

CORPORATE AND FINANCIAL COMMITTEE 3. 8. 2012

3. EARTHQUAKE FINANCIAL REPORT FOR MAY 2012

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|-------------------------------------|--|
| General Manager responsible: | Paul Anderson – General Manager, Corporate Services DDI 941 8528 |
| Officer responsible: | Diane Brandish – Corporate Finance Manager |
| Author: | Paul Anderson – General Manager, Corporate Services |

PURPOSE OF REPORT

1. The purpose of this report is to provide an update to the Council on financial matters relating to the earthquakes, as at 31 May 2012.
2. The report includes an overview on the expected overall financial impact of the earthquakes on the Council.

EXECUTIVE SUMMARY

3. Attached are appendices showing summaries of:
 - May Earthquake net cost and 2011/12 forecast (**Appendix 1**)
 - Earthquake life-to-date cost details (**Appendix 2**)
 - Earthquake overall cost forecast (**Appendix 3**)
 - Recoveries summary (**Appendix 4**).

Rebuild Costs

4. Expenditure of \$38.9 million was incurred in May, of which Stronger Christchurch Infrastructure Rebuild Team (SCIRT) costs amounted to \$24.9 million. SCIRT costs life-to-date now total \$241.5 million. Of this, \$78.7 million of work in progress was allocated in May across the specific areas of work as follows: \$49.8 million Wastewater; \$13.8 million Water Supply; \$7.8 million Pump Stations; \$6.7 million Roading; and \$0.6 million Stormwater.
5. Forecast expenditure for 2011/12 remains unchanged at \$286.8 million. This is \$59.0 million less than budget and relates to the facilities rebuild, with very little expenditure expected to occur this financial year while detailed engineering assessments are performed and Council approval for capital works is sought.

Emergency and Response Costs

6. Overall Emergency and Response costs increased by \$0.7 million in May. Wastewater response costs of \$4.1 million were incurred (an estimated 90% of which relate to ongoing repairs and silt removal following the December event), while a further \$4.4 million was largely made up of Rockfall (\$1.3 million), Roading (\$1.2 million), and costs associated with Council assets/facilities (\$0.9 million). Largely offsetting this however, were other Wastewater costs (Laterals, CCTV and pipe works) which have been identified as (and transferred to) capital.
7. The overall forecast Council net cost for emergency and response costs for 2011/12 is \$53.2 million, which is just slightly lower than last month's forecast (\$53.5 million).
8. Of the forecast net cost to Council of \$53.2 million, \$0.9 million is funded from the Earthquake Mayoral Relief Fund (part of Auckland City Council's contribution), the balance will be funded from borrowing.

Recoveries

9. Of the \$759.8 million response and rebuild costs (refer appendix 2) incurred, \$288.1 million in recoveries (refer Appendix 4) has been received. This includes \$139.3 million from the Crown and \$127.0 million from NZTA for both emergency and response, and rebuild costs.
10. During the month the following monies were received:
 - NZTA - \$8.3 million for response rebuild costs
 - Crown - \$24.3 million from CERA reflecting the Crown's share of SCIRT costs from 1 July 2012 until 31 December 2012.

3 Cont'd

Building / Infrastructure Improvement Allowance

11. The Building / Infrastructure improvement allowance is currently set at \$175 million by the Council. To date the following allocations have been approved, leaving a balance of \$157 million.

| Description | Meeting Date | Value |
|---|--------------|------------|
| Oxidation Ponds | 25/08/2011 | 16,128,000 |
| Temporary Stadium cost contribution Rugby League Park | 08/09/2011 | 1,000,000 |
| Fendalton Library and Service Centre | 16/02/2012 | 190,000 |
| Linwood Community Arts Centre | 15/03/2012 | 35,884 |
| Cowles Stadium | 05/04/2012 | 480,000 |
| Pump Station 37 | 05/04/2012 | 126,000 |

The 2012/13 Annual Plan includes a further \$79.3 million of allocation to the Major Facilities Rebuild Programme. This would leave a balance of \$77.7 million.

