

1. Water

1.1 Group overview

Demand over the early summer period has been below average for this time of year. The average daily supply during December was 6% less than the 2006-10 December average, while the 116ML supplied on 30 December is the lowest daily total in collective memory. The highest demand day to date (162ML) was on the 24th of December. Demand has peaked at over 200ML in the last decade.

Work on the Stuart Macaskill Lakes upgrade project is progressing to schedule despite some liner quality issues that have now been addressed.

Relocation of the Pipelines workshop, office and emergency stocks has been delayed by building consent issues and the completion date has slipped by about eight weeks to end of April 2012.

1.2 Key results for the year

Stuart Macaskill Lakes upgrade

Construction of the five rock buttresses on the external embankments of the lakes has been completed.

The polyethylene liner for Lake 2 has been purchased and delivered to site. Additional testing of this material has been required because it did not meet the specification in some respects. Arrangements for meeting the cost of this additional testing will be negotiated with the material supplier.

A building consent for the lining and crest raising work has been issued by Environment Waikato and the contract for the work has been let to Hawkins Construction. Lake 2 will be upgraded this summer and work has begun on site.

GW has engaged a Contracts Engineer to carry out supervision of the site works. The Contracts Engineer will be working very closely with Tonkin and Taylor.

Publicity about the fact that one lake is empty this summer has been released regularly in line with the communications plan. The message has been picked up by the local newspapers and a number of related articles have been published on the need to conserve water. The four city councils have also publicised this message.

Kaitoke water take consent

The draft Hutt River Ecological Monitoring Plan and Low Flow Management Plan have been submitted to the Environment Regulation Department for approval. Equipment required to continuously monitor dissolved oxygen and temperature of the water has been purchased and is being installed. It is expected to be on-line and transmitting continuous data by the end of January.

Arrangements for the first periphyton and macroinvertebrate monitoring surveys were made, but these were cancelled owing to freshes raising the flow rate in the Hutt River. The surveys will be carried out when the river flow drops to the level specified in the consent.

1.3 Capital works programme

The expenditure summary for 2011/12 projects are:

Budget:	\$16,307,000
Forecast:	\$9,944,000
Variance:	\$6,344,000 (39% under spent)

To date, work has been completed on 39 projects out of a total of 96. Excluding new source projects, and including commitments, the year to date expenditure is approximately 50% of full year budget.

Summary of projected savings and additional expenditure by asset type

Category	Budget \$	Forecast \$	Variance %
Source projects	\$180,000	\$90,000	-50%
Treatment plant projects	\$920,000	\$920,000	0%
Pipeline projects	\$1,090,000	\$1,255,000	15%
Pumping stations and reservoirs	\$80,000	\$77,000	-3
Reservoirs	\$0	\$0	0%
Monitoring and control projects	\$762,000	\$513,000	-33%
Minor works, seismic protection and completion of previous year projects	\$975,000	\$1,024,000	5%
New sources	\$12,300,000	\$6,084,000	-51%
Previous year adjustments*	\$0	-\$19,263	
Total	\$16,307,000	\$9,943,737	-39%

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

The work on upgrading the Stuart Macaskill Lakes is forecast to cost approximately \$2.0m less than budget. This is mainly because the crest and liner tenders came in significantly less than the Engineer's estimate.

Development of the Upper Hutt Aquifer is now unlikely to proceed. The current year budget of \$100k for development work is therefore not required.

There remains some uncertainty regarding the \$4m provisional sum for purchase of land for the proposed Te Marua Lake 3. 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 this year, so it is likely the \$4m will need to be re-budgeted to 2012/13. Discussions are underway with the landowner, AgResearch to extend the option to purchase.

Reduced costs of approximately \$6.8m and additional costs of approximately \$0.5m are forecast within the Wholesale Water Supply capital work programme. The net result is a forecast under-spend of approximately \$6.3m, of which approximately \$4.3m is likely to be re-budgeted to 2012/13.

1.4 Marketing and Design

Te Marua Lakes Upgrade/Water Conservation

A promotion for the spring and summer period of 2011/12 covering the Lakes Upgrade is well underway. We have completed a 'project awareness' advertising phase (October 3-15) and a springtime 'prepare for a dry summer' tips advertising phase (October 24 – November 26). In Early December, we also launched a Water Supply Situation Update graphic device, a level-marked water glass designed to provide a weekly picture of the relative severity of the water supply-demand balance. We have supported this activity with publicity to coincide with the start of advertising and in response to changing long-range weather forecasts. From January, the situation update graphic will appear daily on the weather page of the Dominion Post. In the three months to 31 December, we have identified 25 news stories/features about the lakes upgrade project and water conservation tips in local newspapers. The four city councils that we supply with water have also been active in supporting our promotion of the lakes upgrade and water conservation tips via their publicity channels.

During the quarter, we continued to develop the summer phases of advertising, both for advice about water-saving tips and in preparation for the possibility of a water shortage requiring further water use restrictions. We will review the advertising schedule in light of supply conditions as we move through the summer.

We have been working closely with Capacity and city council communications staff to coordinate the look and content of messaging. We coordinated the development of common style elements, including the tagline "*Use a bit less, make a big difference*" for use by all five councils. During the quarter, Wellington, Upper Hutt and Porirua city councils all deployed advertising using these common elements, while Hutt City Council has billboards in development for use during summer.

Water Use

Water use for the quarter averaged 140 million litres per day (ML/d), the lowest total for over 15 years and 10ML/d (6.7%) less than the December quarter average for the last five years. This modest level of water use has made water shortage-related advertising unnecessary to date. While the cause of this low demand is unlikely to be due entirely to our communications, anecdotal evidence suggests widespread awareness of the lakes upgrade and need to conserve water this summer, which is encouraging.

Turning on the tap - water educational resource

Advertising was placed in two education sector magazines in November - the Education Gazette and Starters & Strategies, to alert teachers to the availability of the resource. We have planned a further advertisement to coincide with the start of term 1 in February.

A staff member met with Hutt City Council's Environment Sustainability Advisor and the 'Enviroschools' facilitator for Lower Hutt to discuss *Turning on the tap*. Their response to the resource was very positive and they have agreed to promote it to their contacts in Lower Hutt. Upper Hutt City Council's Education Sustainability Advisor is currently promoting the resource to schools in Upper Hutt.

1.5 Looking ahead

The next quarter will see the completion of training for the new Operations Technicians team. This means that the new structure, i.e. separate teams for Operations and Maintenance, should be fully in place by end of April.

Workload in the Assets area is high and we are considering deferring improvement projects in order to maintain progress on the Asset Management Plan review.

2. Group financial summary

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

In October 2011 the restructure of the old Service and Utilities Group was completed, while the Water group retains responsibility for some project budgets such as the new water sources project (\$12.3m) these are being managed by the new Development Group and financial performance against these budgets is being reported by them separately.

Last Year YTD Actual \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Water Supply Funding Impact Statement For the 6 months ended 31 December 2011	Last Year FY Actual \$000	Full Year Forecast \$000	Full Year Budget \$000	Full Year Variance \$000	notes
70	84	140	(56)	External Revenue	432	280	280	-	1
542	334	324	10	Investment Revenue	894	647	647	-	
1,123	1,113	1,104	9	Internal Revenue	2,265	2,207	2,207	-	
13,465	13,613	13,650	(37)	TOTAL INCOME	27,051	27,298	27,298	-	
				less:					
2,108	2,387	2,150	(237)	Personnel Costs	4,125	4,351	4,301	(50)	2
3,461	3,877	3,974	97	Materials,Supplies & Services	6,980	8,236	8,017	(219)	3
104	103	111	8	Travel & Transport Costs	205	222	222	-	
812	665	1,048	383	Contractor & Consultants	2,058	2,121	2,121	-	4
-	-	-	-	Grants and Subsidies Expenditure	-	-	-	-	
1,458	1,422	1,499	77	Internal Charges	2,917	2,999	2,999	-	
7,943	8,454	8,782	328	Total Direct Expenditure	16,285	17,929	17,660	(269)	
1,256	1,561	1,833	272	Financial Costs	2,538	3,065	3,665	600	5
-	-	-	-	Bad Debts	-	-	-	-	
468	526	526	-	Corporate & Department Overheads	937	1,051	1,051	-	
4,074	4,178	4,179	1	Depreciation	8,215	8,359	8,359	-	
(1)	244	(109)	(353)	Loss / (Gain) on Sale of Assets / Investments	(4)	191	(109)	(300)	6
13,740	14,963	15,211	248	TOTAL EXPENDITURE	27,971	30,595	30,626	31	
(275)	(1,350)	(1,561)	211	OPERATING SURPLUS / (DEFICIT)	(920)	(3,297)	(3,328)	31	
4,074	4,178	4,179	(1)	Add Back Depreciation	8,215	8,359	8,359	-	
(1)	244	(109)	353	Other Non Cash	(4)	191	(109)	300	
(2,309)	(4,055)	(7,603)	3,548	Net Asset Acquisitions	(7,393)	(11,192)	(16,692)	5,500	
(684)	(603)	(524)	(79)	Net External Investment Movements	(1,223)	(1,047)	(1,047)	-	
-	-	-	-	Investment in Subsidiaries	-	-	-	-	
805	(1,586)	(5,618)	4,032	NET FUNDING BEFORE DEBT & RESERVE MOVEMENTS	(1,325)	(6,986)	(12,817)	5,831	
2,260	3,834	6,344	(2,510)	Debt Additions / (decrease)	7,264	14,466	14,466	-	
(3,228)	(2,355)	(878)	(1,477)	Debt Repaid	(5,993)	(7,587)	(1,756)	(5,831)	
162	108	108	-	Net Reserves (Increase) / decrease	54	108	108	-	
(1)	1	(44)	45	NET FUNDING SURPLUS (DEFICIT)	-	1	1	-	

Notes

- 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 first quarter trend has continued with below budget recoveries of staff time from Capital projects.
- The record low level of water demand in December has led to a corresponding reduction in expenditure on chemicals and power for the quarter.
- The level of variance has reduced from the first quarter as a number of the projects which had only just been initiated in the first quarter are now progressing.
- Finance costs are below budget due to the lower level of capital expenditure for the lakes upgrade and deferred purchase of land for lake 3.
- Variance is due to unbudgeted write offs on asset replacements. The 2012/13 budget is being revised to ensure future write offs are provided for.

2.2 Capital Expenditure

Last Year YTD Actual \$000	YTD Actual \$000	YTD Budget \$000	YTD Variance \$000	Water Supply Capital Expenditure Statement For the 6 months ended 31 December 2011	Last Year FY Actual \$000	Full Year Forecast \$000	Full Year Budget \$000	Full Year Variance \$000	notes
49	1,860	456	(1,404)	Total Asset Acquisitions	1,109	503	503	-	
2,260	3,833	7,265	3,432	Capital Project Expenditure	7,264	10,807	16,307	5,500	1
-	(20)	(117)	(97)	Asset Disposal Cash Proceeds	(22)	(117)	(117)	-	
2,309	5,673	7,604	1,931	Net Capital Expenditure	8,351	11,193	16,693	5,500	
684	603	524	79	Investments Additions	1,223	1,047	1,047	-	
2,993	6,276	8,128	2,010	NET CAPITAL AND INVESTMENT EXPENDITURE	9,574	12,240	17,740	5,500	

Notes

- 1) Various projects are either under budget or being re-budgeted for 2012/13. See Capital Works Programme summary for details of individual projects.

The main variances contributing to this result were:

- Project materials/supplies exceeded budget by almost \$500,000 due to the purchase of the embankment liner for Stuart Macaskill Lake 2 by Greater Wellington. The original intention was to include the liner as a contract supply item but the long lead time for supply made that impractical.
- Contractor expenditure was approx. \$3.5 million below budget for the first 6 months. Much of this relates to under-spending on the Stuart Macaskill Lakes upgrade project, which has achieved project savings to date, and expenditure on the lining contract was below forecast for December. The cost of the liner is accounted for under project supplies. Expenditure on the upgrade project will rise from January.
- Consultant costs were above budget as a result of work associated with the water take consent change and testing carried out on liner supplied for the Stuart Macaskill Lakes upgrade that does not comply with the specification.
- Interest costs were approx. half the 6 month budget due to lower capital expenditure on the Stuart Macaskill Lakes.
- Depreciation charges were only a little over half the budgeted amount due to deferral of the lakes raising and lining contract last year.

2.3 Departmental business plan performance indicators

Activity: Water collection, treatment and delivery

Performance indicator	Performance to date
<i>Water will be supplied to the four cities in the region that meets or exceeds national quality standards and meets reasonable daily demand.</i>	On target with demand for the four cities met.
<i>Treatment plant gradings will be</i>	

<p><i>maintained or improved.</i></p> <p><i>Security of supply will be no less than 2.0% probability of shortfall (1 in 50-year drought).</i></p> <p><i>There will be no deferred maintenance in the system.</i></p>	<p>Treatment plant gradings have been maintained.</p> <p>Once Statistics New Zealand has updated the population numbers the standard will be reviewed.</p> <p>There is not any deferred maintenance for water supply assets.</p>
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Activity: Water supply infrastructure

<p><i>Assets will be replaced or enhanced in accordance with the asset-management plan.</i></p>	<p>Assets have been replaced as set out in the capital expenditure programme.</p>
<p><i>Asset management plans will be maintained in accordance with best practice (e.g. International Infrastructure Management Manual or (BS/PAS 55:2003)).</i></p>	<p>Ongoing work is on schedule.</p>

Development and Strategy

Activity: Planning for future water demand and supply

Performance indicator	Performance to date
<p><i>Major infrastructural developments will be undertaken in accordance with the Wellington Water Supply Development Plan.</i></p>	<p>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.</p> <p>The Wainuiomata mini hydro project has been completed within budget. A decision is yet to be taken on the purchase of land for a storage lake at Kaitoke.</p>
<p><i>Raising of water level of Stuart Macaskill Lakes will continue</i></p>	<p>The buttressing contract to strengthen the external embankments is nearing completion. A purchase order for the embankment lining for Lake 2 has been placed. Council has approved awarding of the contract to raise the water level and install the liner. The project is on programme.</p>
<p><i>Construction for the seismic upgrading of the Stuart Macaskill Lakes will continue</i></p>	<p>Financial year expenditure expected to be below budget.</p>

Marketing and Design

Activity: Water conservation programmes

<p><i>Increases in total consumption will be held to levels consistent with population change and targets for per head consumption.</i></p>	<p>For the quarter, we supplied 12,902 ML – an average of 140.2 ML/day – this is the lowest December quarter total in over 15 years, and 6.7% less than the average December total from the previous five years. We are on track to register a year on year reduction in gross per capita water use for the sixth consecutive year</p>
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