



Report **05.356**
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Committee **Policy, Finance and Strategy**
Author **Rob Forlong Divisional Manager, Landcare**

Flood Contingency Reserve

1. Purpose

To seek approval to transfer part of the Council operational surplus to the Flood Contingency Reserve (FCR).

2. Significance of Decision

The matter 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. Background

In the last two years the region has been struck by six significant floods. As a result the Council has had to spend considerable sums of money repairing flood damage. Flood damage repairs have been funded from a number of sources including the FCR. As a result the balance of the FCR has gone from \$426,000 at 30 June 2003 to an expected deficit of \$480,000 after completing all outstanding flood repairs.

For a number of reasons the Council has produced a strong financial result and generated an operating surplus of \$11.1 million this financial year. It is proposed to use some of this surplus to re-establish the FCR on a strong footing.

4. Comment

The preference is to ensure are sufficient funds in the FCR to cover repairs should we have a moderately large flood within the next year.

The FCR share of the February 2004 floods was \$666,000 and an estimated \$618,000 for the January 2005 floods. In both years there were Flood Protection surpluses to offset some of the drawdown. The floods that mainly affected the Wairarapa (August and October 2004) cost around \$250,000 to \$300,000.

Given that experience, it is recommended that there is a balance in the FCR of \$600,000. This would require a transfer of \$880,000 from the 2004/05 Council's operational surplus. This would be combined with the planned rate funded contribution to the reserve of \$200,000 in 2005/06.

5. Communication

Should the Council choose to use part of the 2004/05 operating surplus to rebuild the FCR a press release will be issued explaining the situation.

6. Recommendation

That the Committee recommend that Council:

- (1) *Receive the report.*
- (2) *Note its contents.*
- (3) *Approve the transfer of \$880,000 from the 2004/05 operating surplus to the Flood Contingency Reserve.*

Report prepared by:

Report approved by:

Rob Forlong
Divisional Manager, Landcare

Tina Walker
Acting Divisional Manager,
Landcare

Report approved by:

Report approved by:

Colin Wright
Divisional Manager Wairarapa

Barry Turfrey
Chief Financial Officer