

CFO Overview

	Year to Date			Full Year Annual Plan
	Actual	Annual Plan	Variance	
Rating Revenue	15,298,041	15,440,421	(142,380)	47,263,657
Grants & Subsidies	2,154,502	2,143,992	10,510	7,020,536
Investment Revenue	211,159	462,780	(251,621)	3,738,322
Resource Management	657,540	1,067,371	(409,831)	4,353,104
Other Revenue	2,553,231	2,128,689	424,542	8,372,891
Revenue	20,874,473	21,243,253	(368,780)	70,748,510
Administration Expenses	1,226,844	1,640,662	413,818	5,791,214
Operating Expenses	8,326,809	8,227,567	(99,242)	27,888,528
Standing Charges	1,599,055	1,404,634	(194,421)	3,814,294
Depreciation	1,675,992	1,520,516	(155,476)	4,561,458
Personnel Expenses	7,076,733	7,294,012	217,279	21,881,929
Expenditure	19,905,432	20,087,391	181,959	63,937,423
Interdepartment Revenue	4,866,949	5,199,632	332,683	15,598,896
Interdepartment Expenses	4,866,879	5,197,335	330,456	15,598,856
Net Interdepartmental Transfers	70	2,297	2,227	40
Operating Surplus / (Deficit)	969,110	1,158,159	(189,049)	6,811,127
Capex	1,609,331	6,054,191	4,444,860	17,560,139
Total Cost of Activity	(640,221)	(4,896,032)	4,255,811	(10,749,012)

For the four months ending 31 October 2020, the surplus is unfavourable by (\$189k) to the annual plan budget.

Operating revenue is reflecting (\$369k) unfavourable variance. This is a combination of reduced Investment revenue (\$252k) due to lower than expected interest rates than were initially budgeted for combined with higher remissions & discounts given, and Resource Management revenue less than budget (\$410k), due to staff vacancies driving less recoverable revenue.

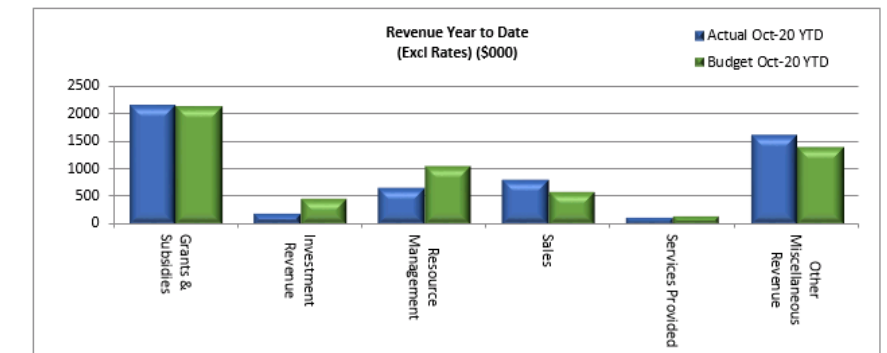
Operating expenditure is \$182k favourable to annual plan budget with cost savings in Administration expenses and Personnel. Key areas of savings are River & Drainage Schemes \$458k and Consents & Pollution Management \$262k. The majority of these savings relate to expenses not yet incurred due to timing of programmes and staff resources.

When looking at the activity highlights; the overall unfavourable variance is made up of the following significant variances:

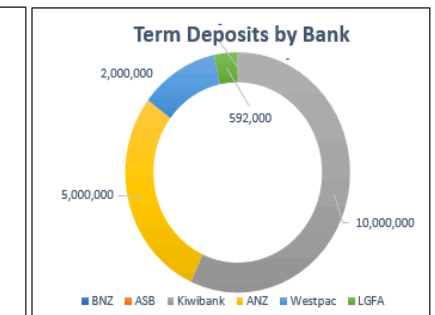
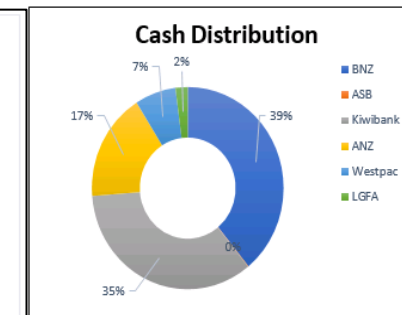
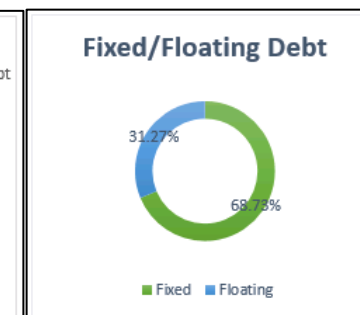
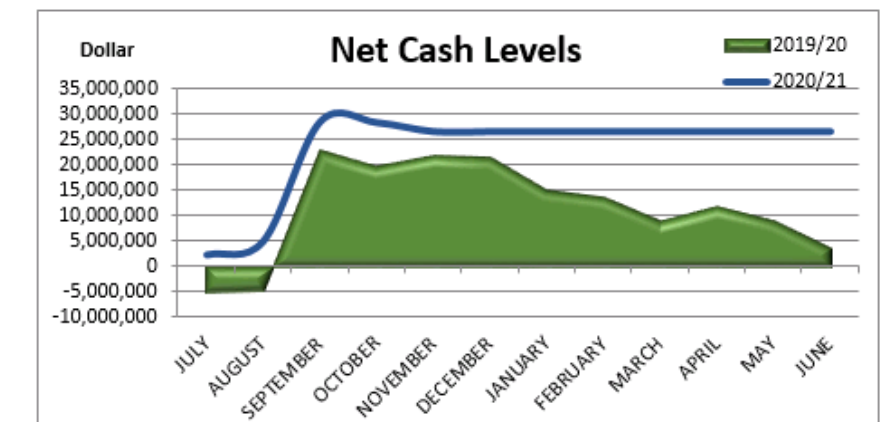
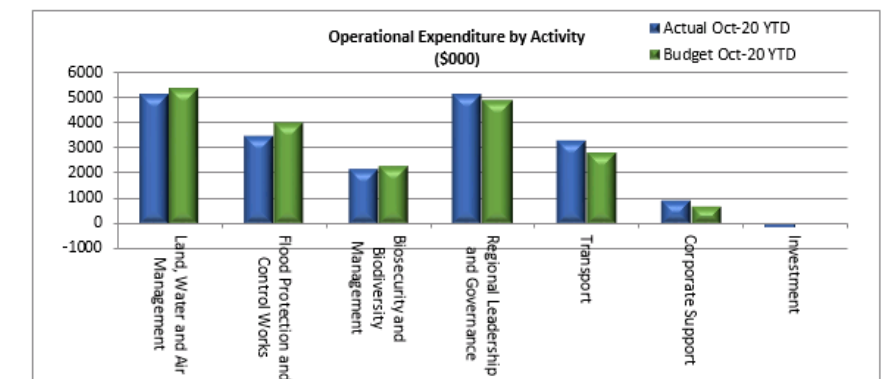
Flood Protection and Control Works are \$628k favourable to annual plan budget due to the timing of external contractor works being delayed because of the wet conditions.

Off-setting the above favourable variance are significant unfavourable variances in Strategic Management (\$400k) due to external contractor engagement for One Plan works, Corporate Support (\$401k) due to the timing of costs such as rates and insurance incurred at the start of the year, and Investments (263k) with lower than expected interest revenue and higher than anticipated remissions and discounts.

CAPEX is \$4.4M favourable to annual plan revised budget, with River and Drainage Schemes \$1.8M and Corporate Support \$1.8M. Both are related to the timing when the various capital projects are due to start.



