

Half Yearly Review

1. Executive Summary / Key Issues

1.1 Divisional Summary

The Division has had a very busy and productive 2nd quarter of the financial year. Key issues or items of interest are as follows:

Financial

- At the close of December the Division had an unfavourable funding position of \$377,000. Total income was \$1,134,000 above budget and total expenditure was \$1,715,000 above budget. Net capital expenditure was \$635,000 below budget. The variations related to timing of Bovine Tb control operations, additional maintenance expenditure for River and Drainage schemes because of floods, and additional expenditure on river investigations work to complete on the Kopuaranga scheme and LWVD scheme review.
- Capital expenditure in the western rivers is running behind programme due to land related delays in Kapiti and at Whirinaki Crescent (Upper Hutt), and the Ava Rail Bridge improvements contract being let slightly later than plan (now well underway). Expenditure and revenue for the Waiohine Bridge upgrade is \$150,000 below budget because the District Council contributions are being paid direct to Transit.
- The Division is forecasting a year end funding deficit of \$272,000. The deficit is mostly because BioWorks is forecasting a loss of \$223,000. However, Biosecurity (pest animals budget issue), Land Management (staff costs, additional catchment scheme expenditure, reduced consultations) and Support (staff restructure costs) will also be overbudget. Savings in Flood Protection and forecast additional surplus in Akura help to offset the deficits.

Staff

- The Divisional restructure is complete with all senior management positions now in place. Team restructures in Land Management and Flood Protection are essentially complete with the new teams working well. The ICM position has now been filled with Ian Gunn's appointment.
- BioWorks has recently lost some experienced staff (Trent Oakley, Joe Wyeth and Byron Karaitiana) which will not help with the completion of this years work programme. Similarly, Phil Purves has resigned from Flood Protection (effective mid- March) and will not be easy to replace.
- Otherwise most Departments have a full complement of staff or recruitment is underway.

Work Programme

- Most work programmes are generally on track. Work at risk of not being fully completed by year end includes:
 - the Bovine TB programme. At time of writing the last round of tenders has yet to awarded.
 - the Waingawa scheme review. Work is concentrating on the LWVDS flood repairs, completing the LWVDS review and the Kopuranga scheme.
 - the Chrystals Extended, South Waitohu and Whirinaki Crescent flood protection works (issues largely already signalled).
 - the Boulcott/Hutt stopbank and Waiwhetu FMP investigations. Both are proving extremely complex and challenging issues which are likely to take some additional time to bring to a satisfactory resolution.

1.2 Looking ahead

- The VM contract expired 31 January and the new contract to 30 June 2008 is still to be finalised. The only outstanding matter is the fee schedule. A letter of offer is currently with the Animal Health Board.
- Some major Bovine TB jobs remain to be completed, including Mangaroa/Kaitoke in Upper Hutt. Recommendations on the award of these tenders are with the Animal Health Board as the tendered sums are over allocated budget.
- Progressing the integrated catchment management concept investigation and discussions.
- Setting up the hill country consultation group
- BioWorks has a number of issues of concern requiring attention including:
 - filling the work programme (final tender round) and then completing the work won.
 - Completing the Owhanga job in the Horizons area which will go over budget (\$ and time), and a re-work in south Wairarapa.
 - replacing experienced staff members.
 - completing a viable business plan for 2007/08.

- In Flood Protection the key matters for the second half of the year:
 - completing the asset revaluation,
 - progressing the Chrystals Extended and South Waitohu works, particularly the remaining land issues.
 - Progressing the Waiwhetu and Hutt/Boulcott investigations,
 - Completing the LWVDS review and the Kopuaranga scheme investigation.

