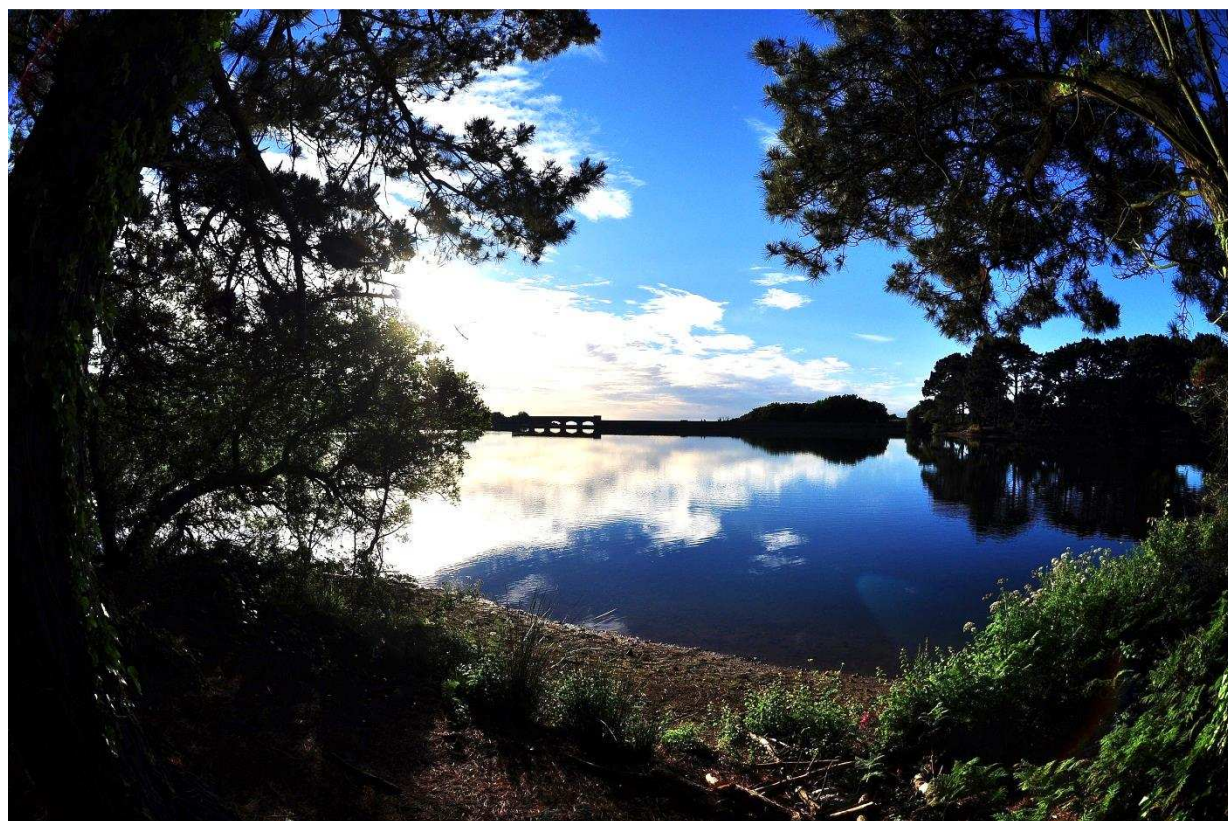




GuernseyWater

A DIVISION OF THE PUBLIC SERVICES DEPARTMENT



ANNUAL REPORT

2014

Contents

• Executive Summary	3
• Introduction	4
○ Vision	4
• Review of 2014	5
○ Capital Delivery Programme	5
○ Rainfall & Water Storage	7
○ Water Quality	8
○ Pollution Incidents	8
○ Interruption to Supply	9
○ Customer Service Results	10
○ Health & Safety	10
• Appendices	11
○ 1). Profit & Loss a/c for period ended 31/12/2014	11
○ 2). Water Balance	14
○ 3). Organogram – Leadership Team	15
○ 4). Acknowledgements & Contact Details	16

1). Executive Summary

2014 was another successful year for Guernsey Water, although it started in a challenging fashion with the extensive flooding across our Island and the UK, which stretched resources nationally and we were no exception to this. As well as helping our customers to deal with the devastation that this flooding caused, our staff worked extended hours over several weeks to help manage water levels in our quarries, streams and coastal areas across the island.



While the flooding had a significant impact on our operating costs, through tight budgetary control we were still able to deliver a surplus of £1.2m after depreciation. This has helped to minimise the draw-down of our cash reserves, which will be required for investment in the deteriorating serviceability of our wastewater infrastructure. To deliver a stable level of service these assets require significant improvement. In particular, during the short to medium term we will need to deal with flooding and pollution. We must also start the long-term process of adapting our drainage systems to climate change.

During the year we supplied a total of 4,442 ML of water, enough to fill 1,777 Olympic-sized swimming pools. Nevertheless, this was the lowest amount we have put into supply since our water balance records began in 1987 (see page 12). This is due to our highest ever total being supplied to metered customers, who tend to use less water. We also recorded a low number of burst water mains, very close to our lowest on record (see page 9). As well as ensuring we don't waste valuable water, careful management of leakage and bursts has helped to minimise disruption from resulting road closures.

