

24. CHRISTCHURCH CITY COUNCIL PERFORMANCE REPORT AS AT 30 SEPTEMBER 2009

General Manager responsible:	General Manager, Corporate Services, DDI: 941-8528
Officer 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 three months to 30 September 2009. The budgets and targets in this paper are based on those approved by the Council in the 2009-19 LTCCP.

EXECUTIVE SUMMARY

2. Attached are appendices showing summaries of:
 - Performance against organisational targets as at 30 September 2009 (**Appendix 1**)
 - Financial performance as at 30 September 2009 (**Appendix 2**)
 - Significant capital projects (>\$250,000) as at 30 September 2009 (**Appendix 3**)
 - Housing development fund as at 30 September 2009 (**Appendix 4**).

Performance Against Organisational Targets

3. The attached report (Appendix 1) shows the forecast of Council's expected year-end performance for Level of Service delivery. The target for 2009/10 is 85 per cent or more of 2009-19 LTCCP levels of service delivered to standard, with a forecast of 89 per cent. 1.6 per cent of the levels of service are forecast as likely to fail, and 8 per cent are forecast as requiring intervention.
4. Detail of these Levels of Service is included in Appendix 1.

Financial Performance

5. The key financials for the year are summarised in the table below, with more detail provided in Appendix 2:

\$000's	Actual	Plan	Variance	Forecast	Plan Year	Variance
Financial Summary						
Operational Funding	-100,056	-99,245	-811	-433,769	-431,741	-2,027
Operational Costs	102,490	110,312	-7,822	429,794	431,811	-2,017
Operational Deficit (Surplus)	2,434	11,067	-8,633	-3,975	69	-4,044
Capital Programme	48,530	74,315	-25,786	295,467	268,566	26,901
Capital Funding	-37,445	-45,844	8,398	-185,303	-189,291	3,988
Capital Borrowing Requirement	11,084	28,471	-17,387	110,164	79,275	30,889

6. The forecast operational surplus variance of \$4 million over plan is largely due to reduced interest expense, higher rates income, and under-spends on heritage grants and energy conservation. The last two items will generate operational carry forward requests totalling \$2 million.
7. The capital programme forecast includes a \$35.7 million investment in Vbase relating to the transfer of the Town Hall building which was planned to occur prior to 30 June 2009. This transfer is now forecast to occur during the current financial year.

Operational Funding

8. Operational funding is currently \$811,000 above plan and forecast to be \$2 million above by year end. The key variances are:
- Fees, Charges and Operational Subsidies are currently \$328,000 below budget, driven by NZTA operational subsidies which are \$1.6 million behind budget, mainly as a result of delays in the transport capital programme. Partially offsetting this is higher than planned revenue from building consents (\$530,000), pool programmes (\$281,000), and trade waste and excess water charges (total of \$327,000). A favourable variance of \$0.9 million is forecast at year end, driven by building consents revenue (forecast to be \$1.4 million higher than planned). This is partially offset by lower than planned revenue from Adshell advertising (\$203,000) and lower admittance revenue from the Art Gallery (\$200,000), due to there being no fee-paying exhibitions scheduled this financial year.
 - Dividends and interest revenue is \$371,000 higher than budget, \$247,000 of which relates to the deferral of the 2008/09 Transwaste dividend.
 - Rates income is forecast to be \$0.9 million higher than budget at year end, mainly as a result of penalties being higher than planned.
 - Transfers to reserves are forecast to be lower than planned as a result of a reduction in interest earned and credited to special funds. This shortfall is due to lower interest rates.

Operational Costs

9. Operating costs excluding debt servicing are \$7.3 million under budget, partly due to grants and promotional costs being \$3.5 million behind plan. \$2.6 million of this is a timing issue relating to community grants which have not yet been paid out as planned, but which are forecast to be paid out by year end. Contracts costs are also \$3.7 million behind budget, mainly in the Streets and Transport (\$1.8 million), Parks and Open Spaces (\$0.5 million) and Water Supply (\$0.3 million) areas, however these are forecast to be close to budget at year end.
10. Debt servicing costs are \$474,000 less than plan, due to lower than planned interest rates and higher than planned capex carry forwards. This positive variance is forecast to increase to \$1.9 million by year end.

