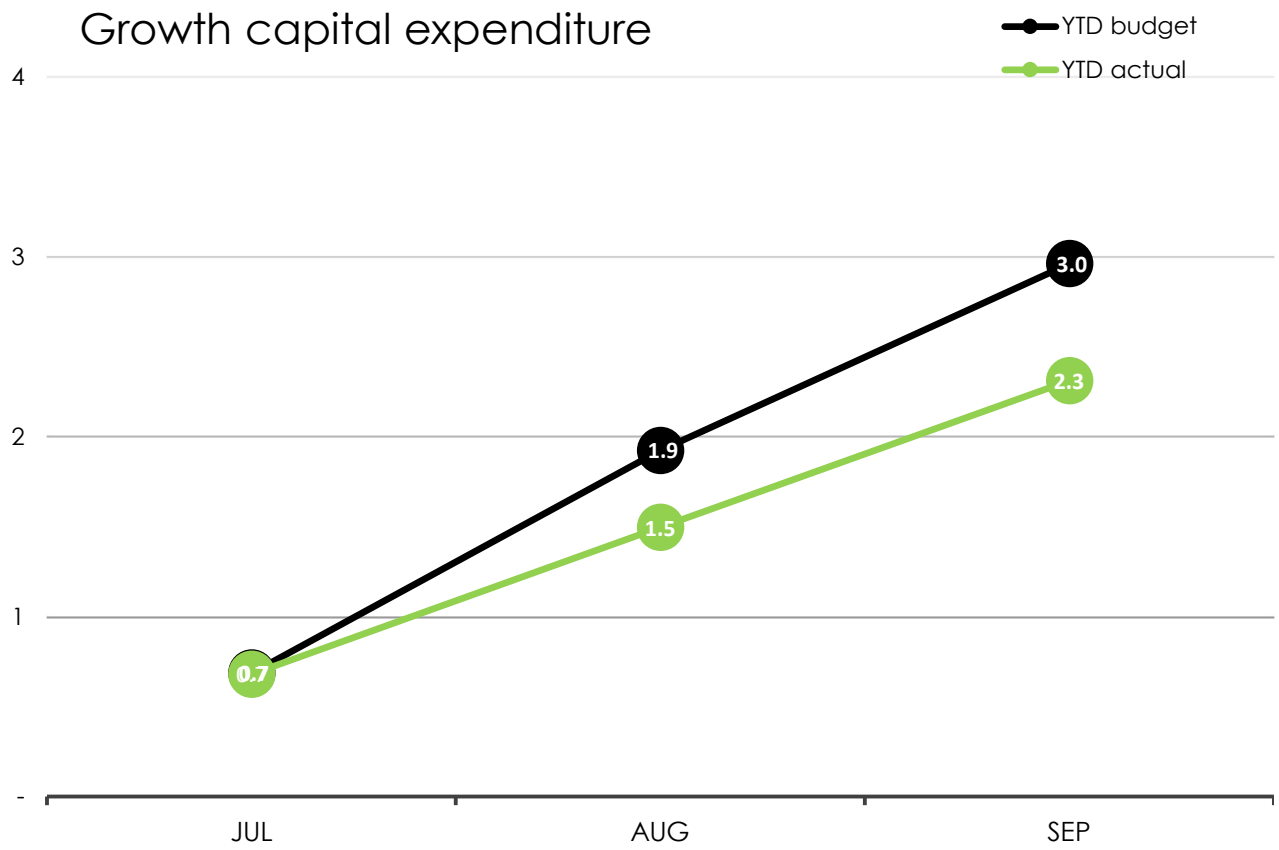
- The new Animal Shelter – ongoing construction
- Crematorium seismic strengthening – ongoing construction
- North-East Industrial Zone upgrade – ongoing construction
- Turitea Water Treatment Plant seismic strengthening – nearing completion
- Papaioea Place Stage 3 – nearing completion
- Upper James Line/Kelvin Grove Road Intersection Upgrades – complete
- Awapuni Recourse Recovery Centre Staff Facility Upgrade – complete/ahead of schedule
- Ferguson/Pitt Street upgrade - complete

At quarter-end, there has been a total Capital spend of 16.7M comprising 8.3M Capital New, 2.3M Capital Growth and 6.1M Capital Renewal.

