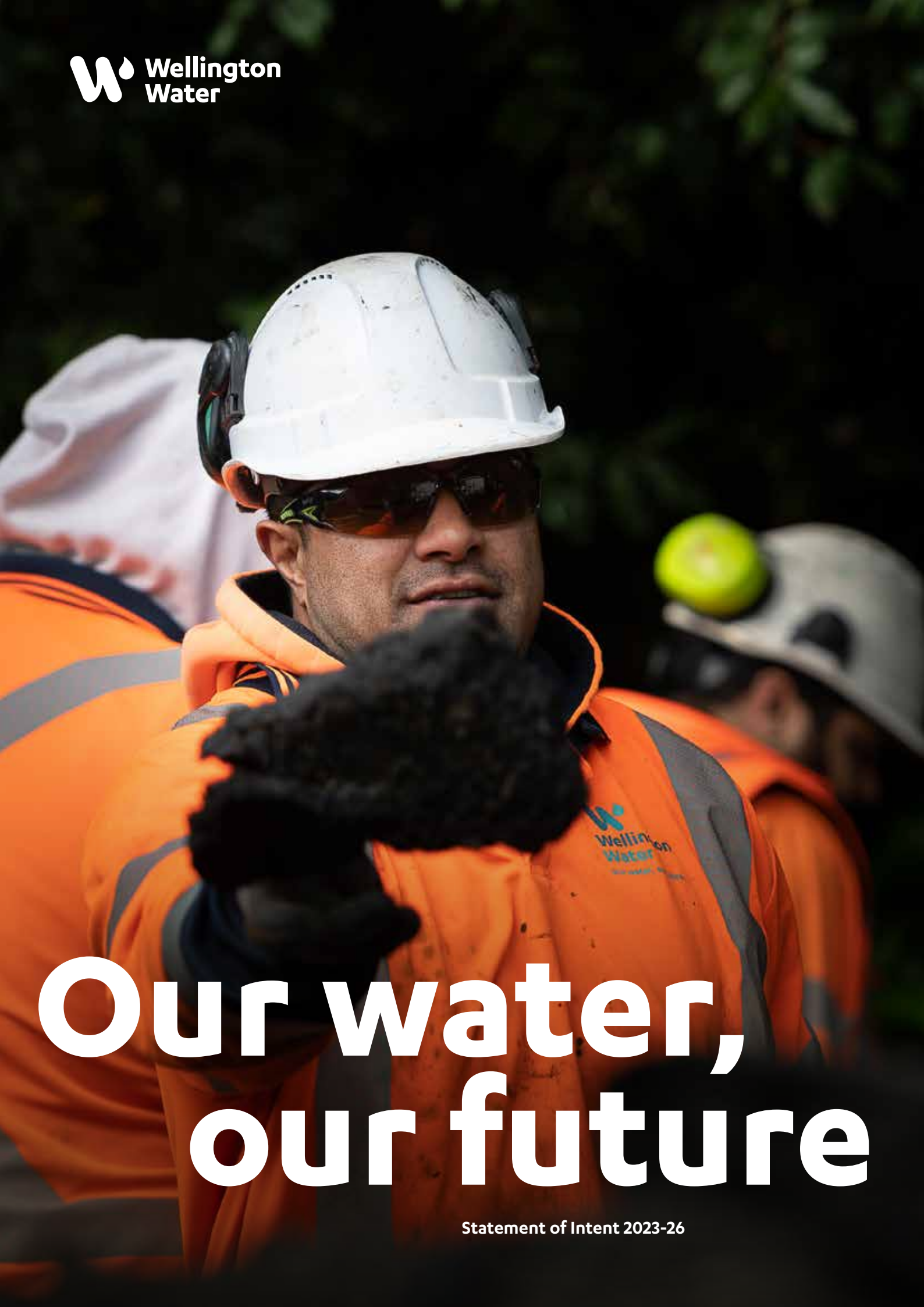
Wellington Water



Our water, our future

Statement of Intent 2023-26

Taki

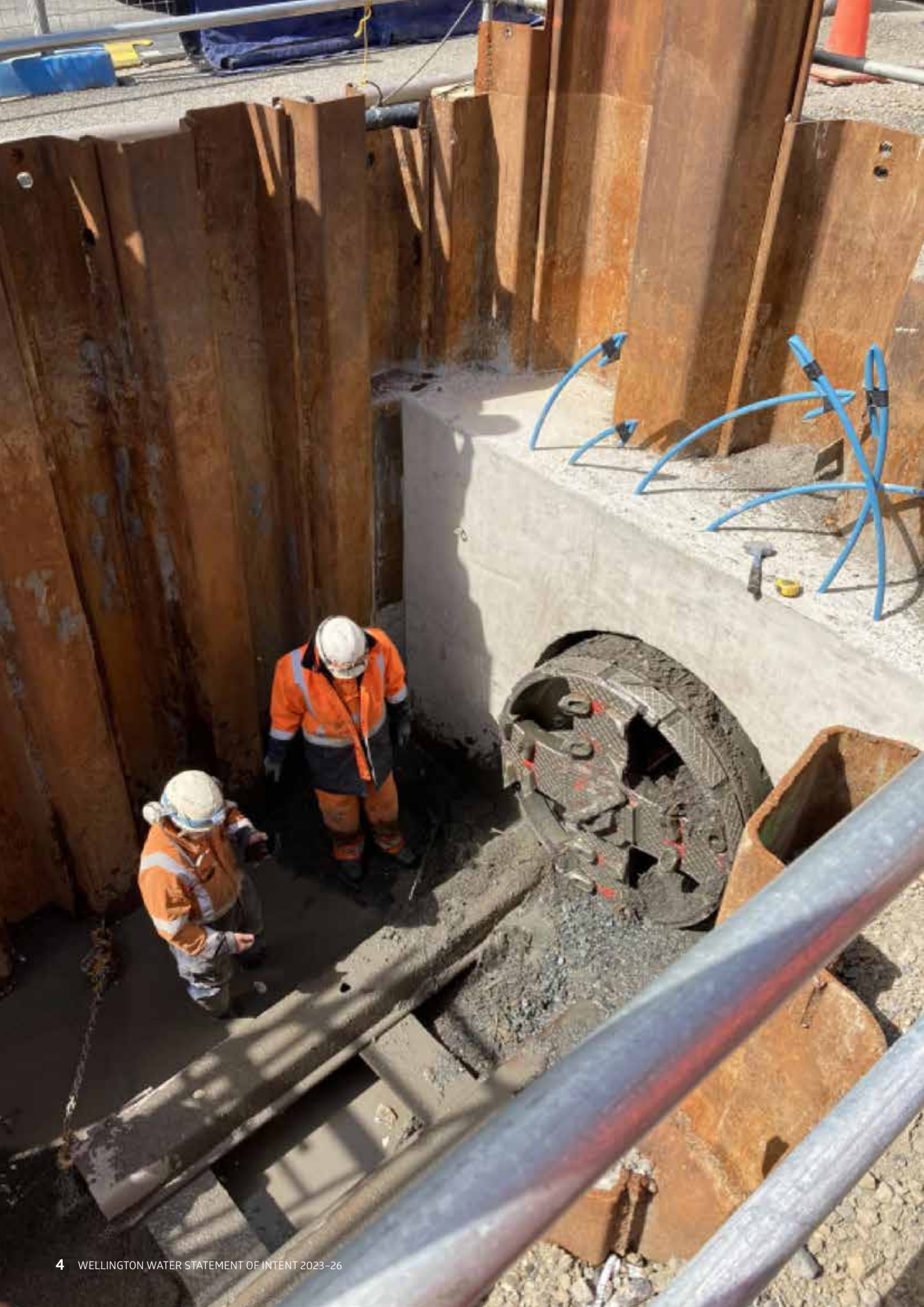
He wai, he wai
He wai herenga tāngata
He wai herenga whenua
He wairua
He waiora
Tihei mauri ora!

'Tis water, 'tis water
Water that joins us
Water that necessitates the land
Soul of life
Life forever
'Tis the breath of life!

Contents

Wellington Water is owned by the Greater Wellington Regional Council, Hutt City Council, Porirua City Council, South Wairarapa District Council, Upper Hutt City Council and Wellington City Council. Our role is to provide drinking water, stormwater and wastewater services to our customers and communities.

This document has been prepared by Wellington Water and reflects the decisions made by each council through their long-term plans.



Foreword

The water sector in New Zealand continues to face uncertainty and change and the Wellington region is far from immune to that. We are operating under increasing cost pressures and inflation, new regulatory requirements and the challenge of Central Government water reforms.

The backdrop to this is historic underinvestment in water, meaning more network assets are reaching the end of their life and the costs and effort to maintain and replace them are growing. Population growth means more is required from networks and treatment plants. In addition, our communities are demanding better outcomes of us, and our client councils rely on us to deliver safe and reliable water services to the region on their behalf.

Despite the complex environment the sector is facing, as an organisation we are clear on the task ahead of us.

Having sufficient drinking water is a critical risk for the region. Our modelling shows that the region is likely to face a significant water shortage even if we experience just an average summer this year. The amount of water the region is losing through public and private leaks in the network remains high and is increasing, despite more efforts from our crews to find and fix leaks. We are working with councils, businesses, and the public to ensure they are aware of the risk and prepare the region for the potential of tighter water restrictions for longer periods of time this summer. Despite this, we do not expect our interventions to significantly impact the acute risk this summer.

The risks of water shortage, climate change and growing demand will continue well beyond summer. The most impactful intervention we can make as a region is to roll out water meters to understand where our water is going and how it is being used. Along with this, we need increased investment in water loss management, an increased focus on renewal of water pipes and investment in additional storage lakes to ensure Wellington has a sustainable water supply for the future.

From a delivery perspective, it's important we retain our focus on delivering our core services. Keeping to the core for us means we will continue to provide safe and reliable drinking water, remove and treat wastewater before returning it to the environment, and deliver on our growing capital works programme. We will keep improving the resilience of water infrastructure as well as working to meet the demands of population growth. Given our current circumstances, we must prioritise our work even more carefully to ensure that we are applying resources and people on the right things, and to the areas needed most.

Foremost in our ability to deliver what the region requires is our people. Uncertainty and change can be unsettling for some and we are committed to ensuring our people, and the people in our supplier whānau, are engaged, informed and supported.

Our journey to restore te Mana o te Wai for the region remains our ultimate outcome. We look forward to continuing that journey in partnership with our councils, iwi, central government and communities to provide better water outcomes for our region.

Nick Leggett
INTERIM CHAIR OF THE BOARD

Tonia Haskell
CHIEF EXECUTIVE

Who we are and what we do

Wellington Water is council-owned and funded. We are the Wellington region's professional water provider and our job is to deliver safe and healthy drinking water, collect and treat wastewater, and ensure the stormwater network is well managed.

We are owned by Wellington City Council, Hutt City Council, Porirua City Council, Upper Hutt City Council, Greater Wellington Regional Council and South Wairarapa District Council.

Our councils own the water infrastructure in the region. Councils set the level of funding and investment in these assets and the levels of water services. They then task us to manage the infrastructure and deliver water services to our communities.

Our purpose is to "create excellence in three water services so our communities can prosper." The value of water sits at our organisational heart. Every day our people come to work and strive to deliver services and build infrastructure in a way that provides the best outcomes for our communities and the environment. This is reflected in our organisational values, which drive how we behave and the work we do:

- **Tangata tiaki**: together we protect our most precious taonga
- **Whānau**: united we support, connect with and respect each other
- **Mana**: we recognise, respect, and value the mana of others and seek to build mana-enhancing relationships

Councils fund our work and determine our proposed activities and budgets through their Long-Term Plans (LTPs) and Annual Plans. This Statement of Intent covers the third year of the 2021-24 LTPs and the 2023/24 council Annual Plans, as well as the first two years of the upcoming 2024-34 LTP cycle.

Wellington Water is a registered company with its own Board of Directors. The company reports to individual councils on their assets and to the Wellington Water Committee, which is made up of a representative of each council and iwi mana whenua, on the company's approach to three waters matters in general, including the Statement of Intent and Annual Report.