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

12. Yes – there are none.

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

13. Yes – there are none.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

14. 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?

15. As above.

ALIGNMENT WITH STRATEGIES

16. Not applicable.

CONSULTATION FULFILMENT

17. Not applicable.

STAFF RECOMMENDATION

That the Committee recommend to the Council that it receive the report.

Appendix 1: Council net cost and 2011/12 forecast update as at 31 May 2012

| | Actual month (\$m) | | | 2011/12 net cost forecast | | |
|--|--------------------|----------|--------|---------------------------|-------|--------|
| | Cost | Recovery | Net | Current | Last | Change |
| Infrastructure Rebuild | | | | | | |
| Roading | 6.1 | 4.5 | 1.5 | 26.0 | 26.4 | (.4) |
| Sewer | 59.5 | 59.5 | .0 | - | - | - |
| Water | 13.8 | 13.8 | .0 | (.0) | - | (.0) |
| Stormwater | 2.1 | 1.5 | .6 | 1.6 | 1.6 | - |
| SCIRT setup and overhead costs unallocated | | | | | | |
| 1 | (53.8) | (43.0) | (10.8) | - | - | - |
| Total | | | | | | |
| 2 | 27.7 | 36.3 | (8.6) | 27.5 | 28.0 | (.4) |
| Other Assets and Insured Costs: | | | | | | |
| Buildings and Facilities | .9 | .2 | .7 | 9.1 | 9.1 | - |
| Sewer above-ground assets | 4.2 | 3.8 | .5 | 13.5 | 14.4 | (.9) |
| Water above-ground assets | 6.0 | 6.2 | (.2) | .1 | - | .1 |
| Stormwater above-ground assets | .0 | .0 | .0 | - | - | - |
| Park Facilities | - | - | - | - | - | - |
| Council Buildings / Infrastructure improvement allowance | - | - | - | - | - | - |
| Uninsured Assets (Parks, Stormwater) | .1 | .0 | .0 | 6.4 | 5.4 | .9 |
| Insurance Excesses | - | - | - | - | - | - |
| Total | 11.2 | 10.2 | 1.0 | 29.0 | 28.9 | .1 |
| Emergency & Response Costs: | | | | | | |
| Roading Emergency Work | 1.2 | .9 | .3 | 6.3 | 6.4 | (.1) |
| Welfare and other Emergency Work | | | | | | |
| 3 | (1.7) | (1.7) | (.0) | 2.6 | 3.0 | (.4) |
| Other Response Costs | | | | | | |
| 4 | 5.6 | 1.2 | 4.4 | 9.4 | 5.8 | 3.6 |
| Roading Temp Maintenance Works | .1 | .1 | (.0) | 4.1 | 4.2 | (.1) |
| Non-Roading Temp Maintenance Works | | | | | | |
| 5 | (6.1) | (5.8) | (.3) | 27.2 | 30.2 | (3.1) |
| Demolition Costs | .0 | (.0) | .0 | .1 | .1 | .0 |
| Rockfall | 1.3 | .7 | .6 | 8.2 | 8.7 | (.5) |
| Increased Costs of Working | .1 | .1 | (.0) | (7.9) | (7.9) | (.0) |
| Staff/Other internal costs charged to Emerg/Resp | .4 | - | .4 | 8.7 | 8.2 | .5 |
| Less costs budgeted in Council activities | (.3) | - | (.3) | (5.5) | (5.1) | (.4) |
| Total | .7 | (4.5) | 5.2 | 53.2 | 53.5 | (.3) |
| Grand Total | 39.6 | 42.0 | (2.4) | 109.7 | 110.4 | (.6) |

Notes:

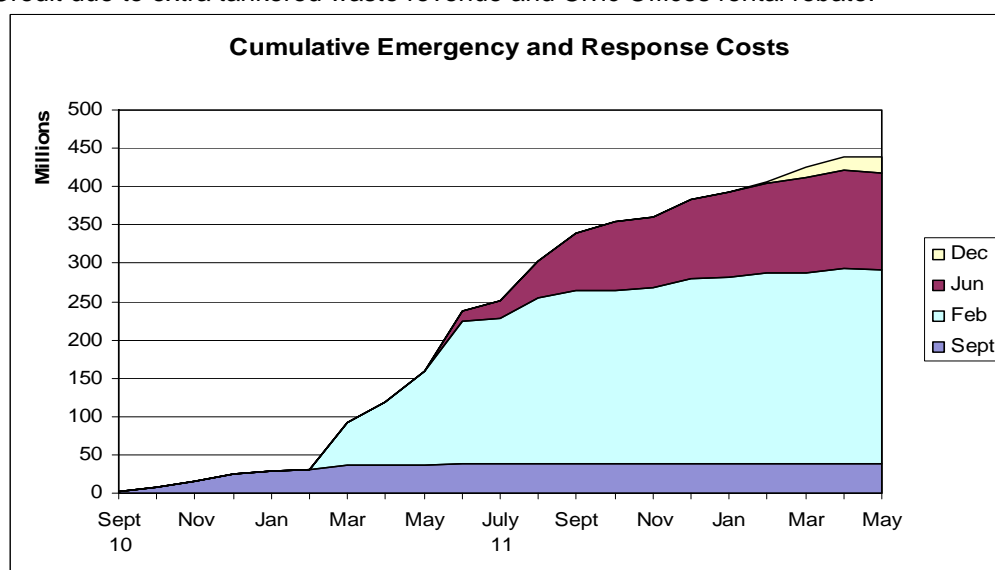
- 1) Reflects a \$78.7 million allocation of SCIRT costs across the infrastructure areas, partially offset by \$24.9 million of further SCIRT costs incurred in May.
- 2) Accrued recoveries exceed costs for the month due to the allocation of SCIRT costs. This has resulted in a more accurate estimate of accrued recoveries.
- 3) Reduction due to Wastewater below ground costs transferred to capital.
- 4) Majority of the month's expenditure is ongoing Wastewater below ground response costs. The \$4.4 million increase in net cost to Council includes a \$2.3 million adjustment to the accrued recoveries in the EOC area, which were previously overstated.
- 5) Reduction due to Wastewater below ground costs relating to Lateral, CCTV and pipe works transferred to capital.

