

Report 10.35
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Committee Regional Sustainability Committee
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Wholesale water capital works programme 2009/10 half year review

1. Purpose

The purpose of this report is to present a summary of the financial position of the projects making up the 2009/10 wholesale water capital works programme as at 31 December 2009.

2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the *Local Government Act 2002*.

3. Summary of capital works programme outcome

The forecast expenditure for 2009/10 Annual Plan projects is **\$6,286,190** against a budget of **\$7,458,000**, a difference of approximately **\$1,171,810**

Number of projects	Projects completed	Budget \$	Forecast \$	Variance %
71	17	7,458,000	6,286,190	-14.84

4. Underspending expected in 2009/10

4.1 Summary

An underspend total of approximately **\$1,639,000** is forecast within the 2009/10 capital works programme as at 31 December 2009. A detailed list of projects where under spending is expected is contained in attachment 1. The bulk of this funding will be transferred to 2010/11 to fund projects that have been deferred or delayed.

4.2 Under spending

4.2.1 Reduced scope

The scope of two projects has been reduced resulting in a saving of \$61,000. The work required to be carried out by the Control Systems Team is less than initially anticipated because of optimisation throughout the life of the projects.

4.2.2 Deferrals/rebudgets

Further investigations are required on the cathodic protection project resulting in a deferral of \$20,000 into 2010/11.

The replacement of the air valves from Kaitoke to Karori is a significant project currently in stage 2. A number of urgent repairs have delayed progress and this has resulted in the project completion date being moved to 2010/11. Approximately 75 percent of the scope of work will be completed by 30 June 2010. A figure of \$120,000 is proposed to be re-budgeted into 2010/11.

A budget of \$25,000 allocated for the investigations into the upgrade of the Water Supply alarm system is to be rebudgeted into 2010/11. The resources required to conduct the investigation will not be available until after June 2010.

It is proposed to defer the Upper Hutt aquifer project until next financial year until the application for the Kaitoke weir consent change has been decided and its impact has been modelled by the upgraded Sustainable Yield Model (SYM) - see section 5.2, New projects. This will release \$100,000 from the Capex programme which we propose to partially utilise for the SYM upgrade.

Expenditure this financial year is forecast to reduce by \$48,000 on the project to raise the Stuart Macaskill Lakes and reduce by \$52,000 on the project for seismic work at Stuart Macaskill Lakes. The external strengthening of the south embankment of Lake 2 was initially planned to be carried out this financial year. However, it was subsequently identified that it would be more efficient to fully complete the design and carry out all work for one lake at a time over a summer, particularly with the decision in September to fully line Lake 2. This change has modified the timing of expenditure for the two projects.

A substantial portion of this financial year's \$1.6 million budget for the Wainuiomata mini hydro generation project is forecast to be unspent this financial year. This is because of the long lead time in obtaining the generating set from overseas suppliers. In addition, the detailed design of the generator building cannot be carried out until the details of the generating set have been established from the installation drawings. As a result, only preliminary design, tender costs, resource consents and upfront turbine generator payments are anticipated to occur this financial year. Funding to be deferred to 2010/11 is forecasted at \$1,060,000.

4.2.3 Cancelled projects

The emergency connection for the Kelburn zone project has now been combined with two other existing projects covering work on the same assets. Therefore, this budget is no longer required. Expenditure on the existing projects has been adjusted to allow for this additional work.

A budget of \$100,000 was allocated for investigations into the development of the telemetry system, in particular General Packet Radio Service. Because of the current review of all our communications by the IT Department, it has been decided to defer this project until the review and recommendations have been analysed.

5. Projects where additional costs are expected

5.1 Summary

The forecast of additional project costs for 2009/10 totals **\$467,190**. A detailed list of projects where additional costs are expected is contained in attachment 1.

5.2 Additional costs

5.2.1 Scope increased

The Raroa Road Tunnel pipes relocation project now includes the scope of work previously covered in the emergency connection to Kelburn zone project as mentioned above. The new forecast exceeds the budget by \$75,000.

5.2.2 Projects where additional costs are expected or have been incurred

A total of \$298,369 is forecast as additional costs for seven projects. All projects are Annual Plan projects. An itemised list is contained in attachment 1. The most significant increase is an additional \$100,000 required to complete the recommissioning of the OK main, stage 2. This project required additional engineering work, along with unexpected traffic control costs.

An additional \$60,000 is required for the Kaiwharawhara crossing (Messines pipeline stream crossing) project due for completion by 30 June 2010. Because of the difficult location of this pipe, additional costs have been incurred for crane hire and additional labour. Access to the site has proved to be extremely difficult and progress is subject to weather conditions.

5.2.3 New projects

The SYM upgrade project is currently on the 2010/11 capital expenditure programme with \$120,000. There is a need to bring forward this upgrade to incorporate the recent reductions in water consumption and provide for modelling of the demand variation within the network. This will allow modelling of the impact of recent and future demand management initiatives by each of the four city councils, which will assist us in the programming of water source development. The current estimate for the work has reduced to \$55,000. It is proposed that the project be brought forward to this financial year with a budget of \$55,000.

6. Summary of forecast savings and additional expenditure

Summary of projected savings and additional expenditure by asset type

Category	Budget \$	Forecast \$	Variance %
Source projects	70000	70000	0
Treatment plant projects	856,000	852,000	- .47
Pipeline projects	1,920,000	1,880,000	- 2.08
Pumping stations and reservoirs	453,000	470,000	+3.75
Monitoring and control projects	815,000	816,369	+ .17
Minor works, seismic protection and completion of 2008/9 projects.	844,000	957,821	+13.49
New sources	2,500,000	1,240,000	-50.40
Total	7,458,000	6,286,190	-15.71

7. Conclusion

An underspend of approximately \$1,639,000 is forecast for the capital works programme, principally through the rebudgeting of projects and the delay in expenditure on the Wainuiomata mini hydro project until next financial year.

Additional costs of approximately \$467,190 have been identified and are a result of bringing forward a 2010/11 project and seven projects with tasks difficult to assess until physical work commenced.

8. Recommendations

That the Committee:

1. **Receives** the report.
2. **Notes** the forecast cost reduction of \$1,639,000 and total net under spend of \$1,171,810 in the capital works programme as detailed in attachment 1.
3. **Notes** that a request for the rebudgeting of projects into the 2010/11 financial year will be included in the third quarter capital works programme review
4. **Approves** the increased expenditure on capital works programme projects of \$467,190, as detailed in attachment 1

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Attachments

- 1 2009/10 capital works programme - details of expected changes