11. CCC PERFORMANCE REPORT AS AT 31 MARCH 2007

General Manager responsible:	General Manager Corporate Services, DDI 941-8540
Officers responsible:	Corporate Finance Manager Corporate Performance Manager
Author:	Roy Baker, General Manager Corporate Services

PURPOSE OF REPORT

1. The purpose of this report is to update Council on performance and financial results to date for the 2006/07 financial year.

EXECUTIVE SUMMARY

2. Attached are appendices showing:

   - Service performance (Levels of Service (LOS) and capital project delivery) as at 31st March 2007 (Appendix 1)
   - Financial performance as at 31st March 2007 (Appendix 2)
   - Significant Capital Projects (financials) as at 31st March 2007 (Appendix 3)
   - Capital Reprogramming included in Draft 2007/08 Annual Plan (Appendix 4).

3. This is the fourth monitoring report for the 2006/07 financial year. The next report will be in June 2007 on the results as at 31 May 2007.

Service Delivery Performance

4. The attached report shows Council's performance in delivering its Levels Of Service.

5. The service levels are those resolved upon by Council in the 2006-16 LTCCP. The trend is encouraging. We have identified a number of measures that are not as relevant as they could be and we will be looking to review these in the near future. Council also approved as part of the LTCCP process a number of KPIs/LOS as part of the Activity Management Plans. They are internal measures and not reported externally through the Annual Report. The trend for the internal measures is similar to the service levels reported in this paper.

6. Please note that apart from transactional areas (licensing facility use (pools, libraries etc.)), most Council levels of service do not have month to month statistical results. Traditionally this has meant that performance was not monitored extensively until end of financial year, by which time corrective action is impossible.

7. In order to stay focussed on the targets set by Council the attached performance results are forecasts made by the Unit Managers (the concept is just the same as the financial forecasts Council also receives). This means that Council has the opportunity to see slippages and problem areas in advance and to support these areas in getting back on track.

8. Due to the volume of services (and therefore targets) this reporting is by exception. Detail is only provided where a target is slipping or will not be met.

Financial Performance

9. We remain on track to deliver operationally within budget.

10. Ninety percent by value of the Capital programme is forecast to be delivered by the financial year end. Appendix 3 lists the significant capital projects providing a clear indication of individual projects' year end position.

Operating Costs

11. Within the Streets and Transport activities, major contract costs will exceed budget significantly by year end (forecast $4.8m over budget). As reported previously three elements appear to be one-off costs – storm damage (primarily in the Banks Peninsula area) of $1.350m, $500k for power charges and $300k dump fee costs. The latter two charges relate to expenditure that should have been accounted for last year.

12. Within the Solid Waste area, lower contracts are producing savings helping to offset the above.

13. Total Opex expenditure is forecast to be $2.9m under budget at year end, half of which relates to personnel costs due to ongoing vacancy levels. The balance has been achieved by efficiencies in delivery.

Revnue

14. On Street Parking continues to under perform with the parking fee income forecast to be behind budget by $2.0m at the year end.

15. Vesting of assets is forecast to be behind budget by $5.5m; however, this is a non cash item. Development Contributions for reserves are expected to be ahead of budget by $3.9m. These are partly offset by contributions in other areas which are expected to be behind by $1.7m by year end. Development contributions are reflected in the “surplus” and have no rate impact.

16. Revenue from the recreation and leisure activities is well ahead of budget (up $800k) with higher levels of patronage and membership fees, particularly in the learn to swim area.

17. Buoyant economic activity in the region is seeing higher “fee” income than budget ($500k).

18. LTNZ subsidies on operational expenditure are forecast to be ahead of plan by $0.8m, however, there is expected to be a $3m unfavourable variance on the LTNZ subsidy on capital expenditure due to probable ineligibility of some of the capital expenditure to attract subsidies.

19. An unplanned subvention payment of $3.2m was received from CIAL which is in lieu of $2m of CCHL dividend. Total Opex revenue is forecast to be $1m under budget at year end.

Capex

20. Some reprogramming occurred at the end of February in order to reflect timing changes to major projects in the Annual Plan. This involved both bringing forward and pushing out capital expenditure budget between the 2006/07 and 2007/08 financial years (net effect $1.4m pushed out). Refer to Appendix 4 for details of this reprogramming.

