1. Executive summary for Social and Cultural Wellbeing Committee: Water Supply

1.1 Group overview

Water use

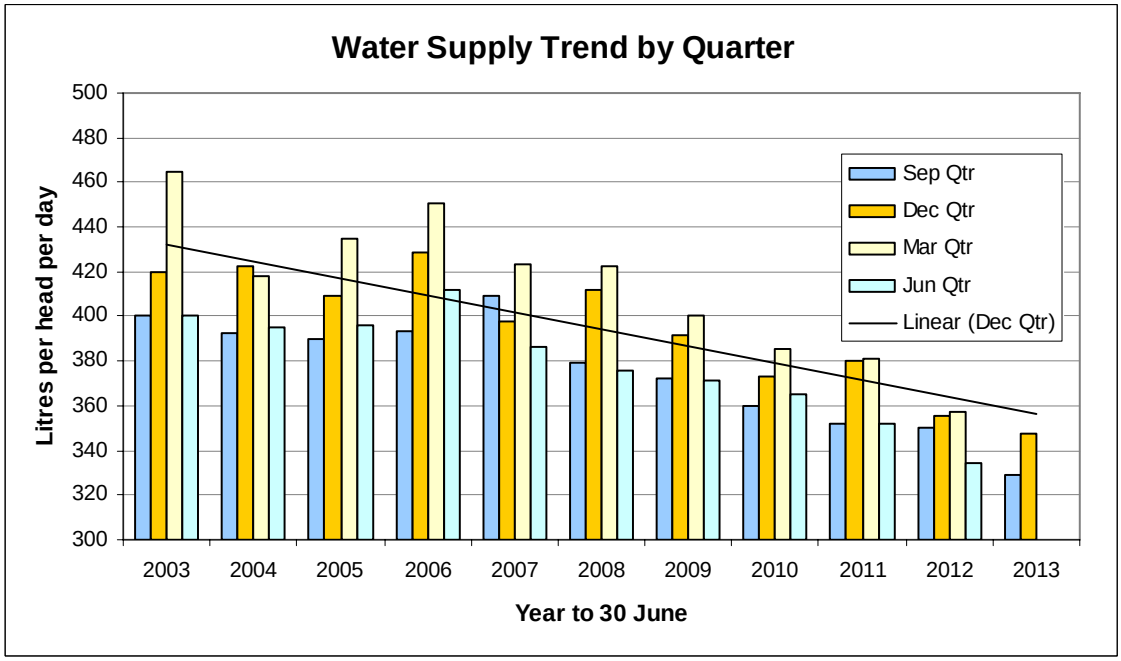
Water supply for the three months to 31 December 2012 totalled 12,720 million litres (ML), or 138.3 ML/day. This represents a reduction of 1.4% for the second quarter year on year, and the lowest second quarter total in records to hand, going back to 1986/87[1].

Water supply during the 2011/12 financial year was the lowest recorded in over 25 years. To date, supply during 2012/13 is tracking 3.3% lower than for the same period in 2011/12.

On a per capita basis, supply for the 2012/13 financial year to date is 338 litres per day.

Each city council reduced its December-quarter water use year-on-year: Lower Hutt reduced by 1.3%, Porirua by 1.1%, Upper Hutt by 1.6% and Wellington by 1.4%.

A quarter-by-quarter water supply graph with December-quarter trend line is shown below.



December-quarter supply (orange bars) has reduced by 1.4% between 2011/12 and 2012/13. (N.B. the March and June quarters of 2006 and the Sept. quarter 2007 are affected by a major leak in Wellington)

Communications

The Marketing team finalised a media plan for advertising re year-two of the Stuart Macaskill lakes upgrade and related water conservation messages. We deployed a mix of print, radio and online advertising between October and mid December, to raise awareness for the project and how households could prepare to save water. More immediate water-saving tips will be used between January and March. Water shortage and restrictions advertising is also ready to be used if required. Advertising material is

[1] Please note that data recording technology has changed significantly since 1986 and the accuracy of data is not consistent over this period

largely that planned and used last spring and summer, with some development to reflect project progress and use of a new media channel.

