12. CHRISTCHURCH CITY COUNCIL PERFORMANCE REPORT AS AT 31 MARCH 2009

General Manager responsible:	General Manager Corporate Services, DDI 941 8528
Officers responsible:	Corporate Performance Manager, Corporate Finance Manager
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PURPOSE OF REPORT

1. The purpose of this report is to update Council on service delivery and financial performance results for the 9 months to 31 March 2009. This report focuses on three of the Council's key organisational targets:

- Deliver activities within +/- 3% of budget
- Deliver greater than 85% LTCCP (2006-16 as amended) levels of service
- Carry-forward less than 20% of the total capital programme by dollar value

EXECUTIVE SUMMARY

2. Attached are appendices showing summaries of:

- Performance against organisational targets as at 31 Mar 2009 (Appendix 1)
- Financial performance as at 31 Mar 2009 (Appendix 2)
- Significant capital projects (>$250k) as at 31 Mar 2009 (Appendix 3)
- Housing development fund as at 31 Mar 2009 (Appendix 4)

Performance against Level of Service Targets

3. The attached report (Appendix 1) shows Council's forecast performance against the 2006-16 LTCCP levels of service.

4. Level of Service delivery. The current forecast is that 80.2% of levels of service will be delivered, with a further 5.8% currently under corrective action. Some 11.6% of the levels of service are forecast as likely to fail (red). In summary these include:

Democracy and Governance

- Measure: Percent of residents satisfied that the Council makes decisions in the best interests of Christchurch. Target: 75%.
  Comments: Unlikely to achieve given previous score of 48%. The average of 5 major city councils with largest populations is 39% (Quality of Life Survey 2007). Recommendations: A target of 48% has been proposed for 2009/10 onwards - maintaining current achievement while targeting improvement.

- Measure: Percent of residents satisfied with the way the Council involves the public in decision making. Target: 75%.
  Comments: Unlikely to achieve.
  Recommendations: This KPI will be replaced by others targeting the same issue in the next LTCCP.

Regulatory Services

- Measure: Percent of priority 1 complaints (wandering stock and aggressive behaviour by dogs) responded to within 2 hours. Target: 100%.
  Comments: Target will not be achieved. Recommendation: A new 95% P1 target has been accepted in principle by Council through the 2009-10 LTCCP workshops.

- Measure: Percent of priority 2 complaints (all other complaints about dogs) commenced within 24 hours. Target: 100%.
  Comments: Target will not be achieved.

- Measure: Percent of responses to complaints or requests for investigations completed: within 10 working days. Target: Simple 100% / Complex: 80%.
  Comments: “Complex” by year’s end likely to be achieved, “simple” is likely not to be achieved. Recommendations: Under review.

- Measure: Percent of all regulatory applications processed within statutory time frames. Target: 100%.
  Comments: In March resource consents were 96% on time, building consents and subdivision consents 87% on time.

Streets and Transport

- Measure: Percent resident satisfaction with quality of cycleways. Target: >65%. Comments: SCP requirements will delay implementation. Progressing within limits of available hearings. Recommendations: Review the needs for SCP re cycleways.

- Measure: Percent of vehicle travel on smooth roads (using LTNZ Smooth Travel Exposure measure). Target: >87%.
  Comments: Likely to be about 82%.

Wastewater Collection

- Measure: Number of wet weather sewer overflows into rivers and waterways per year (10 year rolling average). Target: 4 or fewer.
  Comments: It is likely this KPI will not be met due to number of overflows in July and August 08. Recommendations: improved containment associated with Major Sewer upgrade. Consent variation to alter timeframes for containment lodged with ECan.

Water Supply

- Measure: Water supply grade. Target: Maintain the highest grade possible without treatment.
  Comments: The Ministry of Health have graded some NW zone wells ‘Da’ due to some wells graded as insecure. Recommendations: Proposal in LTCCP to install UV treatment or deeper wells to restore grading in NW zone to ‘Ba’.

5. A further 5.8% of the levels of forecast are forecast as requiring corrective action to ensure the levels of service are met (amber). These are:

Economic Development

- Measure: Number of business start-ups per year. Target: 500 per year.
  Comments: Global economic crisis impacts. Recommendations: continuing efforts.

- Measure: Growth in international visitor numbers. Target: Achieve national growth rate at all times. Exceed year end national growth percentage by 10%.
  Comments: There is forecast to be a decline of approximately 10% in international visitor numbers in this financial year 08/09 (data from CCT) This target is flagged as yellow until specific figures are available for Christchurch. Recommendations: CCT to focus on Australian Market.

- Measure: Increase in domestic visitor numbers. Target: Will be determined as an outcome of Greater Christchurch Visitor Strategy.
  Comments: Uncertain outlook for domestic tourism. Recommendations: CCT Autumn Campaign now in the market.

Refuse Transfer and Disposal

- Measure: Zero breaches of resource consents by the Council's solid waste facilities. Target: Number of infringement notices service by Environment Canterbury about the operation of the refuse stations or Kate Valley landfill: Zero breaches of resource consents by the Council's solid waste facilities.
  Comments: Contract remedies applied to Meta NZ for non compliant operations. Recommendations: New consent now operative for compost plant. Living Earth now running site.

Wastewater Collection and Treatment

- Measure: Progress of Ocean outfall project. Target: Each year the outfall project proceeds within the council's approved budget and time frame.
  Comments: Significant progress made in March 09 with all 7 marine strings in place and micro-tunnelling machine removed from tunnel and back in port. Connection of two pipelines allows pressure test and completion of diffuser work. Recommendations: Close monitoring. Expected completion date now Jun 09. Discharge to estuary to cease by 30 September 2009.

6. A further 2.3% currently have no measurement system in place (black). These are:

Streets and Transport

- Measure: Percent resident satisfaction with quality of pedestrian malls. Target: Resident satisfaction with quality of pedestrian malls: >65%.
  Comments: No measurement system in place Recommendations: A new measure is being developed for the 09/19 LTCCP.

- Measure: Percent resident dissatisfaction with general road congestion. Target: Resident dissatisfaction with general road congestion: Baseline measure to be established by 08/09.
  Comments: yet to be established. Recommendation: Measure will be replaced by 09/19 LTCCP.

Financial Performance

7. The key financials for the year to date are summarised in the table below. Full detail is in Appendix 2.

$000's	Actual	Plan	Variance	Forecast	Plan Year	Variance
Financial Summary						
Operational Funding	-302,532	-309,183	6,651	-416,008	-417,339	1,331
Operational Costs	310,973	314,065	-3,092	414,769	416,951	-2,182
Operational Deficit (Surplus)	**8,440**	**4,882**	**3,558**	**-1,239**	**-388**	**-851**
Capital Programme	167,014	181,996	-14,982	261,399	285,527	-24,128
Capital Funding	-100,057	-102,873	2,816	-148,526	-153,277	4,751
Borrowing Requirement	66,957	79,123	-12,166	112,873	132,250	-19,377

The year-to-date operational deficit is due to an agreed timing variance in receiving the CCHL dividend. A $0.9m surplus is currently forecast for year end, a $3.1m improvement from the December forecast. This change largely results from a $4.0m reduction in year-end operational cost, the benefit of which is spread across most of the Council's activities. (Note: plan figures shown are the annual plan amended for carry forwards and subsequent Council approved changes.) In terms of delivering activities within +/- 3% of budget, forecast revenue is 2.2% less than budget, and forecast expenditure is 0.7% less than budget.

Operational Funding

8. Fees and charges are forecast to be $0.7m behind at year end, mainly due to reduced Housing rentals ($2.7m), and a parking revenue shortfall of $1.0m. Partially offsetting this however, is $1.7m extra forecast revenue in the regulatory area and $0.9m in the events area. Both these areas of extra revenue have associated extra costs.

9. Grants and Subsidies are forecast to be $1.2m less than plan, of which $1.1m relates to a NZTA subsidy shortfall mainly related to an under-spend in the road network and passenger transport planning areas.

10. Interest revenue is forecast to be $3.9m less than budget, primarily due to lower rates and use of existing cash to delay borrowing. This is offset by reduced debt servicing costs (see 13)

11. Transfers to special funds are forecast to be lower than planned due to a reduced Housing cash operating surplus ($2.9m), and reduced interest earned and credited to special funds ($0.8m). The forecast net transfer from funds is therefore higher than planned.

Operational Costs

12. Operating costs are currently under budget by $3.1m and are forecast to be $2.2m under budget by year end. Excluding debt servicing, the forecast is a $2.6m overspend. This is offset by additional revenue (see 8) in regulatory ($2.0) and events ($0.8m).

13. Included within operating costs are debt servicing costs which are currently $2.4m below budget due to delays in borrowing for the Capital Programme, partially offset by unplanned borrowing for Central City properties. Debt servicing costs are forecast to be under budget by $4.8m at year end due to a mix of lower interest rates, use of existing cash, and a forecast of $40.9m of capital projects to be carried forward.

Capital Expenditure

14. The Capital Works Programme is currently $25.3m behind budget and forecast to be a net $44.5m behind budget at year end as shown in Appendices 2 and 3. This is a $22.0m deterioration over the December forecast. The main changes are a $10m reduction within Streets and Transport and a $10m delay in the purchase of strategic land within City Development. Net carry-forwards are forecast to be $40.9m. Net carry-forwards comprise of:

Projects proposed for carry-forward from 08/09 to 09/10	$46.6m
Projects proposed to be brought back from 09/10 to 08/09	$ -5.7m
Net	$40.9m

15. Details of the status of significant capital projects are detailed in Appendix 3, including currently forecast carry-forwards to 2009/10. Gross carry-forwards of $46.6m total 16.6% of the total capital programme. This is well within the target of less than 20%.

    Final carry-forwards will be proposed for Council approval in the year-end performance report. The carry-forwards in Appendix 3 result from either slower or faster (for bring-backs) implementation of the Council-approved capital programme than what was planned. They are listed to provide Council with transparency on the timing changes that staff will propose at the end of the 08/09 financial year.

Capital Funding Sources

16. Capital grants and subsidies are $3.4m behind budget and forecast to increase to $5.4m behind budget at year end. $5.8m relates to NZTA subsidies which are forecast to be lower following a review of qualifying expenditure in the current programme.

17. The current residual funding requirement for the capital programme is $67m, of which $33m has been borrowed. The balance is being temporarily covered by existing cash balances. Borrowing requirements for capital is forecast to be $112.9m at year end, a net $19.4m less than planned. This is primarily due to $40.9m moved to 09/10 to fund capital carry forwards offset by the $20m AMI Stadium underwrite forecast to be paid to Vbase.

Activities

18. City & Community Forward Planning – This activity is under spent by $1.2m on consultants fees across all areas, in particular the Energy Strategy implementation which has not yet fully commenced. This under expenditure is forecast to continue for the remainder of the year due to the ongoing unavailability of resources.

19. Housing – The High Court decision has had a major impact on Housing's financial performance. The forecast cash result is less than budget by $2.9m. Depreciation is forecast to be under budget by $0.4m. Asset Expenses are $375k over spent due to an increased maintenance programme early in the financial year following the initial rental increase. All non-essential maintenance has ceased but the year-end result is forecast to remain $2.4m unfavourable due to lower than planned housing rental income.

20. Urban Parks – The unfavourable variance of $1.2m lies mainly in the Local Parks area, driven by unbudgeted legal costs associated with the Harwood Land Case ($310k), higher depreciation of $280k, and an overspend on maintenance of $670k. Steps have been taken with the contractor to help contain this over-expenditure which is forecast to remain at the same level at year end.

21. Pools and Leisure Centres – This activity is currently $1.0m under budget, and forecast to be $1.2m under by year end as a result of lower than planned depreciation costs. Revenue is forecast to be close to budget, despite some drop off in membership revenue.

22. Waste Minimisation – Currently this activity is $1.3m under budget, driven by under spends on contracts ($755k) and promotional activities ($329k), however this favourable variance is forecast to reduce to $712k by year end, due to promotions being timed to coincide with the final rollout of the 3 bin system.

23. Regulatory Approvals – While this activity is currently close to budget, a $0.6m overspend is forecast for year end. This is primarily due to a forecast overspend on consultants fees to cover staff shortages ($1.7m), coupled with lower than planned revenue for LIMs ($0.6m). Offsetting this, revenue from building and subdivision consents is forecast to be $1.7m higher than planned.

24. Off Street Parking – Revenue is forecast to be $0.6m less than budget, due in part to a general increase in the use of public transport. Asset Expenses are forecast to be $0.2m higher than planned, however this is partly offset by depreciation costs which are forecast to be $0.6m less than plan.

25. Streets – This activity is currently $2.5m below plan, due primarily to depreciation costs being $2.6m less than budget, however other major variances include under spends on contracts and electricity ($1.5m and $0.3m respectively), offset by an over spend on consultants fees ($0.7m), in addition to lower than planned NZTA subsidy revenue ($0.9m). The result is forecast to remain similar.

26. Streets & Transport Capital Revenues – The NZTA Capital Subsidy is forecast to be $5.8m behind plan (see 16). This is dependent on a positive outcome of the outstanding claim for subsidy on last year's land purchases for the Transport Interchange.

27. Corporate Revenues & Expenses – Currently behind plan by $4.7m due to an agreed timing delay of the December dividend from CCHL ($5.0m). Interest Expense is forecast to be $4.8m less than planned, and rates income including penalties is forecast to be $0.9m higher. Offsetting this, interest revenue is forecast to be $3.9m less than planned.

FINANCIAL IMPLICATIONS

28. As above.

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

29. Yes.

LEGAL CONSIDERATIONS

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

30. Yes – there are none.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

31. 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?

32. As above.

ALIGNMENT WITH STRATEGIES

33. Not applicable.

CONSULTATION FULFILMENT

34. Not applicable.

STAFF RECOMMENDATION

It is recommended that the Council receive the report.