In addition, customer demand was reduced by the wet year we had. A total of 1033.2 mm rainfall was 19% higher than the 10-year average, and the second highest annual amount recorded over the past decade. This now means that across the UK as a whole, 5 of the 6 wettest years on record have occurred since 2000.

Despite reduced demand for water during the year, our Water Resources team worked hard to keep our storage levels healthy. Due to stream capture our water resource levels only fell to 86% for one month during September. The rest of the time levels were above 90%. Our drinking water quality performance was also very good, as we attained our second highest ever overall compliance score of 99.91% from a total of 6,990 water quality tests (see page 8). Further detail can be found in our Water Quality Compliance report for 2014, which is published separately but alongside this report and is available from our website.

During the latter part of the year we also commenced a review of our current water and wastewater business plans. Our single revised plan will integrate our water and wastewater plans over the 10 year period 2016-25.

STEPHEN LANGLOIS

DIRECTOR OF WATER SERVICES, GUERNSEY WATER

2). Introduction

Guernsey Water is a business unit within the Public Services Department (PSD), and provides water and wastewater services to the population of Guernsey. Although part of the States of Guernsey, Guernsey Water acts as a separate 'trading entity' in that its day to day operations and asset management are self-funded.



Guernsey Water employs around 85 staff within its operational depot at Brickfield House in St Andrews, and owns over 100 key assets including an impounding dam, water treatment works, the water tower, a wastewater centre, pumping stations (raw, waste and surface water), water storage reservoirs (raw water), service reservoirs (treated water) and a number of other properties and pieces of land. We have 25,000 customers and our total annual operating income in 2014 was £15.5m.



At Guernsey Water we value greatly our responsibilities as stewards of our island community's water. This means we take great care to ensure the water keeps flowing from our source waters, through treatment and the supply of drinking water to our taps, and finally through the collection and safe return of our customers' used water to our surrounding sea.

Through these processes we provide water for the everyday lives and leisure activities of all our customers, we provide and collect water from businesses, and we carefully manage our water environment. This really does put what we do right at the heart of our island community.

VISION

"Guernsey Water aims to deliver to our customers clean water and wastewater services which focus on quality, reliability, consistency, value for money and sustainability."

3). Review of 2014

CAPITAL DELIVERY PROGRAMME

In 2014, Guernsey Water invested £5.7million in its capital infrastructure in order to maintain or improve our clean and wastewater assets.



Wastewater Services

Defect resolution and handover of the Belle Greve Wastewater Centre marked the final completion of our £11million investment in preliminary treatment. This provides removal of non-biodegradable materials from our discharge, and storm water storage to reduce the number of spills from our short-sea outfall to an environmentally acceptable level. In addition, to protect our neighbours from nuisance further odour treatment was installed. Following this, we progressed with the specification and tendering for replacement of our sea outfalls, ultimately leading to approval by the States for £19.9m central revenue funding for this critical infrastructure project.

Towards the latter part of the year, investigation commenced into closure of our Fort George sea outfall. This discharge represents <0.4% of our island's wastewater discharge. However, although the flows are very small, the engineering challenges associated with diverting them are great, primarily due to risks associated with cliff stability. This project is ongoing.

In June we completed our sewer network extension in Les Naftiaux area, St Andrew (*right*), at a cost of £2.1m. This scheme made provision for the connection of 110 properties to the public sewer.



We also commenced our £2m Route du Longfrie sewerage network extension programme, which is due for completion in the summer of 2015. This scheme will make provision for the connection of 103 properties to the public sewer.

We lined 3.5km of sewer in 2014, following survey work that found them to be in poor condition. In addition, 7 patch repairs were carried out at 4 locations, and 1.3km of pitch fibre sewer in Fort George was renovated. Due to poor condition and high risk of service failure, refurbishment commenced at three of our wastewater pumping stations; Les Goubey's, Les Nicolle's and La Mare de Carteret.

We began the delivery of a £626k replacement of our wastewater monitoring SCADA (Supervisory Control and Data Acquisition) system. This system will allow us to monitor and control the performance of our wastewater pumping stations and Belle Greve Wastewater Centre remotely from our control centre at Brickfield House, around the clock. It will enable more efficient operation of our assets, and effective deployment of resources to deal with operational alarms that are set to prevent flooding and pollution.

Surface Water Drainage



2014 saw the completion of our surface water drainage scheme in Le Truchot (*left*). This provided a surface water sewer to improve drainage, though much more is needed to better understand and manage the risk of flooding in this area. Also in St Peter Port, to minimise disruption the third phase of our Vauvert surface water separation scheme was completed during the school summer holidays.

A further 120m of surface water sewer was installed, removing a number of roof and road drainage connections and freeing up capacity in the foul sewer. One further phase is planned, which will remove rainfall runoff from the large expansive impermeable surfaces around Vauvert School, where the potential for sustainable drainage measures is being investigated.

Water Resources

We also progressed delivery of a raw water transfer main between La Mare De Carteret and Les Capelles storage reservoirs. This scheme improves the resilience of our untreated water storage, enabling us to draw upon different sources and ensure we are able to meet the changing demand for water throughout the year.

