1. Executive summary for Social and Cultural Wellbeing Committee

1.1 Water Supply Group overview

Structure

The 9 month period of transition from two, location based teams of combined operator maintainers to one team of Operations Technicians and one Mechanical Maintenance team is all but complete with just one position left to fill. The two teams will now look after the whole bulk water system rather than specific areas. This allows us to build more specialised teams and provides improved cover in emergencies.

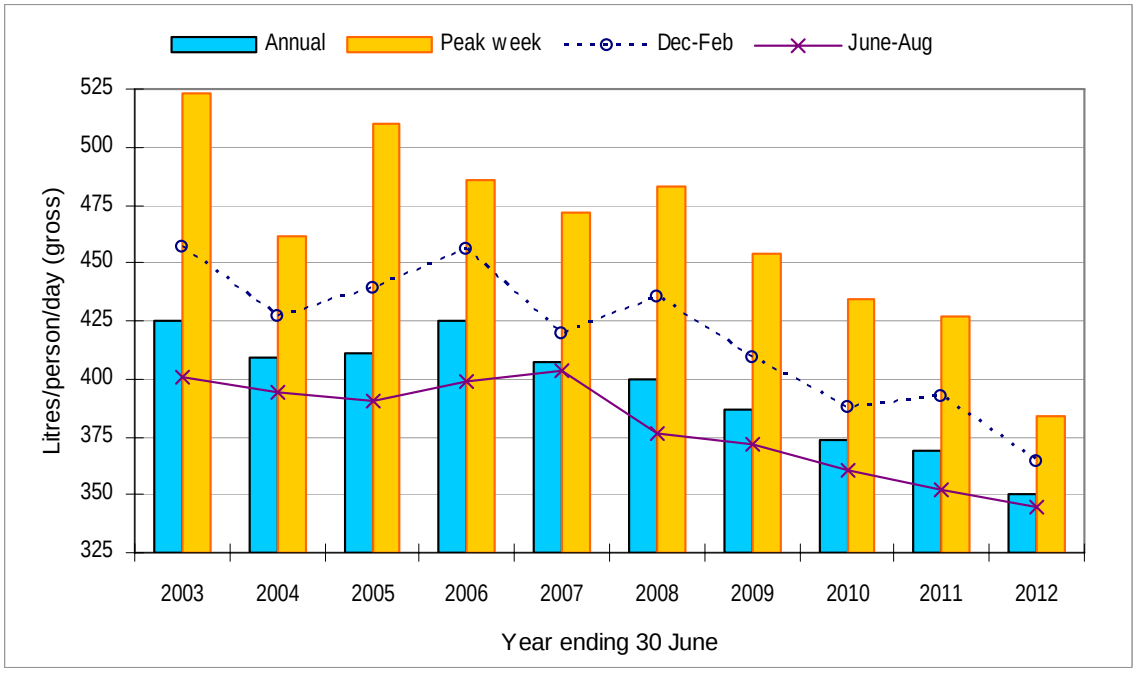
Water use

Water supply for the year to 30 June 2012 totalled 50,722 million litres (ML), or 138.6 ML/day on average. This represents a reduction of 3.9% year on year, and the lowest annual supply total found in records going back to 1974. The year on year change in water supply by city was:

- Lower Hutt reduced by 4.2%
- Porirua reduced by 0.7%
- Upper Hutt reduced by 4.1%
- Wellington reduced by 4.3%

On an average per capita basis, we supplied 351 litres per day last year. GW's 2009-19 LTCCP committed to managing for a 10% reduction in supply over 10 years, from a base of 399 L/h/d (2007/08). To date, per capita supply has reduced by 12% since 2007/08.

The following graph shows a reducing trend in per capita supply for summer and winter periods as well as the annual average.



Annual, summer and winter water supply each show a decreasing trend over the last 10 years

Pomare Depot

The fitting out of the workshop and offices at the new facility is almost complete and all earthquake pipe stocks have been re-located to the new site.

