

## 19. PERFORMANCE REPORT FOR THE SIX MONTHS TO DECEMBER 2009



<b>General Manager responsible:</b>	General Manager, Corporate Services, DDI: 941 8528
<b>Officer responsible:</b>	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 six months to 31 December 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 31 December 2009 (**Appendix 1**)
  - Financial performance as at 31 December 2009 (**Appendix 2**)
  - Significant capital projects (>\$250,000) as at 31 December 2009 (**Appendix 3**)
  - Housing development fund as at 31 December 2009 (**Appendix 4**)
  - Proposed changes to levels of service (**Appendix 5**).

### Performance Against Organisational Targets

3. The attached report (Appendix 1) shows the forecast of the 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. The current forecast is 90 per cent. 3.4 per cent of levels of service are forecast as likely to fail, and 5.9 per cent are forecast as requiring intervention. Details of these are included in Appendix 1.

### Proposed Changes to Levels of Service

4. There are three categories:
  - (i) 2009/10 targets now provided - this applies where a target was not available during the 2009 Activity Management Plan process, but an undertaking was made to develop one.
  - (ii) Amend Levels of Service - where a discovered error or omission in calculation makes the approved target untenable and a new one is provided. Errors of this sort make up the bulk of the proposed changes.
  - (iii) Add new Levels of Service - where necessary performance targets have been found missing from the 2009 process.
5. The levels of service proposed for change, deletion, or addition are all at Activity Management Plan level, not published in the LTCCP.
6. They do not require a Special Consultative Procedure (SCP) for a variation, but may be amended by Council at its discretion, effective immediately.

## Financial Performance

7. 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
<b>Financial Summary</b>						
Operational Funding	-225,137	-220,264	-4,874	-436,339	-431,751	-4,588
Operational Costs	217,466	225,257	-7,791	430,447	431,806	-1,359
<b>Operational Deficit (Surplus)</b>	<b>-7,672</b>	<b>4,993</b>	<b>-12,665</b>	<b>-5,893</b>	<b>54</b>	<b>-5,947</b>
Capital Programme	106,664	150,332	-43,668	295,024	258,566	36,458
Capital Funding	-68,626	-80,768	12,143	-188,057	-189,291	1,234
Capital Borrowing Requirement	38,039	69,563	-31,525	106,966	69,275	37,691

8. The forecast operational surplus variance of \$5.9 million over budget is largely due to reduced interest expense, higher rates income, and underspends on heritage grants and energy conservation. The last two items will generate operational carry forward requests totalling \$2 million. We are also aware of the potential requirement for an additional payment to the Riskpool Mutual Fund of \$1.1 million in 2009/10. Combined with the carry forwards noted above, this would reduce the surplus to \$2.8 million.
9. 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

10. Operational funding is currently \$4.9 million above budget and forecast to drop slightly to \$4.6 million above by year end. The key variances are:
- Fees, Charges and Operational Subsidies are currently \$1.4 million above budget, driven by higher than planned revenue from building consents (\$1.2 million), trade waste and excess water charges (total of \$443,000), Community Services grants (\$0.5 million), and cost recoveries relating to private plan changes (\$0.7 million). Partially offsetting these, NZTA operational subsidies are \$1.2 million behind budget, mainly as a result of delays in the transport capital programme, as is revenue from fines and court recoveries, which is \$0.4 million behind budget.
  - Dividends and interest revenue is \$573,000 higher than budget, \$247,000 of which relates to the late receipt of the 2008/09 Transwaste dividend.
  - Rates income is forecast to be \$1.4 million higher than budget at year end, mainly as a result of penalties being higher than planned.

