

Report 07.69  
Date 19 February 2007  
File G/4/1/5

Committee Policy, Finance and Strategy  
Author Chris Gray, Finance Manager

## **Half Year Review for the six months ended 31 December 2006**

### **1. Purpose**

- To inform the Committee of the Council's financial performance to 31 December 2006 and to provide an explanation of major variances by division.
- To forecast the end of year position based on the management reviews completed by each division.
- To provide an interim position in terms of achievement against the published performance targets in the Council's 2006/07 Annual Plan.
- To seek the Committee's approval for additional expenditure requests.

### **2. Significance of the decision**

The matters for decision 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**

Quarterly reviews between the Chief Executive/Chief Financial Officer and the Divisions were recently completed. It is timely, as a result of those reviews, to present a summary of Council's half year performance and to seek approval for unbudgeted expenditure.

### **4. Financial Performance**

#### **4.1 Year to date Operating Performance**

The Council's Statement of Financial Performance is included as **Attachment 1**.

## 4.2 Funding Statement

The Council's Funding Statement is included as **Attachment 2**.

## 4.3 Statement of Financial Position

The Statement of Financial position is included as **Attachment 3**.

## 5. Financial Summary

The following table shows the year to date variance by division.

Wellington Regional Council				
Summary Statement of Financial Performance - Operating Surplus \ (Deficit)				
For the Six Months Ending - 31 December 2006				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	386	(101)	(1,032)	931
Forestry	(46)	(432)	(387)	(45)
Regional Parks	167	430	(124)	554
<b>Water Supply, Parks &amp; Forests</b>	<b>507</b>	<b>(103)</b>	<b>(1,543)</b>	<b>1,440</b>
Transport Policy and Strategy	260	104	13	91
Public Transport	(228)	(1,184)	66	(1,250)
<b>Total Transport</b>	<b>32</b>	<b>(1,080)</b>	<b>79</b>	<b>(1,159)</b>
Environment	37	167	75	92
Catchment Management	608	980	1,559	(579)
Corporate	(106)	9	97	(88)
WRS	184	(339)	(100)	(239)
Finance, IT & Support Services	582	474	239	235
Investment in Democracy	29	5	58	(53)
<b>Divisional Operating Surplus</b>	<b>1,873</b>	<b>113</b>	<b>464</b>	<b>(351)</b>
Investment Management	3,850	3,778	3,918	(140)
Business Unit Rates Contribution	(3,878)	(3,849)	(3,849)	-
<b>Council Operating Surplus / (Deficit)</b>	<b>1,845</b>	<b>42</b>	<b>533</b>	<b>(491)</b>
Revaluation RCC	-	-	-	-
Forestry Valuation less Cost of Goods Sold	-	(591)	(1,097)	506
Parks - Grant for Waitangirua Purchase	-	-	-	-
Public Transport - Capex / Investment	52	3,869	1,550	2,319
<b>Total Council Surplus / (Deficit)</b>	<b>1,897</b>	<b>3,320</b>	<b>986</b>	<b>2,334</b>

### 5.1 Water - favourable variance of \$931,000 due primarily to:

- Increased interest income of \$77,000 due to lower capital expenditure.
- Savings in chemicals of \$363,000 due to the higher exchange rate, partly offset by higher power costs of \$22,000.
- Savings of \$72,000 in respect of contractor costs for the new water source. This is largely a phasing of the expenditure and the amount spent will be in line with budget by year end.
- Decreased depreciation of \$299,000 due to the timing of capital projects. This trend is reflected in the year end forecast.

**5.2 Forestry - unfavourable variance of \$45,000 due primarily to:**

- Higher than budgeted harvest costs, spent mainly on maintaining road access, \$63,000.

**5.3 Regional Parks - favourable variance of \$554,000 due primarily to:**

- Delay in taking over management of Whitireia Park, \$124,000.
- Decreased contractor and consultant costs, \$355,000, due mainly to the wet conditions delaying work programmes.
- Lower materials and supplies, \$76,000, due to delays in the work programmes as noted above.

