

Performance and Financial Report to Council

December 2023

Contents

Chief Executive's Summary	2
Operating Performance	3
Capital Delivery Status	5
Performance Measures	11
Resourcing.....	12

Chief Executive's Summary

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

At the end of December Council's net operating position is 0.6M unfavourable against the revised budget with some key variances across operating revenue and expenditure. The largest variances in operating revenue are in fees and charges (unfavourable by 0.5M) and in other revenues (unfavourable by 0.5M across various activities), both revenue variances are at least partially offset with savings in expenditure. For operating expenditure, the largest variance is contractors (unfavourable by 0.9M) and other operating expenses (favourable by 0.9M). Further information outlining operating variances is provided in the subsequent sections of this report. There are minor variances across all expenditure items, all offsetting each other. Capitalised labour is currently favourable by 0.5M as a result of settled weather enabling good progress of the capital works programme being made to date.

Through February we will be undertaking a forecasting exercise to further understand the expected end of year financial position.

For the Capital Programme, delivery momentum has continued from the first quarter. Capital spend for the first two quarters of FY2024 reached 32.3M, compared to a 25.4M spend for the equivalent period of FY2023. Of the 315 total capital projects, 253 projects are in progress (single or multiyear), 42 not started, and 19 are complete.

New financial and regulatory systems transition

Over the first six months FY2024, officers have been working hard to implement Authority Altitude (AA), the new finance and regulatory system, as well as a new reporting and planning tool.

It was expected that with such a major change of software, that issues with the implementation and as the system was started to be used widely were likely to arise. This is often in the form of system bugs or process change issues. Officers have been working through these issues with the system providers (Civica) and learning how it is designed to operate. Some of the functionality that we were accustomed to in our previous system does not feature in this new tool, and a number of the transactional processes have more steps.

Officers are reviewing the issues and the performance of the system that our staff are experiencing and are developing an action plan on how these could be improved. We are also pushing the software vendor to commit to improving some of the functionality in the solution.

Operating Performance

Summary of Financial Performance For the period to 31 December 2023	2023/24 (\$M)			
	Year to Date			FY
	Actual	Budget	Variance	Budget
Fees and charges	3.8	4.4	(0.5)	8.0
Grants and subsidies received	3.2	3.3	(0.1)	8.0
Other revenues	12.1	12.6	(0.5)	25.1
Operating Revenue	19.1	20.3	(1.1)	41.2
Other operating expenses	10.0	10.9	0.9	17.1
Contractors	12.0	11.1	(0.9)	22.6
Grants and subsidies paid	5.1	5.4	0.3	10.2
Materials	2.0	2.4	0.4	4.7
Professional Services	10.0	9.8	(0.2)	19.2
Remuneration	30.2	30.1	(0.2)	61.2
Utilities	1.9	1.5	(0.4)	3.0
Net Internal Expenses	(5.6)	(5.1)	0.5	(10.3)
Operating expenses	65.6	66.1	0.5	127.7
Net Operating Surplus/(Deficit)	(46.4)	(45.8)	(0.6)	(86.5)
Rates Revenue	62.5	62.2	0.3	124.2
Net Interest	(4.6)	(4.9)	0.2	(9.7)
Operating Controllable Surplus/ (Deficit)	11.5	11.5	(0.1)	28.0
Depreciation and amortisation	(21.5)	(21.5)	0.0	(43.0)
Non-operating revenues	5.0	11.4	(6.4)	23.8
Non-operating expenses	(3.1)	0.0	(3.1)	0.0
Net result	(8.2)	1.4	(9.7)	8.7

The net operating position at the end of December is unfavourable by 0.6M, with some key deviations from budget to highlight:

- Operating revenue
 - Fees and charges revenue is unfavourable YTD by 0.5M, predominantly related to building services driven by lower demand. This is partially offset by savings in operating expenditure (professional services).
 - Other revenues are unfavourable YTD by 0.5M predominantly related to Roding and Strategic Investments. For Strategic Investments, this mainly relates to income that has offsetting savings in expenditure.
- Operating expenditure
 - Contractors are unfavourable YTD by 0.9M related to Roding. This is a result of the timing of maintenance works.