A new water services entity will replace Wellington Water by 1 July 2026

The Government's water reform reset will see ten entities formed to manage three waters services across the motu. The Water Services Entities Act, passed in December 2022, needs to be amended to reflect the shift from four to ten entities. The remaining pieces of legislation to put this into action are expected to be made law before the General Election in October 2023.

The five city and district councils Wellington Water currently services will be joined by Kāpiti Coast, Masterton and Carterton district councils as shareholders of the new entity (Entity G) spanning their territories.

Management of three waters infrastructure and services must transfer from Wellington Water to Entity G before 1 July 2026. The Government has indicated those entities prepared to stand up before this date can do so. We are continuing with our transition work, managing the required activities and ensuring our people are ready for the reforms. In the current uncertain climate it is imperative we keep our staff engaged and updated with progress.

The Department of Internal Affairs (DIA) has a monitoring and oversight role of water services providers during the establishment period of the new entities. They are creating guidance for water services providers to follow during this period, which will be finalised after the Water Services Entities Amendment Act is passed. In the meantime, Wellington Water is taking a proactive approach and disclosing any matters that may impact the new entity to the DIA.

Our funding is determined by our councils

The funding for our activities is provided by our councils through their LTP process. The LTPs set out each council's proposed activities and budgets for at least the next ten years. These are updated every three years. The current LTPs commenced in July 2021.

As part of the LTP process we provide each of our councils with advice on the capital and operating expenditure that we consider is required to deliver the three waters services and to meet customer expectations and all regulatory requirements. The councils determine how much of this recommended funding is provided, including through considering public submissions on a draft LTP.

For the 2021-31 LTPs our advice to councils was that a step change increase in investment was required from the 2018-28 plans. Central to this was a need for a significant increase in asset renewals, with around 30% of network assets already at or beyond their nominal end-of-life and others in poor condition. These aged assets are contributing to increased failures, higher operating costs, and poor environmental outcomes. In addition, all councils need to invest to enable forecast growth, to meet increasing environmental performance and regulatory requirements, and to respond to climate change.

Our advice was that meeting all these requirements would require total capital investment across all councils of around $300 million per year. This is up from around $100 million per year across the 2018-28 LTPs. A peer review of our advice by the Water Industry Commission for Scotland (WICS) suggested that investment of $350-$400 million per year would be more appropriate given the asset condition and performance. Significant increases in operational expenditure are also required to manage the rising failure rate, including through planned maintenance activities.

The funding provided for 2021-31 has generally been focused on asset renewals. The total capital expenditure provided is around $230 million per year over the 2021-24 period. Some councils have now also been able to provide additional funding for 2023/24, but total operational funding remains approximately 30% below the level required to effectively deliver these services.

Rising inflation is exacerbating this issue. We estimate costs including labour and materials have risen by at least 20% over the past two years. This is creating further strain on operational budgets and tough decisions for our councils when evaluating levels of service.

[1] Our investment advice to our councils is available at https://www.wellingtonwater.co.nz/publication-library/advice-and-work/. The risks resulting from the investment provided are also described in our Strategic Asset Management Plan (SAMP) at https://www.wellingtonwater.co.nz/publication-library/advice-and-work/regional-service-plan/

Our shared vision for water

The aspirations of our mana whenua partners are to restore the balance between water, people, and the environment, and return the region's water to a more natural state: Te Ika Rō Wai. This name refers to the pure state of water essential to life.

Achieving this state requires us to put the needs of the water and the ecosystems it supports at the front of our work. It is a journey that will take many years to complete and will continue under the new entity.

We understand the investment required to move towards Te Ika Rō Wai

The pathway towards Te Ika Rō Wai is reflected in our values, the strategic priorities we are pursuing, and the planning we have undertaken. In preparing advice for councils' current Long-Term Plans, we agreed five priority areas for investment to move us most quickly and effectively towards Te Ika Rō Wai, and to achieve the levels of service and performance sought by customers and required in legislation. These priorities are:

- look after existing infrastructure
- support growth
- ensure sustainable water supply for the future
- improve water quality of our rivers, streams and harbours
- reduce our carbon emissions and adapt to the impacts of climate change.

Te Mana o te Wai – our obligations

Te Mana o te Wai is a concept that refers to the fundamental importance of water and recognises that protecting the health of water protects the health and well-being of the wider environment. Te Mana o te Wai is about restoring and preserving the balance between the water, the wider environment, and the community.

Te Mana o te Wai is defined in the National Policy Statement for Freshwater Management as:

a) Mana whakahaere: the power, authority, and obligations of tangata whenua to make decisions that maintain, protect, and sustain the health and well-being of, and their relationship with, freshwater

b) Kaitiakitanga: the obligations of tangata whenua to preserve, restore, enhance, and sustainably use freshwater for the benefit of present and future generations

c) Manaakitanga: the process by which tangata whenua show respect, generosity, and care for freshwater and for others

d) Governance: the responsibility of those with authority for making decisions about freshwater to do so in a way that prioritises the health and well-being of freshwater now and into the future

e) Stewardship: the obligations of all New Zealanders to manage freshwater in a way that ensures it sustains present and future generations

f) Care and respect: the responsibility of all New Zealanders to care for freshwater in providing for the health of the nation.

There is a hierarchy of obligations in Te Mana o te Wai that prioritises:

a) first, the health and well-being of water bodies and freshwater ecosystems

b) second, the health needs of people (such as drinking water)

c) third, the ability of people and communities to provide for their social, economic, and cultural well-being, now and in the future.

Water services providers, including Wellington Water, have an obligation under the Water Services Act to give effect to Te Mana o te Wai. This requirement will also fall to the new entity Wellington Water joins, and the work that we do with our iwi mana whenua partners to understand their priorities and aspirations will endure. We recognise these aspirations as central for the new entity that we want to support as best we can.

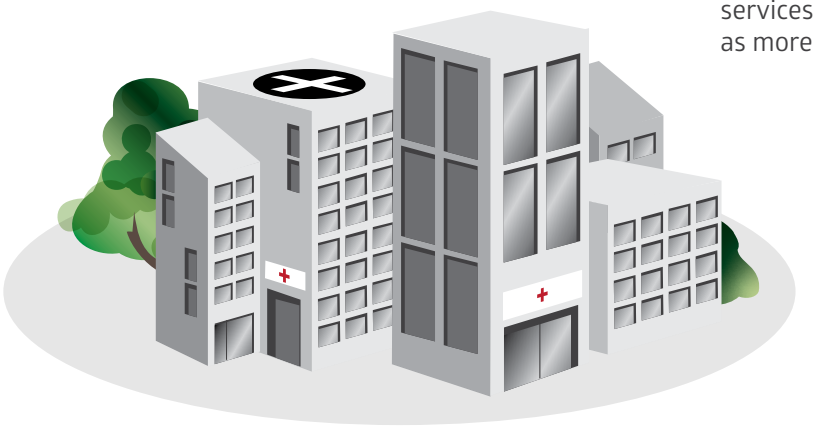
We will focus on fostering and supporting iwi mana whenua governance of water services, as members of the Water Committee. Through the recruitment of our Kaitātari Tumuaki Māori we intend to grow the cultural competence of the Wellington Water whānau in giving effect to Te Mana o te Wai. This involves considering these principles at all levels of the business, from operations to planning through to decision-making. Continuing to build an understanding of what Te Mana o te Wai means to iwi mana whenua, and how we can give effect to that is a journey that will take time.

Supporting the vision of our owners and mana whenua partners

Despite a lift in investment over the past few years, councils have been unable to provide the resourcing required to achieve the end-state of a balance between water, people and the environment. The improved funding mechanisms and increased scale of the new entities mean that they will have the ability to scale up to achieve these goals in the long term.

Reform dictates that our role in achieving this future state will cease by 1 July 2026. We expect to hand our insight and plans to the new water services entity, so that it continues the journey.

Two years ago, we prepared a 30-year investment direction that outlined work to move towards a balance between water, people, and the environment - Te Ika Rō Wai. The Department of Internal Affairs (DIA) will be leading the planning work for the new entity's first Asset Management Plan, detailing their investment over a 30-year timeframe. We continue to work with our councils, who will engage with the DIA to advocate for the region's aspirations for water. We will continue planning the investment required for the 2024-27 investment cycle and the next 10-year planning period (2024-2034) so they are consistent with this view and can be readily adopted into the new entity's first asset management plan.



Addressing the critical water supply risk

Working to ensure a sufficient supply of water to the Wellington Region is one of our key priorities for the year, as we need to take immediate steps with our owners to ensure that we have enough water both in the short term, as well as into the future. The most impactful thing that we can do is to install smart water meters across the region, as these will help us to pinpoint and repair leaks.

The Wellington Water Committee has asked that we continue to progress development of an indicative business case for smart water metering. This business case will guide forward investment decisions for councils and/or the Government's proposed future water services entity. The indicative business case will include the strategic, economic, commercial, financial and management cases that are essential to appropriately inform forward planning and is expected to be completed by June 2024.

For more information about other ways we are managing the water supply risk, see the section "providing safe and sufficient drinking water to our communities" on page 14.

Our focus for the next three years is on delivery of core services

Our delivery focus over the remaining period of our operation will be on the areas funded by councils. This is predominantly in looking after existing infrastructure (i.e. operations, maintenance, and renewals) and completing targeted growth investments. These investments are typically meeting "business as usual" requirements.

The other strategic priorities are focused on changing our direction, not just maintaining what we have today. We will progress improvements against these strategic priorities only to the extent that funding is provided. We will use this funding to improve the understanding of which investments are effective, helping the new water services entity to make more rapid progress in the future as more funding and capability become available.

Build trust through delivery of three water services

The delivery of three waters services is essential to the functioning of our cities, towns and the region. Our council owners, mana whenua partners, customers, and communities count on us to deliver these services safely and effectively.

We build trust by doing our work well in our core areas of service delivery including managing the networks and treatment plants and taking care of the assets, within the funding levels allocated by our council owners.

Ensuring our councils can support core services and our delivery focus

To enable effective discussions with our owners around funding priorities and to provide assurance that budgets are being used appropriately, we are working on improving financial modelling and reporting tools. This will enhance communication about our real service and financial performance as well as outstanding risks carried by the councils.

Maintaining working relationships at the political, executive and officer level are important to us. We meet quarterly with the chief executive of each council, more regularly with officers, and plan to be in front of each council at least twice a year. The main topics for the financial year will be our progress on transition, investment planning for 2024-34, water consumption and conservation and our regulatory performance. This mahi is outlined in more detail in this document.

Fostering our mana whenua partnerships

Wellington Water values our relationships with our iwi and mana whenua partners Taranaki Whānui ki te Upoko o te Ika, Ngāti Toa Rangatira, Ngāti Kahungunu ki Wairarapa Tāmaki nui-a-Rua, and Rangitāne o Wairarapa. As we continue to strengthen these relationships, we are increasing our understanding and compliance alignment with the values of Te Mana o te Wai.

One of the key changes with the new water services entities will be a regional representative group comprising 50% mana whenua. We want to continue to work with mana whenua to grow mutual understanding of priorities as we work towards transition.

Our aim is to work with councils and mana whenua to understand regional priorities on three-, ten- and thirty-year-plus horizons, so that the investment advice proposed for inclusion in the new water service entity's initial asset management plan aligns with mana whenua priorities for our region and encompasses Te Mana o te Wai principles.

We will continue to work closely with Greater Wellington Regional Council (GWRC), in the role of the environmental regulator. GWRC is implementing the National Policy Statement for Freshwater Management through its Whaitua programme.

GWRC have taken a catchment-based approach, working closely with mana whenua and local communities, developing five Whaitua (catchment) committees to make decisions on the future of land and water management in their area and implementing the National Policy Statement for Freshwater Management.

Our relationship with customers and communities

We strive to maintain an open and transparent relationship with customers and communities. The work that we do, in particular to build understanding of the state of the networks and the challenges of improving performance, assists with this.