Excluding the savings on Whitireia Park, the other variances are expected to reverse by year end.

**5.4 Public Transport - unfavourable variance of \$1,250,000:**

<b>Revenue</b>	<b>\$000's</b>
Variances	
Grants and subsidies	(1,687)
Internal revenue	(380)
Other	(43)
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	(2,110)
<b>Operating expenses</b>	
Bus contracts	(2,941)
Rail rolling stock	3,659
Service improvements	(487)
Trolley bus contract	725
Bus stop development	211
Other	(307)
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	860
<b>Total Variance</b>	<hr/> <b>(1,250)</b>

- Increased cost of bus contracts, \$2,941,000, is due to the effect of diesel inflation. An additional \$1,471,000 has been received from LTNZ by way of grants in respect to this additional expenditure.
- Expenditure on rail rolling stock has been delayed, \$3,659,000. These projects include heavy maintenance, station maintenance and minor upgrades to the EMUs. This has reduced grants from LTNZ by \$2,650,000 accordingly.
- The hold up in signing the trolley bus contract has delayed some maintenance on the trolley overhead wires by \$725,000.

**5.5 Transport Policy - favourable variance of \$91,000 due primarily to:**

- Operating expenditure is down \$358,000 on budget due to the delay in the Wairarapa log freight project. This has reduced revenue by the same amount as it is 100% funded by LTNZ.
- Higher than budgeted personnel costs of \$61,000 have reduced the requirement for contractors and consultants.
- Lower internal charges of \$189,000.

**5.6 Environment - favourable variance of \$92,000 due primarily to:**

- Personnel costs under budget by \$179,000 due to staff movements.
- Higher consultant costs of \$125,000 as a result of costs incurred pursuing prosecutions.
- Lower internal charges of \$126,000 due to the delay in implementing the new consent system.

**5.7 Catchment Management - unfavourable variance of \$579,000 due primarily to:**

- Revenue was \$1,134,000 ahead of budget due to increased vector control work; expenditure was up accordingly.
- Repairs for the flood damage in the Wairarapa were higher than budgeted by \$129,000.
- Eastern flood protection up by \$320,000 due to the repair of flood damage from July/August.
- Drainage scheme expenditure was up \$127,000 due to damage from the July/August floods.

**5.8 Corporate - unfavourable variance of \$88,000 due primarily to:**

- Higher spending in Emergency Management and Elected Members. Timing of other expenditure is behind budget but should be in line with budget by year end.

**5.9 Wellington Regional Strategy - unfavourable variance of \$239,000 due primarily to:**

- Costs of the finalising the Strategy and initial consultation. Funding for this is being met by the territorial authorities, Trade and Enterprise and GWRC. The unfavourable variance is due to the costs of consultation of the Strategy not being in the original budget.

**5.10 Finance, IT and Support - favourable variance of \$235,000**

- Lower personnel costs, \$60,000 due to delays in appointing staff.

- Savings in materials and supplies of \$123,000 due to phasing of expenditure.

## 6. Finance costs

Finance costs for the six months were \$2,326,000 compared to the budget of \$2,847,000. The favourable variance reflects lower borrowings than budgeted.

## 7. Forecast to 30 June 2007

The completion of the half year has resulted in a number of changes to the forecast results when compared with the budget. These are shown in the table below with explanations.

