

Subject: Capital Expenditure Report for the year ending 30 June 2010

Prepared by: Melanie Walker – Assistant Accountant

Meeting Date: 16 September 2010

Report to OPERATIONS Committee for noting

SUMMARY

This report is written in response to queries raised at the Finance and Monitoring Committee meeting on 12 August 2010.

The total capital expenditure for the 2010 financial year was \$41.2M against a revised budget of \$41.2M.

The major variances to budget will be addressed in the following report.

RECOMMENDATIONS

That the Committee

- 1. receives the report**

Melanie Walker
Assistant Accountant

Peter Higgs
Engineering and Works Manager

Gisborne District Council
Capital Expenditure by Activity for the year ending 30 June 2010

	Note	YTD Actual \$000s	Revised Budget \$000s
Libraries		168	221
Conservation	1	38	35
Civil Defence, Emergency Management & Rural Fires	2	87	73
Land Transport & Parking	3	18,506	13,540
Reserves & Open spaces	4	1,359	859
Olympic Pool	5	619	518
Solid Waste Management		20	25
Wastewater	6	13,746	21,503
Stormwater	7	2,699	1,482
Water Supply	8	811	608
Community Housing		91	195
Flood Control		303	447
Enterprise Operations	9	1,019	995
Support Services	10	1,758	794
Arts & Culture	11	4	0
		41,228	41,295

Vested Assets are infrastructure assets vested in Council as a result of subdivision activity. Council makes an estimate of the likely value of the assets in any given year based on the current valuation unit prices. Vested assets for the 2010 financial year are in relation to the subdivision at Sponge Bay.

Note 1 - Conservation

The \$3K variance in conservation is related to the Telemetry equipment project with a total cost of \$38K against a total budget of \$35K.

Note 2 – Emergency Management

Capital expenditure varied from budget as a result of the Hicks Bay Rural Fire Station capital works. An \$11K contribution towards the work is expected from the Hicks Bay Emergency Services Unit.

Note 3 – Land Transport & Parking

The main variance relates to vested assets of \$4.7M. This has artificially added unbudgeted expenditure of \$4.7M to the capital expenditure cost resulting in the adverse variance. To align with the National Land Transport Program 2009-2012 an additional \$266K was spent on road renewals.

Note 4 – Reserves & Open Spaces

Capital expenditure varied from budget due to the land purchase for the Makorori carpark at a total cost of \$600K. The carpark purchase was approved at the Policy and Consultation Committee meeting held 19 July 2007. Vested assets have artificially added unbudgeted capital expenditure of \$70K to the capital expenditure cost.

Note 5 – Olympic Pool

The main capital project was the water heating replacement system, at an actual cost of \$535K against the total budget of \$443K representing a \$92K variance to budget. The original budget was scheduled to be completed in 2008-09 at an estimated cost of \$450K. However MWH reviewed the project in July 2009 and stated that the expected cost was more likely to be \$541K.

Budget expenditure was not realigned to these new expected costs. In June we received funding of \$125K from Energy Efficiency and Conservation Authority (EECA). After final completion of the project we expect to receive a further \$25K contribution from EECA.

Note 6 - Wastewater

The favourable variance to budget is related to the wastewater treatment plant project. The actual spend for the year is \$12.2M. During the year the cash flow budget for the wastewater treatment plant was re-forecast resulting in a decrease in expected costs from \$20.7M down to \$18.9M. The revised forecast has not been reflected in the budget and accounts for \$1.8M of the variance to budget.

Included in the capital budget were prior period costs of \$6M. An adjustment was made in the accounts for \$4.3M of capital work in progress which should have been treated as operational expenditure. These costs were accumulated over the last 10 years and represent the investigation, consultation and feasibility study costs in relation to building an upgraded wastewater treatment plant.

Vested assets have artificially added unbudgeted capital expenditure of \$1M to the capital expenditure cost.

Note 7 - Stormwater

Vested assets have artificially added \$962K of unbudgeted capital expenditure to the capital expenditure costs. The local urban upgrades project accounts for the remainder of the adverse variance of \$240K. The total cost of the project was \$395K against a total budget of \$116K. The unbudgeted expenditure of \$240K has been reimbursed by direct capital contributions. Therefore the net cost of the project is \$155K.

Note 8 - Water Supply

Vested assets have artificially added \$367K of unbudgeted expenditure to the capital expenditure costs resulting in the adverse variance to budget.

Note 9 - Enterprise Operations

The increased capital expenditure costs arose from the relocation and reuse of the building at Banks Street to make way for the wastewater treatment plant.

Note 10 - Support Services

Capital expenditure varies from budget due to unbudgeted capital works for the Tolaga Bay wharf project at a total cost of \$722K. The project is 100% grant funded. The Dog Pound project accounts for the remaining variance to budget. The Dog Pound project has a total cost of \$534K against a budget of \$310K. The over expenditure will come out of the 2010-11 budget of \$615K.

Note 11 - Arts & Culture

A repairs and maintenance review was completed in June 2010. This resulted in locating \$4K of expenditure incorrectly classified as operational. This expenditure was in relation to a new Sound System for the Lawson field theatre. This was transferred from operational expenditure to capital expenditure and results in the adverse variance.