



13. PERFORMANCE REPORT FOR THE FOUR MONTHS TO 31 OCTOBER 2010

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, financial, and capital works programme performance results for the four months to 31 October 2010. The budgets and targets in this paper are based on those approved by the Council in the 2009-19 LTCCP and/or 2010-11 Annual Plan. In normal circumstances, the Council receives these Performance Reports on a quarterly basis. However, staff deferred the first report of 2010/11 to ensure the level of service and financial impact of the earthquake could be included in the report.
2. The report includes an overview of the expected overall financial impact of the earthquake on the Council and, where possible, these costs have been incorporated into the year-end forecasts. During the emergency period, staff took steps to introduce a financial structure that allows the capture of earthquake-related costs and revenues. Staff are continuing to review the items that have been captured by this structure and will incorporate them fully into the next Council Quarterly Performance Report.

EXECUTIVE SUMMARY

3. Attached are appendices showing summaries of:
 - Proposed targets to exclude earthquake period (**Appendix 1a**)
 - Proposed new targets due to earthquake (**Appendix 1b**)
 - Proposed targets to be set aside for this financial year (**Appendix 1c**)
 - Proposed changes to levels of service that are not related to the earthquake (**Appendix 1d**)
 - Levels of service where the Council confirmation of a target is required (**Appendix 1e**)
 - Financial performance as at 31 October 2010 (**Appendix 2**)
 - Significant capital projects (>\$250,000) as at 31 October 2010 (**Appendix 3**)
 - Housing development fund as at 31 October 2010 (**Appendix 4**).

Levels of Service

4. The Council's LTCCP was built using over 600 measures that track the performance of the organisation against the targets resolved on by the Council. The Council has agreed that the organisation's target for delivery against these targets is to achieve 85 percent to target or better. Last year, the Council delivered 90.4 percent of its levels of service to the community.
5. Although the majority of the Council's performance targets remain unaffected, the earthquake has had a significant impact on the delivery of 20-30 percent of levels of service for the 2010/11 financial year. The organisation will continue to strive to achieve the original levels of service set by the Council where this is practical. However, it is proposed to amend the levels of service listed in **Appendices 1a to 1c** to ensure that the Council's performance is measured against a more realistic set of targets.
6. It is important that these targets, which were set as part of the 2009 LTCCP process, be brought into step with reality so that staff can be clear on what must be delivered post earthquake, and that accountability for that delivery remains clear. In this way business plans, individual performance plans and reporting can be kept relevant. Regaining this clarity is an important management aspect of the recovery process.

7. The levels of service proposed for change fall into the following categories:
 - (a) The service was **not provided or was provided at a reduced level during the period immediately following the earthquake** (up to 31 October 2010). For example, where facilities were closed for inspection, maintenance of park surfaces, retrieval of property files. A full list of affected levels of service is contained in **Appendix 1a**. Staff propose that the target for these levels of service be adjusted to exclude a period of measurement from 4 September 2010 up to 31 October 2010.
 - (b) The service **is affected by the earthquake and a proposed new measure is possible**. These levels of service are generally where an annual target has been set but now needs to be reduced to reflect the service interruption due to the earthquake. Examples of this category include the number of community facilities available, the number of participants using recreation centres, number of days stadia are available for hire. The table in **Appendix 1b** proposes new targets for these levels of service.
 - (c) The service was affected by the earthquake and **new measurement information is not yet available**. Examples include wastewater overflows due to wet weather, odour complaints, water supply network breakages. It is proposed that these levels of service be excluded from the overall target calculation for 2010/11 and new targets are set for 2011/12. A full list of affected levels of service is contained in **Appendix 1c**.
8. In terms of authority to approve these changes, Legal Services advise that the Council may approve changes to any LTCCP level of service affected by the earthquake without recourse to further consultation or process. All changes arising from the earthquake apply to the current year only. The intention is to return to the levels of service specified in the 2009 LTCCP from 1 July 2011.
9. **Appendix 1d** contains proposed changes to level of service targets that are not connected to the earthquake. They are adjustments to targets that arise from time to time as better information comes to hand or circumstances change. They are normally put to the Council for decision as part of the Quarterly Performance Report. They have been kept separate from earthquake-related changes for that reason.
10. **Appendix 1e** contains measures for which targets were not set during the 2009-19 LTCCP process. A baseline may have been required, or further information needed before a target could be set. They are now being put to the Council for approval as this information is now available.

