KOMITI NGĀ WAI HANGARUA | WELLINGTON WATER COMMITTEE

26 July 2022

Order Paper for the meeting to be held **via Zoom**
on:

Friday 29 July 2022 commencing at 10.00am

The meeting will be livestreamed on Council's Facebook page.
Members of the public wishing to speak to items on the agenda are asked to contact: democraticservicesteam@huttcity.govt.nz

Membership

Mayor C Barry (Chair)	Hutt City Council
Mayor W Guppy (Deputy Chair)	Upper Hutt City Council
Mayor A Baker	Porirua City Council
Mayor A Beijen	South Wairarapa District Council
Mayor A Foster	Wellington City Council
Ms M Pomare	Te Rūnanga O Toa Rangatira
Ms L Rauhina-August	Taranaki Whānui ki Te Upoko o Te Ika
Cr J van Lier	Greater Wellington Regional Council
Deputy Mayor G Emms	South Wairarapa District Council (Alternate)
Cr C Kirk-Burnnand	Greater Wellington Regional Council (Alternate)
Cr R Leggett	Porirua City Council (Alternate)
Deputy Mayor T Lewis	Hutt City Council (Alternate)
Cr I Pannett	Wellington City Council (Alternate)
Ms N Solomon	Te Rūnanga O Toa Rangatira (Alternate)
Deputy Mayor H Swales	Upper Hutt City Council (Alternate)
Ms K Tamanui	Taranaki Whānui ki Te Upoko o Te Ika (Alternate)

For the dates and times of Council Meetings please visit www.huttcity.govt.nz

Wellington Water Committee
Terms of Reference

Purpose

The Wellington Water Committee ("the Committee") is established to:

- Provide governance and leadership across issues which are related to the planning, delivery and management of water services to communities serviced by Wellington Water Limited;
- Provide governance oversight of Wellington Water Limited, including by exhibiting good governance practice;
- Provide a forum for the representatives of Wellington Water Limited's shareholders and mana whenua to meet, discuss and co-ordinate on relevant issues and, through their representatives, to exercise their powers; and
- Strive for consistency across all client councils so all customers receive a similar level of service.

Status

The Committee is, for the purposes of the Local Government Act 2002, a joint committee of the Lower Hutt City Council, Porirua City Council, Upper Hutt City Council, Wellington City Council, South Wairarapa District Council and the Wellington Regional Council.

Specific responsibilities

The Committee's responsibilities are:

Governance oversight responsibilities

Shareholder and mana whenua governance oversight of Wellington Water Limited and of the network infrastructure for the delivery of bulk water, water reticulation, wastewater and stormwater services in the geographical areas of Wellington Water Limited's operations, including by:

- Receiving and considering the half-yearly and annual reports of Wellington Water Limited;
- Receiving and considering such other information from Wellington Water Limited as the Committee may request on behalf of the parties to the Shareholders and Partnership Agreement and/or receive from time to time;
- Undertaking performance and other monitoring of Wellington Water Limited;
- Considering and providing recommendations to the parties to the Shareholders and Partnership Agreement on proposals from Wellington Water Limited;
- Providing co-ordinated feedback, and recommendations as needed, on any matters requested by Wellington Water Limited or any of the parties to the Shareholders and Partnership Agreement;
- Providing recommendations to the parties to the Shareholders and Partnership Agreement regarding regional studies which the Shareholders need to be cognisant of;

- Providing recommendations to the parties to the Shareholders and Partnership Agreement regarding water conservation;
- Agreeing the annual Letter of Expectation to Wellington Water Limited;
- Receiving, considering and providing agreed feedback and recommendations to Wellington Water Limited on its draft statement of intent;
- Receiving, considering and providing recommendations to the parties to the Shareholders and Partnership Agreement regarding Wellington Water Limited's final statement of intent.
- Agreeing when Shareholder meetings, or resolutions in lieu of Shareholder meetings, are required, without prejudice to Shareholder and Board rights to call meetings under Wellington Water Limited's constitution and;
- Seeking and interviewing candidates for Wellington Water Limited's Board as needed and recommending to the holders of Class A Shares appointments and/or removals of directors of Wellington Water Limited;
- Recommending the remuneration of directors of Wellington Water Limited;
- Monitoring the performance of the Board of Wellington Water Limited; and
- Providing recommendations to the parties to the Shareholders and Partnership Agreement regarding changes to these terms of reference, the Shareholders and Partnership Agreement and the constitution of Wellington Water Limited.

Membership

The membership of the Committee will be as specified in the Shareholders and Partnership Agreement. With the exception of the Committee Members nominated by the Mana Whenua Partners Entities, each appointee must be an elected member of the appointing Shareholder.

Chairperson

The Chairperson and Deputy Chairperson will be elected by the Committee once all Committee members have been appointed.

Quorum

Subject to the below for Committee meetings to appoint directors of Wellington Water Limited, for a meeting of the Committee to have a quorum, a majority of Committee Members, or their appointed Alternates, must be present, and the number making up the majority must include at least an equal number of Shareholder appointed Committee Members as MWPE nominated Committee Members.

Where the Committee is providing a forum for the Shareholders to meet and exercise their powers in relation to Wellington Water Limited, the requirements of Wellington Water Limited's constitution will prevail.

Clause 11.3 of the company’s constitution provides that Directors shall be appointed and removed by the unanimous resolution of the Shareholders holding Class A Shares. For this matter the quorum for the Committee meeting is therefore attendance by all Committee Members (or their Alternates) for the holders of the Class A Shares.

Alternates

Each Committee Member appointed to the Committee must have an Alternate.

Other Shareholder attendee

Each Shareholder-appointed elected member Committee member will be entitled to invite an officer attendee to Committee meetings, provided however that the additional attendee will not have any voting rights on the Committee.

Decision-making

The Committee will strive to make all decisions by consensus.

In the event that a consensus on a particular matter before the Committee is not able to be reached, each Committee Member has a deliberative vote. In the situation where there is an equality of votes cast on a matter, the Chairperson does not have a casting vote and therefore the matter subject to the vote is defeated and the status quo is preserved.

Other than for those matters for which the Committee has effective decision-making capacity through these Terms of Reference, each Shareholder retains its powers to make its own decisions on matters referred to it by the Committee and on matters specified in Part 1 of Schedule 2 to the Shareholders and Partnership Agreement (for clarity, this means that only Shareholders have voting rights in relation to the matters specified in Part 1 of Schedule 2).

Secretariat services
Unless otherwise agreed from time to time by all of the elected member Committee Members, the Council for which the Chairperson is an elected member will provide secretariat services to the Committee. The Chairperson will be responsible for managing the agenda at Committee meetings.

Standing Orders
The Standing Orders of the Council providing secretariat services to the Committee will apply to Committee meetings, subject to the provisions for meeting quorum and decision making as set out in these terms of reference taking precedence.

Remuneration
Each Shareholder will be responsible for remunerating the elected member Committee Member appointed by it to the Committee, and their Alternate, for any costs associated with those persons' membership on the Committee.

The Shareholders will also be responsible for remunerating (in equal shares) the Committee Members nominated by Mana Whenua Partner Entities, and their Alternates, and appointed to the Committee by the Shareholders, for any costs associated with those persons' membership on the Committee.

Administration
Reports to be considered by the Committee may be submitted by any of the Shareholders, any of the Mana Whenua Partner Entities, or Wellington Water Limited.

Duration of the Committee
In accordance with clause 30(7) of Schedule 7 to the Local Government Act 2002, the Committee is not deemed to be discharged following each triennial election.

Appendix
Common delegations by Shareholders

Governance oversight responsibilities

- Each Shareholder will delegate to the Committee the responsibilities and powers necessary to participate in and carry out the Committee's governance oversight responsibilities.

Shareholders' responsibilities

- Each Shareholder will delegate to its appointed elected member Committee Member and, in accordance with these terms of reference, that person's Alternate, all responsibilities and powers in relation to the agreement of:
    - when Shareholder meetings, or resolutions in lieu of Shareholder meetings, are required (without prejudice to Shareholder and Board rights to call meetings under Wellington Water Limited's constitution); and
    - the appointment, removal and remuneration of Wellington Water Limited's directors.

KOMITI NGĀ WAI HANGARUA |WELLINGTON WATER COMMITTEE

Meeting to be held via Zoom on
Friday 29 July 2022 commencing at 10.00am.

ORDER PAPER

PUBLIC BUSINESS

1. OPENING FORMALITIES - KARAKIA TIMATANGA (22/1717)

Whakataka te hau ki te uru
Whakataka te hau ki te tonga
Kia mākinakina ki uta
Kia mātaratara ki tai
E hī ake ana te atakura
He tio, he huka, he hau hū
Tīhei mauri ora.

Cease the winds from the west
Cease the winds from the south
Let the breeze blow over the land
Let the breeze blow over the ocean
Let the red-tipped dawn come with a sharpened air.
A touch of frost, a promise of a glorious day.

2. APOLOGIES

3. PUBLIC COMMENT

Generally up to 30 minutes is set aside for public comment (three minutes per speaker on items appearing on the agenda). Speakers may be asked questions on the matters they raise.

4. CONFLICT OF INTEREST DECLARATIONS

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

5. CHAIR'S STATEMENT (22/1837)

Verbal update by the Chair.

6. MINUTES

Meeting minutes Komiti Ngā Wai Hangarua|Wellington Water Committee, 27 May 2022 10

7. TRANSITION PLANNING FOR THREE WATERS REFORM (22/1756)

A verbal update will be provided at the meeting.

8. COMPANY AND GOVERNANCE UPDATE (22/1750)

Report No. WWC2022/3/117 by Wellington Water Limited 22

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

9. MARTIN JENKINS INQUIRY INTO FLUORIDATION (22/1767)

Report No. WWC2022/3/118 by Wellington Water Limited 51

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

10. WELLINGTON WATER LIMITED - FINAL STATEMENT OF INTENT 2022-25 (22/1752)

Report No. WWC2022/3/119 by Wellington Water Limited 84

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

11. FLUORIDATION AND REGIONAL WASTEWATER PLANT REVIEW UPDATE (22/1753)

Report No. WWC2022/3/120 by Wellington Water Limited 140

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

12. STIMULUS FUNDING PROGRAMME CLOSE-OUT REPORT (22/1754)

Report No. WWC2022/3/121 by Wellington Water Limited 145

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

13. VALUE FOR MONEY SIX MONTHLY REPORT (22/1768)

Report No. WWC2022/3/122 by Wellington Water Limited 168

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

14. PROPOSED CHANGE TO THE MEETING SCHEDULE FOR 2022 (22/1757)

Memorandum dated 11 July 2022 by the Democracy Advisor 198

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the memorandum be endorsed."

15. INFORMATION ITEM - WELLINGTON WATER COMMITTEE FORWARD PROGRAMME 2022 (22/1290)

Memorandum dated 11 July 2022 by the Democracy Advisor 200

CHAIR'S RECOMMENDATION:

'That the recommendation contained in the report be endorsed."

16. EXCLUSION OF THE PUBLIC

CHAIR'S RECOMMENDATION:

"That the public be excluded from the following parts of the proceedings of this meeting, namely:

17. MINUTES

27 May 2022

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

(A) General subject of the matter to be considered.	(B) Reason for passing this resolution in relation to each matter.	(C) Ground under section 48(1) for the passing of this resolution.
Minutes of the Wellington Water Committee | Komiti Ngā Wai Hangarua held on 27 May 2022	The withholding of the information is necessary to protect the privacy of natural persons. (s7(2)(a)).	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exist.

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as specified in Column (B) above."

Annie Doornebosch
Democracy Advisor
Hutt City Council

KOMITI NGĀ WAI HANGARUA | WELLINGTON WATER COMMITTEE

Minutes of a meeting held in the Hutt City Council Chambers,
2nd Floor, 30 Laings Road, Lower Hutt on
Friday 27 May 2022 commencing at 10.00am

PRESENT: Mayor C Barry (Chair) (HCC)
Mayor W Guppy (Deputy Chair) (UHCC)
Mayor A Baker (PCC)
Mayor A Beijen (SWDC) (via audio visual link)
Mayor A Foster (WCC) (via audio visual link)
Cr J van Lier (GWRC)

APOLOGIES: Ms L Rauhina-August and Ms K Tamanui

IN ATTENDANCE: Deputy Mayor H Swales (UHCC Alternate)
Deputy Mayor T Lewis (HCC Alternate)
Cr R Leggett (PCC Alternate)
Ms J Miller, Chief Executive, HCC (via audio visual link)
Ms N Hooper, Observer SWDC (via audio visual link)
Ms W Walker, Chief Executive, PCC
Mr P Kelly, Chief Executive, UHCC
Mr B Hodgins, Strategic Advisor, HCC (via audio visual link)
Ms H Oram, Director Environment and Sustainability, HCC (via audio visual link) (part meeting)
Ms S Proctor, Chief Infrastructure Officer, WCC
Ms S McLean, General Manager, Corporate Services, GWRC
Mr C Crampton, Chief Executive, WWL
Mr C Barker, Director, Regulatory Services, WWL
Ms L Carroll, Chair WWL Board
Mr M Underhill, Director, WWL Board (via audio visual link)
Ms L Southey, WWL Board (via audio visual link)
Ms K Skelton, WWL Board (via audio visual link)
Mr D List, Project Director, Regional Water Reform, PCC
Mr M Ford, Group Manager Business Services/Chief Financial Officer, WWL
Ms T Haskell, Group Manager, Network Development and Delivery, WWL
Mr J McKibbin, Group Manager, Network Management Group, WWL
Ms J Alexander, Group Manager, Network Strategy and Planning, WWL
Mr F Clarke, Principal Advisor, Strategy, WWL (part meeting)
Ms N Crane, Programme Manager, WWL (part meeting)
Ms K Glanville, Senior Democracy Advisor, HCC (via audio visual link)
Mrs A Doornebosch, Democracy Advisor, HCC
Ms J Randall, Democracy Advisor, HCC

PUBLIC BUSINESS

1. OPENING FORMALITIES - KARAKIA TIMATANGA

Whakataka te hau ki te uru
Whakataka te hau ki te tonga
Kia mākinakina ki uta
Kia mātaratara ki tai
E hī ake ana te atakura
He tio, he huka, he hau hū
Tīhei mauri ora.

Cease the winds from the west
Cease the winds from the south
Let the breeze blow over the land
Let the breeze blow over the ocean
Let the red-tipped dawn come with a sharpened air.
A touch of frost, a promise of a glorious day.

2. APOLOGIES

RESOLVED: (Mayor Barry/Mayor Guppy **Minute No. WWC 22301**

"That the apologies received from Ms Rauhina-August and Ms Tamanui be accepted and leave of absence granted."

MAJOR ITEM NOT ON THE AGENDA

The Chair advised that, in terms of Standing Order 10.12, a major item not on the agenda that cannot be delayed relating to Mana Whenua Wairarapa representation on the Committee, would be discussed at the meeting.

3. PUBLIC COMMENT

There was no public comment.

4. CONFLICT OF INTEREST DECLARATIONS

There were no conflict of interest declarations.

5. CHAIR'S STATEMENT

The Chair provided an update as follows:

- Government's announcement on Three Waters Reforms had indicated the majority of the working group recommendations would be accepted, with a pathway to be developed in the coming months. The government select committee process would provide more detail.
- The Water New Zealand conference in Hamilton had provided an opportunity for the Chair to overview how the transition towards water reform was progressing.
- There had been a delay in the release of the independent fluoride enquiry report.
- The Chair had visited Wellington Water Limited teams working at the Waterloo Water Treatment plant in Lower Hutt. He noted the good progress with work underway in Lower Hutt.

- Mayor Foster was welcomed to the Committee as Wellington City Council's appointed member.

6. MINUTES

RESOLVED: (Mayor Barry/Mayor Baker) **Minute No. WWC 22302**

"That the minutes of the meeting of the Komiti Ngā Wai Hangarua |Wellington Water Committee held on Friday, 18 March 2022, be confirmed as a true and correct record."

7. WATER REFORMS - REGIONAL UPDATE

The Project Director, Porirua City Council, presented a slideshow attached as pages 11-12 to the minutes.

RESOLVED: (Mayor Barry/Mayor Guppy) **Minute No. WWC 22303**

"That the Committee receives and notes the verbal update and presentation."

8. TRANSITION PLANNING FOR THREE WATERS REFORM (22/1169)

Report No. WWC2022/3/91 by Wellington Water Limited

The Chief Executive, PCC elaborated on the report. She said there was a need to formalise the transition structure and move to a stronger reporting model. This was due to the government showing a strong intent to proceed with Three Waters Reform. She acknowledged the extra work for local authorities.

In response to questions from members, the Chief Executive, PCC said advice was expected on transition funding for councils before the end of the financial year. She highlighted the Department of Internal Affairs (DIA) was aware funding was an issue and understood the potential costs to councils. She advised members to wait for an announcement from DIA before deciding on a course of action.

In response to a question from a member, the Chief Executive, Wellington Water Limited (WWL) advised WWL was participating in transition planning through the Transition Working Group but so far the impact on its operating costs had been modest. He expected pressure would increase as the transition continued.

RESOLVED: (Mayor Barry/Mayor Baker) **Minute No. WWC 22304**

"That the Committee:

(1) notes a joint transition structure will be formed between Wellington Water Limited (WWL), and shareholding Councils comprising two layers:

a. a Transition Steering Group (Chief Executives); and

b. a Transition Working Group (senior executives from each Council and WWL);

(2) notes these groups will develop and report against a Three Waters Transition Framework that will outline objectives, key success factors, risks and performance indicators. This reporting framework will be informed by more detailed, lower-level transition planning across all identified risk and programme areas;

(3) notes that regular reporting will occur to the Wellington Water Committee at each of its meetings and to shareholding Councils through their representatives on the governance and working groups;

(4) notes that a draft framework will be presented to the next Wellington Water Committee meeting;

(5) notes that the WWL Statement of Intent will be amended to align with the approach outlined in this report; and

(6) asks officers to continue to highlight to the Department of Internal Affairs the importance of recompensing councils and Wellington Water Limited for the resources which will be required to support their reforms."

9. DRAFT STATEMENT OF INTENT 2022-25 FEEDBACK (22/1170)

Report No. WWC2022/3/92 by Wellington Water Limited

The Chief Executive, PCC and the Principal Advisor, Strategy, WWL elaborated on the report.

The Chief Executive, PCC noted feedback had been received from a number of councils and the Statement of Intent (SOI) had been strengthened around a range of issues as a result. She advised the SOI would be reported back to the Committee once all comments had been included.

Mayor Beijen requested it be noted that South Wairarapa District Council had not responded because it had no additional feedback for the draft SOI.

In response to a question from a member, the Chief Executive, PCC agreed to check the wording on targeted growth investments in the draft SOI.

RESOLVED: (Mayor Barry/Cr van Lier) **Minute No. WWC 22305**

"That the Committee:

(1) notes the limited feedback received from shareholding councils on the draft Wellington Water Limited Statement of Intent (SOI) 2022-25 indicates general support for the direction of the document;

(2) notes that feedback proposes that substantive changes be undertaken to incorporate:

(a) discussion on the cessation of fluoride dosing and the associated independent review;

(b) recognition of the need for Wellington Water Limited to participate in the pending transition of water services to the new water services entity and related water reform process;

(c) clear recognition of the priority areas for operations and investment through the transition process; and

(d) the performance targets that can be expected, that recognise the priority areas and the funding decisions in councils' Annual Plans;

(3) notes the scope of a proposed Transition Governance Group is expected to include the development of expected outcomes and performance indicators through the water reform transition process that would ideally be reflected in the final SOI;

(4) directs Wellington Water Limited on the changes sought to the SOI to incorporate the feedback, including through the Transition Governance Group;

(5) notes the final SOI will be provided for approval at its 29 July 2022 meeting, consistent with the Committee's approval of a one-month extension to the SOI process at its 18 March 2022 meeting; and

(6) notes the Committee may request further, and final changes when considering the final SOI, subject to these being completed within one month of the Committee meeting to be held on 29 July 2022 (prior to 29 August 2022)."

10. WELLINGTON WATER LIMITED - COMPANY UPDATE (22/1165)

Report No. WWC2022/3/93 by Wellington Water Limited

The Chair of the Wellington Water Limited Board ('the Board') elaborated on report.

In response to questions from members, the Chief Executive, Wellington Water Limited (WWL) advised an improvement programme was in place between Wellington City Council (WCC) and WWL to improve WCC's public complaints process. He said the Committee had worked through a process of constructing a plan for the Three Waters entity capital investments and would provide that to the National Transition Unit. He highlighted WWL's Long Term Plan work had been delayed due to work required on Three Waters Reforms. He noted that from 1 July 2022 the Director of Health would require fluoridation and a performance measure would be delivered 95% of the time. He said WWL would need to work on ways to achieve the measure. He expected guidance from the government on the non-fluoridated areas in Petone and Korokoro. He noted the timeframe for fluoridating currently unfluoridated water supplies was unclear.

In response to questions from a member, the Principal Advisor, Strategy, WWL noted the speed of housing intensification had future implications on how WWL would plan for changes in infrastructure. He added WWL was working closely with each council to manage the changes. He said Auckland's housing intensification experiences had been explored. He agreed to respond to Mayor Foster with more detail on the findings.

RESOLVED: (Mayor Barry/Mayor Baker) **Minute No. WWC 22306**

"That the Committee receives and notes the report."

11. WELLINGTON WATER LIMITED - 2021-24 WATER SERVICES INVESTMENT UPDATE (22/1166)

Report No. WWC2022/3/94 by Wellington Water Limited

The Group Manager, Network Strategy and Planning, Wellington Water Limited (WWL) elaborated on the report. She advised a full report would be provided to the next Committee meeting.

In response to questions from a member, the Principal Advisor, Strategy, WWL outlined sources of WWL's emissions profile. He explained some options and approaches being investigated to reduce emissions. He highlighted that WWL would be developing a roadmap of emissions planning processes which was expected to be complete early in the 2022-23 financial year. He advised that he would provide the information to members.

He added work on climate change risks for treatment plants and outfalls in coastal areas was underway. He noted the water supply would continue to be challenged by rising demand, due to growth and leakage. He said renewal costs were rising across all councils with cost increases of above 20%. He noted the analysis on funding and valuations was ongoing. He explained WWL identified risks associated with different assets and included them in the work programmes. He said Greater Wellington Regional Council had provided funding for work on mitigating demand risk, some of which would be used for progressing smart meters as well as source expansion.

In response to a question from a member, the Group Manager, Network Strategy and Planning, WWL agreed to report back on the rising costs of the valuation of assets and how this impacted across all six councils.

In response to questions from a member, the Chief Executive, WWL said WWL would agree to realistic budgets set and provide a risk assessment of what work might need to be excluded. He added if costs rose, WWL would provide a plan to manage the work programme within the budget provided. He highlighted WWL would produce a 30 year transition risk profile for the Committee as a reference for future discussion.

RESOLVED: (Mayor Barry/Cr van Lier) **Minute No. WWC 22307**

"That the Committee:

(1) notes that the Councils' 2021-24 three waters investment represents a step up towards rebuilding strong networks that can deliver the services and environmental outcomes communities have signalled they want;

(2) notes that even with the increased investment for this period, the current situation will not change quickly, and the aging pipe network and backlog of renewals means bursts and leaks will continue to cause unplanned work and disruption that place pressure on operational budgets and resources;

(3) notes that Wellington Water Limited is on-track to meet the forecast level of capital expenditure in three waters infrastructure over 2021-24;

(4) notes that the capital works programme will continue to evolve in response to the needs of the network to include a different mix of projects to that envisaged when the councils Long Term Plans (LTPs) were set, but continues to support the achievement of the region's strategic objectives for the water services;

(5) notes the anticipated high level of operational expenditure for reactive maintenance of aged assets has been experienced and will continue to be required until these assets are renewed;

(6) notes Wellington Water Limited is discussing the final operational expenditure budgets needed for 2022-23 and 2023-24 with each individual council, based on continuing cost pressures and increasing reactive maintenance requirements; and

(7) notes that an assessment of 2021-22 investment performance and anticipated performance over the remaining two years of the current LTP's will be presented to the Committee at its 29 July 2022 meeting to support its review and approval of Wellington Water's 2022-25 Statement of Intent."

12. WELLINGTON WATER LIMITED - DRINKING WATER REGULATION UPDATE (22/1168)

Report No. WWC2022/3/95 by Wellington Water Limited

The Director, Regulatory Services, Wellington Water Limited (WWL) elaborated on the report.

In response to questions from members, the Director, Regulatory Services, WWL said WWL was working with regulators to ensure it was ready for compliance with the Taumata Arowai draft rules. He advised the regulations were expected to be implemented by November 2022. He highlighted an extra funding requirement from councils was likely. He noted it was possible the population level for the assurance bar used in water standard regulations might be lowered for the South Wairarapa region but for larger metropolitan areas there would not be a significant change.

RESOLVED: (Mayor Barry/Cr van Lier) **Minute No. WWC 22308**

"That the Committee:

(1) notes that Taumata Arowai does not require an annual compliance report for FY 2021/22;

(2) notes that Wellington Water Limited has contracted Wai Comply to complete an independent assessment for FY 2021/22;

(3) notes the intention of Wellington Water Limited to include a compliance report within the quarterly performance reports for FY 2022/23; and

(4) notes any significant exception to the provision of safe water will still be reported immediately."

13. WELLINGTON WATER LIMITED - WASTEWATER TREATMENT UPDATE (22/1167)

Report No. WWC2022/3/96 by Wellington Water Limited

The Group Manager, Network Management Group, Wellington Water Limited (WWL) elaborated on the report.

In response to questions from members, the Group Manager, Network Management Group WWL advised the clarifier bearing being replaced at the Moa Point Treatment Plant was a large main drive and was being manufactured overseas. He noted it was likely that two more bearings would be replaced over the next summer period. He added in the event of heavy rainfall, public communications would be maintained.

In response to a question from members, the Chief Executive, WWL said in the event it took longer to replace the bearing than expected due to supply problems, WWL would ensure updates were provided to the regulator.

RESOLVED: (Mayor Barry/Mayor Foster) **Minute No. WWC 22309**

"That the Committee:

(1) receives the report;

(2) notes good progress on the wastewater treatment plant review; and

(3) endorses the new reporting method for reporting wastewater treatment plant environmental performance."

14. INFORMATION ITEM - WELLINGTON WATER COMMITTEE FORWARD PROGRAMME 2022 (22/900)

Memorandum dated 6 May 2022 by the Democracy Advisor

RESOLVED: (Mayor Barry/Mayor Beijen) **Minute No. WWC 22310**

"That the Committee receives and notes the Forward Programme for 2022 attached as Appendix 1 to the memorandum."

MAJOR ITEM NOT ON THE AGENDA

RESOLVED: (Mayor Barry/Mayor Baker) **Minute No. WWC 22311**

"That a major item not on the agenda be discussed namely mana whenua representation on the Wellington Water Committee by Wairarapa Iwi."

The Chief Executive, PCC advised that when South Wairarapa District Council (SWDC) had become a member of WWL, Ms Narida Hooper, Chair of the SWDC Māori Standing Committee had agreed to represent South Wairarapa iwi as an interim representative. A permanent representative for iwi, Ms Andrea Rutene was now to be appointed to the Committee. She advised she would be meeting with Ngāti Kahungunu and Rangtāne o Wairarapa to formalise the position.

Members thanked Ms Hooper for her work on the Committee.

RESOLVED: (Mayor Barry/Mayor Beijen) **Minute No. WWC 22312**

"That the Committee:

(1) notes that Ms Andrea Rutene representing Ngāti Kahungunu will replace Ms Narida Hooper as Observer on the Wellington Water Committee; and

(2) notes that the Chief Executive responsible for the Wellington Water Committee will be meeting with mana whenua representatives in the Wairarapa in the near future to formalise Andrea Rutene's representation on behalf of Ngāti Kahungunu, on the Wellington Water Committee."

15. EXCLUSION OF THE PUBLIC

RESOLVED: (Mayor Barry/Cr van Lier) **Minute No. WWC 22313**

"That the public be excluded from the following parts of the proceedings of this meeting, namely:

16. Minutes - 18 March 2022

17. Appointment of Director to Wellington Water Limited (22/1172)

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

(A)	*(B)*	*(C)*
General subject of the matter to be considered.	*Reason for passing this resolution in relation to each matter.*	*Ground under section 48(1) for the passing of this resolution.*
Minutes of the Wellington Water Committee | Komiti Ngā Wai Hangarua held on 18 March 2022	*The withholding of the information is necessary to protect the privacy of natural persons. (s7(2)(a)).*	*That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exist.*
Appointment of Director to Wellington Water Limited.	*The withholding of the information is necessary to protect the privacy of natural persons. (s7(2)(a)).*	*That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exist.*

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as specified in Column (B) above."

There being no further business the Chair declared the public portion of the meeting closed at 11.36am. The non-public portion of the meeting closed at 12.03pm.

Mayor Barry
CHAIR

CONFIRMED as a true and correct record
Dated this 29th day of July 2022

Headlines – policy and legislation workstream

Key updates

- Government announcements 29 April – intent to proceed
- Working Group **report** on governance released 9 March (see below)

Next steps post Government announcements

- Release of revised Bill and Select Committee process – expected mid 2022
- Further legislation including economic regulation late - 2022

Implications and considerations for councils and WWL

- Select Committee process approach
- Review of detail in legislation
- Council submissions – joint / individual councils
- Public information / engagement to support understanding and directing people to Select committee

2

Response to the Governance working group report

Accepted almost all the Working Group's recommendations in some form (detail to follow). Key changes:

- **Ownership model and protection from privatisation -** Public ownership of three waters assets through public shareholding, with councils holding shares on behalf of their communities. 1 share per 50,000 population
- **Governance and accountability -** more accountability of the WSE to the community:
  - The RRG should approve the entity's strategic direction
  - The RRG ability to set strategic and performance expectations
  - Can establish sub-regional advisory groups to the RRG to help ensure alignment with local priorities. Co-governance
  - Board merit based
- **Co-governance** – at Regional Representative Group (made up of equal council and iwi/hapū representatives), not Board level. Co-chairs and consensus decision making. 12-14 members
- **Te Mana o te Wai** as a korowai and guiding principle into all aspects of the reforms to ensure tikanga, mātauranga, and local experience and expertise underpin the governance of water services
- Strengthening the application of **Te Tiriti o Waitangi**

Headlines – transition process

Key updates

- Recent issue of a 90 plan
- NTU working through a 'reset'
- More pragmatic focus on day 1 readiness – minimum viable product
- Some work being parked
- Ongoing recruitment of key positions
- WSE CE recruitment – in place late 2022

= clearer transition plan from July

Implications and considerations for councils and WWL

- Impacts on councils remain unclear
- Funding for councils unclear
- Coordination and clear overall programme
- Timeline is getting tighter. What will occur pre and post 1 July 2024?
- Managing through transition – refer agenda paper on transition structure

Wellington Water Committee | Komiti Ngā Wai Hangarua

11 July 2022

File: (22/1750)

Report no: WWC2022/3/117

Company and Governance Update

Purpose of Report

To provide an overview of the Three Waters activities across the metropolitan area of Wellington and South Wairarapa District Council.

Recommendations

That the Committee notes:

(1) high and increasing water demand is expected to require the use of outdoor water use bans to maintain water supply in the Wellington metropolitan area this summer (Level 3 water use restrictions);

(2) the South Wairarapa District Council (SWDC) wastewater treatment plants continue to be non-compliant; and

  (i) SWDC are not proposing to invest in these plants over the 2022/23 financial year; and

  (ii) the ongoing non-compliance of treatment plants increases the likelihood of enforcement action by the environmental regulator; and

(3) the very high criticality assets condition assessment programme has identified the assets in need of urgent resolution.

How to read this report

3. There are four parts:

   (i) Governance Update

   (ii) Key Issues

   (iii) Water Committee Priorities

   (iv) Operational Update

Governance Update

4. The key governance conversations held by the Board of Wellington Water since the last Wellington Water Committee include:

   (i) completing the Statement of Intent;

   (ii) reporting the Fluoride Inquiry;

   (iii) appointing Alexandra Hare as the new Board member; and

   (iv) deciding to hold an Annual General Meeting for the 2021/22 Financial Year.

5. The Statement of Intent (SOI) is in the Water Committee papers for approval. The SOI reminds everyone about the long term journey for water but focuses on the four priorities for the next two 2 years. These have previously been discussed with the Committee and comprise:

   (i) provision of core services;

   (ii) delivery of renewals and capex;

   (iii) providing Entity C with 2024/27 planning advice; and

   (iv) looking after our people and providing them with a good transition experience.

6. The SOI is more explicit about the risks in providing three water services to owners. Of particular note is the probable environmental non-compliance of the SWDC wastewater treatment plants.

7. The Board of Wellington Water (the company) met and accepted the findings and the recommendations of the Fluoride inquiry. The Chair presented the approach the company will take to address the recommendations to the Water Committee Workshop held on 8 July 2022 and made all the Fluoride material public. The Committee will receive, in this agenda, a programme update on the resumption of fluoride by September 2022.

8. Alexandra Hare has accepted her appointment as the new Board member. Her induction is now proceeding and her first meeting will be in August 2022.

Key Issues

Fluoride Inquiry

9. The Committee has received a copy of the Inquiry and Wellington Water's response. The Committee will formally receive the Inquiry report at this meeting.

10. Wellington Water published all the material it had on the performance of fluoridation on its website and had a media briefing on 8 of July 2022.

11. In this agenda you have a programme update and this will be a regular feature from now on. Resuming fluoride remains on track for September 2022.

Water supply risk for the Wellington metro area is increasing

12. Our March 2022 company update highlighted the increasing risk of more frequent, severe and extended summer water supply restrictions for the Wellington metropolitan area; the looming need for major supply and demand interventions to address this risk; and the need for careful management of water supply as water reform progresses. This is the "sustainable water supply and demand" strategic risk that was included in our 2021/31 Long Term Plan investment advice but that received only limited funding.

13. The trend in increasing demand (as illustrated in the update provided as Appendix 1 attached to the report) has continued since that update and we are currently seeing daily water use similar to levels we would normally only expect in summer. The available data, including from analysis using the Small Area Monitors, indicates the majority of this increase is due to leakage.

14. It is now probable that more severe water use restrictions, including total residential outdoor water use bans and potentially restrictions on internal usage within private properties will be required this summer and in the following years until major investments are completed. We will also have difficulty in operating within our water take consents and reduced flexibility in how we can operate and maintain the water treatment plants, especially if the summer is relatively "dry" (below average rainfall and inflows).

15. Avoiding this risk in the near term will require a significant increase in leakage management, including detection and repair activity. The operational funding being made available in 2022/23 Annual Plans is insufficient to achieve the required level of activity without severely compromising other operational activities.

16. The current demand level now exceeds our planning standard, meaning investment in supply augmentation and demand reduction is needed earlier than previously expected. The Te Mārua capacity optimisation project, currently scheduled for completion by 2025, will provide increased security for meeting peak daily demand but does not provide security for extended dry weather conditions.

17. Addressing this issue requires permanent demand reductions (achieved through use of residential metering to identify leaks and support behaviour change) and additional supply capacity. Some planning for these investments is continuing but neither initiative is currently fully funded within the 2021-31 investment period. Updated investment advice will be proposed for inclusion in the Asset Management Plan for Entity C but it remains unclear when any investment will be committed and commenced.

Very High Criticality Asset Assessment (VHCA)

18. Understanding the health of the region's water assets is a prudent part of asset management, providing important data that supports future investment decisions for activities such as repairs, renewals, or upgrades. Approximately $10M of government stimulus funding enabled councils the opportunity to significantly increase their investment into understanding the health of Very High Criticality Assets (VHCA) across the region, as well as what measures are required to ensure they continue to maintain service to the community. VHCAs were selected based on the impacts their failure would have on the community and the environment.

19. The VHCA programme is 90% complete with field inspection completed and analysis ongoing*. As an interim update, the VHCA results are generally confirming that we have an aging asset base with some critical assets nearing the end of their life although some more complex assets need more investigative work to confirm this status. The results of the condition assessments are now being fully analysed to gain a better understanding of:

    (i) what capital works projects are already programmed in our forward works plan that will mitigate risks associated unplanned failure of VHCA assets identified as in poor and very poor condition;

    (ii) what project priorities and/or sequencing need to change to accommodate the above;

    (iii) what additional investment is required from councils to manage the risks effectively.

20. One of the aims for the programme was to report any VHCA in very poor condition that needed immediate further investigation, and to work with the council on funding options to address the issue.

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* In total, for the VHCA, 100% of pumpstations, 95% of the water treatment plant and 97% of reservoirs assets were inspected, and their condition assessed, with the remaining assessments planned in FY22/23 where operational constraints allow. 165km of pipes were inspected in the field against an originally scheduled target of about 240km, largely due to pandemic-related constraints of obtaining the overseas-based pressure pipe inspection technologies and personnel

21. For example, we are currently working with Wellington City Council (WCC), and impacted stakeholders, to fast-track investigations and remedial action on a VHCA that has been deemed to be in very poor condition. At this stage we do not consider that there is an imminent risk of failure but have developed an emergency response plan to ensure we are ready to respond accordingly. The work to replace this asset has been brought forward into our Major Projects programme as a priority.

22. The Committee should note that fluoride equipment is now classed as VHCA and has been assessed in parallel with the inquiry.

23. We aim to report the findings of the programme to date to individual councils during August and September, and will continue to report any VHCA deemed to be in very poor condition and requiring immediate action to the asset owning council.

24. The VHCA programme will be completed in 2022/23. The programme to assess the High Criticality Assets will begin, however funding only allows $2.6m out of a desirable $7-8m to be progressed this financial year.

Individual Council Risk Assessments

25. The company has begun to compile individual council risk assessments based on the information we have about individual council assets. These assessments are formally presented to each council Chief Executive at our quarterly performance meetings but are socialised at the Client Council Representative level. Once the meeting with the council Chief Executive is complete, the risk assessments are posted on our website in the interests of visibility and presented to the Committee. We have modelled the approach on the WCC and are now extending it to the SWDC, and from there all other councils.

Acute labour shortages

26. Across New Zealand infrastructure businesses are facing acute labour shortages and there are going to be future pressures on salaries due to inflation. This means companies are going to have to focus on retaining key staff to ensure they can operate fully year to year. Wellington Water has the additional complexity of Water reform and a local establishment entity staffing up in the year ahead. We are thinking very carefully about how to retain our staff.

The Water Committee Priorities

Capex Delivery

27. End of financial year delivery was $178m - up $47m on last year's expenditure or a 36% increase in outputs. Real production will be somewhat less once Covid-19 effects and cost escalations are adjusted for. Notwithstanding, this is a very good result and reflects the attention the company has paid to programme management and the expansion of our panels. Capex forecast for the year ahead is $220m.

28. There still remains significant opportunity to increase the level of investigations and design to maximise the projects in the "drawer" for immediate construction from 1 July 2024.

Omāroro fatality

29. We have received a final draft of the internal review report we commissioned after the fatality at Omāroro Reservoir to investigate overlapping duties. The final report will be made available to the Committee. The draft (subject to legal review) concludes that:

    "although a number of relatively minor details of Health and Safety compliance could be improved, the overall levels of awareness of duties and compliance is high. The relationships and levels of interaction are very positive between the individuals best-placed to influence or direct the health and safety of workers on site. The evidence indicates that Officers of WWL are diligently fulfilling their obligations under the Health and Safety at Work Act."

Workforce Capability

30. Wellington Water has extended both the Consultant and Contractor panels to provide certainty through water reform. With these extensions in place all our water whanau have certainty of both work and jobs through the transition.

Water Reform

31. Water Reform has had a relatively low impact on Wellington Water in the last quarter as the National Transition Unit (NTU) has been focused on building its national operating framework for rollout to local government.

