

**Report No. 00.664**

25 August 2000

File: O/2/1/10

gk:Reports\US00-664

Report to the Utility Services Committee  
from David Benham, Divisional Manager, Utility Services

## **Divisional Report**

### **1. Purpose**

- To comment on the Utility Services Division's performance for the year ended 30 June 2000.
- To receive the attached activity reports to 31 July 2000 (*Attachment 1*). (financial reports for July not available).

### **2. Divisional Performance for Year Ended 30 June 2000**

While the Councils full Annual Report is not due to be formally reported until October, we can outline in this order paper the results for the year. As you are aware, we will be producing the Water Group's Annual Business Report at about the same time as the Council's Annual Report.

The summary here simply provides an unaudited brief overview of the Division's performance for the year. Considerable additional detail of the years' activities is provided in the Public Excluded part of this order paper.

#### **2.1 Water Supply**

From a financial perspective the following table outlines the financial results over the last three years and compares the 1999/2000 actuals with the budget for 2000/2001. This shows that the costs of running the business have dropped by 23 percent or \$5M since 1997, excluding the change in depreciation. Those savings are split between operating savings of \$2M and interest savings of \$3M. The interest savings have largely been generated by increased debt repayment through the elimination of sinking funds and the application to debt of additional operating surpluses generated through cost savings.

A reduction in interest rates has also contributed to interest savings over the period. Debt is now \$62M which is \$3.5M below last year and \$10.5M below 1997.

The operating costs before depreciation performance for this year is \$1.1M better than budget and \$554,000 better than last year.

The expectation of these savings have been built into the new long-term financial strategy and has enabled a further 4 percent reduction in the water levy for the 2000/2001 year. In our view, however, the potential for further significant operational savings are now limited and further reductions in the levy will have to be at the expense of debt repayment.

Strategically the initiation during the year of the integration proposal with Hutt and Wellington City Councils is a welcome development. The development of various options is underway and we look forward to presenting those proposals later in the year.

Operationally the major highlights were:

- Treatment plant improvements;
- Distribution system optimisation underway;
- Environmental Management System ISO14001 accreditation (to add to ISO9002 accreditation for water quality);
- Asset revaluation exercise completed (\$64M value increase);
- Asset Management System installed and operating;
- Capital works programme essentially completed;
- IRD binding ruling received to transfer Karori land to Wellington City Council.

**Water Excluding Network and Intragroup Revenues/Costs**

	<b>Actual June 1997 \$'000</b>	<b>Actual June 1998 \$'000</b>	<b>Actual June 1999 \$'000</b>	<b>Actual June 2000 \$'000</b>	<b>Budget June 2001 \$'000</b>
<b>Operating Revenue</b>					
Bulk Water Levy	25,213	25,218	25,218	24,210	23,242
Internal Revenue	2,027	1,642	743	716	684
Other	1,400	675	1,442	1,092	941
<b>Total Operating Revenue</b>	<b>28,640</b>	<b>27,535</b>	<b>27,403</b>	<b>26,018</b>	<b>24,867</b>
<b>Operating Expenditure</b>					
Personnel	4,422	3,851	3,357	3,570	3,655
Power	2,065	1,706	1,533	1,853	1,880
Chemicals	1,965	1,690	1,644	1,452	1,529
Other Materials, Supplies & Services	2,245	1,093	2,087	2,198	2,058
Travel & Transport	166	164	185	163	195
Contractor & Consultants	1,554	2,240	1,901	1,666	1,926
Internal Consultants	1,182	1,164	577	692	679
Financial Costs	8,243	6,909	6,166	5,211	5,331
Movement in Doubtful Debt Provision	-	78	(17)	5	-
Loss/(Gain) on Sale of Assets	-	(42)	(20)	(67)	(31)
Corporate Overhead	741	750	616	731	765
<b>Operating Expenditure before Depreciation</b>	<b>22,583</b>	<b>19,604</b>	<b>18,028</b>	<b>17,474</b>	<b>17,988</b>
Depreciation	4,028	4,193	4,335	5,010	5,166
<b>Total Operating Expenditure</b>	<b>26,611</b>	<b>23,797</b>	<b>22,363</b>	<b>22,484</b>	<b>23,154</b>
<b>Surplus before Abnormals</b>	<b>2,029</b>	<b>3,738</b>	<b>5,040</b>	<b>3,534</b>	<b>1,713</b>
<b><u>Abnormal Items</u></b>					
Karori Land Asset Write Down	-	-	(1,590)	-	-
Distribution Stock Write Up	-	-	1,111	-	-
Interest - Buy Back of Debt	-	-	(455)	-	-
	-	-	-	-	-

<b>Surplus after Abnormals</b>	<b>2,029</b>	<b>3,738</b>	<b>4,106</b>	<b>3,534</b>	<b>1,713</b>
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## 2.2 **Plantation Forestry**

Our best year yet with a significant improvement in our financial performance for the year. An operating surplus of \$353,000 was achieved which is a \$1.1M improvement on last year.

While we aim to achieve a similar outcome in this financial year we then hit a shortage of trees to harvest for the following three years. Things then improve again from 2004/2005 onwards.

## 3. **Recommendation**

*That the report be received and the information noted.*

DAVID BENHAM  
Divisional Manager, Utility Services

Attachment 1: Utility Services Division's Activity Reports to 31 July 2000