Wellington Regional Council				
Summary Statement of Financial Performance - Operating Surplus \ (Deficit)				
For the Year Ending 30 June 2007				
OPERATING SURPLUS / (DEFICIT) \$(000)'s	Full Year			
	Last Year	Budget	Forecast	Variance
Water Group	(59)	(2,019)	(800)	1,219
Forestry	(574)	(781)	(816)	(35)
Regional Parks	105	(283)	(31)	252
<b>Water Supply, Parks &amp; Forests</b>	<b>(528)</b>	<b>(3,083)</b>	<b>(1,647)</b>	<b>1,436</b>
Transport Policy and Strategy	31	(228)	(152)	76
Public Transport	(2,156)	(606)	(3,432)	(2,826)
<b>Total Transport</b>	<b>(2,125)</b>	<b>(834)</b>	<b>(3,584)</b>	<b>(2,750)</b>
Environment	237	(272)	(273)	(1)
Catchment Management	2,456	3,149	1,795	(1,354)
Corporate	275	113	113	-
WRS	-	(100)	(158)	(58)
Finance, IT & Support Services	785	178	296	118
Investment in Democracy	53	117	(3)	(120)
<b>Divisional Operating Surplus</b>	<b>1,153</b>	<b>(732)</b>	<b>(3,461)</b>	<b>(2,729)</b>
Investment Management	8,833	9,530	9,472	(58)
Business Unit Rates Contribution	(7,758)	(7,698)	(7,698)	-
<b>Council Operating Surplus / (Deficit)</b>	<b>2,228</b>	<b>1,100</b>	<b>(1,687)</b>	<b>(2,787)</b>
Revaluation RCC	2,276	-	-	-
Forestry Valuation less Cost of Goods Sold	(1,745)	1,488	2,481	993
Parks - Grant for Waitangirua Purchase	2,800	-	-	-
Public Transport - Capex / Investment	324	59,689	19,179	(40,510)
<b>Total Council Surplus / (Deficit)</b>	<b>5,883</b>	<b>62,277</b>	<b>19,973</b>	<b>(42,304)</b>

The significant variances to budget are:

### 7.1 Water - favourable variance of \$1,219,000 primarily due to:

- Projected savings in chemicals of \$320,000 are partially offset by other increases of \$80,000 in materials and supplies and \$60,000 for contractors. The high exchange rate has contributed to the savings in chemicals.
- Lower depreciation \$580,000 resulting from the delay in capital projects.
- Reduced finance costs \$200,000, as a result of lower capital expenditure.
- Insurance savings of \$163,000, due to softening in the insurance markets.

## 7.2 Regional Parks - favourable variance of \$252,000 primarily due to:

- The delay in taking over management of Whitireia Park until 2007/8, \$216,000.

## 7.3 Transport - unfavourable variance of \$2,826,000:

The revenue to fund capital expenditure has been separated out in the numbers throughout this report. This is to enable comparison and discussion of the operating results.

<b>Revenue</b>	<b>\$000's</b>
<b>Variances</b>	
Grants and subsidies	(6,135)
Other	(801)
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	(6,936)
<b>Operating expenses</b>	
Bus contracts	(5,252)
Trolley Bus	1,336
Rail contract	(555)
Rail Rolling Stock	7,260
Rail Development	(510)
Other	1,831
	<hr/>
	4,110
<b>Total Variance</b>	<hr/>
	(2,826)

- The increased cost of bus contracts is due to the effect of diesel inflation, \$5,252,000. Additional grants are forecast to be received from LTNZ. Public Transport is currently reviewing ways of mitigating this increased cost. In the short term, all expenditure, including projects is being reviewed to see whether savings can be made in other areas. Once this work is completed it will be discussed with Council.
- The basis under which the inflation index is calculated and applied is being discussed with LTNZ. Bus contracts are being reviewed to ascertain what changes are required when they come up for renegotiation in respect of inflation.
- The old rail contract included an allowance for inflation that was calculated in arrears. There was an under estimate of inflation for the old rail contract in respect of the last quarter of 2005/6 which was paid in 2006/7. There will be an additional grant from LTNZ to cover 60% of this amount. The new rail contract does not have an index for inflation.
- The rail ownership project was not budgeted for. LTNZ required that this project be undertaken as a pre requisite for the purchase of the new EMUs. The grant from LTNZ will increase by \$205,000. This matter is included under section 12.5.
- The major component in the \$7,200,000 lower expenditure in Rail rolling stock is savings in heavy maintenance.