32. Wellington Water provided 1770 hours of input into water reform and received $35,000 reimbursement for this input. At an average cost of $120 per hour across Wellington Water this work amounts to $212,000 of costs for $35,000 in reimbursements. This means owners have subsidised the reform programme by $177,000 in the 2021/22 financial year.

Operational Issues

Murphy Street

33. WCC has been informed of the risks with relation to third party property flooding during extreme rainfall events as the central wastewater interceptor surpasses capacity due to inflow and infiltration at Murphy Street. WCC approved WWL connecting with customers of the properties impacted to discuss the issue and this has occurred. A contingency plan is in place should the overflow occur, and all affected parties are aware of the plan and the impacts. Customer care is at the centre of the WWL response.

34. The long-term work required to address the issue at Murphy Street is now with our Network Development and Delivery team. From an operations perspective, it was pleasing that the inclement weather experienced in the first part of June did not cause any issues.

Network Performance Metrics

35. Our record and understanding of the network performance continues to improve. We are now reporting key network performance metrics on a quarterly basis. These are included in Appendix 2 attached to the report.

36. 2021/2022 saw a very high number of Customer Service Requests (CSRs) peaking in Q3 which comprised mostly of drinking water jobs (the majority being leaks). Our ageing networks are prone to bursts and in need of constant repairs. Trends continue to show us over the years that the peak period of CSRs occurs during the drier months when customers are more likely to notice and report leaks. Covid 19 did both disrupt and limit our resources and therefore ability to keep up with the increased CSRs. This had an impact of an increase to the work backlog in Q3 to record numbers.

37. As we moved into Q4 and the wetter months, we see the number of CSRs decreasing due to the drop-off in reported network faults (in particular, less drinking water jobs being reported). This allowed us to reduce the work backlog in May and June and it should continue to further decrease in the winter months.

38. Even with all the challenges and the high CSRs and work backlog, we continue to perform in our resolution of urgent and non-urgent drinking water jobs. However, our response to urgent wastewater jobs has remained above targets over the 12 months primarily due to the extreme weather events that occurred throughout the year. A similar story has played out for the stormwater network.

Planned vs reactive

39. As our networks have continued to age and fault more, the priority for our funding has been toward reactive maintenance. Therefore, there has been less funding available for planned maintenance which has not been ideal from an asset management perspective. Access to the stimulus funding over the past two years has enabled us to complete more planned maintenance. With this funding no longer available, we are placing pressure on reactive maintenance budgets this year to release funding for key planned maintenance activities to continue.

Wastewater Treatment Plant Compliance

40. Seaview Wastewater Treatment Plant (WWTP) is now compliant with the longer run faecal coliform measure. We are pursuing further options ensure we remain compliant over the summer period when algae growth has impacted results in the past.

41. As previously reported one of three clarifiers at Moa Point needs repairs to the drive assembly which limits the capacity of the plant. The reduced capacity has resulted in five unconsented discharges occurring between 1 June and 12 July. The clarifier will be repaired by end November.

42. The SWDC wastewater treatment plants continue to be non-compliant and the SWDC are not proposing to invest in these plants over the 2022/23 financial year, and the ongoing non-compliance of treatment plants increases the likelihood of enforcement action by the environmental regulator. See Appendix 3 dashboards attached to the report for more detail.

Fiscal Stimulus

43. The Stimulus Funding Programme has come to a successful conclusion. See the Close-out report to DIA as a separate paper.

Appendices

Author: External Author (Wellington Water Limited)

Appendix 1 to Company Update Report:
Increasing demand for drinking water in Wellington and implications for summer

Purpose of this update

1. To highlight the steadily increasing demand for water in the Wellington metropolitan area; the resulting increase in probability of significant watering supply restrictions in summer; and that the interventions needed to mitigate this risk remain unfunded.

Background

2. Customers expect to be able to access sufficient quantities of safe and healthy water throughout the year. The supply network in the Wellington metropolitan area is constrained in meeting this expectation by treatment plant output capacity (for daily peak demand), and the available storage in the Macaskill Lakes and the Waiwhetu aquifer (for extended dry weather conditions).

3. It is therefore necessary to manage demand in the peak summer periods using watering restrictions. It is also important that we sustain an ongoing programme of leakage management to control the inevitable natural rate of rise of leaks from our aging infrastructure. The community does not like watering restrictions, and rightly holds us to account for long leak run-times, particularly in summer.

4. Per Capita Demand (PCD) for drinking water has shown a sustained increase since 2017 and a general increase since around 2014. This trend is unprecedented in the available 32-year record.

5. Gross demand (includes commercial usage and leakage) continued to increase over FY2021/22 (appendix 1), and is now at around 383L/p/d. This exceeds our planning criteria of 374L/p/d for the 2021-31 investment period. The latest population projection information from SensePartners has also increased compared to previous planning information. Both of these factors mean that major supply/demand interventions are now required earlier than planned.

6. Data on night flows and the number of open burst/leak service requests indicate that much of the gross PCD increase is driven by increasing system leakage from both the public network and within private properties (appendix 2). Our recently installed small area monitors now allow better estimates of the public/private leakage split and suggests private property leakage is a significant contributing factor in addition to the public network issues we are facing.

7. Investigation and feasibility work for major supply and demand interventions (additional source capacity and residential metering) is progressing. However, delivery of metering is only partially funded in 2021-31 LTPs (HCC and PCC only), while source/supply capacity expansion sits outside the 10-year planning window in GWRC's LTP.

Discussion

8. In our March 2022 company update we highlighted the increasing risk of more frequent, severe and extended water supply restrictions in summer and the need for careful management of the issue as water reform progresses. The trend in increasing demand has continued, with gross per capita demand now exceeding our planning criteria at around 383L/p/d (12 month rolling average, see appendix 3).

9. This means the likelihood that a sprinkler ban will not be sufficient to maintain demand within supply capacity in the coming summers has increased, raising the prospect of more severe and extended restrictions (appendix 4). A total residential outdoor water use ban, application of guidelines for limiting internal usage within private properties and breaching water take consents are potential outcomes unless summer weather conditions are unusually favourable (i.e. wet).

10. The supply-demand balance is expected to further deteriorate unless a rapid reduction in demand is achieved. The main short-term intervention available that is largely within Wellington Water's ability to directly control is reduction in leakage within the public network. We also have some limited influence on private property leakage where this is identified as part of public network leak detection. However, a sustained increase in current operational funding levels is required to achieve the reduction in system leakage required, to ensure continuity of ongoing proactive leak detection and reactive repairs (appendix 5).

11. Our capacity to locate and repair leaks continues to be limited by the current labour market and supplier/contractor resourcing constraints.

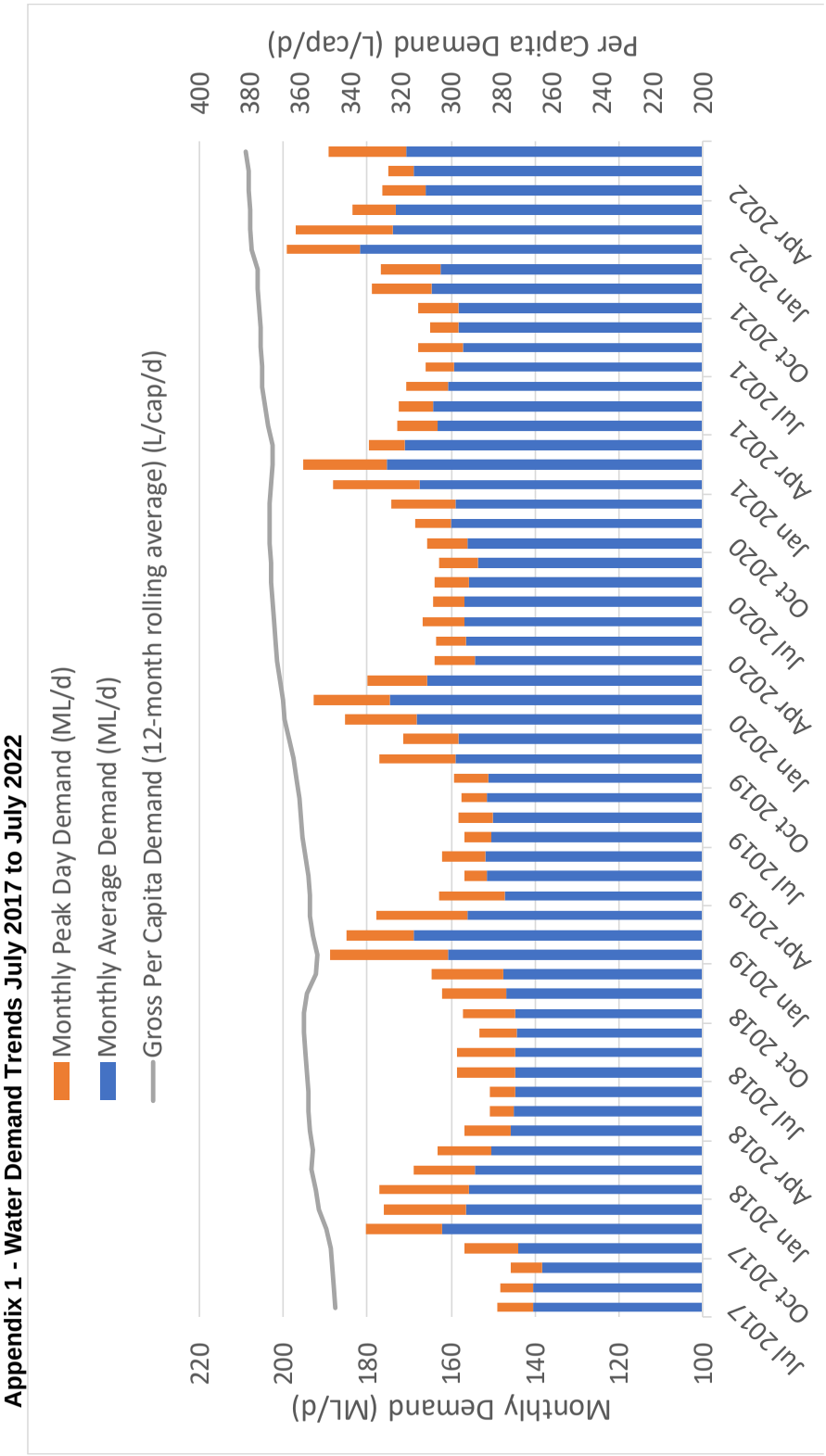
12. Current work underway to increase the output capacity of the Te Marua water treatment plant is expected to be completed by 2025 and will provide increased security against high daily peak flow events but will not provide increased security against an extended dry period.

13. A higher PCD limit will be adopted for the 2024 investment period, meaning that a major supply/demand intervention (additional source capacity or residential metering) is imminent. However, the earliest practicable timing for additional source capacity implementation is likely to be around 2029/30, and the current Level 1 cost estimate for implementation is over $800M.

14. Updated investment advice will be included in the Asset Management Plan for Entity C as water reform transition progresses, allowing for both major supply interventions.

15. Other demand management measures are being initiated such as a non-residential water efficiency programme as part of our Sustainable Water Supply and Demand Programme. However, these will take time to show significant benefit through demand reduction and the extent of these initiatives is limited by available budgets.

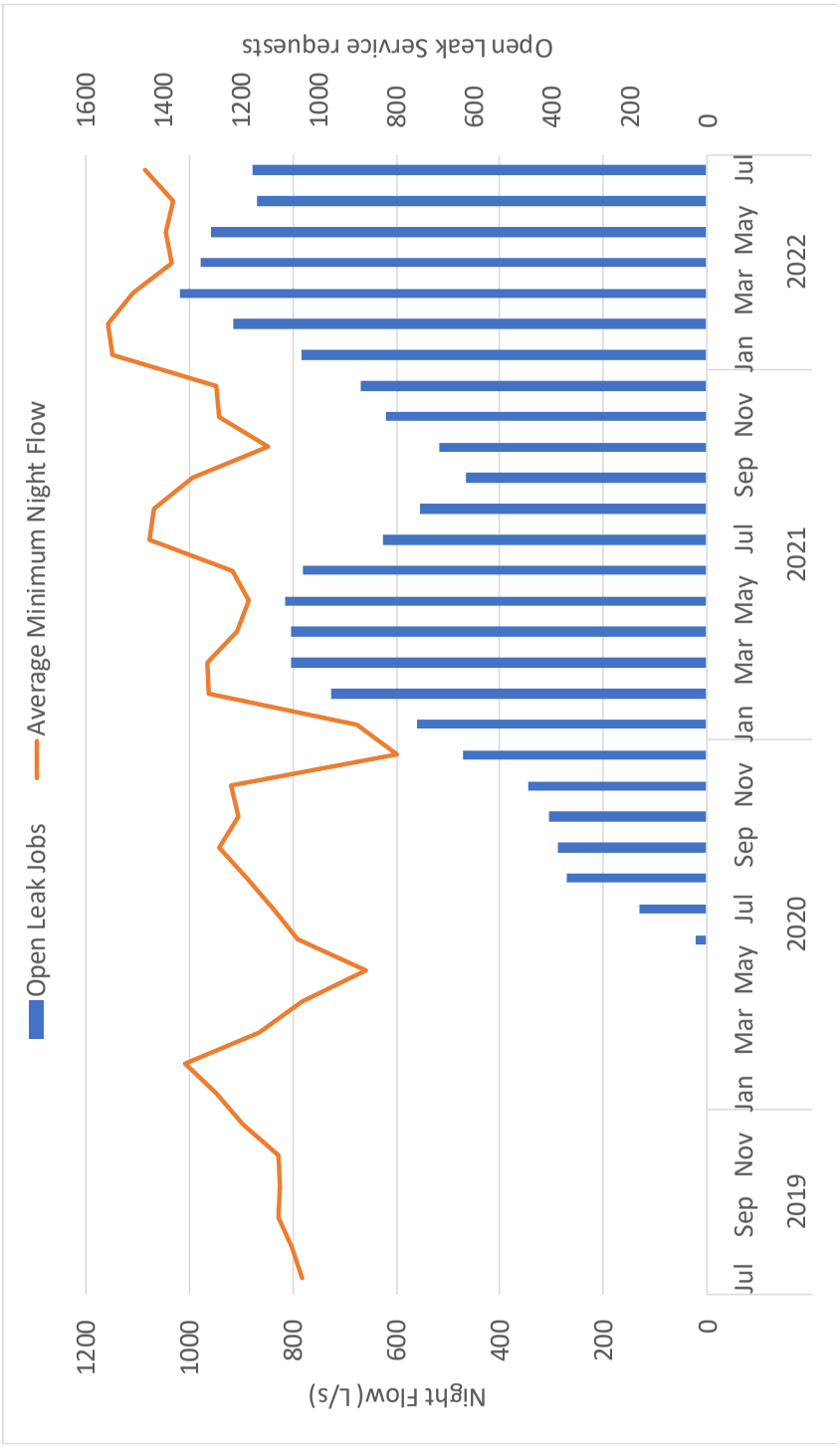
16. A Drought Management Plan is nearing completion, and includes guidelines for internal usage at residential properties in high water restriction levels that are also available on our website. These guidelines allow us to communicate with the public around what service standard can be expected should drought conditions eventuate.



This graph shows that in the five years from 2017-22, the twelve-month rolling average gross per capita demand (grey line) has increased from less than 350 l/p/d, to above 380 l/p/d (blue line).

Monthly average (blue bars) and peak day demand (blue + orange bars) have exhibited a similar rising trend. January 2022 saw the highest peak day demand since 2008.

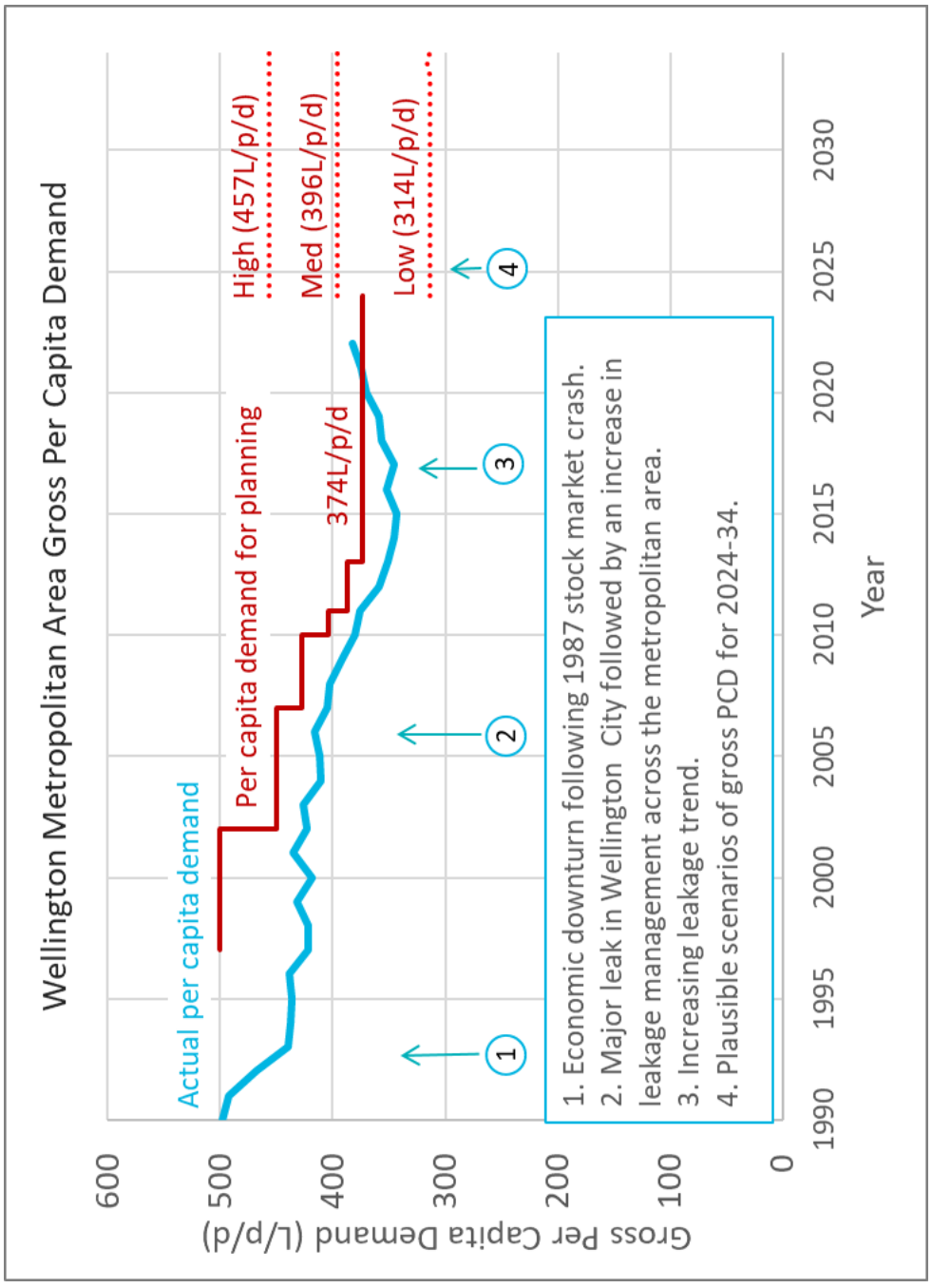
Appendix 2 - Night flows and open burst/leak service requests trends



This graph shows that minimum night flows (orange line) have been rising in concert with demand, and that the backlog of burst/leak service requests (blue bars) has also been rising since our Maximo system was commissioned in mid-2020.

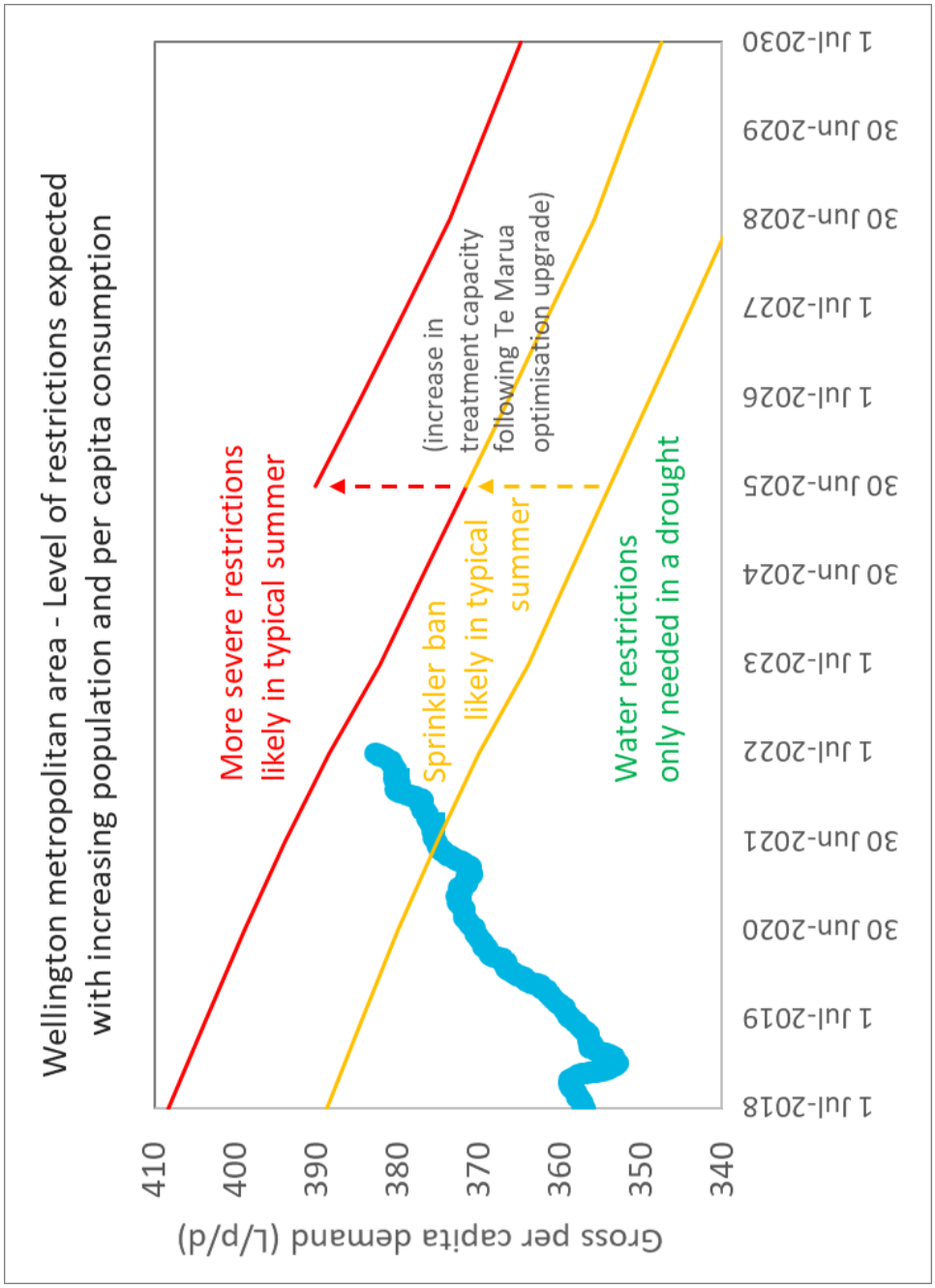
This indicates that most of the growth in demand can be attributed to rising water losses from network and private leaks.

Appendix 3 - Supply/demand intervention planning



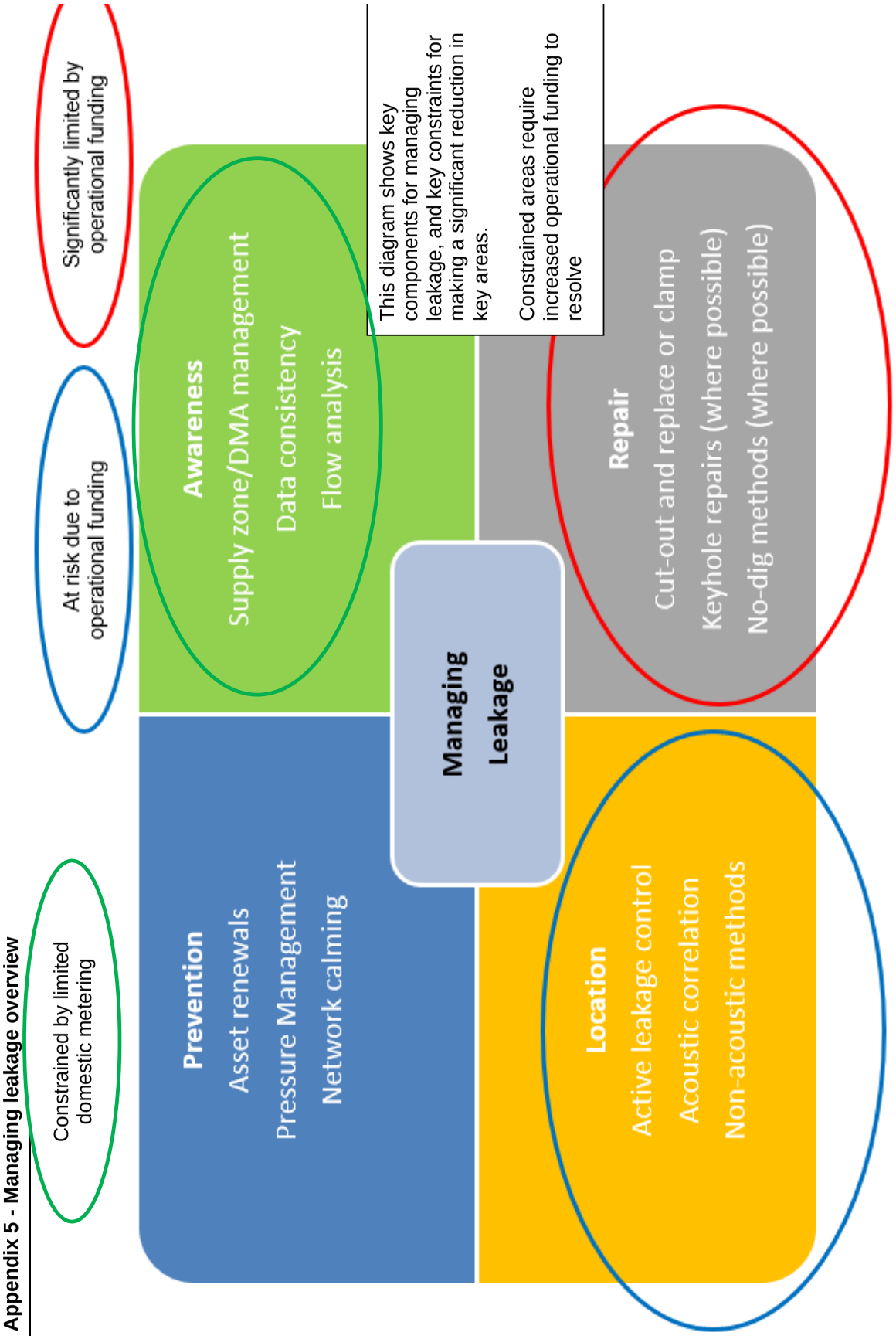
This graph shows per capita demand used for planning purposes to inform councils of when major supply/demand interventions are required

Appendix 4 - Expected Impact on Summer Water Restrictions

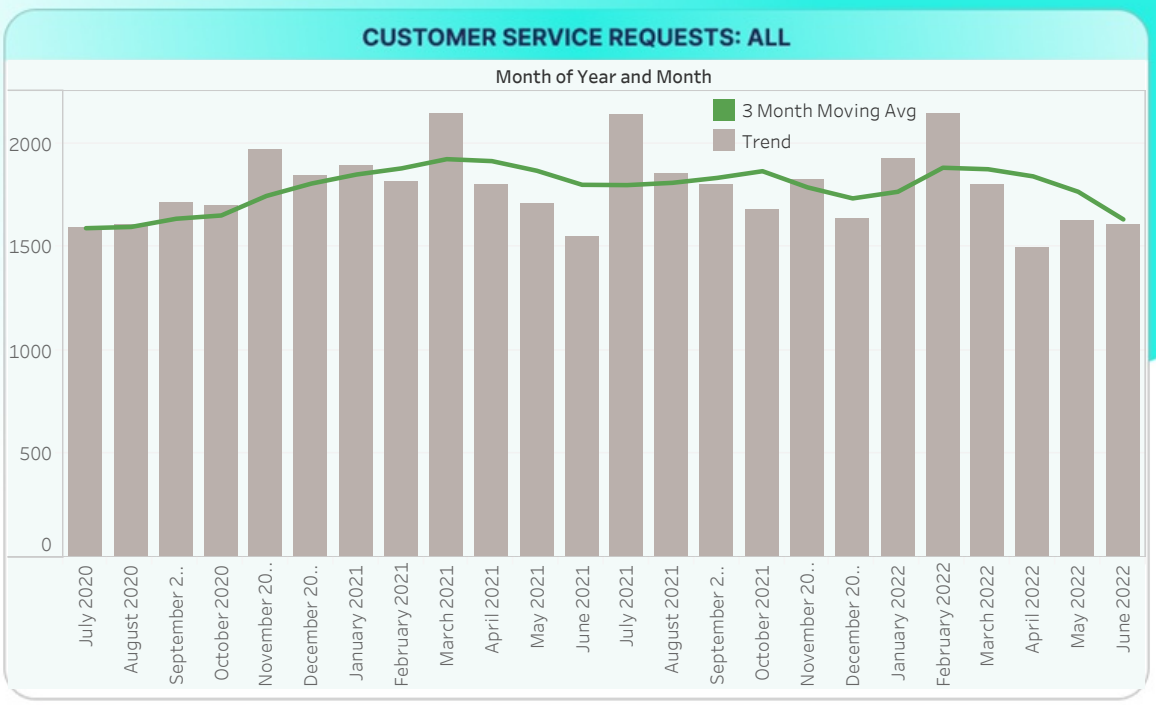


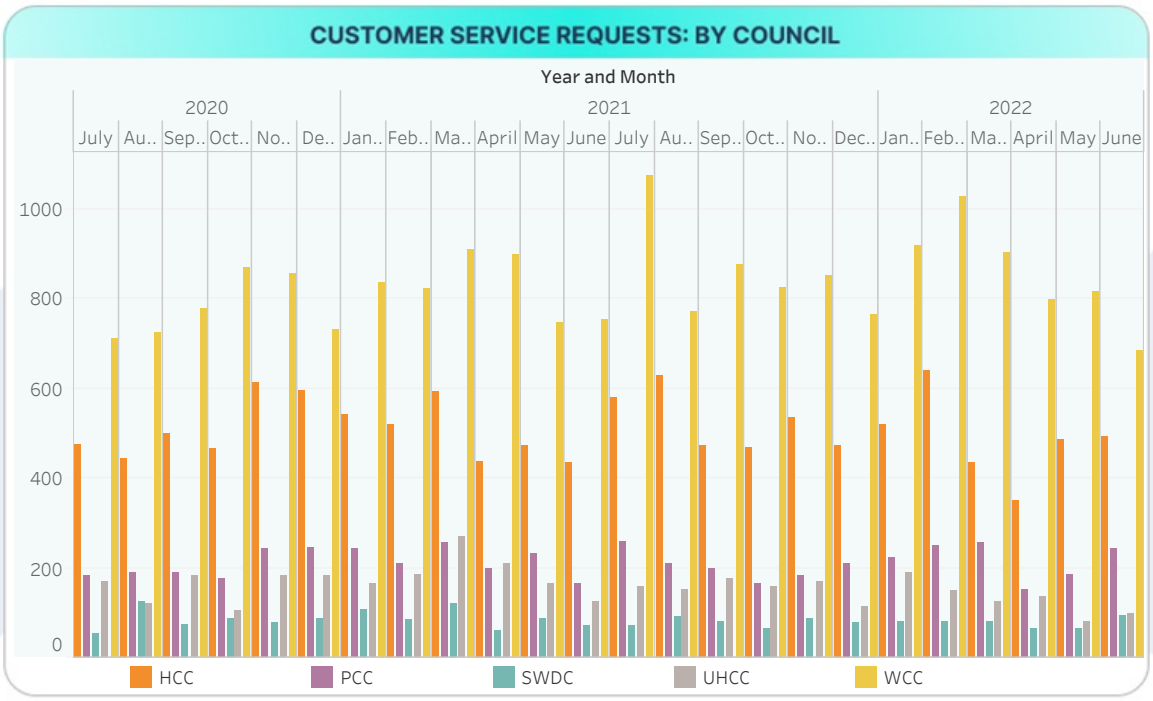
This graph shows per capita consumption (blue line) is climbing steadily into zones of increased risk of supply shortfall requiring more severe and extended watering restrictions in summer. The steeper the climb, the sooner we are likely to see severe restrictions – unless supply/demand interventions are implemented

