17. PERFORMANCE REPORT FOR THE TWELVE MONTHS TO 30 JUNE 2010

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PURPOSE OF REPORT

1. The purpose of this report is to update Council on service delivery, financial, and capital works programme performance results for the 12 months to 30 June 2010. The budgets and targets in this paper are based on those approved by Council in the 2009-19 LTCCP.

EXECUTIVE SUMMARY

2. Attached are appendices showing summaries of:

- Performance against organisational targets as at 30 June 2010 (**Appendix 1**)
- Financial performance as at 30 June 2010 (**Appendix 2**)
- Significant capital projects (>$250,000) as at 30 June 2010 (**Appendix** 3)
- Housing development fund as at 30 June 2010 (**Appendix 4**)
- Operational carry forward requests from 2009/10 to 2010/11 (**Appendix 5**)
- Capital carry forward requests from 2009/10 to 2010/11 (**Appendix 6**)

Levels of Service

3. The following paragraphs detail the Council's performance against the levels of service, financial results and delivery of the capital works programme. In summary the results for these targets are:

- Levels of Service: Result is 90.4 per cent (target 85 per cent).
- Financial performance: Ratepayer cash operating surplus of $4.6 million (1.3 per cent of total operating expenditure) and a capital works programme borrowing reduction of $5.65 million.
- Capital Works Programme: Gross carry forwards are $67.4 million, 25.1 per cent of the programme (target 15 per cent).

4. The attached report (**Appendix 1**) shows the Council's year-end performance for Level of Service delivery. The actual result was 90.4 per cent of 2009-19 LTCCP levels of service delivered against a target of 85 per cent; 9.6 per cent of levels of service were not achieved. Details of these are 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**:

	Annual Results			After Carry Forwards		
$000's	**Actual**	**Plan**	**Variance**	**Carry Fwd**	**Result**	**% Var**
Financial Summary						
Operational Funding	352,464	344,550	7,914	9	7,923	2.3%
Operational Expenditure	342,139	344,618	2,480	4,153	-1,673	-0.5%
Cash operating surplus	10,326	-68	10,394	4,144	6,250	
Existing Council allocations					-1,675	
Unallocated cash operating surplus					**4,575**	
Capital Works Programme	201,109	268,339	67,230	56,494	10,736	4.0%
Works Programme Funding	137,185	150,668	-13,483	8,400	-5,083	-3.4%
Works Programme Borrowing Reqmt	63,924	117,671	53,747	48,094	**5,653**	

6. A cash operating surplus of $6.2 million was achieved in 2009/10, after allowing for operational carry forwards of $4.1 million. Existing Council allocations of $1.7 million reduce the unallocated cash operating surplus to $4.6 million, which is recommended to be used to reduce Council borrowing. There are three key contributors to the cash operating surplus.

   - Council's levels of service were delivered for $1.8 million less budgeted. The main activities contributing to this were: Recreation and Sport Services through higher than expected admittances and memberships; Active Travel through lower maintenance costs on footpaths and berms as a result of mild weather; Public Transport Infrastructure through additional NZTA subsidy revenue; and Wastewater Treatment and Disposal through higher trade waste revenue and lower operating costs at the Waste-water Treatment Plant. Further details of activity performance to budget and can be found in paragraphs 18 to 34, and in **Appendix 2**.

   - Interest expense was less than budgeted by $2.6 million 2009/10 as a result of lower costs and delayed borrowing.

   - Rates income was higher than budget by $2.2 million due to a low level of rating objections and higher-than-expected rates penalties.

7. Significant carry forwards proposed include the energy strategy ($1.1 million) and heritage grants ($1.2 million). A schedule of all proposed operational carry forwards is attached (**Appendix 5**).

   Existing Council allocations of the surplus are comprised of the following ($000):

Riskpool prepayment	1,098
Events in 2010/11	202
Cruising bylaw signage	340
Early Learning Centres 2010/11 grants shortfall	35
Total	**$1,675**

8. The capital works programme was $10.7 million under budget at year end, after allowing for net carry forwards of $56.5 million. This is a result of tight management of the scope of Council capital works and favourable tender prices. However, this is offset by lower than expected development contribution revenue and NZTA subsidy, amounting to $5.1 million. The overall result is a $5.65 million surplus represented by reduced borrowing.

Operational Funding

9. Operational funding was $7.9 million better than budget. The key variances were:

   - Fees, Charges and Operational Subsidies were $6.4 million above budget, driven by higher than planned revenue from building consents and inspections ($3.4 million), cost recoveries relating to private plan changes ($0.8 million), grants revenue for safety projects and Early Learning Centres ($0.8 million) as well as higher-than-planned revenue from trade waste charges ($0.7 million). Partially offsetting this was revenue from fines and court recoveries which was $0.8 million under budget.
   - Rates income was $2.2 million higher than budget, $0.9 million of which is due to penalties.
   - Subvention receipts were $0.7 million under budget, which is a timing impact as higher receipts were received in the prior year.