- Utilities are unfavourable YTD by 0.4M. This relates predominantly to the BioGas generator being offline for a period of time. This has since been repaired and the variance remains stable.
- Other operating expenses are favourable by 0.9M predominantly related to Economic Development & Strategic Investments and due to timing of expenditure.
- Net internal expenses (capitalised labour) are favourable by 0.5M, largely related to settled whether enabling high levels of capital work.

For further information on YTD performance see:

- Appendix 1 - Detailed Non-Financial Performance Measures
- Appendix 2 – Activities Net Operating Cost
- Appendix 3 – Operating Programme Reporting
- Appendix 7 – Financial Statements
- Appendix 8 – Approved variations to Annual Budget
- Appendix 9 – Financial dashboard

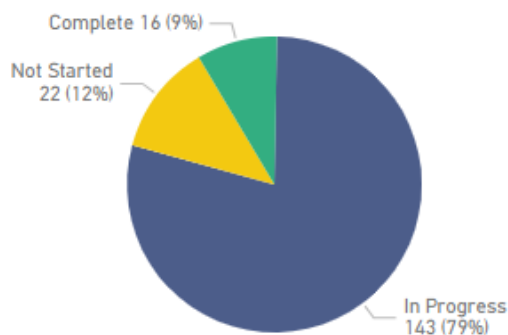
Capital Delivery Status

Current Delivery Status

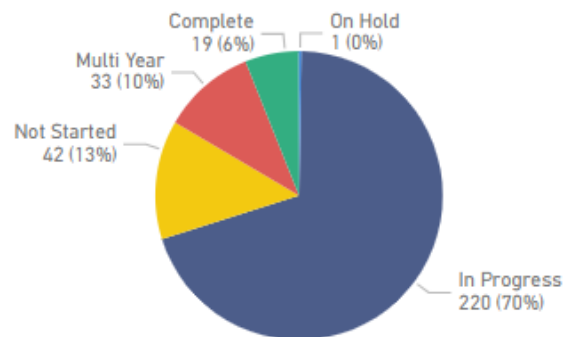
The quarter two spend of 15.6M reflects the delivery momentum that has continued from the first quarter. The YTD capital spend of 32.3M is encouraging when compared to 25.4M for the same period in FY2023. Settled weather is a key factor which has enabled steady progress particularly for capital renewal projects.






Of the 315 total capital projects, 253 projects are in progress (across both single and multiple year projects), with 19 projects complete. Programme deliverability confidence is high, the more integrated project delivery approach and the pending project management software will further support deliverability. The one project on hold is the Bill Brown Park car park extension which has been deferred to the Long-term Plan. It's anticipated that another Programme will be placed on hold during January (City-wide - Urban Cycle Infrastructure Network improvements) as we await further direction from the Government regarding the funding of this work.

Capital programme - FY24 only (Infrastructure)



Full capital programme (Infrastructure)