Managing customer expectations

Within the networks, the backlog of asset renewals is translating into an increased frequency of network failures. This is reflected in record numbers of customer service requests to attend to leaks and overflows, creating further backlog in maintenance of the network.

Major storms and weather events are becoming more frequent and severe, requiring an intensive response both in preparing for and responding to events, and then addressing resulting customer issues. In these circumstances, we believe customer satisfaction will likely decline while we work with our councils to address network performance and start to address the backlog of renewals and open jobs.

Delivering expected levels of service for fluoride

Last year we worked hard to restore fluoridation of drinking water in the Wellington metropolitan area and we continue to regularly publish information on fluoride levels to communities. This year we will be conducting six-monthly reviews of the cultural integration of our new processes and will continue to review our performance against the recommendations in the report into fluoridation.

Enabling the efficient connection of new property developments

New housing developments are proceeding faster than historic rates, and we are working closely with our council building and resource consent teams across the region to enable new customers to connect to services. However, existing networks, designed to service a smaller population, have constrained capacity. Planning for future capital works takes future growth into account, but before new infrastructure is completed, councils may have to begin declining applications for new connections.

In the meantime, we will continue to work to ensure that applications for consents are processed within the required statutory timeframes.

How we will measure success

#	Purpose	Measure	Target 2023/24	Target 2024/25	Target 2025/26
1	**We deliver a level of service that our councils and customers expect.**	**Customers rate their experience of our performance as 'Satisfied' or better.**	70%	70%	70%
2	**The yearly average level of fluoride leaving each Water Treatment Plant is within the Ministry of Health guidelines.**	**The yearly average level of fluoride leaving each Water Treatment Plant is within the Ministry of Health guidelines (0.7-1.0 parts per million).**	Achieved at all plants	Achieved at all plants	Achieved at all plants
3	**We will process resource consents in a timely manner, to enable growth in our region.**	**The percentage of the time resource consents are processed within timeframes (10 working days).**	Greater or equal to baseline	Greater or equal to 2023/24	Greater or equal to 2024/25

Enhancing our compliance and assurance frameworks to meet the sector's new regulatory requirements

Our regulators provide our customers, councils and mana whenua with the assurance that we are doing what we are meant to be doing. Meeting regulatory requirements helps us earn the trust of our stakeholders and retain our social licence to provide water services to our communities. Over the past two years significant changes in the water industry's regulation landscape have occurred. Most prominent were the Water Services Act 2021 coming into effect, the Health (Fluoridation of Drinking Water) Amendment Act 2021, and Taumata Arowai becoming the Water Services Regulator from October 2021.

Wellington Water has a duty of care to our customers but increasingly regulation also requires Wellington Water to give effect to Te Mana o te Wai.

Providing assurance

To provide assurance to our regulators, customers and communities, we need to be able to demonstrate that we are adequately managing the risks associated with delivering water services. Drinking Water Safety Plans and Source Water Risk Management Plans have become key legislative risk management instruments and it is incumbent on us to ensure we meet the intent of these plans and implement them.

We do this in part by constantly monitoring our networks to ensure they comply with the relevant standards. The new measures are prescriptive and, in some cases, require us to adapt our reporting capability to meet the requirements of the regulator. The development of our source water management plans in particular has identified areas of investment above and beyond what was previously expected under preceding legislation.

There are several improvements needed to be able to demonstrate to our customers and regulator that we are fulfilling our duty of care. We are continuing to invest in our people, processes and systems to ensure that we give effect to Te Mana o te Wai, meet our regulatory obligations and keep water, people and the environment safe. In addition, our systems need to be able to provide timely, accurate and reliable data to the regulator, which requires additional investment. As well as providing an easy interface with Taumata Arowai, we also need to make these improvements so we can provide assurance, if required, up to 1 July 2026. While the Statement of Intent assumes we will not operate past this date, we cannot be derelict in our duty of care simply because we didn't anticipate having to provide services past that date.

Making improvements where necessary

Last year we finalised our Source Water Management Plans and Drinking Water Safety Plans, and we must now keep these up to date, and more importantly, action the improvements outlined in these plans.

To support this work, we set up a dedicated regulatory and compliance directorate to ensure that we focus on continual improvement of compliance within the company. Key to this is earning and maintaining the trust of our regulators. This is a multi-year effort with significant work still to be done to shape the future compliance landscape and to comply with the new regulations.

Our focus is on demonstrating compliance with these rules first and foremost. We have established a Safe Drinking Water Committee and an Environmental Compliance Committee which are empowered to make decisions that ensure we are focusing on the right areas for improvement. We will be unable to demonstrate compliance with all new regulations overnight, but we have plans to tackle the highest priority improvements first. This is understood by the regulator, who is expecting water services providers to be able to demonstrate the roadmap to full compliance where it cannot be achieved straight away. Full compliance will require commitments to investment and activities beyond what is currently funded.

We will also be contributing into the development of the rules moving forward, as Taumata Arowai is actively consulting future performance measures for drinking water, as well as developing rules for wastewater services. We have the expertise to help shape future regulations and will advocate for our customers and communities to the regulator, providing submissions to the regulator, ensuring that the right things are measured.

Our risk profile – Regulatory compliance

Risk	Consequence
Funding pressures reduce the scope of planned improvements.	Increased risk of not meeting regulatory requirements and non-compliance.
Level of improvements insufficient to meet full compliance with regulations.	Non-compliance with regulations and regulator loses confidence in Wellington Water performance.
Investment constrains the pace at which the improvements are delivered.	Increased risk of not meeting regulatory requirements and regulator loses confidence in Wellington Water performance.

A focus on core services

Providing safe and sufficient drinking water to our communities

Clean, safe drinking water allows communities and cities to thrive. The delivery of sufficient safe and healthy drinking water is our core responsibility. Our increased focus on regulation will ensure we maintain safe drinking water; however, the sufficiency of supply is of growing concern.

We have been highlighting the risks of the region's high level of demand since 2018. Water use in the Wellington metropolitan region continues to increase and is at an all-time high. This is primarily due to water loss and in part to population growth. Current estimates show that the Wellington region is losing over 40 per cent of drinking water supplied due to leaks from both the public network and on private properties. This is a result of aging infrastructure, historical underinvestment, and a backlog of renewals and repairs.

There are two main constraints on our ability to meet demand; our consents which dictate how much water we can take from the environment, and how much water we can physically treat and supply to customers each day.

Despite an increase in usage last summer, the region avoided serious water restrictions due to rainfall over the summer and significant rainfall at a critical time from Cyclone Gabrielle. We are not assuming that we will see similar conditions into the future, and our modelling shows that it is likely that we will face an acute water shortage this summer.

We have limited options to mitigate water supply risk in the short term

We are seeing record numbers of service requests for leak repairs, with over 3,000 leaks awaiting repair in the Wellington region at the time of publishing. Addressing these leaks is the key lever that we can use to bring down water losses and reduce strain on our supplies in the short term. As such, we have developed a Metropolitan Water Loss Reduction Plan (Water Loss Plan), which looks at how we will optimise the available funding we have to minimise water loss in the next nine to 12 months while also considering an approach to address the issue in the longer term.

The plan will incorporate the following activities:

- increase the speed and quality of repairs we undertake on water pipes
- survey the network, find leaks, and undertake investigations to identify and mitigate causes of leaks
- identify additional areas in the network where we can reduce water pressure to prevent leaks and reduce the water lost when leaks do occur
- introduce dedicated reactive and proactive renewals of service connections which are known to be the major source of leaks, and reprioritising renewals of drinking water pipes to address water loss where possible
- communications, engagement, and public education.

This plan includes a target to reduce consumption by 20 million litres per day over the next 10 years, even with forecast population growth. To measure the success of our leakage management, we have included in this year's Statement of Intent the Infrastructure Leakage Index (ILI). For more information see the How we measure performance section for Core Services, on page 19.

Water restrictions are likely this summer

The interventions outlined in the Water Loss Plan that will be undertaken within the current funding will only partially reduce the short-term risk. Modelling shows these interventions are unlikely to make a significant impact on the risk of acute water shortage this coming summer, and we may be unable to meet our target ILI reduction.

We face an increasing likelihood of experiencing an acute water shortage. The risk is primarily associated with our ability to treat and supply enough water to meet demand, even under typical summer conditions. Falling reservoir levels increase the risk of loss of pressure within the network. Subsequent backflow and possible contamination of the supply could result in boil water notices being issued.

There is also the possibility of reaching the consent limits on the amount of water we can extract from the region's water sources. This means that it is likely that our councils will need to increase the level of water restrictions this summer and/or stand-up emergency responses to ask customers to significantly reduce water usage at short notice.

Ensuring adequate water supply for the long-term

As we monitor water use and prepare for restrictions this summer, investment in long-term protection against water shortages is at the forefront of our planning. A

coordinated, region-wide approach including smart metering, increased investment in leak detection and repair and building additional storage lakes will help ensure Wellington achieves a sustainable water supply for the future.

A key project we have under way is the Te Mārua Water Treatment Plant Capacity Optimisation Project. Due for completion in late 2024, this project will increase the Te Mārua Water Treatment Plant capacity and the ability to utilise more of the water stored in the Macaskill Lakes. Once completed, this project will return the metropolitan region's resilience to be able to cope with a one-in-fifty-year drought.

While increasing treatment capacity will increase our ability to meet peak demand, it will not relieve long-term strain on the water source. Major interventions are needed to manage the water supply risk beyond 2024/25, with the two main options being the development of a new water source and universal water metering to improve our leakage management and reduce demand.

Water metering in the Wellington metropolitan region is not currently fully funded. Without the demand reduction that it will achieve, implementation of new source capacity needs to begin in the next five years if we are to reach the desired level of drought resilience. Bringing a new water source on-line is estimated to cost more than $800 million to develop and will take many years to commission.

Managing the impacts of our wastewater treatment operations

Every day, Wellington Water collects and treats around 180 million litres of wastewater at eight wastewater treatment plants across Wellington and South Wairarapa. This water, once treated, gets safely discharged into the environment. Issues at the wastewater treatment plants over the past few years mean that, on occasion, we haven't been able to meet the levels of service that our communities expect, with occasional exceedance of resource consent limits. There are also regular overflows of untreated wastewater from our wastewater networks during heavy rainfall. Over the past two years we have worked hard to bring the Wellington metropolitan wastewater treatment plants back into compliance, following a period of underperformance. They are now largely compliant, with our focus for the coming year on working on process optimisation to allow our plants to operate as well as the asset condition allows, while we work on fast-tracking urgent renewals.

Currently in South Wairarapa, one of the Council's wastewater treatment plants (Martinborough) is non-compliant with resource consents, which has resulted in two abatement notices issued to Wellington Water and South Wairarapa District Council over the past year. Significant investment from the Council is required to bring the plant back into compliance.

The South Wairarapa District Council's three other wastewater treatment plants are currently compliant, however they are all at significant risk of non-compliance moving forward. Significant capital investment, as well as operational investment in standard maintenance activities such as desludging the ponds, needs to be committed by the Council in order to ensure that we achieve the compliance and do not significantly adversely affect the environment. We will continue to monitor the situation and provide risk analysis and investment advice to the Council, however, our ability to focus on any improvements in South Wairarapa in the coming twelve months is significantly constrained by investment levels. We expect the plants to remain non-compliant until sufficient investment is committed.

In the metropolitan area, our focus for the next twelve months is to complete repairs at the Moa Point WWTP and return the plant to full capacity, while maintaining compliance across the rest of our plants and network with a focus on renewing aging mechanical and electrical components at the treatment plants.

Looking after existing infrastructure

Our shareholding councils jointly own at least $7.7 billion of three waters infrastructure. It is extensive and complex to manage, with most of these assets buried underground. And it is aging. Around 30% of the region's pipeline assets have exceeded their nominal design lifetime, with many others approaching nominal end-of-life. Other assets are failing before their designed lifetimes. Over the past few years, issues with some of the most critical assets, and a noticeable increase in the number of leaks, overflows, bursts and faults, have highlighted these challenges.

Reversing this trend requires a multi-pronged approach, including lifting the number of renewals, investing in understanding the real condition of our assets, and significantly increasing the amount of planned maintenance we undertake.