Operational Expenditure

10. Operating costs excluding debt servicing were very close to budget for the year. The main reasons were personnel costs, which were $3.2 million higher than budget, offset by grants costs, which were $3.0 million less than planned. This consists of community grants not paid out as budgeted and proposed for carry forward, $1.2 million of Heritage Grants and $0.4 million for the Arts Centre seismic grant also not paid out, but which are both proposed to be carried forward to 2010/11.

11. Debt servicing costs were $2.6 million less than budget, mainly due to lower than planned interest rates and higher than planned capital works carry forwards.

Capital Programme

12. The Capital Works Programme delivered was $67.2 million below budget (as shown in **Appendices 2** and **3**). The main reason for this variance was delays across the Streets and Transport area, which was $23.8 million below budget. $3.4 million relates to the Transport Interchange, $2.4 million is a result of NZTA funding issues and design delays associated with the Ferrymead Bridge project, while another $7.5 million was due to delays on various Kerb and Channel projects. In addition, Recreation and Leisure was $10.1 million below budget, mainly due to delays associated with the Graham Condon Leisure Centre. Financial details of significant capital projects are shown in **Appendix 3** including carry forwards and bring backs.

13. There are $67.4 million of projects (25.1 per cent of programme) proposed to be carried forward, which exceeds the 15 per cent target. Offsetting this is $10.9 million of work programmed in future years that has been undertaken in 2009/10, reducing net carry forwards to $56.5 million. In addition, $7.3 million of Vbase equity funding for the Town Hall refurbishment is being carried forward to 2010/11, as well as $3.0 million for Cashmere Forest Park, and $16,000 for Energy Efficiency projects. Details of all capital carry forwards and brings backs requested is shown in **Appendix 6**.

14. A review of major carry forwards (over $0.2 million) indicates 40 per cent are caused by internal planning, scheduling or resourcing issues and 60 per cent are caused by delays due to external influences. External influences include land availability and negotiation ($18.2 million), consenting ($8.9 million), and key stakeholder issues ($2.1 million). A small number of projects ($2.5 million) have also been recommended for carry-forward due to structural assessment results, better alignment with other projects, or NZTA funding delays.

15. Key identified carry-forwards include: Strategic Land Purchases ($13.6 million), Graham Condon Leisure Centre ($8.5 million), Christchurch Transport Interchange ($3.4 million), Cashmere Forest Park ($3.0 million), Botanic Gardens Entry Pavilion ($2.8 million), and the Ferrymead Bridge ($2.1 million).

Capital Funding

16. Capital grants and subsidies were $4.7 million behind budget, with nearly all being NZTA capital subsidy, which is in line with the Transport capital delays. It is proposed that this amount be carried forward to 2010/11.

17. Development contributions applied to the capital works programme were $9.6 million less than budget, however $3.0 million of this will be carried forward for the Cashmere Forest Park, to be drawn down when the project occurs. The balance was principally due to lower receipts than budgeted.

18. Asset sales were $1.9 million higher than budgeted after taking into account $3.7 million of carry forwards for central-city properties and remaining Blenheim Road land sales. The higher-than-budgeted asset sales result from the sale of the energy home, the sale of two properties in Upper Riccarton not required for the capital works programme and a refund from IRD for overpaid GST on a previous land sale.

Operational Activities

19. City and Community Long-Term Policy and Planning – This activity was $1.2 million under budget due to an underspend on consultants' fees, which is a result of changes in delivery timing of some streams of work in a number of projects across the activity and additional work undertaken to support the District Plan. The UDS also required additional resources to address the preparation for various appeals, which have been captured with the District Plan activity.

20. District Plan – This activity was $1.0 million over budget, primarily as a result of various Council plan changes and appeals for which the costs are not recoverable (eg. Section 293 Belfast).

21. Heritage Protection – This activity was $1.8 million under budget, mainly as a result of planned Heritage grants ($1.2 million) and the Arts Centre seismic grant ($0.4 million) not yet paid out. Both are proposed to be carried forward to 2010/11.

22. Energy Conservation – The variance of $1.0 million under budget relates to expenditure delays due to the deferment in starting the Energy Conservation Programme until carbon credit funding was certified and received. The proposal is to carry $90,000 funding over to 2010/11 and the balance to the end of the programme (2013/14). The spend is committed, sourced from Carbon Credit funding.

