


10. CCC PERFORMANCE REPORT AS AT 30 JUNE 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 the Council on service delivery and financial performance results for the 12 months to 30 June 2009.

EXECUTIVE SUMMARY

2. **Attached** are appendices showing summaries of:
 - Performance against organisational targets as at 30 June 2009 (Appendix 1)
 - Financial performance as at 30 June 2009 (Appendix 2)
 - Significant capital projects (>\$250,000) as at 30 June 2009 (Appendix 3)
 - Housing development fund as at 30 June 2009 (Appendix 4)
 - Operational project carry forward requests from 2008/09 to 2009/10 (Appendix 5)
 - Capital project carry forward requests from 2008/09 to 2009/10 (Appendix 6)

Performance Against Organisational Targets

3. The attached report (Appendix 1) shows the Council's end of year performance against its key organisational targets:

In summary the results are:

Customer: The organisational target for 2008/09 was 85 per cent of Levels of Service delivered. Results for the year are 73.6 per cent. This is similar to the previous year.

Capital Programme: The organisational target for 2008/09 was 20 per cent budget carry-forward or less. The carry-forward for the year is 25.1 per cent.

People: The organisational target for 2008/09 was 49 per cent for overall staff engagement. The result is 55 per cent, up 10 per cent from the previous year.

4. Key areas where Levels of Service were not successful are included in Appendix 1.

Financial Performance

5. The key financials for the year are summarised in the table below:

\$m	Actual	Plan	Variance
Operational funding	-420.8	-417.3	-3.5
Operational costs	415.7	416.5	-0.8
Ratepayer deficit (surplus)	-5.0	-0.8	-4.2
Less proposed carry forwards (Schedule 5)			2.5
			-1.8
Capital Works programme	214.1	283.3	-69.2
Asset Sales	-4.7	-7.4	2.7
	209.4	275.9	-66.5
Less separately funded capital	-1.3	-3.1	1.8
Proposed carry forwards (Schedule 6)			66.5
Capital programme overspend			1.8
Net surplus after funding capex overspend			0.0

6. The operational surplus over plan of \$4.2m is largely due to the recognition of parking fines currently at court (\$2.7m, see 29), and extra tax subvention receipts of \$1.1m. This result is after a \$224,000 surplus from the Ellerslie International Flower Show was set aside for future investment in the show.

Operational Funding

7. Fees and charges revenue was \$6.2m higher than budget, driven mainly by fines (\$3.2m) and building consents/inspections (\$2.4m), but also as a result of higher than planned commercial rent revenues (\$0.9m); admittances (\$0.6m), mainly a result of higher than expected visitor numbers to the Ellerslie Flower Show; and product sales (\$0.6m), mainly due to the sale of excess electricity to the national grid. Partially offsetting this, however, is reduced housing rentals of \$2.4m.
8. Grants and subsidies revenue was \$2.1m less than plan of which \$1.8m relates to NZTA subsidy shortfall, mainly related to an underspend in the road network and passenger transport planning areas. This was largely due to diverting resource from normal maintenance to costs incurred from storm damage.
9. Interest revenue was \$4.1m less than budget, primarily due to lower interest rates. This is offset by reduced debt servicing costs (see 12).
10. Transfers to reserves were lower than planned primarily due to reduced interest earned and credited to special funds (\$0.8m) and the housing result (\$3.0m).

Operational Costs

11. Operating costs excluding debt servicing costs were over budget by \$3.9m. Contract and asset maintenance costs were over budget by \$5.5m and annual leave liability increased by \$1m. Partially offsetting this, grants and promotional costs were \$2.6m less than budget, although \$1.6m of this is requested to be carried forward.
12. Debt servicing costs were \$4.7m below budget due to a mix of lower interest rates and \$66.5m of net capital carry forwards. The gross capital carry forwards from 2008/09 to 2009/10 are proposed at \$71.0m, with \$3.6m being proposed to be brought back (negative carry forward) from 2009/10 to 2008/09 and \$1.0m in asset sales deferred until 2009/10 (see Appendix 6).

Capital Programme

13. The Capital Works Programme was \$69.2m behind budget at year end (as shown in Appendices 2 and 3). The main drivers of this variance are underspends on strategic land purchases within City Development (\$10.7m) with no major purchases identified, as well as various delays across the Streets & Transport (\$26.5m) and Wastewater Collection & Treatment areas (\$14.5m).
14. Financial details of significant capital projects are shown in Appendix 3. A separate schedule of proposed budget carry-forwards is detailed in Appendix 6. Capex carry forwards are generally the result of timing changes in projects. They include projects where funds are required to complete an agreed project in future years (ie a carry forward). They also include projects where work is started earlier than expected but was budgeted in a future year (ie a negative carry forward).
15. At the Wastewater Treatment Plant, digester 1 has recently been reclad, with digesters 2-4 planned to be done in accordance with the 2009/19 LTCCP during 2010-13. However digester 4 has continued to deteriorate to the stage of becoming a safety issue with the risk of harm to staff in the event that the cladding collapses (brick clad). \$216,954 is required to be brought forward from 2010-12 to reclad digester 4, and remove the risk of a cladding collapse, increased digester energy costs, safety issues, and consequential repair costs.

