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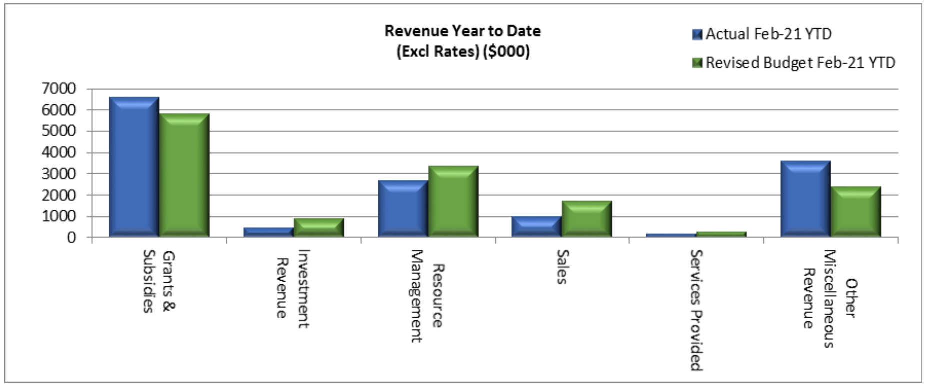
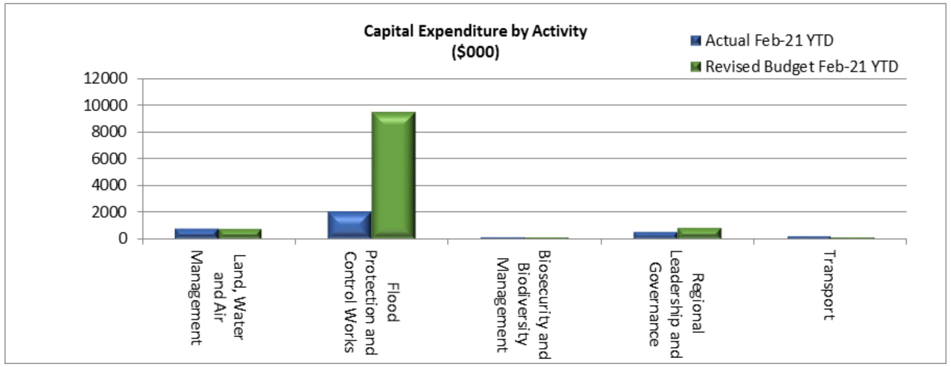
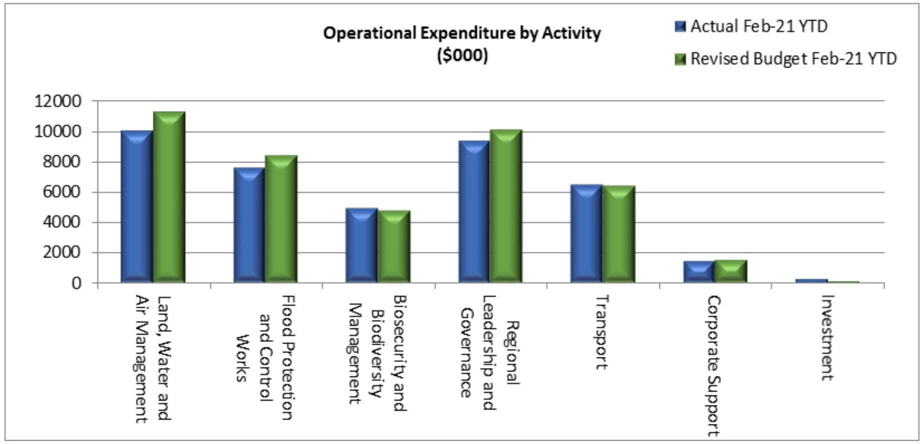
Horizons Regional Council

Financial Performance for the 8 months ended February 2021

Financial Measures







Sales Revenue is comprised of Nursery Sales, chargeable works.

Services Provided Revenue is comprised of EM Contract revenue & Technical services revenue

CFO Overview

	Year to Date			Full Year	
	Actual	Revised Annual Plan	Variance	Annual Plan	Revised Budget
Rating Revenue	31,308,570	31,455,756	(147,186)	47,263,657	47,263,657
Grants & Subsidies	6,608,521	5,834,259	774,262	7,020,536	15,543,468
Investment Revenue	455,443	925,560	(470,117)	3,738,322	3,738,322
Resource Management	2,694,803	3,399,298	(704,495)	4,353,104	4,353,104
Other Revenue	4,872,182	4,449,968	422,214	8,372,891	9,487,419
Revenue	**45,939,518**	**46,064,841**	**(125,323)**	**70,748,510**	**80,385,970**
Administration Expenses	2,642,909	3,489,704	846,795	5,791,214	5,981,839
Operating Expenses	17,657,282	18,049,562	392,280	27,888,528	33,432,680
Standing Charges	3,479,285	3,013,224	(466,061)	3,814,294	3,824,294
Depreciation	2,928,518	3,041,032	112,514	4,561,458	4,561,458
Personnel Expenses	13,275,238	14,947,686	1,672,448	21,881,929	22,721,429
Expenditure	**39,983,231**	**42,541,208**	**2,557,977**	**63,937,423**	**70,521,700**
Interdepartment Revenue	9,994,273	10,399,264	404,991	15,598,896	15,598,896
Interdepartment Expenses	9,993,844	10,398,951	405,107	15,598,856	15,598,856
Net Interdepartmental Transfers	**429**	**313**	**(116)**	**40**	**40**
Operating Surplus / (Deficit)	**5,956,716**	**3,523,946**	**2,432,770**	**6,811,127**	**9,864,310**
Capex	5,939,196	14,457,599	8,518,403	17,560,139	25,225,007
Total Cost of Activity	**17,520**	**(10,933,653)**	**10,951,173**	**(10,749,012)**	**(15,360,697)**