## Operational Costs

11. Operating costs excluding debt servicing are \$7.6 million under budget year to date, \$5.2 million of which mainly relates to timing issues around contract/maintenance costs, particularly in the Road Network (\$2.5 million), Waterways and Land Drainage (\$0.9 million), Parks (\$0.8 million) and Wastewater Treatment (\$0.5 million) areas. These maintenance programmes are forecast to be fully spent by year end. Grants costs are also under budget by \$1.7 million, although \$1.2 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.
12. Debt servicing costs are \$843,000 less than budget, due to lower than planned interest rates and higher than planned capex carry forwards. This positive variance is forecast to increase to \$2.1 million by year end, and is partially offset by operating costs which are \$768,000 ahead of budget, largely driven by contract staff required for higher building consent volumes.

## **Capital Programme**

13. The Capital Works Programme is currently \$38 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 \$17.7 million behind budget. \$3.7 million relates to the Transport Interchange, \$2.3 million is a result of delays relating to design and schedule changes of some of the Bus Priority Routes, and \$5.0 million is driven by delays on various Kerb and Channel projects. In addition to this there is \$4.2 million of various IM&CT projects behind budget, most of which are due to incorrect phasing.
14. The current forecast highlights \$41 million of projects (15.23 per cent of programme) to be carried forward to 2010/11, which exceeds the 15 per cent target. Key identified carry-forwards include: Strategic Land Purchases (\$12.0 million), Graham Condon Leisure Centre (\$7.0 million), Botanic Gardens Entry Pavilion (\$2.6 million), Cashmere Forest Park (\$3.0 million), and the Ferrymead Bridge (\$2.0 million).
15. Financial details of significant capital projects are shown in Appendix 3 along with a full list of forecast carry-forwards.

## **Capital Funding**

16. Capital grants and subsidies are \$6.4 million behind budget, nearly all being NZTA capital subsidies, which is in line with the current transport capital delays. A shortfall of \$4.3 million is forecast for year end, partly due to delays in the Capital Programme.
17. Transfers from reserves for capital are \$1.0 million lower than planned due to the timing of capital spend that utilises development contribution revenue.
18. The forecast borrowing requirement for 2009/10 is \$37.7 million over that planned, largely comprising the Town Hall transfer that was planned to occur last year. The Council's opening debt position was lower than forecast as a result of this.

## **Operational Activities**

19. City and Community Long-Term Policy and Planning – This activity is currently \$0.8 million under budget, due to an underspend on consultants' fees, and this variance is forecast to continue.
20. Heritage Protection – This activity is \$1.1 million behind budget mainly due to planned Heritage grants not yet paid out (\$0.8 million). This variance is forecast to increase to \$1.4 million at year end due to grants with-held waiting for agreed conditions to be met. This will be proposed to be carried forward.
21. Energy Conservation – The forecast variance of \$745,000 behind budget relates to delays in starting the Energy Conservation Programme. This will be proposed to be carried forward.
22. Community Grants – This activity is currently \$1.1 million behind budget due to delays in scheduled grants payments, but is forecast to be on budget at year end.
23. Social Housing – Currently \$500,000 overspent, driven by maintenance costs. All of this year's planned exterior repainting and most of the redecorating have been completed, and only urgent redecorations are planned for the remainder of the year.
24. Regional Economic Development – This activity is currently \$720,000 higher than budget, \$425,000 of which relates to depreciation costs for the Town Hall, which was planned to be transferred to Vbase last year.
25. Sports Parks – This activity is currently \$0.5 million under budget, driven by lower than planned depreciations costs (\$220,000) and timing issues around maintenance costs (\$221,000), however this activity is forecast to be on budget at year end.