	<b>Council wide actuals YTD</b>	<b>Council wide budget YTD</b>	<b>Variance</b>	<b>Council wide AP budget</b>	<b>Council wide revised budget</b>
Capital New	8.3	11.4	3.1	52.4	54.5
Capital Growth	2.3	3.0	0.7	13.0	12.5
Capital Renewal	6.1	4.1	(2.0)	27.9	29.1
<b>Total Capital</b>	<b>16.7</b>	<b>18.5</b>	<b>1.8</b>	<b>93.3</b>	<b>96.1</b>

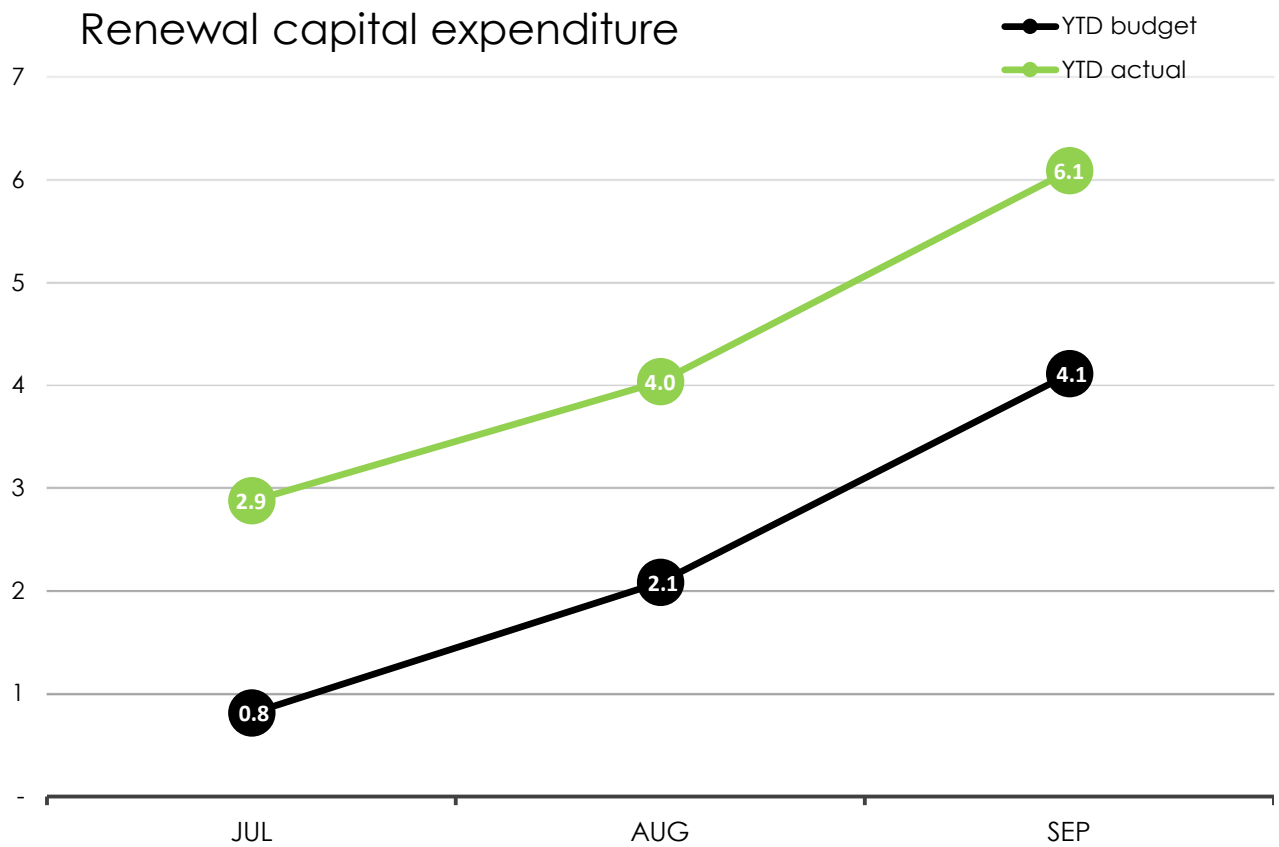


Two major factors contributed to the variance for Capital New. The timing of the new Animal Shelter delivery has been updated, with work initially expected to be completed in September now being completed throughout October. Work on Papaioea Place was impacted due to a consent delay which will not affect overall project delivery. In both cases, timelines and delivery of the projects are not affected.