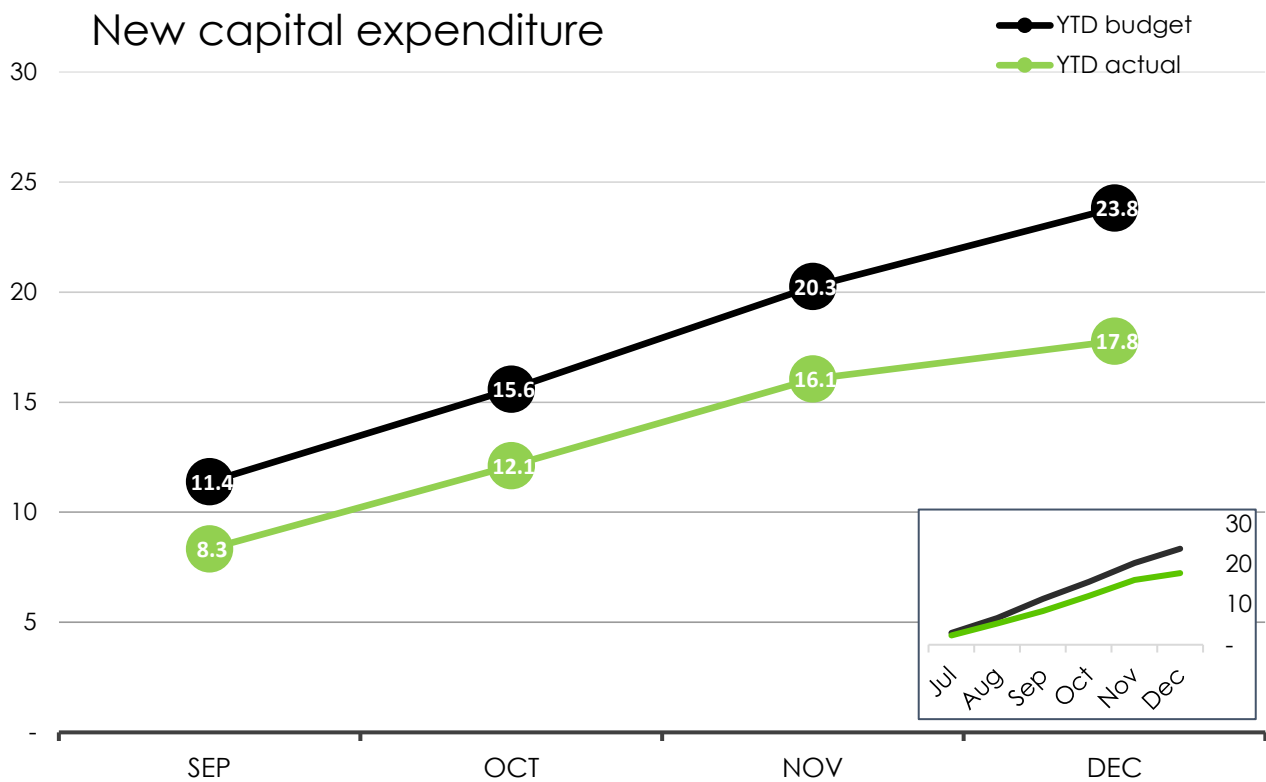
-  **Not Started** Project has not commenced.
-  **In Progress** Planning, design, or construction is underway.
-  **Complete** Project is complete.
-  **Multi year** Project spans multi years and will not complete in FY2024
-  **On Hold** Project unable to be progressed

Throughout quarter two there was substantial progress on several significant projects:

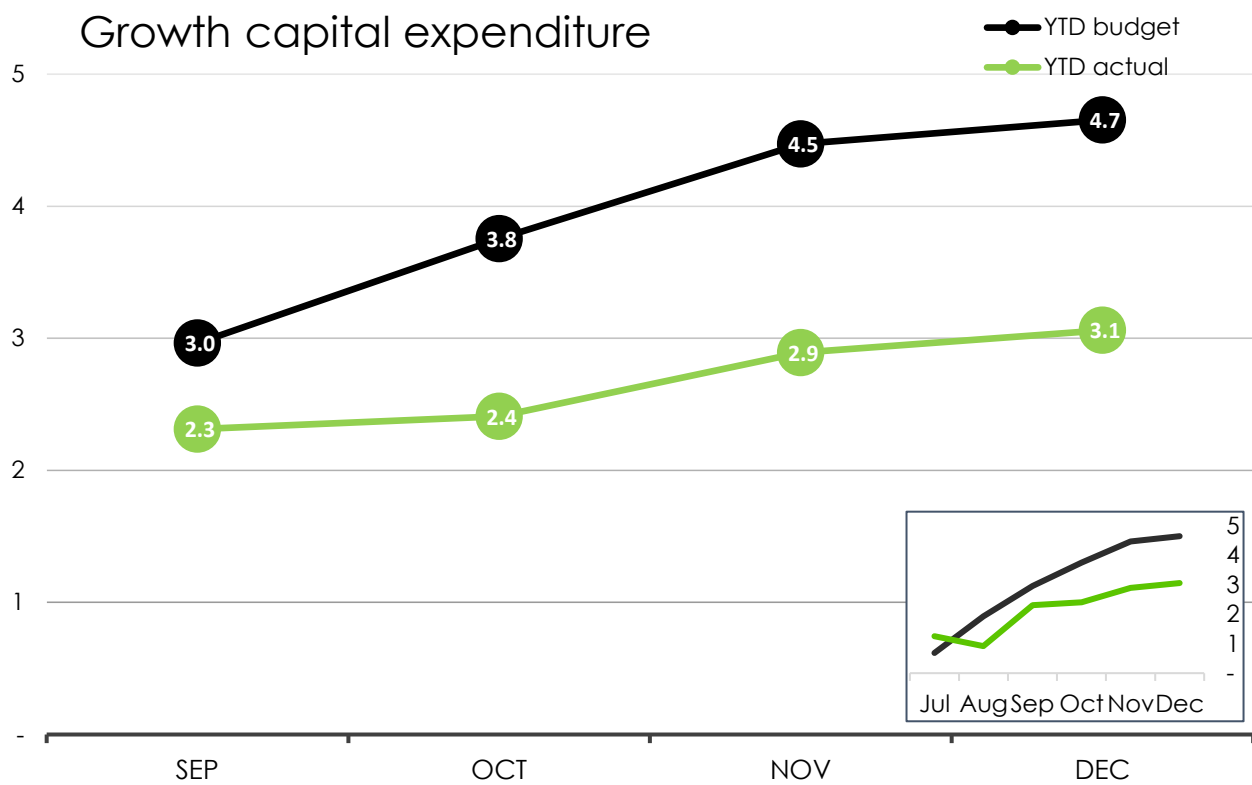
- The new Animal Shelter – ongoing construction.
- Crematorium seismic strengthening – ongoing construction, on track for May completion.
- North-East Industrial Zone upgrade – ongoing construction, Setters Line in progress.
- Turitea Water Treatment Plant seismic strengthening – Complete.
- Papaioea Place Stage 3 – complete, blessing occurred 21st December. Public Opening 31st Jan.
- Glenburn Retainer Wall – under contract with construction to commence late January 2024.
- Featherston Street Cycle Way – in action, site setup underway with construction to commence late January 2024.
- Bus Shelter Development - in action, site preparation underway. Shelters are being assembled at PNCC Depot.

Please see below for a breakdown of the capital programme spends and variances to date.

