

15. CITY WATER & WASTE UNIT SUMMARY 9 MONTH FINANCIAL MONITORING REPORT

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The purpose of this report is to provide an update on anticipated end of year results for the unit.

BACKGROUND

Results for nine months and current best predictions for end of year 12-month (i.e. to 30 June 2002) results are summarised below. It is to be noted that some surplus finance was identified at the 5-month period and has already been pruned off the Unit budget. In summary this pruned money was as follows:

Operational Reductions	\$m
Watersupply	0.454
Wastewater	0.564
Solid Waste	nil
	<u>1.018</u> (reduction)

Capital Reductions	\$m
Watersupply	nil
Wastewater	nil
Solid Waste	0.008
Business Support	<u>0.090</u>
	<u>0.098</u> (reduction)

The results below include re-jigged budget figures that include the above 5-month reduction.

OPERATIONS (9-MONTH ACTUAL/12-MONTH PREDICTION)

Items	Net 9-Month Budget Variance Actual (\$m)	Main Reasons for Variance	Net 12-Month Budget Variance Predicted (\$m)	Main Reasons for Variance.
Watersupply	-0.704	a) lower reticulation maintenance needed b) more water sales revenue than anticipated c) more reticulation cost share revenue than anticipated	-0.845	a) ditto all reasons for 9 month
Wastewater	-0.530	a) less electricity needed, more sold b) delayed biosolids to forest application c) more capacity upgrade contribution revenue than anticipated	-0.562	a) ditto all reasons for 9 month
Solid Waste	0.126	a) Refuse Station costs and Burwood Landfill costs higher than anticipated	0.312	a) ditto all reasons for 9 month
Totals	-1.108 (surplus)		-1.095 (surplus)	

CAPITAL (12-MONTH PREDICTION)

Item	1 Budget (\$m)	2 12-Month Expenditure Predicted (\$m)	3 Carry Over Anticipated (\$m)	4 Total (2) + (3) (\$m)	Surplus Deficit (1) – (4) (\$m)
Watersupply	7.861	7.031	0.725	7.756	+0.105
Wastewater	15.755	10.794	4.899	15.693	+0.062
Solid Waste	1.897	1.302	0.330	1.632	+0.265
Business Support	0.105	0.108	0	0.108	-0.003
Totals	25.618	19.235	5.954	25.189	+0.429

Note: Carry forwards frequently become necessary on capital work projects for a variety of legitimate causes. Reasons projects run behind time can be delays due to wet weather, resource consent or property acquisition hold-ups, unforeseen construction difficulties, contractor starting late and so on. Carry forwards are carefully monitored to ensure that an unrealistic bow wave of unspent capital does not build up from year to year. Carry forwards in the above table are a best estimate at the 9-month period.

COMMENT

Operational

Surplus operational finance of 1.018m was pruned off the budget at the 5-month point. Current indications are that a further surplus of 1.095m (see above) will be realised at 12-months (i.e. $1.018 + 1.095 = 2.113$ m total for the year). Appropriate adjustments have been made to the 2002/03 budget to reflect this anticipated result.

Capital

There are two matters that will need addressing in the next few months. They are:

- (a) No allowance has been included in the Christchurch Wastewater Treatment Plant Capacity Upgrade Capital Programme for the costs of an appeal to the Environment Court against the Ecan Commissioners decision. This could cost up to \$0.5m. Some re-jigging of the Unit 10-year Capital Programme should accommodate this extra cost.
- (b) The foundation problems under Clarifiers 1 & 2, the associated repairs to them and redesign of the groundwater control system under all four new clarifiers could cost around \$1.0m extra. This will have to be financed by a combination of contract contingency (possibly around \$0.15m available), re-jigging the 10-year Capital Programme, possible insurance company contribution, possible consultants contribution, possible extra injection of capital. The last item is clearly the least desirable and will be a last call. Clarification of this issue will come later this year and the outcome will depend upon the results of an independent consultants report, mediation and in the last event court action. The matter is in hand and can only be resolved by going through an appropriate process of investigation. Needless to say our lawyers, (in-house and Buddle Findlay) and insurance company are involved. This Committee will be kept informed of the outcome. Ongoing costs here are currently being financed by under expenditure in the Capital budget.

SUMMARY

The Unit anticipates an end of year financial operating surplus of around \$2m. Of this amount around \$1m has already been pruned off the Unit budget at the 5-month period. Appropriate adjustments have been made to the 2002/03 budget in the light of these results.

Chairman's

Recommendation: That the information be received.