Capital Programme

11. The Capital Works Programme is currently \$27.6 million behind budget (as shown in Appendices 2 and 3). The main driver of this variance is delays across the Streets and Transport area, which is \$14.5 million behind budget (\$5.1 million relates to the Transport Interchange; \$1.9 million is a result of delays relating to design and schedule changes of some of the Bus Priority Routes, and \$3.6 million is driven by delays on various Kerb and Channel and Road Surfacing projects). In addition to this, strategic land purchases within City Development are \$2.6 million behind budget with no major purchases as yet identified. This budget is forecast to be spent by year end. The Corporate area is also currently behind budget by \$5.6 million (\$3.6 million of which relates to phasing of various IM&CT projects).
12. The current forecast highlights projects of \$17.4 million (6.5 per cent) to be carried forward to 2010/11. As the year progresses, management expects this amount to grow towards the 15 per cent target. Key identified carry-forwards include: Botanic gardens entry pavilion (\$2.2 million), Cashmere forest park (\$3.0 million), Graham Condon leisure centre (\$2.0 million), and the Ferrymead Bridge (\$2.3 million).
13. Financial details of significant capital projects are shown in Appendix 3 along with a full list of the carry-forwards.

Capital Funding

14. Capital grants and subsidies are \$4.5m behind budget, nearly all being New Zealand Transport Authority (NZTA) capital subsidies, which is in line with the current transport capital delays. The forecast variance of \$4 million includes the outcome of the budget review carried out in light of NZTA's decision.

15. Transfers from reserves for capital are \$2.0 million lower than planned, due to timing issues with applying development contributions to capital projects.
16. The forecast borrowing requirement for 2009/10 is \$30.9 million over that planned, represented by the Town Hall transfer planned to occur last year and the NZTA subsidy shortfall, less the capital programme underspend (which will result in carry forwards requiring borrowing in 2010/11).

Activities

17. Heritage Protection – This activity is \$524,000 behind plan mainly due to planned Heritage grants not yet paid out (\$424,000). This variance is forecast to increase to \$1.3 million at year end based on historic trends of grants with-held waiting for agreed conditions to be met.
18. Energy Conservation – The forecast variance of \$650,000 behind plan relates to delays in starting the Energy Conservation Programme.
19. Community Grants – This activity is currently \$2.8 million behind plan due to delays in scheduled grants payments and is forecast to be on budget at year end.
20. Waterways and Land Drainage – This activity is currently \$688,000 under budget, driven by timing under-spends on contract costs (\$582,000) and is forecast to be on budget at year end.
21. Parks and Open Spaces Capital Revenues – Currently ahead of plan by \$644,000, mainly due to Reserves Development Contributions which are \$1.2 million higher than planned, partially offset by Land Drainage Development Contributions which are \$0.7 million behind plan.
22. Recreation and Sports Services – This activity is \$714,000 below plan, mainly as a result of timing issues with some Pool Programme revenue and contract and asset expenses, and is forecast to be close to budget at year end.
23. Streets and Transport Capital Revenues – Currently \$4.8 million behind plan, \$4.5 million of which relates to NZTA subsidies.
24. Corporate Revenues and Expenses – The favourable YTD variance of \$1.9 million is driven by rates income being \$824,000 higher than plan (\$509,000 of which relates to penalties), and interest expense which is \$474,000 less than plan due to lower than planned interest rates and higher than planned capex carry forwards. Overall, the corporate revenues and expenses positive variance is forecast to increase to \$3.0 million at year end, driven by net interest expense, forecast to be \$1.4 million less than plan, and rates income forecast to be \$0.9 million higher than plan (a similar level to 2008/09).