Our outfall at Richmond Corner (Bulwer Avenue) can be used to divert flows from the Marais Stream to Longue Hougue raw water main. Following our experiences during the very wet start to the year, during October this was enlarged to enable us to better manage flood risk around Barkers Quarry.

We commenced refurbishment of Petit Bot and Moulin Huet stream water collection stations. These schemes provide automatic screening of stream flows, which makes our water resources more resilient to climate change by maximising collection from more intense rainfall events; manual screens tend to block preventing water from being collected.

Water Treatment

The £1m replacement of membranes (*right*) at St Saviours Water Treatment Works took place during 2014. The 10-year life of our membranes has been extended through optimisation of the way we operate this part of our treatment process. However, careful monitoring of their performance had shown that to ensure compliance with drinking water standards they needed to be replaced.

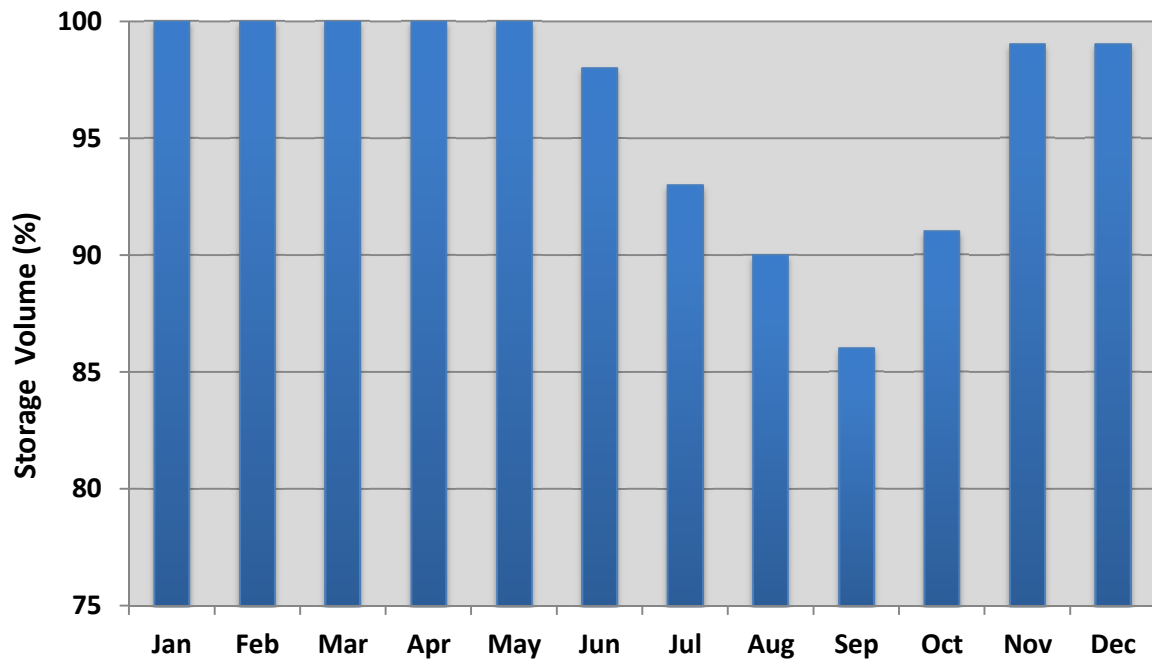


Customer Service

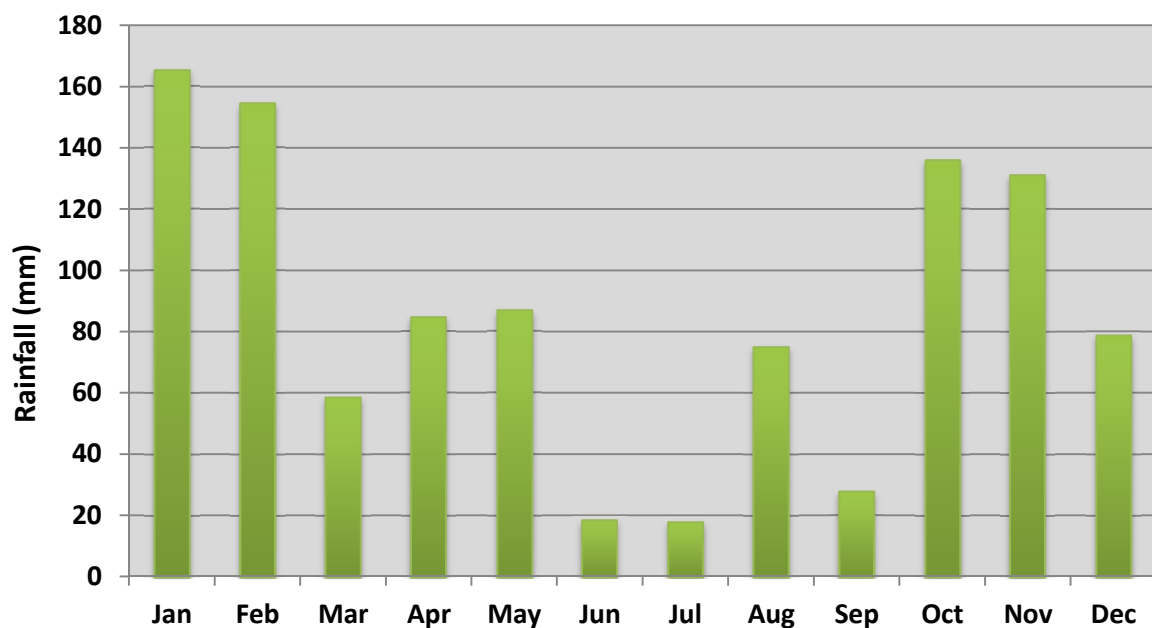
Finally, we commenced the delivery of our e-billing system in order to make it even easier for our customers to pay their bills.

