

Report No. 00.227

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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 eight months ended 29 February 2000.
- To outline various other relevant areas of interest or activity.
- To receive the attached activity reports to 29 February 2000 (Attachment 1).

2. Divisional Performance for 8 Months Ended 29 February 2000

2.1 General

Overall the division has had a good eight months, with significant advances made operationally, while financially a good result was achieved. The position is briefly summarised here.

2.2 Water Supply

Financially the position for the eight months shows a better than budget surplus of \$626,000. Total expenditure is below the same period last year by \$456,000, as a result of interest savings from reduced debt level and other direct expenditure reductions. However, the depreciation cost is higher due to the charge now being calculated on the higher re-valued asset base figures.

Capital expenditure is below budget but on track to meet target completion dates.

2.3 Plantation Forestry

This period was the most successful to date, with an operating surplus of \$252,000. This represents a significant improvement on last year's deficit of \$522,000. This is very much the result of harvesting better quality trees from the Whakatikei Forest and Pakuratahi blocks.

Last Year Actual \$000s		Year to Date Actual \$000s	Year to Date Budget \$000s	Year End Forecast \$000s	Year End Budget \$000s
Water Supply					
22,173.6	Income	20,984.8	21,032.2	31,400.1	31,548.3
19,013.8	Expenditure	18,557.9	19,231.4	28,031.3	28,882.1
3,159.8	Operating Surplus	2,426.9	1,800.8	3,368.8	2,666.2
391.4	Operations Wholesale	582.0	11.1	487.2	-
(75.9)	Operations Network	(73.9)	6.8	(4.2)	18.6
660.6	Strategy and Asset	182.8	-	253.2	-
2,005.2	Support Services	1,579.4	1,642.4	2,423.5	2,463.6
78.2	Engineering Consultancy	106.9	53.5	88.8	65.4
100.3	Laboratory Services	49.7	87.0	120.3	118.6
3,159.8	Operating Surplus	2,426.9	1,800.8	3,368.8	2,666.2
Plantation Forestry					
587.2	Income	2,864.8	1,364.3	4,411.5	1,907.2
1,108.7	Expenditure	2,613.1	972.4	4,037.7	1,447.2
(521.5)	Operating Surplus (Deficit)	251.7	391.9	373.8	460.0

3. Facilities Management Contract with Wellington City Council

The current Facilities Management Contract with Wellington City Council expires on 30 June 2000. Officers of Wellington City Council have advised that they intend to develop a new performance based contract to come into effect from 1 July 2000.

The timetable and approach that Wellington City have said they intend to follow with regard to a new Contract is as follows:

	Date Due
Expressions of Interest	21 March
Participants notified of decisions	4 April
Request for Tender released to selected suppliers	10 April
Completed tender due	16 May
Notification of successful supplier	26 May
New Contract begins	1 July

As a result, we have lodged our Expression of Interest document on the due date. We await therefore the decision as to those to be asked to tender.

We have little detail as to the scope of the Contract. It does seem likely though that the work currently carried out by our Engineering Consultancy Group will in future be undertaken in-house by Wellington City Council.

4. **Water Integration**

It is interesting to note the outcome of a recent meeting of the Wellington City Council's Transport and Infrastructure Committee on 21 March. The Committee was considering various aspects of the Four City Councils' review of water operations in Metropolitan Wellington. Two of the resolutions of that Committee were as follows:

- (a) *NOTE that option two, Fully Integrated Entity (as detailed in the officer's report – attached as appendix one), is the Subcommittee's preferred long-term option for water service delivery in Wellington.*

[Option 2: fully integrated entity – combination of bulk supply and retail operations into a single arms length entity.]

- (b) *NOTE that if option two proves unachievable then option seven, Integrated Management Lease Entity, is the Subcommittee's preferred option through the next two years.*

[Option 7: integrated management lease entity – The Four Cities lease their distribution assets long term to an in-house WRC operation. This option is the WRC's modified lease proposal.]

These resolutions are clearly supportive of water integration therefore it is puzzling that the future water contract arrangements seem to be running counter to formally declared intentions.

6. 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 29 February 2000