Appendix 5 - Managing leakage overview

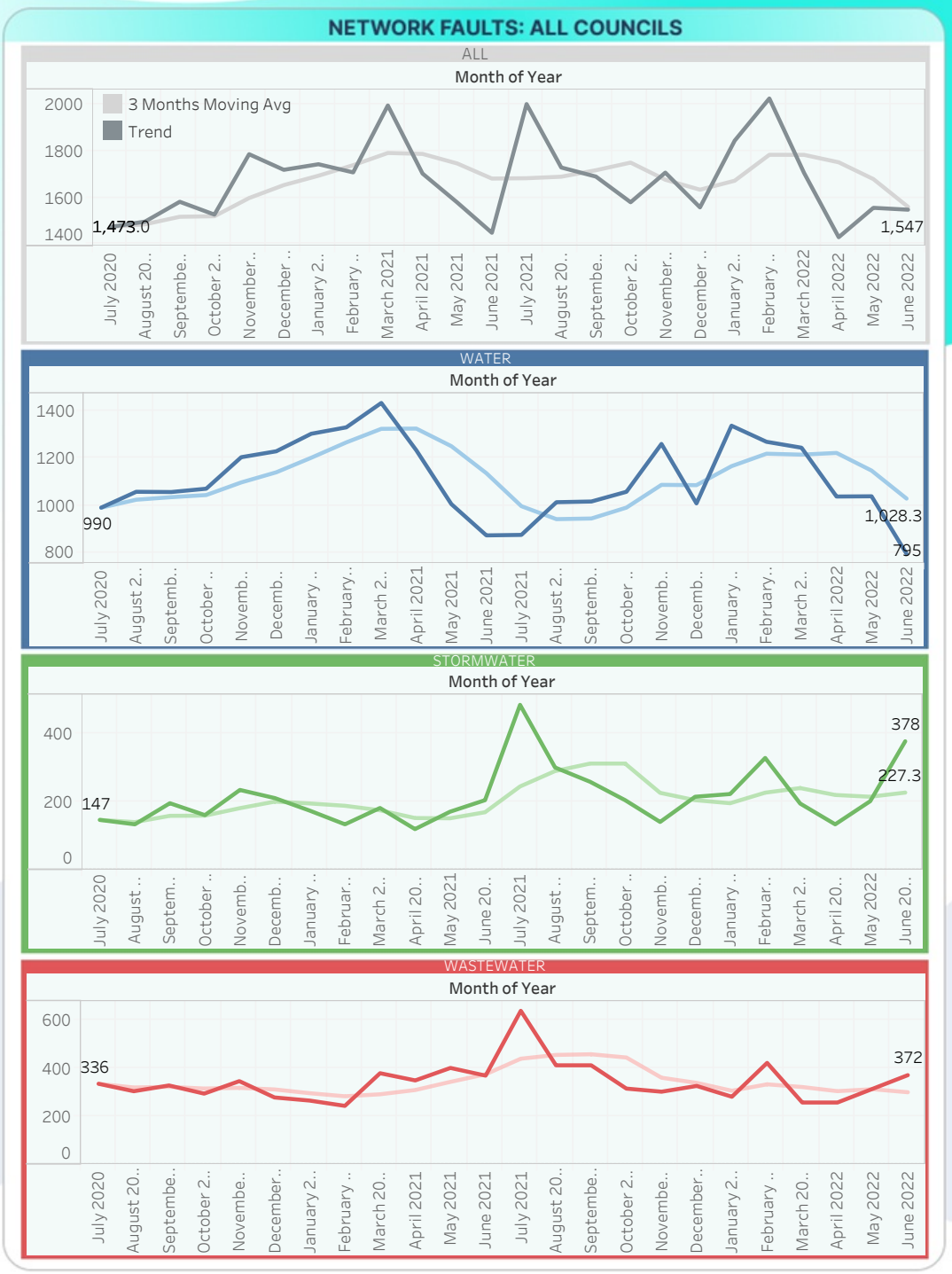


Wellington Water

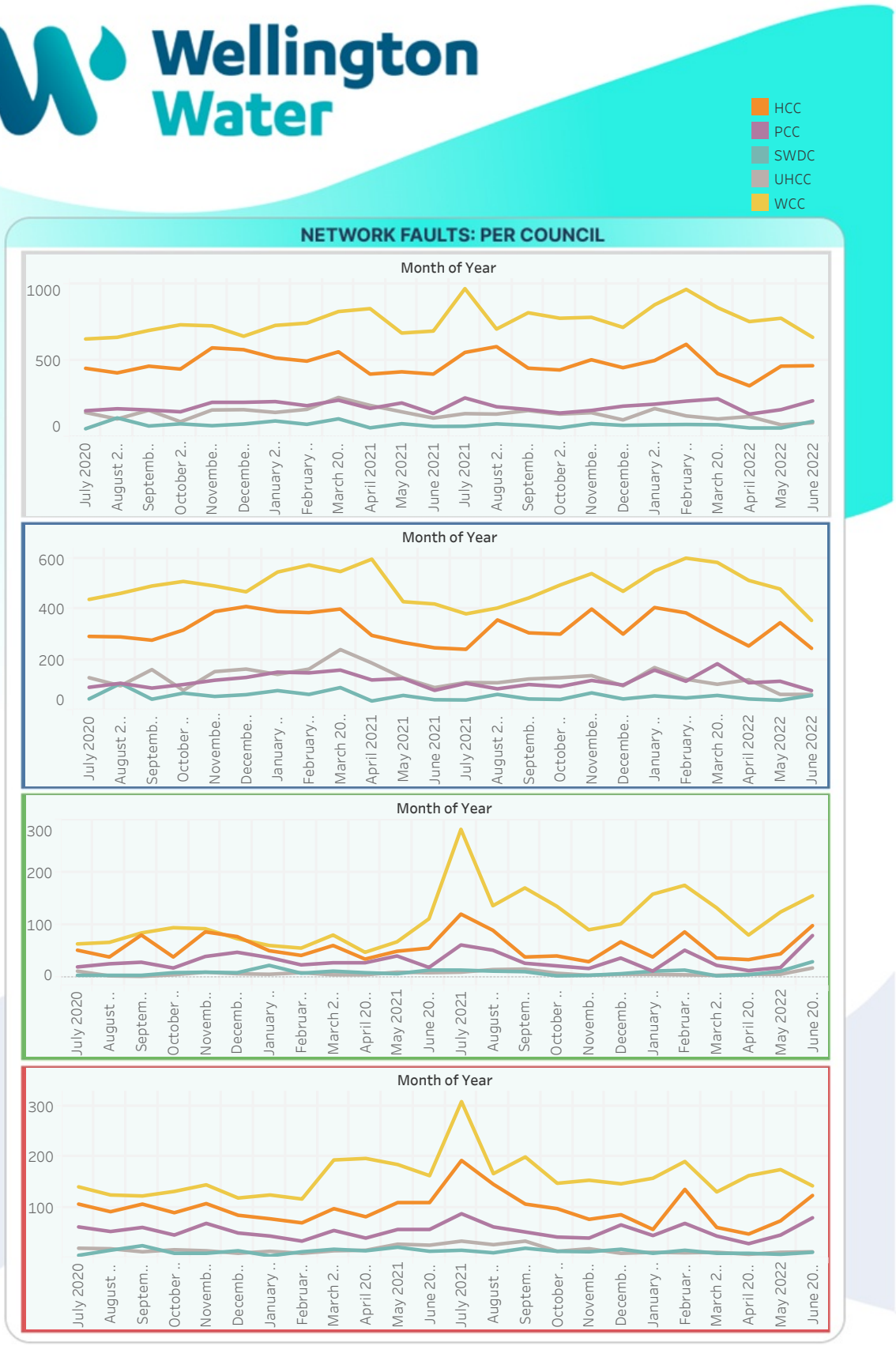




Wellington Water

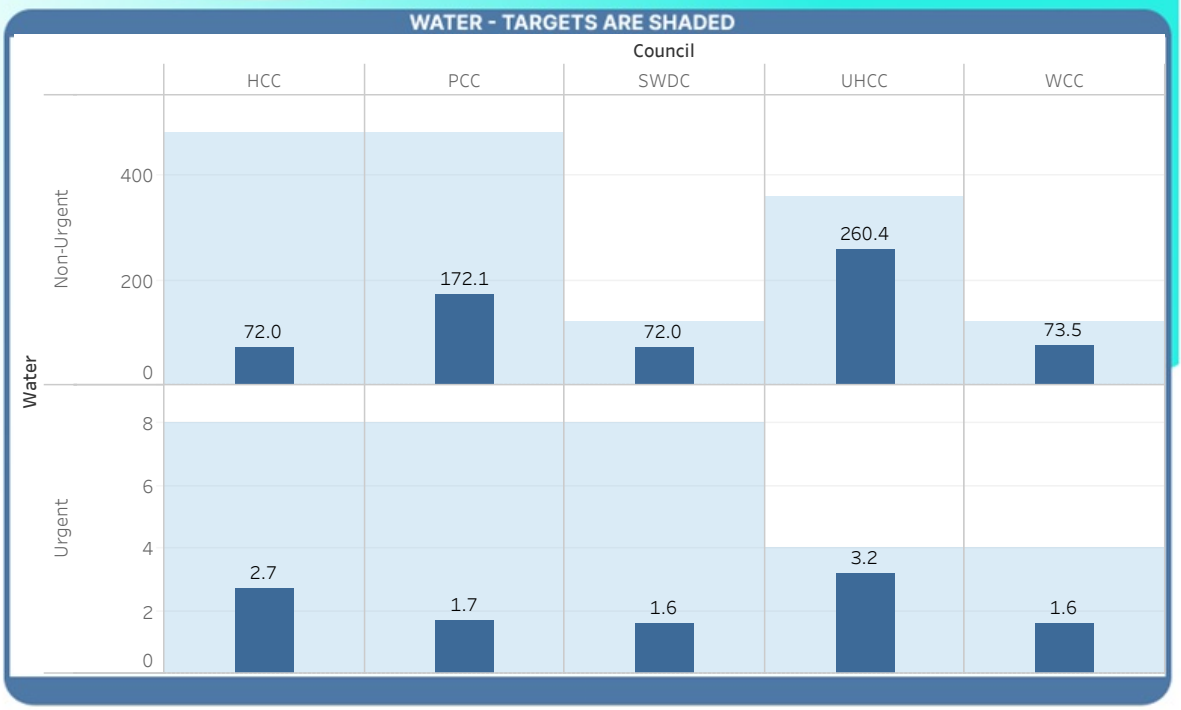


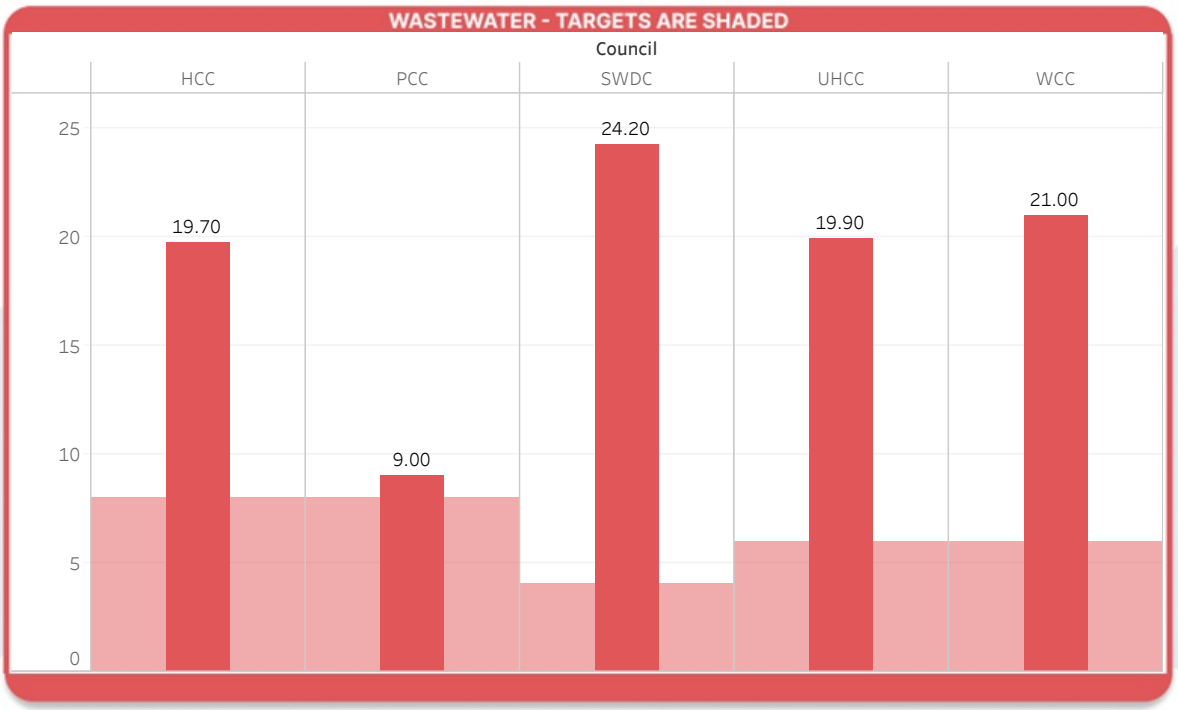
Wellington Water



Wellington Water

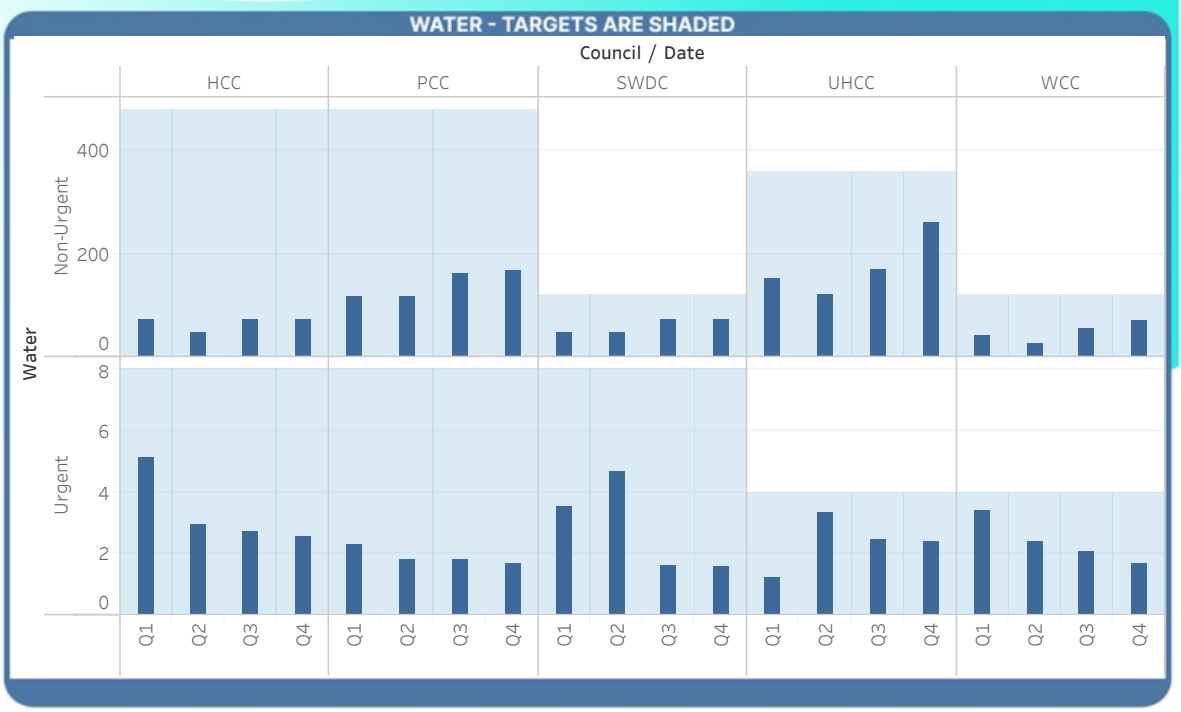
DIA 21/22 MEDIAN RESOLUTION TIMES (HRS)

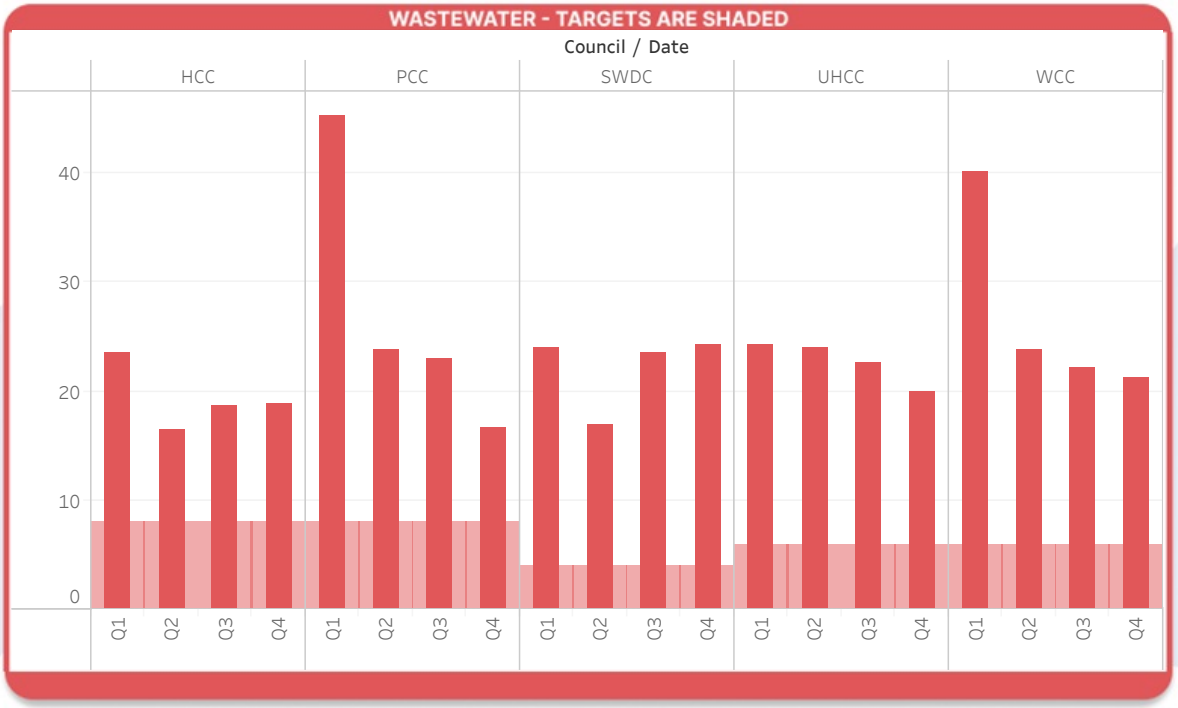




Wellington Water

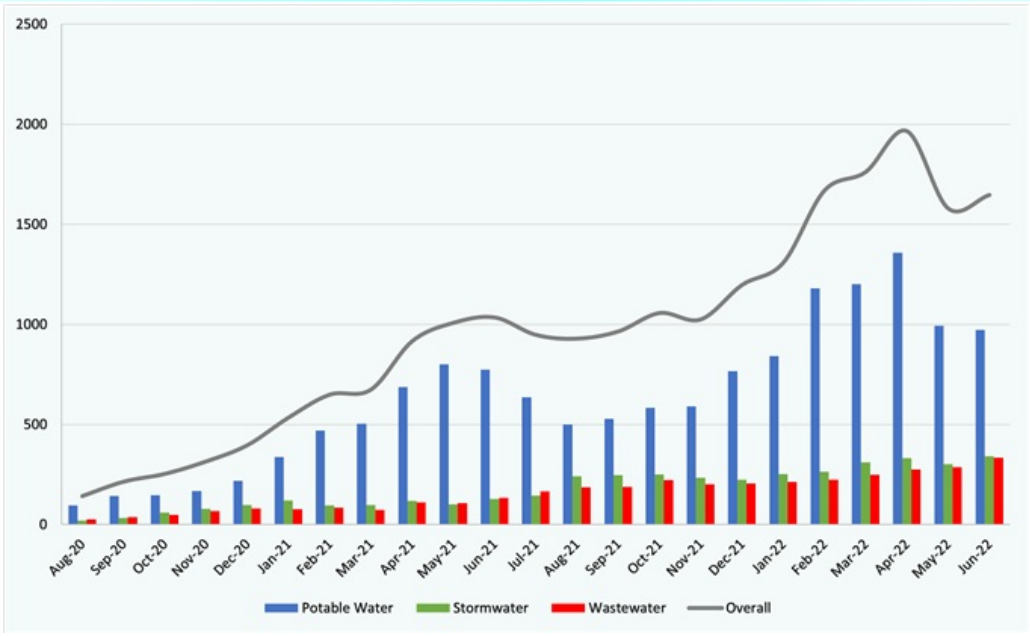
DIA 21/22 MEDIAN RESOLUTION TIMES - PER QUARTER (HRS)



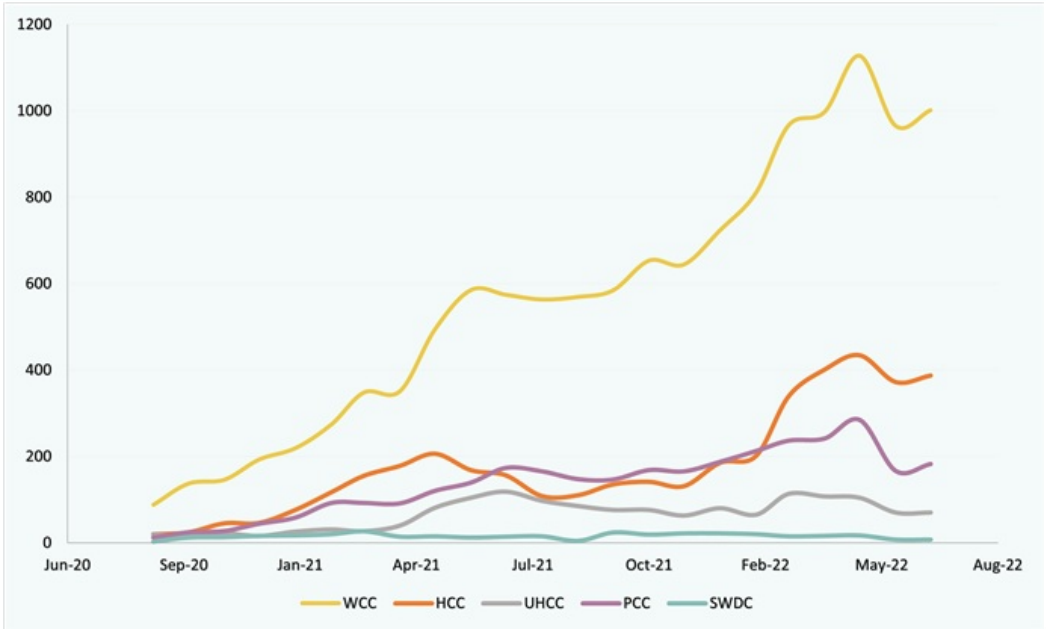


Wellington Water

BACKLOG TREND: ALL COUNCILS AND PER WATER TYPE

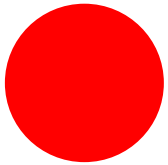


BACKLOG TREND: PER COUNCIL



Greytown Wastewater Treatment Plant performance

Period – June 2022



Current status: non-compliant

Commentary:

Earlier in the year, Greater Wellington Regional Council issued letters requesting explanations of non-compliance. Wellington Water are still implementing the required corrective actions.

Major investment is required, and current funding levels do not meet this requirement.

Management plans required by consent conditions have been submitted further plans are in development.

Wellington Water is undertaking a programme of work to better manage the treated effluent discharge rates in relation to the stream flow rate.

Items of significance:

Current plant design is insufficient resulting in risk of non-compliance.

A consent requirement to discharge treated effluent to land is hindered by competing land use. **This is affecting the performance of the plant.**

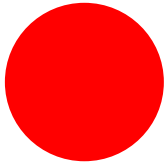
Further consent compliance risk due to the plant requiring significant management of resources focused on effluent quality.

Programme of ongoing improvement underway with GWRC.

Ongoing non-compliance of treatment plant increases the likelihood of enforcement action by the environmental regulator

Martinborough Wastewater Treatment Plant performance

Period – June 2022



Current status: non-compliant

Commentary:
Earlier in the year, Greater Wellington Regional Council issued letters requesting explanations of non-compliance. Wellington Water are still implementing the required corrective actions.

Major investment is required, and current funding levels do not meet this requirement.

Stakeholder engagement planning is underway.

Management plans required by consents are in development.

Monitoring to understand effects on ecology of the Ruamāhanga River has been completed.

Items of significance:
Current plant design is insufficient to avoid non-compliance. Effluent discharge rate and quality to both land and river exceeds current consent limits.

Ongoing non-compliance of treatment plant increases the likelihood of enforcement action by the environmental regulator.

Significant reliability issues with the land irrigator (not fit for purpose). This is contributing to the poor performance of the plant.

Featherston Wastewater Treatment Plant performance

Period – June 2022

Current status: non-compliant

Commentary:

Earlier in the year, Greater Wellington Regional Council issued letters requesting explanations of non-compliance. Wellington Water are still implementing the required corrective actions

Major investment is required to achieve a new consent.

Renewal of the consent is being managed as a major project, and we are operating on an extension of the old consent.

We are undertaking monitoring to understand effects on ecology of the Papawai Stream.

Items of significance:

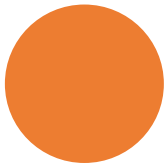
Current plant design is insufficient resulting in risk of ongoing non-compliance.

Plant requires ongoing management of resources focused on effluent to achieve compliance with consent requirements.

Ongoing non-compliance of treatment plant increases the likelihood of enforcement action by the environmental regulator.

Lake Ferry Wastewater Treatment Plant performance

Period – June 2022



Current status: compliant

Commentary:

An operations and management plan has been submitted for certification by GWRC.
GWRC have receipted the Plan

Further investment is required to achieve this management plan.

There are no current environmental issues.

Items of significance:

Lack of remote monitoring and control requires ongoing resources for operational management of this remote plant.

Existing resource consent will expire 2025.

Seaview Wastewater Treatment Plant performance

Period – June 2022

Current status: Compliant

Commentary:
The plant is compliant with all Resource Consents.

No new or pending abatement notices.

There are no current environmental issues.

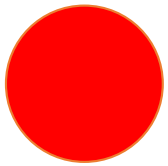
Items of significance:
A recent energy audit report for the treatment plant has highlighted opportunities for significant reductions energy use, costs and carbon emissions.

A joint HCC/WWL review of the report is planned for August.

None of these are currently adversely affecting the performance of the plant.

Moa Point Wastewater Treatment Plant performance

Period – June 2022



Current status: non compliant**

Commentary:
**Although the plant is performing well, unconsented discharges are occurring during heavy rain due to the reduced clarifier capacity. The risk of further non compliance remains high.

Receiving environment is likely to be affected by discharge of partially treated effluent.

Items of significance:
One of three clarifiers needs to be repaired. This means replacing the entire drive assembly; parts are on order as previously reported. Current estimate is that the clarifier will be repaired by end November.

5 Unconsented discharges have occurred between 1 June and 12 July as a result of reduced plant capacity.

GWRC are regularly informed about discharges and clarifier repair status. No formal advice has been received to date.

Western Wastewater Treatment Plant performance

Period – June 2022

Current status: compliant

Commentary:
The plant is compliant with all Resource Consents.

No new or pending abatement notices.

There are no current environmental issues.

Items of significance:
Replacement screening system expected by end of September 2022. Previously reported as June 2022.

Biofilter maintenance expected to be complete by end of August 2022. Previously reported as June 2022.

The repair of the plant's outfall pipe is now complete.

None of these are currently adversely affecting the performance of the plant.

Porirua Wastewater Treatment Plant performance

Period – June 2022

Current status: compliant

Commentary:
The plant's effluent quality is compliant with all Resource Consents. Average daily flows exceed the resource consent limit for the plant, this is being addressed through new consent.

There have been odour complaints from a new subdivision neighbouring the plant, mitigation options are being investigated.

The hearing for the discharge consents has heard submitters and is adjourned for expert conferencing and further information.

No new or pending abatement notices.

There are no current environmental issues.

Items of significance:
The new UV plant is in service but maximum design flow has not been achieved due to a hydraulic constraint. This is being investigated.

A power failure at the plant on 12 July caused undisinfected treated effluent to be discharged for approx. 20 minutes.

Neither of these are currently adversely affecting the performance of the plant.

Wellington Water Committee | Komiti Ngā Wai Hangarua

12 July 2022

File: (22/1767)

Report no: WWC2022/3/118

Martin Jenkins Inquiry into Fluoridation

Purpose of Report

1. The purpose of this report is to formally table the Martin Jenkins independent inquiry commissioned by the Board titled 'Inquiry into the Cessation of Water Fluoridation by Wellington Water' (Fluoride Inquiry) dated 21 June 2022 and the associated Wellington Water Limited's implementation plan.

Recommendations

That the Committee:

(1) receives the final report;

(2) notes that the Board of Wellington Water has accepted the findings and recommendations; and

(3) notes Wellington Water Limited's implementation plan.

2. The inquiry report and implementation plan were socialised at the Wellington Water Committee workshop conducted 08 July 2022. This report formally presents the final inquiry and implementation plan to the Committee for recording on the public record.

Appendices

Author: External Author (Wellington Water Limited)

MARTIN JENKINS

INQUIRY INTO THE CESSATION OF WATER FLUORIDATION BY WELLINGTON WATER

Final Report

21 June 2022

CONTENTS

Lynda Carroll
Chair Wellington Water

21 June 2022

Tēnā koe Lynda

I have completed my inquiry into the cessation of water fluoridation by Wellington Water. As per the terms of reference, the primary focus of the inquiry is on lessons learned and these are set out in my findings. I have also recommended a small number of improvements in addition to those already being made by Wellington Water. I am comfortable that Wellington Water is now on top of the issue.

I would like to commend the way in which the Wellington Water employees who were interviewed engaged in the inquiry. They were all very honest and upfront. Hayley Cassidy, Executive Assistant to the Chief Executive of Wellington Water and Garry Butler, Business Assurance Advisor Wellington Water provided excellent support to the inquiry, and Colin Crampton, the Chief Executive, was always readily available. I would also like to acknowledge the assistance I received from Joanna Collinge, Robyn Ward and Ben Guernier from MartinJenkins.

Ngā mihi

Doug Martin

Founder, MartinJenkins

INTRODUCTION

Context

1 Wellington Water was established in 2014 to manage the drinking water, wastewater and stormwater services for Hutt, Porirua, Upper Hutt and Wellington city councils and Greater Wellington Regional Council (GWRC).[1] South Wairarapa District Council joined Wellington Water in 2019.

2 The councils retain ownership of their infrastructure assets and contract Wellington Water to manage the three waters network. The six councils are equal shareholders.

3 A representative from each council sits on the regional Wellington Water Committee, which provides overall leadership and direction for the company through the Statement of Intent and Letter of Expectations. Wellington Water is governed by a board of independent directors.

4 There is no legal requirement to fluoridate, and the decision to fluoridate supplies in Wellington would have been made by the local councils in consultation with their communities. Petone and Korokoro are the only areas within the four cities that receive unfluoridated water (this was reconfirmed following a public survey in 2000). Water supplied to South Wairarapa communities is not fluoridated.

5 There are four water treatment plants in Wellington, owned by GWRC, where fluoride is added to water – Te Mārua, Wainuiomata, Waterloo and Gear Island. These supply fluoridated water to all communities in the four city councils except Petone and Korokoro. The Gear Island Water Treatment Plant is only required for fluoridation because of the way the network is configured to supply unfluoridated water to Petone and Korokoro.

Background to the inquiry

6 On 16 March 2022 Wellington Water publicly announced that fluoride facilities at Te Mārua and Gear Island Water Treatment plants had been turned off in February 2022 because of operational health and safety risks.

7 However, the Board of Wellington Water later learned that fluoridation was in fact stopped at Te Mārua in May 2021 and at Gear Island in November 2021.

8 As a result, the Board initiated this independent inquiry into the events that resulted in Wellington Water ceasing to fluoridate drinking water at these two plants, and in its management failing to inform the Board, the Wellington Water Committee and shareholding councils, and the public of this accurately and promptly.

[1] These services had previously provided by Capacity Infrastructure Services and GWRC water supply group.

Terms of reference

9 The objectives of the inquiry are to:

a provide the Board with key insights and learnings about these events; and recommend, where appropriate, actions for governance

b recommend, where appropriate, actions that will ensure Wellington Water management learns from these events and performs to a high standard in the future.

10 The scope for the inquiry is to:

a review and, where appropriate, provide recommendations on:

- the management of Wellington Water's plants, including asset management, as relevant to the decision to cease fluoridation of drinking water at Te Mārua and Gear Island Water Treatment Plants
- the information provided to the Board, and the timeliness of that information, both in the lead up to and regarding the decision to cease fluoridation
- communication with key stakeholders and the public in relation to the decision.

b consider the findings of a technical review that management have already commissioned into the operation of the two treatment plants that are the subject of this review.

c make comment on any broader systemic matters considered relevant to this review.

11 The full terms of reference are provided in Appendix 1.

Approach to the inquiry

12 In accordance with the terms of reference, my primary focus in conducting this review has been to capture insights and identify lessons that can inform activity to turn fluoride back on and strengthen arrangements for the future.

13 I carried out the inquiry in two phases, which I have set out below.

Discovery

14 A review of approximately 400 documents. These included:

a the regulatory framework for fluoridation in New Zealand

b key accountability documents and service level agreements between Wellington Water and its shareholding councils

c a technical "Review of fluoridation in drinking water" commissioned by Wellington Water in March 2022

d Wellington Water Board and Senior Leadership Team (SLT) papers relevant to this inquiry

e internal email correspondence and attachments on relevant matters (this made up approximately 80% of the documentation reviewed).

15 38 interviews with a range of Wellington Water staff, Wellington Water Board members, Wellington Water Committee members, mana whenua representatives, senior staff and Mayors from the six councils, and representatives from Regional Public Health, the Ministry of Health, and Taumata Arowai.

Analysis and reporting

16 Analysis in relation to each of the specific points in the Terms of Reference. This included corroborating verbal accounts with documentation where possible.

17 Development of key findings and insights, based on evidence and insights. Emerging findings were shared in a workshop with Wellington Water's Board and the Wellington Water Committee in May 2022.

The Chief Executive and Board Chair were provided with a draft of this report to check for factual accuracy.

FINDINGS

Fluoridation

This section sets out my key findings in relation to the first part of Objective 5(a) in the terms of reference, to "*Provide the Board with key insights and learnings about these events"* as they relate to the scope of the inquiry provided at clause 14(a):

> *(i) the management of Wellington Water plants, including asset management, as relevant to the decision to cease fluoridation of drinking water at Te Mārua and Gear Island Water Treatment Plants*
>
> *(ii) the information provided to the Board, and the timeliness of that information, both in the lead up to and regarding the decision to cease fluoridation*
>
> *(iii) communication with key stakeholders and the public in relation to the decision.*

In forming these findings, and in accordance with clause 14(b) of the terms of reference to *"consider the findings of a technical review"*, I have drawn on the March 2022 report by Raveen Judarum commissioned by Wellington Water.

The "Review of fluoridation in drinking water" (which I will refer to as "the Judarum report") is a detailed technical review of fluoridation in drinking water provided by Wellington Water from July 2016 to March 2022.

The Judarum report's findings are consistent with the insights provided in interviews, and information from documents reviewed in the course of this inquiry.

Finding 1: Fluoridation for oral health wasn't a priority for Wellington Water, and this underpins the findings of this inquiry

18 There was nothing in the legislative, regulatory or council requirement settings that was driving a strong focus on achieving optimal levels of fluoridation for oral health at Wellington Water.

19 This is important context for the decisions and behaviour of Wellington Water, both in the management of Water Treatment Plants in relation to fluoridation, and in the way the decision to stop fluoridation at Te Mārua and Gear Island Water Treatment Plants was communicated.

20 This underpinned a lack of urgency in both:

- a resolving ongoing problems with fluoridation of drinking-water at Wellington Water Treatment Plants
- b communicating those problems and the fact that fluoridation had stopped to the senior leadership team, the Board, the Wellington Water Committee, and the public.

1.1: The regulatory settings for fluoridation for oral health are weak

21 Fluoride is added to drinking water as a public health measure to prevent and reduce tooth decay. Fluoride strengthens the tooth

surface, interferes with the growth of the bacteria that cause cavities, and helps to repair the early stages of tooth decay.[2]

22 There has been no legal requirement to add fluoride to water, and the decision to add fluoride has been at the discretion of the water supplier – usually a local authority in consultation with communities.

23 To realise these benefits, the level of fluoride needs to be maintained within an optimal range – 0.7 to 1.0 m/L. If the level of fluoride in drinking-water falls below this, communities will not receive the oral health benefits. However, because too much fluoride can have negative impacts on health, water suppliers need to pay careful attention to the dosage.

24 Reflecting these potential negative impacts, and the fact that there is no legal requirement to fluoridate, the regulation of fluoridation of water has been focused only on the safety of drinking-water.

25 Water suppliers have a statutory duty to provide safe drinking water, including by complying with minimum quality standards – the Drinking Water Standards New Zealand (DWSNZ 2005, revised 2018).

26 For fluoride, this means not exceeding a Maximum Allowable Value (MAV)[3] of 1.5 g/L. There is no legal requirement to monitor or report on fluoride levels commensurate to the recommended range that would prevent and reduce health decay.

27 Until recently, the Ministry of Health was responsible for setting standards and monitoring compliance, under the Health Act 1956. Under the Water Services Act 2021, this responsibility now sits with Taumata Arowai.

28 The standards and rules are likely to be updated in July 2022, but there are no proposals to change the MAV or introduce any other requirements for fluoride concentrations.

29 In 2014 an industry-led Code of Practice for the Fluoridation of Drinking-Water Supplies in New Zealand was introduced, which includes recommendations for reporting in relation to the levels of fluoride required for oral health benefits. The Code was endorsed by the Ministry of Health but suppliers are not legally required to comply with the Code.

30 Wellington Water had not adopted the Code before this inquiry.

In future, there will be a stronger regulatory focus on fluoridation for oral health

31 The Health (Fluoridation of Drinking Water) Amendment Bill was first introduced in November 2016. The Bill was enacted five years later, in November 2021.

32 The Bill amended the Health Act 1956 to empower the Director-General of Health to direct water suppliers to fluoridate drinking water, and to require suppliers currently adding fluoride to continue to do so. It also provides for penalties for failing to comply.

33 The Ministry of Health has indicated to Wellington Water that it will change the fluoridation guidelines to a fluoridation standard with specified performance criteria after 1 July 2022.

34 The Ministry has also indicated that a direction to require the drinking water for Petone and Korokoro to be fluoridated is likely

[2] https://www.health.govt.nz/your-health/healthy-living/teeth-and-gums/fluoride

[3] The MAV of a chemical is the concentration of that chemical that does not result in any significant risk to the health of a 70 kg person over a lifetime of consumption of two litres of the water a day.

within the medium term. This is likely to include an expectation that 95% of the water leaving all water treatment plants must be dosed at the necessary levels.

1.2: The council requirements didn't force attention on effective fluoridation

35 Wellington Water notes on its website that it adds fluoride to drinking water to reflect GWRC's policy (as the provider of bulk water) of adjusting the fluoride content of the water in line with the Ministry of Health's recommendations.[4]

36 However, the management services contract between GWRC and Wellington Water does not mention fluoridation or the need to meet the optimal levels of 0.7 to 1.0 g/L. I have not seen any documentation that sets out any service-level expectations from any of the councils in relation to fluoridation at the optimal levels for oral health benefits.

37 Wellington Water does monitor fluoride levels, and this information is available, but it is not reported in any forum other than to show compliance with the Drinking Water Standards New Zealand.

38 There are no internal performance indicators that are reported on in relation to optimal levels of fluoridation. It is not something that Wellington Water's SLT or Board received any reporting on.

39 Quarterly reporting to GWRC and other councils does not include anything in relation to optimal levels of fluoridation. Fluoride is only mentioned obliquely as it relates to providing safe drinking water.

40 Fluoride concentration levels in drinking water are not included in Wellington Water's annual report. Median concentration levels were previously reported in GWRC's annual report, but this practice was not continued when Wellington Water began providing services to GWRC in 2014. There is no documentation or organisational knowledge that explains why this reporting was stopped.

a However, we cannot assume that the reporting of median concentration levels meant that fluoridation for oral health was a higher priority before 2014.

b The levels of service and performance measures in GWRC's annual plan were very similar to what they are now, so meeting the service levels before 2014 still did not require effective fluoridation levels.

c The reporting of median concentration levels in GWRC's annual report appears in a section relating to safety of drinking water and the focus is on not exceeding the MAV.

41 While Wellington Water should arguably have been proactively monitoring and reporting on optimal levels of fluoride, there were no questions or complaints from any of the councils or from the Board of Wellington Water.

1.3: A culture of safety, rather than effectiveness, was dominant in relation to fluoride

42 There is, quite rightly, a strong "safe water" culture at Wellington Water. The organisation and its people care about making sure the public can reliably trust that the water that comes out of their taps

[4] https://www.wellingtonwater.co.nz/your-water/drinking-water/how-is-it-treated/whats-in-your-water/fluoride/

is safe to drink. There has also been appropriate attention to the health and safety of operators in relation to the hazards that fluoridation processes create.

43 At an operational level, Wellington Water's staff have put a lot of effort into trying to provide effective fluoridation of water. Various problems with equipment and product (described later) have required staff to modify plant and processes in order to try to fluoridate Wellington's drinking water safely and effectively, with mixed success.

44 However, a lack of both visibility and prioritisation at senior management and governance levels has created what one interviewee called "corporate invisibility", and meant that efforts to ensure effective fluoridation have languished.

45 This has led to an accepted way of operating where attention was paid to not exceeding safe levels of fluoride, but low prioritisation given to investment and effort to dose consistently at optimal levels.

46 Over time, this has led to a lack of appreciation internally of the importance that shareholders and the public place on effectively fluoridated water.

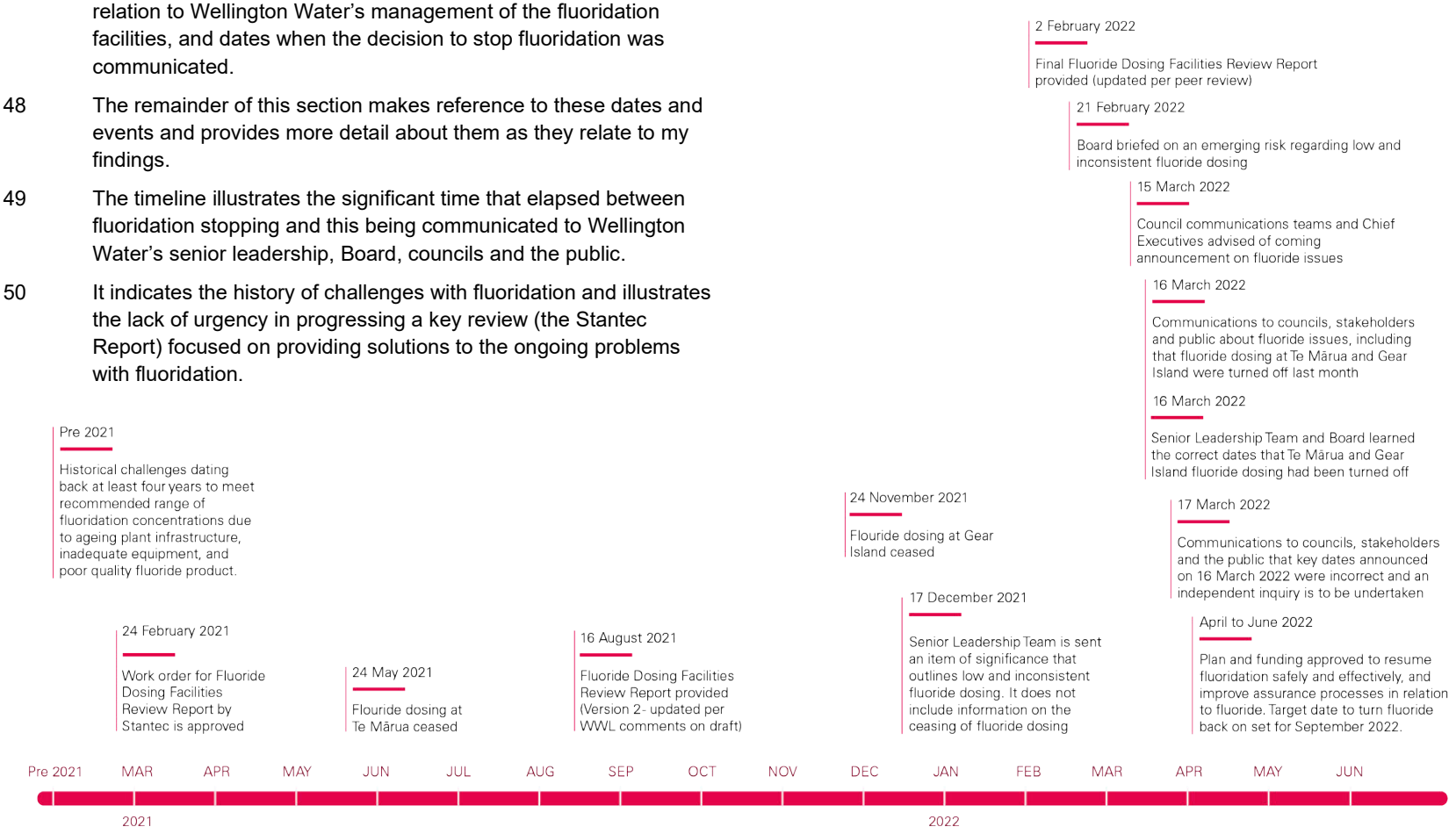
Timeline of key events

47 This timeline is included here as a summary of the key events in relation to Wellington Water's management of the fluoridation facilities, and dates when the decision to stop fluoridation was communicated.

48 The remainder of this section makes reference to these dates and events and provides more detail about them as they relate to my findings.

49 The timeline illustrates the significant time that elapsed between fluoridation stopping and this being communicated to Wellington Water's senior leadership, Board, councils and the public.

50 It indicates the history of challenges with fluoridation and illustrates the lack of urgency in progressing a key review (the Stantec Report) focused on providing solutions to the ongoing problems with fluoridation.



Finding 2: Drinking water has been safe, but not optimally fluoridated

51 The report by Raveen Judarum, "Review of fluoridation in drinking water", concludes that during the period covered by the review there was never an unsafe level of fluoride in the drinking water supplied to Wellington consumers, despite a number of exceedance events within the water treatments plants.