The team has been working with GWRC Communications to generate news stories linked to the lakes upgrade project. We also worked with our city council customers, to brief them about the water supply situation (throughout what proved to be a dry spring) and encourage coordination of key messages and timing re publicity through city-council controlled media. This activity has contributed to 10 stories in newspapers and on news-media websites (October – December),

During the December quarter, the Water Supply Marketing team contributed to media releases and briefings on the following:

- Summer water supply with one lake empty – radio interview notes for Fran Wilde (8 October)
- "Newer, stronger water pipeline for Lower Hutt's eastern bays" – media release about replacement of GW's aging Pt. Howard water (26 October)
- "Low rainfall reinforces 'dry summer' concern" – media release about the dry start to spring, and outlook for more of the same, as GW prepared to upgrade its second storage lake (9 November)
- "Whitby water main ruptured: locals urged to save water" – media release (27 November)
- GWRC 'Our Region' story "Water warning as dry weather lingers" covering the continuing dry spring conditions and the prospect of a tough summer (29 November)
- "Water catchments receive only a third of average November rainfall" – media release covering November climate data and NIWA's December-February outlook (6 December)
- "Award recognises innovation in drinking water technology" – media release about GW Water's NZ Engineering Excellence Award win (10 December)
- "Land purchase to allow water storage expansion" – media release covering GWRC decision to negotiate the AgResearch land purchase (12 December)
- "Regional council to look into emergency reservoir" – media release covering GWRC decision to investigate emergency water storage near Takapu Rd (12 December)

School visits to water treatment plants

The Marketing team's work to promote Water Supply's tap water education resource, *Turning on the tap*, and school visits to a water treatment plant have started to show results. We arranged 18 plant tours in five weeks during November and December, all led by our Operations staff, with some 500 pupils from three schools visiting. Visit feedback from teachers was very positive, including:

[Fergusson Intermediate]

"Yes (I'd recommend the tour and *Turning on the tap* resource), it was an excellent way to take classroom activities to a 'real world' environment. It helped build awareness of the need to sustain our natural resources"

[Plateau School]

"The students were most definitely engaged (during the tour)"