For the eight months of 2020-21, operating surplus is $2.43M favourable to budget (2019-20 $2.62M). This has primarily arisen as a result of underspending in all areas of expenditure. Capital spend is $8.5M favourable (2020: $4.1M). Key variances detailed as follows:

Operating Revenue is reflecting ($125k) unfavourable variance:

- Rates revenue continues to remain unfavourable as a result of lower penalties being received and more discounts given. This is due to a growing number of rate payers either paying on time or entering into arrangements to pay by end of year. This is actually a success story as less penalty notices have been sent out this year, signalling that there has been an increase in rate payers making arrangements to pay their rates through-out the year.
- Investment revenue is also lower primarily as a result of reduced interest income. Reduced interest income will be offset by reduced interest costs; again no change from the signals over the last few months.
- Resource Management revenue is down in Consent Processing and Compliance Monitoring, reflecting a shortfall due to an under-recovery of revenue as a result of timing of activities; partially offsetting this is an under-spend in operating costs.

Operating Expenditure is favourable by $2.6M continuing a trend from the last few months, with minimal changes year to date.

- Administration costs are favourable due to reduced costs in both Freshwater & Partnerships $592k and Governance $160k. The Freshwater & Partnerships variance is driven by delays in external expenditure. The Governance variance relates to billing of the audit fee for the long-term plan which we had not received at the end of Feb.
- Personnel Expenses are favourable by $1.7M however we are expecting a full spend of this budget by year end.
  - The biggest drivers of this favourable variance are Consents and Pollution Management $477k and Water Quality and Quantity $400k. The Consents and Pollution Management Teams carry a lot of

vacancies throughout the year and the Water Quality and Quantity Teams favourable variance relates to delays in recruitments and staff being redirected to other projects.

Capital Spend is still favourable to revised budget

While capital expenditure often lags in the first few months of the year; there was an expectation that this favourable result would start to reduce by now. Currently across the organisation we are $8.5M favourable to budget.

River and Drainage is the main contributor of this $7.5M with scheme work happening in the second half of the financial year when weather and conditions are favourable.

Corporate Support is currently underspent by $473k however this is a timing issue with projects already underway.

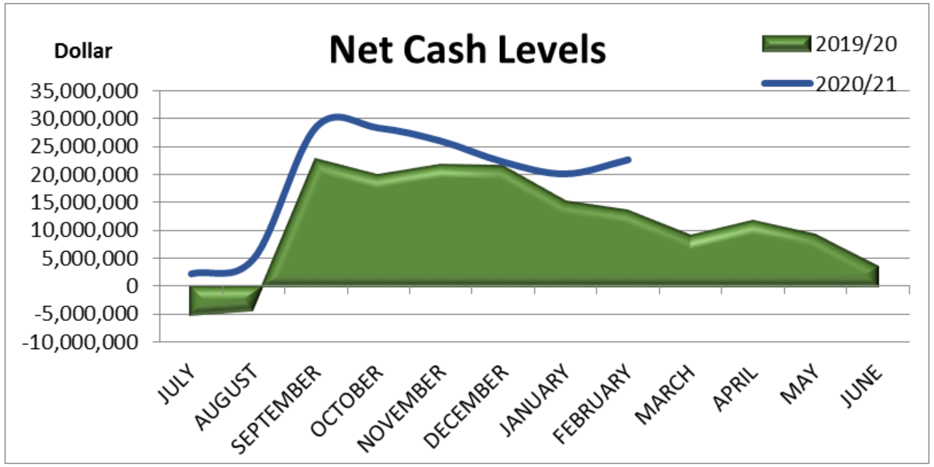
Forecast

($000)	OPERATING SURPLUS/ (DEFICIT)				CAPITAL EXPENDITURE			
	FULL YR Annual Plan	FULL YR Revised Budget	FULL YR Forecast	Variance to Revised Budget	FULL YR Annual Plan	FULL YR Revised Budget	FULL YR Forecast	Variance to Revised Budget
Land, Water and Air Management	341,638	731,625	46,755	-684,870	1,341,000	1,501,468	1,651,468	-150,000
Land Management	400,622	400,622	-162,836	-563,458	521,000	681,468	681,468	0
Water Quality & Quantity	-58,918	331,069	199,657	-131,412	820,000	820,000	970,000	-150,000
Consent & Pollution Management	-66	-66	9,934	10,000	0	0	0	0
Flood Protection and Control Works	6,197,130	9,454,449	9,382,352	-72,097	11,152,144	16,232,732	12,461,796	3,770,936
River & Drainage General	-1	-1	74,999	75,000	0	0	0	0
River & Drainage Schemes	6,197,131	9,454,450	9,307,353	-147,097	11,152,144	16,232,732	12,461,796	3,770,936
							0	
Biosecurity and Biodiversity Mgmt	-99,954	-362,284	-284,837	77,447	519,930	519,930	519,930	0
Biosecurity	-100,039	-100,039	-134,270	-34,231	180,000	180,000	180,000	0
Living Heritage	85	-262,245	-150,567	111,678	339,930	339,930	339,930	0
Regional Leadership and Govn	48,034	-254,843	-132,643	122,200	1,650,079	2,116,549	1,922,749	193,800
Community Relationships	-48	-48	52,952	53,000	5,000	5,000	5,000	0
Environmental Reporting	14	14	49,653	49,639	0	0	0	0
Emergency Management	16	16	43,316	43,300	190,308	487,778	487,778	0
Governance	18,012	18,012	64,866	46,854	0	0	0	0
Information	22	-22,855	-43,445	-20,590	1,454,771	1,623,771	1,429,971	193,800
Hapu & Iwi Relationships	25	25	-29,975	-30,000	0	0	0	0
Strategic Management	29,993	-250,007	-270,010	-20,003	0	0	0	0
							0	
Transport	-288,606	-317,522	-326,534	-9,012	0	357,728	357,728	0
Road Safety	-9	-9	495	504	0	0	0	0
Transport Planning	-18,001	-18,001	-51,268	-33,267	0	0	0	0
Passenger Services	-270,596	-299,512	-275,761	23,751	0	357,728	357,728	0
Corporate Support	9	9	-174,921	-174,930	2,896,986	4,496,600	4,496,600	0
Investment	612,876	612,876	-887,124	-1,500,000	0	0	0	0
Total	**6,811,127**	**9,864,310**	**7,623,048**	**-2,241,262**	**17,560,139**	**25,225,007**	**21,410,271**	**3,814,736**