52 Judarum notes that the Ministry of Health confirmed that water supplied to Wellington, Hutt, Lower Hutt and Porirua City Councils met the DWSNZ standards for the years 2017 to 2020 and the service-level agreement requirements set by GWRC:

> *"The fluoride levels did not exceed the GWRC and the DWSNZ chemical compliance of Priority 2a for fluoride."*

53 Judarum further notes that between June 2018 and June 2021 there was one instance at Te Mārua and four instances at Gear Island when water within the treatment plant exceeded the MAV. In each instance staff at the treatment plants responded appropriately to ensure that over-fluoridated drinking water did not reach consumers.

54 However, his report shows that across all the water treatment plants fluoride concentrations were frequently below the optimal level for oral health.

55 Since July 2016, on average, the optimal range of fluoridation was met about 50% of the time at Waterloo, 30% of the time at Wainuiomata (although this has improved since July 2021), and less than 20% of the time at Te Mārua and Gear Island.

Finding 3: Fluoridation was stopped in order to ensure the safety of drinking water and operators, with no plan to turn it back on

56 Fluoridation was turned off at both Te Mārua and Gear Island Water Treatment Plants, with no plan to turn it back on again, because of specific technical problems.

57 While it wasn't unusual for fluoride to be turned off for a short time for operational reasons, the key difference in these instances was the decision not to turn it back on until there was a plan to do so safely.

58 I found it difficult to obtain the information below setting out the events that led up to these decisions. There were no formal investigations at the time, and no single system of record keeping. Wellington Water staff have had to piece this information together from a range of sources.

Te Mārua Water Treatment Plant

59 Fluoridation at Te Mārua was turned off on 25 May 2021 because of an optimal dosing exceedance event at the water treatment plant. This followed an earlier exceedance on 20 April 2021; operators had then ensured that water with excess fluoride did not reach consumers. Fluoride had been turned off after this earlier event and switched on again on 10 May 2021.

60 After the exceedance on 25 May, operators decided an investigation was needed to identify the reason for two exceedance events in short succession. An internal communication of 25 May 2021 noted that fluoride dosing would "stay off until a plan is determined that will reduce the current

dosing risks (not addressing these risks could result in a fluoride dose above the DWSNZ MAV)".

61 A subsequent operational investigation found that a tear in the baffle curtain was creating a risk that over-fluoridated water would reach consumers. The baffle curtain slows down the rate and flow of water and gives operators time to respond to "out of spec" water, ensuring that excess fluoride levels do not reach consumers. I understand that a damaged baffle curtain reduces the time to respond from about 1.5 hours to about half an hour.

62 Attempts to investigate further were hampered by COVID-19 lockdowns, and a drone operation had to be delayed from 19 August 2021 until 10 October 2021. The drone report identified a significant rip.

63 Fixing the baffle curtain was considered a major undertaking requiring technical and planning expertise. The repair was planned for the following winter because of resourcing constraints due to COVID-19 lockdowns and the need to maintain water supply during the summer (when there is higher demand).

Gear Island Water Treatment Plant

64 Fluoridation at Gear Island was turned off on 24 November 2021 because of concerns about the condition of the tanks the liquid fluoride product (hyrdrofluorosilic acid, HFA) was stored in and the condition of the building housing those tanks.

65 The storage tanks used at Gear Island are beyond their recommended lifetime and were being used in accordance with a compliance plan approved by WorkSafe in 2016 which expired in November 2021.

66 WorkSafe had approved a conditional five-year dispensation to operate under that compliance plan with the expectation that the Health (Fluoridation in Drinking Water) Amendment Bill would soon be passed. The anticipated law change would likely require Petone and Korokoro to fluoridate water, at which point the Gear Island Water Treatment could be decommissioned, and the estimated $5 million to upgrade the tanks would not be needed. As outlined above, the amendment bill took five years to progress: it was enacted only in November 2021.

67 Despite WorkSafe approving a further compliance plan in October 2021 through to 2026, Wellington Water was concerned about the ongoing use of the storage tanks. An engineer's assessment in June 2021 recommended an analysis of external tank material which occurred in November 2021. This indicated it was not safe for operators to continue to use the tanks.

68 Independently, the ceiling in the room that housed the tanks was deteriorating, with portions of a reinforcing bar exposed. An inspection and any repair to the ceiling wasn't considered safe with "live" chemicals beneath.

69 On the basis of the June 2021 assessment and the issues with the ceiling, Wellington Water decided to run down the product and drain the tanks by August 2021. That would allow the condition of the tanks to be assessed and any necessary repairs to the ceiling to be carried out safely.

70 Restrictions placed by COVID-19 alert levels delayed the start of the draining process until 12 October 2021 and draining was completed on 24 November 2021.

71 The improvements needed to the tanks and building would be a major piece of work requiring significant planning, design and project management. This has now become part of the broader fluoridisation remediation being carried out by Wellington Water (see page 20).

Finding 4: There were long-standing challenges to providing fluoridation safely

72 There have been historical challenges to achieving the recommended range of fluoridation concentrations.

73 I was told about a range of issues, including poor fluoride powder quality, incorrect dosing pumps, manual powder bag handling, small mixing tanks, and ageing infrastructure.

74 There is no standby fluoridation equipment at any of the plants (as there are for some other chemicals that are added to water, for example, chlorine). This means that fluoridation dosing has been turned off and on frequently for operational reasons or while problems were addressed, especially at Te Mārua and Gear Island.

75 Even when the dosing was operating, it was accepted practice to err on the side of under-dosing to ensure there was no risk of exceeding the MAV.

76 Two issues highlighted to me as particularly relevant to the problems at Te Mārua and Gear Island were the quality of the powder fluoridation product and the state of the fluoridation assets.

4.1: Poor-quality fluoridation product posed a challenge to effective fluoridation at Te Mārua

77 Wellington Water uses two fluoridation products: at Te Mārua, Wainuiomata, and Waterloo, the plant is designed to use a powder product, sodium fluorosilicate; at Gear Island, a liquid product, HFA, is used.

78 There has been an international shortage of good-quality sodium fluorosilicate product. One operator explained that “good quality powder flows like sugar, and bad quality powder flows like flour”. Poor-quality product does not readily mix with the water and can build up as sludge in the dosing equipment system. This creates a risk that the residue will mix with new doses of fluoride and cause a fluoride exceedance.

79 In addition, the packaging of poor-quality powder would often break and fibres would get caught in the dosing system, stopping it from running. Before it could be turned on again, the system had to be cleaned and flushed. It was not unusual for operators to be called out in the middle of the night to do this.

80 At Waterloo water treatment plant, the inadequate storage facilities meant the powder became damp, and even harder to mix.

81 Higher-quality powder fluoridation product is now more readily available and is being used at the Waterloo and Wainuiomata water treatment plants, and this has resulted in improvements.

4.2: The state of the assets at Gear Island was an ongoing problem

82 The Gear Island fluoridation equipment is designed to use HFA, so the challenges around product quality had no impact at this treatment plant.

83 I was told the design and maintenance of the fluoridation assets were the primary reason that fluoridation was challenging at Gear Island.

84 The issues with the storage tanks and the state of the building itself have been described in paragraphs 64 to 71.

Finding 5: There was good awareness of these issues within the organisation at operational levels, and attempts to address them, albeit slowly

85 Between 2018 and 2020 action was taken at an operational level to address these challenges. This included discussions with fluoridation product suppliers; buying and installing new equipment and fluoridisers; comprehensive internal assessments; and the commissioning of independent advice such as a 2018 Connect Water assessment of the fluoridation tanks at Gear Island, and a 2020 review by Beca of fluoridation powder storage and dosing at Waterloo.

86 Action was also undertaken to address systemic issues. A project called "Fluoride dosing systems reliability" was included in the 2021 Long Term Plan to undertake detailed investigation, option assessment and concept design to change the fluoridation dosing facilities at Te Mārua, Waterloo, and Wainuiomata from powder to the liquid HFA already used at Gear Island. Funding was also requested in out-years for the estimated cost of subsequent construction, but it was determined that this should come out of the treatment plants' renewals budget if possible.

87 On 24 February 2021 Stantec was commissioned to carry out an investigation. They provided their draft report "GWRC Fluoride Facilities Review" on 12 July 2021, and a final report on 16 August 2021. There were however differences of opinion between Wellington Water and Stantec on aspects of the report, and Lutra was commissioned to peer-review the Stantec report on 4 November 2021. The final peer reviewed Stantec report was submitted to Wellington Water on 2 February 2022.

88 On 25 August 2021 an internal request was made for funding from the GWRC Annual Plan to be provided in 2022/23 to replace the fluoridation plants at all the water treatment plants as they were suffering from frequent faults, and the modifications being made by the operations teams were becoming less successful at maintaining the consistency of the treated water fluoride concentration to supply. This was based on Wellington Water's understanding of requirements at the time, and has since been superseded by a further application for funding approved by GWRC on 26 May 2022.

Finding 6: There were organisational challenges to raising and addressing issues

6.1: The lack of prioritisation of fluoridation meant that action to address the challenges did not proceed with any urgency

89 As I have observed above, attempts to address the challenges in fluoridation moved slowly. In particular, work to finalise the Stantec report drifted and lost impetus. Interviewees reported that there were a large number of investigations and initiatives underway at one time, but there was no system for prioritising those activities, and critical controls on water quality were the prime concern.

90 In part, this was due to fluoridation not being prioritised, as set out in my first finding above (see page 4). I was told that the drinking-water regulator (Regional Public Health at that time) did have information about the under-dosing of fluoride by Wellington Water, but didn't raise it as a concern. There was no requirement for them to do this in relation to the DWSNZ; however, this can only have served to reinforce the perception that achieving optimal levels of

fluoride for oral health wasn't a priority for anyone, and that turning fluoride on and off need not trigger any alarms.

6.2: Problems with asset management contributed to fluoride being turned off

91 Currently the organisation is operating with three core asset management systems for its network, wastewater treatment and water treatment assets, that are not integrated. There is also asset information which lies outside of these systems.

92 This is a legacy of bringing together the assets and systems of the different councils in 2014 and makes it difficult to undertake evidence-based assessments and risk-based prioritisation across all the assets Wellington Water manage.

93 While Wellington Water has made a number of improvements to its asset management systems and approach, I have been told that funding has been a constraint to the full integration and upgrade of these systems.

94 In relation to fluoridation specifically, I heard that the asset management system Wellington Water uses for its water treatment plants is not fit for purpose.

95 Wellington Water moved to the current system, Maximo, when GWRC decommissioned the aging SAP system that had previously been used for their water treatment plants.

96 While Wellington Water's version of Maximo supports the maintenance and operations functions of asset management, it is not configured to manage all stages of the asset lifecycle. One interviewee described it to me as "*a work management system rather than an asset management system, so there is no end-to-end process. There is no one place to go to understand what is happening".*

97 This would appear to be compounded by the absence of documented business processes and systems. I was told there used to be a risk-based process for triaging and prioritising operational matters but that this was no longer operating.

98 Another challenge to the effective management of the fluoride assets was that they were not categorised as critical assets. The organisation, rightly, prioritises effort toward very high criticality assets (defined as those that would have a significant impact on customers of the environment if they failed) so this would have been another barrier to a good understanding and effective management of fluoride assets.

99 As an example of the impact of these challenges to lifecycle asset planning and management for fluoride assets, Connect Water's assessment of fluoride tanks at Gear Island in 2018 recommended that a plan should be developed to remove tanks for service by 2021, but no plan was made in response to this advice. In a May 2022 paper to GWRC, Wellington Water accepted that "*This was a foreseeable event, and we acknowledge that we should have planned for a backup system to ensure we could have continued fluoridation at Gear Island."*

100 Illustrating the broader challenges with asset management, the company has lost its ISO 9001 quality management system certification, and several years ago scored only an average 1.5 out of 3 in an external assessment of their asset management system against ISO 55000 standard for quality management and assurance. Knowledgeable interviewees told me that this would still be a fair assessment now and that, while Wellington Water has made some improvements since that time, funding has again been

a constraint to addressing all areas of improvement identified by the maturity assessment.

6.3: There is a question whether the internal audit function is resourced appropriately

101 Risks were raised with Wellington Water's SLT in October 2019, when Risk and Assurance submitted a quarterly risk report noting the poor performance of some key supply contracts, and a lack of cohesion in how contracts were managed.

102 However, this report did not specifically refer to fluoride. I heard that the audit function is *"quite lean in places and could easily be doubled in size"*. It is only resourced to provide strategic-level audits, and this means that operational risks such as those relating to fluoridation are not being picked up by this team.

6.4: Culture played a part

103 Interviewees from across the organisation talked about a reactive culture and a learned helplessness, saying they gradually accepted that investments to address systemic issues would not be approved. Others talked about how people "hold risk", either because they don't understand it's a risk or don't know how to escalate it.

104 A separation between the operator and maintenance teams led to siloed and disconnected ways of working, compounding the issues. This has improved since changes to the organisational structure were made.

105 Others described the culture as relational, rather than operating against a background of structure and standards:

"The culture is decision by committee rather than the notion that order, process and structure are important for safe drinking water, which requires assigned roles with responsibilities, supported by checklists, procedures and business processes."

Finding 7: The Board didn't have the technical expertise to realise that they needed to be asking questions about fluoride in relation to oral health

106 The Wellington Water constitution requires that Directors who are appointed must have the skills, knowledge, or experience to:

a guide the Company, given the nature and scope of its activities; and

b contribute to the achievement of the objectives of the Company.

107 Relevant to this inquiry, the shareholders' Board Skills Matrix specifically requires at least one Director with practical and preferably leadership experience in Water Services. There is currently no Director on the Board with this knowledge or experience.

108 The Board did not receive reporting on optimal fluoride levels and, with this deficit in its collective experience, it did not have the expertise to identify the gap and the issue wasn't visible to them.

Finding 8: Escalation and communication of the decision to stop fluoridation took too long

109 My findings here relate primarily to the delay in communicating the decision not to turn fluoridation back on at Te Mārua, as fluoridation was stopped much later at Gear Island.

110 Overall, I found the delay in escalating and communicating the decision to stop and not resume fluoridation was underpinned by the general lack of appreciation of the importance of effective fluoridation to stakeholders (set out at the beginning of this section) and the subsequent level of risk to the organisation presented by not delivering this service.

111 I believe that clearer accountabilities and processes for escalating the issue would have avoided the delays in managing and communicating the response.

112 Clearer accountability and a more effective quality assurance process would also have prevented inaccurate information being provided to the Board, the councils, and the public.

8.1: There was a lack of clear ownership and escalation criteria, and that meant the response was not prioritised and progressed with enough urgency

113 After fluoridation was stopped at Te Mārua in May 2021 there was a lack of urgency to progress the work required to resume fluoridation.

114 The requirements concerning internal communications after an exceedance event are very clear and were followed. However, the same clarity did not exist for the subsequent response when it was decided that fluoridation should not resume in the short term.

115 The operational team did not want to resume fluoridation until they could be assured this could be done safely, but it wasn't clear who would take the lead on developing the plan to make that happen.

116 A lot of people were copied into emails on the issue – from senior management levels to operational levels – without any clear requests or commissioning of work.

117 On the basis of the email record and my discussions with staff, I observed that although a lot of people knew something needed to be done, people were assuming that someone else was taking responsibility for leading the response.

118 This is not to say there were not people within the organisation working on the issue. However, it wasn't prioritised in a way that would have given it the level of attention needed to drive it forward.

119 Alongside a lack of clear ownership, there were no escalation criteria for notifying the senior leadership team that might have brought this issue to their attention more quickly.

120 There is an established pathway for escalating issues within the organisation of raising an "item of significance" to the leadership team. However, the lack of appreciation of the level of risk that non-delivery of optimal fluoridation presented to the organisation meant no criteria had been put in place to indicate when this pathway should be used for under-dosing of fluoride.

121 While the [redacted] was aware of the fluoridation issues and dosing being stopped, the SLT [redacted] did not become aware of problems with fluoridation until it was raised as an "item of significance" in an email sent on 17 December 2021.

122 The item SLT received in December 2021 made them aware of problems with low and inconsistent dosing, but not that fluoridation

had already been stopped at Te Mārua and Gear Island at this point.

123 Ultimately, the lack of ownership and escalation to the SLT meant that the response was not prioritised and progressed urgently enough.

124 It was not until February 2022, eight months after fluoridation was stopped at Te Mārua, that the Director Regulatory Services, concerned that progress was not being made, formed a project team (the Fluoride Improvement Project) with the appropriate resources and governance to reflect the importance of resuming fluoridation.

125 This is the primary reason for the delay in communication with the Board, the councils, and the public.

8.2: The Board were briefed on problems with fluoridation soon after SLT became aware of them

126 The item of significance was sent to SLT immediately before the Christmas holiday period, and the Fluoride Improvement Project was established shortly after key staff members returned from leave.

127 Based on the information in that item of significance, the problem with low and inconsistent dosing of fluoride was added to the "Emerging Risk" section of the report to the Audit and Risk Committee for its meeting on 21 February 2022. (The Audit and Risk Committee comprises all Board members.)

128 The Committee received a verbal briefing on the issue, in that meeting, after one Director noticed it on the Emerging Risk register and asked for further information.

129 Because SLT were still not aware that fluoride dosing had stopped much earlier, the briefing did not include accurate information about when dosing had stopped at Te Mārua and Gear Island.

8.3: Processes were not in place to guide communications with councils and the public

130 There was no established process or practice for informing councils that fluoride had been turned off. As described already, fluoride was regularly turned on and off for operational reasons but there was nothing to guide the communications approach in a situation where there was no planned date for resuming fluoridation.

131 Internal emails show that it was suggested in October 2021 that the councils be informed. However, there was a reluctance to do this until there was a firm plan in place for turning fluoridation back on.

132 Again, because of a lack of clear ownership and focus on the response, the issue of informing the councils languished until it came to the attention of the SLT.

8.4: The inaccuracies in the original communications were the result of mistaken assumptions and inadequate quality assurance of communications

133 When Wellington Water originally communicated with its shareholders and the public that fluoridation had stopped at Te Mārua and Gear Island, it incorrectly said that fluoridation had stopped in February 2022. As already noted, fluoridation had in fact stopped in May 2021 at Te Mārua and in November 2021 at Gear Island.

134 This mistake and subsequent correction heightened the attention on Wellington Water's performance in relation to fluoridation, and it opened the organisation to criticism that it was trying to conceal the extent of the problem with non-fluoridation.

135 The project team formed in February 2022 to address fluoridation problems included some people in the organisation who had not been involved up to that point and had no prior knowledge of the history of the problems with fluoridation. The team were using the item of significance from 17 December 2021 as a starting point for their work, which did not include any information about when fluoridation had stopped at Te Mārua and Gear Island.

136 The inclusion of the incorrect date of February 2022 in communications appears to have been the result of people internally "talking past each other" because of a lack of shared understanding of the situation.

137 Specifically, this happened when a new member of the team was informed that Wellington Water had turned off fluoridation when it received the Stantec report. The new member took this to mean when the final report was received in February 2022, but in fact it was when the first draft was received in July 2021.

138 The reference to fluoridation being turned off in February 2022 was noticed by at least one non-technical member of the internal project team as a possible error, but that person assumed that fluoride had been turned back on in the interim and the error was not raised.

139 When the final draft communications containing the February 2022 date were signed off by the SLT, one SLT member noticed this as a probable error, but assumed that the operational team had been consulted and so once again the issue was not raised.

140 The error was only picked up after the press release was published on 16 March 2022, and this is when the SLT and Board found out that fluoride dosing had in fact been turned off at Te Mārua in May 2021 and Gear Island in November 2021.

141 The error in the reported dates was the result of incomplete information being provided to SLT in December 2021, mistaken assumptions, and inadequate quality assurance of communications.

142 With more effective processes this could have been avoided. However, I am confident there was no deliberate attempt to hide the length of time that fluoride had been turned off at the two plants.

Broader issues

This section sets out my key findings in relation to the first part of Objective 5(a) in the terms of reference, to "*Provide the Board with key insights and learnings about these events" a*s they relate to the scope of the inquiry provided at clause 14(c):

> *make comment on any broader systemic matters that he considers relevant to this review.*

These findings reflect recurring themes in interviews with people who are knowledgeable about Wellington Water's context and performance, but have not been independently verified. They are relevant to the issues with fluoridation but also apply more generally to the operation of the organisation.

Finding 9: The complexity of the Wellington Water model makes service delivery challenging

143 As described on page 1, Wellington Water is owned by and delivers services on behalf of six councils in the greater Wellington area.

144 Each council decides the level of service it will provide, the policies it will adopt, and the investments it will make (after considering advice from Wellington Water) through their long-term plans, in consultation with its communities.

145 Wellington Water is then tasked with achieving the results it is funded to achieve, through both maintaining council assets and developing them for future needs.

146 The need to advise each council individually consumes a lot of time and resources, and having different requirements for each council makes service delivery more complex.

147 There may be an opportunity for councils to take a more joined-up approach to the planning and contracting of services from Wellington Water, in order to reduce this complexity and maximise the benefits of having one organisation delivering services for multiple shareholders.

Finding 10: The prospect of reform appears to be challenging for Wellington Water's performance

148 I heard in a number of interviews that Wellington Water is finding it challenging to maintain its performance in the current environment, in light of the planned three waters reforms. I heard this from both internal and external interviewees.

149 These challenges are particularly stark in relation to the improvement of asset management.

150 While the organisation is continuing to invest in improvements of its current systems, I was told that the National Transition Unit (NTU) has indicated that a new asset management platform will be built for the new water services entities.

151 This means that significant investment in consolidating Wellington Water's asset management information using its current systems no longer makes sense and makes it more challenging to meaningfully improve asset information and management in the next two years.

152 Council officials told me they were committed to supporting Wellington Water to maintain its performance through this

transition period, including by providing specialist capability or capacity if needed.

153 I understand that Wellington Water has recently established a Transition Steering Group and Transition Working Group to lead a transition plan for the organisation.

154 With involvement of councils and appropriately funded, this should provide the right level of focus on and support for maintenance of service delivery and management of key organisational functions while the reform programme proceeds.

Finding 11: There may be a capacity issue for the Board

155 I heard from more than one source that the current complement of six Directors may not be sufficient for the Board to provide the level of scrutiny and assurance required both for the issues that have emerged through this inquiry and for the significant transformation process ahead.

156 In particular, I heard that the Board is not large enough to operate the number of sub-committees they believe are required.

157 There are currently three sub-committees – Audit and Risk, Major Projects, and a recently established Fluoride Committee. While the Major Projects Committee could become focussed on asset management, there may be value in a fourth committee that focuses on people, culture, and health and safety. This committee would provide scrutiny over matters observed in the course of this inquiry, and provide governance assurance over the transition that is likely to be ahead.

158 Any growth in the number of sub-committees would exacerbate the capacity constraints of the current Board.

RECOMMENDED IMPROVEMENTS

I am assured that Wellington Water has firm plans in place to resume fluoridation safely and effectively, and to improve its assurance processes in relation to fluoride

Investment in new equipment has been approved, with a target date for resuming fluoridation in September 2022

159 Wellington Water has both short- and long-term plans to ensure that water is fluoridated safely and effectively.

160 In the short term (Stage 1), it will focus on ensuring that fluoride dosing at all four water treatment plants is happening to "the best level of service they can achieve".

161 This includes restoring fluoride dosing of drinking water at Te Mārua and Gear Island Water Treatment Plants, by:

a installing a new stand-alone facility at Te Mārua and continuing investigations into the current facility to see if this can be safely switched back on while the new facility is being built

b installing a new stand-alone facility at Gear Island.

162 The short-term plan also includes upgrading and renewing facilities and systems at the Wainuiomata and Waterloo Water Treatment Plants, to ensure they are fluoridating effectively.

163 Wellington Water has already identified the preferred provider to design and supply the new facilities at Te Mārua and Gear Island. It has established a project structure that combines staff and management from Wellington Water and its delivery partners into a single delivery model with management oversight, reporting, and governance.

164 Funding for these short-term activities was recently approved by the GWRC, and Wellington Water has set a target to turn the fluoride back on in September 2022 (subject to any unexpected delays in international supply lines). It reports that it is working hard to beat this target.

165 Wellington Water's long-term plan for fluoridation (Stage 2) focusses on ensuring that the entire fluoridation system, including all the metropolitan Water Treatment Plants, is capable of effective fluoridation that meets new Ministry of Health standards that are likely to come into effect from 1 July 2022.

166 Wellington Water has indicated to the GWRC that it is currently working on a strategic business case for Stage 2, which it will present in the next financial year.

Wellington Water is strengthening its assurance processes in relation to fluoridation

167 A new assurance framework has been introduced to ensure Wellington Water is safely and effectively fluoridating drinking water for those communities that require this. This framework makes changes at both operational and strategic levels.

168 At the operational level, Wellington Water has:

a formally adopted the Water New Zealand Code of Practice – Fluoridation of Drinking-Water Supplies in New Zealand

b set a fluoride operating target in accordance with the Code of Practice

c reviewed the status of fluoride plants on the asset lists and re-classified them as “very high” critical assets

d begun to more clearly integrate fluoridation into its Drinking Water Safety Plans, including the continual auditing of fluoride plants

e begun engaging with Taumata Arowai and the Ministry of Health to ensure that fluoride is captured in reviews of regulatory reporting requirements

f created a notification framework within Wellington Water clarifying that the Chief Executive must be notified of specific events (including, for example, fluoride outages). This will ensure that political and governance issues are addressed when operational incidents happen.

169 Wellington Water is planning an audit of fluoridation activities against the Code of Practice, to ensure it is aware of its current level of compliance with the industry standard and to plan for changes if any gaps emerge.

170 At the strategic level, Wellington Water has:

a included the Duty of Care under the Water Services Act 2021 alongside Health and Safety on the Board’s risk appetite to ensure that its fluoridation activities are subordinated to that duty

b amended key strategic documents (through a due governance process) to include the requirement to fluoridate in addition to providing safe and healthy water – these include the Statement of Intent, Annual Report, and quarterly reporting to councils.

171 Wellington Water is currently discussing with the GWRC whether it is feasible to explicitly include the requirement to fluoridate drinking water in the service level agreement between the two organisations.

172 Taken together, the changes made under this new assurance framework should address the current gap in performance measurement and reporting that led to this “blind spot” in relation to fluoridation.

173 The new framework will ensure that Wellington Water operates in accordance with best practice and has a good understanding of the state of its fluoridation assets.

174 It provides a clear process and criteria for escalating issues with fluoridation, to support appropriate oversight by senior managers and governors.

175 The framework ensures a level of reporting that allows the Board to discharge its duties and allows councils and the public to understand whether Wellington Water is effectively fluoridating drinking water.

Wellington Water is now releasing information more proactively

176 Wellington Water has created a new page on its website that describes its fluoridation activities.

177 The page includes information on its fluoride performance, with the average dose at each water treatment plant for April 2022 available at the time of writing.

178 The page also has weekly updates on progress to reinstate fluoridation at Te Mārua and Gear Island and work on improving fluoridation at the Waterloo and Wainuiomata plants.

I recommend a small number of further actions to strengthen performance in relation to fluoridation

Recommendation 1: Maintain a relentless focus on effective fluoridation in both the short and long term

179 As I have noted, I am assured that firm plans are in place to resume fluoridation and strengthen the assurance processes that will help Wellington Water avoid a similar problem in the future.

180 There needs to be a relentless focus not only on implementing the short-term solutions that will allow fluoridation to resume as quickly as possible, but also on the longer-term solutions that will ensure Wellington Water can continue to effectively fluoridate water into the future.

181 I have seen the governance structures proposed for the Fluoride Improvement Project and, assuming good reporting and information flows, the Board should have a good line of sight on the progress of the work and be able to hold management to account for the project.

182 This could be strengthened by specifying how councils and the public are included in the wider project arrangements and communications in a way that will allow them to hold Wellington Water to account.

183 I recommend that Wellington Water develop a comprehensive communication plan that includes how key stakeholders and the public will be kept informed about the project (building on initiatives already introduced), if this is not already in place.

Recommendation 2: Make sure the Board has the right collective experience and knowledge to govern effectively

184 The Board had a gap in its knowledge and experience of water services, and this limited its ability to know what questions it should be asking in relation to fluoride.

185 Steps are already being taken to address this, and I am aware that a process to appoint a new Director with a water services background is currently being finalised.

186 I have not completed a full evaluation of the current Directors' attributes against those collectively required by the Board Skills Matrix, but I understand it may be beneficial to strengthen its collective competency in relation to asset planning and management for engineering and infrastructure assets.

187 I recommend that the Wellington Water Committee assess the degree to which the Board's current composition meets all of the collective attributes required under the Board Skills Matrix to ensure it is well-placed to govern effectively.

Recommendation 3: Provide greater clarity of roles, responsibilities, and processes for managing fluoridation issues within Wellington Water

188 The new assurance framework goes a long way to addressing those problems, discussed in this report, that meant resolving and communicating the issues with fluoridation were not given the right priority.

189 The new notification framework means the Chief Executive will be supported in their responsibility for managing political and governance issues that emerge from operational incidents.

190 However, there also needs to be clarity at the operational level about how these incidents will be managed, and by whom.

191 I recommend that Wellington Water develop detailed operational guidelines for managing and responding to fluoridation issues, in order to provide clarity about which roles are responsible for doing what and about the escalation and reporting pathways that support good management and governance of any required response.

Recommendation 4: Improve the standard of asset management

192 Good asset management is critical to the performance of any infrastructure company.

193 As I have noted, the standard of asset management that Wellington Water uses for its water treatment plants appears to have declined since GWRC decommissioned the SAP system. This has been a key contributor to the problems with fluoridation and it also creates other challenges across the business.

194 The continued improvement of the asset management systems and practices is important, even with the prospect of reform. There should be a focus on Wellington Water's asset information and systems being 'in the best shape possible' for transition. The relevant ISO standards may provide a framework for this.

195 I recommend that Wellington Water develops a realistic plan to improve its asset management systems and approaches for the next two years. It is likely that a business case for funding from shareholders to support the implementation of that plan will be required.

Recommendation 5: Continue to strengthen the regulatory function

196 Significant progress has been made under the Director of Regulatory Services to ensure that regulatory responsibilities and commitments to Councils and the public are being complied with. These improvements in oversight and assurance to the Board and stakeholders should continue to be strengthened.

197 As I have noted, the Wellington Water risk and assurance function within regulatory services is currently resourced for strategic auditing only, and does not have the capacity to audit operational risks.

198 I recommend that management review the capacity of the risk and assurance function and determine whether more resources are needed in order to provide assurance to the Board, its shareholder councils, and the public in relation to operational risks.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Key findings	
Fluoridation	
1	Fluoridation for oral health wasn't a priority for Wellington Water, and this underpins the findings of this inquiry
	1.1. The regulatory settings for fluoridation for oral health are weak
	1.2 The council requirements didn't force attention on effective fluoridation
	1.3 A culture of safety, rather than effectiveness, was dominant in relation to fluoride
2	Drinking water has been safe, but not optimally fluoridated
3	Fluoridation was stopped in order to ensure the safety of drinking water and operators, with no plan to turn it back on
4	There were long-standing challenges to providing fluoridation safely
	4.1: Poor-quality fluoridation product posed a challenge to effective fluoridation at Te Mārua
	4.2: The state of the assets at Gear Island was an ongoing problem
5	There was good awareness of these issues within the organisation at operational levels, and attempts to address them, albeit slowly
6	There were organisational challenges to raising and addressing issues
	6.1 The lack of prioritisation of fluoridation meant that action to address the challenges did not proceed with any urgency
	6.2 Problems with asset management contributed to fluoride being turned off

Key findings	
	6.3 There is a question whether the internal audit function is resourced appropriately
	6.4 Culture played a part
7	The Board didn't have the technical expertise to realise that they needed to be asking questions about fluoride in relation to oral health
8	Escalation and communication of the decision to stop fluoridation took too long
	8.1 There was a lack of clear ownership and escalation criteria, and that meant the response was not prioritised and progressed with enough urgency
	8.2 The Board were briefed on problems with fluoridation soon after SLT became aware of them
	8.3 Processes were not in place to guide communications with councils and the public
	8.4 The inaccuracies in the original communications were the result of mistaken assumptions and inadequate quality assurance of communications
Broader issues	
9	The complexity of the Wellington Water model makes service delivery challenging
10	The prospect of reform appears to be challenging for Wellington Water's performance
11	There may be a capacity issue for the Board

Recommended improvements	
1	Maintain a relentless focus on effective fluoridation in both the short and long term
2	Make sure the Board has the right collective experience and knowledge to govern effectively
3	Provide greater clarity of roles, responsibilities, and processes for managing fluoridation issues within Wellington Water
4	Improve the standard of asset management
5	Review the capacity for internal auditing

APPENDIX 1: TERMS OF REFERENCE

1 Wellington Water Limited is an infrastructure asset management company that manages the drinking water, wastewater and stormwater services of six councils in the Wellington Region of New Zealand.

2 On March 16, 2022 Wellington Water publicly announced that fluoride facilities at Te Mārua and Gear Island Water Treatment plants had been turned off in February 2022 due to operational health and safety risks.

3 However, the Board of Wellington Water (the Board) subsequently learned that fluoridation was in fact stopped at the Te Mārua Water Treatment Plant in May 2021 and at the Gear Island Water Treatment Plant in November 2021.

4 As a result, the Board has initiated an independent inquiry into the events that resulted in Wellington Water ceasing fluoridation of drinking water at these two plants and the failure of management to inform the Board, Water Committee and the public of this in an accurate and timely manner.

Objectives

5 The objectives of the inquiry are to:

a provide the Board with key insights and learnings about these events; and recommend, where appropriate, actions for governance

b recommend, where appropriate, actions that will ensure Wellington Water management learns from these events and performs to a high standard in the future.

6 Without limiting the scope of the findings and the recommendations, recommendations should include guidance on best management and governance practice if any deficiency emerges in the course of the review.

Governance and approach

7 The Board has appointed Doug Martin of MartinJenkins to undertake an independent review on behalf of the Board of Wellington Water.

8 Mr Martin will have access to and support from the Chief Executive and staff of Wellington Water. He will be provided with all relevant documentation, and interviews with relevant staff and stakeholders when requested.

9 Mr Martin will hold a workshop presenting his draft findings to the Board, Chair and Deputy Chair of the Water Committee.

10 Mr Martin is authorised to request and obtain any further documentation from management as he considers necessary for the purposes of this review.

11 A draft review report will be made available for comment by individuals impacted by the report.

12 Mr Martin will be cognisant of the guidance contained in the *Communications in the pre-election period* from LGNZ and Taituarā.

13 The final inquiry report will be presented to the Board of Wellington Water.

Scope

14 In the course of the inquiry Mr Martin will:

a review and, where appropriate, provide recommendations on:

i the management of Wellington Water's plants, including asset management, as relevant to the decision to cease fluoridation of drinking water at Te Mārua and Gear Island Water Treatment Plants

ii the information provided to the Board, and the timeliness of that information, both in the lead up to and regarding the decision to cease fluoridation

iii communication with key stakeholders and the public in relation to the decision.

b consider the findings of a technical review that management have already commissioned into the operation of the two treatment plants that are the subject of this review.

c make comment on any broader systemic matters that he considers relevant to this review.

Engagement with council Shareholders, Iwi Mana Whenua and Key stakeholders

15 Mr Martin should engage with Wellington Water shareholding councils, Iwi Mana Whenua representatives on the Water Committee, Taumata Arowai and the Ministry of Health regarding communications by Wellington Water on this incident.

Timeframe and reporting

16 Mr Martin will report to the Board as follows:

a in a workshop on key issues and insights during May 2022

b in a final report by 31 May 2022.

17 Mr Martin will be available to attend the Water Committee meeting where the Board present the final report.

Wellington Water will recommence fluoridation in September 2022

'I am assured that Wellington Water has firm plans in place to resume fluoridation safely and effectively' – Doug Martin

16 March 22
Stakeholders informed that Gear Island and Te Marua fluoride dosing had been stopped

March 22
Fluoride Inquiry Commenced

April – June 22
WWL implement fluoride assurance framework

May 22
GWRC approved fluoride project funding

1 July 22
MoH can mandate fluoridation

21 June 22
Fluoride Inquiry Completed

September 22
Fluoridation recommences at Gear Island and Te Marua

September 22
Inquiry Recommendations completed

01 October 22
WWL recommends Inquiry be closed

November 22+
Ongoing continuous improvement

December 22
Strategic Business Case for long-term regional fluoridation solution

Actions already taken to implement the Fluoride Assurance Framework

'Taken together, the changes made under this new assurance framework should address the current gap in performance measurement and reporting that led to this "blind spot" in relation to fluoridation' – Doug Martin

- Amended key strategic documents (through a due governance process) to include the requirement to fluoridate in addition to providing safe and healthy water – these include the Statement of Intent, Annual Report, and quarterly reporting to councils.
- Engaged with Ministry of Health to ensure regulatory lessons captured.
- Adopted Fluoridation Code of Practice
- Classified fluoride plants as Very High Critical Assets
- Created a fluoridation notification framework within Wellington Water to cover Governance and Political impact.
- Fluoride website created for customers

Inquiry Recommendations – Actions and timings

'I recommend a small number of further actions to strengthen performance in relation to fluoridation' – Doug Martin

Recommendation	Action	Aug	Sep	Oct
1: Maintain a relentless focus on effective fluoridation in both the short and long term	Updates will be provided to every Board and Committee meeting during stage 1 (restoring fluoride as quickly as possible) and into stage 2 (long-term solution to best meet the new MoH standards) of the fluoride project.	→	→	→
	Development of a long-term comprehensive stakeholder/public communication plan that will be presented to the Board at their August meeting (this plan will build on the communication plan and activities already in place).	★		
	An assurance report provided by the Director Regulatory Service to the Board that the above plans and briefings are implemented and have maintained the focus on fluoridation in the short and long term.			★
2: Make sure the Board has the right collective experience and knowledge to govern effectively.#	On appointment of new director, the Board will update the October 2021 Board assessment against the Board Skills Matrix.		★	
3: Provide greater clarity of roles, responsibilities, and processes for managing fluoridation issues within Wellington Water	Continued implementation of the Fluoride Reporting and Assurance Framework.	→	→	→
	Promulgation of a formal policy for: • raising Items of significance to the Senior Leadership Team; • bringing 3WDMC's attention to deviations from technical standards; and • whistle Blowing.			★
	Develop a directive that outlines the criteria and responsibilities for advising the Chief Executive of issues (this will also include other matters than just fluoride).			★
	Assurance from the General Manager Network Management Group through the Chief Executive that responsibilities, authorities and the interrelations of all personnel who manage fluoridation are documented and understood within Network Management Group and reflected in the performance management system			★
4: Improve the standard of asset management	Refreshing Wellington Water's current asset management improvement program.	→	→	→
	Briefing the Board of the plan to improve asset management systems.			★
5: Continue to strengthen the regulatory function	Appointment of a permanent Compliance Manager.	★		
	Reviewing the focus of the Risk and Assurance Team.	★		
	Provide the Board an assessment of: • the status of operational assurance activities; and • where resourcing could be best applied to give assurance to the Board, its shareholder councils, and the public.		★	

Wellington Water

Recommendation 2 to be completed by Wellington Water Board

→ Enduring Activity
★ Completion Date

Wellington Water Committee | Komiti Ngā Wai Hangarua

11 July 2022

File: (22/1752)

Report no: WWC2022/3/119

Wellington Water Limited - Final Statement of Intent 2022-25

Purpose of Report

1. The purpose of this paper is to present Wellington Water Limited's final Statement of Intent 2022-25 to the Wellington Water Committee and provide some context around its development and the story it tells.