NZTA Funding Issues

25. During the first half of 2009 the National Government reviewed the Government Policy Statement (GPS) for land transport. The outcome of this significantly changed the emphasis on the short to medium term investment/ funding strategy. In essence additional funding was provided for State Highways, primarily to support the Roads of National Significance (RONS) and less for other activity areas such as walking, cycling, public transport and Travel Demand Management Initiatives.

Community Programmes and Travel Demand Management

26. NZTA have made funding cuts to road safety and community programmes for the 2009/10 year due to changes in the National Land Transport programme. These cuts have affected the Christchurch City Council Road Safety, Cycle Safe and Travel Demand Management programmes. These activities have a published subsidy of \$0.7 million allocated to the Council whereas the LTCCP budgets expected a subsidy of \$1.2 million.
27. The LTCCP 2009/10 measures and targets are as follows:
 - *Cycle Safe Education Programmes delivered – 81 per cent of primary schools in the Council area*
 - *School Travel Plans – four school plans per year*
 - *Safety Programmes (programmes designed around NZTA crash, fatality and injury statistics) – 14 programmes annually.*

28. The reduced funding has given us the opportunity to undertake a review of the programmes we are delivering this year to find ways of achieving similar outcomes within the funding available. Programmes have been considered against other Christchurch road safety partners' initiatives and prioritised against the following strategies:
- Christchurch Road Safety Strategy
 - Christchurch Safer City
 - Travel Demand Management Strategy directions
 - NZTA statistics for road crashes Christchurch
 - New Zealand Government and National Road Safety Committee 20/20 Safer Journey's Document.
29. By changing our approach to delivery, through cutting back on promotional expenditure in all activities and reducing the number of road safety programmes we deliver, we are able to ensure our existing staff remain fully employed. Although the number of Road safety programmes will reduce to 9, by more effective service delivery, we believe we will deliver similar outcomes and maintain our profile in this area. We will still include projects with a focus on intersection safety, urban speed, walking and cycling as originally planned.
30. While this approach leaves a shortfall of \$62,577 in the 2009/10 year, it enables us to ensure that longer term decisions are made in the context of the NZTA review.

Riccarton Road Bus Priority (Hornby)

31. While the Council has funding to complete the Bus Priority routes underway (Papanui, Queenspark and Colombo), we will need to re-evaluate the remaining routes as part of the Annual Plan process as funding for Public Transport has been significantly reduced.
32. The Riccarton Road Bus Priority route is currently scheduled to go to the two Community Boards in November then to Council in December with a request to proceed to consultation through a Special Consultative Procedure (SCP). This timetable was planned so that we could award a tender in time to achieve the build in 2010 as planned in the LTCCP. There is \$500,000 in the LTCCP for the 2009/10 year and \$5.7 million in the 2010/11 year.
33. While we have funding to complete the planning, consultation and design stage, we believe we should evaluate whether we proceed to construction given the reduced overall budget for public transport.
34. The options are to continue with the SCP which would come to a conclusion in March, by which time we would have had the opportunity to consider the whole Public Transport programme. The risks with this are that we go through a challenging and time consuming process and then either decide not to go ahead with construction or delay construction.
35. Alternatively, we could put the SCP for Riccarton Road on hold until the Annual Plan process and re-evaluate it in the light of the reduced Public Transport funding available.

Ferrymead Bridge

36. Council approved the Ferrymead Bridge Widen and Strengthen project to proceed into the design and construction phase at its meeting on 13 November 2008. The project is also identified in the 2009/19 LTCCP and the current Regional Land Transport Programme.
37. The detailed design phase is now nearing completion and the project will be ready to tender at the beginning of December 2009. The design has proved to be incredibly complex with issues including strengthening the existing deck and support diaphragms to current standards, providing space for all the necessary services, achieving the necessary seismic strength in the sub structure whilst providing continuous traffic flow on the existing bridge deck, and issues around the differing shrink rates of new concrete adjacent to the existing aged concrete.
38. Providing the construction works are tendered in early December, construction is planned to commence in April 2010 and is expected to take around 18 months.