#### **7.4 Catchment Management - unfavourable variance of \$1,354,000 due primarily to:**

- Increased expenditure of \$1,300,000 for repairs to the Eastern River schemes due to flood damage. This work is to be funded through local contribution and transfers from river scheme reserves.
- Transfer of operational expenditure to capital expenditure, \$473,000 for the construction of flood protection assets.
- An overall reduction of Vector control work for the year of \$200,000 due to low pest densities in some control areas.
- Additional expenditure of \$80,000 for pest animals to complete Key Native Eco programmes.
- Higher costs of river investigations and land management, \$137,000.
- Overall the forecast funding position of the Division is largely unchanged from the budget. The work on repairing the flood damage has delayed some capital expenditure. Further details are given in section 11.2.

#### **7.5 Wellington Regional Strategy - unfavourable variance of \$58,000**

- The costs of the finalising the Strategy and initial consultation to the end of 2006. Funding for this is being met by the territorial authorities and GWRC. If the Strategy gets approval in February then there will be additional costs incurred for the balance of the 2006/7 year. However there will also be additional monies from Trade and Enterprise.

#### **7.6 Finance, IT and Support - favourable variance of \$118,000**

- Savings in personnel costs due to delays in appointing staff, \$70,000
- Lower consultants costs re the internal audit programme, \$20,000.

### **8. Finance costs**

Finance costs are forecast to be \$4,346,000 compared to the budget of \$5,674,000. The favourable variance reflects the impact of lower forecast capital expenditure (reducing borrowing requirements) and slightly lower interest rates than budgeted.

### **9. Capital Expenditure**

#### **9.1 Year to date**

On a year to date basis the Council's capital expenditure is now ahead of budget by \$424,000. The main contributors to this are Public Transport, some \$2,695,000 ahead of budget, Water \$788,000 behind, Catchment \$636,000 behind and IT \$590,000 behind budget. The variances in capital expenditure are expected to reverse by year end except as noted below in Section 10.

Wellington Regional Council Capital Expenditure and Transport Investment Additions For the Six Months Ending - 31 December 2006				
Capital Expenditure and Investments \$(000)'s	Year to Date			
	Last Year	Actual	Budget	Variance
Water Group	3,404	1,467	2,255	(788)
Forestry	79	152	161	(9)
Regional Parks	154	239	394	(155)
<b>Water Supply, Parks &amp; Forests</b>	<b>3,637</b>	<b>1,858</b>	<b>2,810</b>	<b>(952)</b>
Transport Policy and Strategy	-	-	-	-
Public Transport	84	187	601	(414)
Public Transport Investment Additions	-	5,079	1,970	3,109
<b>Total Transport</b>	<b>84</b>	<b>5,266</b>	<b>2,571</b>	<b>2,695</b>
Environment	169	178	256	(78)
Catchment Management	1,882	1,217	1,853	(636)
Corporate	52	139	49	90
WRS	-	-	-	-
Finance, IT & Support Services	287	155	745	(590)
Investment in Democracy	13	-	-	-
<b>Divisional Capital and Investment expenditure</b>	<b>6,124</b>	<b>8,813</b>	<b>8,284</b>	<b>529</b>
Parks - Waitangirua Purchase	-	-	-	-
Investment Management	2	20	125	(105)
Business Unit Rates Contribution	-	-	-	-
<b>Council Capital and Investment expenditure</b>	<b>6,126</b>	<b>8,833</b>	<b>8,409</b>	<b>424</b>

## 9.2 Transport - \$2,695,000 unfavourable variance

Public Transport Capital Expenditure	Year to Date		
	Actual \$ 000's	Budget \$ 000's	Variance \$ 000's
SW Wairarapa Cars	4,406	-	4,406
New EMU's	673	-	673
Rail Station Upgrades & Maintenance	112	1,750	(1,638)
Rail Security	-	220	(220)
J'ville Mall	-	500	(500)
Other Assets	75	101	(26)
<b>Total Capital Expenditure</b>	<b>5,266</b>	<b>2,571</b>	<b>2,695</b>

- There have been no payments made on the SW Wairarapa cars to date but the year to date numbers reflect the accrual for work completed by the end of December.
- The monies spent on the new EMUs are due to payments to the consultants in preparing and evaluating the proposals.
- Other Transport projects are generally running behind budget.