Stuart Macaskill Lakes

Good autumn weather has allowed the contractors to get slightly ahead of schedule for the installation of the liner and raising of the embankment for lake 2. Re-filling of the lake is on target for August.

A video of the lakes upgrade process has been posted on YouTube and linked to the GW website. See http://www.youtube.com/user/greaterwellington

1080 Exercise

The planned 1080 exercise for the Wainuiomata catchment has been delayed due to persistent poor weather. If delays continue there is a risk that the bait will be past its use by date. Regional Public Health have accepted our proposal to reduce the time that the treatment plant needs to be shutdown. Clearance will be given to restart the plant after 7 consecutive daily river water tests are clear of 1080. In past exercises 1080 has not been shown to be present in any water samples.

Water Supply Agreement

At the May customer meeting it was agreed to discontinue work on the Draft Water Supply Agreement and instead look at a less prescriptive means, such as memorandum of understanding, of documenting service level targets.

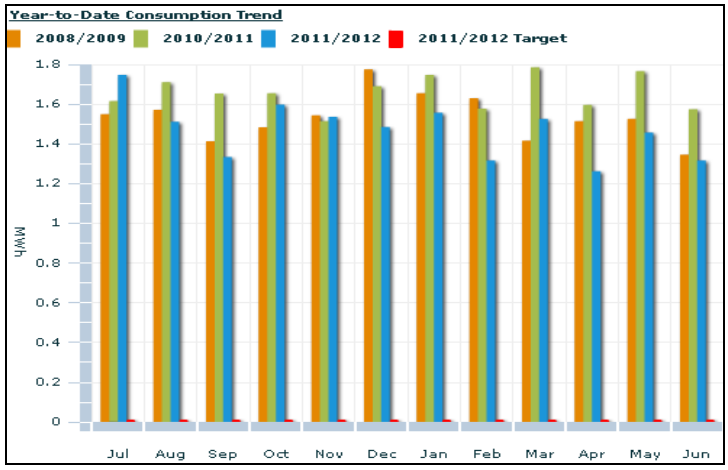
Water Demand Management

Our customers have agreed to a joint approach to planning and implementing demand management strategies. This will cover areas such as coordinated development of water efficiency and conservation goals, action plans and communications programmes.

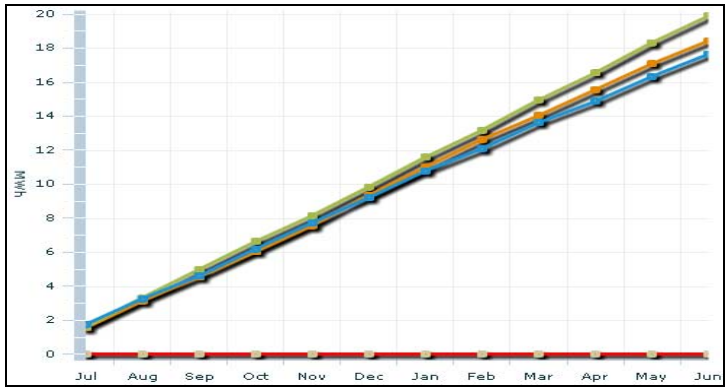
1.2 Key results for the year

1.2.1 Power

Total power consumption for Water Supply was 17.6GWh, which is 11% less than last year. Total hydro generation for the year was 2.3GWh (1.1GWh for Te Marua and 1.2GWh for Wainui). This is 13% of the total consumption. We expect a higher figure next year as Wainui generation was operating for only 11 months.



Year to date cumulative consumption



Kaiwharawhara Pump Station has used 16% less than last year. Some of this is due to reduced demand but is mostly due to the increased efficiency achieved from modifications to the pump wear rings.

Electricity hedge contract was tendered this year, with a continuation of the spot+hedge arrangement through to March 2014.