39. The project has \$9.3 million funding allocated over the next three years. This budget will be validated when the pre-tender estimate is prepared with the completed design.
40. The LTCCP capital programme budgeting process assumed a NZTA subsidy for this project of approximately \$1.5 million over the first three years of the LTCCP. The LTCCP assumes NZTA funding calculated at a programme level (Road Network Improvements Programme) as funding is subject to varying levels of subsidy on individual projects.
41. The Government Policy Statement (GPS), announced in the first half of 2009, signalled a change to the assessment criteria used for transport projects. This change has impacted particularly on the assessment weighting of the economic efficiency for the project when we applied for funding for the construction phase of the project.
42. The existing Benefit Cost Ratio (BCR) assumed a probability of a major earthquake that would cause liquefaction resulting loss of the bridge at 4 per cent per annum. This resulted in a BCR of 3.92. Recent geotechnical work has validated the likelihood of a large earthquake at 4 per cent per annum, but calculated that only 15 per cent of those earthquakes will cause the liquefaction that would result in the loss of the bridge. The previous assumption had been that all large earthquakes would have caused liquefaction that would result in loss of the bridge. As a result the calculated NZTA benefit cost ratio (BCR) has reduced from 3.92 to approximately 1.0 – significantly below the high threshold of 4.0 required to gain NZTA funding.
43. It is important to note that the Strengthen and Widen project provides significant benefits to the community that are not considered by the NZTA economic efficiency calculations. These include improved security of services, ensuring that the community is not isolated, security of emergency services access, and security of the heavy traffic route and dangerous goods route from Lyttelton Port. Loss of the bridge would have a significant impact on economic activity for both the city and particularly the eastern suburbs. The widened bridge is also necessary to provide a continuous two lane connection between the future three laning of Main Road and the Ferry/Humphreys intersection. It is also important to note that community expectations are high with regard to seeing this project finally come to fruition as it has been “talked about” since 1994 when the Lifelines study was completed.

OPTIONS

44. Three options have been identified for consideration:
 1. Proceed with the Ferrymead Bridge Strengthen and Widen project as currently planned with the funding shortfall of \$1.5 million which had been budgeted to come from NZTA being provided by Council – this option would enable the programme to continue and community expectations to be met
 2. Put the project on hold and reassess as part of the 2010 annual plan process. This would provide the opportunity to review other projects along the Sumner corridor which if combined, may provide a higher BCR rating or alternatively to substitute it for another project. While this option would provide more time for consideration, NZTA funding would still be uncertain and we would need to manage Community Expectations.
 3. Defer the project until the 2012/2022 LTCCP – this would provide the opportunities as in option 2, but it would mean even longer delays to the project and more uncertainty around whether it would go ahead.

FINANCIAL IMPLICATIONS

45. As above.

Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?

46. Yes.

LEGAL CONSIDERATIONS

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

47. Yes – there are none.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

48. 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 2009-19 LTCCP?

49. As above.

ALIGNMENT WITH STRATEGIES

50. Not applicable.

CONSULTATION FULFILMENT

51. Not applicable.

STAFF RECOMMENDATIONS

It is recommended that:

- (a) The Council receive the report.
- (b) For Community Programmes and Travel Demand Management:
 - (i) The Council supports changing the number of safety programmes delivered in the 2009/10 year from 14 to 9 noting that they expect similar outcomes to be achieved through working more efficiently.
 - (ii) The Council notes that there will be a budget shortfall of \$62,577 in the 09/10 year due to reduced NZTA funding.
- (c) For the Riccarton Bus Priority Route (Hornby):
 - (i) The Council puts the Special Consultative Procedure for the Riccarton Road Bus Priority project on hold and the project is given consideration as part of the 2010/11 Annual Plan process.
 - (ii) The Council notes that this may mean a capex underspend of approximately \$300,000 in the 2009/10 year if the Special Consultative Procedure and the final design is delayed beyond the 2009/10 year and a consequential impact on the 2010/11 year budget and construction.
- (d) For Ferrymead Bridge:

The Council continues with the Ferrymead bridge project, noting that there will be lower NZTA subsidies of \$1.5 million and this shortfall would be funded by Council borrowings.