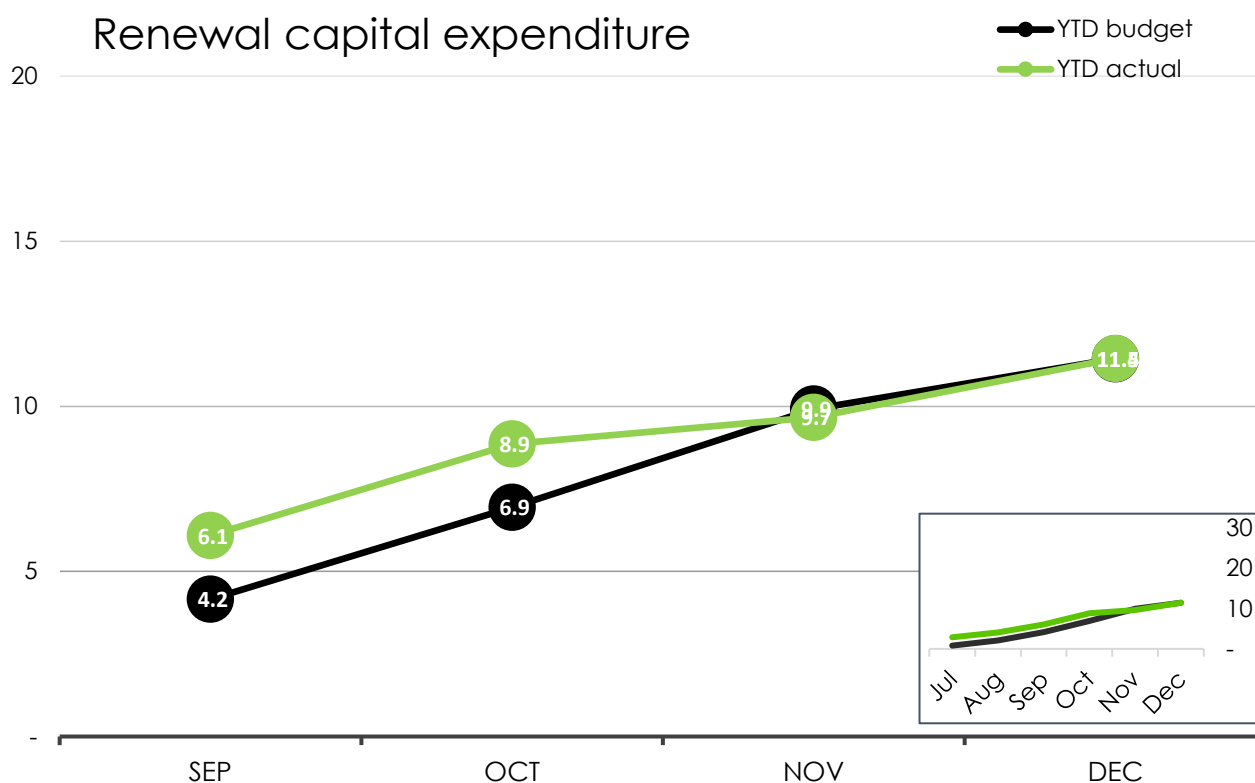
	Council wide actuals YTD	Council wide budget YTD	Variance	Council wide AP budget	Council wide revised budget	% YTD spend to revised budget
Capital New	17.8	23.8	6.0	52.4	63.6	28%
Capital Growth	3.1	4.7	1.6	13.0	11.0	28%
Capital Renewal	11.5	11.4	(0.0)	27.9	27.3	42%
Total Capital	32.3	39.9	7.6	93.3	101.8	32%



Programmes with the largest variance against budget include City-wide - Transport Choices - Public Transport (1.9M), City-wide - Urban Cycle Infrastructure Network improvements (0.8M), and City-wide - Minor Transport Improvements (0.6M).



Work for capital growth is usually affected by external factors which impacts the timing of work.



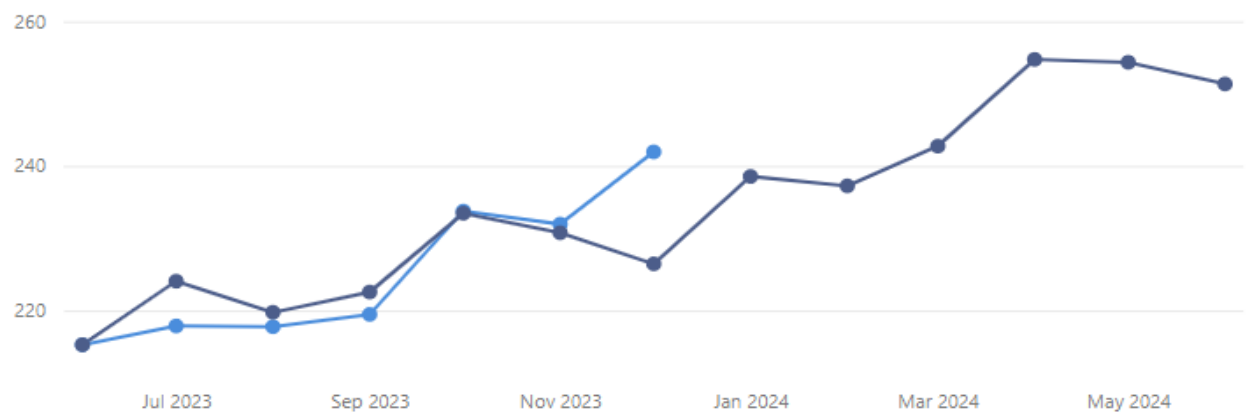
Accelerated work in the Three Waters space – good weather and changes in operational processes have improved performance in capital renewal delivery. Main variances against budget include - Wastewater Pipe Renewal (0.3M favourable) and Footpath Renewals (unsubsidised – 0.3M favourable). These favourable variances are fully offset by other renewal programmes which are currently tracking ahead of budget due to timing of work.