1.2.2 Chemicals

Chemical costs for the year were $1.53 million which is 6.6% less than budget and 5.7% more than 2011 actual expenditure. As usual there were a few ups and downs between the different chemicals due to price fluctuations, the weather and source selection. However, CO2 costs were unnecessarily high, by about $25k caused by a faulty gas flow meter.

1.2.3 Quality performance

MoH Microbiological compliance - 100%.

MoH Chemical compliance – 100%.

Aesthetic compliance – 100%

ISO 9001 certification maintained following re-certification audit

Integration of the 9001/14001 and H&S systems is ongoing. An external auditor has been appointed to carry out a desk audit in August.

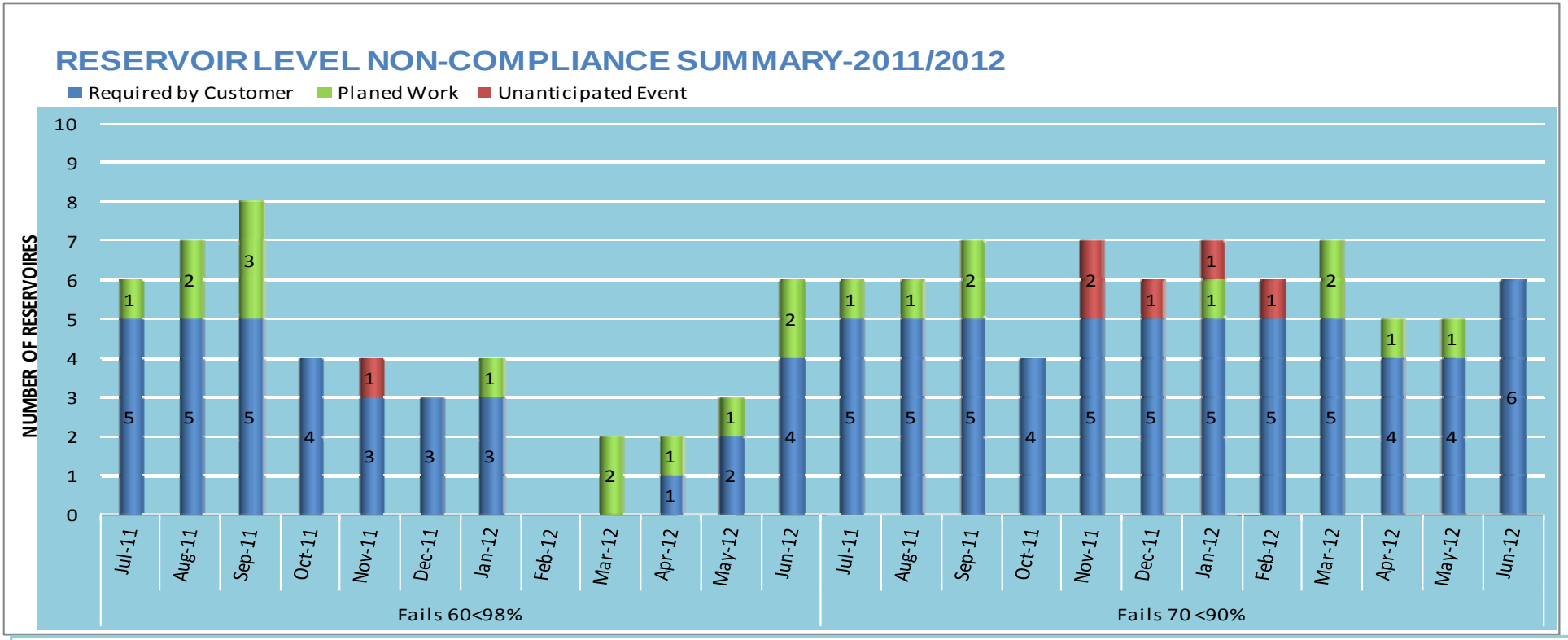
The MoH statutory Public Health Risk Management Plans (PHRMP's) come in to effect on 1 July 2012. Our plans have been in place for two years and therefore there is no significant impact.