Investment in renewals has increased, but it will take many years to turn the tide

The renewal of assets in poor condition is fundamental to both the performance and the costs of the service they provide, as it is generally significantly cheaper to replace an asset before it fails.

Councils responded to the aging assets issue with their largest investment to date included in their current Long-Term Plans. Despite this, we are facing a sizeable backlog of work to renew the existing infrastructure. The increased investment only begins to address the existing backlog, and the demand for renewals has continued to increase since these plans were adopted in 2021. Current investment levels mean throughout the 30-year period of the LTP, we can expect the number of assets that are at or beyond end of life to increase significantly.

Carrying out the funded programme of asset renewals will be a focus for us as we work towards the transition. This includes ensuring appropriate investment in condition assessments, and that at-risk assets identified through these programmes are appropriately prioritised and scheduled for renewal. We estimate that, regionally, $10 million each year of investment into asset condition assessments is appropriate for our councils' networks. Currently our councils have only committed to investments totalling approximately $2.5 million each year. Funding and prioritisation decisions rely on quality data. The more we know about the condition of the assets, the more effectively we can plan for and fund their renewal.

Operating expenditure budgets are under pressure, and levels of service may be impacted

The rising number of faults we're experiencing requires us to work increasingly reactively, as has the increasing frequency and intensity of major weather events. This high level of reactive activity puts pressure on budgets and has consequences for levels of service experienced by customers. It also affects the extent of planned maintenance that can be carried out when resources are diverted to unplanned work.

Reducing the extent of planned maintenance compounds our operating challenge, by increasing the likelihood of faults and failures. We will work to find the right balance between planned and reactive activity within the budgets provided, and to ensure we prioritise the activities that have the greatest consequence for our customers.

The costs of maintenance and operating materials have risen sharply, as have other significant operating costs such as landfill disposal of wastewater biosolids, chemicals and energy. Labour shortages often require us to use more expensive, contracted suppliers to complete tasks that would normally be completed internally. Similar pressures are also being observed in our capital works programme and we continue to work hard to manage this challenge. While inflation was anticipated within the LTPs, the forecasted costs for the next twelve months are approximately 30% higher than forecast in LTPs.

Overall, the budgets provided will not meet our recommended level of activity. This means that some activities, such as a full programme of condition assessment and asset data quality improvements, will not be undertaken, and that our customers may be less satisfied with our work as leaks run for longer and faults continue to occur with high frequency.

We expect to work closely with councils on prioritising funding allocations as the year progresses and the extent of reactive activity required becomes clear. With our councils we attempted to place a fixed budget on reactive costs last year, but pressing issues such as water loss, as well as the increased costs, meant that we had to be more reactive than we intended. Our objective remains to increase the ratio of planned to reactive maintenance this year, and to enable the new entity to further improve this ratio.

Supporting growth and land development

The growth forecasts used in the Wellington Regional Growth Framework suggest that an extra 150,000 people – more than the existing population of the Hutt Valley – could be living in the region within the next 30 years.

Each of our councils are expecting significant growth. The extent and speed of growth will put further pressure on aging and capacity-constrained three waters infrastructure and services, and on the environment that we operate in.

Growth is outstripping our network capacity

Our Regional Three Waters Capacity Assessment, completed in 2021, found that most areas do not have the infrastructure required to accommodate the expected new housing. The current networks have had only incremental capacity changes over time and will not be able to meet growth needs without significant investment. In many cases the networks do not meet existing levels of service requirements, and investment is also required to meet today's environmental performance expectations.

Growth planning identifies the investment required for specified growth areas

Growth planning allows us to identify the best way to meet our cities', towns' and communities' future needs. Our activities in this area are led by our councils, who identify the areas of expected growth and direct funding for studies and growth investment plans. Where funded, we will continue with growth studies to determine how to meet long-term capacity demands.

Our councils funded some specific investments in identified growth areas in their 2021-31 LTPs and the delivery of those projects is a focus area for our capital works programme.

Early growth project development aims to balance our regulatory, environmental, and customer expectations and determine cost allocation for funding of growth projects.

The improvement proposals identified will ultimately be delivered by the new entity and delaying these studies would only increase the lag time on necessary infrastructure investment.

Increased demand on our networks is strongly influenced by policy settings, so we participate in statutory planning processes, such as district and regional plan-making, to promote our three waters strategic priorities.

Supporting urban regeneration and housing delivery programmes

Increasing the supply of housing is a priority for the country and the region, and responses to this include major urban regeneration and revitalisation projects where the three waters infrastructure will be delivered by other organisations as part of overall urban development. Local examples include the Eastern Porirua Regeneration Project (Kāinga Ora) and the Riverlink Project, Te Wai Takamori o Te Awa Kairangi (Waka Kotahi NZ Transport Agency, Greater Wellington Regional Council, Hutt City Council, and mana whenua). These developments will alter, connect to and expand our existing networks and also impact our ability to operate within our consented environmental limits. We will continue to work with other infrastructure providers to try and optimise investment outcomes and see that relevant quality and performance standards are met.

Government Infrastructure Funding

Two projects have been funded through the government's contestable Infrastructure Acceleration Fund. This fund supports investment in infrastructure needed to unlock housing growth, enabling developments to progress faster and with financial certainty. The two projects are the Riverlink Wastewater Bypass & Stormwater Upgrades (Hutt City) and Trentham Wastewater Upgrades (Upper Hutt City). As with the housing delivery programmes discussed above, the three waters infrastructure for these developments will likely be provided by third parties.

Where requested by our owners, Wellington Water will work with external groups including councils, developers and government agencies to coordinate programming, technical three waters input and ensure that any three waters assets built by third parties are able to be accepted onto the network in future. If directed by our councils, Wellington Water may be required to deliver projects in our capital programme. We are working on establishing a reimbursement mechanism with our councils to capture the funding of our contribution to these projects, and ensure we are resourced to provide meaningful input.

Delivering our largest ever capital programme

Our capital programme has grown from $67 million in 2018/19 to a projected $278 million in 2023/24. This is anticipated to continue to grow under the new entity to upwards of $600 million per annum – just in the areas currently serviced by Wellington Water.

A key focus for the year will be improving our capability to deliver projects in our councils' drinking water and wastewater treatment plants. There are a combined 16 treatment plants in the Wellington metropolitan area and South Wairarapa. Whereas our below ground assets (such as pipes) have relatively long lifespans of 50 years or more, electrical and control equipment in the treatment plants have much shorter lifetimes of 15-20 years.

We aim to have just 40% of the programme (by value) with the Major Projects team (high risk), and 40% with our programme delivery team (medium risk). We have vastly improved our capability to deliver these projects over the past few years, including by establishing our consultant and contractor panels.

The remaining 20% consist of smaller projects, and with the size of our programme expanding so significantly, these have risen from approximately $13 million to $50 million. These projects require a different approach to delivery than our other projects, and we now need to focus on making improvements in this space.

We will continue to develop our capability as well as the capacity of our partners and the supply chain to ensure that the wider industry is able to support the level of growth needed. Over the past years we have successfully implemented improvements to our renewals programme, alongside our contractor and consultant panels, to be able to lift the level and pace of delivery with our fast-track, catchment-based renewals programme. We will be targeting similar improvements to our low-cost renewals over the coming year.

Keeping our people safe

Here at Wellington Water we are committed to ensuring the safety of our people. With more than 800 people working across our supply chain it is important that we ensure that we all go home healthy and safe at the end of each day. Our health and safety strategy is guided by our simple commitment: "People first, every time." This strategy has steered us through Covid-19 and allowed us to ensure we were able to protect our people while still delivering critical services to the communities we serve.

Each year we work to continually improve our health and safety systems through the critical risk projects we carry out with the Wellington Water whānau. For FY 22/23 the two critical risk projects were focusing on Underground Service Strikes, and Mental Health in the Water Industry. These projects were chosen as they are areas where we are exposed to risks and could see benefit in ensuring we have the right controls and supports in place.

By working through these projects alongside our Wellington Water whānau we can improve the standard of health and safety across our supply chain, placing the industry in a good position heading into water reform.

Our risk profile – Core Services

Risk	Consequence
Leakage continues to worsen, and continuity of supply is compromised	More frequent and severe water restrictions will need to be imposed to maintain continuity of supply
Level of renewals is insufficient to address the backlog	Networks continue to get older. More faults, bursts and service interruptions
Operating cost pressures reduce the scope of planned maintenance activities	Further increased risk of unexpected failure and increased cost to the customer
Limited investment into condition assessments for our most critical assets	Limited ability for Wellington Water and its successor to understand performance risks and make timely, efficient investment decisions
Growth increases the size of the three waters infrastructure deficit	Levels of service drop further and/or growth cannot be supported by the networks
Insufficient capacity in the market to be able to deliver growth projects	We will be unable to keep up with the pace of growth projects around the region
Insufficient resources within Wellington Water to participate fully in major housing delivery projects	Increased risk that solutions provided by third parties will not meet desired performance and operating requirements
Insufficient resources within Wellington Water to participate in statutory planning processes	Increased risk that policies are put in place that exacerbate the demand on our water services or prevent us or the new entity from being able to achieve required environmental and service performance outcomes

How we will measure success – Core Services

#	Purpose	Measure	Target 2023/24	Target 2024/25	Target 2025/26
4	**We will deliver safe drinking water to metro Wellington**	**Compliance with Drinking Water Quality Assurance Rules (Treatment)***	Compliant monthly (12/12 months compliant)	Compliant monthly (12/12 months compliant)	Compliant monthly (12/12 months compliant)
5	**We will aim to deliver safe drinking water to South Wairarapa**	**Compliance with Drinking Water Quality Assurance Rules (Treatment)***	Compliant monthly (12/12 months compliant)	Compliant monthly (12/12 months compliant)	Compliant monthly (12/12 months compliant)
6	**We will have sufficient water to meet customer needs**	**The Infrastructure Leakage Index (ILI) of the Wellington Metropolitan Network will improve****	Achieved	Achieved	Achieved
7		**We will complete all actions for the defined period set out in our Water Loss Reduction Plan**	Achieved	Achieved	Achieved
8	**Our metropolitan Wastewater Treatment Plants will operate as expected**	**We will receive no abatement notices, infringement notices, enforcement orders or convictions for breaches of consent in the relevant financial year**	Achieved	Achieved	Achieved
9	**SWDC Wastewater Treatment Plants will operate as expected**	**SWDC is kept informed of the risk of enforcement action (abatement notices, infringement notices, enforcement orders or convictions) for breaches of consent in the relevant financial year**	Achieved	Achieved	Achieved
10	**We will deliver the three-year planned renewals programme set by our councils**	**Percentage of three-year programme (2021-24) complete†**	90%	TBD in coming year	TBD in coming year
11	**We will improve service reliability through increased use of planned maintenance activities**	**Ratio of planned to reactive maintenance increases**	Ratio increases from baseline (TBC)	Ratio greater than or equal to 2023/24	Ratio greater than or equal to 2024/25
12	**We will deliver our capital programme within the expected range**	**Total capital delivery is between $233m and $328m**	Delivery between $233m and $328m	TBD in coming year	TBD in coming year
13	**We will monitor and address critical health and safety risks for our people**	**Health and Safety critical risks will be reviewed, and improvements are implemented**	Two or more	Two or more	Two or more

* Measured separately at each Water Treatment Plant. The Metro Wellington treatment plants are Gear Island, Te Mārua, Wainuiomata and Waterloo. South Wairarapa treatment plants are Featherston, Greytown, Martinborough and Pirinoa.

Note that we are unable to meet the CT (contact time) requirements for chlorine at the Waterloo plant as the first customers serviced are too close to the plant. We are seeking an exemption from Taumata Arowai, and unless this is granted then the Waterloo plant will be reported as non-compliant.

**The ILI is an industry standard measure of how much water is being lost from the supply network. We are currently finalising our baseline ILI for improvement over the coming year.

