

## Catchment Management Division - Quarterly Review

### 1. Executive Summary / Key Issues

#### 1.1 Divisional Summary

The Division has had a very busy and productive 3rd quarter of the financial year. Key issues or items of interest are as follows:

#### **Financial**

- At the close of March the Division had an unfavourable funding position of \$966,000, largely due to the timing of flood damage reserve transfers. Total income was \$833,000 above budget (AHB & Horizons), and total expenditure was \$1,910,000 above budget. The opex variations were due to additional costs for Bovine Tb control operations (\$570,000), BioWorks (\$250,000), additional river and drainage scheme maintenance expenditure (\$870,000) because of floods, and additional expenditure (\$103,000) on river investigations work to progress the LWVD Scheme review and the Kopuaranga enhancement project.
- Capital expenditure was \$1,320,000 below budget due to land related delays in Kapiti (South Waitohu, Chrystalls stopbank) and at Whirinaki Crescent (Upper Hutt). The Ava rail bridge improvements contract was let later than planned, and this project is not expected to be completed by the end of June. The LWVDS stopbank upgrade of \$585,000 was deferred, and expenditure and revenue for the Waiohine Bridge upgrade is \$150,000 below budget because the District Council contributions have been paid direct to Transit.
- The Division is forecasting a year-end funding deficit of \$495,000. The deficit is mostly because BioWorks is forecasting a loss of \$350,000. Biosecurity (additional Bovine Tb costs), Land Management (staff costs, reduced consultation income) and Support Services (staffing costs) will also be over budget. An additional \$51,000 of expenditure for pest management publications and Conservation Forestry fencing was approved by Council at the half year review. Department Managers have been asked to thoroughly review expenditure to year end to try and reduce the forecast deficit.
- Delays to many of the Flood Protection capital projects means the total Flood Protection capex expenditure will only be about \$3.8 million vs a budget of \$6.2 million. However, it is expected that most of the work can be completed in 2007/08 and accordingly the necessary rebudget requests are included in the report.

#### **Staff**

- Paul Henderson has been appointed to replace Peter Cameron at the Akura Conservation Centre who retires in mid June. Andrew Patrick has commenced as a Land Management Officer, replacing Chris Ladd who has taken up a farming

opportunity in South Wairarapa. Phil Cooper, Works Supervisor has resigned. Megan Banks, Land Management Officer Biodiversity, has been appointed on a 15 month fixed term contract while Michelle Bird is on parental leave.

- Dave Bayly, Senior Biosecurity Officer Plants and Cielle Stephens, Biosecurity Officer Monitoring, have resigned.
- In BioWorks, Robert Hudson, leading hand has resigned. Geoff Lewis, Field Operator, has transferred to the Monitoring & Investigation Section of the Biosecurity Department.

### **Work Programmes**

- Most work programmes are generally on track. Work at risk of not being fully completed by year end includes:
  - the Bovine TB vector control programme
  - the Waingawa scheme review. Work is concentrating on the LWVDS flood repairs, completing the LWVDS review and the Kopuaranga scheme
  - the Chrystalls Extended, South Waitohu and Whirinaki Crescent, Ava rail bridge 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**

- Some major Bovine Tb jobs remain to be completed, including the Mangaroa/Kaitoke operation in Upper Hutt.
- Progressing the integrated catchment management concept investigation and discussions.
- Setting up the hill country consultation group.
- BioWorks has a number of important issues requiring attention including:
  - completing GW vector control operations as efficiently as possible
  - completing the Whakahoro job in the Horizons region which will go over budget
  - completing a viable business plan for 2007/08.

In Flood Protection the key matters for the last quarter of the year:

- completing the asset revaluation

- progressing the Chrystalls 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 9 Months ended 31 March 2007	Last Year FY Actual \$000	Full Year Forecast \$000	Full Year Budget \$000	Full Year Variance \$000
11,017	11,203	11,203	-	Rates & Levies	14,690	14,937	14,937	-
-	-	-	-	Government Grants & Subsidies	-	-	-	-
4,488	5,325	4,779	546	External Revenue	6,434	7,860	7,159	701
276	358	321	37	Investment Revenue	312	429	429	-
4,558	3,551	3,301	250	Internal Revenue	6,459	5,193	5,149	44
<b>20,339</b>	<b>20,437</b>	<b>19,604</b>	<b>833</b>	<b>TOTAL INCOME</b>	<b>27,895</b>	<b>28,419</b>	<b>27,674</b>	<b>745</b>
				<i>less:</i>				
4,995	4,994	5,147	153	Personnel Costs	6,722	6,672	6,863	191
2,163	2,371	1,737	(634)	Materials,Supplies & Services	2,300	3,188	2,408	(780)
271	330	264	(66)	Travel & Transport Costs	356	437	355	(82)
3,875	4,525	3,642	(883)	Contractor & Consultants	5,154	6,626	5,358	(1,268)
27	62	78	16	Grants and Subsidies Expenditure	27	105	103	(2)
4,837	3,886	3,477	(409)	Internal Charges	6,803	5,466	5,383	(83)
<b>16,168</b>	<b>16,168</b>	<b>14,345</b>	<b>(1,823)</b>	<b>Total Direct Expenditure</b>	<b>21,362</b>	<b>22,494</b>	<b>20,470</b>	<b>(2,024)</b>
1,299	1,447	1,566	119	Financial Costs	1,772	1,971	2,088	117
27	-	-	-	Bad Debts	27	-	-	-
963	858	858	-	Corporate & Department Overheads	1,284	1,144	1,144	-
799	827	688	(139)	Depreciation	1,066	1,138	917	(221)
(46)	(27)	(94)	(67)	Loss(Gain) on Sale of Assets / Investments	(71)	(52)	(94)	(42)
<b>19,210</b>	<b>19,273</b>	<b>17,363</b>	<b>(1,910)</b>	<b>TOTAL EXPENDITURE</b>	<b>25,440</b>	<b>26,695</b>	<b>24,525</b>	<b>(2,170)</b>
<b>1,129</b>	<b>1,164</b>	<b>2,241</b>	<b>(1,077)</b>	<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>2,455</b>	<b>1,724</b>	<b>3,149</b>	<b>(1,425)</b>

  

Last Year YTD Actual \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Catchment Management Funding Statement 9 Months ended 31 March 2007	Last Year FY Actual \$000	Full Year Forecast \$000	Full Year Budget \$000	Full Year Variance \$000
1,129	1,164	2,241	(1,077)	Operating Surplus(Deficit)	2,455	1,724	3,149	(1,425)
799	827	688	139	Add Back Depreciation	1,066	1,138	917	221
(46)	(27)	(94)	67	Other Non Cash	(71)	(52)	(94)	42
<b>1,882</b>	<b>1,964</b>	<b>2,835</b>	<b>(871)</b>	<b>Cash Operating Surplus from Operations</b>	<b>3,450</b>	<b>2,810</b>	<b>3,972</b>	<b>(1,162)</b>
				<i>less:</i>				
3,398	2,345	3,666	1,321	Net Asset Acquisitions	6,411	4,240	6,554	2,314
232	254	251	3	Net External Investment Movements	313	335	335	-
<b>3,630</b>	<b>2,599</b>	<b>3,917</b>	<b>1,324</b>	<b>Net Asset &amp; Investment expenditure</b>	<b>6,724</b>	<b>4,575</b>	<b>6,889</b>	<b>2,314</b>
<b>(1,748)</b>	<b>(635)</b>	<b>(1,082)</b>	<b>453</b>	<b>NET OPERATING CASHFLOW BEFORE FUNDING REPAYMENTS</b>	<b>(3,274)</b>	<b>(1,765)</b>	<b>(2,917)</b>	<b>1,152</b>
<b>1,204</b>	<b>1,386</b>	<b>1,427</b>	<b>(41)</b>	Repaid Debt	<b>1,632</b>	<b>1,885</b>	<b>1,902</b>	<b>(17)</b>
<b>376</b>	<b>(590)</b>	<b>(469)</b>	<b>(121)</b>	Net Reserves (Increase) / decrease	<b>(133)</b>	<b>104</b>	<b>(775)</b>	<b>879</b>
<b>(2,576)</b>	<b>(2,611)</b>	<b>(2,978)</b>	<b>373</b>	<b>NET FUNDING BEFORE DEBT ADDITIONS</b>	<b>(5,039)</b>	<b>(3,546)</b>	<b>(5,594)</b>	<b>2,048</b>
3,124	1,858	3,197	(1,339)	Internal Debt Additions	4,880	3,100	5,643	(2,543)
-	-	-	-	External Debt Additions	-	-	-	-
<b>3,124</b>	<b>1,858</b>	<b>3,197</b>	<b>(1,339)</b>	<b>Net Debt Increase / (decrease)</b>	<b>4,880</b>	<b>3,100</b>	<b>5,643</b>	<b>(2,543)</b>
<b>548</b>	<b>(753)</b>	<b>219</b>	<b>(966)</b>	<b>NET FUNDING SURPLUS (DEFICIT)</b>	<b>(159)</b>	<b>(446)</b>	<b>49</b>	<b>(495)</b>

## Actual year to date variances to budget

- Increased Bovine Tb vector control revenue and expenditure of \$570,000 due to the completion of a large aerial operation in South East Wairarapa ahead of plan. BioWorks revenue and expenditure is ahead of budget, which is partly due to the Horizons Whakahoro vector control operation.
- Pest Animals was \$74,000 over budget due to the timing of internal revenue from Parks & Forests for pest control operations.
- Eastern Flood Protection was \$751,000 over budget, mostly due to flood damage repair costs, and additional expenditure for the LWVD Scheme rating review and the Kopuaranga investigation.
- The Western Flood Protection operating surplus was \$95,000 above budget due to savings in personnel and finance costs (capex delays), partly offset by reduced external revenue (KCDC Chrystalls) and increased engineering consultancy costs.
- Drainage Scheme expenditure was \$147,000 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 \$139,000 over budget, because budgeted vehicle depreciation for Biosecurity and Support (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 \$67,000 below budget due to timing of disposals, and because some vehicles have been transferred internally.

Last Year Actual YTD \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Catchment Management Funding Surplus/(Deficit) Quarter ended 31 March 2007	FY Actual \$000	FY Forecast \$000	FY Budget \$000	FY Variance \$000
(86)	(67)	(15)	(52)	Catchment Support	(1)	(45)	-	(45)
26	26	26	-	Akura Conservation Centre	35	50	35	15
(292)	(491)	(453)	(38)	BioWorks/Workshop	(222)	(335)	15	(350)
734	(278)	590	(868)	Flood Protection	(134)	(16)	-	(16)
(72)	(81)	(18)	(63)	LM Consolidated	(63)	(66)	-	(66)
237	137	91	46	Wairarapa Biosecurity	229	(33)	-	(33)
547	(754)	221	(975)	Catchment Division	(156)	(445)	50	(495)

## Changes from budget to forecast

- Increased expenditure of \$1.0m for river schemes and \$0.15m for drainage schemes due to flood damage.

- Increased capital expenditure of \$473,000 and reduced maintenance expenditure due to the construction of new flood protection assets from operating maintenance budgets.
- Increased Bovine Tb vector control expenditure of \$742,000 and income of \$678,000 for operations brought forward from 2006/07 and additional costs for the Mangaroa/Kaitoke operation (\$38,000 funding impact).
- Additional river investigation expenditure of \$115,000 for the Lower Wairarapa Valley Development Scheme and Kopuaranga review.
- Increased shingle royalty revenue of \$70,000.
- Net savings of \$90,000 after reserve transfers for Western Flood Protection (savings personnel, finance costs, offset by consultancy costs).
- Deficit of \$66,000 for Land Management because of reduced consultation revenue, and increased personnel costs.

## 2.2 Capital Expenditure

Last Year YTD Actual \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Catchment Management Capital Expenditure Statement 9 Months ended 31 March 2007	Last Year FY Actual \$000	Full Year Forecast \$000	Full Year Budget \$000	Full Year Variance \$000
339	366	364	(2)	Total Asset Acquisitions	453	457	486	29
3,125	2,012	3,395	1,383	Capital Project Expenditure	6,047	3,816	6,162	2,346
(66)	(33)	(94)	(61)	Asset Disposal Cash Proceeds	(90)	(47)	(94)	(47)
<b>3,398</b>	<b>2,345</b>	<b>3,665</b>	<b>1,320</b>	<b>Net Capital Expenditure</b>	<b>6,410</b>	<b>4,226</b>	<b>6,554</b>	<b>2,328</b>
232	254	251	3	Investments Additions	313	335	335	-
<b>3,630</b>	<b>2,599</b>	<b>3,916</b>	<b>1,323</b>	<b>Net Capital and Investment Expenditure</b>	<b>6,723</b>	<b>4,561</b>	<b>6,889</b>	<b>2,328</b>

### Actual year to date variances to budget

- Timing of asset disposals and internal transfer was referred to earlier.
- The capital expenditure to March and forecast expenditure to June are shown on the following page. Several projects are behind plan including; Chrystalls extended stopbank, Whirinaki Crescent, South Waitohu, Ava rail bridge improvements, the Maoribank river stabilisation and the LWVD Scheme upgrade (deferred).

### Changes from budget to forecast

- Chrystalls extended stopbank expenditure reduced by \$972,000. An additional \$200,000 is required for the 2007/08 plan.

- The South Waitohu expenditure reduced by \$264,000 due to delays in gaining land access for construction. Additional \$60,000 required for the 2007/08 plan.
- The Whirinaki Crescent stopbank expenditure reduced by \$461,000.
- The Ava rail bridge improvements expenditure reduced by \$404,000.
- 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.