



**CORPORATE AND FINANCIAL COMMITTEE
5. 10. 2012**

**A meeting of the Corporate and Financial Committee
was held in the No. 1 Committee Room
on Friday 5 October 2012 at 9am.**

PRESENT: Councillor Helen Broughton (Chairperson),
Councillors Tim Carter, Jimmy Chen, and Yani Johanson

APOLOGIES: Councillor Ngaire Button and Jamie Gough

The Committee reports that:

PART A - MATTERS REQUIRING A COUNCIL DECISION

1. EARTHQUAKE FINANCIAL REPORT FOR AUGUST 2012

General Manager responsible:	Paul Anderson – General Manager, Corporate Services, DDI: 941-8528
Officer responsible:	Diane Brandish – Corporate Finance Manager
Author:	Bruce Moher – Planning and Reporting Manager

PURPOSE OF REPORT

- The purpose of this report is to provide an update to the Corporate and Financial Committee and the Council on financial matters relating to the earthquakes as at 31 August 2012.
- The report includes an overview on the expected overall financial impact of the earthquakes on the Council.

EXECUTIVE SUMMARY

- Attached are appendices showing summaries of:
 - Costs and recoveries for the two months to 31 Aug and 2012/13 Forecast (**Appendix 1**)
 - Earthquake life-to-date financial details (**Appendix 2**)
 - Earthquake total cost forecast (**Appendix 3**)
 - Recoveries summary at 31 August (**Appendix 4**).

Summary Table

\$ million	July/August Actual			Forecast 2012/13		
	Cost	Recovery	Net Cost	Cost	Recovery	Net Cost
Rebuild Costs	72.4	47.4	24.9	662.2	405.2	257.0
Emergency and Response costs	15.7	10.7	4.9	65.2	40.1	25.1
Total	88.0	58.2	29.9	727.5	445.4	282.1

Rebuild Costs

- Costs of \$72.4 million were recorded in the two months to 31 August 2012, of which \$68.6 million relates to work delivered by Stronger Christchurch Infrastructure Rebuild Team (SCIRT). \$8.1 million related to Wastewater and \$1.8 million to Roading with the remaining \$57.5 million of work in progress yet to be allocated.

1 Cont'd

5. Expenditure is currently forecast to be on budget (\$662.2 million). \$435.4 million of the total forecast expenditure relates to SCIRT costs (Wastewater Collection \$266.0 million; Roading \$119.7 million; Water Supply \$27.0 million; and Stormwater \$22.7 million). The balance of the total forecast expenditure relates to non-SCIRT (Council-delivered) works (\$108.1 million) and Facilities (\$118.7 million).

Emergency and Response Costs

6. Costs totalling \$15.7 million have been incurred year-to-date. \$7.9 million relates to Wastewater costs from City Care relating to the December event, \$1.9 million to Heritage Properties and a further \$1.1 million to Geotech work.
7. Forecast response costs of \$65.2 million are \$14.4 million higher than budget. This variance comprises: Facilities \$8.5 million, Infrastructure (Wastewater, Water Supply etc.) \$3.9 million, Geotech \$1.2 million, and Increased cost of working \$0.8 million.

Recoveries

8. Forecast response recoveries are \$15.4 million higher than planned this year, offsetting the overspend detailed in paragraph 7. This largely relates to insurance recoveries for Facilities assessments and repairs.
9. During the period the following monies were received:

Settlement for Farmers Carpark Building	\$10.78 million
Reimbursement of demolition costs	\$ 0.46 million
Partial payment Bromley above ground work	\$ 0.47 million
Further receipt re LAPP infrastructure settlement	\$21.99 million.

Building / Infrastructure Improvement Allowance

10. Of the \$175 million Building/Infrastructure improvement allowance provided in the current financial strategy, \$17.96 million has been allocated to date as outlined in the table below.

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

11. The Major Community Facilities Rebuild Programme contained in the 2012/13 Annual Plan includes a further \$79.3 million to be allocated in future years, per the table below, leaving a balance of \$77.7 million.

Art Gallery repairs	2012/14	12,400,000
Manchester and Lichfield Car Park	2013/14	13,000,000
Athletics Track Replacement	2013/14	2,100,000
Town Hall repairs	2014/16	51,300,000
Central Library repairs	2013/14	500,000

1 Cont'd

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 as amended by the 2012/13 Annual Plan 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 Council receive the report.

COMMITTEE RECOMMENDATION

That the Council:

- (a) Adopt the staff recommendation.
- (b) Ask the Council's insurance legal adviser to provide an explanation to the Committee on how to ensure timely payment from the Local Authority Protection Programme (LAPP).
- (c) Ask staff to report back to the Committee on the steps and policies in place to ensure there is no conflict between the Chief Executive's dual roles.
- (d) Ask staff to consider how monthly updates can be provided to the Committee regarding progress on Council (non-SCIRT) earthquake-related capital projects.