Recommendations

That the Committee:

(1) notes that the Wellington Water Constitution requires:

(a) the Wellington Water Board to deliver the completed Statement of Intent 2022-25 to the Committee; and

(b) the Wellington Water Committee to consider Wellington Water Limited's final Statement of Intent 2022-25;

(2) notes the draft of the Statement of Intent was provided to the Wellington Water Committee on 18 March 2022 and the subsequent feedback has been incorporated; and

(3) receives the final Statement of Intent 2022-25 for Wellington Water Limited.

Summary

2. Wellington Water (the company), as a Council Controlled Organisation (CCO), is required to produce an annual Statement of Intent (SOI) that aligns with councils' long- term plans (LTPs) and annual plans.

3. The purpose of an SOI is to outline for the public the activities and intentions of a CCO for the year, and how these will contribute to the objectives or outcomes sought.

4. The SOI provides shareholders the opportunity to influence the direction of the organisation and provides a basis for the accountability of the directors to their shareholders for the performance of the organisation.

5. This year we have written the SOI with water reform transition front of mind, and the need to focus on core delivery over the next two years together with ensuring that our people, assets and systems are ready to be transferred to Entity C.

Process steps

6. Each year in December the Chair of the Wellington Water Board receives a Letter of Expectations from the Chair of the Wellington Water Committee (the Committee) on behalf of the shareholder councils. This letter sets out the council and mana whenua priorities for the coming year and is used to form the SOI.

7. The Wellington Water Committee sent a Letter of Expectations of Wellington Water Limited for the period 2022-25 to the Company in December 2021. Appendix 2 attached to the report summarises the contents of that letter and shows how the Company is responding, including through measures in the SOI.

8. The Committee received the draft SOI as its meeting on 18 March 2022 and agreed to extend the time period for delivery of the final SOI by one month to the end of July 2022.

9. Councils were asked to forward any comments they had to the Chief Executive, Porirua City Council by 2 May 2022. The feedback received is summarised in Appendix 3 attached to the report, and the Company has finalised its SOI in parallel with and consideration of final decisions made through council long-term plans.

10. The Company's Board approved the SOI at its meeting on 13 July 2022 and the final version is attached as Appendix 1 attached to the report.

11. The Statement of Intent provides a regional view of the final decisions and investment adopted by the councils through their long-term plans 2021-31. The SOI includes the DIA measures and targets for each council, along with a refined set of company outputs to monitor and report on throughout the year.

12. The Department of Internal Affairs measures and targets have been included as an appendix to the SOI as required by the Local Government Act 2002. Based on the investment levels and the targets adopted by the councils, it is apparent that the company will not be able to meet a number of these this year and we have indicated this in the tables.

13. The financials reflect the agreed capital and operational expenditure programmes for the 2022-25 financial years.

Next steps

14. The SOI will be published on the Company's website following the Committee meeting. It will be professionally designed in early August 2022 and hardcopies will be distributed to elected members and officers.

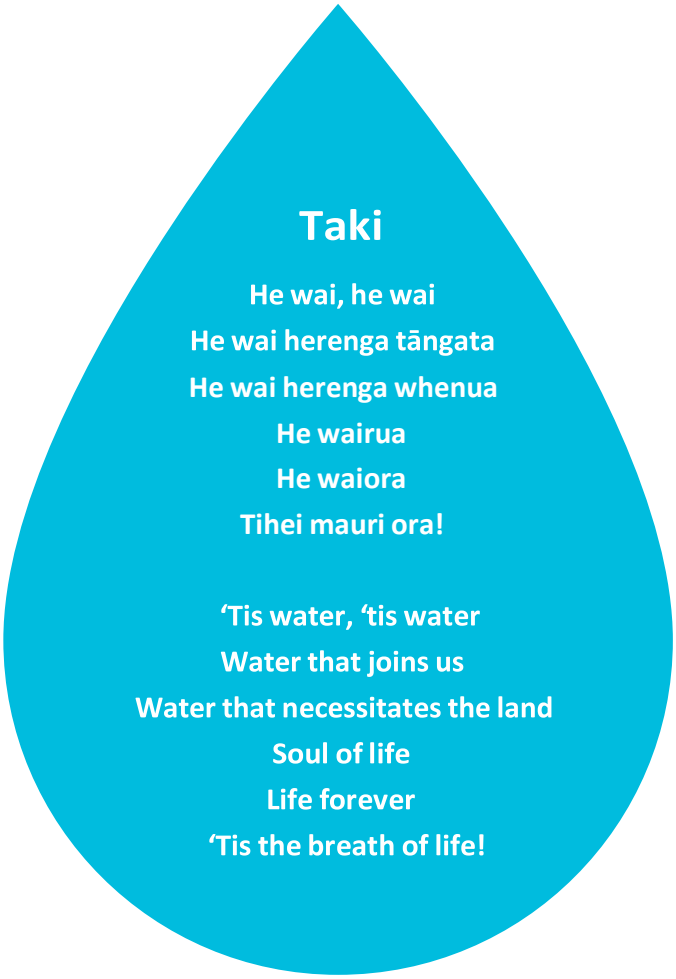
15. Shareholder councils are required to also publish the final version on their websites by the end of August. 2022.

Appendices

Author: External Author (Wellington Water Limited)

Our water, our future

Statement of Intent 2022-25



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Foreword

Our Statement of Intent provides our stakeholders an overview of what the company will work on, and how, in order to achieve the expectations of our six shareholding councils. It is renewed every three years, in line with council strategic and funding decisions made in their long-term plan processes. It is refreshed annually. This year, we are in the second year of the 2021-31 long term plan cycle.

Historically, there have always been two important provisos to our ability to deliver on stakeholder expectations: funding, and the state of the network. Over the past year, and into the future, however, a third key factor is shaping up to play a role in delivery – people.

The response to the Covid pandemic has combined with a national push in infrastructure construction and housing growth to create unprecedented demand for labour and skills. The service delivery strategy we put in place with the formation of Wellington Water has once again proved extremely valuable here. This strategy, of developing close relationships with key suppliers in in network and wastewater treatment plant operations and maintenance, professional consultancy services and project delivery, has meant we're as well placed as we could be to sustainably deliver the increased work programme that our councils funded in their 2021-31 plans.

The other nationally significant factor affecting what our organisation will deliver and how is water reform. Beginning with the establishment of Taumata Arowai, the water services regulator, and continuing with the Waters Services Act and the Water Services Entities Bill, this is a once-in-a-generation re-setting of how water services will be delivered. The Bill targets a 1 July 2024 date for the commencement of the new, four-entity structure – less than two years from the publication of this document. For a business that operates in three, 10 and 30-plus year planning cycles, 24 months is very little time indeed. We will focus on making this transition as seamless as possible for our customers, handing over services, data, plans and people that are ready to make the most of the opportunities for improvement that reform is intended to provide.

The changes made so far place a much higher bar on regulatory requirements, and we are focused on improving and demonstrating the processes and systems we have in place to meet these. Consistent fluoridation of the water supply is just one element that will have greater scrutiny and assurance, and we expect the outcome of our inquiry into these processes will further support the work already in progress.

The changes also rightfully place the management of water services in the context of te ao Māori. An holistic way of working with water – understanding the needs and te mana o te wai, in the context of the natural environment and human requirements – can only lead to better long term outcomes. The challenge for us and for our iwi mana whenua partners with whom we want to begin our planning and delivery processes circles back again to the issue of human resource.

In times of change and when stresses are placed on people, teams and organisations, relationships are more important than ever. Our intention is that through our relationships with client councils, iwi mana whenua, communities, customers, regulators, suppliers and internally, as well as within the transition arena, we are able to jointly work on what matters most for water. With that and the wider context in mind, this document sets out what and how we'll deliver over the next two years; with a focus on providing core services, delivering the capital programme, planning for post 1 July 2024, and looking after our people.

Lynda Carroll
CHAIR OF THE BOARD

Colin Crampton
CHIEF EXECUTIVE

Who we are and what we do

Wellington Water and its activities centre around water and people. We ensure people can enjoy their daily lives with water, and we must care for the water to ensure it continues to sustain us and the ecosystems that also depend upon it. Our three core values that describe who we are and what we strive for are:

- Tangata tiaki: together we protect our most precious taonga
- Whānau: united we support, connect with and respect each other
- Mana: individually, we bring our best to every situation.

We are a shared-service entity that is responsible for providing safe drinking water to customers, collecting and treating wastewater, and managing stormwater within the urban environment, while respecting the environments from which we collect and to which we return the water.

We are a council-owned organisation owned by the Wellington City, Hutt City, Porirua City and Upper Hutt City councils, Greater Wellington Regional Council and South Wairarapa District Council. We are the stewards of these councils' water services assets, and plan and oversee their operations, maintenance, renewal and improvement while considering their age and condition, population growth, changing public and regulatory expectations and standards, and climate change.

Our purpose is to "create excellence in three water services so our communities can prosper" reflecting that it is the collective effort of all our capabilities applied to our owners' assets that means that the three waters can play its part in a modern and vibrant Wellington and Wairarapa.

Wellington Water is a (registered) company with its own Board of directors. The company reports to individual councils on individual council assets and to a Water Committee made up of a representative of each council and mana whenua for 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 from 1 July 2024

The Government has committed to reform of the water sector which will see four independent water entities established to provide three waters services for the whole country. Legislation to establish the entities entered the parliamentary process in early June 2022 and proposes that these entities begin operating on 1 July 2024.

The services currently provided by Wellington Water will formally transfer to the new water services entity from that date, though naturally much of the transition work will happen beforehand.

Our funding is determined by our councils

The funding for our activities is provided by our councils through their Long Term Plan (LTP) process. The LTP sets out each council's proposed activities and budgets for at least the next ten years and 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 then determine how much of this recommended funding is then 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[1]. 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 increased from 2018-28 and has generally been focussed on asset renewals. The total capital expenditure provided is around $230 million per year over the 2021-24 period, which is insufficient to address the identified strategic risks. Operational expenditure has also been increased from 2018-28 levels, and for 2021-22 we were also able to access government stimulus funding that enabled us to undertake additional activities. Some councils have now also been able to provide additional funding (i.e. above what was originally included in the LTP) for 2022-24, but total operational funding remains 15-20% below the level required to effectively deliver the services.

[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 iwi mana whenua partners are to restore the balance among 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 we are only just beginning.

This Statement of Intent sets out the first steps towards achieving this vision within the investment parameters set by our shareholding councils, including the priority activities and how we will measure success.

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 strategic 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:

- to 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.

As we move towards the transition to the new entity, our focus has narrowed to the core services

Our delivery focus over the remaining two years 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 focussed on changing our direction, not just maintaining what we have today. We will progress improvements against these other priorities only to the extent that funding is provided. We will use this funding to improve the understanding of what investments are effective, helping the new water services entity to make more rapid progress in the future as more funding and capability becomes available.

Our plan for moving towards Te Ika Rō Wai is part of our legacy

While our role in achieving this future state will cease from 1 July 2024, we expect to hand our insight and plans to the new water entity, so that it continues the journey.

During 2021-22 we prepared a 30-year investment direction that outlined work to move towards Te Ika Rō Wai. We will share this long-term view with our partners, stakeholders and the new entity, so it can guide the entity on how the region's aspirations for water can be realised. 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.

This 30-year statement reveals there are significant challenges for the region (including the South Wairarapa District Council). Our ageing assets and ongoing growth is stretching the ability to provide safe drinking water reliably; we continue to pollute the environment with wastewater leaks and overflows and our contribution to net carbon zero by 2050 is very modest.

Trusted by councils, mana whenua, customers, and communities

The safe, reliable and efficient delivery of the three waters services is essential to the functioning of our cities, towns and the region. Our owners, mana whenua partners, customers, and communities have put their trust in us to deliver these waters services for them. We earn their trust by doing our work well. As this trust grows, their willingness to support our activities also increases, enabling even greater benefits to be achieved.

We also need to be able to demonstrate to these stakeholders, and to our regulators in particular, how we are performing in critical areas of service delivery, such as water quality, treatment, and asset performance. We have increased duties and responsibilities under the new regulatory regime administered by Taumata Arowai, and in the wake of the fluoride treatment failure, additional work to do to regain the trust of the community.

Ensuring our councils can support core services and our delivery focus

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. Major storms and weather events also appear to be becoming more frequent, and these can require quite an intensive response, both in preparing for the event and addressing the customer issues that typically result. Funding and labour constraints are likely to result in longer resolution times overall, as we prioritise faults that have the greatest consequences for customers and our clients.

To give our councils confidence that the budgets are being used appropriately, and to enable effective discussion on funding priorities, we are developing additional financial modelling and reporting tools that we expect to have in place from the end of the first quarter of 2022/23. By effectively communicating service and financial performance, capital delivery progress, and risk we will be able to provide our councils a complete picture of overall delivery.

Maintaining trust relies on working relationships at the political, executive and officer level. We meet quarterly with the chief executive of each council, more regularly with officers and plan to be in front of council at least two times a year. The main topics for the financial year are the results of the very high criticality assets assessments, progress on drinking water regulation and discussing individual council and collective risks.

Partnering with iwi mana whenua

We continue to work on strengthening our connection with Taranaki Whānui ki te Upoko o te Ika and Ngāti Toa Rangatira. Our aim is that we jointly develop programmes of investment in three-, 10- and 30-year 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.

We also aim to create better alignment on issues such as drinking water regulation, consenting, capital projects and workforce development. As one example, we are working with Ngāti Toa to support a mana whenua contractor model where Te Rūnanga o Toa Rangatira will begin to perform maintenance and repair activities on the Porirua networks. There are a lot of potential areas of engagement, and we will work with them to ensure we make the best use of their time and knowledge through focussing on what is most important to them.

Both iwi are now represented on the Wellington Water Committee, and we will continue to work with them to ensure they are able to participate in the Committee's activities in a manner that is effective for them. We have the same aspiration for our work in South Wairarapa and are slowly building our relationships with Ngāti Kahungunu ki Wairarapa and Rangitāne o Wairarapa. We still have a way to go to establish the connections we would like at the governance, strategic and operational levels.

Building trust with our customers and communities

The trust of our customers is created through having an open and transparent relationship with them. If we aren't delivering on their expectations, we want to know about it – and so do they. This means being comfortable with owning our mistakes, acknowledging where we could do better, investigating how we can improve, and putting things right. In short, being more transparent.

Restoring expected service levels for fluoride

A key focus for the company is restoring fluoridation of drinking water in the Wellington Metro area. We let our customers and councils down in this area, including how we communicated about it. We now have a plan to both restore fluoridation and the trust of our customers and councils by making information about fluoride levels more accessible to the public. We also have a plan of activities to address recommendations arising from the independent inquiry into the fluoride dosing failures.

We will complete a strategic case which will outline the investment needed to fluoridate across the region once the Ministry of Health expectations are clear. This will ensure fluoridation is effective and enduring into the longer term, while ensuring we are transparent with our customers and councils about what we are doing.

Delivering on our customer promise

Our published customer promise is an open commitment that we will do all we can to minimise the impact to customers during disruptions to service. We will do this by clearly communicating what they can expect from us and when, including from both planned and emergency events, as customer satisfaction is gained or lost through that first point of contact. This requires us to continually improve confidence in the inputs and data that we use to make decisions for incident response, which will also create certainty for timely information that we can provide to our customers. To understand how well we are doing with responding to customer contact, we have introduced a Quality Assurance framework independently measured by Customer Service Benchmarking Australia called SenseCX. Our focus over the coming year is to build improved customer experience by providing a consistent delivery of service based on best practice to create a customer-centric environment where staff have the tools, training, approach and framework they need to excel.

Enabling the efficient connection of new housing developments

New housing developments are proceeding far faster than historic rates, and we are working closely with our owners' building and resource consent teams to enable new customers to connect to services. This includes working with developer's engineers to apply our standards and specifications to ensure the new developments do not compromise the services experienced by other customers. We will continue to work hard to ensure that applications for subdivision consents are processed within the required regulatory timeframes.

Creating transparency and integrity with our regulators

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. Our regulators are Taumata Arowai (safe drinking water), Greater Wellington Regional Council (environmental performance), the Ministry of Health (fluoride), and Worksafe (Health & Safety). We want to work alongside them, be transparent, and ensure we continuously improve our systems so that our customers and communities have trust in the way we operate.

How we will measure success

Our core services are delivering safe water, with the correct amount of fluoride in it; distributing this to households; removing waste from households; treating it; and discharging into the environment in accordance with environmental performance standards. We also need to approve resource consents for land development proposals and oversee the connection of new homes to the three waters networks.

#	Purpose	Measure	Target 2022/23	Target 2023/24	Target 2024/25
1A	We will deliver safe drinking water to Metro Wellington	Compliance with Drinking Water Standards Parts 4 and 5	Compliant	Compliant	N/A*
1B	We will aim to deliver safe drinking water to South Wairarapa	The percentage of the time that we can demonstrate compliance with DWS Parts 4 and 5 (for each scheme)	See table below	See table below	N/A*

2A	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	N/A*
2B	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	N/A*
3	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 Wainuiomata and Waterloo plants	Achieved at all plants	N/A*
4	We will action the recommendations of the independent inquiry into the dosing of fluoride	100% of actions on Wellington Water complete by date recommended in inquiry report	All actions on/before 30 Jun 2023 complete	All actions complete	N/A*
5	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%	N/A*
6	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 (5 days)	Set baseline	Greater than baseline	N/A*

* *Wellington Water is not setting targets for the 2024-25 financial year at this stage, as water services are expected to be delivered by a new entity from 1 July 2024.*

SWDC Drinking Water Standards Compliance Targets	
DWS Part 4 (bacterial)	**DWS Part 5 (protozoal)**
Featherston– 99.9%*	**Featherston – 99.9%***
Greytown – 99.9%*	**Greytown – No target set****
Martinborough – 99.9%*	**Martinborough – 99.9%***
Pirinoa – No target set**	**Pirinoa – No target set****

**Data logging issues persist requiring extra work to backfill missing data points*

***Not set up to comply with relevant DWS*

A focus on 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, bursts and faults, have highlighted these risks and challenges.

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

Councils responded to the aging assets issue with their largest investment to date included in their 2021-31 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 will continue to increase over this investment period.

Delivering on planned renewals will be a key focus for the next two years

The renewal of assets in poor condition is fundamental to both the performance and the costs of the service they provide, so carrying out the funded programme of asset renewals will be a focus for us as we work towards the transition. This includes ensuring the at-risk assets identified through the Very High Criticality Assets Condition Assessment Programme are appropriately prioritised and scheduled for renewal.

Council annual plan processes have confirmed regional capital funding over the current three-year period as follows:

Capital Investment			
2021/22 actual	**2022/23 budget**	**2023/24 forecast**	**2024/25 forecast**
$179.7M^	$253.5M	$251.5M*	$208.7M†

^This includes $0.7m from Three Waters Stimulus Funding

** Some councils are yet to confirm their part of this budget*

† Taken from LTP on council websites

These figures include asset improvement activities as well as renewals. Key projects to be delivered through the year are:

- complete the Omāroro Reservoir;
- start the Te Mārua Treatment Plant capacity improvement;
- continue the Silverstream and Kaitoke resilience works; and
- begin construction on the Porirua tank.

Large projects make up nearly 45% of the Capex expenditure in the coming year. This is up from a very small percentage in previous years.

Budget risks for South Wairarapa District Council

The capital expenditure budget provided by South Wairarapa District Council represents significant service delivery risks. The investment required in high priority activities exceeds the available budget and some projects must be deferred. The deferral of investment in improving wastewater treatment plant performance will result in these plants continuing to be non-compliant against resource consents and increase the likelihood of environmental enforcement action by the regulator.

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

The increasing number of faults we're experiencing requires increased reactive activity, as has the increased frequency 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 levels of service that have the greatest consequence for our customers.

Operational Investment			
2021/22 actual	2022/23 budget	2023/24 forecast	2024/25 forecast
$117.9M^	$106.3M	$110.9M	$102.5M

^This includes $32.3m from Three Waters Stimulus Funding

Note: These budgets exclude the costs of major incidents, which councils fund from the centre. Major incidents include activities such as storms, flooding, and large critical asset failure. Each of these are costed and funding sought separately.

Budgets are also under pressure from inflation and labour shortages. The costs of maintenance and operating materials have risen sharply, as have other significant operating costs such as landfill disposal of wastewater biosolids. 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.

Overall, the budgets provided will not meet the costs of 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. We expect to work closely with councils on prioritising funding allocations as the year progresses and the extent of reactive activity required becomes clear.

The key problem with dealing with an ageing network is that reactive maintenance takes all the company's attention, and less focus is placed on planned maintenance which, together with renewals, aims to curb the increasing reactive works. This year the company will place a fixed budget on reactive costs to ensure planned maintenance is carried out, which will create other risks such as decreases in customer satisfaction. As we play out this approach, we will need to fine tune what we are doing. The objective is to increase the ratio of planned to reactive maintenance.

We are improving our understanding of the assets, to support better decision-making

Funding and prioritisation decisions rely on good quality data. The more we know about the condition of the assets, the more effectively we can plan for and fund their renewal. To the extent we are funded, over the next two years we will complete condition assessments for high criticality assets, improve the quality and completeness of asset information, and further improve asset management practice for key assets. As well as supporting our work, this will mean we can transfer better asset information to the new entity, and we'll work with the transition team to make sure this happens smoothly.

Our risk profile

Overall, our risk profile is summarised by an ageing network with a backlog of renewals meaning higher than normal opex costs. This, together with a high inflationary environment, a critical labour shortage and our weather changing, reveals challenging times ahead.

- The level of renewals will not overcome the backlog, so the networks will continue to get older, on average. This will result in more outages and faults and increase the extent of service interruptions experienced by customers
- As operating costs exceed budgets, planned maintenance will need to be reduced in favour of reactive maintenance - further compounding the rates of unexpected infrastructure failure due to fixed budgets.
- In the long run we forecast the need to undertake roughly $10 million of condition assessments annually. The present condition assessment budget provided for 2022/23 is only around $2.5 million. This reduces the ability of Wellington Water and its successor to understand the performance risks and make timely, efficient and targeted investment in renewals and maintenance.
- While improvements have been and are being made, incomplete and inaccurate asset data and information creates inefficiencies in our operations, maintenance and renewal activities.
- Drinking water consumption is steadily increasing over and above the new connections to the network due to increasing leaks. We are not doing enough to find and fix leaks, therefore we consume more water and all our assets are working harder all the time. Increasing consumption also increases the risk of having to move to our drought plan over dry summer months.

How we will measure success

#	Purpose	Measure	Target 2022/23	Target 2023/24	Target 2024/25
7	We will deliver the three-year planned renewals programme set by our councils	Percentage of three-year programme (2021-24) complete†	55%	90%	N/A*
8	We will deliver our capital programme within the expected range	Total capital delivery is between $174m and $276m	$174m-$276m	To be set in 2023/24 SOI	N/A*
9	We will improve service reliability through increased use of planned maintenance activities	Ratio of planned to reactive maintenance increases	Baseline established	Ratio increases	N/A*

† A sustained uplift is required to deliver the renewals programme. Based on risk analysis, we are taking a cumulative approach for the region over the three-year period to allow a steady build in capacity and capability

** Wellington Water is not setting targets for the 2024-25 financial year at this stage, as water services are due to be delivered by a new entity*

Department of Internal Affairs Performance Measures

The Department of Internal Affairs has mandated non-financial performance measures all councils must report against. These are included in Appendix 2 together with the targets each council has selected for each of the measures.

Performance against these measures and targets reflects both the level of investment (controlled by councils as they own the assets) and the effort put in by the company. In the Wellington Water annual report a clear distinction will be made between those measures largely controlled by councils versus those controlled by Wellington Water.

Where councils have provided funding at a level which does not enable the company to meet the stated target we have indicated this.

Supporting growth and land development

The region is set to grow quickly

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, and at a faster rate than has been seen historically. The extent and speed of growth will put further pressure on the aging and capacity-constrained three waters infrastructure and services, and on the environment that we operate in.

There is limited remaining capacity on the existing networks

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 level of service requirements, and investment is also required to meet today's environmental performance expectations.

Land Development

New housing intensification rules, and a sustained high volume of consents are creating demands and pressures on our operational networks. We will provide three waters consent engineering advice to our Councils. This is to ensure that appropriate mitigation and engineering standards are applied when three waters assets are altered or delivered by others.

The new Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021 and the National Policy Statement-Urban Development further enabling housing intensification, will result in planning and delivery of new three waters infrastructure at a pace that will continue to lag the pace of new connections to the services.

Growth planning identifies the investment required for specified growth areas

Growth planning allows us to identify the best way to meet our cities' 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 long term plans 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.

We support major urban regeneration and housing delivery programmes

Increasing the supply of housing is a priority for the country and the region, and the 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 (Kainga Ora) and the Riverlink Project (Waka Kotahi, Greater Wellington Regional Council, 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

Four projects from within the region are currently progressing 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 four applications are the Riverlink Wastewater Bypass & Stormwater Upgrades (Hutt City), Johnsonville Wastewater Upgrades (Wellington City), Trentham Wastewater Upgrades (Upper Hutt City), and Kenepuru Landing (Porirua City). As with the housing delivery programmes discussed above, the three waters infrastructure for these developments is likely to be provided by third parties.

Where requested by our councils, 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.

Our risk profile

The existing three waters infrastructure deficit will increase further as new housing intensification rules come into effect, with consequences for levels of service and environmental outcomes. This intensification can also now occur in areas where growth, and therefore infrastructure investment, has not been planned. In the short term, localised solutions will increase which will increase the complexity of the networks and add operational requirements.

Growth plans for each council vary in their maturity as a result of the funding provided. Where these are less mature, the information able to be included in investment planning will be less reliable.

The funding provided does not enable us to fully resource our participation in the major housing delivery programmes, increasing the risk that the solutions provided by third parties will not meet desired performance and operating requirements.

The combination of a shortage in skilled staff, the high demand for new connections, and the changing and increasing complexity of connections and regulatory processes can delay processing times and increases the risk of unsatisfactory outcomes for customers and the networks.

We have limited funding and capacity to participate in statutory planning processes, increasing the risk that policies are put in place that exacerbate the demand on our water services or prevent us from being able to achieve the required environmental and service performance outcomes.

How we will measure success

#	Purpose	Measure	Target 2022/23	Target 2023/24	Target 2024/25
10	We will complete growth studies and plans as agreed with our councils.	Funded growth studies complete, and growth investment advice provided	Achieved for WCC (Central City & Northern Suburbs), PCC (Western Porirua) and SWDC (Spatial Plan)	TBD	N/A*

* *Wellington Water is not setting targets for the 2024-25 financial year at this stage, as water services are due to be delivered by a new entity*

There is limited investment in meeting future needs

Broadly speaking, investments in looking after existing infrastructure and to support growth are about ensuring we meet existing requirements, but we know that fundamental changes are needed to move us towards Te Ika Rō Wai and meet the environmental impact and sustainability expectations of customers, communities and mana whenua. The three strategic investment priorities of sustainable water supply and demand, improving environmental water quality, and resilience to climate change reflect these expectations. Limited funding has been directed to these areas, creating risks to future service delivery and meaning that a significant uplift in investment will be required in the coming years.

Sustainable water supply and demand

We have been highlighting the risks of the region's high level of demand since 2018. Customers continue to experience regular and extended restrictions in summer. Per capita consumption has continued to increase, mainly as a result of leaks, and this, together with population growth, means we will continue to be unable to meet full summer demand in the coming years.

We expect the risk of shortfall to increase until additional treatment capacity at Te Mārua is available (around 2025), and, unless further investment is undertaken, increased risk of shortfalls can again be expected within only a few years from then.

Significant investment is required in the coming years

Our investment advice for reducing this risk was based around achieving demand reduction through universal water metering. Metering supports consumers interested in managing their water use, and leak detection, and the likely reduction in demand from these outcomes would help defer investment in a significant new water source. The capital investment for meters was not funded in all councils' long-term plans, meaning that investment in a new source will need to begin in the next five to 10 years if we are to achieve the desired level of supply resilience. The most likely option for a new source is currently the addition of further storage lakes at Kaitoke.

Leakage will continue to increase

Leakage management is the most direct way for demand to be reduced, but is complex, costly, and time-consuming without universal metering in place to understand where and how much leakage is occurring. We are seeing record numbers of service requests for leaks, reflecting the aging networks (public and private). Government stimulus funding supported an increase in proactive leak detection and repair, but this funding ended on 30 June 2022. We expect to see increased leakage in the network over the next two years, with less funding available to undertake detection and repair.

We will progress Te Mārua and investigate options for future investment

With the funding that we have been provided, our focus for the remaining two years is to progress the expansion of the Te Mārua Water Treatment Plant and to continue investigating the feasibility and costs of both universal water metering and expanding the water storage lakes at Kaitoke. The outcomes of these investigations will enable Entity C to more quickly move towards investment to ensure the required drought resilience can be sustained.

Behaviour change and awareness campaigns will continue

With the risk of increased restrictions likely to remain every summer, we will continue with campaigns to raise awareness of the need for people to treat water respectfully, and ask them to observe garden watering restrictions. Our challenges here are the mixed messaging of visible leaks that can take weeks to be repaired; and the general nature of human behaviour – that it takes a long time to change.

Our risk profile

As discussed above, the risk that the Wellington metro region will experience severe and prolonged water shortages will continue to increase until the Te Mārua Water Treatment Plant is upgraded. This upgrade will

only restore drought resilience to the minimum level of service and further investment will be needed to hold performance within the target levels.

The number of leaks detected, and the time taken for leaks to be addressed, are expected to increase as funding for leakage management has been reduced. This is likely to cause increased frustration from customers who report leaks, and may undermine efforts to achieve voluntary demand reductions if these are required to manage the available summer supply.

Improving environmental water quality

All of the water that our customers use or receive 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 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 freshwater and harbours. Capturing, piping and channelling stormwater can also have adverse impacts on the function and health of the natural waterbodies that are part of what is called the stormwater system.

Existing performance is poor with few, if any, 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 unacceptable to our mana whenua partners, who see them as totally opposed to the principles of Te Mana o te Wai.

Funding levels limit the improvements we can make

Very limited funding for this strategic priority was included in councils' long term plans, and our focus for the remaining two years will be on building our understanding of how the interventions we are able to undertake influence water quality outcomes. We can then apply this knowledge to recommend future investment approaches that will more quickly result in water quality improvements.
The 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, Wellington City and Porirua City councils funded in 2022-23.

Our risk profile

Anticipated changes to the region's natural resources plan required by the National Policy Statement on Freshwater Management and informed by Greater Wellington Regional Council's Whaitua process require significant improvements in water quality to be achieved within the next 10 years. At the current level of investment, councils are carrying an increasing risk of not meeting the targets for human and environmental health that will be set in the natural resources plan and, within Upper Hutt, not meeting the current global stormwater consent.

Net carbon zero 2050

The region's response to climate change will need to include mitigation (reducing our emissions) and adaptation (managing the impacts of climate change).

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.

The emissions for our future capital programme were baselined in 2021/22, enabling us to consider opportunities to reduce them.

There has been no funding provided for specific operational emissions reductions initiatives[2]. We will continue to seek improvements in areas such as energy efficiency as we go about our standard operations and renewal activities.

We will continue to monitor the carbon emissions of our capital programme and consider options to reduce our emissions. The data we have collected on both our operational and capital emissions will be provided to the new water services entity in due course, providing them with a starting point from which to pursue mitigation opportunities.

Our risk profile

Operational emissions are likely to increase with population and demand growth, increasing impacts on the climate and operating costs (as rising carbon prices impact on electricity and other input costs).

There is a limited understanding of the impacts of climate change on the assets and services. This increases the risk that investment planning is not adequately incorporating these impacts.

[2] 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.

Delivering for today, while preparing our people for the future

From 1 July 2024, the services currently provided by Wellington Water will be delivered by a new water services entity that will cover the area from the top of the South Island, Wellington through to the Manawatu and across to and up the east coast to and including Gisborne. That new entity will hold the assets of the 22 councils in the region and collect its revenues from its customers.

Up until that date, it will be business-as-usual for Wellington Water. We will continue to provide the same services to our councils, and our councils expect us to transfer all our knowledge to the new entity and ensure there is a seamless transition and that customers experience no perceptible change in service. In the process we must also continue to progress the uplift in our capital delivery programme, remain alert to existing and emerging risks, and ensure that our whānau remain engaged in their work, and that their health and wellbeing are supported.

Taking all of this into consideration, our focus for the next two years is to:

- continue to provide our core services of safe drinking water, wastewater treatment, and reliable networks so there is no impact for our customers from transition
- successfully deliver our planned capital delivery programme, and have a full pipeline of future projects, so the condition and performance of our councils' assets continue to improve
- plan future investment needs for the region so the new entity can further improve water services and give effect to the principles of Te Mana o te Wai
- prepare our people for this transition, enabling them to thrive in the new entity and contribute to its success; and participate in the transition process to ensure our expertise and knowledge is applied where it is most valuable, and the new entity is best positioned to deliver these services into the future.

Core services, regulation and risk

Our 'Focus on looking after existing infrastructure' section sets out our intentions in delivering on core services, including through planned renewals, an increased focus on planned maintenance and improving our understanding of the assets.

We will also continue to build our risk and regulation practice and capability.

Building our regulatory systems

Over the last 12 months we have been building up our regulatory systems and capability to ensure we can meet the new requirements that Taumata Arowai is putting in place for drinking water. This includes the establishment of a dedicated regulatory compliance function within the company, which we expect to progressively extend to encompass other regulatory functions such as health and safety, and fluoride.

Building our risk management and communications practices

Transitions create the risk of gaps in responsibilities and accountability. We will continue to work over the coming two years on how we identify, manage, and communicate risks to ensure they are understood where they need to be. This will need to be done in partnership with our councils, the new entity, and other relevant stakeholders to ensure that risks are managed effectively and efficiently.

Delivering the capital programme through to 30 June 2024

The councils' work programmes for the next two years amount to around $505 million on three waters capital projects.

We are fortunate to have a team of companies dedicated to three waters design and construction and our network service alliance to support this delivery programme. The members of these panels have an enduring relationship with Wellington Water that means we can count on their continued focus on three waters and support their investment in the resources necessary to deliver our councils' investment programmes. We are

really pleased to have recently welcomed a new, national-scale delivery contractor into our panel, HEB Construction, to help deliver this increased investment.

There are several major projects and catchment renewals programmes going through procurement and contract award approvals over the coming months and we expect to see a high degree of stability across our 2022/23 and 2023/24 programmes as a result.

The stimulus funded "Fast-Track Catchment Renewals Programme" is now complete. The programme has succeeded in increasing the use of trenchless technology and delivering improvement in our cost per metre. We have several programmes that will move into construction in the next two years that will adopt this fast-track approach.

With rising costs of materials and labour, interruption in the supply chain, and general capacity and capability limitations in the sector, we are building less for more, and with longer lead-in periods, but continue to work with our wider whānau to improve efficiency and effectiveness and to grow the regional capability and capacity that will continue to provide value for the new entity and its customers into the future.

Planning for Entity C

On 1 July 2024 the local water entity will begin delivering services across the top of the South Island and lower North Island and East Cape regions. It is our councils' and our objective to ensure there is no dip in services to customers whether that is day to day or what they experience through completed projects.

We are planning to deliver to Entity C a 10-year investment plan which will lay out the big projects we think are critical to reducing risk in the medium term. This will include renewals and upgrades. We will also provide to Entity C a 24/27 Investment Plan which will outline the Opex and Capex costs necessary to meet the objective of continuity of service for our customers.

The 24/27 Investment Plan will be unconstrained in terms of Opex, meaning recommendations will be higher to improve asset management, lift condition assessment work, reduce risk and create a basis for growing the capability of staff to meet the future demands. Based on early planning this is estimated to be some 15% greater than funded now.

The 24/27 Investment Plan will also see a continuing lift in the quantum of Capex recommended following on from the progressive lift achieved by the company over the 21/24 period. We still see room for more investigation and design work over the next two years to ensure there is a level of work which can proceed during 24/27.

We put these thoughts down on paper so people can see our intent, albeit we have yet to discuss these ideas with the new entity. Once we do, we hope there is alignment and all partners can plan for the future success of water across our communities.

Ensuring our people experience a successful transition

The transition of the new services to the new entity is a major change, and we need to ensure our people are supported through this change. This both ensures the services are maintained today, and that our people continue to contribute to good water outcomes as they move across to the new entity.

Broadly speaking we think that managing this transition will mean:

- collaborating with our councils to ensure that roles and responsibilities are clear, and to ensure our collective resources are applied most effectively
- partnering with the local transition entity to ensure we can deliver services over the next two years and continuity of service beyond 1 July 2024, and help to identify and understand how our people, knowledge and systems can support their activities
- ensuring our people have visibility of the changes coming toward them, that they are fully equipped to make the most of the opportunities and that the transition itself is seamless and easy.

Collaborating with our councils

The transition will unfold over time, and we will need to provide some input and resources into the establishment of the new entity ahead of the transition date. The transition also has significant impacts for our councils, and for many of their people, so we need to take a collaborative approach to ensure that everyone is looked after and that our collective resources are deployed in the most effective manner. Luckily, Wellington Water and the councils are already used to working together for the best interests of customers and the water. The interactions and collaboration will now have the transition as a key focus. A staff working group and a steering group that includes all of the chief executives have already been established, and other groups may be established as the transition progresses.

Partnership with the local entity

Our council owners are accountable for the services up until 30 June 2024. The very next day the local entity will be accountable for the work. Ahead of that time the new entity will need to be putting people, systems and processes in place to ensure the transition is seamless for customers and our people. Some of these people might most sensibly come from within Wellington Water, but this could impact on the existing services if not managed appropriately. There will need to be clear accountabilities agreed between councils, Wellington Water and the local entity and our intent is to get alongside the transition team in the new entity, build relationships and trust so the work allocation can be quickly and fairly sorted. We have set up an internal transition team to coordinate engagement with the National Transition Unit and the Local Transition Team.

Our people experience a good transition

The new water services entities will need more people than there are collectively working across councils in the water sector. It is therefore very important that we preserve as many of our workers as possible to transfer into the new entity. To do this we all need to see the transition as an opportunity, and be able to readily see and understand the opportunities for them as individuals. We are also developing plans to retain our core resources and will continue to invest in our people so they are seen as "change ready" for the new entity. Wellington Water is committed to paying the living wage. We also expect to work with the transition entity to ensure that good change and transition processes in place, to make the transition as low stress for our people as possible. The overall aim is to see as many people as possible from Wellington Water settled into the new entity.

How we will measure success

#	Purpose	Measure	Target 2022/23	Target 2023/24	Target 2024/25
11	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	N/A*
12A	We will support our staff through water reform	Staff feel supported by the organisation through water reform (staff survey)	Greater than baseline	Greater than 2022/23	N/A*
12B	Our staff will understand Water Reform	Staff feel as if they understand water reform (staff survey)	Greater than baseline	Greater than 2022/23	N/A*

* *Wellington Water is not setting targets for the 2024-25 financial year at this stage, as water services are due to be delivered by a new entity*

Appendices

Letter of expectations

c/-Hutt City Council
Private Bag 31 912
Lower Hutt 5040

14 December 2021

Lynda Carroll
Chair
Wellington Water Ltd Board
Private Bag 39804
Wellington Mail Centre

Dear Lynda

Expectations of Wellington Water Ltd for the period 2022-25

This letter sets out the priorities and expectations of the six owner councils and iwi mana whenua to inform the development of Wellington Water's (the company) Statement of Intent for 2022-2025.