• Sales Revenue - Nursery Sales, chargeable works.
* Services Provided - EM Contract revenue & Technical service revenue



KEY RESULTS FOR THE ACTIVITIES

Year to Date (unfav) / Fav	OPERATING SURPLUS/ (DEFICIT)			OPERATING REVENUE			OPERATING EXPENDITURE			CAPITAL EXPENDITURE		
	Actual	Annual Plan	Variance	Actual	Annual Plan	Variance	Actual	Annual Plan	Variance	Actual	Annual Plan	Variance
Land, Water and Air Management	248,114	175,443	72,671	6,047,507	6,289,995	-242,488	5,799,393	6,114,552	315,159	64,746	380,000	315,254
Land Management	313,561	269,682	43,879	2,206,400	2,216,779	-10,379	1,892,839	1,947,097	54,258	741	210,000	209,259
Water Quality & Quantity	-157,088	-94,231	-62,857	2,325,813	2,387,204	-61,391	2,482,901	2,481,435	-1,466	64,004	170,000	105,996
Consent & Pollution Management	91,641	-8	91,649	1,515,293	1,686,012	-170,719	1,423,652	1,686,020	262,368	0	0	0
Flood Protection and Control Works	2,196,423	1,568,766	627,657	5,827,957	5,777,396	50,561	3,631,534	4,208,630	577,096	1,039,818	2,809,814	1,769,996
River & Drainage General	49,916	0	49,916	240,599	309,376	-68,777	190,683	309,376	118,693	0	0	0
River & Drainage Schemes	2,146,507	1,568,766	577,741	5,587,357	5,468,020	119,337	3,440,851	3,899,254	458,403	1,039,818	2,809,814	1,769,996
Biosecurity and Biodiversity Mgmt	541,613	447,803	93,810	2,760,295	2,829,324	-69,029	2,218,682	2,381,521	162,839	132,750	337,930	205,180
Biosecurity	256,461	177,747	78,714	2,008,920	2,013,236	-4,316	1,752,459	1,835,489	83,030	118,800	180,000	61,200
Living Heritage	285,153	270,056	15,097	751,375	816,088	-64,713	466,222	546,032	79,810	13,950	157,930	143,980
Regional Leadership and Govn	-354,963	64,854	-419,817	5,251,579	5,469,605	-218,026	5,606,542	5,404,751	-201,791	271,240	635,080	363,840
Community Relationships	40,919	1,668	39,251	670,750	678,520	-7,770	629,831	676,852	47,021	0	5,000	5,000
Environmental Reporting	20,830	37,274	-16,444	149,240	149,212	28	128,410	111,938	-16,472	0	0	0
Emergency Management	-19,008	-25,639	6,631	753,739	784,813	-31,074	772,746	810,452	37,706	4,268	190,308	186,040
Governance	-2,082	22,664	-24,746	981,932	972,984	8,948	984,014	950,320	-33,694	0	0	0
Information	-85,405	-10,000	-75,405	1,523,762	1,560,428	-36,666	1,609,167	1,570,428	-38,739	266,972	439,772	172,800
Hapu & Iwi Relationships	50,808	0	50,808	136,762	206,412	-69,650	85,954	206,412	120,458	0	0	0
Strategic Management	-361,025	38,887	-399,912	1,035,395	1,117,236	-81,841	1,396,420	1,078,349	-318,071	0	0	0
Transport	-5,892	-106,796	100,904	3,471,744	2,908,280	563,464	3,477,636	3,015,076	-462,560	18,068	0	-18,068
Road Safety	-27,148	-49,421	22,273	299,809	229,615	70,194	326,957	279,036	-47,921	0	0	0
Transport Planning	-14,089	-6,000	-8,089	66,093	59,444	6,649	80,182	65,444	-14,738	0	0	0
Passenger Services	35,346	-51,375	86,721	3,105,842	2,619,221	486,621	3,070,497	2,670,596	-399,901	18,068	0	-18,068
Corporate Support	-499,928	-98,744	-401,184	14,253,017	13,871,848	381,169	14,752,945	13,970,592	-782,353	82,710	1,891,367	1,808,657
Investment	-1,156,257	-893,167	-263,090	-603,623	-183,627	-419,996	552,634	709,540	156,906	0	0	0
Total	969,110	1,158,159	-189,049	37,008,476	36,962,821	45,655	36,039,365	35,804,662	-234,703	1,609,331	6,054,191	4,444,860