2. FORESTS AND RURAL FIRE INSURANCE COVER

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

PURPOSE OF REPORT

1. The purpose of this report is to recommend to the Council that Forests and Rural Fire Insurance Cover be placed with Civic Assurance.

2 Cont'd

EXECUTIVE SUMMARY

2. Prior to June 2011 Forests and Rural Fire Cover was one of the insurance policies which was renewed annually; however, following the events of 2010 and 2011 it was no longer available. We have been approached by the Manager, Civil Defence and Emergency Management requesting that we contact the markets again.
3. This insurance provides the Council with cover for the costs of any fire fighting in the capacity of Fire Authority for a Rural District under the Forests and Rural Fires Act. The most recent example of this was a fire that started in the Bottle Lake plantation in the 1990s, which cost the Council \$800,000 to fight.
4. Aon approached NZI, Vero, Dual, Ace, QBE, Lumley and Chartis who all declined to quote as it is not a cover they would normally offer. Civic Assurance provided an option on the following terms:
 - \$2 million any one loss and \$2 million in the aggregate with \$5,000 excess, premium, \$6,575;
 - Previous cover \$2 million any one loss, \$4 million in the aggregate, \$10,000 excess, premium \$6,575.
5. Civic Assurance do not meet the credit requirements of the Council which is to deal only with companies with an AM Best rating of A- or better. Civic are rated B++.

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

6. Yes – there are none.

FINANCIAL AND LEGAL CONSIDERATIONS

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

7. Yes – there are none other than those mentioned above.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

8. Not applicable.

Do the recommendations of this report support a level of service or project in the 2009-19 LTCCP?

9. Not applicable.

ALIGNMENT WITH STRATEGIES

10. Not applicable.

CONSULTATION FULFILMENT

11. Not applicable.

STAFF RECOMMENDATION

That the Council resolve that cover for Forests and Rural Fire Insurance Protection be placed with Civic Assurance.

2 Cont'd

COMMITTEE RECOMMENDATION

That the decision be referred to the Council.

The Committee **requested** that the Council is provided with further information on:

- (a) the ability of Civic Assurance to pay in the event of a claim
- (b) the Aon advice recommending the placement with Civic Assurance
- (c) the Council's responsibilities in the capacity of Fire Authority for a Rural District under the Forests and Rural Fires Act.

PART B - REPORTS FOR INFORMATION

3. DEPUTATIONS BY APPOINTMENT

The Committee heard a deputation from Megan Woods MP and James Barber, on behalf of Crossdale Courts residents, regarding an opportunity for the Council to purchase properties at Crossdale Courts on Curletts Road.

It was noted that the Committee is concerned about the lack of availability of social housing in both the short and medium term.

The Committee requested that staff urgently report back to the Community, Recreation and Culture Committee on the opportunity of purchasing Crossdale Courts for social housing, the financial feasibility, and how this could be implemented if the properties are deemed suitable and financially feasible.

4. COUNCIL TREASURY OPERATIONS

The Committee **received** a report outlining the Council's treasury policies and operations, along with current key issues and risks.

5. CORPORATE FINANCE REPORT FOR PERIOD ENDED 31 AUGUST 2012

The Committee **received** an update report on key financial and treasury matters for the period ending 31 August 2012.

The Committee **requested** regular updates from the General Manager Corporate Services on progress being made with the Government and insurance payments.

PART C – DELEGATED DECISIONS

1. APOLOGIES

Councillors Ngaire Button and Jamie Gough.

It was **resolved** that the apologies be accepted.

COUNCIL 25. 10. 2012
CORPORATE AND FINANCIAL COMMITTEE 5. 10. 2012

- 6 -

7. RESOLUTION TO EXCLUDE THE PUBLIC

It was **resolved** to let the report in Clause 8, *Earthquake Insurance Claims Update August 2012*, lie on the table pending legal advice on the need for the report and advice from staff on the report to be considered in public excluded.

It was **resolved** to exclude the public for Clause 9, *Overdue Debtors over \$20,000 as at 31 August 2012*, on the grounds set out on page 33 of the agenda.

The meeting concluded at 11.55 am.