This year has presented some practical difficulties in establishing the expectations of the owner councils and our iwi mana whenua. The challenges of Covid loom large, councils have had a busy time finalising their Long Term Plans and the Government's water reform programme is gathering pace with a recent decision to make inclusion in one of the four entities mandatory. Iwi have also had a busy year. Minimal consultation has therefore occurred to confirm Wellington Water priorities for the year ahead. However it is clear that these same issues have their place in the coming year for the effective operation of Wellington Water.

Our expectations over the next year are:

- **Performance –** delivering business-as-usual efficiently and to agreed performance standards and delivering an ambitious capital programme including any fiscal stimulus funding provided.

  Following the company's advice to owner councils in preparing their 2021-31 long term plans, the company faces its largest programme of capital works ever. To deliver on this, it must scale up across its supply chain, including internally. At the same time, the infrastructure and construction sectors are experiencing supply constraints and historically high levels of activity, in a time of increased uncertainty due to Covid-19. These factors combine to create considerable risk around the deliverability and management of costs of the programme. We expect the company to be clear and realistic in setting programmes that will meet council expectations for the coming three years, while at the same time ensuring its reporting processes can effectively signal, in a timely fashion, any significant changes that may arise.

  Managing programmes, budgets and deliverability over the over the next 3 years is critical. We are pleased to see the resolution of a number of outstanding performance and reporting issues, we urge the company to continue to pursue improvements in its performance management systems.

We expect to see further clarity, development and performance reporting against the value for money work previously undertaken by the company and the benefits shared to the shareholders.

- **Demand Management -** The shareholders remain committed to reducing the water usage across the network at both a whole of supply level and an individual household level. Continued emphasis on the initiatives and support for this work should be demonstrated in the Statement of Intent.

- **Climate Change -** We support the continued efforts of Wellington Water to meet the shareholders individual and collective demands on carbon reduction. We would like to see continued commitment and reporting on carbon reduction in the Statement of Intent.

- **Planning –** With the new water entities targeted to open for business in July 2024, there is significant pressure to develop respective council's inputs to a new investment plan (a proxy for the next Long Term Plan) and asset management plans with a 10-30 year horizon to ensure a smooth transition for priorities and work programmes in the next 3-10 years.

We expect a continued focus on asset management processes to improve data on asset condition and achieve greater certainty about future investment requirements.

We expect you to continue to use the five strategic priorities as a framework for three waters planning and advice, while at the same time having a view to the concerns and requirements of individual council owners, such as resilience to natural shocks and climate change, and the vision set out in the 30 year plan.

The five priorities are:

- Looking after existing infrastructure
- Supporting growth
- Ensuring a sustainable supply of water
- Improving environmental water quality
- Reducing carbon emissions and being resilient to climate change

We expect this process to fully engage councils and iwi mana whenua. Planning should be undertaken 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.

Budget increases (both operating and capital) should be signalled early so that council's statutory planning and budgetary processes can respond in a timely way.

- **Responding to change -** The Government's 3 Water reform programme means that the next few years will be a time of significant change.

  i. The company has significant work to do to meet the expectations of the new regulator, Taumata Arowai. We look forward to the company improving its transparency of assurance reporting, and to ensuring it meets or exceeds the regulator's expectations of reporting.
  ii. In addition the 3 Waters reform will soon shift gear from policy to implementation. Our expectations are that you:
    - support owner councils through the policy/design phase of reform to input to the Government's program of work
    - focus on workforce retenton and delivery of the Long Term Plan agreed work programme
    - ready Wellingon Water for the impending change through a robust change process

- **Relationship with mana whenua** – mana whenua have relationships with both councils and with Wellington Water Limited:

i. Mana whenua have working relationships and Memoranda of Understanding with councils to enable iwi to participate in prioritisation and investment decisions about 3 waters infrastructure (articulated in Long Term Plans and Annual Plans)
ii. At a governance level on the Wellington Water Committee mana whenua representatives sit alongside elected members, monitoring performance, appointing board members and overseeing the effectiveness of the delivery model and general governance oversight
iii. There is a requirement for skills around Te Ao Māori on the Board (not specifically a mana whenua requirement but one of the current board is mana whenua)
iv. the company are building capability in-house on Te Ao Māori

We expect the company to continue to evolve this model of working with iwi to improve the overall effectiveness of the company and its delivery on Te Mana o te Wai.

- **Customer** - We continue to be interested in the company improving its customer focus through the way it problem solves with and for communities, communicates about its work and resolves customer issues.

- **Accountability –** Wellington Water has a number of accountability obligations. These include to:
  i. Owner Councils – through both formal and informal means including a regular programme of briefings and regular performance reports to councils
  ii. Iwi – through Wellington Water Committee representatives and their iwi
  iii. Customers – through responsive communication and delivery of work as agreed
  iv. Taumata Arowai – as it develops a rigorous monitoring programme

  We expect these accountability requirements to be fulfilled transparently and systematically.

- **Innovation –** We expect the company to keep abreast of innovations and value-add initiatives in the water sector to reduce cost, improve speed of delivery, ensure climate change targets are met and environmental improvements are delivered. Innovation should include a continued focus on internal efficiencies.

- **Workforce and supply chain pressures –** Our people are our greatest asset. With impacts from Covid-19, uncertainty around the future and competing market demands, managing a stable, engaged and productive workforce is a challenge. This is true for both Wellington Water staff and those people who work for your suppliers and contractors. We expect you to develop strategies that will ensure that you are an employer of choice through changing times.

- **Health and Safety** - We expect that you will place above all else the safety and welfare of your people and those affected by your activities.

I look forward to receiving a draft of Wellington Water's Statement of Intent by Tuesday 1 March 2022.

Yours sincerely

Campbell Barry
Chair
Wellington Water Committee

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 report 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.

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)** 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 -	**(1) Performance measure 1 (safety of drinking water)**	Compliant	Compliant	Compliant	Compliant*	Compliant	Compliant*

DIA Part/Sub Part	Measures	Targets					
		GWRC	PCC	UHCC	SWDC	WCC	HCC
Water supply	The extent to which the local authority's drinking water supply complies with: (b) part 5 of the drinking-water standards (protozoal compliance criteria).						
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	≤ 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
	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.						
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

DIA Part/Sub Part	Measures	Targets					
		GWRC	PCC	UHCC	SWDC	WCC	HCC
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

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: (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
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	N/A	≤ 6 hours	≤ 6 hours	≥ 75% resolved in < 4 hours	≤ 6 hours	8 hours

DIA Part/Sub Part	Measures	Targets					
		GWRC	PCC	UHCC	SWDC	WCC	HCC
	the time that service personnel confirm resolution of the blockage or other fault.						
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

DIA Part/Sub Part	Measures	Targets					
		GWRC	PCC	UHCC	SWDC	WCC	HCC
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*
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	N/A	Nil	Nil	Nil	Nil	Nil*

DIA Part/Sub Part	Measures	Targets					
		GWRC	PCC	UHCC	SWDC	WCC	HCC
	received by the territorial authority in relation to those resource consents						
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.	N/A	≤ 8 Hours	≤ 60 minutes^	95% within 5 hours^	≤ 60 minutes^	8 hours

DIA Part/Sub Part	Measures	Targets					
		GWRC	PCC	UHCC	SWDC	WCC	HCC
	*SWDC does not have a stormwater system as defined in the DIA Rules						
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 issue*

***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

Mayor Wayne Guppy
Water Committee Deputy Chair
UPPER HUTT CITY COUNCIL

Mayor Anita Baker
PORIRUA CITY COUNCIL

Photo to come

Mayor Andy Foster
WELLINGTON CITY COUNCIL

Councillor Josh van Lier
GREATER WELLINGTON REGIONAL COUNCIL

Mayor Alex Beijen
SOUTH WAIRARAPA DISTRICT COUNCIL

The Water Committee has appointed two iwi partners to the Committee: Lee Rauhina-August of Taranaki Whānui ki te Upoko o te Ika and Miria Pomare of Te Rūnanga o Toa Rangatira. Andrea Rutene acts as an observer on the Committee on behalf of Ngati Kahungunu.

Photo to come

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

Photo to come

Miria Pomare
TE RŪNANGA O TOA RANGATIRA

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 2021. 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.

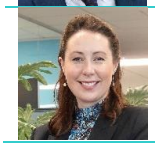
The Board is responsible for the direction and control of Wellington Water Limited. The Chair of the Board reports to the Water Committee. The Board approves strategy, ensures legal compliance, and monitors Wellington Water's performance, risks, and viability.

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
	**Lynda Carroll, Chair**	1 July 2024
	**Kim Skelton**	1 September 2023
	**Mike Underhill**	1 September 2023
	**Leanne Southey**	1 July 2024
	**Nick Leggett**	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 $200 million (based on the 2021/22 budget) to maintain and develop water assets with a replacement value of approximately $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, the Drinking-water Standards for New Zealand (revised 2018), 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.

- 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, regulatory services.

Senior Leadership Team

Colin Crampton
Chief Executive

Tonia Haskell
Group Manager
Network Development and Delivery

Mark Ford
Group Manager
Business Services

Charles Barker
Director of Regulatory Services

Senior Leadership Team

Julie Alexander
Group Manager
Network Strategy and Planning

Jeremy McKibbin
Group Manager
Network Management

Kevin Locke
Group Manager
Customer Operations

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 $714 million on three waters capital projects and $255 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.

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 Comprehensive Revenue and Expenses

	Projection 2023 $000	Projection 2024 $000	Projection 2025 $000
Council work programme	339,431	340,608	288,281
Management & advisory services	20,359	21,859	22,952
Other revenue	250	250	250
Total revenue	**360,040**	**362,717**	**311,483**
Council capex expenditure	(253,452)	(251,531)	(208,736)
Council opex expenditure	(85,979)	(89,077)	(79,545)
Salaries and wages	(36,233)	(38,401)	(40,699)
Direct costs charged to capex programme	15,599	16,535	17,527
Direct costs charged to opex programme	12,404	12,545	13,297
Superannuation	(1,082)	(1,120)	(1,188)
Directors fees	(215)	(215)	(215)
Audit - financial statements	(261)	(276)	(293)
Operating leases	(1,386)	(1,469)	(1,558)
Other personnel costs	(1,293)	(1,255)	(1,188)
Other expenditure	(8,962)	(7,111)	(7,558)
Depreciation and amortisation	(1,512)	(1,475)	(1,328)
	(362,373)	**(362,853)**	**(311,483)**
Surplus/(deficit) before tax	**(2,333)**	**(135)**	**-**
Tax (expense)/credit	-	-	-
Total comprehensive revenue and expenses	**(2,333)**	**(135)**	**-**

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 2022	4,368	1,000	5,368
Comprehensive revenue and expenses			
Net surplus/(deficit) for the year	(2,333)	-	(2,333)
Projected balance at 30 June 2023	**2,035**	**1,000**	**3,035**
Balance at 1 July 2023	2,035	1,000	3,035
Comprehensive revenue and expenses			
Net surplus/(deficit) for the year	(135)	-	(135)
Projected balance at 30 June 2024	**1,900**	**1,000**	**2,900**
Balance at 1 July 2024	1,900	1,000	2,900
Comprehensive revenue and expenses			
Net surplus/(deficit) for the year	-	-	-
Projected balance at 30 June 2025	**1,900**	**1,000**	**2,900**

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 2023 $000	Projection 2024 $000	Projection 2025 $000
Cash and cash equivalents	3,110	8,188	7,739
Receivables and prepayments	21,121	20,961	17,395
Total current assets	**24,231**	**29,149**	**25,133**
Intangible assets	179	291	368
Property, plant and equipment, vehicles	4,751	4,164	3,360
Deferred tax	409	409	409
Total non-current assets	**5,340**	**4,864**	**4,137**
Total assets	**29,571**	**34,013**	**29,270**
Payables and provisions	22,512	28,286	28,384
Employee entitlements	1,891	1,891	1,891
Tax payable/(receivable)	121	121	121
Total current liabilities	**24,523**	**30,297**	**30,395**
Employee entitlements	18	18	18
Capital grant in advance	-	-	-
Total non-current liabilities	**18**	**18**	**18**
Total liabilities	**24,541**	**30,315**	**30,413**
Net assets	**5,030**	**3,698**	**(1,143)**
Issued capital	1,000	1,000	1,000
Retained earnings	2,035	1,900	1,900
Total equity	**3,035**	**2,900**	**2,900**
Shareholder equity ratio	**10%**	**9%**	**10%**
	(1,995)	(798)	4,043

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 2023 $000	Projection 2024 $000	Projection 2025 $000
Receipts from customers	371,706	362,627	314,800
Interest received	250	250	250
Employees and suppliers	(390,876)	(355,603)	(310,058)
Net cash flow from operating activities	**(18,920)**	**7,274**	**4,992**
Purchase of intangibles	(108)	(200)	(200)
Purchase of property, plant and equipment, vehicles	(1,097)	(800)	(400)
Net cash flow from investing activities	**(1,205)**	**(1,000)**	**(600)**
Net cash flow from financing activities	**-**	**-**	**-**
Net cash flow	**(20,125)**	**6,274**	**4,392**
Add: cash at the beginning of the year	21,241	3,110	8,188
Cash at the end of the year	**3,110**	**8,188**	**7,739**
Comprised of:			
Cash at bank and on hand	3,110	8,188	7,739

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 2021 was $2.8M based on the net asset value of Wellington Water as disclosed in the unaudited interim financial statements.
Accounting policies	Accounting policies are as per 2021 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 and temporarily the Stimulus Funding 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

Appendix 2: How Letter of Expectations has been addressed

Expectation	How WWL is responding
Delivering business-as-usual efficiently and to agreed performance standards. Delivering an ambitious capital programme including any fiscal stimulus funding provided	We will be focusing on core delivery over the coming two years. There are performance measures in SOI for renewals and capital programme and our approach to delivering on our largest-ever capital programme is also described
Managing programmes, budgets and deliverability the over the next three years	We will be focusing on core delivery over the coming two years. There are performance measures in SOI for renewals and capital programme
Continue to pursue improvements in its performance management systems	We will continue to seek improvements, however there is insufficient investment to make progress of any significance
Further clarity, development and performance reporting against the value for money work previously undertaken by the company and the benefits shared to the shareholders	We will continue to provide Value for Money reporting, however there is insufficient investment for additional specific initiatives
Continued emphasis on reducing the water usage across the network at both a whole of supply level and an individual household level and the initiatives that support this work	We will apply the provided funding as effectively as possible, however there is no funding to pursue improvements and insufficient funding to undertake the necessary leakage management activities
Meet the shareholders' individual and collective demands on carbon reduction. Continued commitment and reporting on carbon reduction	There has been no funding provided for carbon reduction initiatives. We will investigate opportunities to reduce emissions within the scope of funded activities (i.e. within capital projects, with pump renewals and maintenance, etc.)
Develop respective councils' inputs to a new investment plan (a proxy for the next Long Term Plan) and asset management plans with a 10-30 year horizon to ensure a smooth transition for priorities and work programmes in the next 3-10 years	We are planning to deliver to Entity C a 10-year investment plan and a 24/27 Investment Plan which will outline the Opex and Capex costs necessary to meet the objective of continuity of service for our customers
Continued focus on asset management processes to improve data on asset condition and achieve greater certainty about future investment requirements	This will be an ongoing focus for the company albeit slower than the last 2 years because the fiscal stimulus funding has come to an end. The very high criticality assets assessments will be completed and we look forward to providing the early signals (unconstrained) advice and our 24/27 Asset Management Plan in June 2023
Use the five strategic priorities as a framework for three waters planning and advice, while at the same time having a view to the concerns and requirements of individual council owners, such as	The five strategic priorities continue to provide a framework, however sustainable water, water quality and

Expectation	How WWL is responding
resilience to natural shocks and climate change, and the vision set out in the 30 year plan – and fully engage councils and iwi mana whenua in this	carbon reduction have very limited funding
Planning should be undertaken 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	These principles continue to guide our strategic and investment planning
Improving its transparency of assurance reporting, and to ensuring it meets or exceeds the regulator's expectations of reporting	We are building our regulatory systems and risk management practices
Support owner councils through the policy/design phase of reform to input to the government's programme of work, focus on workforce retention and delivery of the LTP agreed work programme, and ready Wellingon Water for the impending change through a robust change process	Planning for transition is a key priority for the next two years. This is reflected in the SOI
Build capability in-house on Te Ao Māori	People Strategy includes training in te reo and Te Tiriti o Waitangi; an internal Te Ao Maori course continues; and we have advertised for a Principal Māori Advisor
Continue to evolve the model of working with iwi to improve the overall effectiveness of the company and its delivery on Te Mana o te Wai	We continue to work on strengthening our connection with Taranaki Whānui ki te Upoko o te Ika and Ngāti Toa Rangatira, and are slowly building our relationships with Ngāti Kahungunu ki Wairarapa and Rangitāne o Wairarapa
Improve customer focus through the way it problem-solves with and for communities, communicate about its work and resolve customer issues	We will focus on working with our customers and communities through delivering on our customer promise, and improving our transparency (e.g. more data available on website). There is a performance measure in SOI on level of service delivery
Keep abreast of innovations and value-add initiatives in the water sector to reduce cost, improve speed of delivery, ensure climate change targets are met and environmental improvements are delivered. Innovation should include a continued focus on internal efficiencies	We will continue to seek improvements however there is no funding for specific initiatives
Develop strategies that will ensure that you are an employer of choice through changing times	We will continue to strive to be an employer of choice through the implementation of our People Strategy. There are performance measures in SOI on support for staff
Place above all else the safety and welfare of your people and those affected by your activities	This is always at the forefront of our work. There is a performance measure in the SOI

How feedback on the Draft 2022-25 SOI has been incorporated into the final version

Council	Date	Key points	How the feedback has been addressed
GWRC	28/4/22	**General Comments** The absence of even projected results and targets for the coming years makes it difficult for Council to provide a measured response to the anticipated success measures outlined in the SOI. We are comfortable with the areas considered but would reserve our final judgement until we understand how much benefit Wellington Water will achieve for the region in its plans.	*Measures and targets have been proposed in the final SOI that reflect aggregate council investment and the expected impact on performance.*
		Council is aware of the challenges facing the delivery of the capital program, with rising costs an increased backlog of programs and the continuing drag effects of Covid-19 on the supply chain. Continued and active management of this program, together with transparent reporting to shareholders will be essential over the coming year.	*Noted and agreed. Reporting is fundamental to effective capital programme management and already happens as a matter of course. No changes have been made to the SOI as no specific content appeared to be required.*
		This council has continued to push Wellington Water to reduce water demand at both a whole of supply level and at an individual consumer level. We appreciate the efforts that continue to be made in this area and support a strong measure to reduce water consumption per capita over the SOI period. We note the concerns raised that increased leak management has been undertaken utilising fiscal stimulus funding and that this will end in June 2022.	*The measure for water consumption reduction has been removed. Councils have not provided funding to support direct action, so it is not possible for a target to be achieved. Funding for leakage management has significantly reduced following the end of stimulus funding. This, together with the age and condition profile of the assets, means that water loss is predicted to increase.*
GWRC	28/4/22	**Net Carbon Zero 2050** The comments on page 15 imply that this is considered too costly or too difficult and that activity to address this will need to increase exponentially in future years. We wonder if this is compatible with the company wanting to face into difficult challenges. More detail on how the company is moving towards Net Carbon Zero would be helpful for Council.	*As with water loss reduction above, Wellington Water's ability to reduce emissions towards the country's net zero target is dependent on the investment provided by councils. The revised text now makes it explicit that no funding has been provided, so no improvements can be expected.*

GWRC	28/4/22	**Fluoridation** The issues regarding the failures to fluoridate the drinking water supply are now being addressed by the independent inquiry. If the inquiry recommends any additional reporting or action then we would expect consideration to be given to amending the SOI, given the public health concerns that arise from this issue. Council requests of Wellington Water that a new KPI be introduced into the current draft SOI around fluoridation reporting and Wellington Water have agreed to include this. We would like to work with officers to ensure the wording of this performance measure will provide the level of clarity and transparency required both by council and the public.	*A fluoridation performance measure was added to the 21/22 Statement of Intent and will be rolled over to the 22/23 Statement of Intent. The performance measure will report fluoride levels at all four plants against the MOH guideline. The company reports fluoride performance every month on the website and every quarter in company performance reports.*
GWRC	28/4/22	**Living Wage** Council has a commitment to a living wage, and we would like Wellington Water to clearly state its current position in the Statement of Intent and report on it during the year. We would then like to open dialogue in the coming year with them on the issues and barriers around achieving living wage across its operations, with a view to making clear progress to becoming a living wage employer by 2023. We understand that this will impact and interest other shareholders and are happy to discuss this further at a shareholder/water committee level.	*Wellington Water is committed to paying the living wage. This has been noted in the SOI.*
PCC	14/4/22	**Fluoridation** The issues and proposed response, including through the independent review needs to be captured in relevant sections of the document (some specific suggestions were provided).	*See the response to the similar feedback from GWRC, above.*
PCC	14/4/22	**Recognition of water reform and the transition process** The implications of the water reform and transition process, including the need for Wellington Water and its staff to participate in that process, should be specifically acknowledged (some potential text was provided).	*Discussion on the implications of reform and transition for our people is included in the section 'Delivering for today, while preparing our people for the future' (previously called 'How we will work').*

		Consideration should be given to including a measure associated with the development of a transition plan and its effective completion.	*No measure related to the development and completion of a transition plan, as transition will be dependent on a process and timeline determined by the National Transition Unit and Local Transition Team.*
PCC	14/4/22	**Finalisation of performance measures** Decisions are required on the final performance measures. Which are the priorities? Which are most at risk? What is the level of confidence in achieving them?	*The proposed performance measures and associated targets included in the final SOI reflect the funding provided by councils and the direction to focus on core services. The measures and targets were tested with the Transition Reference Group before being finalised.*

Wellington Water Committee | Komiti Ngā Wai Hangarua

11 July 2022

File: (22/1753)

Report no: WWC2022/3/120

Fluoridation and Regional Wastewater Plant Review Update

Purpose of Report

1. This paper provides an update on the progress to return fluoridation to the metropolitan Wellington region and the progress of the Wastewater Treatment Plan Review.

Recommendations

That the Committee:

(1) notes that Wellington Water will recommence adding fluoride at Te Mārua and Gear Island water treatment plants in September 2022; and

(2) notes in relation to the Regional Wastewater Review that:

(a) recommendations are substantially complete;

(b) Raveen Jardum has completed a return visit and will provide a recommendation on closing the review by September 2022; and

(c) a final close out report will be provided at the next Committee meeting.

Return to full Fluoridation

3. Wellington Water has focused on returning fluoridation to our most vulnerable communities first. The Te Mārua dosing facility was therefore investigated and modified in parallel to the development of the new containerised facility to ensure that any delay in the project would not result in a continued failure to fluoridate these communities.

4. Waterloo and Wainuiomata fluoridation plant condition assessments are now complete and these plants are consistently dosing within Ministry of Health Guidelines.

5. The new containerised dosing facilities to be installed at Te Mārua and Gear Island are on track to be fully functional in September 2022 which will see the return of fluoridation to all of the metropolitan Wellington area (with the exception of Petone and Korokoro).

Water Treatment Plant	Percentage of time compliant	Average Dose (mg/L)	Comments
Te Mārua	0%	NA	Treating by end of July
Gear Island	0%	NA	Treating by September
Wainuiomata	97%	0.80	Within MoH Target
Waterloo	100%	0.80	Within MoH Target

6. The main risks to the Programme currently sit with the resumption of the fluoride dosing using the existing facility and the delivery of the Stage 1 project. Interactions between the two projects have been deconflicted and procurement issues on the Stage 1 project have been resolved. Disruptions and delays caused by COVID and other illness are now the main threat to achieving the target commissioning dates.

Fluoridation Regulation

7. We have developed a trusting relationship with Regional Public Health (RPH) and the Ministry of Health (MoH) which has seen Wellington Water now being sought as a key consultant to the development of new industry wide performance measures for fluoridation of community water supplies.

8. As a result, Wellington Water has a full understanding of the regulatory environment taking shape following the disestablishment of RPH and the transfer of regulation of fluoridation to MoH. Wellington Water can assure the Committee that the new facilities and Te Mārua and Gear Island have been designed to be compliant with the future regulation and that Wellington Water is confident that the new facilities and the existing facilities at Waterloo and Wainuiomata will meet or exceed performance measure(s) that will underpin that framework.

Status of Fluoride Inquiry Recommendations

9. Progress is being made towards implementing the recommendations of the inquiry which are summarised at Appendix 1 attached to the report. Future Committee meetings will receive an implementation dashboard to provide visibility of Wellington Water's progress to closing out the inquiry.

Status of Regional Wastewater Plant Review

10. The implementation of the recommendations from the Regional Wastewater Treatment Plant Review continues and updates are provided in the form of the dashboard at Appendix 2 attached to the report.

11. A return review visit by Raveen Jaduram was completed in July which will provide a status to the implementation of the review. It is expected that this will include a recommendation to close the inquiry or what remains to close it.

12. Contract Management and Delivery recommendations from the Review have been substantially completed as have been the majority of the Communications actions. The revised Contract relationship continues to work well. There are longer-term actions for Veolia, relating to maintenance and renewals planning, and Wellington Water Limited, relating to asset management and auditing, which are ongoing.

Appendices

Author: External Author (Wellington Water Limited)

Wellington Water will recommence fluoridation in September 2022

'I am assured that Wellington Water has firm plans in place to resume fluoridation safely and effectively' – Doug Martin

16 March 22
Stakeholders informed that Gear Island and Te Marua fluoride dosing had been stopped

March 22
Fluoride Inquiry Commenced

April – June 22
WWL implement fluoride assurance framework

May 22
GWRC approved fluoride project funding

1 July 22
MoH can mandate fluoridation

21 June 22
Fluoride Inquiry Completed

September 22
Fluoridation recommences at Gear Island and Te Marua

September 22
Inquiry Recommendations completed

01 October 22
WWL recommends Inquiry be closed

November 22+
Ongoing continuous improvement

December 22
Strategic Business Case for long-term regional fluoridation solution

Actions already taken to implement the Fluoride Assurance Framework

'Taken together, the changes made under this new assurance framework should address the current gap in performance measurement and reporting that led to this "blind spot" in relation to fluoridation' – Doug Martin

- Amended key strategic documents (through a due governance process) to include the requirement to fluoridate in addition to providing safe and healthy water – these include the Statement of Intent, Annual Report, and quarterly reporting to councils.
- Engaged with Ministry of Health to ensure regulatory lessons captured.
- Adopted Fluoridation Code of Practice
- Classified fluoride plants as Very High Critical Assets
- Created a fluoridation notification framework within Wellington Water to cover Governance and Political impact.
- Fluoride website created for customers

Inquiry Recommendations – Actions and timings

'I recommend a small number of further actions to strengthen performance in relation to fluoridation' – Doug Martin

Recommendation	Action	Aug	Sep	Oct
1: Maintain a relentless focus on effective fluoridation in both the short and long term	Updates will be provided to every Board and Committee meeting during stage 1 (restoring fluoride as quickly as possible) and into stage 2 (long-term solution to best meet the new MoH standards) of the fluoride project.	→	→	→
	Development of a long-term comprehensive stakeholder/public communication plan that will be presented to the Board at their August meeting (this plan will build on the communication plan and activities already in place).	★		
	An assurance report provided by the Director Regulatory Service to the Board that the above plans and briefings are implemented and have maintained the focus on fluoridation in the short and long term.			★
2: Make sure the Board has the right collective experience and knowledge to govern effectively.#	On appointment of new director, the Board will update the October 2021 Board assessment against the Board Skills Matrix.		★	
3: Provide greater clarity of roles, responsibilities, and processes for managing fluoridation issues within Wellington Water	Continued implementation of the Fluoride Reporting and Assurance Framework.	→	→	→
	Promulgation of a formal policy for: • raising Items of significance to the Senior Leadership Team; • bringing 3WDMC's attention to deviations from technical standards; and • whistle Blowing.			★
	Develop a directive that outlines the criteria and responsibilities for advising the Chief Executive of issues (this will also include other matters than just fluoride).			★
	Assurance from the General Manager Network Management Group through the Chief Executive that responsibilities, authorities and the interrelations of all personnel who manage fluoridation are documented and understood within Network Management Group and reflected in the performance management system			★
4: Improve the standard of asset management	Refreshing Wellington Water's current asset management improvement program.	→	→	→
	Briefing the Board of the plan to improve asset management systems.			★
5: Continue to strengthen the regulatory function	Appointment of a permanent Compliance Manager.	★		
	Reviewing the focus of the Risk and Assurance Team.	★		
	Provide the Board an assessment of: • the status of operational assurance activities; and • where resourcing could be best applied to give assurance to the Board, its shareholder councils, and the public.		★	

Wellington Water

Recommendation 2 to be completed by Wellington Water Board

→ Enduring Activity

★ Completion Date

Wastewater Treatment Plant - Review Implementation Dashboard (May/June 2022)

Date of Meeting: 28 June 22

Next Meeting: TBA

Status	Effective Governance
	Reports are being provided to the Board and Water Committee
	The Review Steering Group is operating well with good representation
	ERG is operating as BAU with changed governnace structure

Relationship Status		
	Status	Reason
WWL		Direct and honest approach is appreciated. Alex Phelan settling in well.
Veolia		Relationship is open and honest from both sides.
General		"What good looks like" is being used to report and measure the relationship status to the ERG. This is going well.

Wider Activities / General Notes
Veolia have an offer accepted for a PM role for PTAG.
WWL have an offer accepted for the Assistant Contract Manager role - Andressa Miranda.
The ECM/RCM work will continue to September to avoid disruption to BAU activities and risking plant performance.
Alex Phelan has started - Veolia's Contract Manager.
The return review is scheduled for 14 and 15 July.

Implementation Summary Schedule

	1-Apr	8-Apr	15-Apr	22-Apr	29-Apr	6-May	13-May	20-May	27-May	3-Jun	10-Jun	17-Jun	24-Jun	1-Jul	8-Jul	15-Jul	22-Jul	29-Jul	5-Aug	12-Aug	19-Aug	26-Aug	2-Sep	9-Sep	16-Sep	23-Sep	30-Sep
Contract Delivery																											
Contract Management																											
Performance Management																											
Asset Management																											
Communications																											
Overall completion														60%		Return Review											

Contract Delivery - Veolia			
Key Activities	Deadline	Status	%
Org structure complete	25-Mar		100%
Recruitment for new roles	10-Jun		90%
Innovation process agreed	20-May	15-Jul	80%
Asset condition provided	6-May	30-Sep	25%
Maintenance plan in place	20-May	30-Sep	5%
Renewal plan in place	27-May		75%
Capex process clear	17-Jun	15-Jul	90%
Capex / PTAG PM in place	10-Jun		50%
	Workstream completion		**64%**

Contract Management - WWL			
Key Activities	Deadline	Status	%
Confirm contract requirements	22-Apr		100%
R&R workshop	29-Apr	13-May	100%
Governance structure in place	1-Apr		100%
WWL strategy communicated	29-Apr	13-May	100%
Performance framework in place	22-Apr	15-Jul	80%
	Workstream completion		**96%**

Performance Management			
Key Activities	Deadline	Status	%
Charter confirmed	13-May		100%
Environmental register done	15-Apr	TBA	20%
Operator SOPs updated	3-Jun	30-Jul	10%
Audit plan complete	1-Jul	N/S	0%
	Workstream completion		**33%**

Communications			
Key Activities	Deadline	Status	%
Notifications process	20-May	31-Jul	96%
Create community engagement plan	27-May	30-Jun	50%
Agree WWL / Veolia reporting	6-May	15-Jul	80%
Prepare environmental priority list	29-Apr	TBA	10%
	Workstream completion		**59%**

Asset Management			
Key Activities	Deadline	Status	%
Set audit standards	17-Jun	31-Oct	10%
Jointly agree AMP processes	1-Jul	30-Jul	10%
Workflow for capex	1-Jul	15-Jul	20%
Review Veolia criticality	13-May		100%
Review Veolia prev maint process	29-Apr		100%
Agree critical spares list	22-Apr	30-Sep	50%
	Workstream completion		**48%**

Amber / Red Explanation	
Activity	Detail
Asset condition and maintenance plan	ECM for Porirua end of next week. Seaview ECM complete and issued by end July to WWL. Moa ECM end Sep. Western end Oct. All other maintenance activities tied to these dates.
Audit standards / AMP processes	Asset Management activities are on a longer programme
Agree WWL/Veolia reporting	This was agreed in principle at the workshop on 13 May and now needs formalising contractually via a Contract Instruction
Agree critical spares list	Dependency on ECM review completion
Environmental register / priority list	Awaiting confirmation

Wellington Water Committee | Komiti Ngā Wai Hangarua

11 July 2022

File: (22/1754)

Report no: WWC2022/3/121

Stimulus Funding Programme Close-out Report

Purpose of Report

1. To provide an overview of the outcomes of the Three Waters Stimulus Funding Programme, which came to an end on 30 June 2022.

Recommendations

That the Committee:

(1) notes the government allocated $47.3M to the Wellington Water owner councils for expenditure on three waters;

(2) notes the fiscal stimulus fund has been executed on time and to the full amount;

(3) notes that Crown Infrastructure Partners requires a formal close out report attached as Appendix 1 to the report; and

(4) notes the outcomes and outputs achieved by the fund and the views of Wellington Water on the overall success of the fund and lessons learned.

3. Crown Infrastructure Partners provided a template Close-out report, which is a requirement for the final funding instalment – this is provided as Appendix 1 attached to the report.

4. Wellington Water Limited has prepared this Close-out report on behalf of Greater Wellington Regional Council, Hutt City Council, Porirua City Council, South Wairarapa District Council, Upper Hutt City Council and Wellington City Council.

5. This report was delivered to Crown Infrastructure Partners (CIP) on 15 July 2022. CIP will add to the report a number of graphs and their commentary on how the Programme did to conclude reporting on the fiscal stimulus fund.

6. Wellington Water will recirculate the final Close-out report to councils, and request that council chief executives endorse the report so the fund is closed out.

Appendices

No.	Title	Page
1⇩	Three Waters Stimulus Project Close-out Report	147

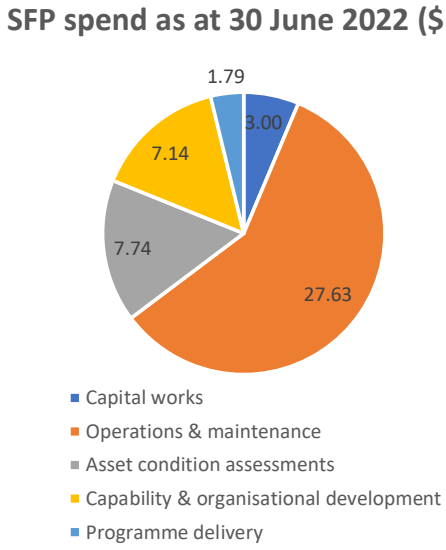
Author: External Author (Wellington Water Limited)

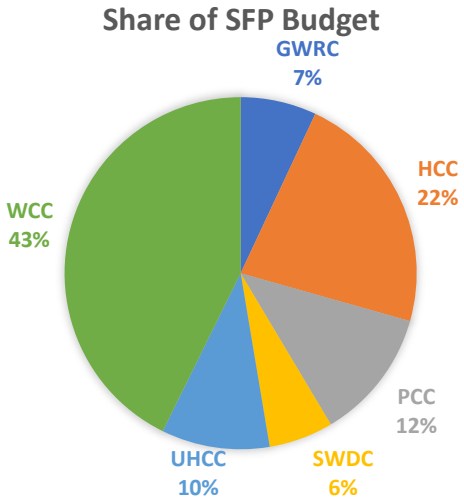
Three-Waters Stimulus Project Close-out Report

Wellington Water Ltd on behalf of Greater Wellington Regional Council, Hutt City Council, Porirua City Council, South Wairarapa District Council, Upper Hutt City Council and Wellington City Council

1.0 Programme Summary

- On signing up to further discussions on Water Reform councils were entitled to fiscal stimulus funding which in our case could be spent on the three waters networks over the metropolitan area of Wellington and the South Wairarapa.
- To determine the programme of work and allocate fiscal stimulus funds, Wellington Water used the same strategy story which forms the backbone of our statement of intent. This ensured, despite the very ambitious deadlines (at that point 31 March 2022), that funding would be directed to the best value work without extensive analysis. This also aligned with the funding objectives to support economic recovery through job creation and maintain, increase and/or accelerate investment in core water infrastructure renewals and maintenance.
- This report records the performance of the Stimulus Funding Programme, which was successfully executed to the revised government deadline of 30 June 2022.





- Councils did not provide co-funding for the programme.

3-Waters Stimulus Expenditure	Initial Approval	Actual	Percentage Delivered
GWRC SFP Funding GWRC Co-Funding	$3.3m $0m	$3.3m $0m	100%
HCC SFP Funding HCC Co-Funding	$10.6m $0m	$10.6m $0m	100%
PCC SFP Funding PCC Co-Funding	$5.7m $0m	$5.7m $0m	100%
SWDC SFP Funding	$2.8m	$2.8m	100%

SWDC Co-Funding	$0m	$0m	
UHCC SFP Funding UHCC Co-Funding	$4.7m $0m	$4.7m $0m	100%
WCC SFP Funding WCC Co-Funding	$20.2m $0m	$20.2m $0m	100%
Total	$47.3m	$47.3m	100%

How the Programme was structured

- Nine workstreams were developed (plus a programme delivery team), which together have made a significant difference to our region's ageing infrastructure and our ability to manage these critical assets going forward, while meeting the central government's funding objectives and supporting the wider water industry reform.
- Workstreams 4. (Asset management systems and processes) and 5. (Data and technology systems) were managed as one programme internally as a Business Improvement Programme.
- Approximately 45 projects were delivered:

1. Capital Renewals

HCC wastewater and watermain renewals
PCC wastewater and watermain renewals
SWDC watermain renewals
UHCC watermain renewals
WCC wastewater renewals

2. Asset Condition Assessments

Very High Criticality Assets condition assessments managed as five asset condition themes:

- Pumpstations
- Water treatment plant assets
- Reservoirs and
- Pipes (gravity and pressured; drinking water, stormwater and wastewater)
- Wastewater treatment plant assets

Karori WWTP capacity study
Hutt Valley WWTP catchment study

3. Maintenance

Reactive maintenance
Planned maintenance
Capability building

4.& 5. Business Improvements

Cyber security and solid technology foundations
Asset data backlogs
GIS capability improvements
Improvements to Asset Management systems
Customer Operations Group Standard Operating Processes
Project Management Toolbox
Contract Procurement Specialist Services
Ready for Regulation

Backflow risk
Source water risk management plans
Water quality: smart manholes trial
Operational model development
Digital strategy

6. Leakage Management

Drinking Water Leak Detection and Repair Process
Household Smart Meters
Proactive Leak Detection and Repair
Universal Smart Metering Foundations

7. Water Safety Priorities

Internal Audit
Reservoir Roof Coatings
Bypass Connection Study
Reservoir Cleaning Equipment
Chlorine Dosing Equipment
Real Time Water Quality Monitoring
Pirinoa Chlorine analyser

8. Capital Projects

Te Marua
Boar Bush

9. Preparation for Reform

Regional Water Reform Project
Regional carbon reduction roadmap

Changes during Programme

- Project Substitution Request documents were finalised in May 2021 for HCC, PCC, UHCC and in April 2022 for WCC and SWDC to move the work to be done under the Capital Renewals project into their Capex budgets, and reallocate the councils' contributions to this budget to the Maintenance workstream. We are not treating this as co-funding of Stimulus projects, rather a transfer of the projects to LTP budgets. The effect of these substitutions was primarily to reduce the SFP budget for Capital Renewals from its original $15.7m down to $2.7m and to increase the budget for Maintenance from its original $7.9m to $21.75. This enabled Stimulus Funding to meet the significant increase in reactive maintenance costs of maintaining the network while also allowing the planned maintenance and capability aspects of the project to be realised. The Capital Renewals work was still completed on schedule and close to original budgets, but the costs were met by councils' LTP capex budgets, not by Stimulus Funding.
- In September 2021 there was a risk of underspending the full budgets due to delays in some work getting underway. A number of additional projects were added to the programme, and some projects were extended in scope.
- A Project Substitution Request was submitted in June 2022 to approve the redistribution of spending between workstreams.
- This table shows the original estimates, the agreed ranges of plus or minus 30% for each workstream, the revised estimates once the Project Substitution Requests were approved, and the final outcome of expenditure.