2. Divisional Financial Summary

2.1 Financial Performance and Funding

Last Year YTD Actual \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Catchment Management Financial Performance Statement 6 Months ended 31 December 2006	Last Year FY Actual \$000	Full Year Forecast \$000	Full Year Budget \$000	Full Year Variance \$000
7,344	7,469	7,469	-	Rates & Levies	14,690	14,937	14,937	-
-	-	-	-	Government Grants & Subsidies	-	-	-	-
2,730	3,738	3,101	637	External Revenue	6,434	6,761	7,159	(398)
182	237	214	23	Investment Revenue	312	429	429	-
2,734	2,473	1,999	474	Internal Revenue	6,459	5,034	5,149	(115)
12,990	13,917	12,783	1,134	TOTAL INCOME	27,895	27,161	27,674	(513)
				<i>less:</i>				
3,350	3,334	3,431	(97)	Personnel Costs	6,722	6,788	6,863	(75)
1,408	1,469	1,189	280	Materials,Supplies & Services	2,300	2,863	2,408	455
207	228	176	52	Travel & Transport Costs	356	401	355	46
2,522	3,130	2,279	851	Contractor & Consultants	5,154	5,785	5,358	427
26	21	52	(31)	Grants and Subsidies Expenditure	27	105	103	2
2,885	2,690	2,115	575	Internal Charges	6,803	5,169	5,383	(214)
10,398	10,872	9,242	1,630	Total Direct Expenditure	21,362	21,111	20,470	641
852	965	1,044	(79)	Financial Costs	1,772	2,007	2,088	(81)
-	-	-	-	Bad Debts	27	-	-	-
642	572	572	-	Corporate & Department Overheads	1,284	1,144	1,144	-
530	547	459	88	Depreciation	1,066	1,149	917	232
(39)	(18)	(94)	76	Loss(Gain) on Sale of Assets / Investments	(71)	(46)	(94)	48
12,383	12,938	11,223	1,715	TOTAL EXPENDITURE	25,440	25,365	24,525	840
607	979	1,560	(581)	OPERATING SURPLUS/(DEFICIT)	2,455	1,796	3,149	(1,353)

Last Year YTD Actual \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Catchment Management Funding Statement 6 Months ended 31 December 2006	Last Year FY Actual \$000	Full Year Forecast \$000	Full Year Budget \$000	Full Year Variance \$000
607	979	1,560	(581)	Operating Surplus(Deficit)	2,455	1,796	3,149	(1,353)
530	547	459	88	Add Back Depreciation	1,066	1,149	917	232
(39)	(18)	(94)	76	Other Non Cash	(71)	(46)	(94)	48
1,098	1,508	1,925	(417)	Cash Operating Surplus from Operations	3,450	2,899	3,972	(1,073)
				<i>less:</i>				
1,882	1,217	1,853	(636)	Net Asset Acquisitions	6,411	5,040	6,554	(1,514)
152	168	167	1	Net External Investment Movements	313	335	335	-
2,034	1,385	2,020	(635)	Net Asset & Investment expenditure	6,724	5,375	6,889	(1,514)
(936)	123	(95)	218	NET OPERATING CASHFLOW	(3,274)	(2,476)	(2,917)	441
917	(51)	451	(502)	Net Debt Increase / (decrease)	3,248	1,934	3,741	(1,807)
250	(449)	(356)	(93)	Net Reserves (Increase) / decrease	(133)	319	(775)	1,094
231	(377)	-	(377)	NET FUNDING SURPLUS (DEFICIT)	(159)	(223)	49	(272)

Actual year to date variances to budget

- Increased Bovine Tb vector control revenue and expenditure due to the completion of a large aerial operation in South East Wairarapa, and the steady progress achieved by external contractors and BioWorks on other operations. This has increased the internal revenue and charges between BioWorks and Biosecurity.
- Pest Animals was \$80,000 over budget due to reduced internal revenue from Parks & Forests for pest control operations.
- Eastern Flood Protection was \$320,000 over budget due to flood damage repair costs and additional expenditure for the LWVD scheme rating review and the Kopuaranga investigation.
- Drainage Scheme expenditure was 127,000 over budget due to increased maintenance and power use relating to the July and August floods, and pump equipment repairs caused by fire damage. An insurance refund of \$28,179 has been received.
- Depreciation was \$89,000 over plan, because budgeted vehicle depreciation for Biosecurity and Land & River Operations was miscalculated and understated in Essbase. The error related to these Departments having multiple administration cost centres for vehicles.
- Gain on sale of assets was \$75,000 behind budget due to the timing of disposals, and because some vehicles have been transferred internally.