RAINFALL & WATER STORAGE

Our water resource profile throughout the year demonstrates effective capture of water from our streams and good management of our resources. Storage levels only fell to 86% for one month during September, the rest of the time they were 90% or above. As a result we were able to supply our customers for another year without any usage restrictions:



2014 was a very wet year for Guernsey, with a total of 1033.2mm falling over the course of the 12 months. The graph below shows when this precipitation fell:



Despite the healthy picture at the end of this year, we have begun scoping our requirements for the preparation of a long-term Water Resource Management Plan and Drought Plan for Guernsey

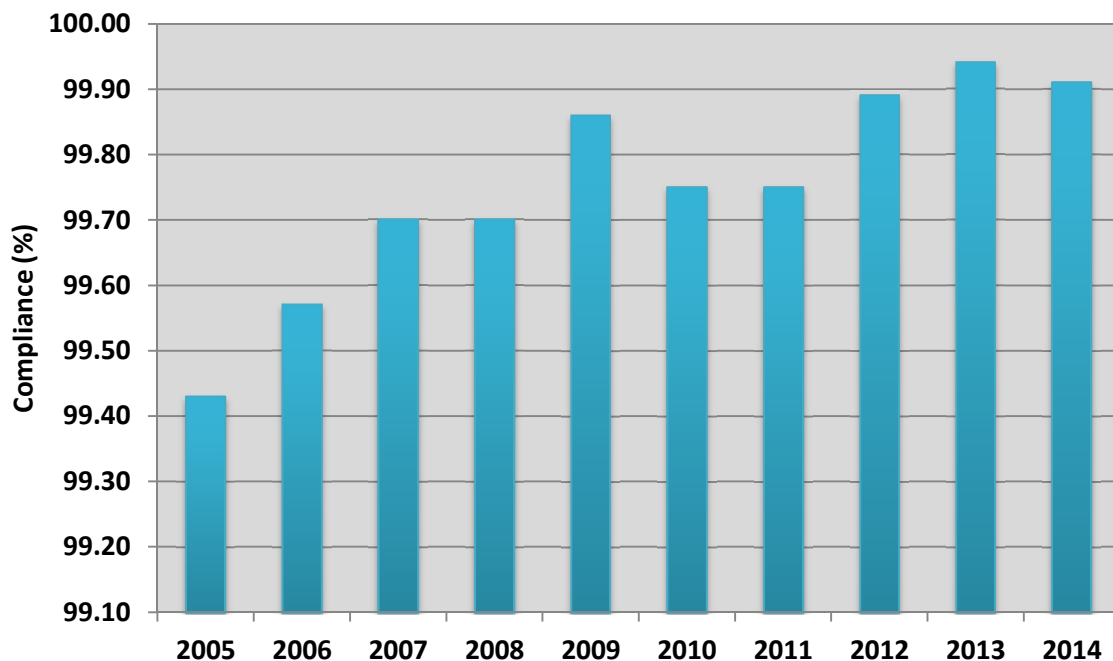
Water. Both documents are a statutory requirement under UK legislation and they are considered to be essential good practice.

The first of these plans will look ahead to consider the supply and demand needs of our island community in 25 years' time. Population growth and climate change will be important considerations. In particular, climate change will have implications for the stream flows that we have so successfully used to augment our resources in recent years - this needs to be understood.

WATER QUALITY

Having a drinking water supply that is safe and good to drink is vital to the public health and wellbeing of our island community. Providing this will become increasingly challenging in the face of climate change, which will affect the quality as well as the availability of water. Therefore, it is vital that Guernsey Water continues to invest in meeting the high water quality standards that our customers expect in the future. During 2014 we invested £1m in the replacement of the membranes at St Saviours WTW, which had come to the end of their life. This will ensure water supplied by this water treatment works continues to be safe and good to drink.

Overall compliance with standards set out in the UK Water Supply (Quality) Regulations remains at a very high level; 99.91% is our second highest ever compliance score (see graph below). This compares well with a UK water industry average of 99.96% in England, 99.98% in both Wales and Scotland, and 99.99% in Jersey.



POLLUTION INCIDENTS

One of Guernsey Water's key responsibilities is to manage the island's water catchment area (which covers the majority of the island) so that our raw water is not polluted or contaminated in any way. A lot of this work is proactively carried out through a close working relationship with farmers, growers and industrial companies; but occasionally we also need to respond when a potential pollution incident is reported.