Capital Works Programme Performance Targets

11. There is a need to revise the organisational carry-forward target for delivery of the Capital Works Programme following the earthquake. There are three factors that contribute to the change from the current carry-forward target of 15 percent to a recommended new target of 35 percent.
 - (a) **Impact of deferring renewals projects.** The Council resolved to defer \$56 million of the 2010/11 renewals programme to help fund the recovery effort without the need to increase rates. Analysis of previous years' performance shows that a higher percentage of the renewals element of the programme is delivered than of the growth or aspirational programme.
 - (b) **Impact of earthquake to date – delays to project schedules.** In general terms, over the course of September and October it is estimated that four weeks of productive project time have been lost, which correlates to a need to shift the programme by four weeks.
 - (c) **Impact of earthquake in the future – new environment.** As a result of the earthquake there is greater competition for resources in both the consultant and construction markets, and a priority for the market to respond to earthquake response work which further constrains resource availability in the short term. These factors are likely to impact pricing from the market and will require a greater effort to manage the conditions.

12. There is also an LTCCP measure for the percentage of capital project milestones on track at year-end, which has an approved target of at least 85 percent. We have assumed a direct relationship between financial performance and schedule achievement. Therefore with the carry-forward target increasing by 20 percent, it is proposed to reduce this milestone target by 20 percent to 65 percent.

Financial Performance

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

\$000's	Year to Date Results			Forecast Year-End Results			Forecast Carry-Forward	
	Actual	Plan	Variance	Forecast	Plan	Variance	Carry Fwd	Result
Financial Summary								
Operational Funding	137,451	135,934	1,517	384,448	371,470	12,978		12,978
Operational Expenditure	123,359	123,260	-99	381,115	371,703	-9,412	1,000	-10,412
Cash operating surplus	14,092	12,675	1,417	3,334	-233	3,566	-1,000	2,566
Capital Works Programme	47,220	74,947	27,726	193,583	222,194	28,611	31,700	-3,089
Works Programme Funding	61,310	52,977	8,334	119,569	124,732	-5,162		-5,162
Works Programme Borrowing Requirement	-14,090	21,970	36,060	74,014	97,463	23,449	31,700	-8,251

14. As at the end of October 2010, a year-to-date cash operating surplus of \$1.4 million is expected to extend to \$2.6 million by year-end (after operational carry-forwards). The October forecast includes \$2.7 million of operational impact of the earthquake relating to emergency operating costs, and other impacts such as lost fees and charges. Since the forecast was completed, staff have continued to update the estimate of the operational impact of the earthquake, which is discussed further below.
15. Reporting of the capital works programme has been adjusted for the impact of the Council's decision to defer \$56 million of capital renewals. For the year to date, the capital works programme is \$27.7 million behind budget. The full-year forecast includes known carry-forwards of \$31.7 million (14.3 percent) although, as outlined above, this is expected to increase to up to 35 percent as the full impact of the earthquake is reflected in the Council's forecast.
16. Adjusted for carry-forwards, the capital works programme is currently forecast to be overspent by \$3.1 million. Part of this overspend (\$1.4 million) relates to the Council's approved increase in budget on the Ferrymead bridge, which has not yet been updated in the plan budget shown. (This has no net cost to the Council due to an increase in the NZ Transport Agency (NZTA) subsidy.) In addition, there are several unplanned capital projects (IPC Games 2011 and Diamond Harbour Submarine Pipeline), which will be reported to the Council separately. Finally, development contribution revenue continues to track well below budget with a \$5.2 million variance to budget.

Operational Funding

17. Operational funding is forecast to be \$13 million higher than budget. The key variances are:
- Recovery of operational earthquake costs of \$10.5 million from insurance, central Government and NZTA
 - Higher-than-budgeted revenue from building inspections (\$600,000) and building consents (\$400,000)
 - Rates income forecast to be \$1.5 million higher than budget excluding this year's impact of earthquake-related remissions.

18. These are partially offset by lower-than-budgeted revenue in the following areas:

- Resource consents (\$800,000), subdivision consents (\$600,000) and LIMs (\$400,000)
- Off-street casual and reserved parking (\$900,000 and \$200,000 respectively)
- Pool admittance and programmes revenue (\$600,000)
- Community housing rental revenue (\$300,000)
- Dividends (\$600,000).