1.2.4 Environmental performance

ISO 14001 certification maintained following re-certification audit

Consent reporting is current and up-to-date. Annual consent compliance visits have been completed with one minor issue which may result in a technical non-compliance. Part of the consent for the lakes upgrade project required a planting plan for the reinstatement of a small area of bush. This plan is still outstanding.

1.2.5 Demand performance



There are total 45 council service reservoirs and two performance targets:

Target 1: each council service reservoir will be kept at least 60% full for at least 98% of the time

Target 2: each council service reservoir will be kept at least 70% full for at least 90% of the time

Three causes of non-compliance events:

Required by Customer; means reservoir was running at low level as required by and/or agreed with the customer

Planned work; means the event was caused by planned actions or works

Unanticipated Event; means the event was caused by faulty instrumentation, control issue or unusually high demand

Unanticipated events year to date

November 2011, Ngaio reservoir had a control failure and Cruikshank reservoir had unusually high demand

In December 2011, January 2012, and February 2012, we had difficulty maintaining levels in Kingsley reservoir. This reservoir is too small with a storage volume of only around 60% of the daily demand for the area which it feeds.

1.3 Capital works programme

1.3.1 Summary of capital works programme

The water supply capital expenditure summary for 2011/12 projects is:

	Budget	Actual	Variance
Assets & Compliance	$4,007,000	$3,932,670	-2%
Development & Strategy	$12,300,000	$5,123,619	-58%
Total Programme	$16,307,000	$9,037,026	-44%

Work was completed on 117 projects out of a total of 124 (94% complete).

Summary of projected savings and additional expenditure by asset type

Category	Budget $	Actual $	Variance %
Source projects	$180,000	$360,143	51%
Treatment plant projects	$920,000	$829,096	-10%
Pipeline projects	$1,090,000	$1,220,576	12%
Pumping stations and reservoirs	$80,000	$89,519	12%
Monitoring and control projects	$762,000	$459,058	-40%
Minor works, seismic protection	$975,000	$974,279	-1%
New sources	$12,300,000	$5,123,619	-58%
Total Assets & Compliance	$4,007,000	$3,932,670	-2%
Total Development & Strategy	$12,300,000	$5,123,619	-58%
Previous year adjustments*	$0	-$19,263	
Total Programme	$16,307,000	$9,037,026	-44%

*Expensed from previous year capital project design work that did not progress to construction.

1.3.2 Sources

There were approximately $280k of additional costs against this profit centre from a number of mostly minor projects. The exception was a late decision to proceed with SAP mobile implementation in 2012/13, which meant the $88k operational expenditure invested in the investigation and trial in 2011/12 could be capitalised.

1.3.3 Treatment Plants

The overall result for this profit centre was an underspend of $91k. This was primarily due to an over estimate for installation of the Te Marua washwater reservoir actuator of $71k.

1.3.4 Pipelines

Pipelines projects were $130k over budget due mainly to unforeseen costs in fitting out the Pomare workshop and offices.

1.3.5 Control Systems

There was a significant underspend in Control and monitoring projects due to:

- Delays in finalising the scope of the Trunk Network Development project. This project to construct a high availability network between key water supply sites was combined with an ICT project to improve network security through to Masterton.

- The actual costs for Te Marua chlorine building control-net isolation project were $14k less than the $30k budget.

- Replacement of Wainuiomata Rack 1 was deferred until 2013/14 to align with replacements of racks 2 and 3 in 2014/15 and 2015/16 respectively

- The funding allocated to Control Strategy Research will no longer be required. Further investigation identified that capital expenditure was unlikely to result from the research, and a decision was made to transfer the project to opex

- Replacement of the Warwick St pump station PLC cost less than budget because less Control Systems resources were required than planned.

