



*caring about you & your environment*

## **Report 01.690**

5 September 2001

File: B/21/4/4

Report 01.690.doc

Report to Utility Services Committee  
From David Benham, Divisional Manager, Utility Services

## **Overview of the Year and the Water Group's Business Report**

### **1. Purpose**

- 1.1 To provide an overview of the Water Group's activities for the year ended June 2001.
- 1.2 To obtain the Committee's endorsement of the Water Group Business Report so it can be forwarded to Council for approval.

### **2. Overview of Water Group's Activity for Year Ended June 2001**

While a successful year operationally, and financially, the final outcome of the Trust integration proposal meant that the year has finished on a very disappointing note. As expected, Wellington City Council has not renewed the Water Services Agreement and in effect virtually all work we currently undertake for them will cease on 30 November. This will now see the total separation of the two systems and the loss of the integrated benefits that have always existed.

On the positive side, the key Water Supply outcomes were as follows:

- Financially the operating surplus (adjusted for different treatment of Petone de-fluoridation expenditure and stock adjustment) is \$1.2M ahead of budget.
- Expenditure, before the stock adjustment, is \$360,000 below last year. See *Attachment 1* for comparisons back to 1997.
- Overall expenditure excluding depreciation and abnormal items is \$5.7M (or 25%) below 1997 with financial cost contributing \$3.3M to those savings.
- Debt is \$57.2M which is \$15.5M below 1997 and \$4.9M below last year. This has been achieved while still meeting a \$4M new capital expenditure programme.

- Reserve contributions assisted the debt reduction by \$1.5M this year. We have gradually been reducing the Refurbishment Reserve (at 30 June 2001 it was \$530,000), and it should be extinguished by June 2002. From then on, the first \$885,000 of capital expenditure each year, will be met from the levy, with the remainder being debt funded. The Self-Insurance Reserve has now reached \$3.6M, and the Chemical Contingency Reserve is \$520,000.
- Capital projects went very well this year with everything completed to time and under budget with the exception of some projects (\$298,000) which were deliberately delayed or cancelled.
- Engineering Consultancy Group had another good year with a profit of \$83,000.
- The Laboratory held its own and produced a profit of around \$36,000.
- We believe that the Network Section really delivered this year. Certainly financially, and in our view operationally. Unfortunately the client does not share that view.
- Further 2% reduction in the levy to be implemented for 2001/02.
- Overall performance of the Water Supply system during a long period of high demand.
- Full commissioning of system optimiser and resulting benefits.
- Significantly improved reliability of Wainuiomata Water Treatment Plan.
- Modifications to Gear Island for fluoride free water to Petone.
- Planned maintenance contract entered into for exterior of buildings.
- Incident Management System produced and issued.

### 3. **Water Group Business Report 2000/2001**

The Council publishes an Annual Report to inform ratepayers and the public of the diverse range of activities carried out during the year. For the last three years the Water Group has produced an Annual Business Report to supplement the Council's Annual Report (*see Attachment 2*).

The format this year is similar and includes, as with previous years, relevant information on the Group's activities and financial performance. The theme this year is centred around sustainability and compares what we have in Wellington with other situations around the world. We trust you are comfortable with the approach.

**4. Recommendations**

- (1) *That the report be received and the contents noted.*
- (2) *That the Council adopts the Report of Business Activity for The Water Group for the year ended June 2001, subject to final audit approval and any minor editorial amendments.*

DAVID BENHAM  
Divisional Manager, Utility Services

**Attachment 1: Comparisons back to 1997**

**Attachment 2: The Water Group's Proposed Annual Business Report**