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 by month

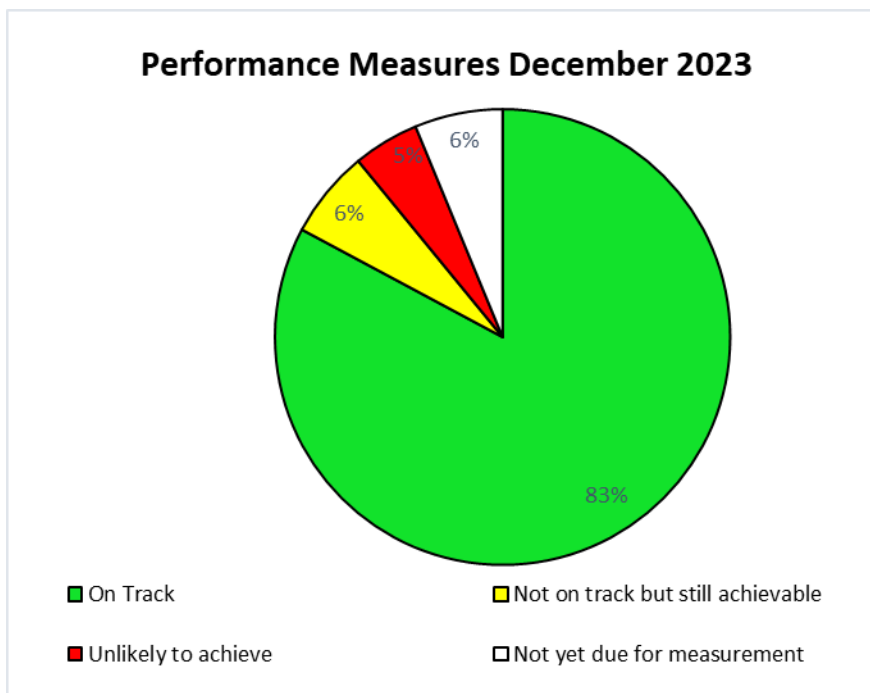
● Actual ● Budget



- Actual \$241.9M compared to revised budget of \$226.4M.
- Weighted average cost of capital (WACC) is 4.5%
- Actual debt levels have tracked higher than budget due to timing of borrowings.

Performance Measures

At the end of December 2023, 53 (83%) of performance measures were on track, 4 (6%) are not yet due for measurement, 4 (6%) were not on track but still achievable, and 3 (5%) are unlikely to be achieved.



For additional information on performance measures see:

- Appendix 1 – Detailed performance measures

Resourcing

The information provided around resourcing is being reviewed after recognising a disparity between systems about the number of vacancies held by the organisation. We are working to rectify this information and will provide an update in the Quarter 3 report. Officers have experienced the recruitment market improving in recent times, with a high proportion of the vacancies going to market being filled in a timely manner. This combined with a lower turnover rate than previously experienced by Council has resulted in pressures for the FY2024 remuneration budget.