



Report 05.475
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Committee Rural Services and Wairarapa
Author Scott Forbes, Manager BioWorks

BioWorks Review for the Year to 30 June 2005

1. Purpose

To inform the Committee of the performance of the BioWorks Business Unit for the 2004/05 year.

2. Significance of the Decision

The matters 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

The BioWorks Business Unit was established in July 2003 to separate physical Bovine Tb vector control services from vector management agency services carried out by the Council's Biosecurity Department under contract to the Animal Health Board. The Council negotiated a three year transitional arrangement that provided 30% of the Bovine Tb vector control programme for the Wellington Region to BioWorks through a preferred supplier agreement. However, this preferential supplier agreement is subject to prices being acceptable for each individual contract. The 30% preferred supplier agreement expires in June 2006.

4. Operating Performance

The Business Unit completed 189,000 hectares of Bovine Tb vector control, down on the 231,000 hectares from the 2003/04 year. The 189,000 hectares was made up of 74 individual strata, 53 possum control and 21 surveys or ferret control operations. The total number of failed monitors for the year was 10 or 14%, compared to 10% for 2003/04. All failures bar one occurred in contracts with 1% targets and were failed in the most part by one or two possums over the limit. The targets are becoming tighter and BioWorks has had no repeat failures to date with only 4 strata yet to be re-monitored. BioWorks are the only contractor to still have a no repeat failure record.

Approximately 65% of Bovine control work was secured via preferred supplier contracts.

BioWorks secured 10 Key Native Ecosystem contracts during the year, resulting in over 5,000 hours of chargeable work. Pest Plant weed spraying contracts were also obtained after completion of Growsafe certification. The Unit has recently diversified into pole planting and pruning to ensure some cash flow until the 2005/06 bovine Tb vector control contracts commence.

5. Financial Performance

The operating surplus for the year was \$84,000, a \$176,000 improvement on the previous year's \$92,000 deficit. Total revenue was \$2,356,000, an increase of 14%, or \$288,000 better than the previous financial year. Expenditure excluding depreciation was similar to the previous period.

The 2004/05 financial statements for the Business Unit are attached.

6. Future Management

To ensure work continuity and profitability the Business Unit will continue to diversify into non-bovine Tb services and tender for work outside the Wellington Region. BioWorks recently won two vector control contracts in the Horizons Manawatu Region. Revenue from non-bovine Tb work was 9% of total revenue for the 2004/05 financial year compared to 2% for the previous year.

7. Recommendation

That the Committee:

- (1) *Receive the report*
- (2) *Note the information.*

Report prepared by:

Scott Forbes
Manager, BioWorks

Report prepared by:

Stephen Hill
Divisional Accountant

Colin Wright
Divisional Manager, Wairarapa