- The installation of online fluoride instruments at Te Marua, Naenae and Wainuiomata cost less than budget. This was because an alternative instrument was used which was significantly less costly than originally planned.

1.3.6 Minor work, seismic protection and completion of previous years projects

Replacement of the Te Marua WTP diesel tank cost $75k less than the budget of $285k. Contractor costs were significantly lower than allowed for in the original estimate.

The minor work budget was $51k overspent this year. This was largely due to costs required to establish Hutt River monitoring equipment associated with the consent to reduce the minimum residual flow at Kaitoke weir.

1.3.7 New Sources

Expenditure on upgrading the Stuart Macaskill Lakes was $2.97m less than budget. This was mainly because the crest and liner tenders came in significantly less than the Engineer's estimate. Progress on construction was also slower than expected resulting in some of the costs associated with work on Lake 2 moving to 2012/13. An amount of $900k was re-budgeted to allow for this.

Development of the Upper Hutt Aquifer is now unlikely to proceed. The 2011/12 budget of $100k for development work was therefore not required.

Final commissioning of the Wainuiomata mini-hydro plant cost $107k less than the $200k contingency provided.

The $4m provisional sum for purchase of land for the proposed Te Marua Lake 3 was not required in 2011/12. Whether or not this money will be required depends on Council’s decision for development of the next drinking water source. A decision is not expected until December 2012. The $4m was re-budgeted to 2012/13. Discussions with the

landowner, AgResearch, resulted in an extension of the option to purchase the land through to December 2012.

1.3.8 Conclusion

The 2011/12 water supply capital expenditure programme resulted in reduced costs of $8.20m and additional costs of $0.68m. The net result was an under-spend of $7.53m, of which $5.37m was re-budgeted to 2012/13. The most significant under-expenditure was the $4m budgeted for purchase of land for the proposed Te Marua Lake 3. A decision from Council is not expected on this until December 2012.

1.4 Looking ahead

The 1080 exercise in the Wainui catchment that was planned for mid May has been delayed due to lack of an acceptable weather window. There is some risk that the shelf life of the bait will expire if further delays are experienced.

The Wainuiomata plant will be shut down for approximately six weeks from early August.

The Engineering team have begun work on confirming the route for inlet and outlet pipework for the new POW reservoir to be constructed in 2014/15

The Water Group have several people at or approaching retirement age and we will be examining options to provide succession planning for key positions.

Re filling lake two is on schedule to commence in August.

We are planning a formal opening day for the Pomare depot in September.

The main Health and Safety activity moving forward is a project to move water Supply WSMP ACC compliance to Tier Level 3.

We will be implementing a mobile maintenance application for SAP in September. This project is about deploying a simple to use, functional mobile interface to SAP for technicians to use out in the field. Implementing this application will reduce the amount of printing required and offer great improvements in staff efficiency, data collection and accuracy and also buy-in from the staff.

A full asset revaluation is due this year. This exercise will include an adjustment to update the fixed asset register so that it aligns with the asset information in SAP. The revaluation is also a chance to review asset lives and values that appear to be overstated

1.5 Marketing

IPANZ Public Sector Excellence Awards – business transformation

The marketing team contributed to drafting the award application for Water Supply, assisted with the compilation of water images for use as part of the IPANZ awards ceremony, and produced an update to our award category application for distribution to award ceremony attendees, as IPANZ invited nominees to do.

Water tanks information on the GW web site

The marketing team led the addition of information about rainwater tanks – their purchase, installation and use – to the GW website, on behalf of Emergency Management, Strategy & Community Engagement and Water Supply. See http://www.gw.govt.nz/rainwater-tanks.

GW website architecture update

GW Communications is set to launch an upgrade of GW's website. The Marketing team worked with Communications during the quarter to identify a preferred structure for the site and is migrating its pages ahead of the planned launch, on 23 July.

Researching public awareness – Te Marua Lakes Upgrade / Water Conservation

GW commissioned research in April 2012, to identify public recognition for advertising and communications about the Stuart Macaskill Lakes upgrade, the risk of water shortage, conservation tips, and the response these communications generated.

