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**Committee**            **Utility Services**  
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                                 **Greater Wellington Water**

## **Greater Wellington Water Capital Works Programme 2004-2005: Half Year Review**

### **1. Purpose**

The purpose of this report is to present a summary of the financial position of the projects making up the 2004-2005 Wholesale Water Capital Works Programme, as at 31 December 2004 for the Committee to review.

### **2. Summary**

The forecast expenditure on 2004-2005 Annual Plan projects is **\$5,026,000** against a total budget of **\$5,312,000**, giving a projected saving of **\$286,000**. Of the \$5,026,000, it is proposed to transfer **\$837,000** into the 2005/06 financial year to fund 2004-2005 projects that have been delayed. That is, the actual net expenditure during 2004-2005 is forecast to be **\$4,189,000**.

### **3. Project groups**

Projects are listed under a particular group in the Capital Works Programme. Each group is reviewed below.

#### **3.1 Source projects**

Expenditure up to 30 June 2005 on works associated with water collection (sources) is forecast to be **\$425,000** against a budget of **\$650,000** (saving **\$225,000**). A delay to the project to aerate the Stuart Macaskill Lakes has resulted in \$35,000 expenditure being transferred to next financial year, and deferral of detailed investigations of off river storage at Wainuiomata has saved \$100,000. The latter project has been delayed because of the increased population growth and the decision to review the next major source to be developed. Delays in the project to improve the Lower Dam at Wainuiomata, largely through consenting issues, are expected to mean deferral of \$100,000 of expenditure to 2005-2006.

### **3.2 Treatment plant projects**

Expenditure on works associated with water treatment is forecast to be **\$889,000** against a budget of **\$1,050,000** (saving **\$161,000**). Savings are expected to be made against budget allocations for the replacement of equipment. However it must be noted that these allocations are to some extent contingency provisions made against the possibility of machinery failure, and this forecast could easily change.

### **3.3 Pipeline projects**

Expenditure on work associated with pipelines is forecast to be **\$1,035,000** against a budget of **\$1,420,000** (saving **\$385,000**).

Projects where savings have been achieved are as follows:

- Purchase of repair materials for Silverstream Bridge (\$100,000). This project has been deferred in the expectation that investigation and foundation work carried out for the Silverstream bridge strengthening will provide better information on the location of the Wellington fault.
- Relocation of the Kaitoke main on Silverstream Bridge (\$140,000). This work has been delayed because of delays in receipt of funding from Transit NZ for bridge strengthening work. This approval has now been received, and the project is proceeding, under the control of Upper Hutt City Council.
- Relocation of the Kaitoke main between SH2 and SH58 (\$50,000). This project is a little behind programme and the forecast includes deferral of \$50,000 into next financial year. However, actual expenditure will be very dependent on the availability and performance of a suitable contractor.
- Purchase of seismic repair stocks (\$100,000). This expenditure has been deferred to 2005-2006 because a review of likely earthquake damage and current stocks has not yet been completed. The possibility of coordinating spare pipe holdings with Watercare Services Ltd is also being investigated.

### **3.4 Pumping stations**

Expenditure at pumping stations is expected to be **\$970,000** against a budget of **\$1,432,000** (saving **\$462,000**). The reduction is due to delays in the following projects.

- Upgrade of Karori Pumping Station (\$290,000). The consenting and design phases of this project have been delayed, and a start on construction will be later than planned.
- Point Howard Pumping Station (\$122,000). Delays have also been experienced in the consenting and design phases of this project.
- Randwick Pumping Station Modifications (\$50,000). This work cannot be undertaken until the new Point Howard Pumping Station is operational.

### 3.5 Reservoir projects

No expenditure on reservoir projects is expected (saving **\$50,000**) because investigations of the proposed new reservoir at Takapu have been deferred in favour of other more important strategic studies.

### 3.6 Monitoring and control projects

Expenditure on monitoring and control projects is expected to be **\$182,000** against a budget of **\$260,000** (saving **\$78,000**).

This saving has come about because planned replication of telemetry equipment at WCC sites has been delayed pending the outcome of discussions on integrating telemetry systems rather than separating them. However these discussions have become protracted and the likely outcome is not yet clear.

### 3.7 Minor work

Minor works are expected to cost **\$415,000** against a budget of **\$200,000** (additional cost **\$215,000**) because the number of minor works warranting funding allocation was greater than anticipated. The most significant projects funded from the minor works budget are:

- Repairs to the Kaitoke No. 2 tunnel to prevent leakage (\$20,000).
- Replacement of pump control valves at Waterloo to increase pumping efficiency (\$40,000).
- Replacement motor and variable speed drive upgrade for Willoughby St well (\$51,000).
- Installation of river bank protection for the Wainuiomata raw water main where the main was damaged in February 2004 (\$65,000).
- Resealing of vehicle manoeuvring area at Gear Island plant and resealing of the access road (\$20,000).
- Noise suppression at the Warwick St Pumping Station (\$19,000).
- Additional isolation valves on the Waterloo wellfield collector main (\$50,000).
- Provision of works to provide safe access to various facilities (\$30,000).
- The unplanned replacement of minor assets in the distribution network (\$20,000).

### 3.8 Seismic protection

A sum of **\$142,000** is expected to be spent on various investigations and some minor work aimed at reducing the vulnerability of water supply assets to seismic damage. This is a considerable saving (**\$108,000**) over the budget allowance of **\$250,000**. This budget was set some years ago, based on a preliminary evaluation of seismic risk. More detailed investigations have shown that, in many cases, seismic protection cannot be readily undertaken, or the cost outweighs the benefit achieved. The main projects this year are:

- Protection of reservoir inlet pipes to prevent reservoirs draining in the event of seismic damage to the inlet pipe (\$20,000).
- Purchase of couplings and adaptor rings as seismic repair stock (\$50,000)
- Installation of a new line valve in Wainuiomata to facilitate supply to Wainuiomata only in the event of seismic damage to the bulk main (\$30,000).
- Installation of a high flow auto closure valve on the Gracefield reservoir inlet main (\$26,000).

#### 4. Completion of 2003-2004 projects

Completion of 2003-2004 projects for which there was no rebudgeted allocation amounted to **\$130,000**. The bulk of the expenditure is \$91,000 paid to Contech Ltd against their claims for extra payment for the slip lining of the OK main in Petone.

#### 5. Summary

**Summary of projected permanent savings and additional costs by asset type (that is, not including budget transfers to 2005/6 financial year)**

Category	Budget	Forecast	Variance
Source Projects	\$650,000	\$560,000	-14%
Treatment Plant Projects	\$1,050,000	\$889,000	-15%
Pipeline Projects	\$1,420,000	\$1,325,000	-7%
Pump Stations and Reservoirs	\$1,482,000	\$1,382,000	-7%
Monitoring and Control Projects	\$260,000	\$182,000	-30%
Minor Works, Seismic Protection & completion of 2003-2004 projects.	\$450,000	\$688,000	+53%
<b>Total</b>	<b>\$5,312,000</b>	<b>\$5,026,000</b>	<b>-12%</b>

**Summary of projected savings and additional costs in 2004-2005 by asset type (that is, including budget transfers to 2005/6 financial year)**

Category	Budget	Forecast	Variance
Source Projects	\$650,000	\$425,000	-35%
Treatment Plant Projects	\$1,050,000	\$889,000	-15%
Pipeline Projects	\$1,420,000	\$1,035,000	-27%
Pump Stations and Reservoirs	\$1,482,000	\$970,000	-35%
Monitoring and Control Projects	\$260,000	\$182,000	-30%
Minor Works, Seismic Protection & completion of 2003-2004 projects.	\$450,000	\$688,000	+53%
<b>Total</b>	<b>\$5,312,000</b>	<b>\$4,189,000</b>	<b>-21%</b>

### Breakdown of how projected savings are to be achieved in 2004-2005

Saving through reduced project scope	\$410,000
Direct cost savings	\$0,000
Savings through projects being deferred or delayed	\$1,142,000
<b>Total projected savings</b>	<b>\$1,552,000</b>

Details are shown on attachment 1

### Breakdown of additional costs in 2004-2005

Increased project scope	\$279,000
Projects where increased costs are expected	\$20,000
Costs of completing 2002-2003 projects	\$130,000
<b>Total expected additional costs</b>	<b>\$429,000</b>

Details are shown on attachment 1

Summary information is expected to be included in the Chief Financial Officer's half yearly report to the Council's Policy, Finance and Strategy Committee.

The proposed budget transfer of \$837,000 to the 2005/06 financial year is still provisional and subject to refinement closer to the end of the current financial year.

## 6. Recommendations

*It is recommended that the Committee:*

- 1. receive the report and note its contents.*
- 2. recommend to the Policy, Finance and Strategy Committee that the detail changes outlines in this report are approved.*

Report prepared by:

Report approved by:

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**Attachment 1:** 2003-2004 Capital Works Programme Details of Expected Changes