21. At this stage of the year we are trying to lock down our projected capital spend. There are very few projects that are in the reprogrammed plan that will not start in the current year. It is still difficult to tie down actual expenditure from a timing perspective, i.e. some projects will not be complete by 30 June and hence financial provision will need to be carried forward into 2007/08.

22. At this stage we are projecting the following:

Approved Capital Expenditure Budget (excludes Vested Assets, Sales and Contingency)	$184.5m
$ Spend Range	$162m - $179m
Delivery Percentage	88% - 97%

23. The range is driven by project timings relating to Streets $5m, City Water and Waste $4m, Strategic Land Purchases $4m, IT $4m.

24. The Council needs to note that Appendix 3 is work in progress with regards to presentation. We have tried to focus on the large projects in each group, and added columns to show percentage complete and percentage spend. For the next monitoring report we will look to report more at a programme level and as per the LTCCP breakdown.

25. Comment on specific Capex projects is as follows:

- Ocean Outfall: Is forecast to spend $5.3m more than the original 2006/07 budget, but within the overall project budget. As a result of this expenditure timing, budget has been moved from the 2007/08 year into the current financial year as part of the reprogramming exercise at the end of February.

- Fifth and Sixth Digester: There is no change to the forecast to spend $6.8m more than the 2006/07 budget in the current year. As a result of this expenditure timing, $5.9m of budget has been brought into this year from 2007/08 with the budget reprogramming. Currently forecasts predict that the overall project budget will be slightly overspent by $0.8m. Forecasts around this project are currently being reviewed.

- Blenheim Road Deviation: Is forecast to spend $1.7m more that the original 2006/07 budget. This is partly due to the project being ahead of plan (all of next year's budget has been moved into this year as part of the reprogramming) as well as projected to be slightly overspent by $0.2m.

- Strategic Land Purchases: These represent $13.8m of our budget. $5.3m of this has already been shifted to next year as a result of the reprogramming with two key purchases being identified as not going through this year. The remaining budget ($8.5m) is currently forecast to be spent however this remains a difficult area to predict and one of risk to us, regarding delivery of the capital programme.

- Pump Station 11 forecast to spend $17.5m which is $970,000 more than the original budget. A very constrained construction site, difficult ground conditions and multiple contract interfaces have made this a very difficult project. The three factors have lead to delays and numerous contractor claims for variations and extensions of time. Commissioning has been complicated by leaks occurring in Pressure Main 11. Repair costs are in the order of $450,000. it is proposed to have wastewater running through the line by the end of May 2007.

- Kerb and Channel: The level of service will be achieved – 15 km will be replaced. The cost associated with this work was originally budgeted at approximately $850 per lineal metre. Actual costs are in the order of $1,050 per lineal metre, reflecting the cost increases the industry has experienced.

- Carriageway and footpath resurfacing targets will be achieved (60 km and 85 km respectively).

- Pipework Replacement: The programmes of work for sewer and water mains and submains renewals are on track and levels of service will be achieved in these areas (3.0 km, and 8.0 km and 15 km respectively).

Forecast Year End Position

26. At 31 March 2007 we were forecasting a surplus $3m better than budget and previously reported, the key contributors being a better revenue position (subvention payment) and lower costs and depreciation expenses.

27. At the time of writing the April Opex result is suggesting an even better year end position at both the revenue to cost level. The April Capex result still sees us within the range indicated in para 22 (but more likely at the lower end).

FINANCIAL IMPLICATIONS

28. As above.

Do the Recommendations of this Report Align with 2006-16 LTCCP budgets?

27. The report is for information, not a recommendation.

LEGAL CONSIDERATIONS

Have you considered the legal implications of the issue under consideration?

28. Yes - there are none.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

29. Both service delivery and financial results are in direct alignment with the LTCCP and Activity Management Plans.

Do the recommendations of this report support a level of service or project in the 2006-16 LTCCP?

30. As above.

ALIGNMENT WITH STRATEGIES

31. Not applicable.

CONSULTATION FULFILMENT

32. Not applicable.

STAFF RECOMMENDATIONS

It is recommended that the Council:

(a) Receive the report.

(b) Note the reprogramming detailed in Appendix 4.