

## **1. Executive summary for Economic Wellbeing Committee**

### **1.1 Group overview**

#### Wairarapa Water Use Project

Significant progress has been made on this project during the year with the engagement of Tonkin & Taylor as the lead consultant in 2011. The Stakeholder Advisory Group has been set up and funding has been obtained from the Government's Irrigation Acceleration Fund. A financial report has been received and a significant number of farmers have been visited in the Wairarapa to gauge their requirements for irrigation water. A number of other reports were completed during the year including the potential use of municipal water for irrigation, use of stock water races and a draft land use intensification report.

The pre-feasibility report will be completed in early 2013.

### **1.2 Key results for the year**

#### 1.2.1 Wairarapa Water Use Project

##### *Community engagement*

Former resource management lawyer, Mr Jim Lynch, has been appointed to independently chair the Stakeholder Advisory Group. In this capacity Mr Lynch is also a member of the project's Leadership Group. He brings to the project a wealth of knowledge and experience in independent facilitation and resource management.

In addition Mr John Hayes, the MP for Wairarapa has been invited to join the Leadership Group.

##### *Project Investigations*

Project investigations are still very much in the preliminary stages. A range of parallel investigations are working towards identifying a shortlist of schemes to go through to a pre-feasibility study.

Determining the demand for water from farmers and the wider community is vital in establishing the viability of any water scheme. Three related investigations are either underway or complete:

1. On-farm actual demand for irrigation water
2. Theoretical demand for irrigation water for a range of normal and dry years
3. Wider community demand for water

The on-farm demand study key findings have so far been:

- Of the 161 properties – 70 are already irrigating; 91 are not irrigated
- Owners of 68% of these properties expressed interest in either new or expanded irrigation
- Of the 91 landowners not irrigating, 71% expressed interest to irrigate in future
- Of the 70 landowners currently irrigating, 64% wish to expand irrigation

- The extra volume of water required to meet the new demand would be 33.3 million cubic metres per year.

The study continues until October this year with work now assessing demand in the Martinborough area.

A study of off-farm demand concluded:

- There would be little demand for water from local councils or industry in the foreseeable future
- A small volume of scheme water could be used for rural domestic and stock water supplies
- Studies of individual storage sites and schemes should consider the possibility of electricity generation, recreational activities and augmentation of natural river flows, groundwater or wetlands.

### *Identifying storage options*

Options for storage sites have been carried out using a three-step process.

1. Initial identification of 243 sites using topographical and geological maps, then overlaying with environmental data
2. The 243 sites were reduced to 40 following assessment against a wide set of criteria
3. Assessment of the 40 sites against water availability for storage refill and the potential to harvest water from nearby rivers and streams reduced this number to 30 sites.

### *Assessing land use intensification effects*

A newly-appointed Science Steering Group will assist with land use intensification by developing a strategic approach to investigating the potential for adverse effects of more intensive land use and identify management options to address any such effects.

A report has been completed by Landcare Research to assess vulnerability of Wairarapa Valley soils to runoff, and to leaching of nitrate, phosphorus, pesticides and microbes.

### *Finance and capital structure options*

Price Waterhouse Coopers has developed a model that allows financial considerations to be part of the project's decision-making process. It is able to run scenarios of changing capital and operating costs, uptake rates, volumes of water available and interest rate changes.

## 1.3 Financial summary

### Wairarapa Water Use Project

Wairarapa Water Use Project Income Statement For the 12 months ended 30 June 2012	YTD as at 30 June			notes
	Actual \$000	Budget \$000	Variance \$000	
Rates & Levies	75	75	-	1
Government Grants & Subsidies	310	-	310	
External Revenue	-	-	-	
Investment Revenue	-	-	-	
Internal Revenue	-	-	-	
<b>TOTAL INCOME</b>	<b>385</b>	<b>75</b>	<b>310</b>	
less:				
Personnel Costs	(7)	-	7	
Materials,Supplies & Services	310	-	(310)	
Travel & Transport Costs	-	-	-	
Contractor & Consultants	-	5	5	
Grants and Subsidies Expenditure	-	-	-	
Internal Charges	33	-	(33)	
<b>Total Direct Expenditure</b>	<b>336</b>	<b>5</b>	<b>(331)</b>	
Financial Costs	14	26	12	
Bad Debts	-	-	-	
Corporate & Department Overheads	-	-	-	
Depreciation	-	-	-	
Loss(Gain) on Sale of Assets / Investments	-	-	-	
<b>TOTAL EXPENDITURE</b>	<b>350</b>	<b>31</b>	<b>(319)</b>	
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>35</b>	<b>44</b>	<b>(9)</b>	
Add Back Depreciation	-	-	-	2
Other Non Cash	-	-	-	
Net Asset Acquisitions	(318)	(750)	122	
Net External Investment Movements	-	-	-	
<b>NET FUNDING BEFORE DEBT &amp; RESERVE MOVEMENTS</b>	<b>(283)</b>	<b>(706)</b>	<b>113</b>	
Debt Additions / (decrease)	628	747	(119)	
Debt Repaid	-	(44)	44	
Net Reserves (Increase) / decrease	-	-	-	
<b>NET FUNDING SURPLUS (DEFICIT)</b>	<b>345</b>	<b>(3)</b>	<b>38</b>	

1. Provision has been made for an unbudgeted 50 per cent recovery of costs from the Ministry of Primary Industries Irrigation Acceleration Fund
2. Actual expenditure is under budget due to applying the IAF funding to the capital spend. Actual gross spend was \$628k versus a budget of \$750k -\$122k less than budget. This amount has been re budgeted for 2012/13