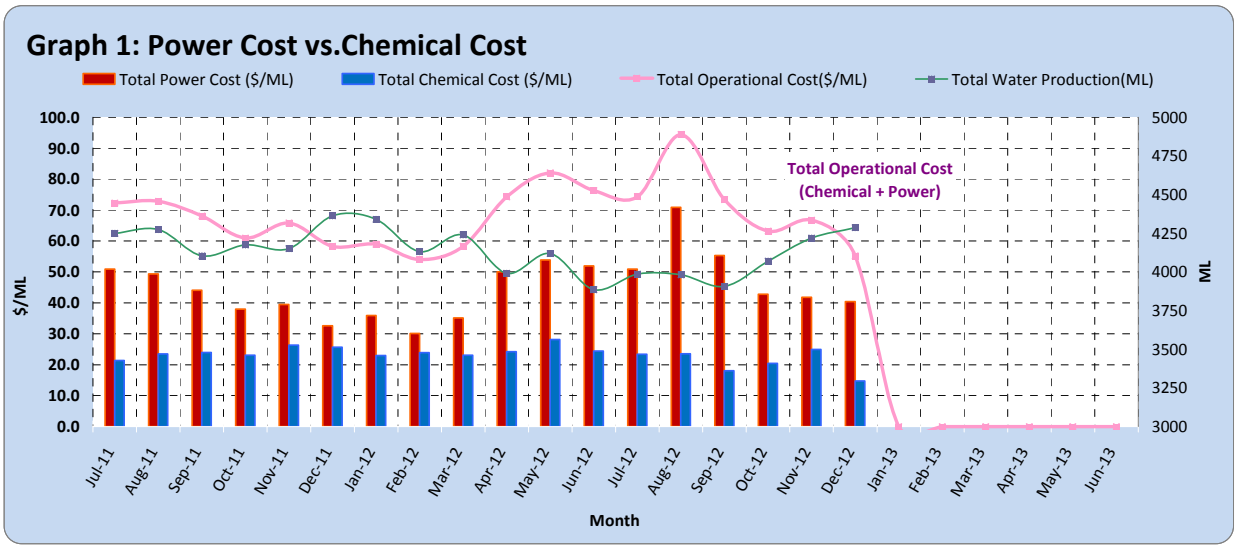
Wainuiomata Recreation Area – Lower Dam

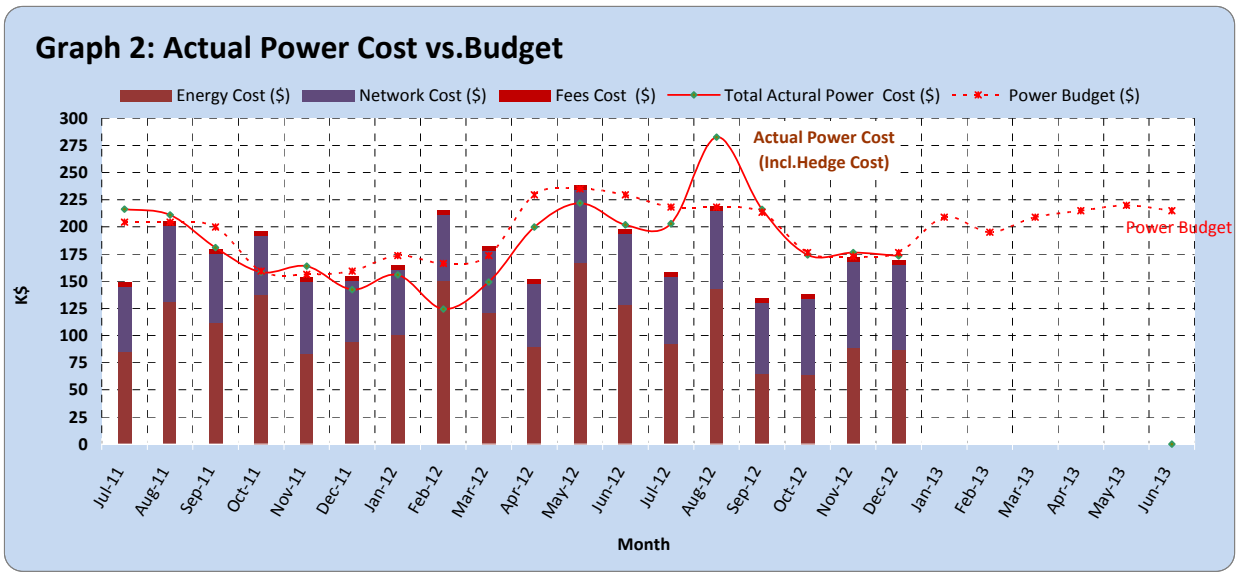
Water Supply is working with Parks to prepare interpretation material about the Wainuiomata lower dam and the history of water supply from Wainuiomata. The lower dam area will be opened to the public from March 2013.