KEY RESULTS FOR THE ACTIVITIES – MAJOR CAPEX PROJECTS

	Actual	Annual Plan YTD	Annual Plan
River & Drainage Schemes	1,039,818	2,809,814	11,152,144
Lower Manawatu Scheme	773,658	451,728	4,531,928
Shovel Ready - PN Stopbanks	11,150	0	0
Foxton 200 year protection	0	0	23,294
Reid's Line Floodway	717,579	351,728	1,551,728
Scheme CAPEX	6,090	0	240,000
Renewal CAPEX	0	0	77,500
Rural Upgrade Project	38,839	100,000	2,639,406
Lower Manawatu Scheme - Special Projects	1,896	0	156,946
Mangatainoka	0	110,636	110,636
Matarawa	0	0	100,000
Pohangina-Oroua	41,744	50,000	150,000
Porewa	973	0	0
Rangitikei	46,066	20,000	842,653
Rangitikei Shovel Ready	21,925	0	0
Scheme CAPEX	24,142	20,000	842,653
South-East Ruahines	0	54,649	54,649
Upper Manawatu-Lower Mangahao	0	60,699	60,699
Lower Whanganui	165,180	620,000	3,702,531
Scheme CAPEX	0	20,000	179,619
Lower Whanganui River Training Structures	152,220	600,000	3,522,912
ANZAC Parade Resilience	12,960	0	0
Foxton East Drainage	10,301	907,526	907,526
Foxton Shovel Ready	10,301	0	0
Scheme CAPEX	0	907,526	907,526
Hokio	0	159,710	159,710
Koputaroa	0	4,300	4,300
Makerua	0	78,060	78,060
Manawatu	0	203,000	203,000
Moutoa	0	42,506	42,506
Ohau-Manakau	0	3,100	3,100
Te Kawai	0	43,900	43,900

	Actual	Annual Plan YTD	Annual Plan
Land Management	741	210,000	521,000
SLUI Sustainable Land Use	741	0	311,000
Nursery & Trading	0	210,000	210,000
Water Quality & Quantity	64,004	170,000	820,000
Water Quality	0	70,000	70,000
Freshwater & Partnership	64,004	100,000	750,000
Biodiversity	13,950	157,930	339,930
Priority Habitat	0	0	40,000
Regional Parks	0	157,930	157,930
Biodiversity Partnership	13,950	0	142,000
Emergency Management	4,268	190,308	190,308
Horizons' EM	4,267	162,452	162,452
CDEM Group	1	27,856	27,856
Information	266,972	439,772	1,454,771
Information Management	85,832	264,772	648,431
CI Development	71,481	110,172	330,516
GIS Development	7,008	154,600	154,600
Aerial Photography	7,343	0	163,315
Environmental Data	181,140	175,000	806,340
Corporate Support	82,710	1,891,367	2,896,986
Facilities & Asset Management	-60,806	1,425,828	2,359,264
Regional House	75,837	88,900	290,000
Service Centre/Depot	-117,879	118,000	560,464
Plant & Vehicles	-19,516	1,218,928	1,508,800
Whanganui Service Centre	751	0	0
Information Services	107,861	273,525	345,708
Asset Management System	71,753	40,000	112,183
IT Hardware Replacement	36,108	233,525	233,525
Finance	35,655	192,014	192,014

KEY MESSAGES FOR THE ACTIVITIES

Land, Water & Air Management

Land - OPEX

Land Management is currently \$44k favourable compared to budget.

