

## 7. CCC PERFORMANCE REPORT AS AT 30 APRIL 2008



<b>General Manager responsible:</b>	General Manager Corporate Services, DDI 941-8528
<b>Officers responsible:</b>	Peter Ryan, Corporate Performance Manager Diane Brandish, Corporate Finance Manager
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### PURPOSE OF REPORT

1. The purpose of this report is to update the Council on service delivery and financial performance results for the first ten months of the 2007/08 financial year.

### EXECUTIVE SUMMARY

2. **Attached** are appendices showing summaries of:
  - Service and capital project performance as at 30 April 2008 (Appendix 1)
  - Financial performance as at 30 April 2008 (Appendix 2)
  - Capital project results to 30 April 2008 (Appendix 3).

### Service and Project Delivery Performance

3. Appendix 1 shows the Council's most recent year end forecast for its key organisational targets:  
  
Customer: (1) 85 per cent Levels of Service on target;  
(2) capital programme financial carryover less than 15 per cent; and  
  
Finance: (3) activities within 3 per cent of budget.
4. The Levels of Service are those resolved upon by the Council in the 2006-16 LTCCP, along with the performance targets set out in the Activity Management Plans supporting the LTCCP.
5. The Council operates a management reporting environment that ensures tight performance management across all measures and targets. This incorporates financial and non-financial reporting and highlights key risks to achieving levels of service with particular emphasis on forecasting year-end position as well as required corrective action to ensure on-target delivery.
6. This reporting forms an important part of our risk management processes by providing assurance of the Council's compliance with statutory obligations of significance and likelihood.
7. Apart from transactional areas (licensing etc), most Council levels of service cannot generate month-to-month statistical results. Traditionally this has meant that service performance was not monitored until final results came in at the end of financial year, by which time corrective action was impossible.
8. In order to stay focussed on the targets set by the Council, the **attached** performance results are forecasts made by the accountable managers. (The concept is just the same as the financial forecasts the Council also receives.) This means that the Council has the opportunity to see slippages and problem areas in advance. These forecasts proved accurate to final results in 2006-07. In summary the April 2008 report shows that:

#### **Customer**

**Service Delivery:** *Organisational target is 85 per cent of Levels of Service delivered to standard. Service delivery is forecast to be close to target at 84.2 per cent for end of financial year. This is slightly ahead of the last CCC Performance Report which showed service delivery at 82 per cent. LTCCP levels of service flagged as exceptions (red – 'forecast to fail' 10.6 per cent and amber – 'requiring intervention' 5 per cent) are overleaf. Additional detail is set out in Appendix 1.*

**Capital Project Delivery:** *Organisational target is no more than 15 per cent of capital programme funds carried into next financial year. The forecast capital carry-forward for year end is 22.6 per cent of the programme, or \$54.6 million.*

## **Finance**

*Target is all activities within 3 per cent of budget.* In aggregate activities are forecast to fall within the 3 per cent target. Broken down, some 20 activities (48 per cent of all activities) are forecast to be underspent/over-recovered by more than 3 per cent at year end, and 14 activities (33 per cent) are forecast to be within the 3 per cent margin. Eight activities (19 per cent) are forecast to be overspent/under-recovered by more than 3 per cent at year end. Note that the target and these results exclude depreciation.

### **LTCCP Levels of Service Forecast to Fail**

9. The bullet-points below summarise key areas where managers are not expecting to deliver Levels of Service for the year to June 2008:

- Democracy and Governance: Percentage of agendas and reports from the Council two clear working days prior to each meeting.
- Refuse Transfer and Disposal: Zero breaches of resource consents by the Council's solid waste facilities.
- Enforcement and Inspection Activities – Animal Control: Percentage of priority 2 complaints (all other complaints about dogs) commenced within 24 hours.
- Enforcing Legislation and Investigating Nuisances: Percentage of responses to complaints or requests for investigations completed within 10 working days (simple request); 60 working days (complex request).
- Streets and Transport – Streets: Percentage of vehicle travel on smooth roads (using LTNZ Smooth Travel Exposure measure).
- Water Supply – Supply quality water to properties: Achieve the highest Ministry of Health water supply grade possible without treatment of water

### **LTCCP Levels of Service under Management Corrective Action**

10. The bullet-points below summarise the key areas where managers are forecasting difficulty in delivering levels of service for the year to June 2008 but where corrective action may still achieve a positive result:

- Democracy and Governance – Decision Making: Percentage of residents satisfied that the Council makes decisions in the best interests of Christchurch. *Comment:* Unrealistic target to be addressed as part of next LTCCP. In the meantime, DSU is working with Public Affairs on low-level measures to raise awareness of decision-making processes.
- Percentage of residents satisfied with the way the Council involves the public in decision making.
- Enforcement and Inspection Activities – Animal Control: Percentage of priority 1 complaints (wandering stock and aggressive behaviour by dogs) responded to within two hours. *Comment:* A review of this KPI in February reveals that the team has been interpreting the KPI wrongly. Action underway.
- Streets and Transport – Streets Kerb and Dish Channel Renewal (remove dished channels by 2023). *Comment:* Contractor performance to complete KPI dependant on weather.
- Wastewater Collection – Collecting Wastewater from Properties: Number of wet weather sewer overflows into rivers and waterways, per year (10 year rolling average). *Comment:* Unlikely the Avon Works required under the Major Sewer Upgrade will be completed on time (31-12-2010). Project manager being appointed in May to get design and procurement underway.