Other priorities

Improving environmental water quality

All of the water that our customers receive and use is ultimately returned to the environment. This is done through two networks: wastewater and stormwater. The wastewater network is intended to carry unsafe water to treatment plants where it is made safe to standards set by the environmental regulator before it is discharged; the stormwater network is designed to discharge into streams, rivers and the sea from multiple points. However, the two networks have connections between them, both designed and inadvertent. These make it impossible to ensure that untreated wastewater does not enter the environment. Most stormwater is untreated before discharge, enabling contaminants from roads and properties to reach our fresh water and harbours. Capturing, piping and channelling stormwater can also have adverse impacts on the function and health of the natural water bodies that are part of the stormwater system.

Existing performance is poor with few, if any, monitored streams meeting existing water quality limits. Pending changes to regional environmental plans will reduce these limits further and significant improvements are required.

Wastewater contamination reflects the age and condition of public and private pipes. Older pipes are prone to damage and leaks, while overflows often occur as a result of heavy rainfall or through blockages caused by contaminants such as wet wipes.

Any discharge of untreated wastewater to the environment is contrary to the principles of Te Mana o te Wai, and unacceptable to our mana whenua partners.

Standards for environmental water quality are increasing

Anticipated changes to the region's natural resources plan required by the National Policy Statement for Freshwater Management and informed by Greater Wellington Regional Council's Whaitua process will require significant improvements in water quality to be achieved over the medium to long term. Water quality improvements will be implemented through resource consents to discharge stormwater and wastewater.

At the current level of investment, councils cannot meet existing environmental standards. Without significant uplift they will be unable to meet the higher standards for human and environmental health that will be set in the Natural Resources Plan.

We currently hold a consent to discharge stormwater (on behalf of our metropolitan councils). As a part of this consent we must monitor and identify the negative effects of our stormwater discharges and manage any acute effects on human health. We have also developed a Stormwater Management Strategy, which is our plan for minimising the impact of stormwater discharges on water, people and the environment.

Our focus for the year is to continue to work towards renewing the stormwater consent for the metropolitan Wellington area and the consent covering all wastewater network overflows. We will also be seeking a consent for stormwater discharges in South Wairarapa. Compliance with these consents will require long-term reduction of impacts on fresh and coastal water, and improvements to the stormwater and wastewater infrastructure. The consents will be held by the new entity and will shape the strategic direction of the management of stormwater and wastewater across the region. The work we are doing this year will lay the groundwork for decades of improvement and the journey to Te Ika Rō Wai.

We need to continue to do work to ensure that the consents, when granted, are able to be delivered. We estimate that the delivery of the Stormwater Management Strategy will cost between $1 billion to $2 billion over the next 30 years, while improving our wastewater networks could be up to $8 billion. We continue to work with our Territorial Authorities , mana whenua, Greater Wellington Regional Council as the environmental regulator, and the National Transition Unit to ensure that we have strategies that are deliverable.

Funding limits the level of short-term

[2] Territorial Authorities (TA's) are District or City Councils. Our TA owners are Upper Hutt City Council, Hutt City Council, Porirua City Council, South Wairarapa District Council and Wellington City Council.

improvements we will make

Very limited funding for improving environmental water quality was included in councils' LTPs.

The limited funding that has been provided means we can generally only address issues with the discharge of untreated wastewater reactively, with some limited proactive investigations for Hutt City Council, Wellington City Council and Porirua City Council funded in 2023/24.

A catchment-based approach has been adopted and has seen some success in those catchments where we have been funded to make interventions in the past. Last year there was a reduction in contaminants in both Black Creek and Ōwhiro Bay, with contamination levels now well below the maximum limit under the global stormwater consent in Ōwhiro Bay. In Titahi Bay we saw improvements in human health pollutants, but there is still contamination measured in a local stream which is above current guidelines. A sustained level of focus and investment will be necessary to ensure that we can fix existing problems in the networks and restore the health of our environment.

Net carbon zero 2050

The Climate Change Response (Zero Carbon) Amendment Act sets a target for New Zealand to achieve net zero carbon emissions by 2050. The majority of our owner councils have also declared climate change emergencies and are setting or considering emission reduction targets and climate change response strategies. The country's response to climate change will need to include mitigation (reducing our emissions) and adaptation (managing the impacts of climate change), and water services providers have a part to play in both mitigation and adaptation of these elements.

Mitigation

We generate emissions from both our operational activities and our capital works programme. We understand the source and scale of our operational emissions and have some sense of what is required to reduce them. While there has been no funding provided for specific operational emissions reductions initiatives,[3] we will continue to seek improvements in areas such as energy efficiency as we go about our standard operations and renewal activities, although the scope for this is very small with only twelve months left until transition.

The emissions for our capital programme were baselined in 2021/22, enabling us to consider opportunities to reduce them. We will continue to monitor the carbon emissions of our capital programme, consider options to reduce our emissions and importantly, ensure this information is readily available for the new entity. This will provide a starting point from which to pursue mitigation opportunities.

Adaptation

While there is an element of uncertainty about exactly how the effects of climate change will play out for our communities, we are developing our understanding of the expected challenges in water services delivery, including by flood mapping, and considering various climate change scenarios when planning future interventions. While there may be little change in the annual rainfall, weather patterns will change. This will likely result in more variable rain, drier periods where water supplies will be at risk, and an increase in the frequency and intensity of extreme weather events. The sea level will rise, resulting in hard decisions for councils - not just for water services - about what infrastructure to build, where we build it and how to make it resilient to these changes.

Our water services are highly integrated into climate processes, and climate change will impact on all three waters:

- Our access to drinking water will be affected by changes in seasonal water availability and sea level rise (for the aquifer).
- Our wastewater services will be affected by rainfall intensity, temperature, groundwater levels and coastal erosion.
- The demands on our stormwater services will be affected by rainfall intensity, sea level rise, groundwater levels, and coastal erosion.

We have a good grasp on what we need to do to protect our water supply at the source, with much of this work being planned for and undertaken in response to the increased leakage. We will continue to build our understanding around the potential impacts to our network assets to enable good decision-making by the new entity.

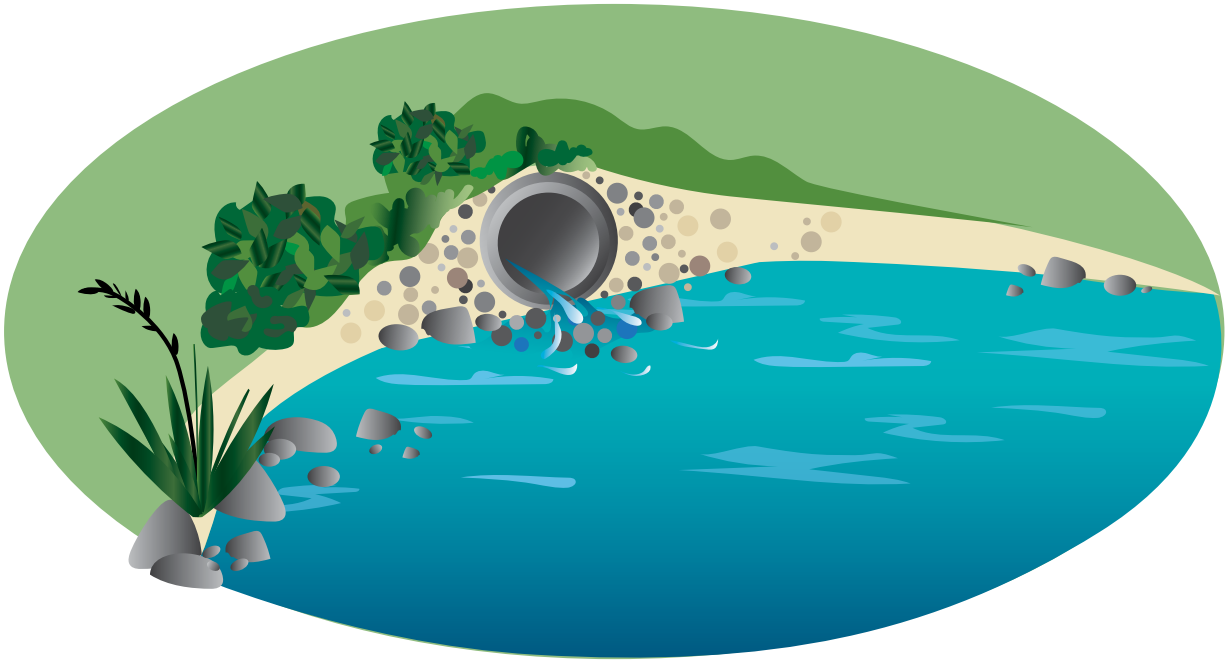
Our stormwater models help us to see the likely impacts of rainfall intensity and sea level rise. We have looked at the impacts of climate change on our wastewater treatment plants and the trunk network for Hutt Valley. More work is needed to assess the impacts of climate change.

With limited funding available from councils to pursue adaptation work, we will not be making significant improvements this year. We will, however, be able to hand over to the new entity our understanding of these impacts and limited proposals for investment pathways moving forward. These pathways will have to be dynamic, as the impacts of climate change are felt more deeply and better understood. We expect this will be a major focus for the new entity over the coming years.

[3] The Sludge Minimisation Plant at Moa Point will reduce Wellington City emissions but is being funded and delivered by Wellington City Council with technical input from Wellington Water.

Our risk profile – Other priorities

Risk	Consequence
Inability to meet the likely new standards for environmental water quality set through our discharge consents	Unacceptable environmental health outcomes, with waters increasingly unsuitable for recreation and human health, which will need to be addressed by the new entity
Operational emissions are likely to increase with population and demand growth	Increased environmental impact of our activities, and increased operating costs (as rising carbon prices impact on electricity and other input costs)
Limited understanding of the impacts of climate change on the assets and services	Increased risk that investment planning is not adequately incorporating these impacts
Increased frequency and severity of extreme weather events	Unplanned costs impact on our ability to provide core services



Ensuring our people are ready for water reform transition

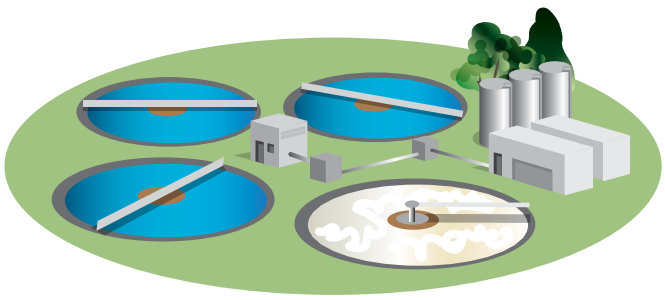
It is now proposed that future water services will be delivered by ten regional water entities. The Wellington region has eight councils (excluding Greater Wellington Regional Council, which will revert to a regulator-only role). Wellington Water will join an entity encompassing the existing councils we service as well as Kāpiti Coast, Carterton and Masterton. This entity will hold the assets of these eight councils and collect revenues from customers.

In the meantime, it will be business as usual for Wellington Water as we continue to provide services to our councils. However, our shareholding councils expect us to transfer our knowledge and capability to the WSE and ensure customers do not experience a decline in service.

Until the agreed go live date, we will continue to progress our capital delivery programme, remain alert to existing and emerging risks, ensure that our whānau remain engaged in their work and that their health and wellbeing are supported.

A transition programme has been established at Wellington Water. The vision of a successful transition is to integrate Wellington Water's collective capability into the new entity, which is operating well and flourishing. The objectives of the Programme to enable the delivery of the vision are:

- Assure our shareholding councils that the transition to the new entity will be well managed.
- Ensure the ongoing delivery of core services and value to shareholding councils through to 1 July 2026.
- Support staff through the process to the new WSE, so their move is a good experience.
- Support the National Transition Unit, the new Local Establishment Entity, and shareholding councils to establish a successful WSE.



Collaboration

Establishing a water services entity in the region will also significantly affect our Council owners. We will continue to work collaboratively with councils to ensure our collective resources are used effectively within the context of water reform.

A regional working group and a steering group that includes all the chief executives have been established to support the transition to the WSE.