Work for Capital Growth is usually impacted by external factors which impacts the timing of work. An example is Wyndham Street Water Updates, where forecasted work for September was delayed and is now anticipated to be done in October.





Accelerated work in the Three Waters space – good weather and changes in operational processes have improved performance in capital renewal delivery.

For additional information on capital delivery see:

- Appendix 4 – Capital expenditure by Group of Activities
- Appendix 5 – Capital expenditure by Programme (over \$1,000,000)
- Appendix 6 – Capital expenditure by Programme (under \$1,000,000)
- Appendix 8 – Approved variations to Annual Budget

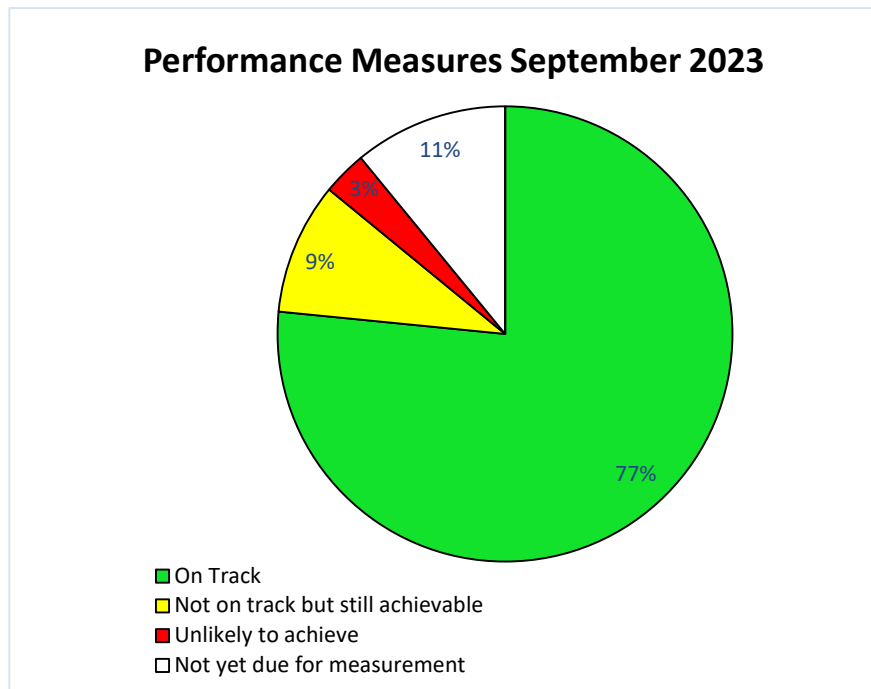
### Net debt - Actual against Budget



- Actual \$222.4M compared to revised budget of \$222.6M.
- Weighted average cost of capital (WACC) is 4.36%

# Performance Measures

At the end of September 2023, 49 (77%) of performance measures were on track, 7 (11%) are not yet due for measurement, 6 (9%) were not on track but still achievable, and 2 (3%) are unlikely to be achieved.



For additional information on performance measures see:

- Appendix 1 – Detailed performance measures

## Resourcing

A summary of PNCC Resourcing is included below for your information. The figures below include all approved positions in the structure.

<b>Employment Status</b>	<b>Number of Staff</b>	<b>FTE</b>	<b>Budgeted FTE</b>
Permanent Full-time	537	537	521
Permanent Part-Time	104	71.3	69.1
Vacancies	92	88	68.1
Temporary	18	15.4	
<b>Total Number of Positions (excl. casuals)</b>	<b>751</b>	<b>711.7</b>	<b>658.2</b>
Add Casual	36	19.3	
Less vacancies	(92)	(88)	
<b>Total Positions</b>	<b>695</b>	<b>643</b>	<b>658.2</b>

The column “Number of staff” refers to actual approved positions within the structure. The “FTE” column converts actual positions to 40 hours per week positions (e.g. the number of part-time roles reduces from 104 to 71.3). The final column “budget” converts the budget allocated into FTE positions. The difference between the current FTE levels and the budgeted FTEs relates to the vacancy factor in the remuneration budget – this is not aligned with specific roles.