



Sewerage Treatment Group Financial Information

Financial Summary

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	ACTUAL 2014 \$000s	COUNCIL BUDGET 2014 \$000s	VARIANCE \$000s
INCOME				
Rates income (excluding targeted water supply rates)	1	12,431	11,402	1,029
Fees, charges & targeted water supply rates		155	282	(126)
Development & financial contributions	2	122	0	122
Subsidies & grants	3	93	1,495	(1,402)
Other income		(24)	4	(28)
Total operating income		12,777	13,183	(406)
EXPENDITURE				
Direct costs	4	5,908	5,148	(760)
Indirect costs		423	483	60
Activity expenditure		6,331	5,631	(700)
Depreciation		3,776	3,789	13
Interest expense		1,339	1,681	342
Total operating expenditure		11,446	11,101	(345)
Net operating surplus/(deficit)		1,332	2,082	(750)
Capital statement				
Net operating surplus		1,332	2,082	(750)
Loans		767	6,583	(5,816)
Other funding		2,286	5,130	(2,844)
Total funding		4,385	13,795	(9,410)
New work	5	424	10,467	10,033
Renewal works	5	789	1,652	863
Loan repayments		2,078	1,676	(402)
Total capital expenditure		3,291	13,795	10,504
NET SURPLUS/(DEFICIT)		1,094	0	1,094

NOTE:

A favourable variance is shown as a positive number and an unfavourable variance is shown as a negative number.

The direct and indirect budgets shown in the table do not individually agree to those published in the LTP due to a difference in allocation. The total activity expenditure, however, does agree to the total published in the LTP.

Variance To The Annual Plan 2013/14

1. Rates income is showing a favourable variance of \$1,029k predominantly due to:
 - a. An increase in penalty rate income of \$850k.
 - b. An increase in service rates of \$156k
2. Development and financial contributions are showing a favourable variance of \$122k:
 - a. A reduction in assets for the Kohukohu scheme to reflect pipe diameters;
 - b. Development contributions of \$118k were received and were unbudgeted..
3. Subsidies and grants are showing an unfavourable variance of \$1,402k predominantly due to delays in progressing the Awanui reticulation project.
4. Direct costs are showing an unfavourable variance of \$760k predominantly due to:
 - a. External services are showing a favourable variance of \$159k;
 - b. Loss on disposal of property, plant & equipment of \$154k;
 - c. Bad debt provisions exceeded budget by \$759k due to increased penalty charges.
5. Capital expenditure is showing a favourable variance of \$10,896k predominantly due to delays in the commencement of projects.

Key Capital Projects

FOR THE YEAR ENDED 30 JUNE 2014

	ACTUAL 2014 \$000s	COUNCIL BUDGET 2014 \$000s	VARIANCE \$000s
NEW WORKS			
Wastewater schemes	424	10,467	10,003
Total new works	424	10,467	10,003
Renewals			
Wastewater schemes	789	1,652	863
Total renewals	789	1,652	863



Significant Acquisitions Or Replacements Of Assets For 2013/14

The Local Government Act 2002 requires councils to provide information regarding any significant assets acquired or replaced during the year. Council's significance policy does not specify a value but does identify the following assets as significant:

	BUDGET 2014 \$000s	ACTUAL 2014 \$000s
WASTEWATER NETWORKS AND TREATMENT		
Wastewater schemes		
Hihi treatment plant	600	25
Whatuwhiwhi treatment plant upgrade	978	104
Paihia treatment plant	1,500	18
Awanui reticulation subsidy scheme	1,500	182
Awanui reactive renewals	434	0
Rawene treatment plant upgrade	1,032	0
East Coast treatment plant upgrade	1,378	0
Sludge management	1,048	16
Kaikohe treatment plant upgrade	722	0

Variance To The Annual Plan 2013/14

- **Hihi treatment plant upgrade**

In order to provide an affordable solution the original project scope for a complete plant upgrade was reviewed and staged so that upgrade works to meet new resource consent standards could be completed in advance, and any necessary renewal requirements could be justified by more detailed investigation. Those intrusive investigations have required plant shutdown with timing being essential to maintain compliance. As a result the inspections were delayed but have now been carried out with design now underway and construction planned for 2014/15.

- **Whatuwhiwhi treatment plant upgrade**

During concept design it was identified that provision of UV treatment to meet resource consent standards could be implemented while achieving considerable savings on the original budget. Further potential savings were identified through alternative compliance monitoring proposals which were subject to discussion with Regional Council. Ongoing discussions with NRC proved inconclusive and other alternative options to re utilize redundant plant from the recently decommissioned Awanui STP were proposed. The works are currently in progress and although the project is behind schedule significant savings are anticipated.

- **Paihia treatment plant**

The Paihia treatment plant upgrade project originally formed part of the wider Bay of Islands project. The project was separated and included in the 2013/14 plan in order to meet compliance deadlines set by the Regional Council. With the arrival of a new Council in October 2013 it became necessary to reestablish a Council mandate for this high profile significant project, requiring deferral of construction into the 2014/15 year. Regional compliance deadlines have been extended to align with current program.

- **Awanui subsidy reticulation**

Significant savings on the overall project budget were realized at tender stage. Annual budgets were aligned to expected construction activities with remaining surplus deferred to 2014 to ensure final plant decommissioning costs could be met. With decommissioning now well progressed it is anticipated significant savings will be made.

- **Rawene treatment plant upgrade**

Budgets were originally planned to reflect the need for expected upgrade works as a result of the treatment plant resource consent renewal, which are usually accompanied by a raising of required treatment standards. A condition of the new resource consent is to reach agreement with the community on the specific nature of plant upgrade. As community discussion continues the funding is likely to be further deferred as part of the LTP.

- **East Coast treatment plant upgrade**

Budgets were originally planned to reflect the need for expected upgrade works as a result of the treatment plant resource consent renewal, which are usually accompanied by a raising of required treatment standards. Public consultation has been ongoing with requests for Council to review options for land disposal. A current study of surrounding waterways will lead to further consultation resulting in formal consent issue from NRC. Budgets will be deferred further as part of the LTP.

- **Sludge management**

The planned project was for removal of sludge from the Kaitaia STP pond system. Delays occurred due to a review of options available to ensure sustainability and efficient spend of both operational and capital expenditure. With bund design now completed it is expected construction will commence during 2014/15.

- **Kaikohe treatment plant upgrade**

Budgets were originally planned to reflect the need for expected upgrade works as a result of the treatment plant resource consent renewal. Formal project design was deferred while alternative low cost options are pursued with the Regional council through a risk management approach. A detailed ecological study is underway and will help to direct discussions with NRC and reach a final outcome during 2014/15.