Our council owners are accountable for water services until the new water services entity goes live, who accountability will shift to. Therefore, working collaboratively with councils, the National Transition Unit within the Department of Internal Affairs, and the WSE as it is established, is critical to a successful outcome.

Our people experience a good transition

Supporting Wellington Water's employees' transition to the new entity is challenging. Our transition strategy aims to mitigate risk for Wellington Water by proactively ensuring people have a good transition experience.

There are six streams of work supporting the Transition Strategy: Communications; current context and maintaining line of sight; supporting leadership practice; ensuring succession plans are in place; engagement and employee value proposition, and pastoral care of crucial water resources.

Alongside this strategy, the People Strategy supports people to be the best they can be to take advantage of opportunities available in the larger WSE.

Retention of existing employees with water sector skills is critical, given the lack of skills across New Zealand to deliver improved water services.

Preparing for transition

In addition to the planning and risk obligations detailed earlier in this document, our existing contracts and agreements need to be transferred to the new entity so that they can smoothly transition. We also need to work with the new entity and the National Transition Unit to ensure that we migrate our asset data to their new systems, including input into what those systems look like and how they will be used. Lastly, we need to develop a plan to wind up Wellington Water when it is no longer needed.

Doing all these things takes time and resources.

Our risk profile – Other priorities

Risk	Consequence
The timeframe for the work required is short, and there are likely to be some significant decisions to make on what is necessary and possible for day one of the new entity	Work with NTU, Local Establishment Entity (LEE), and councils to scope what Wellington Water transitional activities are required to perform and what systems may need to continue after Day One
Staff may choose to leave the sector due to uncertainty and disruption or may leave WWL to join NTU or the new establishment entity	Ensure people are engaged with their work and understand and support water reform. Provide effective training for people to transition seamlessly to the WSE
Reform could be slowed or stopped due to a change of government or reprioritisation of focus	WWL to be agile to changing requirements with the potential to continue to operate up to 1 July 2026.

How we measure success – Managing the transition

#	Purpose	Measure	Target 2023/24	Target 2024/25	Target 2025/26
14	**We will support our staff through water reform**	**Staff feel supported by the organisation through water reform (staff survey)**	Greater than 2022/23	Greater than 2023/24	Greater than 2024/25
15	**Our staff will understand water reform**	**Staff feel as if they understand water reform (staff survey)**	Greater than 2022/23	Greater than 2023/24	Greater than 2024/25

Letter of expectations

Chair, Wellington Water Committee
C/- Hutt City Council
Private Bag 31912
LOWER HUTT

Lynda Carroll
Chair
Wellington Water Limited
Private Bag 39804
Wellington Mail Centre

Dear Lynda,

This letter sets out the priorities and expectations of the six owner councils and iwi mana whenua to inform the development of Wellington Water Limited's (WWL) draft Statement of Intent (SOI) for 2023-2026. These priorities were developed at a Wellington Water Committee workshop in September 2022 and have been informed by discussions with councils and mana whenua.

Context

All councils acknowledge the progress of water reform and the potential impacts on the company. However, the provision of services up until the 1st of July 2024 is our focus and during this time we need to create the momentum so that what we commit to now and plan for the future can be easily transferred to the new Entity C for implementation. It is imperative for our customers that they experience a smooth and successful transition of core services.

Te Mana o te Wai

Te Mana o te Wai prioritises the health and wellbeing of water first. The second priority is the health needs of people (such as drinking water) and the third is the ability of people and communities to provide for their social, economic and cultural well-being. We expect Wellington Water to give effect to Te Mana o te Wai and commence its integration into planning and regulatory processes, working in partnership with mana whenua and recognising that it will take time to develop a shared understanding.

Facilitating the input of mana whenua to improve water service delivery

In the eighteen remaining months until the water services entities go live we expect Wellington Water to continue to work with mana whenua to:

- Optimise the contribution of mana whenua members on the Wellington Water Committee through ongoing briefings and support;
- Work with mana whenua entities to identify programmes and projects of significance and facilitate input to these; and
- Continue to grow the cultural competence of the company through governance, management and workforce.

Whaitua outcomes

Greater Wellington Regional Council's Whaitua programme is an important reference point in the management of water services.

Wellington Water role

Wellington Water has a crucial role in providing water services to customers within the Wellington metropolitan and South Wairarapa area and therefore its actions have a direct impact on the wellbeing of customers, as well as the health of the broader environment and resilience of the community.

Wellington Water's next SOI aligns to the third year of the councils' long-term plans, and to the last year of the company before its functions are transferred to the new Water Services Entity. Therefore, we expect that in addition to key priorities of looking after infrastructure; growth; reducing water consumption; reducing carbon emissions and improving environmental water quality, the SOI will also have a significant focus on ensuring a smooth and successful transition of people, operations and planning.

Priorities for 2023/24

We have a number of priorities for the upcoming year which we would like to see reflected in the SOI.

Ensuring a smooth transition through water reform to the new entity

Three Waters Reform will lead to the disestablishment of Wellington Water and transfer of staff and functions to the new Water Services Entity in July 2024. We expect WWL to prepare for this change through a robust change process and the management of risks during the transition process. Recognising the shared nature of assets, data and services, this process needs to be undertaken collaboratively with the shareholder councils to ensure that change is undertaken efficiently and effectively.

This transition process needs to include a focus on robust asset management planning. This needs to be undertaken working with councils and with the National Transition Unit to ensure that the councils' future investment needs are understood and prioritised by the WSE and work programmes in the next 3-10 years are not disrupted.

Planning should be undertaken informed by ongoing asset condition assessment investigations, completion of growth planning investigations, and guided by the principles of the journey to Te Ika Rō Wai and restoring the balance of te ao wai, te ao taiao, and te ao tangata; and te mana o te wai.

We expect you to focus on retaining WWL staff and whānau suppliers to ensure no loss of productivity through transition and that we continue to look after existing infrastructure.

The Wellington region is facing significant growth and demands on infrastructure. We expect WWL to provide timely advice (including capacity and condition assessments) in regulatory development and policy processes.

We expect you to ensure that, as far as funding allows, customer service levels are maintained throughout the transition. This includes ongoing delivery of the current CAPEX and OPEX programmes.

Three waters investment planning for 2024-34

The draft Water Services Entities Bill includes provisions for the National Transition Unit to complete three waters investment planning for 2024-34 and for this not to be a requirement for councils' 2024-34 Long Term Plans. The shareholding councils would like to ensure that the NTU's investment plan for Entity C reflects their investment needs and the strategic investment direction for the region established for the current LTPs and endorsed in our September 2021 workshop, and as reflected in Wellington Water's recent Statements of Intent. Accordingly, we require Wellington Water to undertake and present investment planning advice for each council to allow them to engage in the NTU's process and ensure the best outcomes for our communities and environment. This advice should include consideration of the investment priorities identified by mana whenua and information on how different funding levels and allocations would impact on strategic outcomes. In doing so, Wellington Water should keep the Water Committee updated on those items that would benefit from a regional overview.

Sustainable water supply and reducing consumption

The councils have taken a 'conserve' rather than 'construct' approach to water supply. We acknowledge that the continual growth in demand now requires multiple solutions, including identification of new water sources.

We expect Wellington Water to advise us on options to ensure the supply of drinking water is sustainable now and into the future, including the setting out a compelling case for new water storage for the region so that this can be considered and prioritised as part of the AMP of the new WSE.

We wish to see an increased focus on detecting and fixing leaks within the network to minimise water loss. This means prioritising high volume leaks first followed by those in highly trafficked areas and a more responsive approach to leaks and complaints identified by the community. This is needed to both reduce the time taken to resolve these leaks and therefore to help build our social licence for water conservation efforts.

Regulatory performance

The regulatory landscape has changed in recent years and continues to evolve. We expect Wellington Water to continue to respond to the new regulatory environment and to continue to improve its rigour and transparency of assurance reporting to councils and to Taumata Arowai.

I look forward to receiving a draft of Wellington Water's Statement of Intent by 1 March 2023.

Yours sincerely

Campbell Barry

Chair, Wellington Water Committee

Greater Wellington
Te Pane Matua Taiao

HUTT CITY
TE AWA KAIRANGI

poriruacity

SOUTH WAIRARAPA DISTRICT COUNCIL
Kia Reretahi Tātau

Te Kaunihera o
Te Awa Kairangi ki Uta
Upper Hutt City Council

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

Department of Internal Affairs (DIA) Rules

The DIA has the power to make rules specifying non-financial performance measures (the Rules) for local authorities. These Rules are consistent across the country, and therefore across all of our councils. Each council is responsible for setting targets for each Rule, and then Wellington Water reports against the targets throughout the year.

As part of the Long-Term Plan advice provided to councils, Wellington Water recommended amended targets based on investment levels and current trends:

- Attendance to urgent callouts (loss of service): ≤ 90 minutes
- Resolution of urgent callouts: ≤ 8 hours
- Attendance to non-urgent callouts (loss of service): ≤ 20 working days
- Resolution of non-urgent callouts: ≤ 20 working days
- Number of complaints received for water supply and stormwater: ≤ 20 complaints per 1000 connections
- Number of complaints received for wastewater: ≤ 30 complaints per 1000 connections
- The number of flooding events: ≤ 2
- For each flooding event the number of habitable floors affected: varied but > 0.10 across councils
- Median response time to attend a flooding event: ≤ 8 hours

The level of uptake across councils was limited, with only Hutt City Council, Greater Wellington Regional Council and Porirua City Council broadly accepting the targets.

The below table sets out the Rules and the targets for the year ahead. We have shown with a ^ where we believe we will not achieve these targets due to funding constraints, asset conditions or practicalities.

Please note that the first two performance measures, relating to Safety of Drinking Water, refer to compliance with Part 4 and Part 5 of the Drinking Water Standards for New Zealand which have been revoked as of 13 November 2022. Taumata Arowai has taken over as the Water Services regulator for New Zealand and has set new measures and reporting is done directly to the regulator monthly. The DIA rules have not been updated to reflect the change in regulation and we will no longer be reporting on the defunct Drinking Water Standards.

DIA Part/ Sub Part	Measures	Targets					
		GWRC	PCC	UHCC	SWDC	WCC	HCC
Part 2: Sub-part 1 - Water supply	**(1) Performance measure 1 (safety of drinking water)** (1) Performance measure 1 (safety of drinking water) The extent to which the local authority's drinking water supply complies with: (a) part 4 of the drinking-water standards (bacteria compliance criteria).	Compliant	Compliant*	Compliant	Compliant*	Compliant	Compliant*
Part 2: Sub-part 1 - Water supply	**(1) Performance measure 1 (safety of drinking water)** The extent to which the local authority's drinking water supply complies with: (b) part 5 of the drinking-water standards (protozoal compliance criteria).	Compliant	Compliant	Compliant	Compliant*	Compliant	Compliant*
Part 2: Sub-part 1 - Water supply	**(2) Performance measure 2 (maintenance of the reticulation network)** The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this). [1] Calculated as a regional mean value	+/- 0.25%^	< 20%1^	< 20%1^	< 30%^	< 17%1^	< 20%1^
Part 2: Sub-part 1 - Water supply	**(3) Performance measure 3 (fault response times)** Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured (a) attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site,	≤ 90 min	≤ 90 min	≤ 60 min^	< 75% attendance in < 1 hour^	≤ 60 min^	≤ 90 min
Part 2: Sub-part 1 - Water supply	**(3) Performance measure 3 (fault response times)** Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured (b) resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.	≤ 8 hours	≤ 8 hours	≤ 4 hours^	< 90% resolution in 8 hours^	4 hours^	8 hours