Appendix 2: Life-to-date results as at 31 May 2012

| | Life to Date (\$m) | | | | | | Balance Council |
|--|--------------------|-------------|--------------|--------------|--------------|-------------|--------------------|
| | Cost | Accrued | | Recoveries | | Other | |
| | | LAPP (F) | LAPP (I) | DIA/CERA | NZTA | | |
| Infrastructure Rebuild | | | | | | | |
| Roading | 7.4 | - | - | - | 5.5 | - | 1.9 |
| Sewer | 65.0 | - | 26.0 | 39.0 | - | - | .0 |
| Water | 19.0 | - | 7.4 | 11.1 | - | - | .5 |
| Stormwater | 19.0 | - | 3.2 | 11.4 | - | - | 4.4 |
| SCIRT setup and overhead costs unallocated 1 | 162.8 | - | 32.6 | 48.8 | 48.8 | - | 32.6 |
| Total | 273.2 | - | 69.1 | 110.3 | 54.4 | - | 39.4 |
| Other Assets and Insured Costs: | | | | | | | |
| Buildings and Facilities | 9.0 | 2.4 | - | .0 | - | .0 | 6.6 |
| Sewer above-ground assets | 17.0 | 16.6 | - | - | - | - | .4 |
| Water above-ground assets | 6.4 | 6.2 | - | - | - | - | .2 |
| Stormwater above-ground assets | .0 | .0 | - | - | - | - | .0 |
| Park Facilities | - | - | - | - | - | - | - |
| Council Buildings / Infrastructure improvement allowance | - | - | - | - | - | - | - |
| Uninsured Assets (Parks, Stormwater) | 2.1 | .2 | - | - | .3 | - | 1.6 |
| Insurance Excesses | 8.0 | - | - | - | - | - | 8.0 |
| Total | 42.5 | 25.4 | - | .0 | .3 | .0 | 16.8 |
| Emergency & Response Costs: | | | | | | | |
| Roading Emergency Work | 92.9 | - | 2.2 | 3.3 | 65.9 | .0 | 21.4 |
| Welfare and other Emergency Work | 65.9 | - | 12.5 | 52.8 | - | .0 | .6 |
| Other Response Costs | 66.3 | 20.4 | - | 18.5 | 1.8 | 4.8 | 20.8 |
| Roading Temp Maintenance Works | 31.8 | - | .0 | .0 | 22.6 | (.0) | 9.1 |
| Non-Roading Temp Maintenance Works | 149.7 | .0 | 29.6 | 91.1 | - | .6 | 28.4 |
| Demolition Costs | 10.5 | - | - | 6.2 | - | .1 | 4.2 |
| Rockfall | 18.3 | - | - | 7.3 | 1.6 | .0 | 9.5 |
| Increased Costs of Working 2 | (1.8) | 2.8 | - | - | - | 5.3 | (9.9) |
| Staff/Other internal costs charged to Emerg/Resp | 47.6 | - | - | - | - | - | 47.6 |
| Less costs budgeted in Council activities | (36.9) | - | - | - | - | - | (36.9) |
| Total | 444.2 | 23.2 | 44.3 | 179.1 | 91.9 | 10.8 | 94.8 |
| Grand Total | 759.8 | 48.6 | 113.5 | 289.5 | 146.6 | 10.8 | 150.9 |

Notes:

- 1) SCIRT setup and overhead costs will be allocated over infrastructure assets upon job completion.
- 2) Credit due to extra tankered waste revenue and Civic Offices rental rebate.



Appendix 3: Life forecast

| Life forecast (\$m) | | | | | | | |
|--|----------------|--------------|--------------|--------------|--------------|-------------|--------------|
| Cost | Recoveries | | | | | Balance | |
| | LAPP (F) | LAPP (I) | DIA/CERA | NZTA | Other | Council | |
| Infrastructure Rebuild | | | | | | | |
| NZTA-subsidised roading (excl State Highways) | 842.4 | - | - | - | 699.2 | - | 143.2 |
| Non-subsidised roading (excl State Highways) | 164.3 | - | - | - | - | - | 164.3 |
| Sewer | 694.0 | - | 277.6 | 416.4 | - | - | - |
| Water | 140.1 | - | 56.0 | 84.1 | - | - | - |
| Stormwater | 66.5 | - | 26.6 | 39.9 | - | - | - |
| LAPP liability limitation | - | - | (196.2) | - | - | - | 196.2 |
| SCIRT setup and overhead costs unallocated | - | - | - | - | - | - | - |
| Total | 1,907.3 | - | 164.1 | 540.4 | 699.2 | - | 503.7 |
| Other Assets and Insured Costs: | | | | | | | |
| Buildings and Facilities | 463.4 | 452.8 | - | - | - | - | 10.6 |
| Sewer above-ground assets | 103.1 | 103.1 | - | - | - | - | - |
| Water above-ground assets | 26.6 | 26.6 | - | - | - | - | - |
| Stormwater above-ground assets | .9 | .9 | - | - | - | - | - |
| Park Facilities | 4.0 | 4.0 | - | - | - | - | - |
| Council Buildings / Infrastructure improvement allowance | 175.0 | - | - | - | - | - | 175.0 |
| Uninsured Assets (Parks, Stormwater) | 87.2 | - | - | - | - | 8.0 | 79.2 |
| Insurance Excesses | 23.9 | - | - | - | - | - | 23.9 |
| Total | 884.1 | 587.4 | - | - | - | 8.0 | 288.8 |
| Emergency & Response Costs: | | | | | | | |
| Roading Emergency Work | 87.8 | - | 2.2 | 3.3 | 63.9 | .0 | 18.3 |
| Welfare and other Emergency Work | 73.9 | - | 13.2 | 55.0 | - | .0 | 5.8 |
| Other Response Costs | 51.4 | 22.4 | - | 11.8 | - | 3.2 | 14.0 |
| Roading Temp Maintenance Works | 65.0 | - | .0 | - | 41.0 | .0 | 24.0 |
| Non-Roading Temp Maintenance Works | 220.4 | - | 28.7 | 125.4 | - | 11.4 | 54.9 |
| Demolition Costs | 10.5 | - | - | 5.9 | - | .1 | 4.5 |
| Rockfall | 55.0 | - | - | - | 1.2 | - | 53.8 |
| Increased Costs of Working | 6.0 | 3.0 | - | - | - | - | 3.0 |
| Staff/Other internal costs charged to Emerg/Resp | 11.7 | - | - | - | - | - | 11.7 |
| Less costs budgeted in Council activities | - | - | - | - | - | - | - |
| Total | 581.6 | 25.4 | 44.2 | 201.3 | 106.1 | 14.7 | 190.0 |
| Grand Total | 3,373.1 | 612.8 | 208.2 | 741.7 | 805.3 | 22.7 | 982.4 |

This table shows the same information as presented in the 2012/13 Draft Annual Plan (p42), with an expanded view of the forecast recoveries.

Appendix 4: Recoveries Summary

| Monthly recoveries summary report as at 31/05/2012 | | | | | | | |
|--|--------------|----------|------|----------|----------|---------|---|
| \$(m) All Figures are GST Exclusive | | | | | | | |
| | Total | Crown | NZTA | LAPP (I) | LAPP (F) | Other | Notes |
| Rebuild | | | | | | | |
| Cost incurred to date | 315.7 | | | | | | |
| Recoveries accrued | 259.5 | 110.3 | 54.7 | 69.1 | 25.4 | 0.0 | |
| Recoveries received | 67.5 | 24.3 | 38.2 | 0.0 | 5.0 | 0.0 | |
| Recoveries claimed but unpaid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Balance unclaimed to date | 192.0 | 86.0 | 16.5 | 69.1 | 20.4 | 0.0 | |
| Significantly Damaged Buildings (No rebuild cost incurred but indemnity recovery claimed) | | | | | | | |
| Recoveries accrued | 53.6 | 0.0 | 0.0 | 0.0 | 47.4 | 6.3 | Overcap properties claim from EQC (\$6.3m) |
| Recoveries received | 55.8 | 0.0 | 0.0 | 0.0 | 34.9 | 20.9 | |
| Recoveries claimed but unpaid | 12.5 | 0.0 | 0.0 | 0.0 | 12.5 | 0.0 | |
| Balance unclaimed to date | -14.7 | 0.0 | 0.0 | 0.0 | 0.0 | -14.7 * | to be recognised |
| Emergency and Response | | | | | | | |
| Cost incurred to date | 483.0 | | | | | | |
| Recoveries accrued | 341.3 | 179.1 | 91.9 | 44.3 | 20.4 | 5.5 | |
| Recoveries received | 220.6 | 115.0 | 88.8 | 14.1 | 0.1 | 2.6 | |
| Recoveries claimed but unpaid | 75.9 | 72.8 | 0.0 | 3.1 | 0.0 | 0.0 | |
| Balance unclaimed to date | 44.8 | -8.7 (1) | 3.1 | 27.1 | 20.3 | 2.9 (2) | (1) Demolitions accrued at 60% but claimed at 100% (2) Ferrymead Bridge contract works cover bal and EQC |
| Increased Costs of Working | | | | | | | |
| Cost incurred to date | 3.1 | | | | | | Excluding Office Accom due to Civic Building net rebate |
| Claims to be lodged (estimate) | 2.8 | | | | 2.8 | | |