26. Waterways and Land Drainage – This activity is currently \$1.1 million under budget, driven by timing under-spends on contract costs (\$850,000). It is forecast to be on budget at year end.
27. Parks & Open Spaces Capital Revenues – Currently ahead of budget by \$748,000, mainly due to Reserves Development Contributions which are \$2.2 million higher than planned, partially offset by Land Drainage Development Contributions which are \$1.6 million lower.
28. Recreation and Sports Services – This activity is \$1 million below budget, mainly as a result of timing issues with some Pool Programme revenue and contract and asset expenses. It is forecast to be close to budget at year end.
29. Events and Festivals – The \$0.8 million YTD overspend is due to timing issues around various events, however this activity is forecast to be on budget at year end.
30. Organic Material Collection & Composting – This activity is forecast to be \$0.6 million less than budget at year end, due to lower than anticipated organics collection costs. The collection costs forecast has been revised down as the costs have been split between each bin type based on trends this year, with the corresponding cost increase being in Recycled Materials Collection.
31. Enforcement and Inspections – Enforcement & Inspections are currently \$591k behind budget, driven by fines revenue which is \$442,000 less than planned. This is due to a higher level of absenteeism earlier in the year, in addition to lower than planned revenue around Bus Lane enforcement. This is due in part to a delay in completing the Papanui Bus Lane as well as various operational issues around enforcement of the bus lanes. These have been factored into the year end forecast (\$691,000 shortfall).
32. Regulatory Approvals – While this activity is currently tracking \$0.5 million under budget, it is forecast to be on budget at year end. A forecast overspend of \$0.6 million relating to weathertight homes claims is expected to be offset by higher than planned revenue for both building consents and LIM's.
33. Road Network – This activity is currently \$1.1 million under budget YTD largely due to delays in contract commencement on carriageways (\$1.5 million) as well as lower than planned costs relating to storm damage/emergency work (\$0.5 million), in addition to a \$0.4 million saving on electricity costs (due to a reduction in charges from Meridian). Partially offsetting this is a \$1.3 million shortfall in NZTA subsidy revenue. The Road Network activity is forecast to be close to budget at year end.
34. Public Transport Infrastructure – This activity is forecast to be \$632,000 under budget due to additional NZTA subsidy revenue (\$352,000 higher than planned as a result of a backdated increase in the subsidy rate in this area) and depreciation costs \$224,000 less than budget.
35. Streets and Transport Capital Revenues – Currently \$7.2 million behind budget, \$6.3 million of which relates to NZTA subsidies and \$0.8 million to Road Network Development Contributions. This is forecast to improve but remain \$5 million behind budget at year end.
36. Wastewater Collection – This activity is forecast to be close to budget at year end, but is currently underspent by \$0.7 million due to depreciation costs (\$0.4 million less than planned) as well as lower than planned electricity costs. The electricity costs being incurred at the Pumping Stations are believed to be understated and are being investigated.
37. Wastewater Treatment and Disposal – This activity is currently \$853,000 under budget, due mainly to efficiencies (reduced polymer required for processing as well as reduced maintenance costs) as a result of upgrades at the CWTP. The forecast underspend reflects the polymer savings only with the expectation that maintenance costs will increase when the fifth and sixth digesters come online.
38. Wastewater Collection and Treatment Capital Revenues – Currently \$0.9 million less than budget due to lower than planned Development Contributions received year to date, although this is forecast to improve by \$0.5 million by year end.

39. Corporate Revenues and Expenses – Forecast to be \$4.7 million better than budget, driven by net interest expense which is forecast to be \$2.9 million below plan (primarily due to lower than planned interest rates and higher capital carry forwards), and rates income (including penalties) which is forecast to be \$1.4 million higher than planned. Dividends revenue is also forecast to be \$339,000 higher than planned due mainly to the late payment of the 2008/09 Transwaste dividend.

#### **FINANCIAL IMPLICATIONS**

40. As above.

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

41. Yes.

#### **LEGAL CONSIDERATIONS**

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

42. Yes – there are none.

#### **ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS**

43. 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?**

44. As above.

#### **ALIGNMENT WITH STRATEGIES**

45. Not applicable.

#### **CONSULTATION FULFILMENT**

46. Not applicable.

#### **STAFF RECOMMENDATIONS**

It is recommended that the Council:

- (a) Receive the report.
- (b) Approve the changes in Levels of Service as detailed in Appendix 5.