



COUNCIL 21. 6. 2012

12. EARTHQUAKE FINANCIAL REPORT FOR APRIL 2012

General Manager responsible:	Paul Anderson – General Manager, Corporate Services, Ph: 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 30 April 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:
 - April Earthquake net cost and 11/12 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 \$24.1 million was incurred in April. SCIRT costs amounted to \$21.9 million.
5. Forecast expenditure for 2011/12 is \$286.8 million (unchanged from last month). 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.

Emergency and Response Costs

6. Emergency and Response costs of \$14.3 million were incurred in April, which is a net cost to the Council of \$2.0 million after expected recoveries. Most of the costs were in the wastewater area, due to a higher volume of claims from City Care processed in April. The Council assets/facilities (heritage and commercial properties, libraries, community centres etc) accounted for \$2.8 million, with a further \$2.5 million in the roading area.
7. The overall forecast of the Council's net cost for emergency and response costs for 2011/12 is \$53.5 million, which is just slightly higher than last month's forecast (\$53.0 million).
8. Of the forecast net cost to the Council of \$53.5 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 \$761.8 million response and rebuild costs incurred to date, \$255.5 million in recoveries has been received. This includes \$115.0 million from the Crown for emergency and response costs, and \$118.7 million from the New Zealand Transport Authority (NZTA) for both emergency and response, and rebuild costs. Discussions with the Canterbury Earthquake Recovery Authority (CERA) regarding a contribution for the Alliance (SCIRT) set up and rebuild costs have been ongoing since October 2011. The Council's view is that under an Alliance all parties should bear a share of costs based on forecasts until such time as projects are completed and the actual allocation can be determined. As at 30 April 2012 nothing had been received.

COUNCIL 21. 6. 2012

12 Cont'd

10. During the month the following monies were received:

- NZTA - \$4 million for response costs and \$17.8 million for rebuild costs
- LAPP (Facilities) - \$105,429 demolition costs for Godley House and Redcliffs library
- EQC - \$20.9 million for assessed damage to Housing stock.

CERA made an initial payment of \$24.34 million on 31 May 2012 reflecting the Crown's share of SCIRT costs from 1 July 2012 until 31 December 2012.

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. The 2012/13 Draft 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.

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

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

It is recommended that the Council receive the report.

Appendix 1: Council net cost and 11/12 forecast update as at 30 April 2012

	Actual month (\$m)			2011/12 net cost forecast		
	Cost	Recovery	Net	Current	Last	Change
Infrastructure Rebuild						
Roading	.0	.0	.0	26.4	26.4	-
Sewer	(.3)	(.3)	(.0)	-	-	-
Water	.3	.3	(.0)	-	.5	(.5)
Stormwater						
1	-	4.4	(4.4)	1.6	1.6	-
SCIRT setup and overhead costs unallocated	21.9	17.5	4.4	-	-	-
Total	21.9	21.9	(.0)	28.0	28.5	(.5)
Other Assets and Insured Costs:						
Buildings and Facilities	1.0	.0	1.0	9.1	9.1	-
Sewer above-ground assets	.2	.9	(.7)	14.4	14.4	-
Water above-ground assets	.1	-	.1	-	-	-
Stormwater above-ground assets	-	-	-	-	-	-
Park Facilities	-	-	-	-	-	-
Council Buildings / Infrastructure improvement allowance	-	-	-	-	-	-
Uninsured Assets (Parks, Stormwater)	.9	(.1)	1.0	5.4	3.8	1.6
Insurance Excesses	-	-	-	-	-	-
Total	2.2	.8	1.4	28.9	27.3	1.6
Emergency & Response Costs:						
Roading Emergency Work	2.5	1.9	.6	6.4	4.9	1.4
Welfare and other Emergency Work	.4	.1	.3	3.0	(.6)	3.6
Other Response Costs						
3	7.4	5.1	2.2	5.8	5.4	.4
Roading Temp Maintenance Works	.1	.0	.1	4.2	5.5	(1.3)
Non-Roading Temp Maintenance Works						
4	2.6	(.6)	3.2	30.2	33.0	(2.8)
Demolition Costs	-	-	-	.1	.1	(.0)
Rockfall	1.1	.5	.6	8.7	9.3	(.6)
Increased Costs of Working	.1	5.2	(5.1)	(7.9)	(7.4)	(.5)
Staff/Other internal costs charged to Emerg/Resp	.4	-	.4	8.2	7.6	.5
Less costs budgeted in Council activities	(.3)	-	(.3)	(5.1)	(4.8)	(.3)
Total	14.3	12.3	2.0	53.5	53.0	.5
Grand Total	38.4	35.0	3.4	110.4	108.7	1.7

Notes:

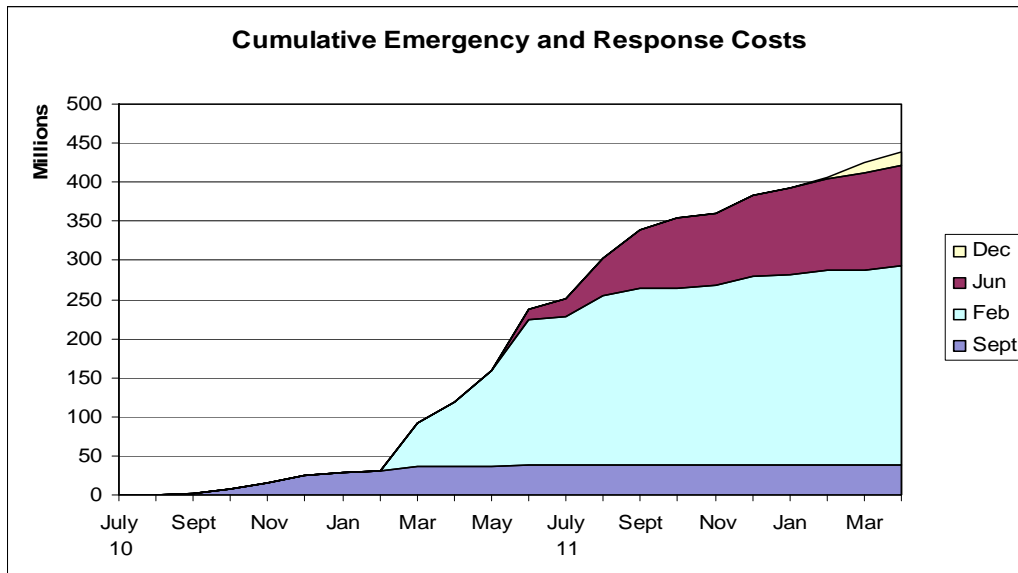
- 1) Correction made in April to stormwater expected recoveries, which were understated last month.
- 2) Forecast changes largely reflect a realignment of stormwater costs.
- 3) Costs incurred in April mainly relate to Wastewater response \$3.7 million; Council assets/facilities (heritage and commercial properties, libraries, community centres etc.) \$2.8 million; and Water Supply response \$0.5 million.
- 4) Cost incurred in April mainly relate to Wastewater (\$2.0 million) and Stormwater (\$0.8 million) maintenance.

Appendix 2: Life-to-date results as at 30 April 2012

	Life to Date (\$m)						Balance Council
	Cost	Accrued		Recoveries		Other	
		LAPP (F)	LAPP (I)	DIA/CERA	NZTA		
Infrastructure Rebuild							
Roading	1.3	-	-	-	1.0	-	.3
Sewer	14.8	-	5.9	8.9	-	-	.0
Water	5.2	-	1.9	2.8	-	-	.5
Stormwater	16.9	-	3.0	10.1	-	-	3.8
SCIRT setup and overhead costs unallocated 1	216.6	-	43.3	65.0	65.0	-	43.3
Total	254.7	-	54.1	86.8	65.9	-	48.0
Other Assets and Insured Costs:							
Buildings and Facilities	8.1	2.2	-	-	-	.0	5.9
Sewer above-ground assets	12.8	12.9	-	-	-	-	(.1)
Water above-ground assets	.4	-	-	-	-	-	.4
Stormwater above-ground assets	-	-	-	-	-	-	-
Park Facilities	-	-	-	-	-	-	-
Council Buildings / Infrastructure improvement allowance	-	-	-	-	-	-	-
Uninsured Assets (Parks, Stormwater)	2.0	.2	-	-	.3	-	1.5
Insurance Excesses	8.0	-	-	-	-	-	8.0
Total	31.3	15.2	-	-	.3	.0	15.7
Emergency & Response Costs:							
Roading Emergency Work	91.6	-	2.2	3.3	65.0	.0	21.1
Welfare and other Emergency Work	67.6	-	12.8	54.1	-	.0	.6
Other Response Costs	60.7	20.0	-	17.8	1.8	4.7	16.4
Roading Temp Maintenance Works	31.7	-	.0	.0	22.6	(.0)	9.1
Non-Roading Temp Maintenance Works	146.5	.0	27.1	90.0	-	.6	28.7
Demolition Costs	10.5	-	-	6.2	-	.1	4.2
Rockfall	17.0	-	-	6.9	1.2	-	8.9
Increased Costs of Working	(1.9)	2.7	-	-	-	5.3	(9.9)
Staff/Other internal costs charged to Emerg/Resp	47.2	-	-	-	-	-	47.2
Less costs budgeted in Council activities	(36.6)	-	-	-	-	-	(36.6)
Total	434.2	22.7	42.2	178.4	90.6	10.7	89.6
Grand Total	720.2	37.9	96.2	265.2	156.9	10.7	153.3

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

Cost	Life forecast (\$m)					Balance Council	
	Recoveries						
	LAPP (F)	LAPP (I)	DIA/CERA	NZTA	Other		
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

		30/04/2012						
		Monthly recoveries summary report as at						
		All Figures are GST Exclusive						
	\$(m)	Total	Crown	NZTA	LAPP (I)	LAPP (F)	Other	Notes
Emergency and Response								
Cost incurred to date		472.8						
Recoveries accrued		336.6	178.4	90.6	42.2	20.0	5.4	
Recoveries received		220.6	115.0	88.8	14.1	0.1	2.6	
Recoveries claimed but unpaid		77.4	72.8	0.0	3.1	0.0	1.4	* * Ferrymead Bridge contract works cover
Balance unclaimed to date		38.6	-9.4 *	1.8	24.9	19.9	1.4	* Demolitions accrued at 60% but claimed at 100%
Increased Costs of Working								
Cost incurred to date		3.0						Excluding Office Accom due to Civic Building net rebate
Claims to be lodged (estimate)		2.7				2.7		
Rebuild								
Cost incurred to date		286.0						
Recoveries accrued		222.3	86.8	66.3	54.1	15.2	0.0	
Recoveries received		34.9	0.0	29.9	0.0	5.0	0.0	
Recoveries claimed but unpaid		34.8	24.8	10.0	0.0	0.0	0.0	
Balance unclaimed to date		152.7	62.0	26.4	54.1	10.2	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		53.1	0.0	0.0	0.0	34.9	18.2	EQC \$21 million (incl gst) payment received in April
Recoveries claimed but unpaid		12.5	0.0	0.0	0.0	12.5	0.0	
Balance unclaimed to date		-11.9	0.0	0.0	0.0	0.0	-11.9	