CONSIDERED THIS 25TH DAY OF OCTOBER 2012

MAYOR

DRAFT

Appendix 1: Costs and recoveries for Jul-Aug 2012 and 2012/13 Forecast

		Cost (\$m)					Recovery (\$m)			
		YTD	2012/13 Forecast	2012/13 Plan	Variance		YTD	2012/13 Forecast	2012/13 Plan	Variance
<u>Infrastructure Rebuild:</u>										
Roading	1	1.8	135.1	147.7	(12.6)	1.4	100.9	103.6	(2.8)	
Sewer	1	8.1	241.2	193.1	48.1	8.0	147.9	115.9	32.0	
Water	1	.8	43.9	82.1	(38.2)	.5	26.3	52.0	(25.7)	
Stormwater		.9	24.4	28.5	(4.1)	.6	7.6	10.9	(3.3)	
SCIRT setup and overhead costs unallocated		57.5	.0	-	.0	34.4	(.1)	-	(.1)	
Total:		69.2	444.6	451.4	(6.8)	44.8	282.6	282.4	.2	
<u>Other Assets and Insured Costs:</u>										
Buildings and Facilities		1.2	123.9	123.9	.0	.3	62.6	61.3	1.3	
Sewer above-ground assets		.4	53.8	66.1	(12.3)	.5	40.7	43.1	(2.4)	
Water above-ground assets		1.5	15.7	7.3	8.4	1.9	15.7	2.7	13.0	
Stormwater above-ground assets		-	.2	-	.2	-	.2	-	.2	
Park Facilities		-	-	-	-	-	-	3.0	(3.0)	
Uninsured Assets (Parks, Stormwater)	3	.1	24.2	13.6	10.6	.0	3.5	4.0	(.5)	
Insurance Excesses		-	-	-	-	-	-	-	-	
Total:		3.2	217.7	210.8	6.8	2.6	122.7	114.1	8.6	
Total Infrastructure Rebuild:		72.4	662.2	662.2	.0	47.4	405.2	396.5	8.8	
<u>Emergency & Response Costs:</u>										
Roading Emergency Work		.1	(.0)	-	(.0)	1.2	1.2	-	1.2	
Welfare and other Emergency Work		.0	.5	.6	(.1)	.0	.5	.6	(.1)	
Other Response Costs										
4		11.9	18.5	3.4	15.1	8.0	13.6	-	13.6	
Roading Temp Maintenance Works		.1	9.6	9.6	.0	.0	5.4	5.5	(.1)	
Non-Roading Temp Maintenance Works		1.8	30.6	35.4	(4.8)	.4	15.5	17.6	(2.0)	
Demolition Costs		-	-	-	-	-	-	-	-	
Rockfall		1.3	4.9	1.6	3.3	.6	2.1	.8	1.3	
Increased Costs of Working		.4	1.1	.3	.8	.5	1.8	.3	1.5	
Staff/Other internal costs charged to Emerg/Resp		-	-	-	-	-	-	-	-	
Less costs budgeted in Council activities		-	-	-	-	-	-	-	-	
Total Emergency & Response Costs:		15.7	65.2	50.8	14.4	10.7	40.1	24.7	15.4	
GRAND TOTAL		88.0	727.5	713.1	14.4	58.2	445.4	421.2	24.1	

Notes: The above tables shows YTD as there was no July report to Committee.

- 1) Forecasts based on information from SCIRT
- 2) Recoveries variance reflects WW Treatment Plant recoveries not budgeted
- 3) Forecast cost variance reflects \$10.6 million Stormwater Drainage not budgeted
- 4) The majority of the \$18.5m of forecast costs relate to Facilities (\$9.2 for commercial properties, community centres, heritage properties), with a further \$7.9 million being Wastewater response costs. Facilities assessment and repair costs will be reported on a separate line going forward.

Appendix 2: Life-to-date cost as at 31 August 2012

	Life to Date (\$m)						Balance Council
	Cost	Accrued Recoveries					
		LAPP (F)	LAPP (I)	DIA/CERA	NZTA	Other	
Infrastructure Rebuild:							
Roading	13.0	-	-	-	9.7	.0	3.3
Sewer	98.5	-	140.1	59.1	-	-	(100.7)
Water	22.1	-	28.3	13.0	-	-	(19.1)
Stormwater	16.1	-	13.4	9.6	-	-	(7.0)
SCIRT setup and overhead costs unallocated 1	218.0	-	-	65.4	65.4	-	87.2
Total	367.8	-	181.8	147.1	75.1	.0	(36.3)
Other Assets and Insured Costs:							
Buildings and Facilities 2	11.2	86.6	-	.0	-	19.8	(95.2)
Sewer above-ground assets	19.1	18.7	-	-	-	-	.4
Water above-ground assets	11.0	11.1	-	-	.0	(.0)	(.1)
Stormwater above-ground assets	.1	.1	-	-	-	-	.0
Park Facilities	-	.8	-	-	-	-	(.8)
Council Buildings / Infrastructure improvement allowance	-	-	-	-	-	-	-
Uninsured Assets (Parks, Stormwater)	2.5	-	-	-	.4	-	2.1
Insurance Excesses	8.0	-	-	-	-	-	8.0
Total	51.9	117.3	-	.0	.4	19.8	(85.6)
Total Infrastructure Rebuild:	419.6	117.3	181.8	147.1	75.5	19.8	(121.9)
Emergency & Response Costs:							
Roading Emergency Work	94.7	-	-	4.3	65.4	.0	25.0
Welfare and other Emergency Work	67.6	-	1.3	63.9	-	.0	2.4
Other Response Costs	88.4	26.5	.4	26.8	1.8	5.3	27.7
Roading Temp Maintenance Works	31.9	-	.0	.0	21.8	(.0)	10.1
Non-Roading Temp Maintenance Works	155.8	2.4	18.0	101.7	-	.9	32.9
Demolition Costs	10.6	-	-	6.3	-	.1	4.2
Rockfall	21.0	-	-	7.0	4.1	(.0)	10.0
Increased Costs of Working	(1.0)	1.9	-	-	-	6.0	(8.9)
Staff/Other internal costs charged to Emerg/Resp	48.4	-	-	-	-	-	48.4
Less costs budgeted in Council activities	(37.5)	-	-	-	-	-	(37.5)
Total Emergency & Response Costs:	480.0	30.8	19.7	209.8	93.1	12.3	114.3
Grand Total	899.6	148.1	201.5	357.0	168.6	32.0	(7.6)