During 2014 there were 43 potential pollution incidents reported to us. We responded to all of these, attending site and assessing whether there was any threat to our water supply. Of these 43, only 9 incidents actually resulted in any actual pollution to a water course, and we were able to deal with these quickly, either by soaking up the pollutant or by switching off the pumping station which transports the water into our reservoirs and quarries.

The protection of the raw water supply is very important for any water company, so if you ever suspect a pollution incident, no matter how small, please contact our customer services team. Someone will be available 24 hours a day on 01481 239500.

INTERRUPTION TO SUPPLY

Guernsey Water understands the importance of providing a consistent supply of high quality drinking water, but occasionally the supply can be interrupted in the event of a burst or damaged main. When this happens, we are generally able to operate our network of valves to 're-zone' an area in order to provide water from a different pipe. We measure these interruptions against Ofwat (the regulator for UK water and wastewater companies) methodologies, to see how we compare against their set standards.

The banding for measuring this indicator is:

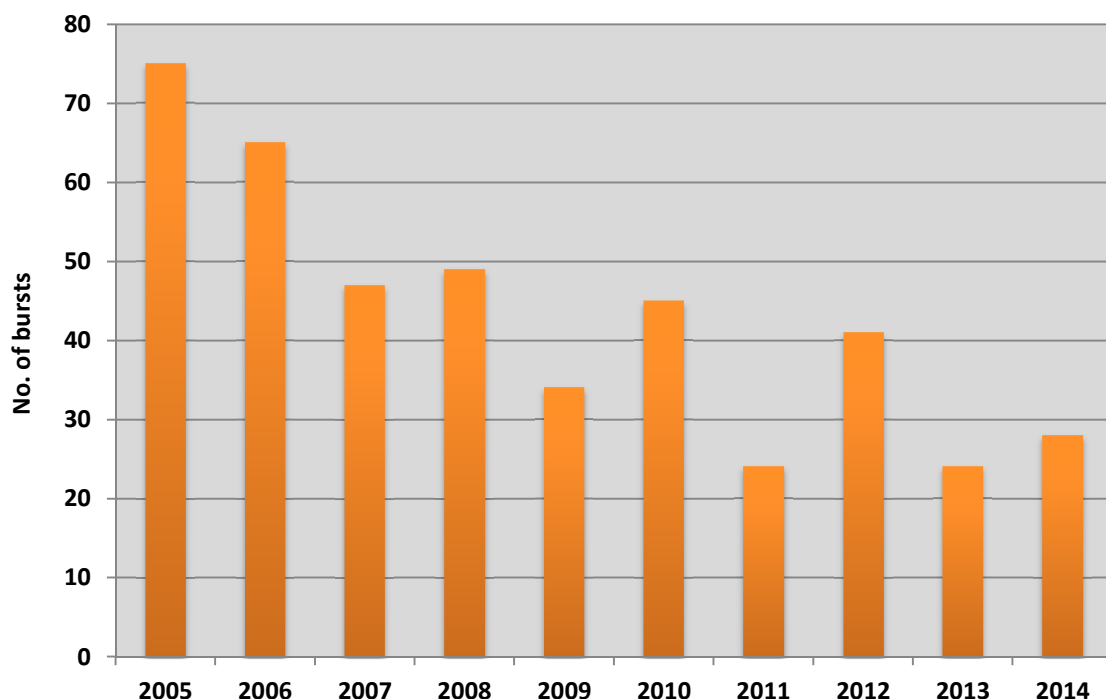
Good: <0.5%

Acceptable: 0.5 - 2.0%

Needs Improvement: >2.0%

During 2014 we were able to record an overall supply interruption figure of 0.06%, which is comfortably within the 'Good' range, and an improvement on 2013's figure of 0.17%.

There were 28 burst mains experienced during 2014 - the second lowest number on record, with only 24 bursts being recorded in 2011 & 2013. The chart below shows this, and also demonstrates how the capital investment that Guernsey Water has carried out on replacing failing mains with new HDPE (High Density Polyethylene) ones has reaped rewards over the last decade or so.



CUSTOMER SERVICE RESULTS

Feedback on the service that we provide our customers indicates that the majority are satisfied with our service:

General questionnaire:

- January to May: 90% respondents satisfied on average each month
- June to December: 77% respondents satisfied on average each month

Our survey methodology changed to a new automated phone questionnaire in June, hence why the figures above change significantly midway through the year. The changes reduced the number of questions in order to make the questionnaire take less time for customers to complete, with the intention of getting more customers to give us this vital feedback.

In 2016 we have planned to review how we engage with our customers and benchmark ourselves against other comparable organisations in order to improve our understanding of how satisfied our customers are with our service. We recognise that this is vital if we are to truly understand how we are performing as a business.

HEALTH & SAFETY

During 2014, 12 accidents and 7 near misses were reported.

In the last quarter of 2014 we initiated a full review of our health and safety policy and directives. The resulting two-year plan will further embed high standards for health and safety that help all of us to work safe and get home safe. One of our first initiatives as part of this plan introduced a new near-miss reporting system at the end of the year. This has resulted in a significant increase in near miss reporting and a more proactive approach to the identification of hazards. This is expected to improve our near miss reporting performance in 2015.