Capital Funding

16. Capital grants and subsidies were \$5.2m behind budget. \$5.7m relates to NZTA subsidies which were lower primarily due to delays in the capital programme. \$5.6m is being carried forward as a funding source for the delayed projects.
17. Transfers from reserves for capital were \$20.5m higher than planned, following the June draw down of \$18.3m from a number of reserves to fund the capital programme. This is reflected in the opening debt for the 2009/19 LTCCP.
18. The residual funding requirement for the 2008/09 capital programme is \$59.9m, of which \$33m has already been borrowed. The balance of \$26.9m, less \$1.8m funded from the operating surplus above, will be borrowed internally from existing special funds. Note that these funds are credited interest on amounts borrowed and are replenished with external debt when required.

Activities

19. City & Community Forward Planning – The main driver of the \$1.5m favourable variance is in strategic energy management, which was under-spent on consultants fees (\$0.8m) as implementation was not commenced. A \$0.7m carry forward request for this has been made. In addition, product sales were \$0.5m higher than planned due to extra revenue received for carbon credits.
20. Heritage Protection – This activity was \$1.3m under budget due to heritage grants not being paid out. A carry forward request of \$1.0m to 2009/10 has been made.
21. Housing – The High Court decision on the Council's 24 per cent rental increase had a major impact on housing's financial performance. The refund to tenants occurred during December and was approximately \$1.3m. The remainder of the variance is largely due to lower rentals for the remainder of the year.
22. Libraries – \$654,000 under budget, driven by lower than planned debt servicing and depreciation costs (\$332,000 and \$350,000 respectively).
23. Urban Parks – The \$1.6m variance to budget is predominantly in the local parks area, driven by unbudgeted legal costs, and an overspend on maintenance of \$1.1m (partly a catch-up on inventory, and cost fluctuations).
24. Parks & Open Spaces Capital Revenues – This variance relates to development contributions, which were \$1.6m less than budgeted for the year.
25. Pools and Leisure Centres – Under budget by \$1.2m, driven by lower than planned depreciation costs (\$1.1m) due to the June 2008 land and building revaluation results being lower than planned.
26. Events & Festivals – This activity was \$510,000 over budget. This relates to unplanned amortisation costs of \$339,000 relating to the Ellerslie Flower Show, and an overspend in city-wide activity largely due to being unable to obtain sponsors as in previous years due to economic conditions.
27. Black Bag Collection & Disposal – \$535,000 over budget for the year driven by higher waste tonnages being collected than had been budgeted for during the transition phase to the three bin system.
28. Refuse Transfer & Disposal – \$1.5m under budget result caused by a \$1.4m reduction in the provision for landfill costs.
29. Waste Minimisation – under budget \$911,000 for the year. Depreciation was \$231,000 under budget due to a later than expected completion date for the new composting plant. The balance relates to lower planning costs, lower recycling collection costs, and lower waste reduction programme uptakes.

30. Enforcement & Inspection – Revenue from parking fines was \$3.1m higher than budget, with \$2.7m of this relating to the recognition of previous and current year fines currently at Court at expected receipt value.
31. Streets – The \$1.5m favourable variance is driven by lower than budgeted debt servicing and depreciation costs (\$1.7m and \$1.3m respectively). However, this is partially offset by NZTA subsidy revenue also being \$1.7m lower than budget.
32. Streets & Transport Capital Revenues – \$4.9m below budget for the year. This variance is driven by NZTA subsidies and development contributions. NZTA capital subsidy was \$5.7m behind budget and largely relates to claims for the Transport Interchange and other streets capital works that need to be carried forward to next year.
33. Wastewater Treatment & Disposal – This activity is \$723,000 under budget, due to lower than planned debt servicing (\$196,000) and depreciation (\$174,000) costs, in addition to higher than planned revenue from trade waste charges and the sale of excess electricity to the national grid.
34. Wastewater Collection & Treatment Capital Revenues – This variance relates to development contributions, which were \$728,000 lower than budget for the year.
35. Water Supply – This activity is \$1.2m under budget, \$0.7m of which relates to debt servicing and depreciation costs. The remaining underspend is driven primarily by lower than planned contract costs across the whole water supply headworks programme.
36. Corporate Revenues & Expenses – Net Interest cost \$3.6m less than budget; Transwaste dividend \$0.9m less than budget; subvention receipts \$1.6m higher than budget; rates penalties \$0.7 higher than budget.

FINANCIAL IMPLICATIONS

37. As above.

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

38. Yes.

LEGAL CONSIDERATIONS

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

39. Yes – there are none.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

40. 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?

41. As above.

ALIGNMENT WITH STRATEGIES

42. Not applicable.

CONSULTATION FULFILMENT

43. Not applicable.

STAFF RECOMMENDATIONS

It is recommended that the Council:

- (a) Receive the report.
- (b) Approve operational carry forward requests from 2008/09 of \$2.465m as detailed in Appendix 5, to enable completion of projects in 2009/10 which will be funded from the 2008/09 operational surplus.
- (c) Approve net capital carry forward requests from 2008/09 of \$66.474m as detailed in Appendix 6, and an NZTA capital subsidy carry forward of \$5.586m as detailed in Appendix 5, to enable completion of capital projects in 2009/10.
- (d) Allocate \$1.8m of the 2008/09 operational surplus to fund the overspend on the 2008/09 capital programme.
- (e) Approve bringing forward capital budget, and associated borrowing, of \$216,954 from years 2010/11 and 2011/12 of the 2009/19 LTCCP to allow required work on the recladding of digester 4 at the Christchurch Wastewater Treatment Plant to occur in 2009/10 to address safety issues.