**9.3 Water - favourable variance of \$788,000 primarily due to:**

- Timing issues with contracts such as the Wainuiomata lower dam, Sinclair Creek culvert and the Petone sentinel wells. Further details are included in **Attachment 6**.

**9.4 Catchment Management - favourable variance of \$636,000 due primarily to:**

- Delayed commencement of Chrystalls project, \$572,000. Further details are included in **Attachment 5**.

**9.5 Finance, IT and Support - favourable variance of \$590,000**

- The consents system has been delayed due to a slower than anticipated review and selection process. This is expected to back on track by year end.

**10. Finance Costs- Full year forecast**

Finance costs are forecast at \$4,346,000 compared with the budget of \$5,674,000.

The forecast delays in capital expenditure have reduced the need to borrow additional funds in the short term. The capital expenditure program is forecast to be down some \$57 million on budget.

**11. Capital Expenditure - Full year forecast**

On a forecast basis capital expenditure is forecast to be \$57,903,000 below budget by year end. The major contributor to this is delays in Public Transport as detailed in the table below.

Wellington Regional Council Capital Expenditure and Transport Investment Additions For the Year Ending 30 June 2007				
Capital Expenditure and Investments \$(000)'s	Full Year			
	Last Year	Budget	Forecast	Variance
Water Group	6,664	6,624	5,101	(1,523)
Forestry	179	286	295	9
Regional Parks	5,920	720	541	(179)
<b>Water Supply, Parks &amp; Forests</b>	<b>12,763</b>	<b>7,630</b>	<b>5,937</b>	<b>(1,693)</b>
Transport Policy and Strategy	37	-	-	-
Public Transport	505	2,603	158	(2,445)
Public Transport Investment Additions	-	80,292	28,797	(51,495)
<b>Total Transport</b>	<b>542</b>	<b>82,895</b>	<b>28,955</b>	<b>(53,940)</b>
Environment	349	891	891	-
Catchment Management	6,411	6,555	5,040	(1,515)
Corporate	61	49	244	195
WRS	-	-	-	-
Finance, IT & Support Services	507	975	975	-
Investment in Democracy	13	45	45	-
<b>Divisional Capital and Investment expenditure</b>	<b>20,646</b>	<b>99,040</b>	<b>42,087</b>	<b>(56,953)</b>
Parks - Waitangirua Purchase	5,600	-	-	-
Investment Management	4	1,100	150	(950)
Business Unit Rates Contribution	-	-	-	-
<b>Council Capital and Investment expenditure</b>	<b>26,250</b>	<b>100,140</b>	<b>42,237</b>	<b>(57,903)</b>

The major variances are as follows:

### 11.1 Water - favourable variance of \$1,523,000

Further detail on the forecast capital expenditure program for Water is included in **Attachment 6**.

- Treatment Plant projects are down on budget by \$639,000. The budget used a replacement cost based on 2% of the value. However, the need to replace equipment has been less than anticipated.
- The pipeline on the Kaitoke to Kaori main on the Silverstream Bridge has been deferred, saving \$700,000.
- Included in the Treatment Plant projects is an additional \$65,000 for a containing wall at Te Marua. This discussed further in section 12.

### 11.2 Catchment Management - favourable variance of \$1,515,000

Further detail on the forecast capital expenditure program for Catchment is included in **Attachment 5**.

- Chrystalls extended stopbank reduced by \$772,000 representing a delay in the commencement of construction. This will be rebudgeted for 2007/8.
- The South Waitohu project, \$204,000 due to delay in gaining land for construction. This will be rebudgeted for 2007/8.

- The \$585,000 Lower Wairarapa Development scheme project has been deferred until 2007/8 as repairing the flood damage has impacted on resources and materials.
- Expenditure on river schemes budgeted as operating expenditure has been capitalised, \$473,000.

### 11.3 Parks & Forests - favourable variance of \$179,000 primarily due to:

Further detail on the Parks capital expenditure program is included in **Attachment 6**.

- The Orange Hut replacement will cost \$30,000 less than budgeted due to volunteer assistance.
- East Harbour office and work on Whitireia Park have been deferred, \$250,000.
- The Queen Elizabeth Red Barn is forecast to cost \$89,000, which is unbudgeted. A request to approve this expenditure is noted below.

### 11.4 Public Transport – favourable variance of \$53,940,000

Public Transport Capital Expenditure	Full Year Forecast		
	Forecast \$ 000's	Budget \$ 000's	Variance \$ 000's
SW Wairarapa Cars	22,847	26,420	(3,573)
Ganz Mavag Refurbishment	200	200	-
New EMU's	2,000	44,172	(42,172)
Western Corridor Rail Projects	-	200	(200)
Rail Rolling Stock Maintenance	-	5,250	(5,250)
Rail Station Upgrades & Maintenance	3,100	3,500	(400)
Rail Security	550	550	-
J'ville Mall	-	1,000	(1,000)
PT Enhancements	-	1,000	(1,000)
Concessionary Cards	-	360	(360)
Other Assets	258	243	15
<b>Total Capital Expenditure</b>	<b>28,955</b>	<b>82,895</b>	<b>(53,940)</b>

- The Johnsonville Mall development (park and ride) has been delayed as negotiations between the developers and GWRC continue.
- The South Wairarapa cars will start to come into service in May 2007. However, a shortage of bogies in New Zealand may delay the arrival of the last cars.
- The negotiations between GWRC, LTNZ and Toll on the procurement process for the new EMUs took longer than planned. While the date for the introduction of the new EMUs into service is unchanged it is unlikely that the final contract will be signed by June 2007.
- Some delays in completing the station upgrades are now expected.

## 11.5 Investment Management - favourable variance of \$950,000 primarily due to:

- Delays in progressing the Masterton building redevelopment.

## 12. Proposed New Expenditure and Reallocation of Projects

At the half year review the Divisions highlight any unbudgeted expenditure that requires Council approval. In addition, any reallocation of monies from budgeted projects to other projects is also presented for Council approval. The numbers noted below exclude any unbudgeted amounts which are paid under contract, such as the rail and bus contracts.

### 12.1 Water

- As noted above and in **Attachment 6** the Water capital expenditure program is forecast to be under budget by \$2,356,000. However, additional costs of approximately \$805,000 have been identified as a result of increased scope and costs. These additional amounts are also detailed in **Attachment 6**.
- Water is also requesting an additional \$65,000 for chemical bunding at the Te Marua water treatment plant. A recent chemical spill at the plant showed the need to build a bund (wall) in this area to limit any future spills.

### 12.2 Regional Parks

- Overall the Parks capital expenditure budget will be under spent by \$179,000 due mainly to deferral of projects. However approval is sought to spend \$89,000 unbudgeted expenditure on the Red Barn at Queen Elizabeth Park. Further detail is included in **Attachment 6**.

### 12.3 Environment

- The region's hydrological network has been reviewed. The review identified that the flood warning network in the eastern hills of the Wairarapa needed to be improved. In addition, a number of soil moisture and temperature sites were identified as being of a high priority, and also the monitoring of certain wetlands and some streamflow sites. Approval is sought to apply \$80,000 towards the programme.
- Wellington Harbour Sediment Quality Investigation – a joint project with Hutt City Council and Wellington City Council examining the sediments in the Wellington Harbour environment. Approval is sought to apply \$50,000 (Capacity will also contribute \$50,000 to the project).
- To further build awareness of our business sustainability presence approval is sought to apply \$20,000 to sponsor the *Get Sustainable Business Challenge Awards*.

These amounts will be funded from the forecast surplus.