The results indicate that despite relatively wet and cool weather last summer, a majority of the adult population within our water supply area could recall our advertising and many had made extra effort to conserve water. Encouragingly most people say they could do more to conserve water if needed – and have the information to do so.

- 56% of all respondents could remember advertising about the lakes upgrade project and/or related water conservation advice
- 74% of those who had heard of the lakes project were aware of it before summer – so the pre-summer 'awareness' phase of our communications was effective
- People rated the lakes upgrade/conservation campaign as easy to understand, believable and relevant (92%, 90%, and 83% respectively). These 'likeability' results compare favourably with norms for products and services advertising[1]
- Nine in ten people (90%) agreed that the points made in the advertising provided an easy way for everyone to contribute to using less water
- Almost a third (32%) of people who recalled advertising said it made them find out more about water conservation, while 15% said the advertising led them to conserve more water
- The average person was doing seven of 12 water saving actions (that we asked about) in and around their home last spring and summer. Of those with gardens, the average person was also doing 4.5 of nine water-saving gardening actions asked about. Many people had tried a new water saving action or increased their effort with an existing action in the last six months

[1] From industry data gathered by research consultants Colmar Brunton and its UK affiliate Millward Brown

The results described in the last three points indicate success with a key aim of our communications – to get many people to think of saving water as 'easy', and to do something to contribute.

- Of those who recalled advertising, 40% said that it increased markedly their sense of risk of a water shortage during the summer, while another 31% said it increased their sense of risk moderately. This result also indicates success with communicating a key project message

- 79% said they could do more to conserve water if needed, while 62% say they have the information needed to be able to conserve more

Collectively, these results indicate a solid base of public engagement on which to build during summer 2012/13

Water supply conservation – communications activity and outcomes, summer 2012

The marketing team provided a report to the Development group of GW covering communications about the lakes upgrade during the spring and summer of 2011/12, including activity and measured outcomes, for Development's reporting in regard to the three-year consent change for water take from the Hutt River at Kaitoke weir. The research results reported above form part of that report.

2. Group financial summary

2.1 Financial summary for the Social and Cultural Wellbeing Committee Water Supply Summary

Greater Wellington Water Income Statement For the 12 months ended 30 June 2012	YTD as at 30 June Actual $000	 Budget $000	 Variance $000	Last Year FY Actual $000	*notes*
Rates & Levies	24,164	24,164	-	23,460	
Government Grants & Subsidies	-	-	-	-	
External Revenue	347	280	67	432	1
Investment Revenue	660	647	13	894	
Internal Revenue	2,231	2,207	24	2,265	
TOTAL INCOME	**27,402**	**27,298**	**104**	**27,051**	
less:					
Total personnel costs	4,942	5,221	279	5,131	
Less resource costing	(583)	(920)	(337)	(1,005)	
Net payroll costs	4,359	4,301	(58)	4,126	
Materials,Supplies & Services	7,978	8,017	39	6,980	3
Travel & Transport Costs	241	222	(19)	205	
Contractor & Consultants	1,867	2,121	254	2,058	4
Grants and Subsidies Expenditure	-	-	-	-	
Internal Charges	3,509	2,999	(510)	2,917	5
Total Direct Expenditure	**17,954**	**17,660**	**(294)**	**16,286**	
Financial Costs	3,204	3,665	461	2,538	6
Bad Debts	-	-	-	-	
Corporate & Department Overheads	1,051	1,051	-	937	
Depreciation	8,294	8,359	65	8,215	
Loss(Gain) on Sale of Assets / Investments	388	(109)	(497)	(4)	7
TOTAL EXPENDITURE	**30,891**	**30,626**	**(265)**	**27,972**	
OPERATING SURPLUS/(DEFICIT)	**(3,489)**	**(3,328)**	**(161)**	**(921)**	
Add Back Depreciation	8,294	8,359	(65)	8,215	
Other Non Cash	388	(109)	497	(4)	
Net Asset Acquisitions	(9,360)	(16,692)	7,332	(7,393)	8
Net External Investment Movements	(1,149)	(1,047)	(102)	(1,223)	9
NET FUNDING BEFORE DEBT & RESERVE MOVEMENTS	**(5,316)**	**(12,817)**	**7,501**	**(1,326)**	
Debt Additions / (decrease)	9,037	14,465	(5,428)	7,267	
Debt Repaid	(3,613)	(1,756)	(1,857)	(5,995)	
Net Reserves (Increase) / decrease	(108)	108	(216)	54	
NET FUNDING SURPLUS (DEFICIT)	**-**	**-**	**-**	**-**	