4). Appendices

Appendix 1 - Profit & Loss Account for the period ended 31 Dec 2014

	2014	2013	Change
	£'000	£'000	%
INCOME			
Unmeasured water	3,664	3,604	+1.7
Measured water	6,823	6,856	(-0.5)
Unmeasured wastewater	1,175	1,122	+4.7
Measured wastewater	2,091	2,075	+0.8
Cesspit emptying income	1,115	1,040	+7.2
Other trading (net)	318	149	+113.4
Grant received	289	38	+660.5
Total operating income	15,475	14,884	+4.0
EXPENDITURE			
Operating	7,557	7,652	(-1.2)
Management	3,137	2,906	+7.9
Total expenditure	10,694	10,558	+1.3
Operating surplus before depreciation	4,781	4,326	+10.5
Depreciation	(3,499)	(3,172)	+10.3
Loss on disposal of fixed assets	(510)	-	-
Net interest receivable	388	639	(-39.3)
Surplus on sale of properties	44	604	(-92.7)
Surplus for the year	1,204	2,397	(-49.8)
Gross total capital expenditure*	5,760	9,529**	(-39.6)

*Comprises total capital additions £5,701,931 (2013: £9,473,735) plus customer contributions of £58,288 (2013: £55,132) totalling £5,760,219 (2013: £9,528,861) **includes significant spend in 2013 for the completion of the Belle Greve Wastewater Centre preliminary treatment works

While the flooding had a significant impact on our operating costs, through tight budgetary control we were still able to deliver a surplus of £1.2m after depreciation. Rainfall also affected income, increasing demand for cesspit emptying and reducing water use - 2014 saw the lowest amount we have put into supply since our water balance records began in 1987 (see page 12). This is reflected in reduced income from those metered customers who pay for what they use.

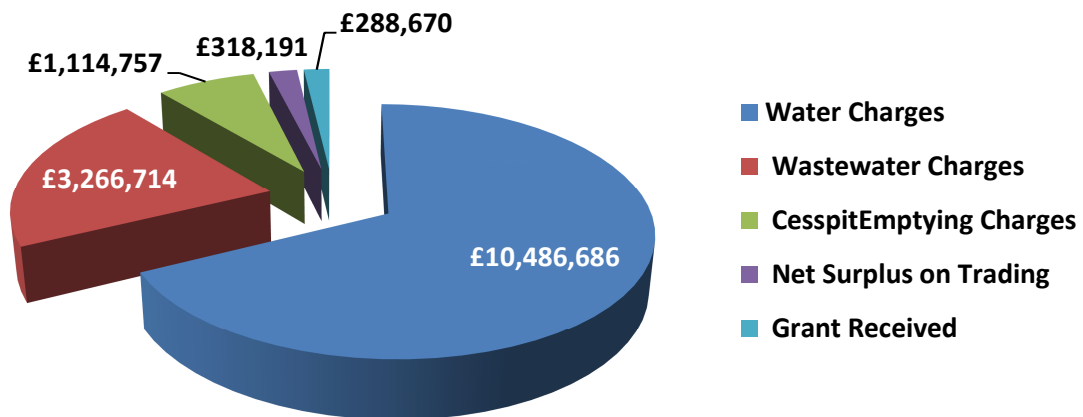
Other trading activities include property rental and charges for laying new services. While charges were comparable with last year, expenditure was lower which has increased income. Following a review of our fixed assets, an adjustment of £510k was made due to obsolescence. The sale of a parcel of land at Brickfield House and five fully depreciated vehicles resulted in a surplus of £44k.

Grants received from the States of Guernsey relating to tangible fixed assets are treated as deferred income and released to the revenue account over the anticipated useful life of our adopted wastewater assets, on a basis consistent with their depreciation.

The following charts break down how Guernsey Water's income is generated, and exactly how this money is used in terms of revenue and capital expenditure. They show that although the majority of income is generated through water charges, the majority of expenditure is on wastewater services and assets:

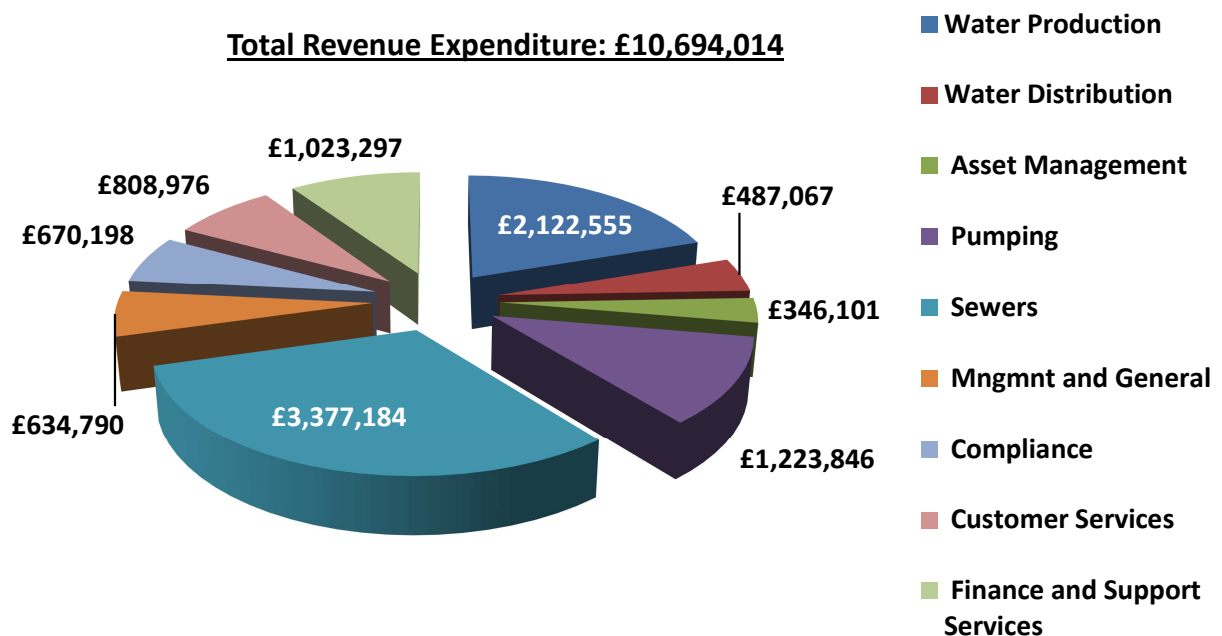
INCOME BREAKDOWN

Total Income: £15,475,018

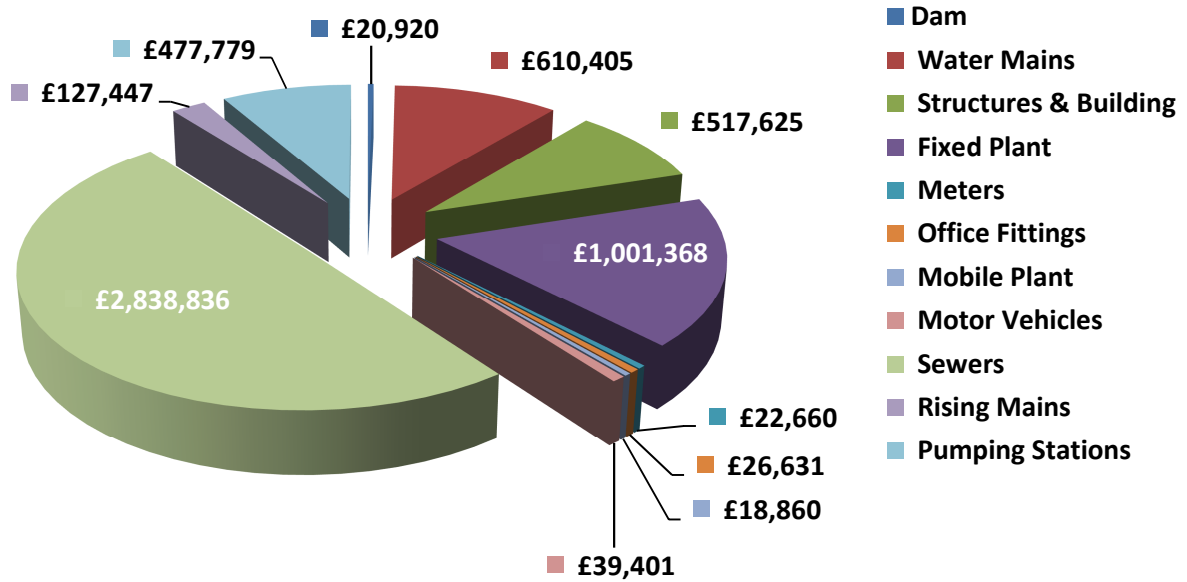


REVENUE EXPENDITURE BREAKDOWN

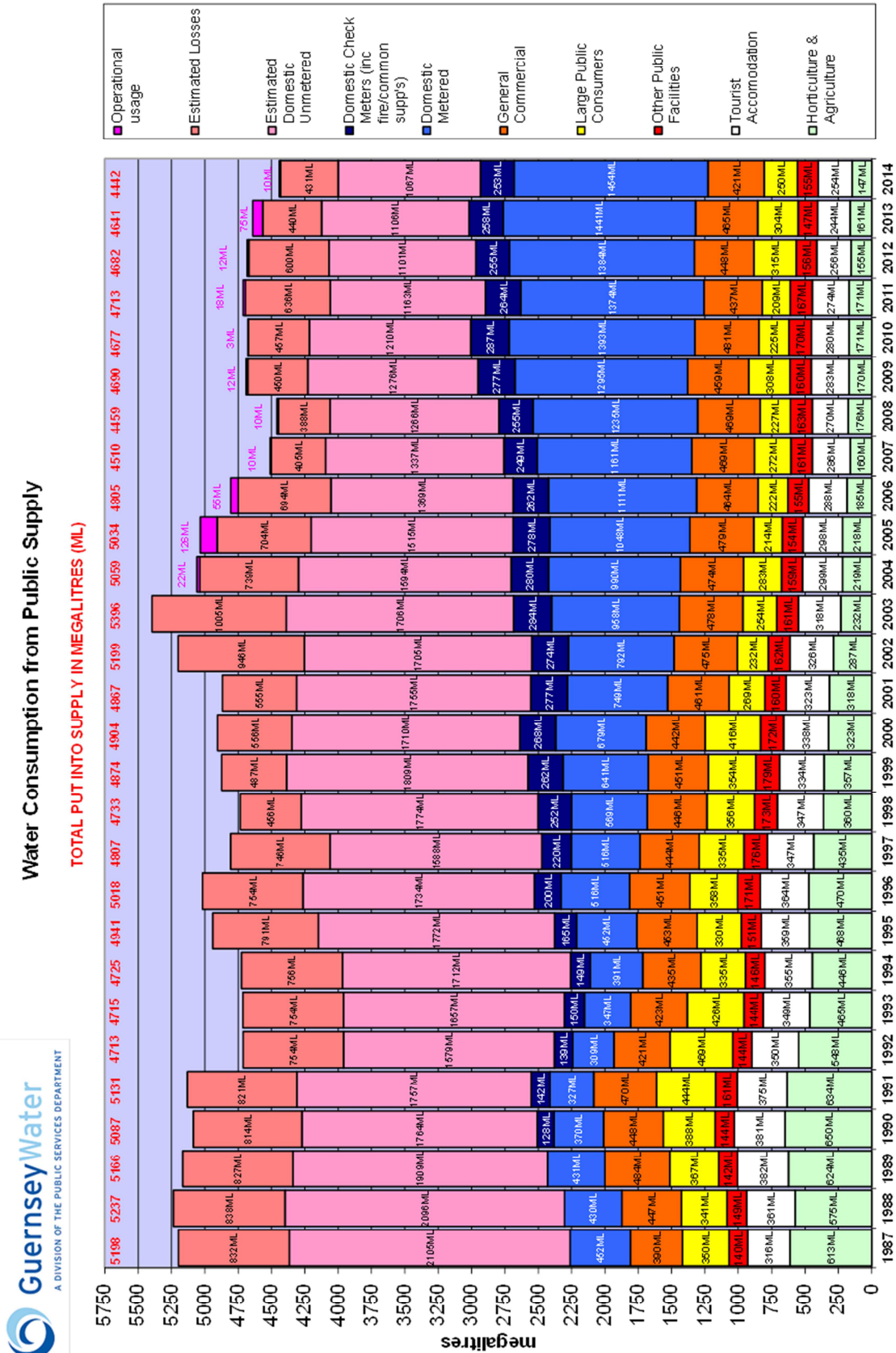
Total Revenue Expenditure: £10,694,014



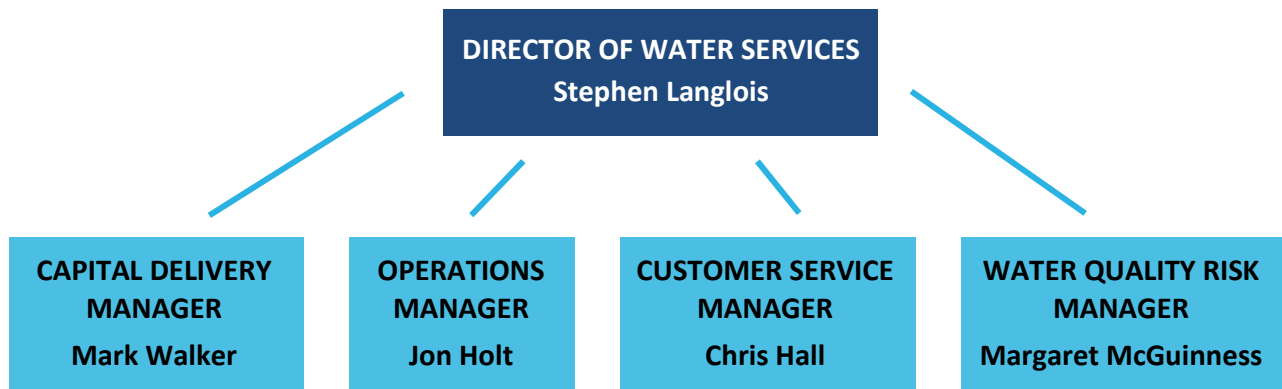
CAPITAL EXPENDITURE BREAKDOWN

Total Capital Expenditure: £5,701,932

Appendix 2 – Water Balance



Appendix 3 – Organogram – Leadership Team



Appendix 4 – Acknowledgements & Contact Details

I would like to thank many colleagues across the States of Guernsey for welcoming me into a team that successfully delivers an incredibly diverse range of services. In Guernsey Water I have found dedicated, professional staff that are passionate about the service they provide our customers, often in difficult situations during unsocial hours. Our strong performance during 2014 is down to everyone who delivered it, they all deserve acknowledgement within our Annual Report. I am very grateful to them, and look forward to working with them towards a successful 2015.

As always, we value your feedback, so if you wish to get in touch with us either call us on 239500, or e-mail us at customer.service@water.gg. We are also on Twitter and Facebook - please come and follow us!

Contact Us

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