## Financial Performance

11. A new table has been included in Appendix 2 to more clearly show the operational and capital funding flows for the year to date and full year. The key financials are summarised in the table below:

\$000's	Act/YTD	Plan/YTD	Var\$/YTD	Forecast/Year	Plan/Year	Var\$
<b>Financial Summary</b>						
Operational Funding	-343,317	-340,611	-2,706	-388,833	-385,278	-3,555
Operations Costs	312,475	317,816	-5,341	383,262	385,109	-1,846
<b>Operational Surplus/Deficit</b>	<b>-30,842</b>	<b>-22,795</b>	<b>-8,047</b>	<b>-5,570</b>	<b>-169</b>	<b>-5,401</b>
Capital Programme	150,775	216,665	-65,890	219,593	271,729	-52,136
Capital Revenue	-16,280	-34,804	18,524	-35,053	-41,686	6,633

12. The current operational result remains heavily distorted by LTNZ capital revenue shortfalls. These are further commented on in paragraph 21 below. The operational surplus to 30 April of \$30.8m is currently \$8.0m ahead of budget (see Appendix 2). Further details are shown in the revenue and operating costs sections below. This positive variance is forecast to reduce to \$5.4m by year end.

### Operational Funding

13. Fees and charges currently exceed budget by \$3.1m and are forecast to further improve. Commercial rents exceed budget by \$0.9m due to rental increases over budget and extra properties with the new Bus Exchange sites, while housing rentals exceed budget by \$0.6m due to high occupancy levels and timing variances (fortnightly billing v monthly reporting).
14. Rates and penalties income currently exceeds budget by \$2.6m, driven by growth in the rating base due to subdivisions processed late in 2006/07 in preparation for the 2007 city-wide revaluation. Interest earnings are below budget due to the delay in on-lending funds to CBL for the Civic Offices. Settlement is now scheduled for June.
15. Transfers from funds are lower than planned due to the better than budget revenue above and higher interest earnings credited to special funds.

### Operational Costs

16. Costs excluding depreciation are presently under budget by \$3.5m, being primarily timing variances for grants (\$2.1m) and contract/asset maintenance costs (\$4.0m). This is offset by staff and other costs being over budget by a net \$2.6m. Excluding debt servicing, costs are forecast to be \$2.0m over budget by year end with \$0.5m of this offset by increased revenue in the building and resource consents area.
17. While depreciation rated for matches budget, actual depreciation is forecast to be over budget by \$0.8m at year end, primarily due to the 2007 Roding revaluation causing a \$3.0m increase in depreciation over that budgeted for. This impacts the Streets activity.
18. Debt servicing costs are forecast to be underspent at year end by \$3.9m. This is partly due to the delay in settlement for the Civic Offices as mentioned above, and partly due to later borrowing than planned for this year's capex programme.

## Capital Expenditure

19. Capital expenditure is currently behind plan by \$65.9m. Some catch-up is expected during June leading to a year-end shortfall of \$52.1m. Project managers have forecast carry forwards to 2008/09 of \$47.9m. Key amongst these are the Ocean Outfall, 5<sup>th</sup> and 6<sup>th</sup> digesters, various Kerb and Channel projects, and book purchases. A full list will be brought to the Council for approval as part of the 2008/09 Annual Plan process.
20. Details of the status of significant capital projects (budget over \$0.25m) are detailed in Appendix 3.

## Capital Funding Sources

21. Capital grants and subsidies are significantly behind budget principally due to an unfavourable LTNZ subsidy revenue variance of \$21.7m. \$9.7m is a timing variation relating to the new Bus Exchange which is forecast to be resolved by year end. The balance of the unfavourable variance (\$12m) results largely from a change in the interpretation of qualifying expenditure by LTNZ. This is forecast to improve by only \$1.7m by year end.
22. Cash reserves development contributions are \$4.1m over budget. Vesting of assets as shown in the capital by Group of Activities table is behind budget by \$12.5m, \$4.9m of which relates to land contributions.
23. We have utilised reserves to fund the balance of capital expenditure. The remaining \$14.7m in the debt repayment reserve is expected to be drawn in May/June after which the borrowing as approved by the Council in April will commence. It is forecast only \$8.8m of the \$53.7m planned borrowing will occur in June with the balance occurring in 2008/09 in line with capital carry forwards.

## Activities

24. Several Activities have, and/or are forecast to have, significant variances to budget. These are shown in Appendix 2 and commented on below.
  - City Development – Central City Revitalisation, City and Community Forward Planning, and Heritage Protection: Market related staff shortages have been experienced over the last year. In recent times many of these roles have managed to be recruited. However, there are still several key roles remaining vacant. The full variance is attributed to these vacancies as some work is not able to be conducted without these staff.
  - Parks and Open Spaces – Capital Revenues: Cash reserve development contributions are well ahead of budget and forecast to remain so at year end. Offsetting this, vested land contributions are below budget by a similar amount.
  - Regulatory Services – Maintaining and reviewing the City Plan: We have experienced some legal challenges around Variation 86 and Bank Peninsula Variation 2 which has resulted in some increased legal and consultation costs. The overspend is not seen as recoverable across the balance of the year and will remain as an unfavourable variance at year end.
  - Regulatory Services – Regulatory Approvals: Building Consents and Review are the major focus of attention within the EPA Unit. Currently processes are being reviewed, which include invoicing, timesheet recording and expenditure across the board.
  - Streets and Transport – Capital Revenues: The current and forecast shortfall relates to LTNZ subsidies.

**FINANCIAL IMPLICATIONS**

25. As above.

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

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

**LEGAL CONSIDERATIONS**

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

27. Yes – there are none.

**ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS**

28. 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?**

29. As above.

**ALIGNMENT WITH STRATEGIES**

30. Not applicable.

**CONSULTATION FULFILMENT**

31. Not applicable.

**STAFF RECOMMENDATION**

It is recommended that the Council receive the report.