Workstream	Regional Cost Estimate	Regional Cost Range (+/-30%)[1]	Regional Cost Estimate post PSRs	Regional Cost Final Outcome
1. Capital renewals	$15.7m	$11.0 - $20.4m	$2.68m	$2.68m
2. Asset conditions assessment	$10.4m	$7.3 - $13.5m	$7.85m	$7.74m
3. Maintenance	$7.9m	$5.5 – $10.2m	$21.82m	$21.75m
4. Asset management systems and processes	$1.4m	$1.0 - $1.8m	$1.67m	$1.30m
5. Data and technology systems	$4.0m	$2.8 – $5.2m	$4.68m	$5.17m
6. Leakage management	$3.6m	$2.5 - $4.6m	$3.81m	$4.00m
7. Water safety priorities	$2.0m	$1.4 - $2.6m	$2.05m	$1.89m
8. Capital projects – Te Marua and Boar Bush	$0.3m	$0.3 - $9.9m[2]	$0.31m	$0.31m
9. Preparation for reform	$0.7m	$0.5 - $0.9m	$0.65m	$0.68m
Programme delivery	$1.4m	$1.4m	$1.78m	$1.79m
Total	**$47.3m**		**$47.3m**	**$47.3m**

[1] The proposed range is +/- 30% of the estimated cost of the projects, using Rough Order of Magnitude cost estimate methodologies.

[2] A regional balancing figure / 'wash-up' amount to get to the total $47.3m funding allocated to Wellington Water's owners.

Note: Amounts presented above may not sum precisely to totals due to rounding.

- Tables on LTP budgeted and actual expenditure over the two years that the Stimulus Funding Programme ran are included as Appendix 1. There was some back and forth between LTP and Stimulus budgets where costs were transferred to make best use of both budgets.

Delivery Metrics

- Not all workstreams had metrics defined at the start of the programme. Those that did are shown below. These results were reported on each quarter. We're pleased to have over-delivered on FTEs and the number of water safety priority projects completed.

Workstream	Delivery Metrics	Planned	Approved Changes	Delivered	Percentage Delivered
All	Full Time Equivalents (FTEs)	60 – 95		114 FTE	147%
Capital Renewals	Kilometres of water main renewals completed	2.1	PSRs moved funding to LTP budgets	4.5km (all from LTP budgets) HCC 1759m PCC 1275m UHCC 732m SWDC 723m	0% (214% including LTP)
Capital Renewals	Kilometres of wastewater renewals completed	3.4	PSRs moved most funding to LTP budgets	6.3km (but only 2km for WCC funded through Stimulus) HCC 1645m PCC 1111m WCC 3481m	59% (185% including LTP)
Asset condition assessments	Health assessment scores will be allocated to 100% of our Very	100%	Added a measure '% of health assessment scores	Interim scores were allocated to 100% of VHCA	100%

	High criticality assets to inform on future intervention		allocated to VHCA (cumulative)'	assets. Not all had physical inspections as the list of assets was refined as we learned more. The overall number is roughly the same.	
Maintenance	Maintenance activities undertaken per month (over a 9 – 15 month period)	Up to 200	NA	Approx 1,500 per month	
Leakage Management	10% reduction in minimum night flows (MNF) from September 2020 baseline.	10%	Metric changed to: '% reduction in MNF compared to the previous year on a month by month basis'	On average monthly MNF have increased 13% compared to the previous year	Not achieved
Leakage Management			Added output measure: 'MNF compared with average of previous years'	On average MNF have increased 22% compared with previous years	Not achieved
Leakage Management			Added output measure: 'Rolling 12-month MNF compared with previous 12-month MNF'	On average rolling 12-month MNF have increased 11.8%	Not achieved
Water Safety Priorities	Water Safety Priorities projects completed.	2		6.9	340%

- There are four projects that have not been completed by 30 June 2022:
    - Greytown smart meters trial – the meters are all installed and providing data. It was agreed with the council to extend the trial to December 2022 to gather more data. The ongoing costs for the telecommunications and engagement platform will be met by councils' budgets.
    - Real time water quality monitors: The procurement of equipment was delayed due to logistics and supply chain issues. Eleven of sites have been installed with water quality monitors before the end of June and the remaining five sites will be completed by July. This later work will be covered by councils' budgets.
    - Smart Meters Foundations Project completed its scope within Stimulus Programme, and the next stages will be funded by GWRC in their FY23 budget.
    - Some aspects of the VHCA programme will be funded through FY23 and FY24 LTP budgets, and work will progress onto the HCA. Some inspections scheduled for the VHCA programme had to be deferred, for instance to align with scheduled plant shutdowns in August.

2.0 Programme Outcomes and Successes

- The Programme was made up of 9 workstreams, containing 44 projects. Some highlights are shown below – see Appendix B for more detail at the project level.

Project	Outcomes and Successes
Proactive network improvements	We have improved DWSNZ compliance through improvements to our reservoirs, and processes. We purchased new technology that increases resilience in the water network and reduces risk of supply disruptions. We have completed a large programme of capital renewals of aging pipes which will lead to fewer breaks and better environmental performance.
Maintenance	The significant uplift in investment has led to: ▪ Reducing risk in the network – minimising leaks, reducing overflows, focusing on protecting customers and the environment from the harmful effects of wastewater, and ensuring we comply with our resource consent conditions. ▪ Maintaining service levels to our customers ▪ Improving our capability, both in terms of our workforce (internally and with our external suppliers) and the tools, resources and processes we have at our disposal to more efficiently and effectively undertake maintenance activities
Improved knowledge	▪ We have improved our understanding of asset conditions across the network to inform our asset management planning process and enable more accurate cost forecasts for all councils. ▪ We have improved the quality and management of our asset data ▪ We have improved our understanding risks within catchments and how to better manage and improve drinking water quality ▪ We focused on 'no regrets' work that would improve knowledge and data to be transferred to Entity C
Preparation for Reform	Major successes have been achieved through the Wellington councils and WWL working effectively together to share resources and thinking. This has led to major efficiency gains and supported a consistent approach to the reforms - across Wellington and with other councils in the proposed Entity C zone.

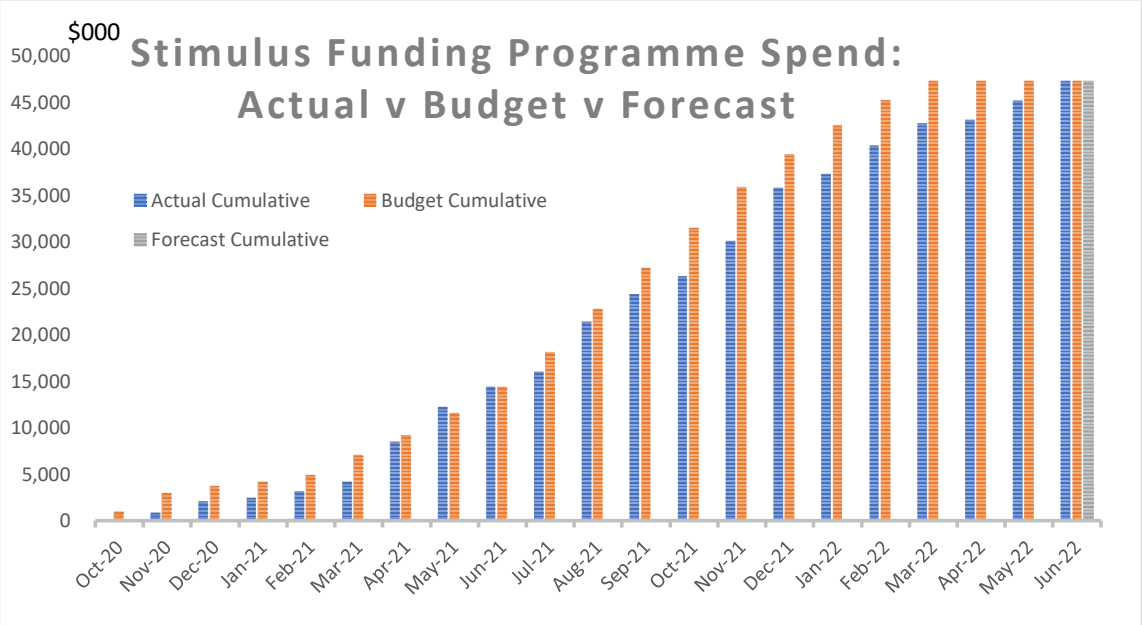
3.0 Programme Shortfalls and Challenges

- The uplift in funding enabled us to make significant lifts in our capability, especially regarding cyber risks, GIS and asset management practices. However, there are things we haven't been able to do because it would have led to ongoing cost in out years, and we do not have the necessary ongoing funding. For example we scoped out work to implement an improved Asset Management Information System but could not commit to the three years the project needed.
- The need to get work completed within 16 months (later extended to 19 months) was a great impetus to get work underway, but did mean that some work did not have enough planning time up front. The Asset Condition Assessment programme would have run more smoothly if the teams had had a year to plan it out and anticipate the challenges that arose.

- We did not achieve our aim of reducing Minimum Night Flows by 10%. The sheer number of leaks that are forming each day and our work force constraints prevented us from responding to the reactive leaks (those reported by the public) in concert with the proactively found leaks. On the whole the repair of proactively detected leaks kept up with the rate of detection – we detected 1089 and repaired 1004 leaks over the 15 months that the project ran. Over the same period, there were 10331 reported network leaks of which 9871 were repaired, leaving a backlog of 460 leaks. We may have been able to reduce night flows without the pressure to prioritise effort into visible reported leaks. With the additional funding we completed a review of the end to end process, purchased additional equipment, created a suite of operational and planning dashboards and made system improvements - it may be that many of the improvements implemented will have a longer return on investment. Porirua City Council has chosen to continue leakage reduction work with the majority of their Better Off funding.
- Labour shortage due to borders shutdown and cost of living challenges in Wellington
- Nationwide high inflation resulting in variation in costs of deliverables.
- Procurement of main hardware components had unusually long lead times due to the market facing logistics & supply chain issues post Covid-19.
- The Three Waters reforms continue to be a major focus of effort and key challenges remain the lack of a clear and agreed roadmap, an effective engagement model from NTU to councils and lack of clarity on the change impacts and timing for councils and WWL. These challenges make it very difficult to plan for or resource the work required to support the reforms process and unless resolved present a major risk to the overall timing and outcomes of the reforms.

4.0 Three-Waters Stimulus and LTP Cashflow Expenditure

- Expenditure was slower than forecast, due to COVID-related delays, delays in contracting, shipping delays, and unanticipated complexities. The spend rate picked up during FY22.



5.0 FTEs and Programme Metrics

- We estimated 65-90 and achieved 114 FTEs (calculated from 298,185 worker hours). This is likely to be an underestimate, as when the Maintenance budget was progressively increased through PSRs we included some costs from earlier months, but did not recalculate the number of activities and worker hours reflected in those costs. These worker hours are from a mix of inhouse staff (including our Alliance partner Fulton Hogan whose people make up a large part of our frontline maintenance crews) and external consultants and contractors.
- Wellington Water directly employed four additional permanent staff and seven fixed-term employees within the Programme – two of whom took up permanent roles at the end of their SFP roles. A number of teams took on new people due to the increase in the organisation's workload and headcount but they were not directly Stimulus funded. Also, Stimulus Funding contributed to costs of the 2021/22 summer interns (six young people for 10 weeks) and the skills centre trainees (while doing the training course) until they moved into their permanent roles within the organisation.
- The programme metrics are shown in the table in section 1.
    - Depending on whether or not the Capital Renewals work that was transferred to council budgets is included, we either over or under-delivered on kilometres of pipes renewed.
    - We completed the initial health assessments of critical assets. We didn't complete full physical inspections and updated health assessments of these assets for a number of reasons, but brought additional assets into the programme to compensate.
    - With the increase in budget for the Maintenance workstream, we completed an average of 1500 activities each month, well over the metric of 200.
    - The metrics for the Leakage Management work changed over the course of the programme in an attempt to more accurately show the trends over time and smooth out seasonable peaks. Despite this, the results clearly show that we did not achieve the aim of reducing minimum night flows. This is discussed more fully in Section 3.

6.0 Health and Safety Measures

- Wellington Water and its partner suppliers take the health and safety of our workers very seriously. We have robust health and safety protocols and reporting systems.
- The VHCA programme considered operational H&S matters as part of the asset condition assessment and identified a number of safety improvement opportunities including items such access to and operating on/within reservoirs and pumpstations.
- Staff being ill or in self-isolation from Covid had impacts across the board, including temporary closure of some work sites and delays to work in the office.
- Covid impacted on the availability of experienced traffic management contractors which in turn slowed progress where sites required traffic management. Some poor practices were reported and improved upon.

7.0 Risk Management

Risks (from Quarterly report)	Commentary
Completion of programme by 30 June 2022	The extension from March to June 2022 helped to alleviate this risk When there was risk of underspending budgets in September 2021, we added some additional projects and extended the scope of others.

Commencement of programme on time (DIA Delivery Plan risk)	This was never a high risk, as work on most workstreams was underway by the end of 2022. There were delays in getting momentum in the Business Improvements Programme
Infrastructure/ work type (DIA Delivery Plan risk)	This was never a high risk, as this programme is largely an extension of BAU work for Wellington Water
Lack of internal capacity to plan projects to a sufficient level of detail and deliver in required timeframes	Wellington Water has experienced project management capability both on staff and within our consultancy panel. Recruitment took time for some new roles, and external contractors were used to fill roles or backfill existing roles.
Delays to programme due to availability of capex contractor resources	Capacity constraints caused some work to progress more slowly than planned.
Covid-19 outbreak moves Wellington to Level 3 or 4	This risk eventuated in August 2021, and caused delays of three weeks on average to the programme. WWL deployed the framework developed in 2020 to close worksites and move staff to working remotely during Level 4, then to safely resume work during Level 3 and Level 2. During 2022 with Covid circulating in the community there were additional delays with staff and contractors being ill or in self-isolation.
Additional risks from programme	
Supply chain delays	Supply chain delays were a significant, realized risk. WWL pre-ordered equipment where possible, and worked closely with suppliers on mitigations including batching shipping, escalating the testing/shipping time, swapping for different products, buying stock in advance of confirmed order.
Uncertainty about scope and costs	For projects with significant uncertainty about scope and costs, WWL built contingency into the budget - this helped overcome inflation price hikes & avoided overspending.

8.0 Support for the Territorial Authority

- Support for this programme was largely provided through our CIP Engineer, Brent Manning. He was very helpful in guiding us through Project Substitution Requests and reporting requirements, and in understanding the unique nature of the relationship between Wellington Water and its owner councils.

9.0 Summary of Media, Marketing and Community and Iwi Engagement

- Wellington Water has regular channels of informing affected parties about work that is coming up or underway that may cause disruption. We held a community information day in Greytown about the smart meters trial. Additional engagement with media and community was largely to note the outcome of projects that were finishing up, such as social media posts about planned and impromptu community engagement
- Updates to the Wellington Water Committee were published on the WWL website.
- We regularly included programme updates in comms to councillors and iwi reps

10.0 Conclusions and Summary of Lessons Learnt (from WWL CE)

- Overall, this has been a very successful programme which has progressed three waters outcomes and reduced risk for Wellington Water shareholders.

- It has been a sound demonstration of the opportunities that exist to address fundamental elements of three waters infrastructure management other than maintenance and renewals; areas such as improved knowledge management, proactive maintenance, innovative and value-based approaches. These are standard attributes of a sound asset management programme that the sector lacks across the board, and we were pleased to be able to demonstrate our ability to deliver at that level.
- From the beginning, the timeframe given for councils to plan and execute works was too ambitious. We worked extremely hard in order to meet the original timeframes and maximise value from the funding, rather than simply bringing forward renewal projects already on the bench. The government subsequently relaxed its timeframes, including in the last month of the programme. Had the final timing been available from the beginning, it would have been possible to make smarter use of the funding.
- Given the context of reform in which the money was made available, optimal value from this funding would have been achieved by extending it to 30 June 2024. Better Off funding is not generally tied to three waters, so after two years of increased funding, we are now dropping back to previous LTP levels. This means programmes of work which have materially reduced risk or increased capability will now be wound down, instead of feeding into the new entity.
- One example of this for us is our asset management system, continued work on which could only benefit our clients and water outcomes regardless of the future shape of the sector. We were unable to progress this as far as we'd have liked to in the original timeframe.
- At a programme level, with reference to our own circumstances, we underestimated pressures arising from the increasing failure rates of the aging networks we manage, and needed to be agile in responding to these. To maintain service levels and meet client expectations, we initiated a major correction of our original programme towards maintenance and leak management, and we are grateful to CIP for the way in which they supported these variations to be undertaken.
- We are pleased we appointed a programme manager to oversee the programme as without a relentless focus on delivery across a diverse and detailed set of workstreams we would have struggled to adapt to circumstances and execute as successfully as we did. It also meant we could develop a good relationship with CIP which streamlined delivery.
- So in summary, some great lessons learned and overall very valuable to a sector underfunded, undervalued and often not well understood.

11.0 Executive Sign-off

Declaration

I declare that the information contained in this report is a true and correct account of the projects and programmes undertaken as part of the Three-Water Stimulus Package and that:

i) the Three-Waters Stimulus Fund has only been used to complete the expenditure projects and programmes described in the Delivery Plan or as amended by Project Substitution Requests approved by CIP/DIA.
ii) all contractual agreements have provided value-for-money and have not given rise to any Conflict-of-Interest.

_____

Chief Executive
Wellington Water

Additional Endorsement by Shareholder Councils

WELLINGTON CITY COUNCIL by:

Signature of authorised signatory

Name of authorised signatory

Designation of authorised signatory

PORIRUA CITY COUNCIL by:

Signature of authorised signatory

Name of authorised signatory

Designation of authorised signatory

HUTT CITY COUNCIL by:

Signature of authorised signatory

Name of authorised signatory

Designation of authorised signatory

WELLINGTON REGIONAL COUNCIL by:

Signature of authorised signatory

Name of authorised signatory

Designation of authorised signatory

UPPER HUTT CITY COUNCIL by:

Signature of authorised signatory

Name of authorised signatory

Designation of authorised signatory

SOUTH WAIRARAPA DISTRICT COUNCIL by:

Signature of authorised signatory

Name of authorised signatory

Designation of authorised signatory

Appendices

Appendix A: LTP Expenditure

These figures are a combination of Capex and Opex and do not include Stimulus funding.

GWRC LTP Expenditure (including Co-Funding)	Budget	Actual	Percentage Delivered
FY2021 LTP	15,054,970	15,243,674	101%
FY2022 LTP	16,078,929	16,192,402	101%
Total	**31,133,899**	**31,436,076**	101%

HCC LTP Expenditure (including Co-Funding)	Budget	Actual	Percentage Delivered
FY2021 LTP	16,262,800	18,247,292	112%
FY2022 LTP	16,490,642	20,052,441*	122%
Total	**32,753,442**	**38,299,733**	117%

** Note that HCC approved an additional 3m on top of original budget of $13,451k this year*

PCC LTP Expenditure (including Co-Funding)	Budget	Actual	Percentage Delivered
FY2021 LTP	7,355,113	8,449,942	115%
FY2022 LTP	7,959,716	9,719,220	122%
Total	**15,314,829**	**18,169,162**	119%

SWDC LTP Expenditure (including Co-Funding)	Budget	Actual	Percentage Delivered
FY2021 LTP	2,649,757	2,862,343	108%
FY2022 LTP	2,842,024	3,963,948*	139%
Total	**5,491,781**	**6,826,291**	124%

** Note that SWDC funded the transfer of capital renewals from the SFP of $972k as additional to budget.*

UHCC LTP Expenditure (including Co-Funding)	Budget	Actual	Percentage Delivered
FY2021 LTP	6,538,853	6,640,858	102%
FY2022 LTP	7,125,669	7,293,382	102%
Total	**13,664,522**	**13,934,240**	102%

WCC LTP Expenditure (including Co-Funding)	Budget	Actual	Percentage Delivered
FY2021 LTP	29,927,508	34,279,696	115%
FY2022 LTP	35,379,223	41,461,467	117%
Total	**65,306,731**	**75,741,163**	116%

Appendix B Summary of Outcome Metrics

Workstream	Delivery Metrics	Planned	Approved Changes	Delivered	Percentage Delivered
All	Full Time Equivalents (FTEs)	60 – 95		114 FTE	147%
Capital Renewals	Kilometres of water main renewals completed	2.1	PSRs moved funding to LTP budgets	4.5km (all from LTP budgets) HCC 1759m PCC 1275m UHCC 732m SWDC 723m	0% (214% including LTP)
Capital Renewals	Kilometres of wastewater renewals completed	3.4	PSRs moved most funding to LTP budgets	6.3km (but only 2km for WCC funded through Stimulus) HCC 1645m PCC 1111m WCC 3481m	59% (185% including LTP)
Asset condition assessments	Health assessment scores will be allocated to 100% of our Very High criticality assets to inform on future intervention	100%	Added a measure '% of health assessment scores allocated to VHCA (cumulative)'	Interim scores were allocated to 100% of VHCA assets. Not all had physical inspections as the list of assets was refined as we learned more. The overall number is roughly the same.	100%
Maintenance	Maintenance activities undertaken per month (over a 9 – 15 month period)	Up to 200	NA	Approx 1,500 per month	
Leakage Management	10% reduction in minimum night flows (MNF) from September 2020 baseline.	10%	Metric changed to: '% reduction in MNF compared to the previous year on a month by month basis'	On average monthly MNF have increased 13% compared to the previous year	Not achieved
Leakage Management			Added output measure: 'MNF compared with average of previous years'	On average MNF have increased 22% compared with previous years	Not achieved
Leakage Management			Added output measure: 'Rolling 12-month MNF compared with previous 12-month MNF'	On average rolling 12-month MNF have increased 11.8%	Not achieved
Water Safety Priorities	Water Safety Priorities projects completed.	2		6.9	340%

Appendix C Outcomes and Successes for projects

Below are outcomes and successes for many of the approximately 45 projects funded through 3 Waters Stimulus Funding. Some of the smaller-scale ones are not listed.

Project	Outcomes and Successes
1. Capital Renewals: • HCC wastewater and watermain renewals • PCC wastewater and watermain renewals • SWDC watermain renewals • UHCC watermain renewals • WCC wastewater renewals	▪ Improved resilience to the water and wastewater network through focus on areas with a history of bursts and known I & I problems ▪ A significant increase in the use of trenchless technology (60% of watermains compared to baseline of 33%, and over 95% of wastewater mains compared to baseline of 80%) ▪ By increasing the percentage of trenchless completed, we have reduced carbon emissions by approximately 20% for this work compared to WWL baseline ▪ Cost/m of $1,380 for water and $1,270 for wastewater, compared to baseline of $1,500 for water and $2,500 for wastewater ▪ Reduction in consultancy fee percentage from 13.5% BAU to ~9% (excluding scoping, optioneering and investigation works) ▪ Wellington Water is working to incorporate lessons learned from this fast track renewals programme. This includes: undertaking a catchment based approach where appropriate to enable multi-year programmes of renewal works, bringing contractors into projects earlier in the design process and enabling the simplifying of our processes for low risk works. The fast-track processes trialled in this project have proved to be successful in getting packages of work done quickly and efficiently.
2.1-5 Very High Criticality Asset Condition Assessments: • Pumpstations • Water treatment plant assets • Reservoirs and • Pipes (gravity and pressured; drinking water, stormwater and wastewater) • Wastewater treatment plant assets	▪ We have improved our understanding of asset conditions across the network to inform our asset management planning process and enable more accurate cost forecasts for all councils. ▪ There has been a significant upskilling of the industry - in regard to pipe condition assessment. ▪ The pipe information collected is a data set of national significance and should inform water reform processes. ▪ This VHCA information provides a solid foundation to inform and support investment decisions. ▪ The VHCA programme was the first of its kind in NZ of this scale and is attracting national interest. The extent of work completed is: ▪ 134 (96%) Reservoirs completed and assessed by 30/6/22. ▪ All 85 (100% of those identified as VHCA) pumpstations completed by 30/6/22 ▪ 540 (92% of WTP VHCA assessed at 30/6/22) – the balance should be completed to tie in with plant shutdowns in August

	▪ 165km of pipe inspected and assessed by 30/6/22. The physical assessment generally confirmed the desktop assessments completed a year ago. ▪ Selected critical assets in our Wastewater treatment Plants were also assessed.
2.6 Karori Wastewater Treatment Plant capacity study	The Karori Wastewater Treatment Plant is under pressure from growth. This study was to assess condition and capacity of the Western WWTP and bulk network and establish an investment pathway for future development. The team completed: • Western WWTP Influent Characterisation Sampling Campaign (Sampling, Testing and Report) • Western WWTP Sludge Settleability Investigation (Sampling, Testing and Report) • Western WWTP Process Model (Digital Model Built in Hydromantis/Hatch GPS-X Software) • Western WWTP Process Model Calibration (Report) • Western WWTP Growth and Capacity Study (Report) • Western Growth and Capacity Study (Presentation) • The Karori Wastewater Programme Business Case was prepared to provide an investment pathway to support the Karori wastewater system to achieve target levels of service and future growth demands in the face of changing expectations and national policies.
2.7 Hutt Valley WWTP catchment study	The Seaview WWTP for the Hutt Valley is under pressure from growth. This study was to assess the condition and capacity of the Seaview WWTP and Hutt Valley bulk wastewater network and establish an investment pathway for future development. The team completed: • Seaview WWTP Influent Characterisation and Sampling Campaign (Sampling, Testing and Report) • Seaview WWTP Sludge Settleability Investigation (Sampling, Testing and Report) • Seaview WWTP Process Model (Digital Model Built in Hydromantis/Hatch GPS-X Software) • Seaview WWTP Process Model Calibration (Report) • Seaview WWTP Growth and Capacity Study (Report)
3. Maintenance	We targeted planned maintenance activities on priority assets, with a proportion of funding allocated to respond to anticipated increased reactive maintenance requirements as the network continues to age. The cost we transferred from Opex includes the costs for planned maintenance, capability building and reactive maintenance. The calculation of reactive maintenance cost we based on year-over-year activity increases when compared to the 19/20 year. The cost of capability building is for purchasing plant to build maintenance capability within Wellington Water. The significant uplift in investment has led to: ▪ Reducing risk in the network – minimising leaks, reducing overflows, focusing on protecting customers and the

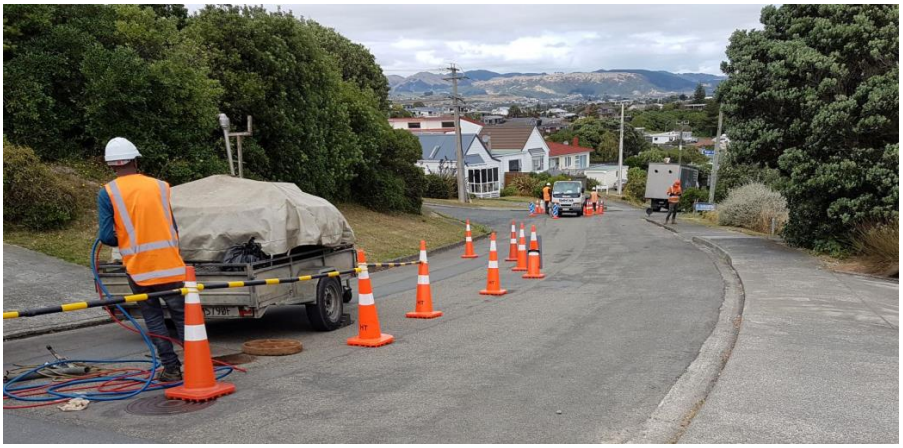
	environment from the harmful effects of wastewater, and ensuring we comply with our resource consent conditions. ▪ Maintaining service to our customers. ▪ Improving our capability, both in terms of our workforce (internally and with our external suppliers) and the tools, resources and processes we have at our disposal to more efficiently and effectively undertake maintenance activities
BIP.1 Cyber security	This work enabled us to get a full and detailed understanding of the risk, this would not have been possible without the uplift in funding, and it allowed us to act immediately on some critical risks. We are now on a path of continued improvement
BIP.2 Asset data backlogs	Processing as-built drawings is essential to effective ongoing maintenance and operations of the network. We have removed the backlog of 600 drawings.
BIP.3 GIS capability	We have made significant strides in our GIS capability in terms of the robustness and resilience of the platform, good management of the data, and implementation of training for all levels of users
BIP.4 Asset management systems	We identified the strengths and weaknesses in our asset management practices and are on a path of continual improvement
BIP.8 Ready for Regulation	to develop a regulatory handbook and a fit for purpose delivery plan for ready for regulation requirements
BIP.10 Source Water Risk Management Plans	We have improved our understanding of risks within source water catchments and we will work with stakeholders on how to better manage and protect drinking water quality. These will enable us to be fully compliant with Taumata Arowai requirements.
BIP.11 Smart services	We have been able to build some technology solutions that are enabling us to be smarter in managing our services (e.g. smart manholes that allows for the intelligent monitoring of stormwater and wastewater networks)
6.1 End-to-end process improvement for Leakage Management	This work identified improvement actions that will reduce the time taken for leakage reporting and repairing – therefore reducing the volume of water lost in the network and help achieve several long-term plan customer outcomes.
6.2 Proactive leak detection	The funding enabled us to grow our capability to find and respond to leaks, with additional trucks and equipment purchased and greater inhouse capability. We detected 1089 and repaired 1004 leaks over the 15 months that the project ran.
6.3 Smart meter trial (NB continues to Dec 2022)	This trial explored the benefits of smart water meters and improved residents' knowledge of their own water usage. This trial will provide an invaluable insight in terms of the cost, practicality, and lessons learnt for future smart meter roll out programme. The installed smart meters have already picked up potential leaks at private properties which would help customers avoid potential high water usage charges and damage to property due to leaks/bursts

6.4 Universal smart metering foundations	An investment in universal smart metering will have the greatest impact on mitigating the water supply risk by enabling more efficient and effective identification of leaks in both the public and private network. We began to develop the detailed business case for universal smart meters. This work will be continued in FY23, through GWRC's budget. Deliverables finalised as part of this stage included: - Full project schedule and costing - Market research Notice of Intent and Request for Information documentation - Communications and engagement strategy and supporting plans - Micro website including FAQs (now archived) - Confirmation of problem statements and investment objectives memo - Case studies report - Preliminary risk assessment - Smart Metering Strategic case - Charging mechanisms options and roadmap - Reference and Review Group Terms of Reference
7.1 Reservoir roof coatings	The project completed repairs to 29 reservoirs of concern by replacing roof sealants, concrete repairs and installing a sealant product to prevent water penetration due to micro cracking occurring on the roof concrete slaps. This sealant product has a 50yrs design life, so we should be confident that these reservoirs below will continue to prevent rain water penetration, providing improved DWSNZ compliance and deferred investment in replacement tanks. Improvements in the water quality of the completed reservoirs is already apparent. We originally scheduled 15 repairs but added more as the benefits became apparent and budgets allowed.
7.2 Reservoir cleaning drone	We purchased a remote operated vacuum drone and clarifying tank that enables cleaning without the need to empty the reservoir. The project increased the resilience in the water network by reducing the need to take reservoirs offline during cleaning; improved safety by removing the need of confined space entry; and increased the flexibility of cleaning schedule as WWL now owns all the equipment. This project has already recouped its cost in operational savings.
7.3 Real time water quality monitors	We purchased 16 real-time water quality sensors that will monitor water pH and chlorine levels in real time, rather than relying on manual water sampling which can take up to three days for an issue to be apparent. Eleven have been installed at reservoirs and pumping stations, with the installation of five more to be completed in July
7.4.1 Internal Audit	A contractor audited higher risk business processes and activities and identified improvements that will reduce the risk of non-compliance with the NZDWS, and the chance of recurrence of a range of drinking water incident types.
7.4.2 Process Writing	The work has provided significant benefit in terms of providing process, rather than variable, experience driven approaches. This results in enhanced assurance, and in turn confidence that NZDWS and other important requirements will be met on an ongoing basis.
7.5 Chlorine Trailer	We designed and built a chlorine dosing trailer which allows for targeted chlorination within the network. In the event of an emergency or a water contamination event we can more rapidly respond. This

	reduces the supply and health risk to customers. The process will require the use of less water, thereby reducing water demand on the network.
7.6 Bypass study	A study was undertaken on a potential cross-contamination risk from raw water to potable water at Te Marua WTP, Wainuiomata WTP, Waterloo WTP and Gear Island WTP and recommendations were given to reduce future risks.
7.7 Pirinoa chlorine analyser	Additional project to investigate, design and deliver a chlorine analyser for the Pirinoa WTP to improve confidence in drinking water quality
8.1 Capital Projects: Te Marua	Laser scanning, ground investigations, soil testing for contaminants and geotechnical baseline report have been completed for Te Marua Water Treatment Plant upgrade. This is part of a larger capital project which will be progressed through GWRC's Capex programme. The upgrade will improve reliability of the network by providing additional capacity, resilience from drought and maintain redundancy in the event of a loss of supply from another plant.
8.2 Capital Projects: Boar Bush	Works were carried out to reduce risk to the supply of water to Featherston by decommissioning and removing the chlorine contact tank and reconnect the pipe work. Work was scheduled in parallel with remediation of storm damage.
9.1 Preparation for Reform	Major successes have been achieved through the Wellington councils and WWL working affectively together to share resources and thinking. This has led to major efficiency gains and supported a consistent approach to the reforms - across Wellington and with other councils in Entity C.

Appendix D Project Photos and Attachments

Capital Renewals work in Titahi Bay

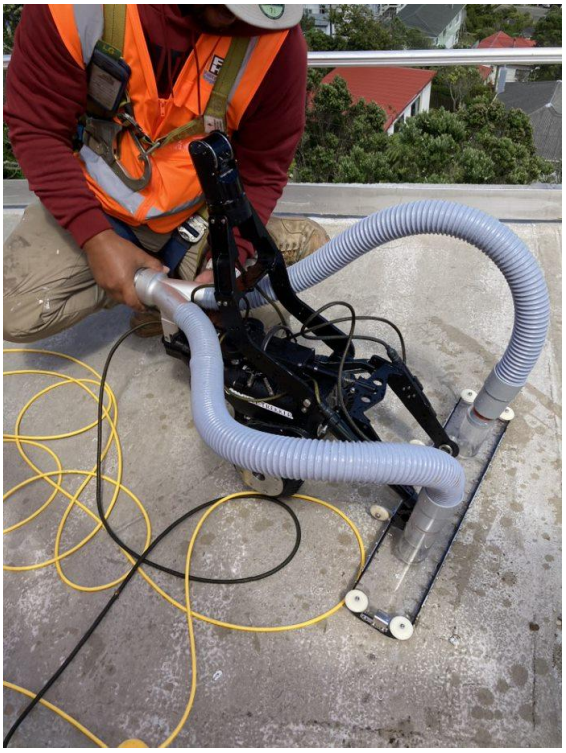


19

VHCA Inspections

Contractors installing smart meters in Greytown

Reservoir cleaning drone and clarifier



Wellington Water Committee | Komiti Ngā Wai Hangarua

12 July 2022

File: (22/1768)

Report no: WWC2022/3/122

Value for Money Six Monthly Report

Purpose of Report

1. To provide the Committee with the Value for Money (VfM) six monthly report.

Recommendations

That the Committee:

(1) receives the Six Monthly Value for Money report attached as Appendix 1 to the report; and

(2) notes the impact of older network infrastructure.

Background

3. A VfM Framework has been developed as an internal process tool to provide structure and process for VfM reporting to the Committee.

4. The first report was provided to the Wellington Water Committee in September 2021.

5. The Wellington Water VfM Framework includes five parts as follows:

   i. Benchmarking

   ii. Long Term Plan (LTP) and Annual Plan (AP) Advice

   iii. Value for Money reviews

iv. Metrics

v. Value for Money stories

6. Not all parts of the framework were to be reported on every six months, this report focuses on the following parts:

i. Benchmarking

ii. Long Term Plan (LTP) and Annual Plan (AP) Advice

iii. Value for Money Reviews

iv. Value for Money stories

Key Messages

7. The attached report highlights a range of findings from the Water New Zealand National Performance Review:

i. The Wellington Region's pipe network is much older on average compared to other Councils;

ii. Operational maintenance costs per property are higher than average; and

iii. Capital expenditure per property is at the national median level

8. The report includes a summary of an independent review of Annual Plan advice provided to Wellington City Council that highlights that:

There continues to be a significant risk - even at current expenditure levels, particularly in terms of the build-up in outstanding reactive maintenance projects – of major failures until critical investigation projects are undertaken and the resulting work programme required to address the risks identified is completed.

Value for Money July report

9. The attached is the six monthly Value for Money report to the Committee.

10. The Committee may want to discuss the findings in the report and provide feedback on the report and the content.

Appendices

No.	Title	Page
1⇩	Value for Money Report - July 2022	170

Author: External Author (Wellington Water Limited)

Value for Money Report to the Water Committee
July 2022

Wellington Water

Our water, our future.

Introduction

VfM reporting will be provided to the Water Committee on a 6 monthly basis.

The criteria used in the VfM Framework are:

- Efficiency – the extent to which an outcome/output can be delivered or achieved related to the resources to produce it (spending less)
- Effectiveness - the capability of producing a desired result or the ability to produce the desired output. The relationship between the intended outcome or result and the actual result (spending wisely).

The five parts of the VfM Framework are:

1. Benchmarking
2. Long Term Plan (LTP) and Annual Plan (AP) Advice
3. Value for Money reviews
4. Metrics
5. Value for Money stories

Part 1: Benchmarking

Wellington Water

Wellington Water has participated in two benchmarking exercises, being:

1. Water Services Association of Australia Benchmarking (WSAA).
2. Water New Zealand National Performance Review.

The WSAA benchmarking is only comparable to Australian entities as at this stage no other NZ councils are currently part of the surveys. The customer perception report was presented in the previous VFM Report.

This report will highlight key findings from the annual Water New Zealand National Performance Review completed in March 2022

Water New Zealand National Performance Review Benchmarks

Wellington Water

The National Performance Review(NPR) is an annual assessment of drinking water, wastewater, and stormwater service delivery across New Zealand.

The review collates and compares water, wastewater, and stormwater service provision across Aotearoa New Zealand.

Its principal purpose is to equip service providers and their stakeholders with accessible and comparable data to identify improvement opportunities.

This process is co-ordinated by Water New Zealand, an independent not-for-profit organisation representing water professionals and organisations.