The forecast is signaling an unfavourable variance to revised budget of ($2,241k). Investments is the biggest driver of this with a forecasted decrease in surplus of ($1.5M) followed by Land Management ($563k). Investments decrease is due to lower returns than expected on investments with term deposit interest rates rarely rising above 1%. Land Management's forecast relates to SLUI and the anticipated use of reserves to complete allocated work and is likely an overestimate of spend as a portion of allocated work will likely not be completed.

CAPEX forecast reflects an underspend of $3.8M most of which relates to River & Drainage schemes Rural Upgrade project ($2.5M), and River Training Structures ($2.5M) off set by overspends in Foxton $1M as a result of climate resilience works.

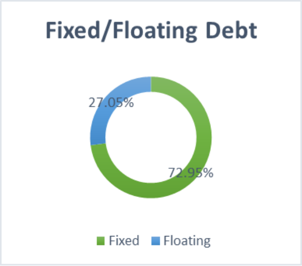
Cash and Debt Position



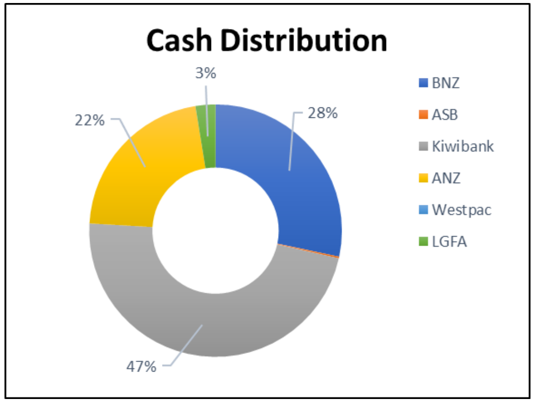
Our strategy has been to fund our capital expenditure through our own cash reserves and internal loans, rather than through external borrowing. This has used up the cash reserves and we are now utilising external debt as approved by Council to fund the capital spend for River and Drainage. Our net cash position is based off total cash at bank less the short term cash facility used. It does not include our borrowings with the LGFA.

Due to the nature of Horizons cash flow, majority of our cash is received in September when the annual rates are due. At this time cash is invested in Term Deposits with various banks based on the best interest rate offered on the day of investment. The maturities of these are staggered to meet the predicted ongoing council cash-flow requirements throughout the year.

Total rates collected as at February 2021 was $49.99M. This is 92.33% (91.01% Feb 2020) of the total rates invoiced.



As at 28 February our term deposits equate to $16 million with three banks (2020: $13 million with one bank).



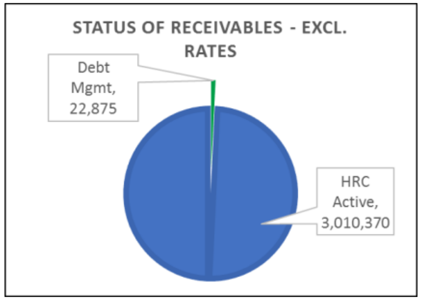
Accounts Receivables:

SUNDRY DEBT		INVOICE AMOUNTS						INVOICE AGES			
MONTH	TOTALS	Under $1k	$1k to $5k	$5k to $20k	$20k to $50	$50k to $100k	Over $100k	Current	1 month	2 month	3+ months
FEB 2021	**$3,042,727.37**	**-$20,380**	**$214,430**	**$346,913**	**$208,589**	**$141,790**	**$2,151,386**	**$2,885,963**	**$21,624**	**$3,177**	**$123,231**
Percentage	*100%*	*-0.67%*	*7.05%*	*11.40%*	*6.86%*	*4.66%*	*70.71%*	*94.85%*	*0.71%*	*0.10%*	*4.05%*
No. of Invoices	661	521	91	38	6	2	2	315	20	16	88
JAN 2021	**$5,017,073.66**	**$409,593**	**$882,670**	**$656,686**	**$276,065**	**$112,188**	**$2,679,873**	**$4,686,535**	**$195,518**	**$1,399**	**$133,622**
Percentage	100%	8.16%	17.59%	13.09%	5.50%	2.24%	53.42%	93.41%	3.90%	0.03%	2.66%
No. of Invoices	2,324	1,858	367	84	9	2	3	405	3	1	31
DEC 2020	**$1,430,698.60**	**-$21,225**	**$154,430**	**$275,780**	**$289,698**	**$90,293**	**$641,723**	**$1,270,699**	**$10,131**	**$12,974**	**$136,895**
Percentage	100%	-1.48%	10.79%	19.28%	20.25%	6.31%	44.85%	88.82%	0.71%	0.91%	9.57%
No. of Invoices	333	225	67	29	8	1	2	166	17	19	238

Customer	Current	1mth	2mth	3mth +	Total
Ministry for Primary Industries	734,799	505,345	-	-	1,240,144
L A Landscapes Limited	-	-	-	39,283	39,283
Spiers, Murray John	-	-	-	28,802	28,802
Manawatu District Council	29,239	-	-	11,026	40,265
CMMB FARMING LIMITED	-	-	-	9,000	9,000
Tim McColl Contracting Limited	- 2,620	-	8,620	-	6,000
Moutoa Farms Limited	-	-	-	7,308	7,308
Chris Gommans Contracting Limited	-	683	248	5,939	6,870
Potaka, Ben	-	-	6,492	-	6,492
	761,419	**506,027**	**15,360**	**101,357**	**1,384,163**
Value of overdue account balances between $ 4999-$1000	7,924	4,090	1,423	28,877	42,314
Value of overdue account balances between $ 999-$ 0	1,036,719	1,335	798	7,320	1,046,173
Value of Credits/Payments yet to be allocated	77,415	-7,240	-3,278	-15,925	50,971
	1,122,058	**-1,815**	**-1,057**	**20,272**	**1,139,458**
	1,883,476	**504,212**	**14,303**	**121,629**	**2,523,621**

Our current practise is that all active receivables are managed by the Finance team.

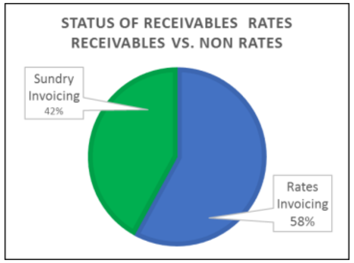
Once the sundry debt becomes 90 days overdue, it is assessed, and if warranted, passed onto Debt Management Central (DMC) for collection.



The current status of our aged receivables is shown in the graph. – Less than 1% of the debt is currently being managed by DMC. Current balance transferred to DMC totals $23k of sundry debt and $1.5M of rates revenue from multiple years.

Outstanding rates are transferred to DMC when they are deemed non-current, which is at the end of the financial year.

The total receivables including the rates is $7.163M distributed as shown in graph.



Key Results For The Activities

($000)	OPERATING SURPLUS/ (DEFICIT)			OPERATING REVENUE			OPERATING EXPENDITURE			CAPITAL EXPENDITURE		
Year to Date (unfav) / Fav	Actual	Revised Annual Plan	Variance	Actual	Revised Annual Plan	Variance	Actual	Revised Annual Plan	Variance	Actual	Revised Annual Plan	Variance
Land, Water and Air Management	1,638,925	705,566	933,359	13,149,266	13,588,145	-438,879	11,510,341	12,882,579	1,372,238	799,347	790,174	-9,173
Land Management	472,445	336,480	135,965	4,211,457	4,128,910	82,547	3,739,012	3,792,430	53,418	223,993	215,174	-8,819
Water Quality & Quantity	1,210,259	369,102	841,157	6,172,915	6,087,211	85,704	4,962,656	5,718,109	755,453	575,354	575,000	-354
Consent & Pollution Management	-43,779	-16	-43,763	2,764,894	3,372,024	-607,130	2,808,673	3,372,040	563,367	0	0	0
Flood Protection and Control Works	5,570,704	4,245,714	1,324,990	13,560,451	13,025,486	534,965	7,989,747	8,779,772	790,025	2,045,496	9,527,974	7,482,478
River & Drainage General	182,853	0	182,853	477,979	618,752	-140,773	295,126	618,752	323,626	0	0	0
River & Drainage Schemes	5,387,851	4,245,714	1,142,137	13,082,472	12,406,734	675,738	7,694,621	8,161,020	466,399	2,045,496	9,527,974	7,482,478
Biosecurity and Biodiversity Mgmt	651,677	657,954	-6,277	5,714,968	5,635,988	78,980	5,063,291	4,978,034	-85,257	193,944	194,000	56
Biosecurity	327,492	337,216	-9,724	4,102,064	4,026,472	75,592	3,774,572	3,689,256	-85,316	179,994	180,000	6
Living Heritage	324,185	320,738	3,447	1,612,904	1,609,516	3,388	1,288,719	1,288,778	59	13,950	14,000	50
Regional Leadership and Govn	253,178	-221,117	474,295	10,644,931	10,939,210	-294,279	10,391,753	11,160,327	768,574	804,963	1,481,738	676,775
Community Relationships	150,894	-5,414	156,308	1,344,636	1,357,040	-12,404	1,193,742	1,362,454	168,712	0	5,000	5,000
Environmental Reporting	110,527	48,558	61,969	298,480	298,424	56	187,953	249,866	61,913	0	0	0
Emergency Management	-10,430	-69,778	59,348	1,494,390	1,569,626	-75,236	1,504,820	1,639,404	134,584	52,520	317,794	265,274
Governance	97,175	41,728	55,447	1,954,988	1,945,968	9,020	1,857,814	1,904,240	46,426	0	0	0
Information	92,540	-50,804	143,344	3,076,901	3,120,856	-43,955	2,984,361	3,171,660	187,299	752,444	1,158,944	406,500
Hapu & Iwi Relationships	52,016	0	52,016	276,220	412,824	-136,604	224,205	412,824	188,619	0	0	0
Strategic Management	-239,544	-185,407	-54,137	2,199,315	2,234,472	-35,157	2,438,859	2,419,879	-18,980	0	0	0
Transport	12,257	-420,483	432,740	6,840,177	6,363,792	476,385	6,827,920	6,784,275	-43,645	283,466	178,864	-104,602
Road Safety	-128,396	-187,366	58,970	477,162	490,573	-13,411	605,558	677,939	72,381	0	0	0
Transport Planning	-13,874	-12,000	-1,874	140,630	118,888	21,742	154,504	130,888	-23,616	0	0	0
Passenger Services	154,527	-221,117	375,644	6,222,384	5,754,331	468,053	6,067,857	5,975,448	-92,409	283,466	178,864	-104,602
Corporate Support	-154,118	-232,268	78,150	27,893,550	27,743,696	149,854	28,047,668	27,975,964	-71,704	1,811,980	2,284,849	472,870
Investment	-2,015,908	-1,211,420	-804,488	-455,590	207,660	-663,250	1,560,317	1,419,080	-141,237	0	0	0
Total	**5,956,716**	**3,523,946**	**2,432,770**	**77,347,752**	**77,503,977**	**-156,225**	**71,391,037**	**73,980,031**	**2,588,994**	**5,939,196**	**14,457,599**	**8,518,403**

Key Messages for Each Activity

The following commentary compares Actual results and Forecast against the Revised Operating Budget, being Annual Plan plus carry forwards and Council approved adjustments.

Land, Water & Air Management

Land Management is currently favourable by $136k compared to revised budget. Revenue is currently $82k favourable driven by nursery sales which are $100k favourable and SLUI is $38k favourable primarily due to reduced vehicle running costs.

Land Management is forecasting a year end $564k overspend compared to the revised budget, primarily through use of reserves in SLUI. This forecast includes all allocated work and it is therefore likely the year end position will result in less expenditure. Recent trends are showing a considerable drop in forecasted hectares of work (a reduction of approximately 25%). Staff are continuing to liaise with farmers to get more certainty around forecast spend. There is a risk the full budget for SLUI will not be spent this year.

Land Management capital spend in the annual plan was $521k, made up of $311k for silviculture and $210k for irrigation at the nursery. A carry forward was also approved by council of $160k for silviculture. A total of $224k has been utilised for silviculture with a further approximate $100k of expenses yet to be invoiced. Overall forecasting $324k expenditure for silviculture more than the annual plan budget, but not utilising the carry forward due to unavailability of the contractor to complete additional work. The Woodville irrigation project has progressed to obtaining design and quotes. The project is working through procurement and contractor availability may limit completion within this financial year. The aim is to establish irrigation for the next irrigation season (by the end of the calendar year).

Water Quality & Quantity activity including Monitoring & Research and the Freshwater and Partnerships programmes currently favourable by $841k driven by staff savings and additional section 36 revenue.

Forecasting year end to have an overspend of $131k compared to revised budget, made up of:
Water Quality $37k favourable to revised budget
Water Quantity $157k favourable to revised budget
Freshwater & Partnership ($325k) unfavourable to revised budget.
The drivers of these results include staff cost savings, additional section 36 revenue and approved expenditure of reserves in the freshwater programme.

Water Quality monitoring and research is currently $66k favourable due to savings in staff costs and delays in external expenditure. Savings have been allocated to be largely offset by external costs by year end with a forecast year end position of $37k favourable. Section 36 revenue has been invoiced and is currently $11k favourable which is expected to lower as adjustments are made during the period payments are received. Overall expenditure is currently $55k favourable to budget with staff and vehicle costs being the predominate reason. All revenue has been invoiced and accounted for. External expenditure year to date is approximate $1.046M and there is approximate $730k of external spend planned to land expenditure slightly over budget to offset vehicle savings. Internal charging for monitoring work is predicted to land $40k favourable which is the main driver for the predicted $37k favourable projection for water quality, monitoring and research. The key risks for delivery of this programme and budget forecast are the availability of contractors and their ability to deliver on time. A further related risk is several staff changes occurring within the science team over the year including the resignation of the Science and Innovation Manager.

CAPEX – The science capex budget for the year is $70k, this is currently being prioritised and is considered on track for expenditure by year end.

Water Quantity monitoring and research is currently $225k favourable to budget due to a combination of additional s36 revenue and expenditure savings. S36 revenue has been invoiced and is currently $81k favourable due to additional auditing of the data prior to billing. This audit has identified additional consents to be charged. The work programme has not been adjusted to spend this additional income and this will contribute $81k to the projected favourable result at year end.

Overall expenditure is currently showing $165k favourable, with $155k of staff savings being the primary driver of the favourable results. This is driven by staff changeovers, delays in recruitment and staff time being directed towards consents and freshwater futures projects.

The year-end forecast is for the $81k of additional revenue to remain unspent. The expenditure at year end is predicted to be $75k favourable driven by $170k of staff savings being offset by additional external expenditure. It is noted that some of the external work has not been commissioned as yet, and there are currently several staff changes occurring in the science team. This puts delivery to this forecast at risk. The year-end forecast is $156k favourable for the water quantity monitoring and research part of the water monitoring and research programme. Overall for water monitoring and research programme (water quantity and water quality) the year end positon is predicted to be $193k favourable although could be considerably more favourable than that for the reasons outlined above.

Freshwater and Partnerships is currently $550k favourable to budget. This includes under-recovery of revenue by $6k. The revenue result includes recovery from landowners, Ministry for the Environment (MfE) reimbursement and rates income. The $6k unfavourable result masks under recovery for some projects (as it includes recovery from landowners that are not part of the budget year to date figures) and due to timing of invoicing, as invoicing to MfE is done on a quarterly basis.

The expenditure is currently $555k favourable comprising of $210k of staff costs impact due to jobs for nature programme being for a part year, however budgets entered to represent these projects being a full year. Horizons will work to carry forward the balance of these costs as a part of the project. Another contributor is the phasing of the Tokomaru project of the Manawatū Freshwater Improvement fund which was agreed through the MfE work programme to be delayed for a year but is still in the budget figures due to the timing of that decision after completion of the Annual Plan process.

The year-end forecast for the Freshwater and Partnerships programme is predicting a net $325k overspend compared to revised budget. This is driven by approved use of reserves from the Manawatu Accord targeted rate and Regional Fencing and Planting programme. It is noted that the forecast includes a $245k payment to Rangitikei District Council and associated recovery from MfE for Lake Waipu FIF project. This has no net impact on the year-end forecast but is highlighted as this expenditure is considered at risk of delivery due to delays in identifying a preferred land parcel. The forecast includes all allocated works for grants and it is noted it is likely some of these jobs will not be completed and therefore the expenditure prediction is likely an overestimate.

CAPEX - $575k spend to date with a projected forecast of $900k total spend, an additional spend of $150k compared to revised budget. This additional spend is for the Lake Horowhenua boat ramp construction including needing security on site during works, employment of Tangata Tiaki during construction and legal costs associated with the project.

Consent & Pollution Management ($44k) unfavourable.
Year End Forecast $9k favourable.

Compliance ($288k) unfavourable, some staff time has been diverted to incidents and special projects (Gorge).

Consent Processing is ($19k) unfavourable, the team are working on a number of large/high profile resource consent applications and continue to triage applications to identify urgent or complex consents. There are number of appeals before the Environment Court, which include Pahiatua and Eketahuna WWTP renewals. Accordingly, it is important to note that cost recovery in relation to Environment Court appeals is generally low (approximately 30% of total costs).

Incidents and Hazards $116k favourable due to approximately $211k being received from courts in relation to prosecutions that have been concluded. Staff time is slightly over budget ($69k), which is mainly due to staff responding to incidents received.

RMA Advice is $147k favourable due to a variance in staff time, as staff are supporting other areas of the business.

Flood Protection & Control Works

$1.325M favourable & $7.483M favourable CAPEX.
Year End Forecast $222k favourable & $3.771M favourable CAPEX

Operational

Works through February are progressing well with the continuing settled weather giving ideal conditions for our maintenance and construction activities. With northern area schemes expenditure is largely as expected for this time of the year and tracking well relative to budget. The exception is the Porewa scheme - as reported in January actual expenditure has exceeded budget with an end of year overspend forecasted. The Lower Kiwitea and Ashhurst Drainage schemes in the Central area are currently slightly underspent with the majority of work expected in April. The Lower Manawatū scheme is approx. $160k overspent due to increased insurance costs and lease costs as previously reported, with an end of year overspend forecasted.

The majority of the schemes in the Southern area are underspent mostly due seasonal timing of the works, and the favourable weather conditions. The over-spend with the Koputaroa Drainage scheme relates to review costs. The over-spend in the Moutoa Drainage scheme of $25k is due to pump overhauls. The Southern schemes are expected to finish the financial year on budget. The South East Ruahines scheme in the Eastern area is currently underspent by $33k but with some large scale works to be completed in the next few months this scheme as reported last month will finish unfavourable to budget but will not require a draw from reserves. The other scheme as reported last month in an unfavourable position is the Upper Manawatū – Lower Mangahao scheme - this also will not require a drawdown from scheme reserves.

Investigations and advice activity is currently $96k favourable against the revised budget. This is largely attributed to staff time spent in other areas, as well as lower than budgeted consultant hours. This favourable position will reduce towards the end of the financial year as consultants costs associated with asset management and valuations are invoiced. The Implementation activity is $86k favourable against the revised budget, largely due to reduced demand for Environmental Grant Works, a function of the relatively benign weather conditions.

Climate Resilience

Foxton East Drainage Scheme Upgrade: There is a current underspend due to delays in initial construction works whilst planning advice was obtained in regard to the new NES for Freshwater. Staff are currently working through some valuation issues associated with the land purchase related to the Cook Street wetland. Prices have been sought for the supply of precast concrete box culverts and plastic sheet piling with supply contracts expected to the signed in April. Tender documents are being prepared for 2 culvert replacements and for construction of box culverts. Stage 2 design has progressed well including the route for conveying flood flows to storage area within the Whirokino basin.

Rangitikei Scheme Enhancement Resilience: The project is currently underspent against the forecasted budget due to delay in commencing physical works, and the conceptual design has come in under budget with invoicing to be finalised in March. Planting design has commenced late, therefore the procurement of native plants has been delayed, as well as associated design costs. The property purchase component of the project is taking longer than anticipated but likely to match the forecast of March/April. Work not requiring a consent (under Code of Practice) has commenced, expected to bring spend back to plan around May. Plants will be ordered for winter planting within the coming months.

Lower Manawatū Scheme Resilience: Due to the project still being in the 'project programme finalisation' stages, project costs have only been attributed to staff costs. It is expected that once project works begin, consenting assessments undertaken and procurement entered into, costs for the project will start aligning with that shown in the current Project Plan's forecast costs.

Palmerston North Flood Protection: Works gaining momentum but has yet to reach forecasted levels. The request for prices covering the CCTV Inspection contract has been received, evaluated and awarded. CCTV Inspection should be completed this financial year. The scope for the Geotechnical Investigation is being refined with Tonkin & Taylor providing the particular specification and the Tender Documents are being created which will be ready to go for tender in March. Procurement for design with some of the simpler project components is just about to start.

Biosecurity & Biodiversity Management

Biosecurity overall is currently ($10k) unfavourable due to additional external contractor costs associated with alligator weed response.
Forecasting year end to have an overspend of ($34k) compared to revised budget. This is driven from additional possum and rook control.

Pest Animals Biosecurity is currently $3k favourable compared to budget. Biosecurity animals is projecting a year end position of an additional $34k spend compared to revised budget to enable additional work where a high result for possum populations was recorded post control (RTC of 13%) and additional rook control following increased reporting by the public.

Pest Plant Biosecurity is currently ($13k) unfavourable due to additional external contractor costs for plant incursions. Revenue is ahead of budget by $76k due to MPI funding for Wilding Conifer project with this additional revenue offset by expenditure.

The projected year end position is for an overspend due to external contractor costs associated with alligator weed response. The programme spend will be larger than Annual Plan budget due to additional work in the wilding conifer project by Horizons and other agencies. This will be offset by additional income.

CAPEX – the budget of $180k for possum bait stations has been fully spent.

Biodiversity overall is currently $3k favourable driven by additional revenue through insurance claims.
Year End positon is projecting $111k favourable driven by $66k additional revenue from insurance recovery from the Totora Reserve sewage plant damage last year. The remaining underspend of $45k is driven from $30k within Te Apiti activity for reduced pest animal control due to contractor availability, $5k reduced vehicle costs and $10k in staff savings.

Biodiversity Research is currently $33k favourable compared to budget primarily due to a staff vacancy. The biodiversity research programme is forecasting a surplus of $41k primarily due to staff time. Staff are working on options to reallocate these funds to projects using external capacity.

Priority Habitats is currently $15k favourable driven by an underspend in external contractors. End of year forecast is to be on track for full expenditure of the budget. Contractor availability could impact achieving this spend by year end.

Regional Parks is currently showing ($49k) unfavourable. Totara reserve budget is influenced by the approval of $129k of reserve usage for poplar removal and income from an insurance claim for the septic tank repair that occurred and fixed last financial year. The poplar removal project was completed for a budget of $138k utilising $10k operational budget plus reserves. The septic tank claim has provided $58k to date and is expected to provide a further $10k by year end. The project is currently showing a $49k deficit to budget, this is a favourable result compared to $129k deficit (reserve usage) that was approved by council for the poplar project.

Overall the project is on track to spend its operational budget by year end. The project is projected to have a $50k favourable result compared to revised budget. This is due to the insurance revenue that offsets costs from last financial year.

Biodiversity Partnerships is currently $5k favourable. Revenue is reflecting a shortfall of $45k driven from stakeholder contributions to Te Apiti that are still to be invoiced. Expenditure is $38k more than budgeted with additional external contractor costs due to programmes being ahead of schedule.

Forecasting an underspend of $20k compared to the revised budget driven by a combination of increased revenue from external stakeholders and slight savings in vehicle costs.

The approved use of reserves for the Manawatū Estuary management plan activity may not be completed by year end as the project may be extended to enable stakeholder engagement in the project.

The CAPEX budget for Totara Reserve is $158k around $40k has recently been invoiced and not showing as yet. Confirmation of the water supply upgrade budget is being progressed. Once that is complete other projects will be advanced. The priority habitats CAPEX budget of $40k has not been allocated as yet. The Te Apiti CAPEX budget of $142k is currently showing $14k of spend and is projected to spend the full budget but is reliant on suppliers ability to deliver.

Regional Leadership & Governance

Community Relationships $156k favourable.
Year End Forecast $53k favourable.

Community Communications 60k favourable due to staff time being redirected to other areas of the business such as transport because of delayed or unscheduled projects requiring time from the comms team. Expected to be favourable at year end by $27k in staff time to this activity. Large expenses which are coming up include sponsorship for the Rural Games to be held in March ($20k) and website enhancements to improve user experience ($32k).

Customer Services 1.5k favourable. This is expected to end with a ($15k) unfavourable variance at year end as temp staff are required.

District Liaison $52k favourable due to less hours charged than budgeted and external contractors and services include an over accrual from last year.

Rural Advisory $42k favourable due to the impact of Plan Change 2 and Essential Freshwater there is expected increase in spend to support National Policy Statement Freshwater Management.

Environmental Reporting is currently $62k favourable. Due to timing of external work. Overall forecasting to finish year end $50k favourable primarily due to $40k of external contractor savings in the drinking water programme. Staff are investigating options to advance work with these funds by the end of the financial year.

Emergency Management $59k favourable.
Year End Forecast $43k favourable, subject to no unforeseen events that require a significant response from Council.

Revenue is shown as $75k unfavourable, $63k of this is due the Horowhenua District Council (HDC) exiting contract arrangements September 2020 with the other $8k being due to forecast costs for Maritime NZ activities coming in under budget. The other contributor to the reduced favourable position is additional unplanned depreciation cost of $20k.Overall 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.

Capex is currently $265k favourable due to the Hazard Information Update work which has not been completed at this stage.

Horizon's EM $15k unfavourable due to depreciation, being higher than budgeted and an increase in staff time due to Covid-19 recovery and training.

CDEM Group $33k favourable, primarily as a result of an under spend in Operating Expenses.

Contracted Services $42k favourable. This budget has been structured to achieve a slight net surplus primarily to cover any contract issues that may arise.

Governance $55k favourable.
Year End Forecast $65k favourable.

Representation $48k favourable. Most of this variance is attributable to fewer events and conferences being able to occur than initially planned for due to changes in COVID-19 alert levels. Year-end forecast has the Representation budget ending with a surplus of $145k which is $47k favourable to budget.

Community and Annual Plan $6k favourable. This is expected to end the year on an ($80k) deficit (as budgeted) as the Long-Term Plan goes through consultation, adoption, and distribution and Audit fees are invoiced.

Information $142k favourable.

Year End Forecast ($21k) unfavourable, due to additional staff costs in Information Management (offset by savings in other parts of HRC).

Information Management Team $41k favourable: the current favourable position is largely due to under-expenditure in software license fees and depreciation.

CAPEX is currently $131k favourable. CAPEX is forecast to end the year approximately $194k favourable to budget due to a stronger focus in operating activities.

Environmental Data Team $101k favourable: Overall the favourable position is largely in site operation and maintenance and forecasted to complete the year within budget.

CAPEX is currently underspent however key projects are underway and expected to be completed by year end.

Hapū and Iwi Relationships $52k favourable a consequence of holding funds from Treaty Settlement processes

Year End Forecast is expected to be $45k favourable to budget.

Strategic Management $54k unfavourable.
Year End Forecast $317k favourable.

The Regional Growth study is favourable by $136k due to the phasing of costs. The year-end forecast is to be on budget.

One Plan/Freshwater Futures is currently $140k unfavourable. Primarily due to expenditure for Plan Change 2. The One plan budget for Plan Change 2 is fully expended for the 2020-2021 year. This is to be expected as the hearing has occurred and most remaining invoices paid. Remaining costs are likely to mean that this budget will be over expended by up to $100k. There are two approaches to managing the over expenditure. The first is to look for a savings in other areas of the policy budget and secondly to request Council to authorise a loan from the following years' revenue for the One Plan. At this stage further forecasting is underway to check on the size of any overspend. The budget does not contain provision for an appeal of the Plan Change 2 decision. Should an appeal occur further advice will be provided to Council.

Emerging Issues (Policy & Corporate) $74k favourable. This is expected to finish the year with an ($80k) deficit due to the climate change work approved by Council to get an understanding of the base emissions of the Council.

Transport Services

The Transport Activity is $433k favourable to budget.
Year End Forecast to be ($57k) unfavourable.

Road Safety is $59k favourable to budget – The favourable variance is purely a timing issue of promotional and educational programmes activities, and receipt of local share contributions from Whanganui District Council for its National Cycling education programme. The overall activity is expected to be on budget by year end.

Personnel expenses are $23k (F) as currently less hours have been used than budgeted particularly by Manager Transport and Communication Team support. By year end personnel expenses are expected to align with budget.

Vehicle charges ($5k F) and promotional and educational programme ($47k F) are both tracking below budget, but are expected to be on budget by year end. As spend is currently tracking below budget this has knock-on effect on the subsidy revenue from Waka Kotahi, which will consequently also track below budget. Revenue is expected to track to budget by year end.

Transport Planning is $2k unfavourable to budget – Expected to be $33k Unfavourable to budget by year end
Forecasted year end overspend 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 transport team resources. However there has been an increase use of Communications Team and Information Management staff time above what was budgeted.
- Also no allowance was made in the budget for design, production, and consultation of the draft RLTP.
  Contribution to stock effluent is currently $7k favourable to budget

Passenger Services is $376k favourable to budget

Note that Included in the operating surplus is the NZTA subsidy relating to the 2020/21 capex spend on the new ticketing system. The adjusted Operating surplus/deficit after removing this capex related subsidy is $191k favourable to budget.

Favourable position is a combination of 2 elements relating to phasing of fare revenue budget and covid-19 revenue top up subsidy from Waka Kotahi.

The top up calculation is based on actual revenue received in 2018/19 and 2019/20.

The phasing of this financial year's fare revenue budget assumes less revenue in the first half of the year due transitional fares with Bee Card introduction but increasing in the second half of the year.

This has meant a higher level of top-up subsidy has been received in the first half of the year. By year end this variance will be removed.

By year end this activity is anticipated to be $24k unfavourable to budget. The move to an unfavourable position primarily relates to:

Use of external consultants to assist with Palmerston North Bus review

Whanganui bus timetable change - use of external contractor costs for design and print of supporting collateral, increased use of coms to support roll-out of change

Roll-out of Bee Card – advertising and promotion and additional customer service staff support required during implementation.

Increased cost of running of Bee card ticketing system e.g. bank charges, and contract costs

Use of additional resources to support development of new reporting tools and website improvements.

Some of the above additional costs have been offset by bus contract inflation predicted to be less than budgeted, around $130k.

Corporate Support

Corporate Support $78k favourable to budget.
Year End Forecast to be ($158k) unfavourable.

The favourable results year to date are a combination of Repairs & Maintenance which are due to occur in the latter part of the year once contractors can be sourced, and staff training which was delayed. It is expected both of these areas will be fully spent by year end.

The year-end position currently reflects an expected deficit of ($158k) which is in line with the year to date deficit of ($154k).

CAPEX is currently $473k favourable to budget. In Facilities and Asset Management, we are currently $168k favourable but it is expected we will be nil by the end of the year, providing contractors we need are available. In Finance we are currently $283k favourable to budget due to delays in beginning the Ozone replacement project as completing the Asset Management system is the priority.

Investments

Investments ($804k) unfavourable to budget.
Year End Forecast ($887k) unfavourable.

Investments year to date is currently ($804k) unfavourable. There are several areas at play affecting this. Firstly Investment Revenue is unfavourable due to term deposit interest rates remaining firmly under 1%. The difference is ($470k) unfavourable. Penalties and Remissions are unfavourable by ($148k), due to additional discounts and remissions granted, partially offset by additional penalties charged this year. Overall, revenue is unfavourable by ($664k). Expenditure also is unfavourable, by ($140k), which is mostly due to MWRC Holdings Ltd costs which are incurred on behalf of the company, and then charged back.

The year-end position forecasted is a direct result of lower interest rates in the market combined with lower cash available to invest and the impact that this has had Council this financial year. It is also expected that a slightly lower dividend will be received from MWRC Holdings as a result in delays with finalising tenancy arrangements, which has also been reflected in the forecast position.