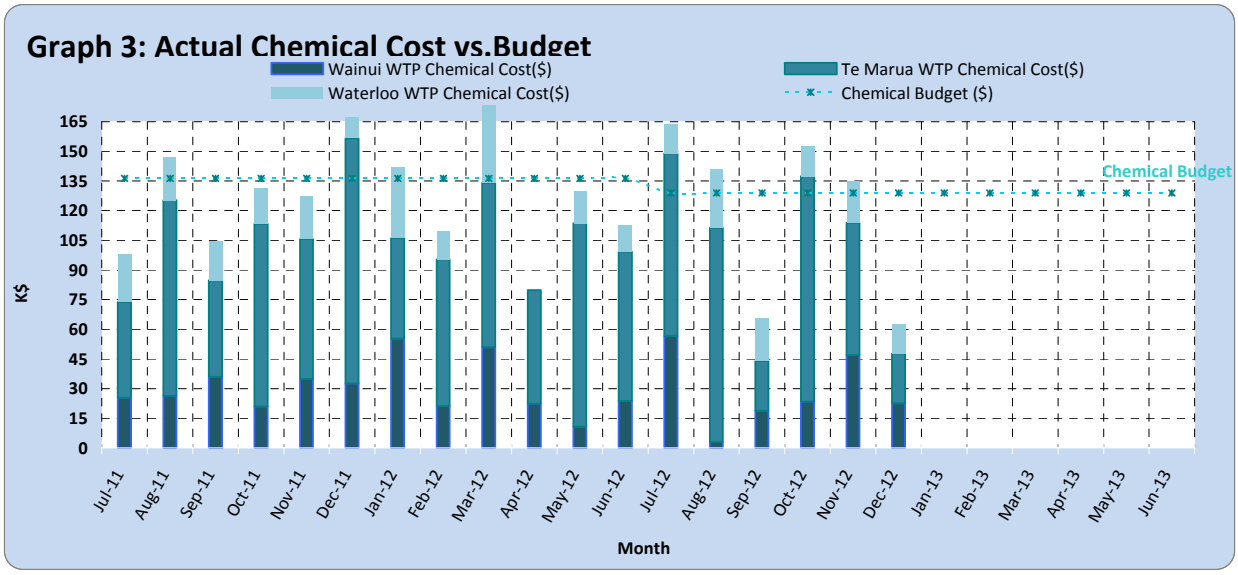
1.2 Key results for the quarter

1.2.1 Power and chemicals

Expenditure on power and chemicals for the half year ended basically on budget, with power $29,000 over and chemicals $27,500 under budget. Lower prices over the quarter for electricity, and increased hydro generation helped offset the increased consumption as water production increased moving into the summer months.

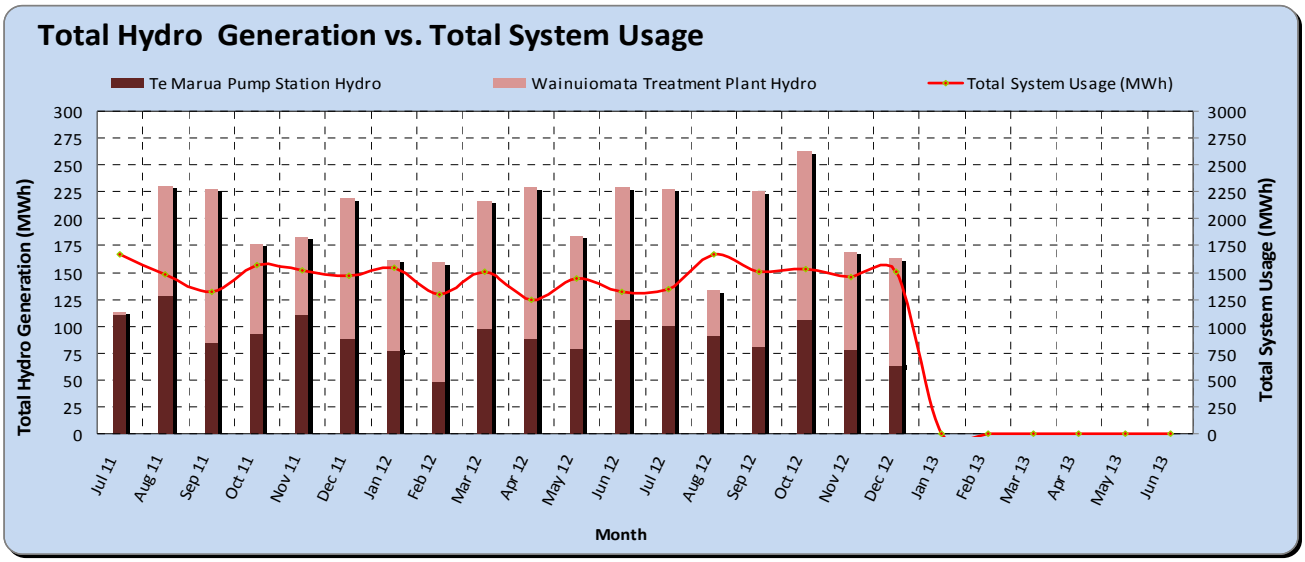






Hydro generation has increased this quarter mainly due to the refilling of the Te Marua Lake.

For the six months to June 2013 Water Supply generated 1,181.26 KWh or 11.6 percent of it's total power consumption for a cost saving of $142,000.



1.2.2 Quality performance

MoH Microbiological compliance - 100%.

MoH Chemical compliance (fluoride) – 100%.

Aesthetic compliance – No issues for the quarter

Integration of the 9001/14001 and H&S systems is almost complete and an external auditor will carry out a desk audit in January 2013.

