

Report No:	RESC12-08-03
File No:	
Date:	16 August 2012
Decision Required	

Report to: Engineering Services Committee
Meeting Date: 30 August 2012
Report Author: Jeff Cuthbertson, Utilities Asset Manager
Subject: **Budget Reallocation – Utilities (Solid Waste)**

EXECUTIVE SUMMARY

Throughout the year unscheduled capital works arise. This report seeks approval for the reallocation of some capital expenditure and the raising of extra loans to cover this unscheduled expenditure for Solid Waste activities in the 2011/2012 year.

RECOMMENDATION/S

That the report be received.

That funding be transferred and additional loans be approved as detailed in the attached table.

DRAFT RESOLUTION

- 1. THAT the Engineering Services Committee receives the Budget Reallocation, Utilities Report, RESC12-08-03; and**
- 2. Approves the transfer of funding to offset unscheduled capital works as detailed in Appendix 1 in the report, RESC12-08-03.**

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Meeting Date: 30 August 2012
Report Author: Jeff Cuthbertson, Utilities Asset Manager
Subject: **Budget Reallocation – Utilities (Solid Waste)**

1. Purpose

- 1.1 The purpose of this report is to seek approval from the Engineering Services Committee to reallocate capital budgets and approve additional funding for the Solid Waste activity for the 2011/2012 financial year.

2. Background

- 2.1 During the year works occur that are unscheduled and without capital budgets. A report to the committee in June sought and received approval for reallocation of capital works funding for water, wastewater and stormwater budgets. This report seeks approval for reallocation of solid waste funding.

3. Present Situation and Matters to be Considered

- 3.1 Appendix 1 shows the work that has been carried out and the proposed funding reallocation.
- 3.2 Primarily, the report seeks for transfer of funding for the upgrade of the Richmond and Mariri Resource Recovery Centres (RRCs) and for additional funding to account for the disposal of unsuitable material from the Richmond RRC to landfill.
- 3.3 Transfer of funding of the physical works at the sites is sought from the Kerbside Recycling and the Collingwood RRC capital budgets. Additional funding by loan is sought for the disposal costs of unsuitable material.

4. Financial and Budgetary Considerations

- 4.1 The Richmond RRC upgrade was a multi-year project that was completed in late 2011. The work involved constructing a new access to the site providing improved drop-off facilities, refurbishment of the existing waste pit and replacement of the existing waste compactor and four waste transport bins.
- 4.2 The Richmond RRC is built on top of a closed landfill, which operated up to 30 years ago. The upgrade of the site was affected by variable and challenging ground conditions, due to the closed landfill. A significant amount of additional roading construction was required during the upgrade and this, among other items, has

resulted in costs exceeding budget by \$81,549. It is proposed to fund this overspend with \$54,854 allocated for additional ground investigations on site and \$26,695 allocated for additional public place recycling bins. The site investigations are no longer considered necessary for the Richmond site and additional public place recycling bins are not recommended at this time.

- 4.3 The Mariri RRC site upgrade was completed in May 2012, and included construction of a new recycling loop separate from the waste disposal area, improved drainage and provision for further layout improvements in the future. This site is also located on top of a closed landfill and additional unbudgeted work was required to intercept leachate and to improve stormwater management around the closed landfill. It is proposed to fund this overspend with \$23,305 allocated for additional public place recycling bins and \$17,946 allocated to improving landscaping and layout at the Collingwood RRC. Given that there is some uncertainty around the future management of the Collingwood site, it is not considered appropriate to commit capital funding for this activity.
- 4.4 The removal of unsuitable material from the Richmond RRC was necessary to provide suitable foundation for the new road layout and for the relocated weighbridge and associated approaches. The extent and nature of this unsuitable material was not known at the commencement of the project. As outlined above, the need to excavate and transport this material to the Eves Valley landfill has significantly added to the construction cost of this project.
- 4.5 Staff of the Engineering and Corporate Services departments have recently determined a management policy for the treatment of internal invoicing and funding for these type of activities. It is considered, on balance, most appropriate to charge published special waste fees for this disposal of this material and to capitalise and loan fund these costs. This approach spreads the cost of the upgrade across multiple years and recovers the costs from users of the site over this period.
- 4.6 This approach is consistent with that taken on other similar capital works projects, where disposal costs have been capitalised. Recent examples have included bio-solids disposal from the Tapawera and Collingwood wastewater treatment plants and for the disposal of contaminated soil from the Mapua pump station site. On each of these projects special waste fees have been payable and charged as a capital cost. This approach is taken so that the appropriate activity accounts for income and expenditure for a given project. If this was not the case then one activity would be effectively subsidising the other, and charges for these activities would not reflect true costs.
- 4.7 The loan proposed is provided for in Long Term Plan budgets and will have no additional impact on general rates or disposal fees. The cost of interest and principal repayments of this approach is approximately \$77,000 per annum.

5. Options

- 5.1 Option 1 – Reallocate funding from existing budgets and introduce new capital loans to pay for the unscheduled capital works required during the year.
- 5.2 Option 2 – Retain original funding arrangements for the works. The works could be charged against the Council's Operations & Maintenance. This approach would result in operational budgets being overspent and the cash position of the account deteriorating.

6. Pros and Cons of Options

- 6.1 The reallocation of existing capital budgets to cover unexpected cost overruns within an activity (in this instance Solid Waste) is considered appropriate, given that the activity operates as a closed account and that it is not possible to account for all potential costs when setting capital budgets.
- 6.2 While the debt funding of disposal fees increases the total cost of the work, it fairly spreads the cost of the work over a longer period of time. Because of current constraints on disposal fees, without this cost being loan funded the additional cost would be recovered from general or targeted rate.

7. Evaluation of Options

- 7.1 Staff recommend that the Engineering Services Committee adopts Option 1.

8. Significance

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

9. Recommendation

- 9.1 THAT the report be received.

10. Timeline and 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, Utilities Report, RESC12-08-03; and**
- 11.2 Approves the transfer of funding to offset unscheduled capital works as detailed in Appendix 1 in the report, RESC12-08-03.**

Appendices

Appendix 1 – Budget Changes spreadsheet