Last Year	YTD	YTD	YTD	Catchment Management	FY	FY	FY	FY
Actual YTD	Actual	Budget	Variance	Funding Surplus/(Deficit)	Actual	Forecast	Budget	Variance
\$000	\$000	\$000	\$000	Quarter ended 31 December 2006	\$000	\$000	\$000	\$000
33	(87)	(30)	(57)	Catchment Support	(1)	(24)	-	(24)
18	18	18	-	Akura Conservation Centre	35	50	35	15
(316)	(262)	(507)	245	BioWorks/Workshop	(222)	(208)	15	(223)
516	45	451	(406)	Flood Protection	(134)	90	-	90
(148)	(127)	(37)	(90)	LM Consolidated	(63)	(98)	-	(98)
129	37	104	(67)	Wairarapa Biosecurity	229	(34)	-	(34)
232	(376)	(1)	(375)	Catchment Division	(156)	(224)	50	(274)

Changes from budget to forecast

- Increased maintenance expenditure of \$1.2m for river schemes and \$0.12m for drainage schemes due to flood damage.
- Reduced river maintenance expenditure of \$473,000 and increased capital expenditure due the construction of new flood protection assets from operating budgets.
- Reduced Bovine Tb vector control expenditure of \$550,000 due to savings on contracts and from removing control areas with low pest densities, with a corresponding reduction in external revenue of \$490,000.
- Additional expenditure of \$80,000 for Pest Animals to complete KNE and RPMS programmes.

- Additional river investigation expenditure of \$67,000 for the Lower Wairarapa Valley Development scheme and Kopuaranga review.
- Increased shingle royalty revenue of \$90,000.
- Increased net costs of \$70,000 for Land Management due to increased Catchment Scheme maintenance, reduced consultation revenue, and increased personnel costs.
- Personnel costs for Support Services \$26,000 ahead of budget

2.2 Capital Expenditure

Last Year YTD Actual \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Catchment Management Capital Expenditure Statement 6 Months ended 31 December 2006	Last Year FY Actual \$000	Full Year Forecast \$000	Full Year Budget \$000	Full Year Variance \$000
5	-	-	-	Land Acquisitions	5	20	20	-
-	43	-	43	Building Acquisitions	6	-	-	-
230	219	357	(138)	Vehicle Acquisitions	378	322	357	(35)
10	-	-	-	Furniture & Fittings Acquisitions	41	-	-	-
-	-	5	(5)	Plant Acquisitions	23	109	109	-
-	-	-	-	Computer Equipment Acquisitions	-	-	-	-
-	-	-	-	Structures Acquisitions	-	-	-	-
-	-	-	-	Flood Protection Infrastructure Acquisitions	-	-	-	-
-	-	-	-	Parks & Forests Infrastructure Acquisitions	-	-	-	-
-	-	-	-	Water Infrastructure Acquisitions	-	-	-	-
-	-	-	-	Floodplain Mgmt Plan Acquisitions	-	-	-	-
245	262	362	(100)	Total Asset Acquisitions	453	451	486	(35)
1,696	974	1,585	(611)	Capital Project Expenditure	6,047	4,628	6,162	(1,534)
(58)	(18)	(94)	76	Asset Disposal Cash Proceeds	(90)	(39)	(94)	55
1,883	1,218	1,853	(635)	Net Capital Expenditure	6,410	5,040	6,554	(1,514)
152	168	167	1	Investments Additions	313	335	335	-
2,035	1,386	2,020	(634)	Net Capital and Investment Expenditure	6,723	5,375	6,889	(1,514)

Actual year to date variances to budget

- The building acquisition variance relates to the loan funded Otaki implement shed carried forward from 2005/06.
- The vehicles variance relates to the timing of acquisitions for BioWorks and Biosecurity.
- Capital expenditure for the Ava Rail Bridge improvements has progressed behind plan, and as commented earlier the \$150,000 District Council contribution for the Waiohine Bridge upgrade was paid direct to Transit.

Changes from budget to forecast

- Chrystalls extended stopbank expenditure reduced by \$572,000 which represents a likely delay in the commencement of construction. Forecast expenditure to be reduced by a further \$200,000 to match the proposed 2007/08 plan rebudget of \$772,000.
- The South Waitohu expenditure has been reduced by \$224,000 due to delays in gaining land access for construction. The 2007/08 plan incorporates a \$204,000 rebudget.
- The Whirinaki Crescent stopbank expenditure has been reduced by \$476,000 and this amount has been rebudgeted in the 2007/08 plan.
- The \$585,000 Lower Wairarapa Valley Development Scheme capital expenditure upgrade planned for 2006/07 has been deferred until 2007/08 because the flood damage has impacted on resources and materials.
- As commented earlier, \$473,000 of river scheme capex, funded from operating budgets has been incorporated in the June 2007 forecast.