SLUI is (\$353k) unfavourable to budget, due to timing of income, with the first invoice to TUR due in December. Nursery & Trading & Land off sets this unfavourable position, \$398k favourable to budget, due to nursery sales invoices being processed early. Nursery sales have exceeded full year budget by \$70k, however this gain will be offset due to increased costs. Regional & Coast, Fluvial Resources, Land Monitoring and research are all on track to budget.

Water Quality & Quantity – OPEX

Overall Water Quality & Quantity activity, including Monitoring & Research and the Freshwater and Partnerships programmes is currently (\$63K) unfavourable due to budget.

Water Quality Monitoring & Research is \$23k favourable, due to reduced staff time. CAPEX is \$70k favourable due to spend occurring later in the year.

Water Quantity Monitoring & Research is (\$7k) unfavourable to budget. Due to timing of section 36 invoicing and reduced expenditure from reduced staff time and contractor services.

The Freshwater and Partnerships programme is (\$135k) unfavourable, \$70k is due to use of reserves approved by Council. The remaining (\$65k) unfavourable is due to work being completed earlier in the year than anticipated.

Consents & Pollution Management – OPEX

Consents & Pollution Management is currently \$91k favourable. This is primarily due to staff time overall being favourable and increased revenue in the incidents programme due to payments of fines associated with recent prosecutions.

Flood Protection & Control Works

We are now 4 months into this new financial year and starting to look towards the construction season as the weather improves and constraints relating to in-stream works come to an end. At this early time of the year all schemes are tracking well. With nothing much to comment on in the Northern area schemes, the shovel ready project for the lower reach of the Rangitikei River is progressing well with investigations and design concepts.

Central area schemes are tracking slightly behind budget with the Lower Kiwitea scheme by about \$34k and Lower Manawatu scheme by \$196k, attributable to seasonal factors. The 2 shovel ready projects for the LMS are moving at a steady pace with investigations works the main priority to date. The Mangatainoka River traditionally has a slow start due to seasonal statutory constraints. The bulk of the work completed year to date has been mechanical drain clearing catch-up associated with COVID-19. During October, flood damage occurred at various points between Pukewhai Road and Town Bridge in Pahiatua.

Remedial works are estimated to cost in the vicinity of \$125,000 and work has begun now. With the Upper Manawatu – Lower Mangahao scheme the winter period has been a busy time, with nearly half of the OPEX budget being spent so far. Drain clearing works are currently being undertaken and work is also being undertaken to renew the gravel extraction consent for the scheme.

The Southern drainage scheme budgets are tracking well with expenditure. The Moutoa Drainage scheme has had high staff costs due to work associated with on-going maintenance around pump stations and the Whirokino Drainage scheme is slightly over budget by \$5k as a result of a number of the drains being mechanically cleaned this year to address some flooding issues that occurred earlier in the year. The Foxton East Drainage scheme is on track and costs have started coming in for the shovel ready project, design for the first stage is near complete and looking at starting discussions with land owners for the second stage.

Biosecurity & Biodiversity Management

Biosecurity & Biodiversity - OPEX

Biosecurity is currently \$79k favourable to budget. The main driver contributing to this is Pest Plant Biosecurity, with a favourable position of \$77k, where works have been delayed more than anticipated due to lambing and docking season.

Biodiversity is \$15k favourable compared to budget. This includes a (\$16k) unfavourable result for the priority sites programme and a \$30k favourable result for Totara Reserve due to some delays in external contractor spend.

Regional Leadership & Governance

Environmental reporting is currently (\$16k) unfavourable, due to increased staff activity as a result of Plan Change 2.

Community Relationships \$40k favourable. This is a combination of activities that include - Community Communications \$27k favourable due to timing of contractor engagement, District Liaison is \$13k favourable because external contractors and services include an over accrual from last year plus the invoice for this quarter is due to be paid in January. Customer Services (\$4k) unfavourable due to additional staff costs incurred during the rates season. Rural Advisor \$2k favourable this is a result of external expenditure not yet being incurred.

Emergency Management is currently showing a favourable position of \$7k (excl Capex). Revenue is shown as \$31k unfavourable due to the Horowhenua District Council (HDC) exiting contract arrangements September 2020 and the anticipated revenue from Maritime NZ for the August 2020 exercise not occurring due to the exercise being postponed until November 2020. Revenue will continue to be shown as unfavourable until financial year end due to the HDC contract however this will balance out in an under expenditure of Opex in the contracted services area.

Staff activity is also shown as unfavourable across two of the outputs which is a reflection of the training activities undertaken to date, the funding of the Group Welfare output, and COVID-19 recovery staff activities, this is however somewhat offset by an underspend in staff activity for the Horowhenua contract.

Breakdown by output:

Horizons EM \$6k unfavourable - primarily due to Covid-19 recovery and staff training;
CDEM Group \$2k unfavourable - primarily due to coding for Group Welfare Manager;
Contracted Services \$15k favourable - primarily due to positive staff variance.

The Information Activity is (\$75k) unfavourable. The Catchment Information cost centre contributes (\$50k) to the unfavourable variance with Catchment Data and Hydro contracting works contributing the balance (\$25k).

Catchment Information (Information Management team) (\$50k): Unfavourable position is split evenly between additional personnel expenses, with time directed to OPEX-related work (IRIS upgrade) rather than to CAPEX-based IRIS implementation work, and to phasing of software licensing. CAPEX-based work will pick up again from mid-November and should even out as the year progresses.

Catchment Data and Hydro Contracting (Environmental Data team) (\$25k): The current unfavourable position relates to depreciation and staff charge out rates being incorrectly applied which will be rectified in November.

Hapu & Iwi is currently favourable by \$50k as a consequence of holding funds from Treaty Settlement processes.

Strategic Management is currently unfavourable by (\$399k) due to Strategy Reviews having higher than budgeted staff time due to climate change emphasis (\$91k) and the Plan Changes work utilising external contractors (\$305k). It is likely this activity will require the use of additional funds this year given the indicated workloads, however this will be offset by reduced spend in future years.

Transport

The Transport Activity is \$101k favourable to budget

Road Safety is \$22k favourable to budget – primarily due to timing of promotional and community activities, plus some events have being delayed or cancelled due to Covid-19. Expected to be on budget by year end.

Transport Planning is (\$8k) unfavourable to budget – relates to the development of the RLTP in this financial year. This work is being supported by external contractors, some of this cost has been offset by reduced use of internal resources. This activity is expected to be overspent at year end as budget does not include costs to cover design and production of the RLTP document, and community consultation.

Passenger Services is \$87k favourable to budget. Favourable position primarily relates to:

- recent quarterly payment for bus contract inflation being less than budget, \$49k favourable to budget
- recovery of staff costs from the Regional Ticketing Project, \$26k favourable unplanned revenue

Corporate Support

At the end of October, Corporate support is showing as unfavourable to budget by (\$401k). The majority of this variance relates to the under recovery of vehicles (which nets out across the organisation to finish at a nil position) and over spend in Leases and Rates which is expected to reduce significantly over the year when these are allocated to other areas of the business.

Capex is currently \$1.8M favourable to budget. With the jobs for nature and shovel ready projects, corporate are predicting an overspend which has been approved by Council.

Investments

Investments (\$263k) unfavourable to budget. Interest has both a positive and negative impact on this budget. With the current interest rate climate there have been savings made on interest that HRC has paid, however this has been offset by less investment revenue received. It is expected that Investment revenue will remain significantly unfavourable at year end due to interest rates falling even further lower than expected. The Treasury function is making every effort to maximise returns where possible throughout the year. At this early stage of the year, the natural timing of penalties has resulted in an unfavourable variance compared to budget. The discount expenditure has been incurred already year to date. It is expected that this will correct over the course of the year.