Operational Expenditure

19. Operating costs (excluding debt servicing) are forecast to be \$10.8 million higher than budget at year-end, mainly in the Civil Defence and Emergency Management (\$6.9 million), Road Network (\$4 million), Wastewater Collection (\$1.7 million), and Water Supply (\$1.5 million) areas as a direct result of the earthquake. The forecast operational carry-forward of \$1 million relates to heritage grants not uplifted in 2010/11 and will be proposed for carry-forward to 2011/12.
20. Debt-servicing costs are forecast to be \$1.4 million less than budget, due to delayed borrowing as a result of the under-delivery of the capital works programme.

Capital Works Programme

21. The 2010/11 Capital Works Programme budget has been revised down from \$278 million to \$222 million following the Council approval to defer \$56 million of the rates-funded renewals programme for earthquake-related costs.
22. The Capital Works Programme is currently \$27.7 million below budget (as shown in Appendices 2 and 3). The most significant variance is in the Wastewater Collection and Treatment area, which is \$11.8 million below budget. This is due to delays on various projects including the Biosolids Drying Facility (\$5.2 million), and the Western Interceptor Future Stages (\$2.3 million) and Fendalton Duplication (\$2.2 million) projects. The last two are due to the earthquake. Parks and Open Spaces, and Recreation and Leisure are also below budget due mainly to project delays (\$2.8 million and \$1.9 million respectively). Financial details of significant capital projects are shown in **Appendix 3** including forecast carry-forwards and bring-backs.
23. The Capital Works Programme year-end forecast shows a slight deterioration from the current position slipping a further \$900,000. A significant catch-up is forecast in the Wastewater Collection and Treatment area but other areas are forecast to be underspent. These include Strategic Land Acquisitions (\$13 million), Streets and Transport \$6.1 million (\$4.4 million of which relates to the Transport Interchange and Parks and Open Spaces \$4.2 million (the main projects being the Botanic Gardens Entry Pavilion \$2.5 million, which has had construction rescheduled for 2011/12, and Cashmere Ponding \$1.4 million which may no longer be required, pending decisions from the developers).
24. There are several capital projects that require Council approval for new or amended budgets. These are outlined below.

Aranui Library

25. In the 2009-19 LTCCP, the Council approved a capital project for the construction of a new Aranui Library with a total budget of \$3.099 million for completion in 2010/11. This project is seeking an increase of \$711,000 to a total budget of \$3.810 million for the following reasons:
- Higher-than-anticipated construction price. The tender responses closed after the earthquake. The project had budgeted \$2 million for the build and land purchase but tenders ranged between \$2.385 million and \$2.691 million. Prior to the post-earthquake activity the market was very quiet and hence competitive.
 - The fit-out was incorrectly budgeted in the renewals programme and has now been removed as part of the deferrals to the renewals programme as a result of the earthquake.

- The land purchase price of \$165,000 was not incorporated within the overall budget for the build because there was an assumption that the library would be built on Council-owned land.
26. A value-management exercise across the project has taken place and some savings were recovered around security costs, planned survey fees and IT fit-out costs. These savings are small and have already been built into the updated budget.
 27. Because of consenting and earthquake-related delays, staff have had to extend the tender validity period that now expires on 17 December 2010. If the tender expires we strongly doubt that re-tendering will attract a better price.
 28. It is recommended that the Council approves the transfer of \$711,000 from the Capital Governance Pool to the Aranui Library capital project.

Town Hall Refurbishment

29. As part of the 2009-19 LTCCP, the Council approved equity funding for Vbase of \$12.266 million and \$7.916 million in 2009/10 and 2010/11 respectively for the refurbishment and improvement projects for the Christchurch Town Hall (\$20.182 million in total). This budget was approved based on information provided to the Council by Vbase. Of this total, \$12 million has so far been advanced to Vbase to commence the project.
30. Vbase has now completed the project developed design and has highlighted to the Council greater-than-expected requirements in the following key areas:
 - Deferred Maintenance – greater-than-anticipated legacy issues following ongoing current state assessment through the detailed design process
 - Compliance – electrical sub-main cabling upgrade, and inclusion of smoke extraction in the foyer area and James Hay Theatre due to changes in the building code.
31. During the concept design phase of the project and prior to establishing the initial project budget, significant work was undertaken, with the support of professional advisors and quantity surveyors, to ascertain the condition of the building. Both deferred maintenance and compliance requirements were covered as part of this process.
32. However the complexity of the building, uniqueness of its design and refurbishment nature of the project meant the building was not easily benchmarked in terms of features and functionality. In particular, the full extent of the proposed design on code compliance only became known after the completion of detailed current state assessments undertaken as part of developed design.
33. There has been no scope change, however despite significant work on budget management it is now confirmed that to deliver on the project objectives a further \$4.140 million is required to address the full extent of the compliance and deferred maintenance issues. Vbase has made a request that the Council fund a further \$4.140 million to complete the required work to the original plan. If approved, this funding would be by way of equity contribution to Vbase.

IPC Games Track

34. The Council sponsored the IPC World Championships 2011 with a grant of \$500,000. The Council was engaged by the event organisers to build a temporary practice track for the event and this track was completed. The IPC Committee approached organisers to see if the track could be upgraded to match that of the main QEII track to have a comparable practice circuit to that of the competition track. A new project was agreed between the Government and the Chief Executive to construct the IAAF synthetic practice track at QEII.
35. This track is being built on the foundations of the temporary track previously funded by and constructed for the IPC event organizers. All of the site works are complete. The surface laying equipment and materials arrive on the 1st of December and the work is scheduled to be completed on the 30th of December.

36. The total cost of this project (new track) is \$841,000. The Government has committed to fund \$291,800 and the event organizers have committed to fund \$75,000. The Council contribution is \$474,200. It is recommended that the Council note the creation of a new capital project for the creation of a practice track at QEII for the IPC World Championships.

Capital Funding

37. Capital grants and subsidies (NZTA) are \$1.4 million behind budget. This shortfall is forecast to improve to \$900,000 below budget at year-end.
38. Development Contributions are \$700,000 below budget, and have been forecast to continue at current levels in the short term resulting in a \$5.7 million deficit by year-end. Any reduction due to the earthquake may be over and above this amount, but likely to be spread over the next few years.

Operational Activities

39. City & Community Long-Term Policy & Planning – \$1.1 million behind budget, due to lower external consultant charges (\$500,000), mainly in the Policy Advice and Urban & Rural Development areas, as well as Internal Reallocations which are \$576,000 less than budget due to a number of staff working on earthquake recovery. Overall, this activity is forecast to be close to budget at year-end.
40. Heritage Protection – This activity is \$1.2 million under budget due mainly to Heritage and Arts Centre grants not being uplifted (\$600,000 and \$300,000 respectively). These are now forecast not to be paid out this financial year and will be carried forward to 2011/12 (\$1 million).
41. Community Grants – The \$500,000 under budget is a timing issue. It's expected that all grants will be paid out by year-end.
42. Community Housing – This activity is \$1 million under budget, due mainly to an underspend on maintenance costs (\$646,000). This is the combined result of a slow start to the maintenance programme for the year, and then work being diverted elsewhere due to the earthquake. In addition, rental income is \$123,000 below budget due to a number of properties being uninhabitable after the earthquake. This activity is forecasting a \$267,000 unfavourable variance at year-end.
43. Civil Defence and Emergency Management – The year-to-date and forecast variances are wholly a direct result of the earthquake. Expenditure to date is broken down as follows: EOC Emergency Management costs (\$2.4 million); Recovery Management (\$2.3 million) and EQ Welfare (\$700,000). These costs are forecast to increase to \$6.9 million higher than budget by year-end.
44. Waterways and Land Drainage – The current underspend relates to maintenance costs (\$800,000 below budget). There have been delays in some of the programmed work getting underway, in addition to work being diverted to other areas as a result of the earthquake. However, there is a significant catch-up forecast, with this activity forecasting to be \$236,000 higher than budget at year-end (\$179,000 of which are earthquake-related costs).
45. Parks and Open Spaces Capital Revenues – Waterways and Wetlands Development Contributions are forecast to be \$3.2 million below budget, partially offset by Parks Development Contributions, which are forecast to be \$2.5 million higher.
46. Recreation & Sports Services – This activity is \$500,000 under budget, due to lower than budgeted operating/maintenance costs as a result of the facilities being closed for a period of time directly after the earthquake. Partially offsetting this is revenue from Pool Programmes and general admittances, which is also lower than budget for the same reason. By year-end however, the activity is forecast to be \$500,000 higher than budget. Both QEII and Centennial facilities will be closed for maintenance and repairs early in the New Year, and the year-end forecast reflects the lost revenue as a result, with the maintenance budget forecast to be fully spent.

47. Recreation and Leisure Capital Revenues – Development Contributions are forecast to be \$800,000 less than budgeted.
48. Recyclable Materials Collection and Processing – The year-end forecast variance reflects the recognition of unplanned lease revenue (non cash) for the MRF (Materials Recovery Facility).
49. Regulatory Approvals – This activity is forecast to be \$800,000 over budget at year-end, due to lower than budgeted revenue for resource consents (\$800,000), subdivision consents (\$600,000) and LIMs (\$400,000). This is partially offset by higher revenue forecast in the building consents (\$400,000) and building inspections (\$600,000) areas.
50. Road Network – Excluding depreciation costs (which are \$2.3 million lower than planned), this activity is \$1.5 million higher than budget, mainly due to earthquake-related maintenance costs. Depreciation costs are forecast to reduce to \$1.6 million lower than budget by year-end, while operating and maintenance costs are forecast to increase to be \$3.9 million higher (\$2.6 million of which is the unplanned recovery/response costs relating to the earthquake). A further \$800,000 relates to higher than budgeted maintenance costs for increased BAU Kerb & Channel/Carriageways work as a result of the \$56 million deferment of capital renewals projects, and another \$500,000 is due to higher than budgeted electricity costs for Street Lighting. Partially offsetting this is an additional \$600,000 of NZTA Operational Subsidy revenue as a result of the increased BAU maintenance work.
51. Parking – This activity is \$600,000 below budget, split between Off-Street and On-Street (both \$300,000 below). Revenue collected for on-street meters was 67% of that in September last year. Off-street parking buildings were closed following the quake, and then free for the first three weeks, followed by the first two hours free until the end of September. There has been a continuation of these effects in October, and this is expected to continue for at least several more months. Some on-street parks (and some meters) remain blocked off by unsafe building cordons, and off-street usage has dropped in some buildings due to staff of some businesses having to relocate to out of the CBD area. The activity is forecast to be \$800,000 below budget at year-end before the impact of Council's recent decision on parking fees in the central city. The impact of this will be built into the next forecast.
52. Public Transport Infrastructure – This activity is \$600,000 above budget due to higher than planned depreciation costs (mainly relating to the new Bus Exchange Facility site) although this is forecast to reduce slightly to \$400,000 by year-end.
53. Streets & Transport Capital Revenues – Total revenue is forecast to be \$2.5 million less than budget. \$1.6 million of this relates to Streets and Transport Development Contributions, while the balance relates to NZTA Capital Subsidies.
54. Wastewater Collection – The month, year-to-date and forecast variances for this activity are due to \$1.9 million of earthquake-related maintenance costs, including \$1.3 million of below-ground and \$200,000 of above-ground emergency works.
55. Wastewater Treatment & Disposal – This activity is \$1.7 million below budget, due mainly to under-spends on operating and maintenance costs. \$900,000 of this is mainly the result of delays associated with the Biosolids Drying Plant, which is now expected to come online full time in November. In addition depreciation is \$300,000 below budget. Revenue from Trade Waste Charges is \$300,000 higher than budget, and this additional revenue is forecast to continue.
56. Wastewater Collection & Treatment Capital Revenues – Development Contributions are forecast to be \$1.7 million less than budgeted.
57. Water Supply – As with the Wastewater Collection activity comment above, the Water Supply year-to-date and forecast overspends are due to \$1.4 million of earthquake-related maintenance costs. Also included in the forecast are higher than budgeted depreciation costs (\$400,000).

58. Water Supply Capital Revenues – Development Contributions are forecast to be \$400,000 less than budgeted.
59. Corporate Revenues & Expenses – These are forecast to be \$17.3 million higher than budget due mainly to earthquake recoveries (Central Government/NZTA/Insurance). Rates revenue is forecast to be \$1.5 million higher than budget, excluding any earthquake remissions. Also, debt servicing costs are now forecast to be \$1.4 million under budget due to a delay in borrowing.
60. Revenue recognised from Vested Assets and Land Development Contributions are \$3 million and \$1 million less than budgeted respectively.

FINANCIAL IMPACT OF THE EARTHQUAKE

Insurance cover

61. The Council holds comprehensive insurance cover for its assets as outlined in the table below. Ongoing management of our insurance arrangements includes annual review of the cover taken and the value of the assets, updates throughout the year of any significant assets acquired or commissioned, and rolling three-year revaluations of all asset values.