1.2.3 Environmental performance

Ecological monitoring of the Hutt River

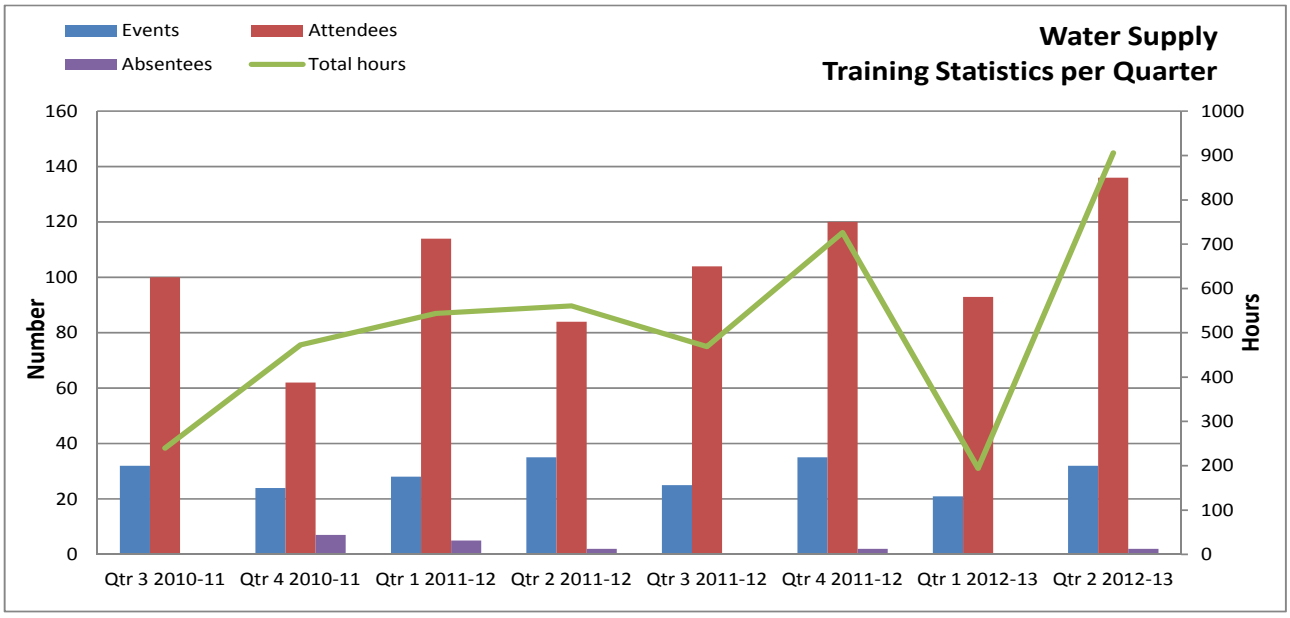
Monitoring of the Hutt River Ecology as required by the new consent conditions set in July 2011 began on 1 November, even though the reduction in the residual flow at Kaitoke authorised by the revised consent has not yet been implemented, due to higher than usual river flows. Two minor changes to the monitoring regime have been instigated. An additional nutrient monitoring site has been established downstream of the Whakatikei confluence to assist in determining if nutrients are entering the river between Whakatikei and Taita. The temperature monitoring point in the Pakuratahi has been abandoned as the instrument installed there was lost during flooding and it has been decided that the information is of marginal benefit only.

Discussions regarding Regional Plan Review

Discussions with EMG staff on various aspects of the Regional Plan Review have continued. In particular a list of candidate water supply activities for consideration for permitted activity status has been submitted

1.2.4 Training performance

There was a large increase in both attendees and total training hours (Average is now 514 hours per quarter). A high reporting level was evident with 31 events logged.



Items of Interest relating to the last Quarter

Main contributors were; 1) our annual divisional workshop which included a wellness session. 2) Advanced driver training (both theory and practical) promoted by GW to increase road safety and driver awareness. 3) new staff training and control logic systems.

Outlook for next Quarter

Further sessions required for Road Safety and Driver Awareness, Floor / Fire Warden, Gas detectors refreshers, Environmental awareness, Internal audit training, Q-Pulse introduction.

1.3 Capital works programme

1.3.1 Summary of capital works programme

The expenditure summary for 2012/13 projects is:

Budget: $14,466,000

Forecast: $14,549,000

Variance: $83,000 (<1% over-spend)

To date, work has been completed on 33 projects out of a total of 107.