The report can be viewd online - Water New Zealand (waternz.org.nz)

The following slides show a selection of key benchmarks:

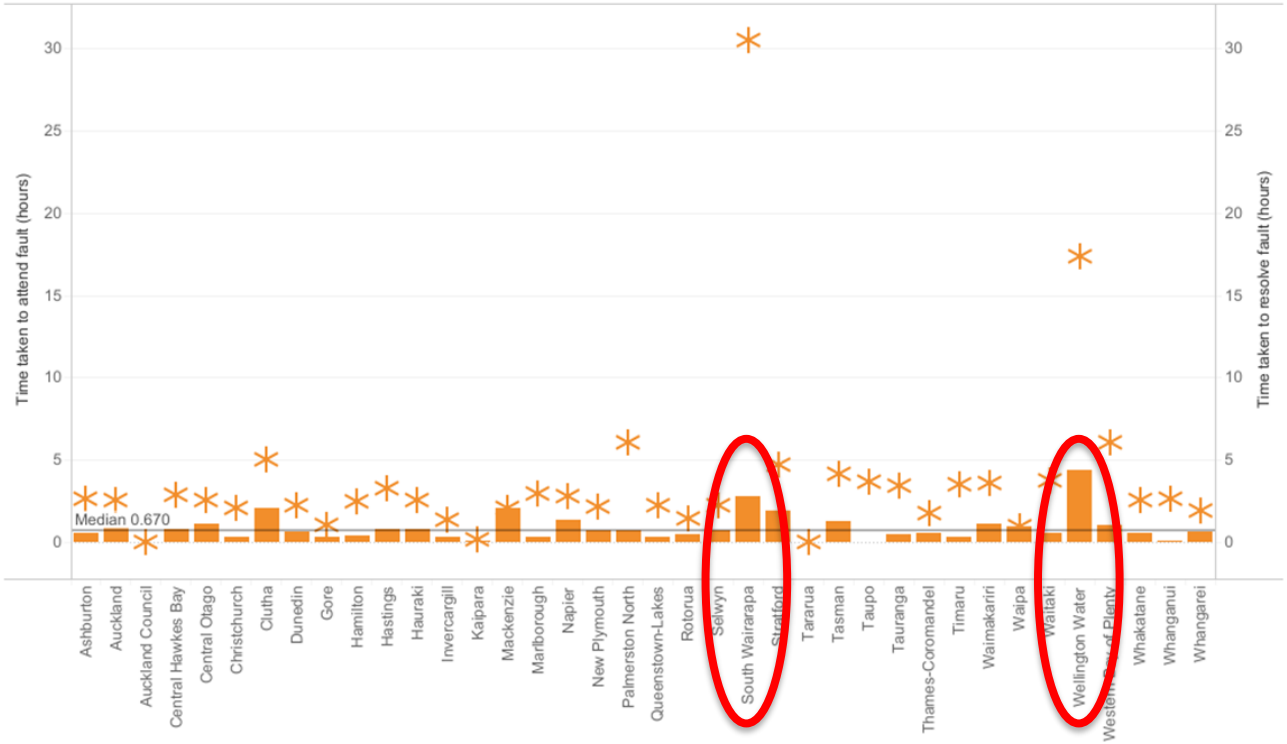
Our water, our future.

Fault attendance and resolution time trend

Response Selector
Wastewater Fault

2020/21 Participants
All

Attendance times for wastewater faults (WWS6a), non-urgent water supply faults-outs (WSS10c) and urgent water supply fault call-outs (WSS10a) are shown in bars.
Resolution times for wastewater (WWS6b) urgent water supply faults (WSS10b) and non-urgent water supply fault call-outs (WSS10d) are indicated by *.



Wellington Water reporting is inclusive for the 5 different councils. All councils have their own specified targets and set levels of service agreed within their long-term plans (LTPs). The older network infrastructure by some Councils results in longer average resolution times.

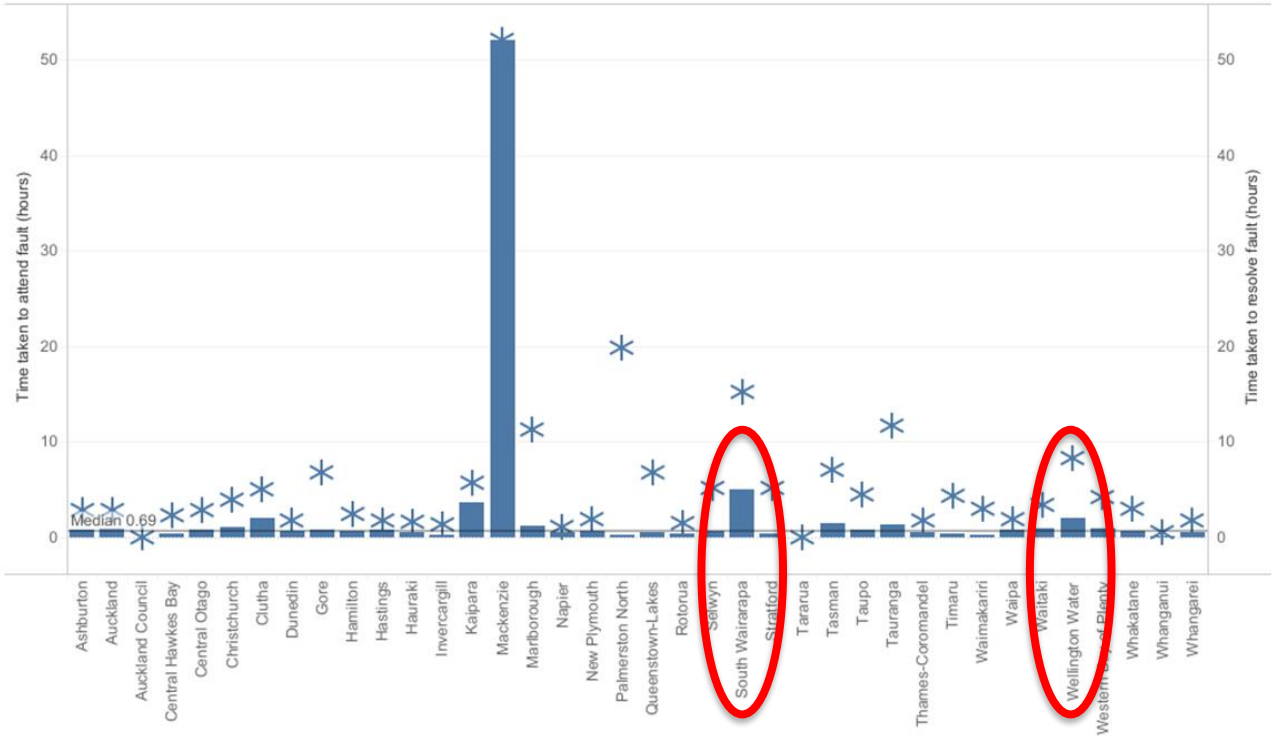
Our water, our future.

Fault attendance and resolution time trend

Response Selector
Urgent Water Supply Fault

2020/21 Participants
All

Attendance times for wastewater faults (WWS6a), non-urgent water supply faults-outs (WSS10c) and urgent water supply fault call-outs (WSS10a) are shown in bars.
Resolution times for wastewater (WWS6b) urgent water supply faults (WSS10b) and non-urgent water supply fault call-outs (WSS10d) are indicated by *.



The older network present in Wellington continues to result in longer resolutions times compared to other Councils

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Operational expenditure

2020/21 Participants
All

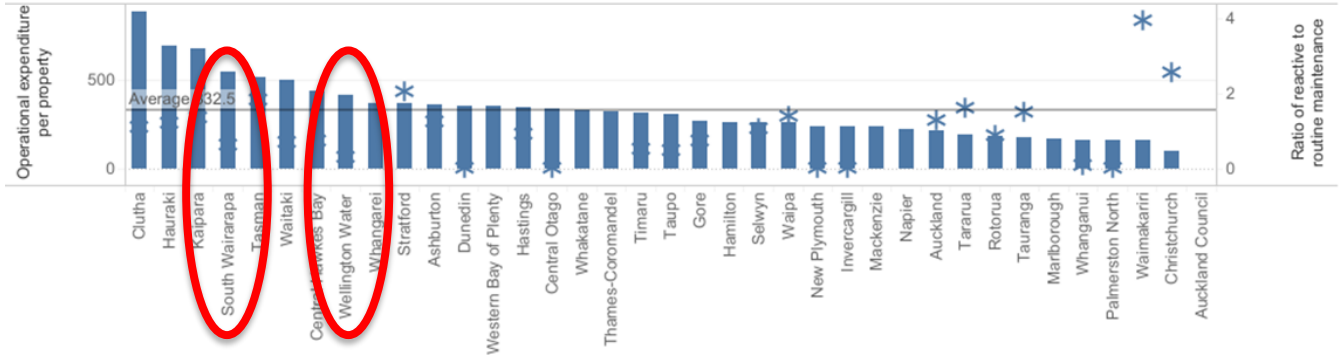
Network Selector
Wastewater

Annual operational expenditure per property and reactive/routine maintenance ratio

Use the network selector to show operational expenditure per property for water supply (WSF13), wastewater (WWF14) or stormwater (SWF10). Stars show the ratio of reactive to routine maintenance on the secondary axis for water supply (WSF9b/WSF9a) wastewater (WWF10/WWF9) and stormwater (SWF6b/SWF6a).

Annual operational expenditure per property and reactive/routine maintenance ratio

Use the network selector to show operational expenditure per property for water supply (WSF13), wastewater (WWF14) or stormwater (SWF10). Stars show the ratio of reactive to routine maintenance on the secondary axis for water supply (WSF9b/WSF9a) wastewater (WWF10/WWF9) and stormwater (SWF6b/SWF6a).



Wellington Water

A key point to note from these 2 tables is that Councils that spend a more on planned maintenance (*) spend less per property on reactive maintenance.

Our water, our future.

Wellington Water

Capital expenditure

2020/21 Participants
All

Network Selector
Wastewater

Annual capital expenditure per property connected to the network

Use network selector to shown information for water supply (WSF21) wastewater (WWF21) and stormwater (SWF18)

Wellington's capital expenditure is close to the median when compared to other Councils but as per the following slide showing average pipe age it needs be higher if it wants to lower the average asset age

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Average pipe age

Use the network selector to view the average pipe age for water supply (WSA3), wastewater (WWA3) or stormwater pipelines (SWA3)

This slide highlights how old Wellingtons network infrastructure is when compared to other Councils

Our water, our future.

weather overflows

ıraph shows wastewater overflows per 10km of pipe serviced. It distinguishes between dry weather overflows caused by ages or plant failures (including power outages). Where it was not possible to dissagregate these have been assigned to ages.
›ers within the bars illustrate confidence in data.

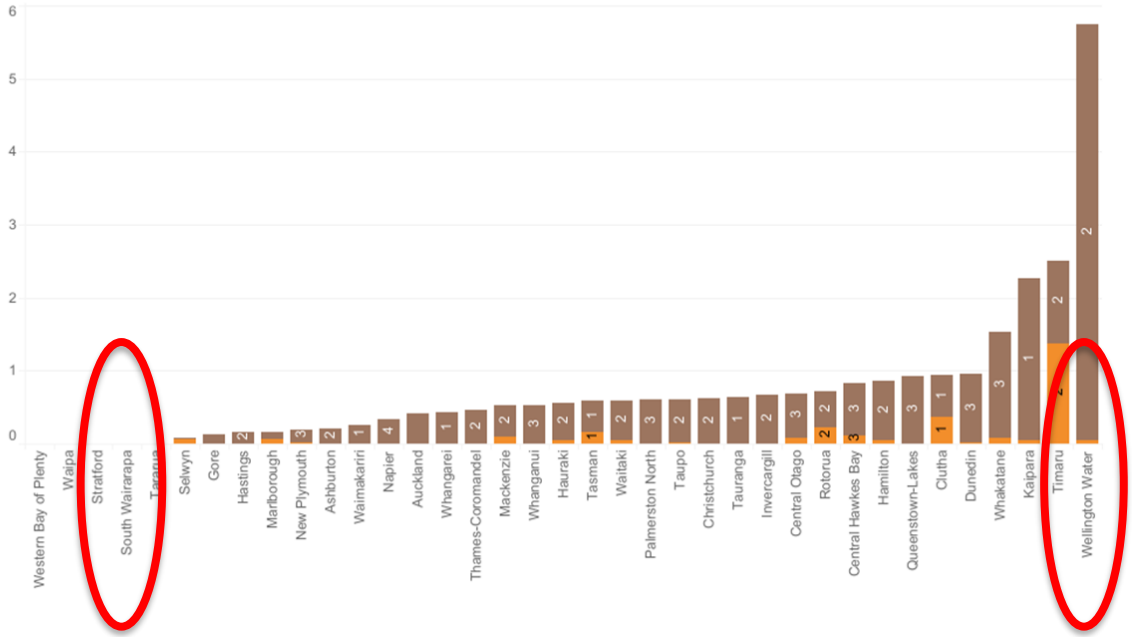
Total dry weather overflows

2,754

ım of Overflows caused by blockages (WWE1a/WWA1a)
ım of Overflows caused by plant failures (WWE1b/WWA1a)

Confidence in data
1 = Highly reliable
2 = Reliable
3 = Less reliable
4 = Uncertain
5 = Highly uncertain

2020/21 Participants
All



Wellington Water report all wastewater blockages as overflows as there is inevitably some release of wastewater from the wastewater system when there is a blockage, which is usually contained on land but in some cases will overflow to natural watercourses. Other NZ Councils appear to only report overflows that discharge to water in their performance reporting.

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Wellington has on average the highest connection densities in New Zealand.

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Part 2: Long Term Plan and Annual Plan Advice

The provision of Long-Term Plan and Annual Plan advice is the long run value for money opportunity that Wellington Water provides to client councils

Where significant variation to Annual Plans is required, we will report on results of any independent review or assessment of the value of the Long-Term Plan or Annual Plan advice Wellington Water provides to Councils.

During this year's annual planning process, reviews were commenced by Deloitte's but due to timing and costs only the WCC review was completed with the executive summary provided in the following slides:

Executive Summary

Wellington Water

Summary

- Wellington City Council ("WCC") has asked Wellington Water Limited ("Wellington Water") to produce a evidenced based report explaining:
  1. Why the current year's (year ended June 2022, or "FY22") operating expenditure ("opex") has exceeded the FY22 budget as set out in WCC's Long Term Plan ("LTP")
  2. What forecast opex is through to the end of FY22
  3. What risks are carried within the plan that is funded by the forecast
  4. What additional risks would present in the event that opex was reduced below forecast levels
  5. A range of probable scenarios for funding envelopes for FY23 and FY24 to maintain current levels of service.
- In order undertake this work the Senior Leadership Team ("SLT") and their senior technical and finance personnel with the support of Wellington Water's finance team have undertaken the following:
- ➢ A review of year-to-date ("YTD") opex to identify key areas of variance from budget and the reasons for those;
- ➢ A review of forecast opex through to the end of FY22 and the underlying activity and work programmes that is driving that expenditure - having regard to current run rates and activity levels; and
- ➢ A risk-based assessment of the work programme for the balance of the year to identify projects that could be deferred or scaled back.

Summary

- ➢ A review of the proposed opex plans for FY23 and FY24 having regard to investment advice provided previously, expenditure trends and underlying cost drivers evident in the current year and known additional performance expectations that Wellington Water will need to meet.
- ➢ LTP compliant budgets for FY23 and FY24 identifying what expenditure would need to be reduced to adhere to those budgets and the associated risks.
- The SLT has engaged Deloitte to support this analysis and review and challenge the process and assumptions underlying the forecast.
- In undertaking this process Wellington Water notes:
  - There are a range of factors which significantly impact on Wellington Water's ability to contain or reduce opex – including the requirement to deliver against mandated regulatory standards and performance standards;
  - In order to mitigate material future risk, Wellington Water has significantly increased its expenditure on monitoring and investigations ("M&I") and is in the process of stepping up its planned maintenance programme – these work programmes are an integral aspect of what is expected of a competent infrastructure provider and are both designed to help "bend" the reactive maintenance cost curve;
  - The YTD opex "run rate" incorporates the benefit of $1.1m of Stimulus Funding that has now been fully utilised – this has been used to offset reactive and planned maintenance expenditure.

Our water, our future.

Executive Summary

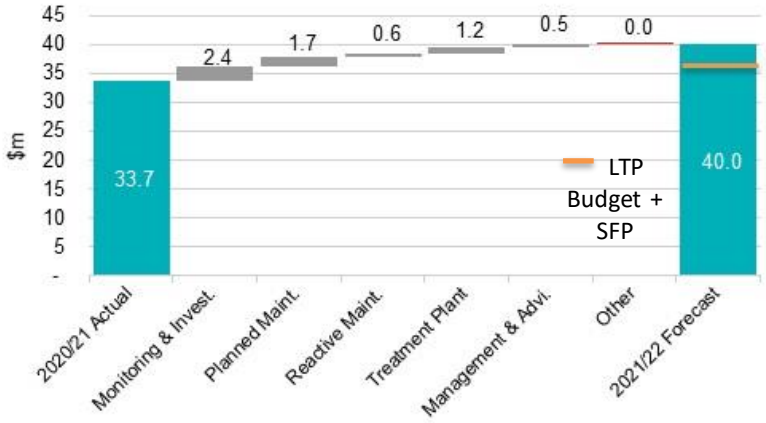
Wellington Water

Summary (continued)

- It is faced with significant cost pressures due to increased labour and labour related costs and increased materials costs as a consequence of inflation pressure and supply chain disruption.
- As part of the annual planning process Wellington Water did signal that it expected that opex would exceed the budget set out in the LTP and that it would work with WCC to address funding gaps as these manifested.

- The work undertaken to complete this report has identified that the major drivers of higher cost relative to the LTP budget are (see chart opposite):
  - An increase of $2.4m in M&I activity of which approximately $1.1m relates to critical asset condition assessment;
  - An increase of $1.7m in planned maintenance activity in line with efforts to bend the reactive maintenance cost curve;
  - An increase of $0.6m in reactive maintenance which is in line higher YTD call-out volumes and activity; and
  - An increase of $1.2m related to increased WCC sludge disposal costs and other cost increases related to the Porirua City Council JV.
- There continues to be a significant risk - even at current expenditure levels, particularly in terms of the build-up in outstanding reactive maintenance projects – of major failures until critical investigation projects are undertaken and the resulting work programme required to address the risks identified is completed.

WCC Opex Bridge (F21A to FY22F)



Summary

- Reductions in opex of circa $4.1m have been identified in the remaining FY22 year – primarily due to the ability to defer certain projects that have yet to be initiated.
- Reducing opex beyond the level indicated above would create levels of risk that Wellington Water believe would be unacceptable. Further, the actions required to effect those cost reductions are likely to result in proportionally greater costs at a later point.
- These figures have not taken in to account the recent storm events during February 2022 (e.g. Brooklyn and Western Outfall)

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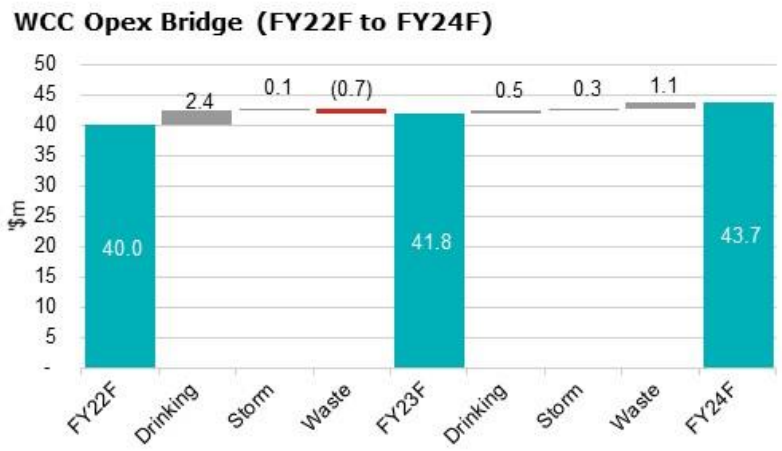
Executive Summary

Summary (continued)

- The WWL opex forecast for FY23 and FY24 show proposed expenditure of $41.8m and $43.7m respectively with the movements relative to FY22 forecast shown in the bridge opposite.
- An LTP compliant budget for each year would require expenditure reductions of $4.6 in FY23 and $5.0m in FY24 with those trade-offs primarily relating to monitoring and investigation activities and planned and reactive maintenance.
- Reducing expenditure in those areas would serve to compound challenges already presenting as a consequence of historic underspending on renewals and preventative maintenance and would simply increase future costs in both nominal and present value terms.
- In undertaking the analysis set out in this document Wellington Water has the best information that it has available from its financial and operating systems and the knowledge and experience of its relevant technical teams to ensure that the opex proposals are robust.
- Wellington Water understands that WCC has significant financial constraints and is keen to continue to work with WCC to support advice to Council.



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Key Cost Pressures

Wellington Water

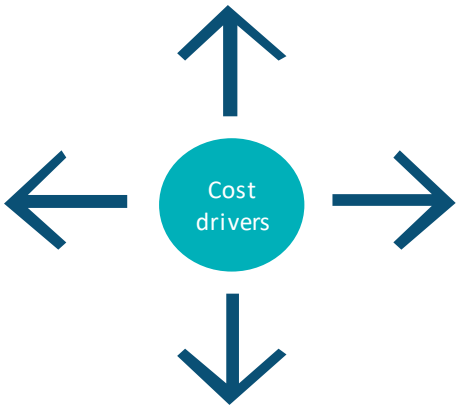
In considering the pressures that Wellington Water faces in its day to day business it has identified four key cost pressures – these predominantly relate to challenges with managing network costs:

1. Inflationary pressures
2. Increasing work volume
3. Increased service requirements
4. Complexity of the work it does

The diagram set out opposite discusses some of the underlying drivers.

Inflationary pressures:

- Increasing cost of labour
- Increasing cost of materials
- Increasing cost of specialist sub-contractors
- Shortage of skilled and experienced staff



Complexity of the work:

- Increasing H&S requirements
- Increasing traffic management requirements
- Restriction of hours that WWL can work on high volume roads and in the CBD
- Increasing environmental requirements
- Working within the COVID operating environment
- More bursts

Increasing work volume:

- Deteriorating networks meaning more reactive maintenance
- Increasing incidents and storm related events
- A drive to carry out more planned maintenance to bend the reactive curve
- More customer escalations

Increased service requirements:

- Increased customer management
- Increased communications
- Greater temporary service provided during system outages
- Improved pre-event preparation
- Greater responsiveness to escalations

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Part 3: Value for Money reviews

Wellington Water

VfM reporting includes a summary of any significant reviews that represent value for money. There were 2 significant reviews completed over the last period:

1. Fluoride Inquiry
2. Review of the Alliance Charges Framework

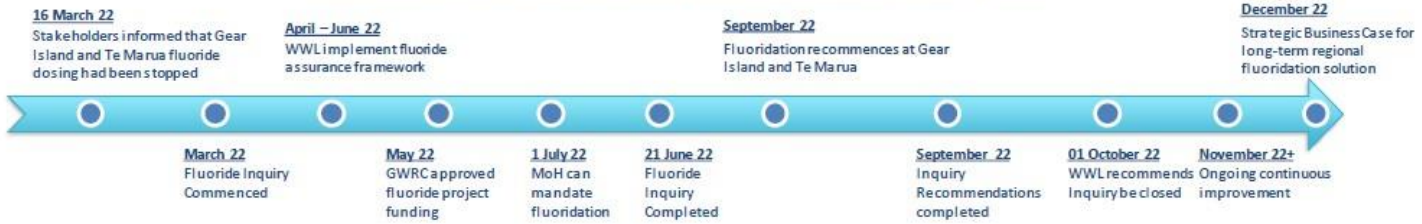
On 16 March 2022 Wellington Water publicly announced that the level of fluoridation had been low and inconsistent for many years in the drinking water across the metropolitan area of Wellington and that the facilities at Te Mārua and Gear Island Water Treatment plants had been turned off in May and November 2021.

As a result, the Board initiated this independent inquiry into the events that resulted in Wellington Water ceasing to fluoridate drinking water at these two plants, and in its management failing to inform the Board, the Wellington Water Committee and shareholding councils, and the public of this accurately and promptly.

Below is a summary of the actions and recommendations:

Wellington Water will recommence fluoridation in September 2022

'I am assured that Wellington Water has firm plans in place to resume fluoridation safely and effectively' – Doug Martin



Actions already taken to implement the Fluoride Assurance Framework

'Taken together, the changes made under this new assurance framework should address the current gap in performance measurement and reporting that led to this "blind spot" in relation to fluoridation' – Doug Martin

- Amended key strategic documents (through a due governance process) to include the requirement to fluoridate in addition to providing safe and healthy water – these include the Statement of Intent, Annual Report, and quarterly reporting to councils.
- Engaged with Ministry of Health to ensure regulatory lessons captured.
- Adopted Fluoridation Code of Practice
- Classified fluoride plants as Very High Critical Assets
- Created a fluoridation notification framework within Wellington Water to cover Governance and Political impact.
- Fluoride website created for customers

Inquiry Recommendations – Actions and timings

'I recommend a small number of further actions to strengthen performance in relation to fluoridation' – Doug Martin

Recommendation	Action	Aug	Sep	Oct
1: Maintain a relentless focus on effective fluoridation in both the short and long term	Updates will be provided to every Board and Committee meeting during stage 1 (restoring fluoride as quickly as possible) and into stage 2 (long-term solution to best meet the new MoH standards) of the fluoride project.	→	→	→
	Development of a long-term comprehensive stakeholder/public communication plan that will be presented to the Board at their August meeting (this plan will build on the communication plan and activities already in place).	★		
	An assurance report provided by the Director Regulatory Service to the Board that the above plans and briefings are implemented and have maintained the focus on fluoridation in the short and long term.			★
2: Make sure the Board has the right collective experience and knowledge to govern effectively.#	On appointment of new director, the Board will update the October 2021 Board assessment against the Board Skills Matrix.		★	
3: Provide greater clarity of roles, responsibilities, and processes for managing fluoridation issues within Wellington Water	Continued implementation of the Fluoride Reporting and Assurance Framework.	→	→	→
	Promulgation of a formal policy for: • raising items of significance to the Senior Leadership Team; • bringing 3WDMC's attention to deviations from technical standards; and • whistle Blowing.			★
	Develop a directive that outlines the criteria and responsibilities for advising the Chief Executive of issues (this will also include other matters than just fluoride).			★
	Assurance from the General Manager Network Management Group through the Chief Executive that responsibilities, authorities and the interrelations of all personnel who manage fluoridation are documented and understood within Network Management Group and reflected in the performance management system			★
4: Improve the standard of asset management	Refreshing Wellington Water's current asset management improvement program.	→	→	→
	Briefing the Board of the plan to improve asset management systems.			★
5: Continue to strengthen the regulatory function	Appointment of a permanent Compliance Manager.	★		
	Reviewing the focus of the Risk and Assurance Team.	★		
	Provide the Board an assessment of: • the status of operational assurance activities; and • where resourcing could be best applied to give assurance to the Board, its shareholder councils, and the public.		★	

Wellington Water

Recommendation 2 to be completed by Wellington Water Board

→ Enduring Activity

★ Completion Date

Part 3: Value for Money reviews

Wellington Water

Review of the Alliance Charges Framework

As part of the Alliance agreement with Fulton Hogan a 3 yearly review of charges is required. The Alliance Leadership team agreed for an independent review of the charges to be undertaken to avoid any conflicts or bias from either party. The review found that:

Comparisons with other Alliance's show that the overhead and profit charges in Wellington Water's agreement are at the lower end of comparative charges for programmed or maintenance type alliances.

The outcome of this review is that the percentages included in the charges schedule of the agreement will remain the same for the next 3 years.

Part 4: Metrics

Wellington Water collects data and reports on a number of operational metrics through avenues such as the Statement of Intent and operational reporting through the COG and contractor and consultancy panels.

Due the timing of this report The annual metrics to be included in the Value for Money Framework are still being calculated. These will be reported in the next VFM report

The metrics reported on will be across the company, and they will represent a range of effectiveness and efficiency measures.

Part 5: Value for Money Stories

Wellington Water

Value for money stories provide a shorter-term view of value for money achievements. They can provide a non-monetary or non-measurement view on value for money.

Wellington Water will report anecdotal value for money stories and information about value for money aspects as well tracking the financial benefits and the number of opportunities identified.

The following slides show the examples of what has been achieved in the last period as ell as the cumulative numbers of stories per year and savings made by the consultants panel:

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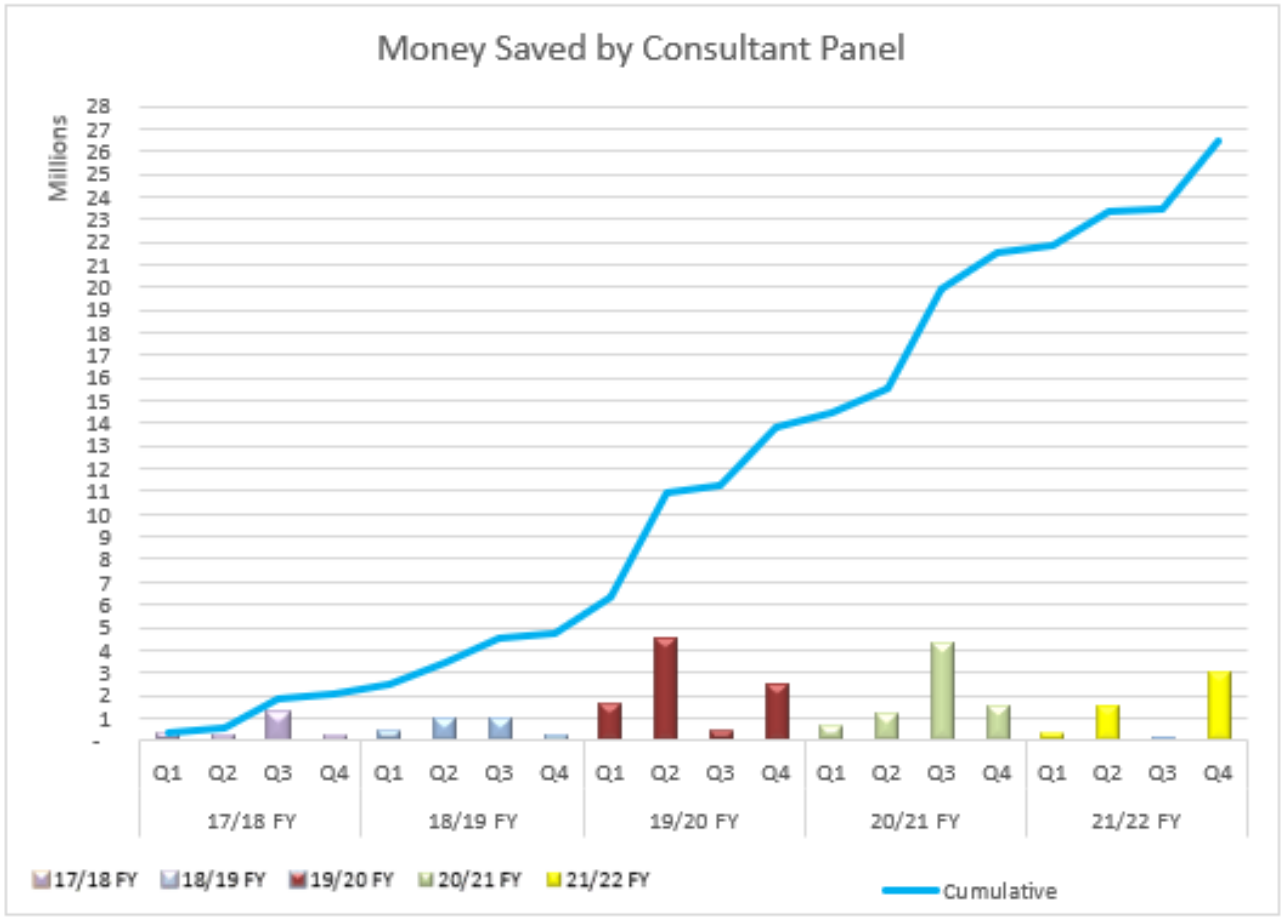
Part 5: Value for Money Stories



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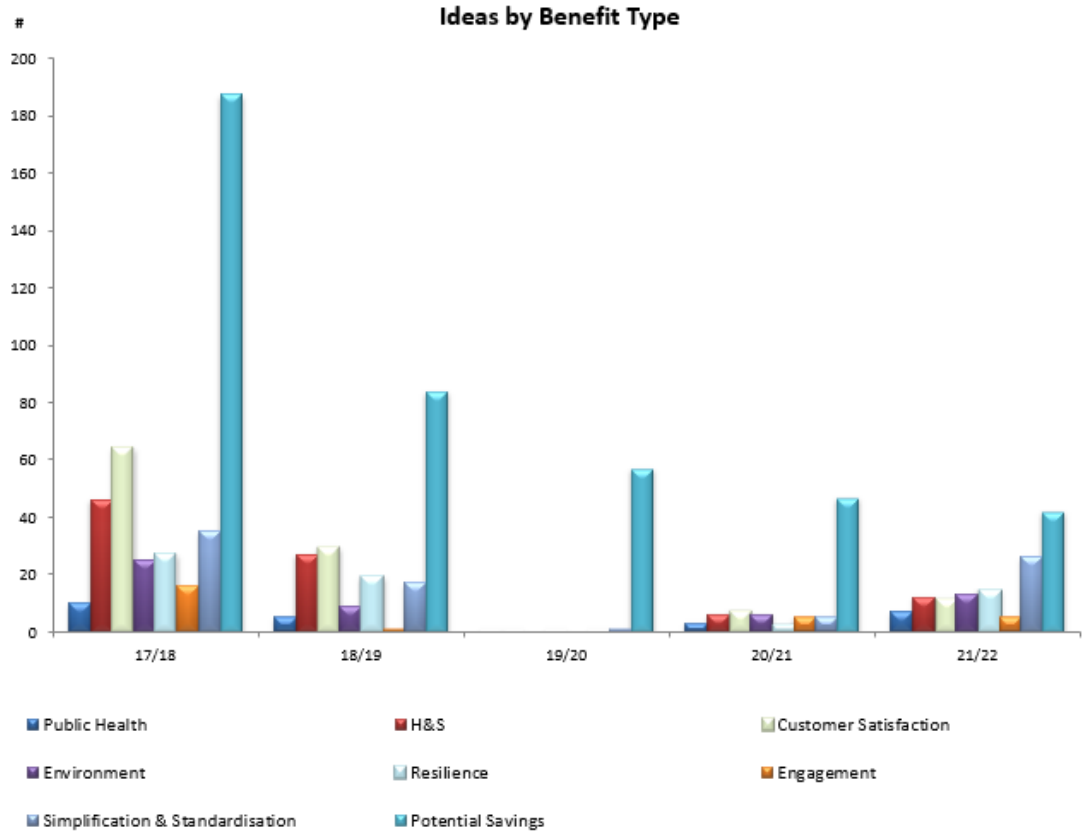
Part 5: Value for Money Stories

Wellington Water



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Value for money story 1

Wellington Water

ECS disposing at own landfill to save costs #730

Opportunity

PCC landfill cost used to be $9.80 per tonne but due to PCC no longer accepting clean fill it would have been counted as general fill for $160.00 per tonne and 19,913.4 tonnes were filled.

This relates to the PCC Central SW Upgrades.

Solution

ECS charged a variation for additional cartage to their own consented site in Mangaroa of $229,940.20. No environmental impact assessment was completed - this is something that could be considered if the site is used for future projects.

Key Facts

Beneficiaries	PCC
Status	In progress
Estimated savings	$2,761,852.48
Parties involved	GHD, ECS
Date	April 2022

Performance Indicator	Impacts
Public Health	
H&S performance	
Customer Satisfaction	
Environmental Performance	☑
Regional Economy & Resilience	☑
Culture & Engagement	
Simplification & Standardisation	☑
Financial Benefits	☑

Potential Benefits

- Estimated $2,761,852.48 would be saved.
- This rate change would have increased the cost of the project by an additional $2,990,992.68.

Estimated Costs

$229,940

Success Factor

- Seeking opportunities to reduce waste and expense
- Collaboration within the panel

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Value for money story 2

Wellington Water

Barbers Grove: PE100 vs CLS - #722

Opportunity

The Barber Grove (BG) Main Collecting Sewer Duplication team had a value for money workshop in September 2021 and found a number of potential savings.

CLS was the material chosen in the 2015 design, but we have identified a cost benefit in changing to PE100 without any impact on performance.

Potential Benefits

- H&S of workers: reduced lifting and handling, and no internal welds are required
- Lower material costs ($104k saving)
- Material is produced in NZ so shorter wait time for delivery

Solution

Not only is PE100 less expensive than CLS there are also several benefits: PE100 eases lifting and handling, does not require wrapping and has significant bending allowances, therefore the cost installation cost is likely to be lower than CLS. Reduced lead times as PE100 is produced within New Zealand. Reduced need for cathodic protection along the alignment. This has a value of ~$30k. No internal welds are required – a significant health and safety risk of CLS.

Key Facts

Beneficiaries	HCC/UHCC
Status	In progress
Estimated savings	$104,000 plus installation savings
Parties involved	Stantec
Date	Sep 2021

Performance Indicator	Impacts
H&S performance	☑
Regional Economy & Resilience	☑
Financial Benefits	☑

Estimated Costs

~$805/m for CLS – total of ~$937k

~$717/m for PE100 – total of ~$834k

Success Factor

- Choosing value for money construction materials, improving lead-times and eliminating major risks

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Value for money story 4

Wellington Water

Metlink Bus Breakdown on Middleton Rd, Glenside

Opportunity

HydroTech Traffic management crew was going to set up a site on Westchester Drive, Glenside. While doing so they came across a bus driver standing in a narrow lane trying to liaise vehicles on his own due to the bus breaking down on the live lane with no protection and nowhere to park safely. The bus driver reported that the rear tyre on the passenger side had somehow come off the bus and rolled across the opposite side of the road.

Solution

STMS Darcy, and the team decided to stop and turn around and do a stop/go to help the driver until the breakdown was resolved.

Traffic Management Coordinator Solomon notified Metlink of the breakdown and gave location of the bus.

The crew stayed with the bus to ensure that the public could use the road safely.

Key Facts

Beneficiaries	Community
Status	Completed
Estimated savings	NA
Parties involved	HydroTech
Date	December 2021

Performance Indicator	Impacts
Public Health	☑
Customer Satisfaction	☑
Health and Safety	☑

Potential Benefits

- Protected bus driver from an unsafe situation
- Enabled traffic to navigate around the obstacle of a broken-down bus
- Respecting the mana of the community and of the bus-driver.

Estimated Costs

N/A

Success Factor

- Training traffic management crew to adapt and respond to any type of situation whether it's planned or unplanned.
- Applying our Whanau and Mana values and expected behaviours with confidence, and displaying our commitment to safety in the communities we work in.
- Act on compassion and discretion to give a helping hand to everyone

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Value for money story 3

Wellington Water

Aligning Condition Assessment works with Operational works #N116

Opportunity

The Gear Island & Waterloo Wellfield project is undertaking condition assessments on the existing bores.

Talking with the operations teams there was an opportunity to also undertake some operational maintenance activities while the bores are shut down and set up for inspection.

Solution

The condition assessment is on three existing bores in the Gear Island wellfield and three in the Waterloo wellfield.

The operations team need to undertake flushing/cleaning of the bores as part of regular maintenance activities. It was decided to undertake these activities during one shutdown & set up for each bore.

Key Facts

Beneficiaries	GWRC
Status	In progress
Estimated savings	$75,000
Parties involved	Stantec, Griffiths Drilling, NMG
Date	March 2022

Performance Indicator	Impacts
Public Health	
H&S performance	
Customer Satisfaction	
Environmental Performance	
Regional Economy & Resilience	
Culture & Engagement	
Simplification & Standardisation	☑
Financial Benefits	☑

Potential Benefits

- Estimated saving of $12.5k for each bore, totalling $75k
- Simplification of operations - bores only need to be taken offline once.
- Undertaking the maintenance activities prior to doing the condition assessment will also improve the condition assessment results.

Estimated Costs

N/A

Success Factor

- Consideration of benefits of bringing in other work to the project to reduce future costs.

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Ngā mihi nui ki a koe-thank you

Our water, our future.