

Report No:	RESC11-08-09
File No:	
Date:	26 July 2011
Decision Required	

REPORT SUMMARY

Report to: Engineering Services Committee
Meeting Date: 4 August 2010
Report Author: Jeff Cuthbertson, Utilities Asset Manager
Subject: **Budget Reallocation – Solid Waste**

EXECUTIVE SUMMARY

A report to the 24 June 2011 meeting of the Engineering Services Committee sought approval to reallocate capital expenditure and to raise additional loans for unscheduled works. The solid waste reallocations were omitted in error. This report seeks to reallocate capital funding within the Solid Waste account, primarily to accommodate accelerated development of the Richmond Resource Recovery Centre.

RECOMMENDATION/S

That the report be received.

DRAFT RESOLUTION

THAT the Engineering Services Committee receives the Budget Reallocation, Solid Waste Report, RESC11-08-09; and

THAT the Engineering Services Committee approves the transfer of funding to offset accelerated capital works as noted in the report, RESC11-08-09.

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Subject: **BUDGET REALLOCATION – SOLID WASTE**

1. Purpose

- 1.1 The purpose of this report is to seek approval from the Engineering Services Committee to reallocate capital budgets in the Solid Waste Activity for the 2010-2011 financial year.

2. Background

- 2.1 Capital works were scheduled in 2010-2011 for each of Council's five Resource Recovery Centres (RRC), at the Eves Valley landfill and in the kerbside recycling activity area. The focus of efforts this year has been redevelopment of the Richmond Resource Recovery Centre and the Eves Valley landfill and renewal of compactor equipment and bins for the Takaka and Richmond sites.
- 2.2 Two contracts (Contracts 814 and 811) were awarded in February this year for work at the Richmond RRC and for supply of compactor equipment and bins. The construction value of the contracts was \$1.5 million. The capital budget for these works was provided in the 2010-2011 and 2011-2012 years. Since award the works have progressed well and have been completed ahead of the original schedule. The project has also included some unexpected additional work and additional funding will be required for this.
- 2.3 Capital works at some other sites have not progressed as scheduled, primarily because the resources have been committed to the Richmond, Takaka and Eves Valley works. It is proposed to transfer unspent capital funds from these cost centres to the Richmond account for the 2010-2011 year.
- 2.4 The capital budget for Richmond in 2011-2012 is \$647,716 and not all of this funding will be required in the coming year. It is proposed that later in the year permission will be sought to transfer unspent funds from the Richmond RRC (2011-2012) to other cost centres.

- 2.5 Activities on site at the Eves Valley landfill have also varied from scheduled work with repairs and renewal of the leachate pond and unscheduled earthworks.

3. Present Situation/Matters to be Considered

- 3.1 The attached spreadsheet shows the capital work invoiced in the 2010-2011 financial year and the proposed transfer of budgets between cost centres.

4. Financial/Budgetary Considerations

- 4.1 Mariri site development** – Initial drainage works and other minor works have been completed at Mariri this year. A site development plan has also been prepared. Remaining development (traffic, recycling and bin loading improvements) has not commenced and \$350,000 of funding remains unspent. It is proposed these funds be used at Richmond RRC for 2010-2011 and that unspent funds from the Richmond cost centre in 2011-2012 will be transferred to the Mariri cost centre so that works may proceed.
- 4.2 Takaka site development** – Modifications and repairs to the existing compactor and purchase of new bins have been funded from Takaka capital budgets. Remaining smaller works have been deferred pending the outcome of a site development plan, which is near completion. A capital budget of \$150,000 remained unspent in the 2010-2011 year. It is proposed that these funds be transferred to Richmond and that unspent funds from the Richmond cost centre in 2011-2012 will be transferred to the Takaka cost centre if required/available.
- 4.3 Collingwood site development** – Some minor capital works have been completed at Collingwood, but other works have been deferred, pending completion of a site development plan, which is near completion. A capital budget of \$40,000 remained unspent in the 2010-2011 year. It is proposed that unspent funds from the Richmond cost centre in 2011-2012 will be transferred to the Collingwood cost centre if required/available.
- 4.4 Kerbside recycling** – capital budgets for extension of recycling facilities at Richmond were funded through the kerbside recycling cost centre. Subsequent investigations indicated an extension of paved area at the Richmond RRC was

more appropriate. It is proposed to transfer these funds to the Richmond cost centre for ease of management.

- 4.5 Eves Valley landfill** – Stage 1 investigation work for resource consents at the Eves Valley site were cheaper than originally anticipated. Additional, unplanned earthworks were required at the landfill repair and refurbish the leachate containment pond. It is proposed to transfer funds for these works.

5. Options

- 5.1 Option 1 – Rearrange existing budgets capital loans to pay for the unscheduled and accelerated capital works required during the year. Transfer remaining funding in the 2011-2012 year from the Richmond RRC to other sites to allow further capital works to be completed.
- 5.2 Option 2 – Seek approval to raise additional loans for the 2010-2011 year to fund the work at Richmond RRC, and reduce loans for the 2011-2012 year for the Richmond RRC. Fund unscheduled work at Eves Valley from operating budgets.

6. Pros and Cons of Options

- 6.1 Option 1 - Transferring unspent funds (2010-2011) from other sites to Richmond reduces the need to carry forward funding from the 2010-2011 to 2011-2012 year. This option also provides additional contingency funds to cover unscheduled work at Richmond. Waiting for work at Richmond to be completed before transferring unspent funds to other sites will give certainty regarding remaining funding. Transferring additional funds from one site to another may however be seen as unfairly diverting funds from one community to another.
- 6.2 Option 2 - Seeking additional loan funding for the Richmond would increase the total capital funding for the Solid Waste account (if other funding is carried forward). Capital budgets in the 2011-2012 year may need to be reduced retrospectively if the total capital spend is not to exceed budget. Funding unscheduled works at Eves Valley from operating budgets will increase the closed account deficit.

7. Evaluation of Options

7.1 Staff recommend the committee adopt Option 1.

8. Significance

8.1 This is not a significant decision according to the Council's Significance Policy.

9. Recommendation/s

9.1 THAT the report be received.

9.2 THAT capital works funding be reallocated as outlined in Option 1 above and the attached table.

10. Timeline/Next Steps

10.1 The funding allocations need to be approved to ensure the end of year financial accounts are correct.

11. Draft Resolution

11.1 THAT the Engineering Services Committee receives the Budget Reallocation, Solid Waste Report, RESC11-08-09; and

11.2 THAT the Engineering Services Committee approves the transfer of funding to offset unscheduled capital works as noted in the report, RESC11-08-09.

Appendices:

Appendix 1 – Proposed Transfers from Solid Waste Budgets