23. Strengthening Communities – This activity was $0.7 million under budget due to an under spend in the Christchurch Safe City Officers and Safety Projects areas, mainly as a result of contractors under-delivering on staffing levels, as well as savings in Injury and Crime Prevention areas from using Ministry of Justice grants carried forward from the previous year.

24. Cultural and Learning Services Capital Revenues – Development Contributions were $0.5 million less than budgeted.

25. Regional Economic Development – This activity was $1.2 million higher than budget. The majority of this variance relates to unbudgeted depreciation costs for the Town Hall, which was originally expected to be transferred to Vbase in June 2009.

26. Neighbourhood Parks – This activity was $1.1 million under budget due to lower-than-budgeted depreciation costs ($1.1 million).

27. Recreation and Sports Services – This activity was $0.7 million under budget, due to savings from building capacity projects, combined with strong revenues in admittances and memberships, a reduction in programmed maintenance and savings in electricity costs.

28. Recreation and Leisure Capital Revenues – Development Contributions were $0.8m less than budgeted.

29. Recyclable Materials Collection and Processing – The $0.5 million unfavourable variance is largely due to higher depreciation costs ($0.3 million) than planned.

30. Residual Waste Collection and Disposal – This activity was $0.8 million over budget due to a revenue shortfall from the Waste Minimisation levy ($0.2 million) as well as lower-than-expected sales of rubbish bags within the CBD area ($0.5 million). This was partially offset by depreciation costs being $0.3 million under budget.

31. Organic Material Collection and Composting – This activity was $0.8 million under budget due to an under spend on various service contracts. Depreciation costs were also $0.5 million below budget.

32. Enforcement and Inspections – This activity had a $1.4 million unfavourable result, primarily due to lower than planned fines revenue around Bus Lane enforcement ($0.9 million).

33. Regulatory Approvals – This activity was $1.0 million below budget, driven by revenue from Building Consents and Inspections ($3.0 million higher), which was partially offset by higher-than-planned expenditure on consultants and legal fees ($1.1 million). In addition, costs incurred relating to weathertight homes claims were $0.7 million higher than planned.

34. Road Network – Excluding depreciation costs, which were $0.7 million lower than planned, this activity was close to budget for the year.

35. Active Travel – This activity was $0.7 million under budget, due to lower than planned maintenance costs (mainly relating to Footpaths and Berms $0.3 million) as a result of mild weather for most of the year resulting in less reactive work required. In addition, depreciation costs were also $0.3 million lower than planned.

36. Streets and Transport Capital Revenues – Revenue was $6.5 million less than budget, $4.9 million of which relates to NZTA capital subsidies ($4.7 million of which will be carried forward to 2010/11) and $1.6 million to Road Network Development Contributions.

37. Wastewater Collection – This activity was under budget by $1.8 million due to lower than planned depreciation costs.

38. Wastewater Treatment and Disposal – This activity was under budget by $1.0 million, due to higher than planned trade waste revenues ($0.7 million) and reduced maintenance and polymer costs at the Christchurch Wastewater Treatment Plant (CWTP), in addition to lower than planned depreciation costs ($0.5 million). This was partially offset by additional maintenance expenditure at the Banks Peninsula treatment plants.

39. Wastewater Collection and Treatment Capital Revenues – Development Contributions were $2.5 million less than budgeted.

40. Water Supply Capital Revenues – Development Contributions were $0.4 million less than budgeted.

41. Corporate Revenues and Expenses – The favourable $4.5 million variance was driven by net interest which is $2.9 million better than budget (due to lower interest rates and delayed borrowing) and rates income $2.2 million higher than budget.

42. Revenue recognised from Vested Assets and Land DC's were $6.7 million and $2.5 million less than budgeted respectively.

FINANCIAL IMPLICATIONS

43. As above.

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

44. Yes.

LEGAL CONSIDERATIONS

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

45. Yes – there are none.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

46. 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?

47. As above.

ALIGNMENT WITH STRATEGIES

48. Not applicable.

CONSULTATION FULFILMENT

49. Not applicable.

STAFF RECOMMENDATIONS

It is recommended that Council:

(a) Receive the report.

(b) Approve operational carry forward requests from 2009/10 of $4.144 million, funded from the 2009/10 operational surplus, as detailed in Appendix 5, to enable completion of projects in 2010/11 other than the Energy Strategy which will be reprogrammed to 2013/14.

(c) Approve net capital carry forward requests from 2009/10 of $63.076 million as detailed in Appendix 6, and an New Zealand Transport Agency capital subsidy carry forward of $4.7 million as detailed in Appendix 5, to enable completion of capital projects in 2010/11 or later as indicated.

(d) Allocate $4.575 million, being the 09/10 cash operational surplus, to the Debt Repayment Reserve to be used to reduce future borrowing requirements.