Assets	Cover	Insurer	Excess
Underground	\$2.2 billion Replacement value ¹	LAPP 1 40% LAPP 60% Govt	\$0.5 m
Above ground	\$1.9 billion Replacement value ²	LAPP 2 Civic Assurance	2.5% of claim
Business Interruption	Increased costs of working; ³ Civic \$6 m, Public Library \$3 m, Other locations \$5 m	LAPP 2 Civic Assurance	
Claims preparation	\$1 m	LAPP 2 Civic Assurance	

¹ Reimbursement is determined for each asset component listed at the declared value.

² Reimbursement is on a total sum-insured basis, i.e. regardless of whether the asset is listed on the schedule, (although this is still to be confirmed by the LAPP trustees).

³ This cover extends to incremental costs incurred as a result of the earthquake and which relate to the normal Council business. The Council does not have cover for loss of revenue.

Other sources of funds

62. For those assets and costs not covered by insurance, the Council will be seeking reimbursement or subsidy as follows:
- NZTA – a subsidy of up to 90% for repairs to roading.
 - Ministry of Civil Defence and Emergency Management (MCDEM) covers reimbursement of some emergency and response costs. This extends to:
 - Caring for the Displaced, (100% reimbursement),
 - Other response costs. This applies to additional assistance provided during an emergency such as work to reduce immediate danger and temporary repairs to infrastructure; (60% reimbursement with the balance being met by LAPP 1), and
 - Special policy claims. This is intended to assist communities in those rare circumstances where disasters of an unusual type of magnitude cause damage that overwhelms community resources. Special policy funds are provided only in exceptional cases and must be supported by a business case.

- The Council's deferral of capital renewals, normally funded by rates, which after providing for a 10% contingency and adjusting for lost NZTA subsidy provides a net \$44 million. These funds are available to meet insurance excesses, and other uninsured costs which will be incurred over the next 12-24 months.

Estimate of costs as at 15 November 2010

63. The table below summarises the current estimate of the impact of the earthquake on the Council. The Council's decision of 30 September 2010 to defer \$56 million of the capital renewals programme for 2010/11 is shown in the table below as the 'Earthquake Recovery Fund'.

\$ million	Total Cost	Govt Subsidy	Insur Excess	Insur Cover	Forecast Net Cost to Council	Notes
Earthquake Recovery Fund	-50.4	6.4			44.0	
Less						
Operating Costs						
<i>Response Costs (Central Government Funding Applies):</i>						
Initial Emergency Works	8.7	-7.2			1.5	1
Welfare	1.4	-1.3			0.1	2
<i>Response Costs (CCC Funded):</i>						
Emergency Mgmt costs	2.5				2.5	3
Recovery Mgmt	4.4				4.4	3
BAU Staff time savings	-5.2				-5.2	3
Recoveries Mgmt - Council Assets	1.7			-1.7	0.0	
<i>BAU Costs:</i>						
Fees & Charges Lost	1.3				1.3	4
Increased BAU Operating Costs	2.5			-0.3	2.2	5
Reduced BAU Operating Costs	-0.4				-0.4	6
<i>Council Decisions:</i>						
Rates Remission	1.4				1.4	
1hr Free Central City Parking	1.2				1.2	
Total Operating impact	19.5	-6.1	0.0	-4.4	9.0	
Less						
Capital Costs						
Facilities	56.7	-	1.4	-56.7	1.4	7
City Water & Waste	282.6	-169.6	0.5	-113.0	0.5	7
Greenspace	34.0	-	0.3	-12.9	21.4	7
Transport	87.2	-78.5	-	-	8.7	7
Total Capital impact	460.5	-248.1	2.2	-182.6	32.0	
Available Funds					3.0	

1. Initial emergency work. A portion of this work was eligible for NZTA subsidy or covered by MCDEM. It includes silt clearing and City Care emergency works.

