

**SUPPLEMENTARY REPORT BY THE
CHAIRMAN OF THE STRATEGY AND RESOURCES COMMITTEE**

PART A - MATTERS REQUIRING A COUNCIL DECISION

2. CITY WATER & WASTE UNIT – REQUEST TO REALLOCATE CAPITAL AND OPERATING FUNDS

Officer responsible City Water & Waste Manager	Author Mike Stockwell, DDI 371-1332
Corporate Plan Output: Liquid Waste	

The purpose of this report is to provide additional information on the above as requested by the Strategy and Resources Committee at its May meeting.

BACKGROUND

The City Water & Waste Unit 9 month Financial Report forecasts the following 12 month (end of June 2001) surplus operating finance.

▪ Liquid Waste	916,000	(surplus)
▪ Solid Waste	288,000	"
▪ Water Supply	<u>221,000</u>	"
	<u>1,425,000</u>	

In view of this predicted surplus, the report recommended expenditure on certain additional items. The City Services Committee referred the report to the Strategy and Resources Committee for approval. The Strategy and Resources Committee recommended approval of the additional expenditure subject to:

1. Clarification of the consequential capital and operational savings in future years.
2. Confirmation that the proposed charges are consistent with the Council's resolution of 23 March on expenditure controls, i.e. to hold expenditure increases within the forecast of the financial plan in the next three years.

The required additional information is set out below.

ADDITIONAL INFORMATION

Item	Cost (1,000)	Expenditure Year	Operational or Capital	Source of Finance	Has commitment been made (yes/no)	Possible Savings/benefit in future years
(a) Extension to Main Pumping Station Building This is necessary to provide accommodation space for five extra staff who have been relocated from Pages Road to Colombo Street due to restructuring. In addition it will supply plan storage and amenity needs such as lunchroom, lockers, washing and toilet facilities, when these facilities currently housed in the existing separate amenities building, are lost when the building is converted to a library (or whatever is to be done with it). Transfer of operational to capital.	150	2001/02	capital	Surplus operational finance carry over from Liquid Waste budget from 2000/01 to 2001/02 (operational to capital)	no	Required by restructuring and financial saving already included in 2001/02 budget

2 Cont'd

Item	Cost (1,000)	Expenditure Year	Operational or Capital	Source of Finance	Has commitment been made (yes/no)	Possible Savings/benefit in future years
<p>(b) Work by Geodata Services</p> <ul style="list-style-type: none"> ▪ This is for conversion of the old paper records from existing inaccurate electronic (raster) form to accurate electronic (vector) form to enable them to be incorporated into the Council's developing GIS system. Service delivery of record plans to the public will be improved via better quality (i.e. better readability) and accuracy (\$290K). ▪ Vectorisation of existing water pipe paper plans in old Heathcote County Council area. This is for conversion of the existing old paper plans to accurate electronic (vector) form. Conversion will be done by specialists as above with the same comments applying (\$80K). <p>Note that all of the work in this item has been budgeted for in future years and this proposal is simply to do it earlier at the same total cost.</p>	370 (290+80)	2001/02	operational	ditto above (except operational to operational)	No	Compensatory savings of \$125K in each of years 2001/02, 2002/03 and 2003/04
<p>(c) Central Plains Water Enhancement Study</p> <p>This project is underbudgeted and will be addressed by Allan Watson in a report to the Annual Plan and Working Party shortly. The \$40k will be matched by an equal amount from Selwyn District Council and this provision will redress part of the budget shortfall. Note that this work is already committed and has been authorised under delegated Unit Manager authority.</p>	40	2000/01	operational	Surplus operational finance from 2000/01 Liquid Waste budget	yes	Enhancement project
<p>(d) Asset Management Benchmarking Study</p> <p>This work is for Meritec Consultants to conduct benchmarking work for improvement to the Council's important Asset Management Plans. Each of the infrastructure disciplines will be undergoing this enhancement under the overview of the Director of Operations. The \$25k is a part of a total covering Water & Waste, Streets, Parks and Waterways & Wetlands, Property & Leisure Units. Note that this work has been authorised under Unit Manager delegated authority.</p>	25	2001/02	operational	Carry over surplus operational finance from Liquid Waste budget from 2000/01 to 2001/02 (operational to operational)	yes	Assists in-house staff with Asset Management Plan update, no direct financial saving
<p>(e) Additional 8,000 recycling crates for expanded kerbside collection</p> <p>This is to increase the stock of recycling crates from 12,000 to 20,000 so as to ensure we do not run short when the kerbside recycling collection is extended in August this year to include mixed paper and mixed plastic. At this time the public will be eligible for a second crate if they so request. Note that this payment has been authorised under Unit Manager delegated authority. Transfer of operative to capital.</p>	45	2001/02	capital	Surplus operational finance from 2000/01 Solid Waste budget (transfer of operational finance to capital)	yes	No saving, this cost has been overlooked in forward budget
Total	630					

Notes:

1. The above expenditure will still leave a predicted operational surplus of \$0.795m (i.e. \$1.425m –\$0.630m).
2. There will be zero demand to add items to future budgets due to the above extra items because they will all be funded by surplus finance.
3. There will be a saving of \$125K in each of years 2001/02, 2002/03 and 2003/04.

EFFECT ON NEXT THREE YEAR FINANCIAL PLAN OF ABOVE ITEMS

It will be reduced by \$375K (see item (b) in table).

ADDITIONAL OPERATIONAL SAVINGS IN YEAR 2001/02

Subsequent to my report to the May meeting of the City Services Committee, the following additional operational savings have been identified for the 2001/02 year.

2 Cont'd

- A delay has arisen in the application of biosolids to forest due to resource consent issues. This was reported in detail to the Council in March 2001. Earliest application will now be in September/October of 2001.

Proposed reductions in costs for 2001/02
in biosolids application to forest = \$100,000 (saving)

- A delay has also arisen in the collection of additional kerbside recyclables due to technical issues with the new baling operation. This has now been resolved resulting in a start date of August/September.

Proposed reduction in costs for 2001/02 in recycling collection = \$150,000

SUMMARY

The items tabulated above can all be provided from surplus funds in the City Water and Waste 2000/01 operational budget.

In addition it is anticipated that there will still be an operational surplus to assist with other (outside the Unit) over-expenditures. As well as this, one of the tabulated items (ie Geodata Services item (b)) will result in savings of \$125K in each of three future years (ie \$375K total savings). Two other items have been identified for additional savings in 2001/02 (for biosolids application \$100K and recycling collection \$150).

Chairman's

Recommendation: That the reallocations be approved and the savings and other changes be reflected in the final 2002 Financial Plan and Programme.

CONSIDERED THIS 24TH DAY OF MAY 2001

MAYOR