The Water Group operating result before adjustments was a better then budget result of $436k consisting of more revenue $104k and costs savings of $303k. After adjusting for funding of the Development Group ($596k) the overall result was worse then budget by ($160k)

1) External Revenue: Expected revenues from sharing space at the new facility at Pomare will not be forthcoming as Capacity changed the scope of the agreement such that it was not acceptable to GW. The full shortfall at year end will be ($180k). This has been offset by unbudgeted revenue from Vector and Citilink cable duct leases $211k. Budgets have been corrected for 2012/13

2) Personnel Costs: The first half year trend has continued with below budget recoveries of staff time from Capital projects. ($336k) Partially offset by savings due to the delays in filling new budgeted positions $307k.

3) Materials Supplies and Services: Some savings offset by over runs in other areas. Savings: Power used in production $115k, chemicals used in production $107k. Both primarily due to the record low demand over the last quarter. The rest is made up of overall savings in all categories of $100k offset by over budget insurance by ($285k) due to the premium hikes after the Christchurch earthquakes.

4) Contractors and Consultants: Largely due to a lower level of work on capital projects and investigations..

5) Internal Charges: A worse than budget result by ($497k). This has occurred due to the funding of the balance of the un resourced Development Group..

6) Finance Costs: Full year savings of $461k is due to a lower than budgeted debt opening position for the year plus less new debt due to below budget capital expenditure

7) Loss/(Gain) On Sale: A full year unfavourable result of ($497k) due to unbudgeted losses. These losses have occurred as assets have been replaced that still have book value. The single biggest loss was $130k for the premature failure of the Plimmerton number 2 main. Next years budgets are being reviewed to ensure any future losses are budgeted for.

Capital expenditure

Greater Wellington Water Capital Expenditure Statement For the 12 months ended 30 June 2012	YTD as at 30 June Actual $000	 Budget $000	 Variance $000		Last Year FY Actual $000	*notes*
Total Asset Acquisitions	3,464	503	2,961		151	
Capital Project Expenditure	9,038	16,307	(7,269)		7,264	10
Asset Disposal Cash Proceeds	(142)	(117)	(25)		(22)	
Net Capital Expenditure	**12,360**	**16,693**	(4,333)		**7,393**	
Investments Additions	1,149	1,047	102		1,223	
Net Capital and Investment Expenditure	**13,509**	**17,740**	**(4,231)**		**8,616**	

A full year under spend of $7,269k, (including write back to opex of previous years expenditure that did not result in capex projects) of which $5,365 is sought to be re budgeted for next financial year. This leaves and actual net saving against budget of $1,904 the bulk of which was on the Stuart Macaskill Lakes. See Section 1.3 for detailed commentary on individual projects.

Balance Sheet

Greater Wellington Water Statement of financial position Balances as at 30 June	Balances as at 30 June 2012	 2011	 Movement $000	 *notes*
Total Retained Earnings	201,406	203,728	(2,322)	
Asset Revaluation Reserves	101,398	101,398	-	
Departmental Reserves	-	-	-	
Movement in Equity	537	683	(146)	
Total Ratepayer Funds	**303,341**	**305,809**	**(2,468)**	
Receivables	2,384	2,254	130	
Accrued Revenue and Prepayments	31	52	(21)	
Stocks	2,190	2,005	185	1
Total Current Assets	4,605	4,312	293	
Total Investments	17,718	16,629	1,089	2
Net Fixed Assets	326,208	326,265	(57)	
Capital Works In Progess	2,782	1,481	1,301	3
Total Non Current Assets	346,708	344,375	2,333	
Total Assets	**351,313**	**348,687**	**2,626**	
	-	-	-	
Payables and Accrued Expenses	1,295	735	560	4
Employee Provisions and Accruals	432	518	(86)	
Current Liabilities	1,727	1,253	474	
Internal Debt	46,245	41,625	(4,620)	5
Total Liabilities	**47,972**	**42,878**	**(5,094)**	
Net Assets	**303,341**	**305,809**	**(2,468)**	

1. Higher value of pipelines production and seismic stock

2. Increased value of the contingency fund. Interest on the fund is approximately $600k p.a. increasing the fund by close to 1m per year.

3 to 5. All increases over last year are attributable to the increased capital works, in particular the Stuart Macaskill Lakes. Current expenditure on the lakes is approximately $500k per month.

2.2 Departmental business plan performance indicators

Activity: Water collection, treatment and delivery

Performance indicator	Performance to date
Water will be supplied to the four cities in the region that meets or exceeds national quality standards and meets reasonable daily demand.	On target with demand for the four cities met.
Treatment plant gradings will be maintained or improved.	Treatment plant gradings have been maintained.
Security of supply will be no less than 2.0% probability of shortfall (1 in 50-year drought).	Based on a current population figure of 395,000, the Annual Shortfall Probability is 1.5% .
There will be no deferred maintenance in the system.	There is no deferred maintenance for water supply assets.

Activity: Water supply infrastructure

Assets will be replaced or enhanced in accordance with the asset-management plan.	Assets have been replaced as set out in the capital expenditure programme.
Asset management plans will be maintained in accordance with best practice (e.g. International Infrastructure Management Manual or (BS/PAS 55:2003)).	The major review of our 2008 Asset Management Plan will be complete by June 2012, however, certification to BS/PAS 55 has been delayed due to this standard being replaced by an ISO standard 55000

Activity: Water conservation programmes

Increases in total consumption will be held to levels consistent with population change and targets for per head consumption.	For the year to 30 June 2012, we supplied 50,722 ML – an average of 138.6 ML/day – this is the lowest annual supply total in records to hand, going back to 1974. On a per capita basis, we supplied 351 litres per day last year on average. In GW's 2009-19 LTCCP, GW committed to a 10% reduction over 10 years, from a base of 399 L/h/d in 2007/08. To date, per capita supply has reduced by 12% since 2007/08 (4 years).

Activity: Water collection, treatment and delivery

Performance indicator	Performance to date
Security of supply will be no less than 2.0% probability of shortfall (1 in 50-year drought).	Based on a current population figure of 395,000, the Annual Shortfall Probability is 1.5%.

Activity: Planning for future water demand and supply

Performance indicator	Performance to date
Major infrastructural developments will be undertaken in accordance with the Wellington Water Supply Development Plan. *Budget: $12,300,000*	The Stuart Macaskill upgrade forms the major part of the 2011/12 development plan, and this is expected to be below budget this financial year. The Wainuiomata mini hydro project was completed within budget. A decision on the purchase of land for a storage lake at Kaitoke is expected to be deferred until 2013..
Raising of water level of Stuart Macaskill Lakes will continue *Budget: $2,500,000*	The buttressing contract to strengthen the external embankments has been completed and the lining for Lake 2 embankments is due to be complete in May 2012.
Construction for the seismic upgrading of the Stuart Macaskill Lakes will continue *Budget: $5,500,000*	The project is on programme. Financial year expenditure is expected to be below budget.

3.