## **12.4 Catchment Management**

- An additional \$20,000 is requested for printing and publishing costs for the Proposed RPMS document. Costs for this type of work have increased significantly since the original budget was completed in November 2005. Most of the available budget has been used for production of the RPMS Community Consultation document prepared in August 2006. The Proposed RPMS document will be printed and published in March / April 2007. This will be followed by the final RPMS document in late 2007.
- The existing publication 'Controlling problem weeds in riparian zones' needs to be reprinted due to public demand for this publication , \$11,000
- The Rural Services Committee has approved the building of a fence between our forests and Conservation land, monies now need to be approved, \$20,000.

## **12.5 Public Transport**

- Approval is sought for a procurement review on how bus contracts should be structured and tendered, \$50,000. This amount is not new money but will be taken out of the budget for integrated ticketing. This matter has been considered by the Passenger Transport Committee.
- A rail capacity study to maximise the opportunity of making best use of the existing rail capacity, \$50,000. This amount is also not new money and will also be taken out of the integrated ticketing budget. The Passenger Transport Committee has considered this matter.
- The rail ownership project must be completed prior to the purchase of the new EMUs. This is a requirement of LTNZ. This ownership project sets out the criteria, ownership plan and asset plan for the new EMUs. GWRC's share of the cost is \$205,000. This matter has been noted by the Passenger Transport Committee.

## **12.6 Finance, IT and Support Services**

A working group of the Council is considering the acquisition of an asset management system(s) for the Council. Currently we use Hansen in Water and various spreadsheets in other areas. The interest shown by the auditors in asset management during the LTCCP process, the increasing value and complexity of our assets (for example Transport) suggests that an upgrade in our systems and capability is required. At this stage proposals have been received from a number of suppliers. These are currently being evaluated, but at this stage we are not in a position to make a recommendation on amount or supplier. A separate paper will come to the Committee on this matter in the near future.

## **13. Annual Plan Performance Targets**

Divisional Managers have reported their expectation that all significant annual plan performance targets will be achieved by 30 June 2007.

## 14. Compliance with Treasury Management Policy

As at 31 December 2006, the majority of Treasury Management Policy limits have been complied with apart from the internal borrowing limit for Forestry and Parks. The Forestry breach is as a result of the low timber prices affecting log returns and the forestry valuation. The Parks breach is as a result of the purchase of additional land in Belmont Regional Park last year, refer **Attachment 4**.

## 15. Communications

No communications are necessary at this time.

## 16. Recommendations

*That the Committee recommends that Council:*

1. **Receive** the report.
2. **Note** the content of the report.
3. **Approve** the following additional unbudgeted expenditure:
  - a) *Regional Parks*
    - *Red Barn at Queen Elizabeth Park* \$89,000
  - b) *Environment*
    - *Hydrological Network programme* \$80,000
    - *Wellington Harbour Sediment Quality Investigation* \$50,000
    - *Get Sustainable Business Challenge Awards* \$20,000
  - c) *Catchment Management*
    - *Biosecurity RPMS Review* \$20,000
    - *Biosecurity Biodiversity Publication* \$11,000
    - *Conservation Forestry fencing* \$20,000
  - d) *Public Transport*
    - *Rail ownership project* \$205,000

4. **Approve** the following expenditure to be allocated from existing projects:

a) *Water*

- *Chemical bunding at Te Marua* \$65,000

- *Additional costs as detailed in Attachment 6* \$805,000

b) *Public Transport*

- *Procurement review* \$50,000

- *Rail capacity studies* \$50,000

Report prepared by:

Report approved by:

**Chris Gray**  
Finance Manager

**Barry Turfrey**  
Chief Financial Officer

**Attachment 1:** Statement of Financial Performance

**Attachment 2:** Funding Statement

**Attachment 3:** Statement of Financial Position

**Attachment 4:** Compliance with Treasury Management Policy

**Attachment 5:** Flood Protection Capital Works Programme 2006/07: Half Year Review

**Attachment 6:** Water Supply, Parks & Forests Division Capital Works Programme 2006/07: Half Year Review