2. Welfare costs include operating the welfare centres and costs of portable sanitation. This attracted a \$1.3 million payment from MCDEM.
 3. The Council-funded response costs are labour costs for time charged to earthquake-recovery projects offset by a saving against business-as-usual projects. The net cost to the Council of \$1.7 million relates to additional operational staff during the emergency period and catering costs incurred.
 4. Actual costs incurred for repairs to parking buildings and meters, and pools.
 5. An allowance for incremental roading repairs as a result of the decision to defer capital renewals.
 6. Reduced maintenance on assets during September.
 7. Led by the Infrastructure Rebuild Management Office (IRMO), Council staff are continuing to refine the estimates for the rebuild programme and work with insurers and Government to maximise the recovery of costs. The estimates in this table are expected to be +/- 20% and include an assumption that a 90% subsidy is provided on the required Transport programme's capital works. This also assumes that City Water & Waste asset-replacement costs are fully funded by a combination of insurance and government subsidy. Staff will consider options to schedule the replacement of the Greenspace assets for which there is no available insurance cover.
64. Council management is taking independent advice from its insurance brokers (AON) to ensure it maximises the recovery of costs from both Central Government and its insurers. This includes ensuring the resulting capital works programme and claims processes are well structured to meet the insurer and re-insurers' requirements. Claims to date include:
- A claim for \$6.4 million was lodged on 5th November 2010 relating wholly to caring for the displaced
 - A second claim, due to be lodged 17th December, for approximately \$6.9 million of costs in caring for the displaced plus \$400,000 for other response costs
 - A further claim will be lodged in the new year for infrastructure costs (as at 30 November 2010 we had incurred \$4 million)
 - LAPP have advanced \$12 million against costs incurred and discussions are underway with Government to agree to a similar arrangement.

FINANCIAL IMPLICATIONS

65. As above.

LEGAL CONSIDERATIONS

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

66. As noted elsewhere in this report, staff have taken steps to introduce a financial structure that incorporates earthquake-related costs and revenue.
67. This is a direct response to that event and the Council is entitled to rely on the provisions of the Canterbury Earthquake Response and Recovery Act 2010 and relevant Orders in Council.
68. The Canterbury Earthquake (Local Government Act 2002) Order in Council provides the Council with an exemption from a number of the decision-making obligations set out in that Act. The effect of this is that the Council is not prevented from doing anything inconsistent with its Annual Plan or LTCCP.
69. These provisions are subject to any decision made being, directly or indirectly, necessary or desirable to further one or more of the purposes of the Canterbury Earthquake Response and Recovery Act 2010.

70. The changes to Levels of Service set out in **Appendix 1d** are not directly related to the earthquake. However, the Canterbury Earthquake (Local Government Act 2002) Order in Council enables the relaxation or suspension of provisions in statutes that may divert resources away from efforts to efficiently respond to it.
71. Adoption of the recommendations in this report would therefore be a valid use of the statutory powers and exemptions granted to the Council as a result of the earthquake.
72. None of the other non-earthquake-related matters are of a nature that would justify a further amendment of the 2009/19 LTCCP. Council staff are reporting these for the purposes already stated. They will be taken into account in the 2011/12 Annual Plan.

CONSULTATION FULFILMENT

73. The Council's Significance Policy states that consideration is to be given to undertaking a special consultative procedure if the decision to be made has not been provided for in the LTCCP.
74. In the current circumstances the Council is entitled to rely on the Canterbury Earthquake (Local Government Act 2002) Order in Council. The effect of this is that the Council is not prevented from doing anything inconsistent with its LTCCP, and that the special consultative procedure does not need to be considered.

STAFF RECOMMENDATIONS

It is recommended that the Council:

- (a) Receive the report.
- (b) Approve changes to levels of service as outlined in **Appendices 1a to 1e**.
- (c) Approve a change to the organisational targets relating to the delivery of the capital works programme as follows:
 - Capital carry-forwards: 35%.
 - Percentage milestones on track at year-end: 65%.
- (d) Approve the transfer of \$711,000 from the Capital Governance Pool to the Aranui Library capital project.
- (e) Note the creation of a new capital project for the creation of a practice track at QEII for the IPC World Championships with a budget of \$841,000 to be met through Government and IPC funding of \$366,000 and increased Council borrowings of \$474,000.
- (f) Note that as part of the 2009-19 LTCCP the Council approved the Town Hall Refurbishment and Improvement project at a total cost of \$20.182 million in 2009/10 and 2010/11 based on information provided by Vbase.
- (g) Note that Town Hall detailed design has highlighted greater requirements for deferred maintenance and compliance, and that this will increase the total cost of the project by \$4.140 million to \$24.321 million.
- (h) Approve an increase in the Town Hall Refurbishment and Improvement project budget of \$4.140 million in 2011/12 by way of increased equity to Vbase.
- (i) Agree that the increase in the Town Hall Refurbishment and Improvement project funding be met by any remaining funds in the 2010/11 Capital Governance Pool and if this is not sufficient, then through additional borrowing in 2011/12.