DIA Part/ Sub Part	Measures	Targets					
		GWRC	PCC	UHCC	SWDC	WCC	HCC
Part 2: Sub-part 1 - Water supply	**(3) Performance measure 3 (fault response times)** Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured (c) attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	≤ 72 hours	≤ 20 working days	≤ 36 hours^	≥ 75% attendance in < 2 working days^	≤ 36 hours^	≤ 72 hours
Part 2: Sub-part 1 - Water supply	**(3) Performance measure 3 (fault response times)** Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured (d) resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	≤ 20 days	≤ 20 working days	≤ 15 days^	≥ 75% resolved in < 5 working days^	5 days^	20 working days
Part 2: Sub-part 1 - Water supply	**(4) Performance measure 4 (customer satisfaction)** The total number of complaints received by the local authority about any of the following: (a) drinking water clarity (a) drinking water taste (b) drinking water odour (c) drinking water pressure or flow (d) continuity of supply, and (e) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system	< 20 complaints per 1000 connections	< 20 complaints per 1000 connections	< 20 complaints per 1000 connections (Except (e))	< 75 per 1000 connections (Except (e))	< 20 complaints per 1000 connections	< 20 complaints per 1000 connections
Part 2: Sub-part 1 - Water supply	**(5) Performance measure 5 (demand management)** The average consumption of drinking water per day per resident within the territorial authority district	375L	320L	415L	400L	365L	385L
Sub-part 2 – Sewerage and the treatment and disposal of sewage	**(1) Performance measure 1 (system and adequacy)** The number of dry weather sewerage overflows from the territorial authority's sewerage system expressed per 1000 sewerage connections to that sewerage system.	N/A	< 20 per 1000 connections	< 20 per 1000 connections	< 10 per 1000 connections^	Zero^	< 20 per 1000 connections

DIA Part/ Sub Part	Measures	Targets					
		GWRC	PCC	UHCC	SWDC	WCC	HCC
Sub-part 2 – Sewerage and the treatment and disposal of sewage	**(2) Performance measure 2 (discharge compliance)** Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: (a) abatement notices received by the territorial authority in relation to those resource consents	N/A	Nil	Nil	< 2	Nil	Nil
Sub-part 2 – Sewerage and the treatment and disposal of sewage	**(2) Performance measure 2 (discharge compliance)** Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: (b) infringement notices received by the territorial authority in relation to those resource consents	N/A	Nil	Nil	Nil	Nil	Nil
Sub-part 2 – Sewerage and the treatment and disposal of sewage	**(2) Performance measure 2 (discharge compliance)** Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: (c) enforcement orders received by the territorial authority in relation to those resource consents	N/A	Nil	Nil	Nil	Nil	Nil
Sub-part 2 – Sewerage and the treatment and disposal of sewage	**(2) Performance measure 2 (discharge compliance)** Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: (d) convictions received by the territorial authority in relation to those resource consents	N/A	Nil	Nil	Nil	Nil	Nil
Sub-part 2 – Sewerage and the treatment and disposal of sewage	**(3) Performance measure 3 (fault response times)** Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the following median response times measured: (a) attendance time: from the time that the territorial authority receives notification to the time that service personnel reach the site	N/A	≤ 60 min	≤ 60 min	≥ 70% resolved in < 1 hour	≤ 1 hour	≤ 90 min

DIA Part/ Sub Part	Measures	Targets					
		GWRC	PCC	UHCC	SWDC	WCC	HCC
Sub-part 2 – Sewerage and the treatment and disposal of sewage	**(3) Performance measure 3 (fault response times)** Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the following median response times measured: (b) resolution time: from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault.	N/A	≤ 6 hours	≤ 6 hours	≥ 75% resolved in < 4 hours	≤ 6 hours	8 hours
Sub-part 2 – Sewerage and the treatment and disposal of sewage	**(4) Performance measure 4 (customer satisfaction)** The total number of complaints received by the territorial authority about any of the following: (a) sewage odour (b) sewerage system faults (c) sewerage system blockages, and (d) the territorial authority's response to issues with its sewerage system, expressed per 1000 connections to the territorial authority's sewerage system	N/A	< 30 total	< 30 complaints per 1000 connections	< 60 per 1000 connections	< 30 complaints per 1000 connections	< 30 complaints per 1000 connections
Sub-part 3 – Stormwater drainage	**(1) Performance measure 1 (system adequacy)** (a) The number of flooding events that occur in a territorial authority district *SWDC does not have a stormwater system as defined in the DIA Rules	N/A	2	Zero^	0*	2	2
Sub-part 3 – Stormwater drainage	**(1) Performance measure 1 (system adequacy)** (b)For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the territorial authority's stormwater system.) The regional consistency for habitable floors affected in a flooding event is 10 per event, however as the DIA measure is per 1000 properties connected, we have calculated this based on connections in 2020/21. *SWDC does not have a stormwater system as defined in the DIA Rules	N/A	0.57	Zero^	0*	0.13	0.24
Sub-part 3 – Stormwater drainage	**(2) Performance measure 2 (discharge compliance)** Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of: (a) abatement notices received by the territorial authority in relation to those resource consents	N/A	Nil	Nil	Nil	Nil	Nil*

DIA Part/ Sub Part	Measures	Targets					
		GWRC	PCC	UHCC	SWDC	WCC	HCC
Sub-part 3 – Stormwater drainage	**(2) Performance measure 2 (discharge compliance)** Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of: (b) infringement notices received by the territorial authority in relation to those resource consents	N/A	Nil	Nil	Nil	Nil	Nil*
Sub-part 3 – Stormwater drainage	**(2) Performance measure 2 (discharge compliance)** Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of: (c) enforcement orders received by the territorial authority in relation to those resource consents	N/A	Nil	Nil	Nil	Nil	Nil*
Sub-part 3 – Stormwater drainage	**(2) Performance measure 2 (discharge compliance)** Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of (d) convictions received by the territorial authority in relation to those resource consents	N/A	Nil	Nil	Nil	Nil	Nil*
Sub-part 3 – Stormwater drainage	**(3) Performance measure 3 (response times)** The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site. *SWDC does not have a stormwater system as defined in the DIA Rules	N/A	≤ 8 Hours	≤ 60 minutes^	95% within 5 hours^	≤ 60 minutes^	8 hours
Sub-part 3 – Stormwater drainage	**(4) Performance measure 4 (customer satisfaction)** The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system.	N/A	< 20 per 1000 connections	< 20 per 1000 connections	Zero**	< 20 per 1000 connections	< 20 per 1000 connections

* These targets are worded significantly differently in the councils' LTP, but are measuring substantially the same level of service

** SWDC does not have a stormwater system as defined by the DIA

^ Wellington Water believe we will not achieve these targets due to funding constraints, asset conditions or practicalities.

Governance and shareholder information

Wellington Water Committee

The Wellington Water Committee (the Water Committee) is a joint committee of our councils under the Local Government Act 2002 and provides governance oversight of Wellington Water.

It does this by considering the company's Half-Year and Annual Reports, monitoring performance, recommending directors for appointment, and providing recommendations to shareholders on proposals.

Each shareholder holds an equal percentage of the voting shares ('A' shares) of Wellington Water.

The Water Committee writes an annual Letter of Expectations to Wellington Water's Board of Directors, which outlines key priorities and areas of focus. It is used to guide the development of our Statement of Intent. The Committee comprises:

Mayor Campbell Barry
Water Committee Chair
HUTT CITY COUNCIL

Ros Connelly
Water Committee Deputy Chair
GREATER WELLINGTON REGIONAL COUNCIL

Mayor Anita Baker
PORIRUA CITY COUNCIL

Mayor Tory Whanau
WELLINGTON CITY COUNCIL

Mayor Wayne Guppy
UPPER HUTT CITY COUNCIL

Mayor Martin Connelly
SOUTH WAIRARAPA DISTRICT COUNCIL

The Water Committee has representation from Taranaki Whānui ki te Upoko o te Ika and Te Rūnanga o Toa Rangatira. Lee Rauhina-August is the representative from Taranaki Whānui; the Ngāti Toa Rangatira position is currently vacant. Andrea Rutene acts as an observer for the Water Committee on behalf of Ngāti Kahungunu.

Lee Rauhina-August
TARANAKI WHĀNUI KI TE UPOKO O TE IKA

Andrea Rutene
NGĀTI KAHUNGUNU KI WAIRARAPA TĀMAKI NUI-A-RUA

Information to be provided to shareholders

In each year, Wellington Water shall comply with the reporting requirements of the Local Government Act 2002 and the Companies Act 1993 and regulations. In particular, Wellington Water will provide:

- A Statement of Intent, detailing all matters required under the Local Government Act 2002, including financial information for the next three years;
- Within two months after the end of the first half of each financial year, a report on the operations of Wellington Water to enable an informed assessment of its performance, including financial statements (in accordance with section 66 of the Local Government Act 2002); and
- Within three months after the end of each financial year, an annual report, which provides a comparison of its performance with the Statement of Intent, with an explanation of any material variances, audited consolidated financial statements for that financial year, and an auditor's report (in accordance with sections 67, 68, and 69 of the Local Government Act 2002). Note that the LGA has been amended to temporarily extend the timeframe for this financial year to 30 November 2022 (s67(5)(b)).

Share acquisition

There is no intention to subscribe for shares in any other company or invest in any other organisation.

Compensation from local authority

It is not anticipated that the company will seek compensation from any local authority other than in the context of management services agreements and the shareholders' agreements with client councils.

Equity value of the shareholders' investment

The total shareholders' equity is estimated to be valued at $1 million as at 31 December 2022. This value will be assessed by the directors on completion of the annual accounts or at any other time determined by the directors. The method of assessment will use the value of shareholders' funds as determined in the annual accounts as a guide.

Ratio of consolidated shareholders' funds to total assets

The ownership of infrastructural assets is retained by the shareholders (or other clients). The business returns all benefits to shareholders; the ratio of shareholders' funds to assets is provided in Appendix 4.

Board of Directors of Wellington Water

All directors must be independent and are selected by the Water Committee in accordance with the Board's skill matrix. Each director can serve a maximum of two terms, or six years, unless agreed by the Water Committee.

The Board is responsible for the direction and control of Wellington Water Limited. The Chair of the Board reports to the Water Committee. The Board approves strategy, ensures legal compliance, and monitors Wellington Water's performance, risks, and viability.

The Board's approach to the governance of the company is to establish with management (and in consultation with shareholders) clear strategic outcomes that drive performance. The Board is mindful of the significant investment by its shareholder councils in its operations, and of the need to preserve, grow, and demonstrate shareholder value and regional prosperity through the provision of its three waters services.

The Board will ensure that the company focuses on the priorities set out in the shareholders' Letter of Expectations. More broadly, it will ensure the company is mindful of the councils' strategic priorities set out in their long-term plans and focuses on those that are relevant to the company's objective to provide leadership to the region. The Board is also mindful of its relationship with the Water Committee and how both the Board and the Water Committee influence the company in different ways.

Our Board supports and empowers our management team to deliver and report on performance using a 'no surprises' approach, by creating an environment of trust where information is freely available, decision-making is transparent, and strategic conversations provide insights and guidance for the company. Consistent with a high-performance organisation, Board members challenge management (and other Board members) to keep a healthy culture of inquiry and openness.

Board of Directors		Appointed to
	**Nick Leggett (Interim Chair)**	17 March 2024
	**Kim Skelton**	1 September 2023
	**Leanne Southey**	1 July 2024
	**Alexandra Hare**	1 July 2024

Wellington Water Limited

Wellington Water is a council-controlled organisation as defined by section 6 of the Local Government Act 2002. Wellington Water is also covered by the Companies Act 1993 and governed by law and best practice. The Shareholders' and Partnership Agreement relating to Wellington Water outlines the way the shareholders manage their shareholdings in Wellington Water and their respective relationships with each other.

The principal objectives of Wellington Water as set out in our Constitution are to:

- Manage drinking-water, wastewater and stormwater services in the greater Wellington region for local authority shareholders;
- Achieve the objectives of its shareholders;
- Be a good employer;
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which the company operates and by endeavouring to accommodate or encourage these when able to do so; and
- Conduct its affairs in accordance with sound business practice.

We employ around 250 staff and provide drinking water, stormwater and wastewater services to customers on behalf of our shareholders.

To do this, we manage annual expenditure of approximately $253 million (based on the 2022/23 budget) to maintain and develop water assets with a replacement value upwards of $7.7 billion. We also provide investment advice on the future development of the three waters assets and services.

Each shareholding client council owns its own three waters assets (pipes, pump stations, reservoirs and treatment plants), and decides on the level of service it will purchase from us, the policies it will adopt, and the investments it will make (after considering our advice) in consultation with its community.