Summary of projected savings and additional expenditure by asset type

Category	Budget $	Forecast $	Variance %
Source projects	$30,000	$30,589	2%
Treatment plant projects	$880,000	$904,489	3%
Pipeline projects	$1,980,000	$1,870,137	-6%
Pump stations and reservoirs	$505,000	$550,000	9%
Reservoirs	$0	$0	
Monitoring and control projects	$960,000	$825,050	-14%
Minor works, seismic protection and completion of previous year projects	$1,711,000	$1,969,116	15%
New sources	$8,400,000	$8,400,000	0%
Total	$14,466,000	$14,549,381	1%

2. Group financial summary for the Social and Cultural Wellbeing Committee

2.1 Financial summary

Greater Wellington Water Income Statement For the 6 months ended 31 December 2012	YTD as at 31 December Actual $000	 Budget $000	 Variance $000	Full Year Forecast $000	 Budget $000	 Variance $000	Last Year YTD Actual $000	 FY Actual $000	notes
Rates & Levies	12,444	12,444	-	24,888	24,888	-	12,082	24,164	
Government Grants & Subsidies	-	-	-	-	-	-	-	-	
External Revenue	95	72	23	328	328	-	84	347	
Investment Revenue	350	273	77	710	546	164	334	660	1
Internal Revenue	4	486	(482)	10	972	(962)	1,113	2,231	2
TOTAL INCOME	**12,893**	**13,275**	**(382)**	**25,936**	**26,734**	**(798)**	**13,613**	**27,402**	
less:									
Total personnel costs	2,364	2,370	6	4,669	4,669	-	2,627	4,942	
Less resource costing	(847)	(378)	469	(1,700)	(755)	945	(241)	(583)	3
Net payroll costs	1,517	1,992	475	2,969	3,914	945	2,386	4,359	
Chemicals	746	774	28	1,547	1,547	-	802	1,527	
Power used in production	1,219	1,190	(29)	2,381	2,381	-	1,029	2,184	
Other	2,495	2,463	(32)	5,058	5,061	3	2,046	4,267	
Total Materials,Supplies & Services	4,460	4,427	(33)	8,986	8,989	3	3,877	7,978	
Travel & Transport Costs	125	104	(21)	263	263	-	103	241	
Contractor & Consultants	1,027	1,042	15	2,205	2,205	-	665	1,867	
Grants and Subsidies Expenditure	-	-	-	-	-	-	-	-	
Internal Charges	640	1,259	619	1,555	2,517	962	1,422	3,509	4
Total Direct Expenditure	**7,769**	**8,824**	**1,055**	**15,978**	**17,888**	**1,910**	**8,453**	**17,954**	
Financial Costs	1,751	2,030	279	4,059	4,059	-	1,561	3,206	
Bad Debts	-	-	-	-	-	-	-	-	
Corporate & Department Overheads	686	686	-	1,373	1,373	-	526	1,051	
Depreciation	4,078	4,093	15	8,185	8,185	-	4,178	8,334	
Loss(Gain) on Sale of Assets / Investments	269	(40)	(309)	269	35	(234)	244	388	5
TOTAL EXPENDITURE	**14,553**	**15,593**	**1,040**	**29,864**	**31,540**	**1,676**	**14,962**	**30,933**	
OPERATING SURPLUS/(DEFICIT)	**(1,660)**	**(2,318)**	**658**	**(3,928)**	**(4,806)**	**878**	**(1,349)**	**(3,531)**	
Add Back Depreciation	4,078	4,093	(15)	8,185	8,185	-	4,178	8,334	
Other Non Cash	269	(40)	309	269	35	234	244	388	
Net Asset Acquisitions	(4,134)	(9,436)	5,302	(14,875)	(14,792)	(83)	(4,055)	(9,360)	
Net External Investment Movements	(549)	(473)	(76)	(1,110)	(946)	(164)	(603)	(1,149)	
NET FUNDING BEFORE DEBT & RESERVE MOVEMENTS	**(1,996)**	**(8,174)**	**6,178**	**(11,459)**	**(12,324)**	**865**	**(1,585)**	**(5,318)**	
Debt Additions / (decrease)	4,100	8,922	(4,822)	14,549	14,036	513	3,832	9,038	
Debt Repaid	(2,320)	(964)	(1,356)	(3,306)	(1,928)	(1,378)	(2,355)	(3,612)	
Net Reserves (Increase) / decrease	216	216	-	216	216	-	108	(108)	
NET FUNDING SURPLUS (DEFICIT)	-	-	-	-	-	-	-	-	

The Water Group operating result was a better than budget result of a $1.660m deficit against a budgeted deficit of $2,318m. A cost saving of $0.658m Water Supply is also forecasting a better than budget full year deficit of $3.928m against a budgeted full year deficit of $4.806m representing a full year cost saving of $0.878m

1) Investment revenue - Interest rates gained on invested funds continue to be better than budget. The full year forecast is for better than budget income of $0.164m.

2) And 4) Internal income/Internal charges - Caused by accounting changes to the way Engineering and projects actual time is allocated compared to the way it was budgeted for. The net effect of the two changes is neutral with the variances offsetting each other.

3) Resource costing - The YTD variance is partly due the accounting changes mentioned above. The rest of the variance is because actual recoveries from capital projects are running well ahead of budget. Full year is forecast to result in a favourable variance to budget of $0.945m. Improvements in project resource planning are underway and we expect to see closer budget v actual numbers over the next couple of years.

5) Loss on sale of assets - The result of the replacement of assets that were not fully depreciated and the residual value write off was not budgeted for. Processes have been put in place to better identify any book value of scheduled asset replacements prior to replacement so these residual amounts can be budgeted for.

Note: Water supply is currently having all their assets re-valued. This is likely to have a financial impact on the full year financial results. The results will not be known until March

2013, there are too many variables involved with the revaluation so no attempt has been made to predict the result.

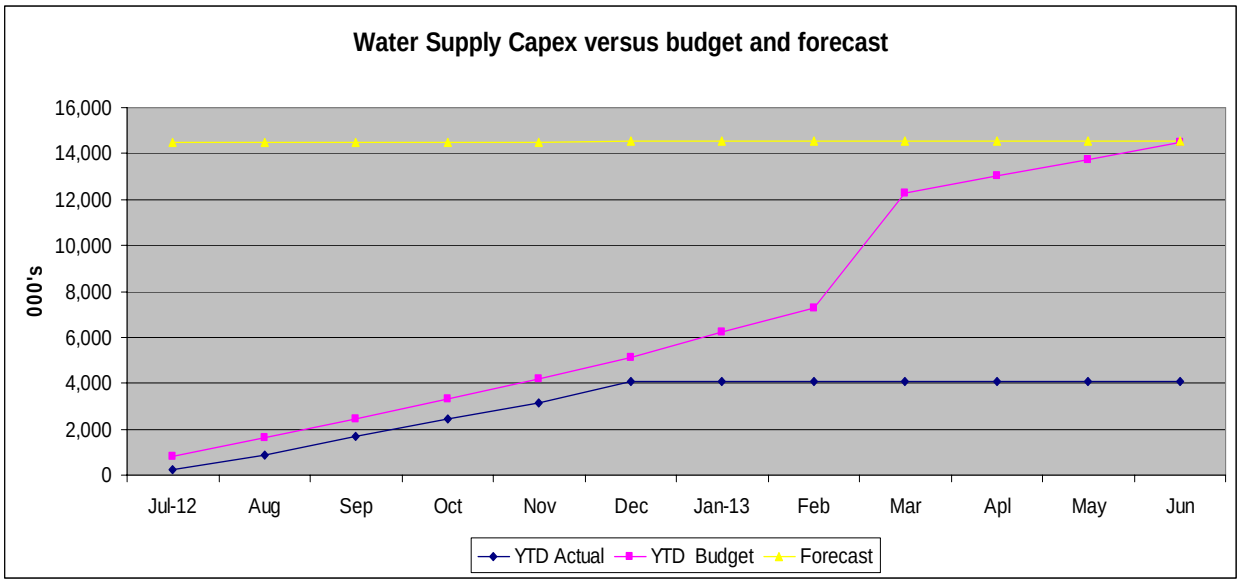
Capital expenditure and investments

Greater Wellington Water	YTD as at 31 December			Full Year			Last Year		
Capital Expenditure Statement	Actual	Budget	Variance	Forecast	Budget	Variance	YTD Actual	FY Actual	
For the 6 months ended 31 December 2012	$000	$000	$000	$000	$000	$000	$000	$000	*notes*
Total Asset Acquisitions	43	432	(389)	441	441	-	1,860	3,464	
Capital Project Expenditure	4,100	9,119	(5,019)	14,549	14,466	83	3,833	9,038	1
Asset Disposal Cash Proceeds	(2)	(115)	113	(115)	(115)	-	(20)	(142)	
Net Capital Expenditure	**4,141**	**9,436**	(5,295)	**14,875**	**14,792**	**83**	**5,673**	**12,360**	
Investments Additions	549	473	76	1,110	946	164	603	1,149	2
Net Capital and Investment Expenditure	**4,690**	**9,909**	**(5,219)**	**15,985**	**15,738**	**247**	**6,276**	**13,509**	

1) Total capital expenditure is predicted to be $83,000 over spent if the $4 million land purchase is completed this financial year.

2) Investment additions: Slightly better than budget due to higher than budgeted interest income on the asset contingency fund investments.

Of note this year is the improved performance of capital project expenditure against budget. Extra effort was put in last year to better predict the timing of expenditure. The following graph shows this improved trend – note this has been adjusted for the delay of the land purchase from December 2012 to March 2013



Balance Sheet

Greater Wellington Water Statement of financial position Balances as at 31 December	Balances as at 31 December 2013	 2012	 Movement $000	 *notes*
Total Retained Earnings	199,171	199,705	(534)	
Asset Revaluation Reserves	101,182	101,182	-	
Departmental Reserves	-	216	(216)	
Movement in Equity	1,763	1,339	424	
Total Ratepayer Funds	**302,116**	**302,442**	**(326)**	
Receivables	2,590	2,601	(11)	
Accrued Revenue and Prepayments	26	(10)	36	
Stocks	2,215	2,145	70	1
Total Current Assets	4,832	4,736	96	
Total Investments	18,255	18,199	56	
Net Fixed Assets	323,240	325,318	(2,078)	
Capital Works In Progess	5,865	4,157	1,708	
Total Non Current Assets	347,360	347,674	(314)	
Total Assets	**352,190**	**352,410**	**(220)**	
	-	-	-	
Payables and Accrued Expenses	734	1,245	(511)	2
Employee Provisions and Accruals	616	474	142	
Current Liabilities	1,350	1,720	(370)	
Internal Debt	48,723	48,248	(475)	
Total Liabilities	**50,074**	**49,968**	**(106)**	
Net Assets	**302,116**	**302,442**	**(326)**	

1) Stocks: Higher due to the purchase of a spare motor and actuator for stock

2) Payables: Decrease due to work on the lakes having finished and payments for work on the second lake not yet started in full. Previous payments were running at approx $500 k per month.

2.2 Departmental business plan performance indicators

Level of service	Performance measure	2012/13 Planned	2012/13 Actual
Provide water that is safe and pleasant to drink	Number of waterborne disease outbreaks	0	0
	Number of taste complaint events related to the bulk water supply	0	0
	Percentage compliance with the Drinking Water Standards of New Zealand	Microbiological and aesthetic compliance – 100%	100%
		Chemical compliance – 90%	100%
	Treatment plant and distribution system grading	Maintain current grading	No change to grading
Provide a continuous and secure water supply	Number of shut-offs of the wholesale water supply network resulting in loss of water or pressure to consumers	0	0
	Improve the resilience of the wholesale water supply to catastrophic events such as earthquakes	Establish a methodology for assessing improvements to the resilience of the wholesale water supply	A methodology to assess projects based on their contribution to increasing the resilience of the network has been developed and is in use
That water supply infrastructure is adequate to meet future needs while minimising environmental impacts	Modelled probability of annual water supply shortfall	No greater than 2%	1.5%
	Compliance with environmental regulations	Full compliance	Full compliance

Specific areas of work in the next year.	2012/13
Renew and improve water supply infrastructure, including improvement of earthquake resilience	Seismic assessments are being carried out on all Water Supply buildings. Key Security of Supply Improvement projects have been identified. Value $6.270 million
Increase the water storage capacity of the Stuart Macaskill lakes	Lake 2 completed, work on Lake 1 expected to be completed to budget time and cost
Earthquake strengthen the Stuart Macaskill lakes	Lake 2 completed, work has commenced on Lake 1
Confirm preferred option for a significant new storage facility	Work is progressing
Investigate options for an interim solution to increase capacity	Work is progressing