3

4

Notes:

- 1) SCIRT setup and overhead costs will be allocated over infrastructure assets upon job completion.
- 2) Recoveries reflect LAPP (Facilities) interim building indemnity settlements and EQC payments.
- 3) Reflects LAPP infrastructure settlement. \$18.7 million remains to be received.
- 4) Of the Crown accrued recoveries of \$357 million, \$139.3 million has been paid to date.

Appendix 3: Total cost forecast

	Life forecast (\$m)						Balance Council
	Cost	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	-	140.1	416.4	-	-	137.5
Water	140.1	-	28.3	84.1	-	-	27.8
Stormwater	66.5	-	13.4	39.9	-	-	13.2
LAPP liability limitation	-	-	-	-	-	-	-
WIP / Alliance setup costs unallocated	-	-	-	-	-	-	-
Total	1,907.3	-	181.8	540.4	699.2	-	485.9
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 - shortfall 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	-	-	3.3	63.9	.0	20.5
Welfare and other Emergency Work	73.9	-	1.3	55.0	-	.0	17.7
Other Response Costs	51.4	22.4	.4	11.8	-	3.2	13.6
Roading Temp Maintenance Works	65.0	-	.0	-	41.0	.0	24.0
Non-Roading Temp Maintenance Works	220.4	-	18.0	125.4	-	11.4	65.6
Demolition Costs	10.5	-	-	5.9	-	.1	4.5
Rockfall	79.9	-	-	6.6	3.9	-	69.4
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	606.5	25.4	19.7	207.9	108.8	14.7	230.0
Grand Total	3,398.0	612.8	201.5	748.3	808.0	22.7	1,004.7

There are no changes to this table from that presented in the June report. It is intended to update the overall forecast once the next rebuild estimate update is received in October.

Appendix 4: Recoveries Summary

Monthly recoveries summary report as at 31/08/2012							
\$(m) All Figures are GST Exclusive							
	Total	Crown	NZTA	LAPP (I)	LAPP (F)	Other	Notes
Rebuild							
Cost incurred to date	419.6						
Recoveries accrued	437.0	147.1	75.5	181.8	32.5	0.0	
Recoveries received	234.4	24.3	41.5	163.1	5.5	0.0	
Recoveries claimed but unpaid	18.7	0.0	0.0	18.7	0.0	0.0	
Balance unclaimed to date	183.9	122.8	34.0	0.0	27.0	-0.0	
Significantly Damaged Buildings (Indemnity recovery claimed)							
Recoveries accrued	104.6	0.0	0.0	0.0	84.8	19.8	
Recoveries received	65.4	0.0	0.0	0.0	45.7	19.8	
Recoveries claimed but unpaid	39.1	0.0	0.0	0.0	39.1	0.0	
Balance unclaimed to date	-0.0	0.0	0.0	0.0	0.0	-0.0	
Emergency and Response							
Cost incurred to date	518.5						
Recoveries accrued	357.8	209.8	93.1	19.7	28.9	6.3	
Recoveries received	231.8	115.0	90.7	19.7	0.1	6.3	
Recoveries claimed but unpaid	72.8	72.8	0.0	0.0	0.0	0.0	
Balance unclaimed to date	53.2	22.0	2.3	-0.0	28.8	0.0	
Increased Costs of Working							
Cost incurred to date	3.8						Excluding Office Accom due to Civic Building net rebate
Claims to be lodged (estimate)	1.9				1.9		