We operate under the Companies Act 1993 and the Local Government Act 2002 and comply with the Health Act 1956, requirements of the Drinking Water Regulator Taumata Arowai under the Water services Act, and other legislation such as the Resource Management Act 1991, the Wellington Regional Water Board Act 1972 and the Health and Safety at Work Act 2015.

Greater Wellington Regional Council

Hutt City Council

Porirua City Council

South Wairarapa District Council

Upper Hutt City Council

Wellington City Council

- Six client councils jointly own Wellington Water Limited.
- Each council owns its three waters assets.
- The Wellington Water Committee represents the councils.

↕ Service level agreements, pricing and policies ↕

Wellington Water Limited

- **Network Strategy and Planning:** asset planning, information management, education.
- **Network Development and Delivery:** project design, work programme management.
- **Customer Operations:** network operations, service delivery, customer service.
- **Network Management:** treatment facilities, quality control, innovation.
- **Business Services:** financial, procurement, business support, communications, planning & performance.
- **Chief Executive Office:** company strategy, leadership.

Senior Leadership Team

Tonia Haskell
Chief Executive

Julie Alexander
Group Manager
Network Strategy and Planning

Susannah Cullen
Group Manager Network Development and Delivery (Acting)

Jeremy McKibbin
Group Manager
Network Management

Mark Ford
Group Manager
Business Services

Kevin Locke
Group Manager
Customer Operations

Charles Barker
Director of Regulatory Services

Prospective financial statements

Wellington Water receives annual management fees from its six client councils. These cover operating expenses such as employee costs, vehicle costs, directors' fees and depreciation.

Funding is also received for the council work programme. This work programme (capex and opex) is managed by Wellington Water employees. The planned spend in the next three years is $666 million on three waters capital projects and $269 million on three waters infrastructure maintenance and operation.

Wellington Water adopts a 'no surprises' approach. Regular forecasting and ongoing communication with our client and shareholder representatives enable us to achieve this.

The summary financials below support the delivery of our three customer outcomes: safe and healthy water; respectful of the environment; and resilient networks that support our economy.

In July 2020, the Government launched the Three Waters Reform Programme – the three-year programme to reform local government three waters service delivery arrangements. Currently 67 different councils own and operate the majority of the drinking water, wastewater and stormwater services across New Zealand. The reform programme is being progressed through a partnership-based approach with the local government sector, alongside iwi/Māori as the Crown's Treaty Partner.

The financials in this SOI are draft and include a number of assumptions which are subject to change. Final council approved budgets were not available at the time of publishing.

Three Waters Reform

Water Services Reform will transfer the delivery of water services from the 67 councils to ten water services entities by 1 July 2026, currently known as Entities A to J. Wellington Water's staff, functions, assets, liabilities and interests will be transferred to Entity G, provisionally called Wellington Water Services Entity.

Revenue and Expenditure for 2024/25 and 2025/26

Projected council OpEx and CapEx expenditure for 2024/25 and 2025/26 are the 2021-31 LTP numbers that Council have agreed during the last LTP cycle. These figures are below what we expect we would get from the councils in the next LTP cycle. They are based on the existing funding model, which is expected to change under Government's water services reform

Prospective Statement of Comprehensive Revenue and Expenses

	Projection 2024 $000	Projection 2025 $000	Projection 2026 $000
Council work programme	389,305	273,478	271,615
Management & advisory services	24,682	25,422	26,185
Other revenue	1,125	875	750
Total revenue	**415,111**	**299,775**	**298,550**
Council capex expenditure	(278,419)	(194,400)	(192,900)
Council opex expenditure	(110,886)	(79,078)	(78,715)
Salaries and wages	(44,954)	(47,648)	(50,507)
Direct costs charged to capex programme	26,843	28,185	29,594
Direct costs charged to opex programme	15,584	16,363	17,181
Superannuation	(1,401)	(1,485)	(1,574)
Directors' fees	(210)	(221)	(232)
Audit - financial statements	(281)	(303)	(326)
Operating leases	(1,891)	(2,178)	(2,287)
Other personnel costs	(1,313)	(908)	(960)
Other expenditure	(16,465)	(16,720)	(16,694)
Depreciation and amortisation	(1,718)	(1,383)	(1,131)
	(415,111)	**(299,775)**	**(298,550)**
Surplus/(deficit) before tax	**-**	**-**	**-**
Tax (expense)/credit			
Total comprehensive revenue and expenses	**-**	**-**	**-**

The financials in this SOI are draft and include a number of assumptions which are subject to change. Final council approved budgets were not available at the time of publishing.

Prospective Statement of Changes in Equity

	Retained Earnings $000	Issued Capital $000	Total $000
Balance at 1 July 2023	2,035	1,000	3,035
Comprehensive revenue and expenses			
Net surplus/(deficit) for the year	-	-	-
Projected balance at 30 June 2024	**2,035**	**1,000**	**3,035**
Balance at 1 July 2024	2,035	1,000	3,035
Comprehensive revenue and expenses			
Net surplus/(deficit) for the year	-	-	-
Projected balance at 30 June 2025	**2,035**	**1,000**	**3,035**
Balance at 1 July 2025	2,035	1,000	3,035
Comprehensive revenue and expenses			
Net surplus/(deficit) for the year	-	-	-
Projected balance at 30 June 2026	**2,035**	**1,000**	**3,035**

The financials in this SOI are draft and include a number of assumptions which are subject to change. Final council approved budgets were not available at the time of publishing.

Prospective Statement of Financial Position

	Projection 2024 $000	Projection 2025 $000	Projection 2026 $000
Cash and cash equivalents	19,895	13,872	14,503
Receivables and prepayments	32,442	24,981	24,879
Total current assets	**52,337**	**38,854**	**39,382**
Intangible assets	104	60	35
Property, plant and equipment, vehicles	4,769	3,880	3,224
Deferred tax	(360)	(360)	(360)
Total non-current assets	**4,513**	**3,580**	**2,899**
Total assets	**56,851**	**42,434**	**42,280**
Payables and provisions	51,889	37,472	37,319
Employee entitlements	1,891	1,891	1,891
Tax payable/(receivable)	19	19	19
Total current liabilities	**53,798**	**39,381**	**39,228**
Employee entitlements	18	18	18
Total non-current liabilities	**18**	**18**	**18**
Total liabilities	**53,816**	**39,399**	**39,246**
Net assets	**3,035**	**3,035**	**3,035**
Issued capital	1,000	1,000	1,000
Retained earnings	2,035	2,035	2,035
Total equity	**3,035**	**3,035**	**3,035**
Shareholder equity ratio	**5%**	**7%**	**7%**

The financials in this SOI are draft and include a number of assumptions which are subject to change. Final council approved budgets were not available at the time of publishing.

Prospective Statement of Cash Flows

	Projection 2024 $000	Projection 2025 $000	Projection 2026 $000
Receipts from customers	402,937	306,361	297,902
Interest received	1,125	875	750
Employees and suppliers	(405,790)	(312,809)	(297,572)
Net cash flow from operating activities	**(1,728)**	**(5,573)**	**1,080**
Purchase of intangibles	(125)	(50)	(50)
Purchase of property, plant and equipment, vehicles	(1,346)	(400)	(400)
Net cash flow from investing activities	**(1,471)**	**(450)**	**(450)**
Net cash flow from financing activities	**-**	**-**	**-**
Net cash flow	**(3,199)**	**(6,023)**	**630**
Add: cash at the beginning of the year	23,094	19,895	13,872
Cash at the end of the year	**19,895**	**13,872**	**14,503**
Comprising:			
Cash at bank and on hand	19,895	13,872	14,503

The financials in this SOI are draft and include a number of assumptions which are subject to change. Final council approved budgets were not available at the time of publishing.

Other financial information

Current value of assets	The current value of assets at 31 December 2022 was $3M based on the net asset value of Wellington Water as disclosed in the unaudited interim financial statements.
Accounting policies	Accounting policies are as per 2022 Annual Report.
Financial reporting	Wellington Water's financial reporting is prepared in accordance with generally accepted accounting policies.

Major accounting policies

Revenue

Revenue is derived from the six council shareholders, and from occasionally charging third parties for work performed. Revenue is billed and recognised monthly and consists of management and advisory services, council operational expenditure (opex) programme and council capital expenditure (capex) programme.

Management and advisory services

The management and advisory services revenue is recognised using the percentage of completion method and is agreed with councils and performed on a financial year basis. Management and advisory services revenue has been fully recognised because services have been fully provided at balance date.

Operational expenditure programme and unexpected event reserve

The operational expenditure programme fee is recognised using the percentage of completion method.

Wellington Water develops an Annual Work Programme from the Long-Term Plans of councils which is delivered on a financial year basis. Wellington Water enters into contracts with contractors to perform the work and manages the programme. Wellington Water is acting as a principal in relation to these transactions. Wellington Water employees also perform some of the work.

Operational expenditure programme revenue has been fully recognised because services have been fully provided at balance date.

Any part of the operational expenditure charge that remains unspent is transferred to the unexpected event reserve (up to an agreed cap). This reserve is used to fund unexpected events that may occur in relation to the three waters network and is ring fenced for each council. Funds that are transferred to the unexpected event reserve are accounted for as deferred revenue at balance date, as the reserve reflects revenue received in advance of providing services.

Capital expenditure programme

The capital expenditure programme fee is recognised using the percentage of completion method and based on the costs incurred as a percentage of total costs under the contracts. The capital expenditure programme fee also comprises a portion of Wellington Water labour costs that are directly attributable to the capex programme.

Wellington Water develops an annual work programme that is jointly agreed with councils. Wellington Water is responsible for the procurement process including selection of contractors and contract pricing, enters into contracts with contractors to perform the work, and manages the programme. Wellington Water is acting as a principal in relation to these transactions. Wellington Water has recognised capital expenditure programme revenue and expenses equivalent to the invoices paid or payable to third parties for the financial year.

Property, plant and equipment, vehicles and intangibles

Property, plant and equipment (PPE) consists of fit-out and equipment. Vehicles consist of commercial vehicles used for operational purposes. Intangible assets consist of computer software and systems. These assets are carried at cost less accumulated depreciation or amortisation and accumulated impairments. Assets are reviewed annually for indicators of impairment.

Cost

These assets are initially measured at cost. Expenditure is capitalised when it creates a new asset or increases the economic benefits over the total life of an existing asset and can be measured reliably. Assets under construction are recorded as capital work in progress and include operational and intangible assets under construction. Costs that do not meet the criteria for capitalisation are expensed.

The cost of assets includes the purchase cost and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential and that can be measured reliably is capitalised.

Depreciation and amortisation

Depreciation is calculated on a straight-line basis, to allocate the cost or value of the asset over its useful life. The useful lives and depreciation rates are reviewed annually, and adjusted if appropriate at each balance date.

The range of depreciation and amortisation rates for each class of asset is:

Fit-out and equipment	6% – 67%
Vehicles	13.5% - 20%
Intangibles	40%

Māori to English glossary

Māori	English
Iwi	Tribe
Kaitiaki	Guardian
Mana	Prestige, authority, control, power, influence, status, spiritual power
Mana whenua	Tribes/Subtribes who have territorial rights and draw power from the land
Mauri	Life force
Taiao	Earth, natural world
Tangata	Person
Tangata tiaki	People who have a responsibility to guard and protect
Taonga	Treasure, possessions
Te ao Māori	The Māori world (Māori world view)
Te Ika Rō Wai	The pure state of water essential to life
Te mana o te wai	The fundamental importance of water
Te reo	The Māori language
Tikanga	Protocols, customs – the customary system of values and practices that have developed over time and are deeply embedded in the social context
Wai	Water
Whānau	Family

Your public water company

Greater Wellington
Te Pane Matua Taiao

HUTT CITY
TE AWA KAIRANGI

poriruacity

SOUTH WAIRARAPA DISTRICT COUNCIL
Kia Reretahi Tātau

Te Kaunihera o
Te Awa Kairangi ki Uta
Upper Hutt City Council

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke