

Annual Report

For the year ending 30 June 2016



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Our organisation

Who we are

Wellington Water provides drinking water, stormwater and wastewater services to the Wellington region.

We are a shared-service, council-controlled organisation, owned jointly by the Hutt, Porirua, Upper Hutt and Wellington city councils and the Greater Wellington Regional Council.

On behalf of our client councils, we manage the three water networks (drinking water, stormwater and wastewater) and carry out service delivery.

We employ 174 staff (at 30 June 2016), managing expenditure of approximately \$140 million annually in the maintenance and development of water assets worth \$5.3 billion.

We are governed by a Board of Directors and are subject to oversight by a committee of representatives from our five-shareholding councils. Each client council owns its water assets and, taking our advice into account, consults with its community to decide on levels of service, policies and investment.

Our purpose and outcomes

We create excellence in regional water services for healthy communities

We work to achieve our three key outcomes of safe drinking water, respect for the environment and ensuring that our infrastructure networks are resilient now and in the future.

Safe Drinking Water

Water delivered to the taps of the region's houses and businesses that satisfies consumers and meets or exceeds our clients' expectations.

Respectful of the Environment

We are mindful of the impacts that our activities have on the environment. We work closely with stakeholders to ensure discharges into watercourses and the sea are carefully managed.

Resilient now and in the future

We know how costly and vital the infrastructure that we work on is, and how it can be impacted by external influences such as climate change. Our planning, design, consultation and delivery prioritise network and community resilience for day-to-day use, and in times of emergency, now and in the future.

Smart Investment and Value for Money

We recognise that customer and community engagement is key to delivering on our purpose. To help with that process, we've developed an approach we call Smart Investment.

Smart Investment is our number one value for money proposition for councils. It's about investing in the right place at the right time on the right parts of the three waters services. It takes into account councils' preferences and evidence-based decision making, driven by a robust performance framework. Smart investment helps set the scene for investing into the long-term.

We also aim to realise gains in the shorter term, through improved processes, systems, tools or practices. We've developed a framework for reporting these gains from these initiatives and look forward to reporting on these regularly through our website and our quarterly Three Waters Report and Outlook report.

Achieving tangible value for money is integral to how we operate. It's traceable, evidence-based value, and beyond simply managing fixed budgets.

Value for money isn't necessarily the cheapest option. Projects can cost more up front but deliver cost savings and environmental impact benefits into the long-term. For example, Porirua Wastewater Treatment Plant has made advances in thickening the sludge to reduce pressure on the landfill. This cost more upfront but delivered long-term savings.

Service delivery also forms part of the smart-investment/value for money equation. Our panel approach to purchasing consultancy services will deliver savings over time, through collaborative solution development, and reduce the time taken to procure services. Further work to explore value throughout our value chain is underway.

Collaboration is a core element to how we operate, which is why we've been keen supporters of the shared information technology service established among three of our five shareholding councils. The aim is to deliver Infrastructure and other IT solutions as a Service to a number of participating agencies to leverage combined economies of scope and scale, thereby driving down the cost of delivering ICT for local government.

A key benefit for us in joining this service is to bring all our predecessor organisations' systems onto one platform. This is important because improved data quality aids decision-making, which is directly related to resilience and business continuity planning.

Over the coming year, we'll be looking to ensure new councillors are up to speed with the issues facing three waters in their cities and the region. That should lead to better consultation and public understanding of where their rates money goes, and what outcomes to expect.

Regional and local

Our role is to ensure that the three water networks meet the levels of service each of our client councils have agreed with their communities in their long-term plans.

Councils keep track of their infrastructure and its performance and financial management through asset management plans. Currently, we maintain and update 14 individual asset management plans for the region's drinking water, stormwater and wastewater networks (Greater Wellington Regional Council does not maintain wastewater assets).

To help us and our clients and customers gain an overview of the status of the region's water assets, we've also completed our first regional asset management plan. This sets out projected improvement programmes and significant issues to be addressed for the three waters services.

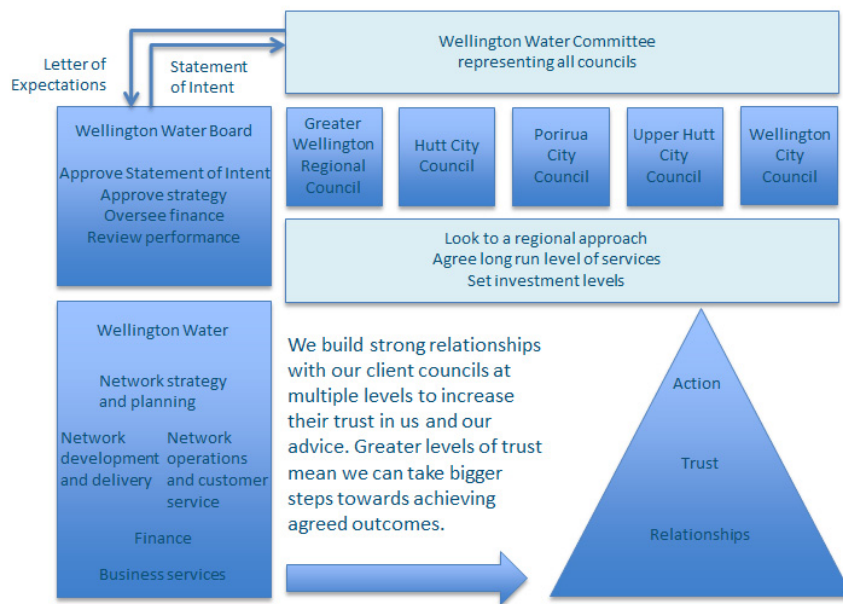
How we work

We work collaboratively with councils, stakeholders and the wider community

Trusted Advisors

We seek to be our client councils' trusted advisor, delivering shared outcomes with customers at the heart of everything we do.

Our trusted advisor model



Wellington Water provides a common link across all councils, managing their three waters expenditure

We are connected to all councils, and a joint committee of councillors, the Water Committee

Councils set their priorities and expectations of us through the letter of expectation and statement of intent

Council work programmes are funded separately, and all expenditure is tied to their assets and service levels – set in their long term plans.

The *Trusted Advisor Model* shows that the basis for effective action is a foundation of trust and strong relationships. Within this framework we provide trusted advice to help make meaningful decisions, which in turn leads to the achievement of agreed outcomes.

Wellington Water Committee

We're overseen by the Wellington Water Committee, which consists of one elected representative (councillor) from each of our five client councils. Chaired by David Bassett, the committee meets quarterly.

David Bassett, Chairman
Deputy Mayor Hutt City Council

Nick Leggett
Mayor, Porirua City Council

Wayne Guppy
Mayor, Upper Hutt City Council

Chris Laidlaw
Chair, Greater Wellington Regional Council

Iona Pannett
Councillor, Wellington City Council

As well as shareholder representation, the Committee provides regional oversight, guidance and direction-setting.

A key document in this process is the Letter of Expectations, an annual expression of shareholders' priorities for the Company. You can read the Letter of Expectations for the 2015/16 year on our website.

Board of Directors

A Board of Directors, chaired by John Strahl, governs us. The Board works with the Committee in company direction-setting to ensure legal compliance and undertakes performance monitoring.



From left: David Wright, Cynthia Brophy, John Strahl, Nicola Crauford, David Benham

We work at Wellington Water to make a difference

Senior Leadership Team

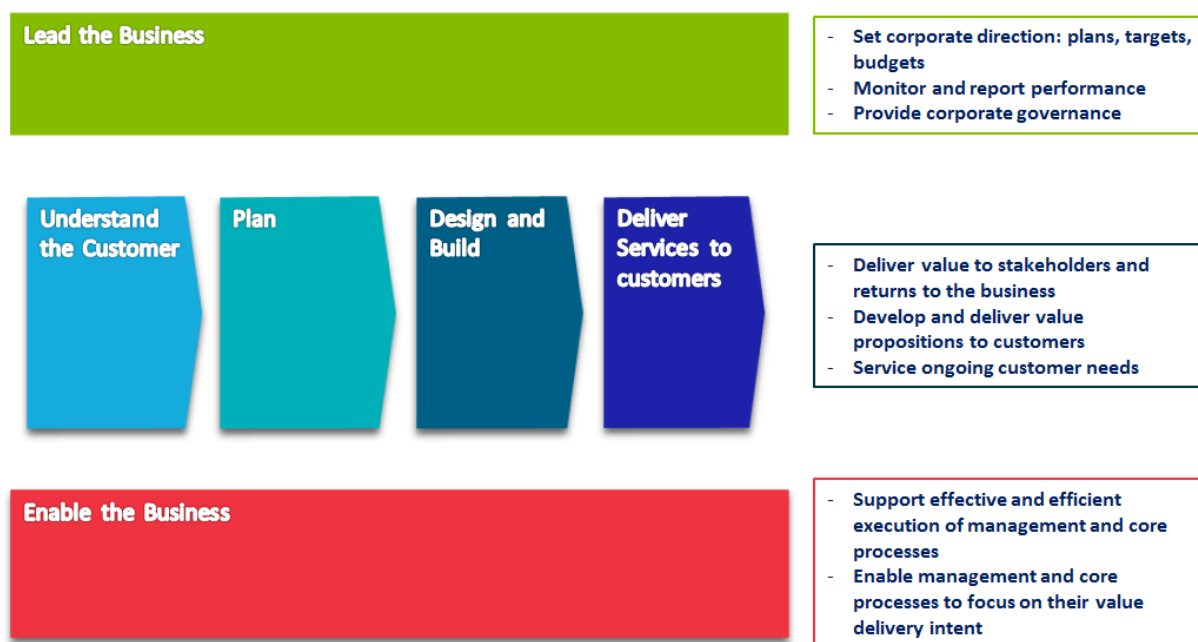
Our Senior Leadership Team comprises the general managers of the network strategy and planning, design and delivery, and customer operations teams, business services, finance and a principal advisor to the Chief Executive.



From left: Chris Mathews (Group Manager Business Services), Mark Kinvig (Group Manager Network Strategy and Planning), Colin Crampton (Chief Executive), Audrey Scheurich (Chief Financial Officer), Jetesh Bhula (Group Manager Development and Delivery), Gary O'Meara (Group Manager Network Strategy and Planning), Jo Bryan (Principal Advisor, Chief Executive's Office)

In taking a regional approach to Councils' asset management planning, we've organised ourselves into three network-focused teams, which are supported by the Finance and Procurement and Business Service teams.

Our value chain



Staff

We work in a lot of different disciplines, but have some important things in common. We value putting people first, sharing our knowledge and working together. We want our people to be happy, highly motivated and clear on how their role adds value to the Wellington region.

Building on our values, leadership and technical excellence will enable us to achieve our goal of becoming a high-performing organisation.

Over the past year, our leadership capability grew with a focus on adaptive leadership. A total of 72 staff members completed a leadership development programme, and all staff were invited to participate in a one-day leadership workshop. The benefits of this investment will be to develop the skills of our people to be authentic, empowered and to develop confidence when leading in complex and ambiguous situations.

We are further developing our technical capability in asset management and three waters management with the initiation of our technical centre of excellence. This started with talent conversations at senior levels and establishing succession and development plans for key technical staff to ensure that they continue to broaden their development.

We have effective working relationships with three unions, who combined represent 60 of our employees. Our staff engagement survey identified that we are communicating well (with a score 16% above the benchmark of 50%) but that we still have more work to do in some areas of engagement relating to sharing strategic direction.

This is to be expected in an organisation still undergoing change as we find our own rhythm and best ways of working.

Our annual turnover is tracking at between 7-8%, and we met our goal of keeping more than 95% of our key technical staff.

Health and Safety

We are committed to taking a cultural approach to protecting, promoting and improving the health, safety and well-being of all people working in our business.

Our health and safety representatives have completed Level 1 and 2 training and we've led Health and Safety Leadership Forums internally and with the sector, resulting in continued improvements within our industry.

We introduced a web-based application to help our staff and suppliers record incidents, near hits and site issues such as mis-recorded buried services, as well as examples of good practice and positive feedback. This has resulted in incident reporting rising by 110%.

Increased reporting has helped identify and support the case for change. For example, we've found that accidents and near misses increased at the end of the calendar year, with a 47% increase in reporting of accidents and near misses, as contractors were pushing to complete projects on time.

We're now working towards shifting to a three-year capital works programme, where rather than trying to achieve design and build in one year, design would be carried out in year one, approvals planning in year two and building in year three. This will also have value-for-money implications, as we are able to work with our suppliers to ensure smoother workflow as well as reduce time lost to injury.

We recognise that being open about opportunities to improve in health and safety, free from the fear of blame or reprisal, is a cultural shift for many. We'll continue to grow and embed our practice and awareness. One way we're doing this is by asking all staff to carry out observations and share experiences of health and safety practices at both work and home.

The staff engagement survey included questions on having sufficient training and knowledge to do jobs safely, being encouraged to offer ideas and suggestions on how to improve safety and the organisation's response to safety concerns. We achieved an overall score of 81% compared to a benchmark of 70%.

Relationships

We know that building strong relationships with our stakeholders is the key to keeping our communities informed, and being successful as a service provider.

Our primary relationships are with client councils and ratepayers. We're focused on being a trusted advisor to councils, which means that they know we're working alongside them and providing professional advice and guidance about their investment decisions. Our aim is to provide fit-for-purpose, consistent and consolidated guidance, which benefits all of our client councils.

In the past year, we've made steady progress towards becoming principal to three waters contracts. This means that we use one base contract document across the region supported by a regional design standard and regional technical specification. This standardisation has increased understanding, created efficiencies through streamlining processes and advanced certainty across our supply chain.

We continued working with our councils to standardise processes and approaches. For example, in 2015 we published the Regional Specification for Water Services. This document combines four individual local authority specifications into one regional specification. A Regional Tender Contract document for physical works was also introduced and the Regional Consultancy Panel established. This Panel serves as an overarching contract for the delivery of professional services across the five client councils over the next seven years.

The Regional Asset Management Plan and the Water Supply Resilience Levels of Service are other examples of this regional approach.

Suppliers and wider stakeholders

Innovation and value creation don't lie just within our organisation, so we encourage our suppliers to get involved in the way we do things and how to improve. We held quarterly meetings with our key contractors and consultants, and engaged extensively with consultants to create the regional consultancy panel. The design and implementation of the Regional Consultancy Panel was a collaborative process, involving our client councils and Board. Membership of the Panel was finalised in early 2016, and it became operative on 1 July 2016.

There are further opportunities to improve performance and deliver value for our clients and communities in working closely with our supply chain. This next stage is something that we embarked on as the financial year closed.

At the national level, water made headlines throughout the year with multiple agencies contributing to discussions on various aspects of water management, such as sustainability and freshwater management. We continue to engage with these groups, including Water New Zealand, the Department of Internal Affairs, the Local Government Commission, and Treasury, as national standards and governance mechanisms for water are being developed. New legislation affecting council controlled organisations for water is likely in late 2016 or early 2017, which underlines the importance of keeping involved and informed at this level.

Local Government New Zealand consulted with us in regards to their position paper called *Improving New Zealand's Water, Wastewater and Stormwater Sector*. The paper aims to better understand the state of three waters infrastructure, the challenges that lie ahead and options for delivering a best practice water infrastructure system.

We've prioritised relationship-building with the resource consent team at Greater Wellington Regional Council, with a focus on the need to renew key consents relating to wastewater discharges in 2020. Drinking and receiving water quality and safety performance is monitored through the regional council and Regional Public Health, and we manage a vast number of consents covering activity from water abstraction to working in streams. Compliance with consents is reported in our client council key performance indications – see from page 35.

A similar approach is in place with Regional Public Health, where we've applied our relationship management model to ensure that communications are fast and effective when there are health and safety issues related to water quality, such as wastewater discharges (caused by blockages or heavy rain). We also provide Regional Public Health with water safety plans. There are currently five of these plans, one for each council. Ideally, we'd like to work to amalgamating these into one regional plan, to ensure a consistent approach across the Wellington region.

At a local level, we want to be open to groups and people who are active in protecting the environment where they live. We developed and sent out a quarterly newsletter to help these "guardians" gain more insight into who we are and our work, and met with several groups to find out more about them.

You're at the heart of everything we do

We want to build a clear picture of what our end users value about our services, as this will aid us in our discussions with our client councils about the decisions they face on infrastructure spending.

Should councils invest more in stormwater management and flood prevention, or in renewing pipes to improve water quality outcomes? Should we focus on building more resilient water supply networks, or more reservoirs?

These are discussions that customers should be involved in, and are a crucial part of what we call Smart Investment – ensuring we invest funds in the right area, at the right time, and in the right order. Smart Investment is how we work to deliver value for clients and communities.

In the past year, we created a process to increase our knowledge of customers and find out more about their experience of water services and what they value. We didn't develop new customer-specific performance metrics as we said we would, having instead focused on addressing specific customer needs created by events such as intense rainstorms.

Existing customer service metrics such as drinking water quality, service response times and number of bursts per kilometre are reported in council performance indicators set in their long term plans. You can see how we performed in these areas in the Client council key performance indicators from page 35.

In the coming year, we'll grow our customer knowledge through increased and improved feedback, surveys, and establishing a Customer Panel. This work is essential to ensuring we're accountable to the people who pay for the services we deliver – our customers.

Community education

We've worked with our client councils to deliver a first draft of the community education strategy and started to build that approach into our work programmes. Into the 2016/17 year, our goal is to agree coordinated education programmes with the region's cities and to further refine the strategy and development of future work programme options.

Our regional water

The reliable and sustainable delivery of water services is essential to the Wellington economy

Regional water networks

Regional water networks

We look after almost 6,900 km of pipelines – equivalent to three times the distance from Wellington to Sydney



Regional water assets

We take a regional approach to providing three water services – drinking water, stormwater and wastewater.

Three waters asset replacement value	Population served	Connections
\$5.3 billion	395,500	144,000

Note: the number of connections is based on rating data. This figure in previous years was based on estimates

Water supply

Surface water catchments	Bulk water storage (untreated)	Water treatment plants	Pipelines	Pumping stations	Reservoirs
3	3,674 (excludes the public component of laterals)	4	2,379	88	139 (including bulk water storage)

Wastewater

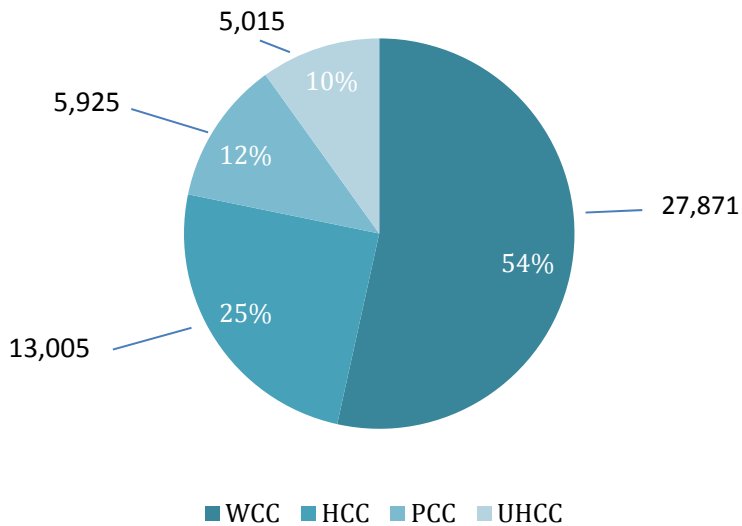
Wastewater treatment plants	Pipelines	Pumping stations
4	2,367	191

Stormwater

Retention dams	Pipelines	Pumping stations
7	1,639	21

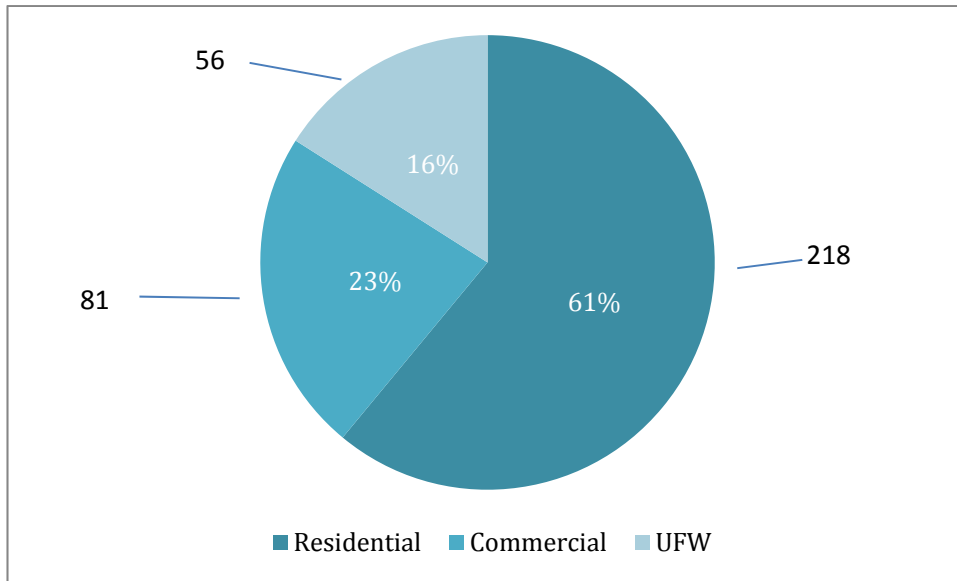
Regional water consumption

Total water supply by city, share and volume (millions of litres)



Note: totals do not add up to 100% due to rounding

Water use by type, regional average (litres per resident per day)



Note: UFW is Unaccounted-for Water. This includes leaks, firefighting, council use such as watering public parks and gardens and unauthorized use.

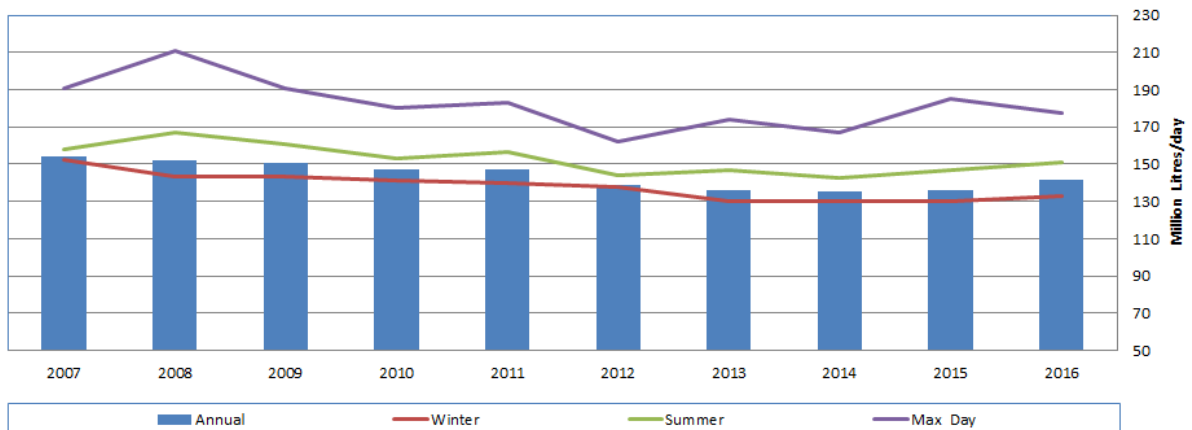
Drinking water

In the past year, metropolitan Wellington consumed 356 litres of water, per person, per day (L/p/day). This use covers all users – including industry. At home, we use around 215 litres a day each.

Collectively, the region’s cities used 51,816 million litres of treated water – an average of 142 million litres per day.

Regional per capita demand must remain below 374L/p/day in the long-term to put off the need for new bulk water growth projects. So over time, we’re looking for a decreasing consumption trend.

Daily Supply 10-year Trend (Year to 30 June)



Water supply capital expenditure by city (\$000)

Year to 30 June	2013	2014	2015	2016
Lower Hutt	\$1,885	\$2,604	\$3,036	\$3,590
Porirua	\$1,184	\$1,620	\$1,010	\$1,536
Upper Hutt	\$1,046	\$1,022	\$1,378	\$1,505
Wellington	\$12,170	\$10,983	\$13,265	\$14,926
TOTAL	\$16,285	\$16,229	\$18,689	\$21,557

Over the 2015/16 year we replaced or renewed 15,500 metres of water supply pipes in 109 separate projects for our city councils, and carried out an additional 27 bulk water supply projects.

Resilience

Water supply resilience has been a priority project for our teams. There are numerous projects underway and in the pipeline to improve drinking water service resilience.

A Wellington Fault movement earthquake is likely to have the greatest impact on the bulk water supply system compared with other events. Because of the long supply lines in the Wellington region, a large earthquake could interrupt water supplies for up to 100 days for some suburbs and as much as 70 days for Wellington's central business district.

Our client councils have agreed to long-term target levels of service that will see supply restored to 80% of households by 30 days. Over the coming year, we'll work with them to begin setting out the programme of work that will help us deliver that level of resilience needed for the region.

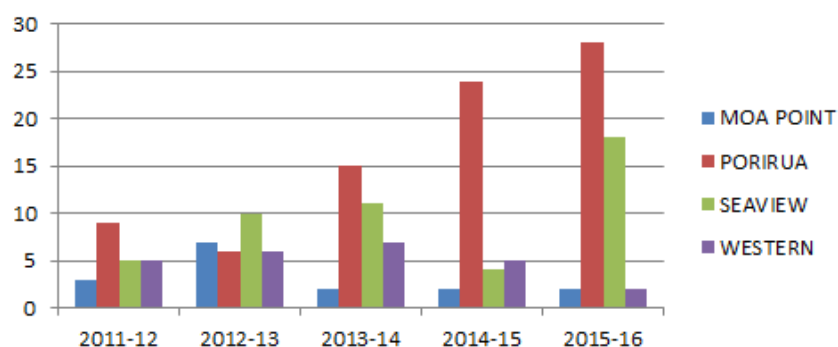
Wastewater

On a typical day, approximately 140 million litres of wastewater arrive for treatment at one of our four wastewater treatment plants. Moa Point (Wellington), Western (Karori), Seaview (Lower Hutt and Upper Hutt) and Porirua (north Wellington and Porirua).

The wastewater is treated using ultraviolet and biological processes, which is then discharged to the sea. The sludge, resulting from filtration and treatment, is de-watered and then the solid content is trucked to landfills.

Each of the wastewater treatment plants operates under its own resource consent, which permits the discharge of treated wastewater to the sea. Occasionally after heavy rain, the treatment plants are overloaded with excess stormwater and untreated wastewater is discharged. The graph below shows the number of these discharge events per treatment plant.

Discharge events from wastewater treatment plants (year to 30 June)



Wastewater supply capital expenditure by city (\$000)

Year to 30 June	2013	2014	2015	2016
Lower Hutt	\$5,335	\$4,514	\$4,779	\$3,858
Porirua	\$3,440	\$3,459	\$2,940	\$5,251
Upper Hutt	\$1,704	\$1,142	\$2,790	\$2,404
Wellington	\$6,883	\$7,923	\$7,959	\$10,855
TOTAL	\$17,362	\$17,038	\$18,468	\$22,368

Pipeline renewals totalled 7,609 metres in the wastewater sector, and we completed 113 projects for the four city councils in the 2015/16 year.

This past year we've made good progress in sludge processing at the Porirua Wastewater Treatment Plant.

Improved processes and equipment upgrades resulted in a much drier residual product, that meant a 12% drop in the amount of sludge waste going to the Spicer Landfill. From 1 July 2015 to 30 June 2016, we sent 6,974 tonnes of sludge to the landfill, 863 tonnes less than the 7,837 tonnes sent the previous year. This helps with general waste management because the proportion of sludge to general landfill materials improves. It also led to a \$130,000 saving in landfill fees alone.

A clarifier upgrade and refurbished pumps and pipework have also improved performance at the plant.

Stormwater

City stormwater networks include both natural water courses and the built drains, sumps, pipes and pump stations that help channel rainwater off our streets and away from buildings, with the aim of flooding prevention.

Stormwater capital expenditure by city (\$000)

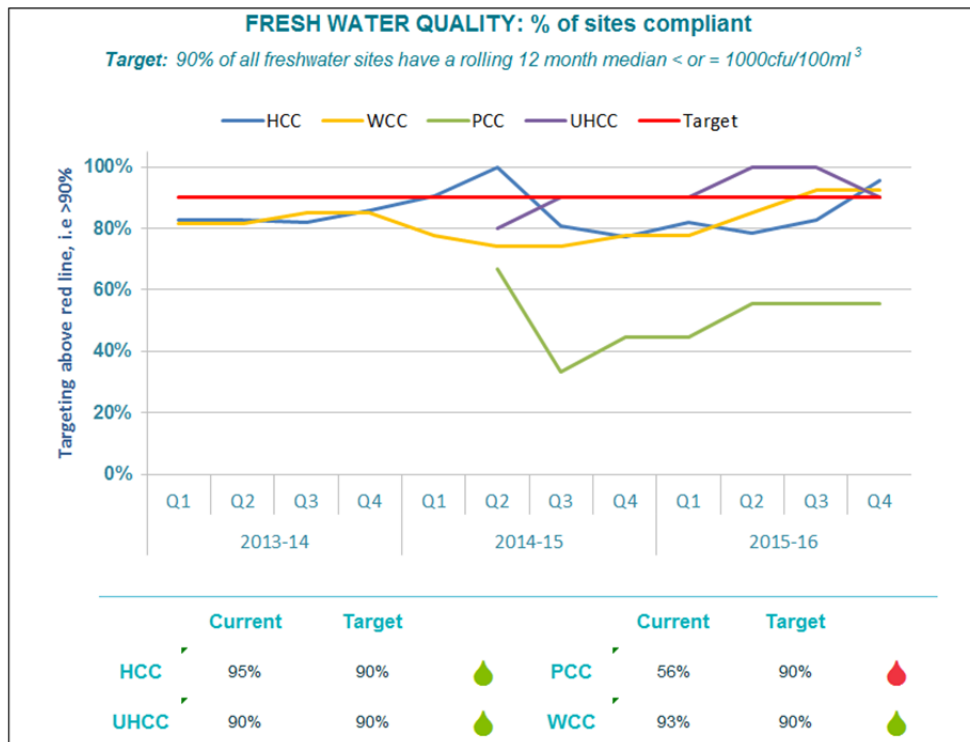
Year to 30 June	2013	2014	2015	2016
Lower Hutt	\$2,566	\$1,012	\$1,327	\$2,706
Porirua	\$647	\$921	\$668	\$573
Upper Hutt	\$733	\$751	\$75	\$1,002
Wellington	\$2,564	\$4,193	\$4,821	\$4,867
TOTAL	\$6,510	\$6,877	\$6,891	\$9,148

Stormwater renewals and upgrades saw 1,240 metres of new pipe put in the ground. We carried out 49 stormwater projects across the metropolitan Wellington region.

We've had another challenging year as intense rainfall events led to more, and in some cases repeated, flooding events. We've worked with over 50 households and properties to investigate the causes of flooding at their property, and what can be done about it. This process can be frustrating

for residents as investigations must consider topography, rainfall and network capacity before any decisions can be made. We work with customers in identifying medium and long-term solutions to specific customer problems and follow through until closure. The important thing is not to rush to a solution or we risk creating an even larger problem somewhere else.

Stormwater run-off continues to present a challenge to preserve water quality. This is because stormwater is untreated before it enters streams, rivers and the sea. As rainfall runs off roads and roofs it picks up sediment, petrochemicals and metals like zinc, copper or lead and carries them through the stormwater network to the nearest stream or beach. To address this, we've implemented our first Integrated Catchment Management Plan (ICMP) at Wellington City Council.



This graph shows the percentage of testing sites that comply with the Ministry of Environment's water quality standards. The latest results, for the 12 months to 30 June 2016, are shown at the bottom of the graph.

Integrated Catchment Management Plan

An integrated catchment management plan is an approach for managing fresh and coastal water and ecosystems. The goal is improved water quality, through a holistic approach to managing all of the inputs within a given catchment. We're making plans for eight stormwater catchments across Wellington City over a five-year period. They'll provide guidance to developers, the regional council, and Wellington City Council staff in sustainably managing stormwater related resources.

A mix of source control and treatment will be used to help reduce the amount of contaminants in estuaries. Source control means reducing contaminants at their source (such as the use of zinc reduced building products) and treatment involves removing contaminants from stormwater run-off areas like roads, where contaminants build up as a result of natural use.

Whaitua Committees

The Māori word whaitua means a designated space. Whaitua Committees are community advisory groups that include representatives from Greater Wellington Regional Council's Te Upoko Taiao – Natural Resource Committee, iwi and local authorities and people from the community who have an interest in land and water management issues.

On a larger catchment scale, we're supporting the Greater Wellington Regional Council Whaitua (catchment) committee initiative. They are a mechanism to enlist the support and engagement of local people in identifying local values for water, and making recommendations on how they will be protected.

This year we assisted Te Awarua-o-Porirua Whaitua Committee to gain insight into the condition of the three waters in the catchment, the complexity of their management and the implications of setting limits for water quantity and water quality. Water quality is affected by sediment, microbiological and heavy metal contaminants such as lead, zinc and copper.

Wellington Water's core project team members have collaborated with committee members, Ngāti Toa Rangatira and staff from Greater Wellington Regional Council, Porirua City Council and Wellington City Council to develop scenarios to achieve water quality limits and through modelling to identify the implications of those limits. This process has involved extensive engagement with the community.

In 2016/17 we will continue to support Te Awarua-o-Porirua Whaitua as it completes the modelling and produces a Whaitua Implementation Programme, which will set out the committee's recommendations to Greater Wellington Regional Council on a prioritised programme of action to help the community manage their land and water resources for the future.

This will inform the development of a whaitua specific chapter in the Natural Resources Plan for the Wellington region. We will assist the Greater Wellington Regional Council to establish a whaitua committee for the Wellington Harbour and Hutt Valley catchment and support its commencement in July 2017.

Our performance

We measure:

1. Company Performance, which covers our strategic priorities, people (including Health & Safety), finances, delivery of our council work programme and progress on our customer work.
2. Three Waters Outcomes – Safe Drinking Water, Respectful of the Environment and Resilient now and in the future.
3. Detailed Key Performance Indicators (per our outcomes above), which include council specific results.

This section introduces these three measurement areas and includes an activity overview.

Our financial performance is covered in the Finance Statements.

Company performance measures

Of the three performance statements, the Company Performance Measures (see from page 22) provides insight into our performance for the year. It contains the organisational goals we've set ourselves to help us improve.

The company continues to develop on a number of fronts and is positioned well in light of potential changes to the Local Government Act amendments, which encourage a shift (across all water business businesses in the country) to a business model that is similar to our own. We have established the basis of our regional mindset and collaborative culture in becoming Wellington Water.

In terms of our people, we've achieved an overall engagement score of 56% (against an international benchmark of 60%). With the roll out of a leadership programme we're seeing more leader-led conversations. We have lifted our game on health and safety by focusing on our culture, which is reflected in increased incident reporting (up 110%). We have boosted our capability through the introduction of a Regional Consultancy Panel, established the Information Directorate capability that we promised to our client councils and have refined our finance capability.

We made a surplus and exceeded our savings target of 1% on the council work programme (2.2%) but need to improve the timeliness of our works programme delivery (we fell 10% short of our 95% target of agreed projects completed in any given year). Next year we will shift from an annual programme to a rolling three-year programme. We also have our Value for Money Committee in place, with supporting systems to track and monitor ideas as they turn into reality.

We made good progress building on our trusted advisor relationships with councils and with stakeholders on key projects such as water supply resilience, the Regional Asset Management Plan and engaging with iwi over the Whaitua process and a catchment management approach.

As we move into the new year, we will implement our customer value proposition, increase our knowledge about the customer and (amongst other things) implement a customer panel.

Outcome (customer) performance measures

Our company performance is directed towards the effective delivery of the three customer facing outcomes: Safe drinking water, Respectful of the environment, and Resilient now and in the future.

We have performed well (largely meeting or exceeding targets) when providing our safe drinking water outcome.

We need to work with client councils more to support investment in stormwater and wastewater networks so we can be more respectful of the environment and provide resilient services. We had some flooding challenges throughout the year and a few non-consented discharge events, wastewater overflows and one infringement notice relating to compliance with resource consents. We have learnt from these events and are making changes to avoid them happening again.

We also have some improvements to make to Porirua City Council's and Wellington City Council's customer satisfaction with wastewater and stormwater services. Some council's cost per connections for stormwater and wastewater have moved beyond their target.

The 2015/16 summer was a good one for beach users in the Wellington region, with only a few reports of quality issues. However, our freshwater quality monitoring samples are still not meeting performance targets for Porirua City Council. Investigations into finding faults in the public and private networks are continuing as well as ongoing upgrade works under way at the Porirua Wastewater Treatment Plant.

We reported on performance trends in each of these outcome areas and what we described as strategic goals under each area in our quarterly Three Waters Report and Outlook, which are available on our website. The annual results are reported from page 31.

Client council key performance measures

The key performance indicators that underlie each of our strategic goals are derived from council long-term plans. These indicators are reported on from page 35.

Finance

The 2015/16 year was the first full year as Wellington Water. This brought some challenges in terms of consolidating the budget from the previous year and from previous organisations, and bringing it together into one company.

Despite this, we made a surplus before tax for the year of \$604,000 compared to a budget of \$159,000. This was achieved through deliberate savings initiatives for various items, delays in IT infrastructure transition costs, and the timing of recruitment of staff.

Also during this year we have started to review our financial processes and funding models with a view to creating a more efficient way of working across our five client councils.




The financial statements and notes are available from page 57.

The governance report is available from page 47.

Company performance measures


Table: Company performance measures

Wellington Water Company Performance Indicators 2015/16 – 2017/18

Performance objective	Performance measure and target	A/NA  	2015/16 result
Strategic priorities			
<p>At Wellington Water we plan, operate and improve our business to deliver our strategic priorities which are to:</p> <ul style="list-style-type: none"> - become Wellington Water (as a result of our recent re-organisation) - develop and implement an Information Directorate - reliably deliver our capital programme - deliver value for money to our client councils 	<p>We complete our strategic priority milestones on time over the next three years, as monitored by the company’s Senior Leadership Team on a quarterly basis.</p> <p>Become Wellington Water targets:</p> <ul style="list-style-type: none"> - Empowering people - Revisit governance to ensure staff views and ideas are coming forward - Reviewing the existing people plan - Regional mindset - Where ever possible we take a regional approach to what we do. 	<p></p>	<p>We delivered on all our strategic priorities for 2015/16.</p> <p>Become Wellington Water</p> <p>This priority relates to our recent establishment from multiple organisations, and addresses the shift required to work together as a team with a new, regional focus. This year we looked to establish and embed key building blocks in support of our collaborative culture, and our regional mindset, through the following milestones.</p> <p>To help empower staff and build on the development of a regional mindset, we introduced the concept of a broader leadership team, where all leaders meet on a monthly basis. Meeting discussion topics are becoming increasingly culturally based, and offer opportunities for leaders to share challenges they and their staff are having in acting and thinking regionally. During the 2015/16 year we held 12 meetings, covering topics including remuneration, communications, our drug and alcohol policy, leadership and customer stories.</p> <p>We completed the first year of a tailored leadership programme which focused on developing the adaptive skills of our staff. Seven peer groups were formed and completed the programme including:</p> <ul style="list-style-type: none"> • One-on-one and group introductory sessions • Two full day workshops

		<ul style="list-style-type: none"> • Six two-hour peer learning group meetings • One ½ day final learning review session <p>Eighty coaching sessions were also offered to participants. The senior leadership team monitored the programme and approved its 2016/17 structure, including creating a new peer group.</p> <p>Our people policies and performance management system was refreshed and we negotiated two (three-year term) Collective Employment Agreements. Further work on the workforce plan was paused while we re-evaluate our business model. When we set up the company we put in place a moratorium on insourcing / outsourcing for 18 months. Work on the workforce plan has recommenced because business model change is likely. The workforce plan relates to ensuring the optimal mix of capability and capacity within our staff to meet the dynamic needs of our organisation.</p> <p>Other key milestones achieved in building the regional mindset were to ensure all affected staff completed results sheet that contained measures for transition planning; and to complete our recruitment of the chief advisor team. Establishing this team, and the three waters decision-making committee they sit on, was key to ensuring that plans and actions we're taking take a regional view, and build our technical leadership.</p> <p>We also set and achieved a goal to provide health and safety leadership in our sector in the region. This we did through establishing a staff Health and Safety committee, and a Health and Safety leadership forum, made up of our suppliers and us. Both groups are chaired by the CE, and have the aim of addressing the underlying mindsets of our people and those we work with to improve personal safety.</p>
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<p>Information Directorate targets Develop a three year strategy & tactical plan</p> <p>Our structure reflects the work in the Information Directorate</p> <p>Capital programme delivery targets Develop "fast track" investigation and design programme</p> <p>Work with Councils towards improved budget and programme control</p> <p>Value for money targets We have a value for money framework embedded in the way we work</p> <p>We have a value for money culture and it permeates all activities</p>	<p>Information Directorate</p> <p>The Information Directorate established a strategy and a three-year tactical roadmap, and re-shaped itself to meet the needs of the business and its strategy.</p> <p>The roadmap includes investment until 2020 in processes, systems and people to improve data and information capability. This is a key enabler for strategic asset management, and will drive standardisation and opportunities for efficiency across the business.</p> <p>The team has put in place a company-wide document repository, with projects in place to develop a Data Warehousing solution during 2016/17 and standardise processes for key activities. This will result in significant efficiencies in information search times and facilitate opportunities for detailed data analysis.</p> <p>Capital programme</p> <p>We have established a fast track project team, which holds regular meetings. By year end, the 2016/17 capital programmes were well advanced compared with the previous year. Over 10% of the 2016/17 annual programme was tendered by the end of the first month.</p> <p>During the year we started to review our financial processes and funding models with a view to creating a more efficient way of working across our five client councils. Good progress has been made on how we partner with our client councils to manage their operating and capital works programs within budget.</p> <p>Value for money</p> <p>We developed a value register and nearly 50 staff contributed 108 ideas, 12 of which were independently assessed for value gain.</p> <p>Our focus for value for money was on our operating expenditure. We identified \$3.8m of savings of which \$2.4m was reinvested in regional initiatives, leaving a net savings target of \$1.5m.</p>
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	We will aim to achieve 1% savings on the council work programme to June 2016.		We exceeded this target, making savings of \$2.2m, and this was returned to the councils. ¹
Regional initiatives			
Our regional initiatives track to plan as agreed with councils	<p>We complete our regional initiatives on time.</p> <p>Our regional initiative targets: Complete the first draft of a regional asset management plan and identify improvements for the second draft. Embed the 12 strategic goals into company processes.</p> <p>Our seismic resilience targets: Establish a baseline of network knowledge to derive levels of service and cost modelling to enable engagement with Councils on future investment options</p> <p>Our catchment approach target: Work with Porirua Whaitua Committee as Trusted Advisor to ensure alignment between water</p>		<p>The first Regional Asset Management Plan has been completed within the 2015/16 year. The strategic (service) goals underlying our outcomes are reported on quarterly to our clients.</p> <p>We have progressed our water supply resilience work. A strategic case was approved and a programme business case is well advanced. The highlight was agreeing the levels of service for a post-earthquake water supply network.</p> <p>We continue to support the Porirua whaitua process as it gathers the information it needs to contribute to setting water quality measures.</p>

¹ Independently assessed i.e. not audited by Audit NZ

	<p>quality limits and infrastructure and operational requirements</p> <p>Our Community education targets: Produce Community Education Report for three-waters across the region</p>		<p>We have consulted with client councils and developed a community education strategy and approach for improving education within the community. Next year we will begin to implement the key elements.</p>
People			
<p>At Wellington Water our staff are happy and highly motivated and they can see the value their role adds to the Wellington region</p>	<p>We have engaged staff that enjoy coming to work, go the extra mile and support each other (This will form part of the workforce plan, draft due 31/12/2016)</p>	<p>✓</p>	<p>The first engagement survey was undertaken in October 2015, for us to benchmark and measure how we are doing, and where to focus our future attention. The result was favourable considering the amount of change within the company.</p> <p>Overall engagement of Wellington Water staff was 4% behind an international benchmark (which was 60%). This was found to be due in part to concern about the future and visibility of leadership. We have developed actions to address both these points, which are currently being carried out.</p> <p>Our strength rests on the valued depth of knowledge and expertise that we have. Our top engagement strengths were communication (16% above the benchmark of 50%) and Safety Environment (11% above the benchmark of 70%). These area scores are excellent and we are seeking to strengthen them even further.</p> <p>Our all staff meetings have been focused on achieving shared understanding about our direction, reflective of our values of openness and transparency. Other strong internal communications include key messages, greetings, newsletters and meetings.</p> <p>We're proud of our company and attracting the best people to work with us. Our recent recruitment video highlights this from an employee perspective.</p>

We want to attract and retain the best people	60% of technical centre of excellence members have succession plans in place	●	This target was too ambitious for the company and was not met. We have established succession plans for our senior technical manager positions and will look to carry on this work in the next financial year.
	Less than 5% of high performing staff leave the company in any given year	✓	Our annual turnover is tracking at between 7-8%. None of the staff who left in 2015/16 were identified as key technical staff.
Health and safety			
We protect, promote and improve health and safety and wellbeing for all our people	All Wellington Water health and safety representatives that are appointed by the company receive the minimum training, to level 2 within one year and to level 4 within two years	✓	Wellington Water Health and safety representatives completed level one and two training as planned for the 2015/16 year.
	We see evidence (in the form of at least a 50% increase by year end) in the reporting of 'near hit' incidents over 'all workers' category by end 2015/16. This increased trend would then continue in out-years.	✓	For the last the two months of the 2015/16 year, we achieved an average of 21 near hit incidents reported per month. This compares to an average of 10 reports per month at the end of the previous year. Over the entire 2015/16 year, the average was 13 near hit incident reports per month; the introduction of a web-based incident reporting tool in April 2016, saw incident reporting rise dramatically.
	The top four sector wide risks are mitigated through minimum standards (agreed with the industry) and are implemented by the company in 2015/16	●	The top four risks were identified as: <ul style="list-style-type: none"> • Personal Protective Equipment usage • Trenching safety • Drug and Alcohol Testing • Underground Service Strikes <p>We did not complete standards on Personal Protective Equipment usage and Underground Service Strikes, although work on both was well advanced by the end of the year and we expect both to be signed off early in 2016/17.</p>




			<p>The Drug and Alcohol policy was endorsed on 5 August 2016, and the trenching policy came into effect early in 2015.</p> <p>Of these four standards, Underground Service Strikes has been the most difficult to achieve. The underlying cause of this has been the variable standard of existing records available from utility operators.</p> <p>To improve this, Wellington Water is facilitating a communication process to standardise information received and will continue to work with our contractors in identifying ways to better manage the risk to their people.</p>
	Our staff feel (and are) safe and healthy at work, at all times.		<p>The staff engagement survey carried out during the 2015/16 year included questions on whether staff felt:</p> <ul style="list-style-type: none"> • They had sufficient training and knowledge to do their job safely • They were encouraged to offer ideas and suggestions on how to improve safety • The organisation responded appropriately to safety concerns <p>We achieved an overall score of 81% compared to a benchmark level of 70%. We will look to improve on this score even further next year.</p>
Company financials			
We will ensure prudent financial management	We manage our finances within budget		<p>The 2015/16 year was the first full year as Wellington Water. This brought some challenges in terms of consolidating the budget from the previous year and from previous organisations, and bringing it together into one company.</p> <p>Despite this we made a surplus before tax for the year of \$604,000 compared to a budget of \$159,000. This was achieved through deliberate savings initiatives for various items, delays in IT infrastructure transition costs, and the timing of recruitment of staff.</p>

Council work programmes			
<p>We provide quality and cost effective asset management advice to client councils about how to manage their three waters assets</p>	<p>Wellington Water takes a whole-life cost approach to managing assets to achieve agreed levels of service (tested through a sample of completed projects driven through the Asset Management Plans)</p>		<p>We take a whole-of-life cost approach in managing the three waters assets, which we carry out through asset management plans for our councils. There are 14 individual asset management plans in total, plus our overriding asset management plan. All plans were reflective of a whole life cost for projects where whole of life assessments could be applied.</p> <p>We tested this measure through two projects which took a whole of life approach – the Mysore Street Sewer pipe renewal and the Huntingdon Street water pumping station.</p> <p>The majority of planned stormwater and potable water pipeline renewals do not warrant whole of life cost assessment, as these usually have a well-defined route, service life, and minimal difference in operational requirements when comparing different replacement options. Our wastewater pipeline renewals also consider whole of life cost in deciding whether or not to renew them based on the cost of repair versus renewal.</p> <p>The Hunter Street stormwater project was a notable exception, where different options had varying operational requirements. Whole of life cost was assessed in this case.</p> <p>Typically, pumping stations and similar projects are where operational costs have the most potential to impact whole of life costs.</p>
<p>We provide high quality services, do what we say we will do and learn from our experiences</p>	<p>Post completion evaluations to ensure we delivered what we said we would deliver (5% sample size)</p>		<p>About 10% of projects across the three waters capital programme have been internally assessed to ensure they met the requirements of the original project briefs.</p>
	<p>95% of all agreed projects from client council asset management plans are completed in any given year.</p>		<p>This target was not achieved as only 85% of our programmed projects have been delivered this year, with 5% partially completed.</p>

Customer			
<p>We place customers (end users) at the heart of everything we do and deliver them brilliant service</p>	<p>We'll develop a customer strategy and a set of customer specific performance metrics (Draft strategy due 30/09/2015)</p>	<p>✓</p>	<p>The customer strategy, now termed a customer value proposition, was completed, with the target re- set on establishing a customer panel and engaging the staff in telling great customer stories. Customer stories are shared through newsletters and staff meetings, and the customer panel will be established in the first half of 2016/17.</p>

Our outcomes

Table: Our outcomes and key performance indicators

Outcome	Key performance indicators	Actual results	Targets (2015-18)										
Safe drinking water – water delivered to the taps of the region’s houses and businesses that satisfies consumers and meets or exceeds our clients’ expectations	Compliance with part four and part 5 of the Drinking Water Standards ²	2012/13: 100% 2013/14: 100% 2014/15: 100%* 2015/16: 100%*+ *Note: All grading zones achieved E.Coli compliance +We’ve received provisional confirmation from Regional Public Health that we achieved protozoal compliance. Formal confirmation is due by end September 2016	100% 										
	Maintain water supply grading from the Ministry of Health	2012/13: Achieved 2013/14: Achieved 2014/15: Achieved* 2015/16: Achieved* *Note that revision of the Drinking-water Grading Framework has yet to be implemented by RPH so Laings Road Bore is still ungraded	Achieved 										
Respectful of the environment – we are mindful of the impacts that our activities have on the environment. We work closely with stakeholders to ensure discharges into watercourses	Percentage of days during the bathing season (from 1 November to 31 March) that the monitored beaches are suitable for recreational use ³	<i>New indicator from 2015/16</i> <table border="1"> <thead> <tr> <th></th> <th>WCC</th> <th>UHCC</th> <th>PCC</th> <th>HCC</th> </tr> </thead> <tbody> <tr> <td>2015/16</td> <td>100%</td> <td>N/A</td> <td>99.8%</td> <td>100%</td> </tr> </tbody> </table>		WCC	UHCC	PCC	HCC	2015/16	100%	N/A	99.8%	100%	Each monitored beach is open 90% of the days during the bathing season (increasing trend) 
	WCC	UHCC	PCC	HCC									
2015/16	100%	N/A	99.8%	100%									

² <http://www.health.govt.nz/publication/drinking-water-standards-new-zealand-2005-revised-2008>




³ <http://www.gw.govt.nz/is-it-safe-to-swim/> The bathing season is decided by the GWRC and Regional Public Health (RPH)

Outcome	Key performance indicators	Actual results					Targets (2015-18)		
and the sea are carefully managed	Percentage of freshwater sites that have a rolling 12 month median value for E.coli that do not exceed 1000cfu/100ml ⁴	<i>New indicator for all city councils from 2015/16</i>					●	90% of all freshwater sites (increasing trend)	
		WCC	UHCC	PCC	HCC				
		2012/13	89%	N/A	N/A	N/A			
		2013/14	85%	N/A	N/A	N/A			
		2014/15	74%	N/A	N/A	86%			
		2015/16	93%	90%	56%	95%			
	Non-consented discharge events from treatment plants	<i>New indicator from 2015/16</i>					●	Zero	
		WCC	UHCC	PCC	HCC				
		2015/16	1	N/A	2	0			
	Overflows from the network per council	<i>New indicator from 2015/16</i>						Decreasing trend	
		WCC	UHCC	PCC	HCC				
		2015/16 ⁺	51	0	40	11			
		*Exclude treatment plant overflows							
	All activities across the three waters comply with all resource consent requirements, measured by infringement, abatement notices, enforcement orders or convictions from our activities	2013/14: One abatement notice (PCC) and two infringement notices (PCC) 2014/15: One infringement notice (HCC) 2015/16: One infringement notice (WCC)					●	Zero	
Resilient now and in the future – we know how costly and vital the infrastructure is that we work on and	Availability of three waters network to customers per council		WCC	UHCC	PCC	HCC			
	Water reticulation	2012/13	1.29	2.20	4.40	2.74	✓	Fewer than 4	

⁴ Reference the Ministry for the Environment and Ministry of Health Guidance 2003

Outcome	Key performance indicators	Actual results					Targets (2015-18)	
how it can be impacted by external influences such as climate change. Our planning, design, consultation and delivery prioritise network and community resilience for day to day use, and in times of emergency, now and in the future.		2013/14	1.16	1.63	1.55	1.87		unplanned supply cuts per 1000 connections
		2014/15	1.22	1.38	1.55	2.19		
		2015/16	1.20	2.61	0.64	2.46		
	Wastewater	2012/13	0.46	0.49	N/A	0.74		Fewer than 1.2 wastewater reticulation incidents per km of pipeline
		2013/14	0.50	0.54	0.81	0.68	✓	
		2014/15	0.48	0.50	0.89	0.64		
		2015/16	0.57	0.29	0.38	0.71		
	Stormwater	2012/13	0.05	0.03	N/A	0.09		Fewer than 0.5 stormwater pipeline blockages per km of pipeline
		2013/14	0.06	0.06	0.27	0.09		
		2014/15	0.04	0.03	0.03	0.05	✓	
	2015/16	0.04	0.01	0.13	0.04			
Cumulative number of habitable floors affected per 1,000 connections per council per flooding event	<i>New indicator from 2015/16</i>						Zero ⁵	
		WCC	UHCC	PCC	HCC			
	2015/16	0.01	0	0.90	0	–		
Water resources preserved for future generations.								
Measure of awareness of water conservation work and change in behaviour:								
	• I think I should be conserving more water than I'm currently doing	June 2012: 68% June 2014: 69% June 2015: 62% June 2016: 70%					–	Decreasing trend
	• I have the information I need to be able to conserve more water	June 2012: 59% June 2014: 73% June 2015: 64% June 2016: 69%					✓	Increasing trend

⁵ Preventing flooding completely may be out of the company's control in some circumstances so a decreasing trend is sought, however we work with the councils through their long term plans to reduce the likelihood of future flooding.

Outcome	Key performance indicators	Actual results	Targets (2015-18)
	<ul style="list-style-type: none"> I generally make a positive effort to conserve water 	June 2012: 33% June 2014: 48% June 2015: 47% June 2016: 51%	 Increasing trend
	Sufficient water is available to meet unrestricted demand (other than by routine garden watering restrictions) in all but a drought situation that has severity equal to or greater than a one-in-50 year drought	2012/13: 1.5% - Achieved 2013/14: 0.4% - Achieved 2014/15: 0.4% ⁶ - Achieved 2015/16: 0.4% - Achieved	 Modelled probability of annual water supply shortfall is no greater than 2%
	Sustainable drinking water consumption (average regional gross per capita usage)	2012/13: 353 L/p/day 2013/14: 348 L/p/day 2014/15: 347 L/p/day 2015/16: 356 L/p/day Overall the trend is flat. The formerly decreasing trend has changed due to the increase in consumption during 2015/16. Monitoring is underway to identify why there has been a consumption increase.	 Regional per capita demand must remain below 374 L/p/day in the long term to prevent timing of bulk water growth projects being brought forward. ⁷ We are looking for a decreasing consumption trend
	Complete the regional asset management plan seismic resilience work programme	<i>New indicator from 2015/16</i> Regional resilience project outcomes awaited to confirm the forward work programme. Regional resilience project under way.	Client council long term plans include appropriate seismic resilience upgrades and all related milestones for implementation are met.

⁶ The 2014/15 Annual Report reported this result as <0.5%. The actual result was 0.4%

⁷ The target has factored in population growth projections

Client council key performance indicators (by Wellington Water outcomes)

All long-term plan measures are included in the following tables. Targets apply to each of the next three years but are reviewed annually against actual performance.

Safe drinking water

Water delivered to the taps of the region's houses and businesses that satisfies consumers and meets or exceeds client expectations

Table: Safe drinking water key performance indicators

	Service category	Service aspect	Service objectives	Performance Measures	Target			
					Actual result 2015/16	Target 2015-18	Client	
Bulk water	Service quality	Service quality	To measure the quality of water supplied to residents	Comply with the Drinking Water Standards for NZ 2005 (revised 2008) (Part 1 Microbiological, Part 2, Chemical and Aesthetic compliance)	Microbiological 100%	✓	100% compliance	GWRC
					Chemical 100%	✓		
					Aesthetic 99.6%	○		
	NB: Out of 3139 samples in the bulk water network over the year, only 12 were outside of the DWSNZ 2008 Guideline Values. None of the out of specification samples are considered a health risk.							
				Maintenance of water supply quality grading's from Ministry of Health for the bulk water supply ⁸	Maintained ⁹	✓	Maintain grading	
				Number of waterborne disease outbreaks	Nil	✓	Nil	
	Customer focus	Customer satisfaction	To achieve a high overall level of customer approval of the	Number of complaints about: a) drinking water clarity related to bulk supply/1000	0.00	✓	Fewer than 5 per 1000 connections	

⁸ Refer to: <http://www.drinkingwater.esr.cri.nz/general/grading.asp> for definition of grading

⁹ Te Marua, Wainuiomata and Gear Island water treatment plants = A1, Waterloo = B. Distribution System = A1.

	Service category	Service aspect	Service objectives	Performance Measures	Target			
					Actual result 2015/16	Target 2015-18	Client	
			water service	b) drinking water taste related to bulk supply/1000 connection	0.01		Fewer than 5 per 1000 connections	
				c) drinking water odour related to bulk supply/1000 connection	0.00		Fewer than 5 per 1000 connections	
				d) drinking water continuity of supply related to bulk supply	0.00		Fewer than 5 per 1000 connections	
				Response to drinking water complaints relating to bulk supply/1000 connection (Note: this is about the service we are providing)	Not measured by GWRC, however it is measured by complaints to city councils		Fewer than 5 per 1000 connections	
Water reticulation	Service quality	Service quality	To measure the quality of water supplied to residents	Compliance with Drinking Water Standards for NZ 2005 (revised 2008) (Part 4 and Part 5)	100% All grading zones achieved E.Coli compliance. We've received provisional confirmation from Regional Public Health that we achieved protozoal compliance. Formal confirmation is due by end September 2016		100% compliance	All clients (excl GWRC)
				Maintenance of water supply quality gradings from Ministry of Health ¹⁰	Grading maintained in all zones. Note: Revision of the Drinking-water Grading Framework has yet to be implemented by Regional Public Health meaning Laings Road Bore is still ungraded.		Maintain grading	





¹⁰ Refer to: <http://www.drinkingwater.esr.cri.nz/general/grading.asp> for definition of grading

	Service category	Service aspect	Service objectives	Performance Measures	Target				Client	
					Actual result 2015/16					Target 2015-18
	Customer focus	Customer satisfaction	To achieve a high overall level of customer approval of the water service	Number of complaints about: <ul style="list-style-type: none"> • drinking water clarity/1000 connections • drinking water taste/1000 connections • drinking water odour/1000 connections • drinking water continuity of supply/1000 connections • Responsiveness to drinking water complaints/1000 connections 	WCC 12.92	UHCC 8.40	PCC 6.14	HCC 10.17	✓	Fewer than 140 complaints per 1000 connections for each council
				Community satisfaction with water supply	WCC 91%	UHCC N/A	PCC 94%	HCC 94%	–	WCC = 90% UHCC = 90% PCC = 95% HCC = 95%
					UHCC – not measured					

Respectful of the environment

In all our work we are mindful of the impact on the environment. We work closely with stakeholders to ensure discharges into watercourses and the sea are carefully managed.

Table: Respectful of the environment key performance indicators

	Service category	Service aspect	Service objectives	Performance Measures	Target			Client							
					Actual result 2015/16	Target 2015-18									
Bulk water	Environmental compliance	To manage water in an environmentally sensitive manner	To comply with all relevant legislation	Compliance with all resource consents and environmental regulations	100%		100%	GWRC							
Water reticulation	Legislative compliance	Legislative compliance	To comply with all relevant legislation	Compliance with resource consents for the water supply activity (full compliance is no notices/convictions): <ul style="list-style-type: none"> • Abatement notices • Infringement notices • Enforcement orders • Convictions 	Full compliance		No notices received	All clients (excl GWRC)							
Wastewater	Environmental compliance	To manage wastewater in an environmentally sensitive manner	To maintain and promote appropriate standards of water quality and water- way health in the city's coastal and river environments	The number of dry weather sewerage overflows from the council's sewerage system expressed per 1,000 sewerage connections to the sewerage system	<table border="1"> <tr> <td>WCC</td> <td>UHCC</td> <td>PCC</td> <td>HCC</td> </tr> <tr> <td>0.55</td> <td>0.08</td> <td>Nil</td> <td>0.12</td> </tr> </table>	WCC	UHCC		PCC	HCC	0.55	0.08	Nil	0.12	
				WCC	UHCC	PCC	HCC								
0.55	0.08	Nil	0.12												
				The number of non-consented overflows from the treatment plants	<table border="1"> <tr> <td>WCC</td> <td>UHCC</td> <td>PCC</td> <td>HCC</td> </tr> <tr> <td>1</td> <td>N/A</td> <td>2</td> <td>Nil</td> </tr> </table>	WCC	UHCC	PCC	HCC	1	N/A	2	Nil		Nil
WCC	UHCC	PCC	HCC												
1	N/A	2	Nil												

Service category	Service aspect	Service objectives	Performance Measures	Target					Client		
				Actual result 2015/16						Target 2015-18	
			The number of consented overflows from the treatment plants*	WCC 2	UHCC N/A	PCC 26	HCC 7	✓	HCC, UHCC & WCC = < 10 and decreasing trend PCC = <15 and decreasing trend		
Legislative compliance	Legislative compliance	To comply with all relevant legislation	Compliance with resource consents for discharge from its wastewater system (full compliance is no notices/convictions): <ul style="list-style-type: none"> Abatement notices Infringement notices Enforcement orders Convictions Received by the Council in relation to the resource consents	One infringement notice (WCC)					–	No notices received	All clients (excl GWRC)
Customer focus	Customer satisfaction	To achieve a relatively high overall level of customer approval of the wastewater service	Customer satisfaction with wastewater service	WCC 84%	UHCC N/A	PCC 87%	HCC 98%	–	HCC = 95% PCC = 95% UHCC = 80% WCC = 75%		
				UHCC – not measured							

* All of the above measures have been agreed with councils, however Wellington Water will assess performance based on whether the trend is increasing or decreasing. This is because some of them are new measures where we need to establish a baseline.



	Service category	Service aspect	Service objectives	Performance Measures	Target				Actual result 2015/16	Target 2015-18	Client
					WCC	UHCC	PCC	HCC			
Stormwater	Customer focus	Customer satisfaction	To achieve a high overall level of customer approval of the stormwater service	Median response time to attend a flooding event, measured from the time that council received notification to the time that service personnel reach the site	49 mins	47 mins	60 mins	42 mins	✓	60 minutes	All clients (excl GWRC)
	Environmental performance	To manage stormwater in an environmentally sensitive manner	To maintain and promote appropriate standards of water quality and water- way health in the cities' coastal and river environments	Percentage of days during the bathing season (from 1 November to 31 March) that the monitored beaches are suitable for recreational use*	100%	N/A	99.8%	100%	✓	90%	
				Percentage of monitored fresh water sites that have a rolling twelve month median value for E.coli (dry weather samples) that do not exceed 1,000 cfu/100ml*	93%	90%	56%	95%	○		
Legislative compliance	Legislative compliance	To meet all resource consenting requirements	Compliance with resource consents for discharge from its stormwater system (full compliance is no notices/ convictions): <ul style="list-style-type: none"> • Abatement notices • Infringement notices • Enforcement orders • Convictions Received by the council in relation to the resource consents	Full compliance				✓	No notices received		

* All of the above measures have been agreed with councils, however Wellington Water will assess performance based on whether the trend is increasing or decreasing. This is because some of them are new measures where we need to establish a baseline.

Resilient now and in the future

We know how costly and vital the infrastructure is that we work on and the impact of external influences such as climate change. Our planning, design, consultation and delivery prioritise network and community resilience for day to day use, and in times of emergency, now and in the future

Table: Resilient now and in the future key performance indicators

	Service category	Service aspect	Service objectives	Performance Measures	Target			
					Actual result 2015/16	Target 2015-18	Client	
Bulk water	Service quality	Continuity of supply	To provide a reliable water supply	Number of shutoffs to the bulk water supply network resulting in loss of water or pressure to consumers	1 During a trial shutdown, water supply was inadvertently interrupted to residents in the Aro Valley		Nil	GWRC
			Attendance for urgent callouts	Time from local authority receiving notification to service personnel reaching site	No events		Median response time reported ¹¹	
				Time from local authority receiving notification to service personnel confirming resolution	No events			
			Attendance for non-urgent callouts	Time from local authority receiving notification to service personnel reaching site	30.00 minutes			
				Time from local authority receiving notification to service personnel confirming resolution	31.35 minutes			
	Resilience	Resilience	To be developed	Probability of annual water supply shortfall (modelled)	Achieved		Less than 2%	

¹¹ "Median time" is not defined

	Service category	Service aspect	Service objectives	Performance Measures	Target				Client		
					Actual result 2015/16					Target 2015-18	
				Implementation of annual programme for improvements to resilience of bulk water network	100%				100%		
					Completed all planned network resilience improvement projects.				✓		
Water reticulation	Cost effectiveness	To manage water in an environmentally sensitive manner	To minimise demands on the region's water resources	Average drinking water consumption/ resident/day	WCC 369 l/p/d	UHCC 357 l/p/d	PCC 303 l/p/d	HCC 355 l/p/d	●	Targets in L/P/D WCC = 375 UHCC = 335 PCC = 335 HCC = 345	All clients (excl GWRC)
			To minimise water loss from the network	Percentage of real water loss from networked reticulation system	WCC 11.7%	UHCC 21.3%	PCC 10.8%	HCC 22.5%	●	WCC = <18% UHCC = <17% PCC = <17% HCC = <18%	
	Service quality	Continuity of supply	To provide a reliable water supply	Fewer than four unplanned supply cuts per 1000 connections	WCC 1.2	UHCC 2.6	PCC 0.6	HCC 2.5	✓	Fewer than 4 per 1000 connections	
			To provide an effective and reliable fire-fighting water supply	Percentage of fire hydrants identified as complying with NZ Fire Service Code of Practice	Not available (investigations ongoing)					95%	
	Customer focus	Customer satisfaction	Median response times	Median response time for: • attendance for urgent callouts	WCC 50 mins	UHCC 38 mins	PCC 34 mins	HCC 43 mins	✓	60 minutes	All clients (excl

	Service category	Service aspect	Service objectives	Performance Measures	Target					Client	
					Actual result 2015/16				Target 2015-18		
				• resolution of urgent callouts	2.80 hours	3.88 hours	3.03 hours	2.82 hours	✓	4 hours	GWRC)
				• attendance for non-urgent callouts	28.70 hours	24.12 hours	14.88 hours	24.37 hours	✓	36 hours	
				• resolution of non-urgent callouts	1.93 days	1.18 days	0.68 days	1.10 days	✓	15 days	
	Cost-effectiveness	Operating efficiency	To provide a cost-effective water supply service	Operating cost per connection	\$289	\$273	\$257	\$288	●	\$ / connection WCC = <\$300 UHCC = <\$340 PCC = <\$275 HCC = <\$275	
Wastewater	Cost-effectiveness	Operating efficiency	To provide a cost-effective wastewater supply service	Operating cost per connection	\$308	\$220	\$246	\$297	●	\$ / connection WCC = <\$280 UHCC = <\$280 PCC = <\$280 HCC = <\$220	
	Customer focus	Customer satisfaction	To achieve a relatively high overall level of customer approval	Customer satisfaction with wastewater service	84%	N/A	87%	98%	●	WCC = 75% UHCC = 80% PCC = 95% HCC = 95%	
					UHCC – not measured						
		Reliability of the network		Number of wastewater reticulation incidents per km of reticulation pipeline (blockages)	WCC 0.57	UHCC 0.29	PCC 0.38	HCC 0.71	✓	Less than 1.2/km	All clients (excl GWRC)

	Service category	Service aspect	Service objectives	Performance Measures	Target				Client		
					Actual result 2015/16					Target 2015-18	
			Median response time	Attendance time: from the time that the Council receives notification to the time that service personnel reach the site	0.73 hours	0.63 hours	0.67 hours	0.57 hours	✓	1 hour	
				Resolution time: from the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault	2.35 hours	1.43 hours	2.25 hours	1.53 hours	✓	6 hours	
			To achieve a relatively high overall level of customer approval of the wastewater service	The total number of complaints received by the council about any of the following: <ul style="list-style-type: none"> • sewage odour • sewage system faults • sewage system blockages and <ul style="list-style-type: none"> • council's response to issues with its sewage system Expressed per 1000 connections to the council's sewage system	21.74	7.18	15.76	13.47	✓	Less than 30 per 1000 connections	

	Service category	Service aspect	Service objectives	Performance Measures	Target						Client
					Actual result 2015/16					Target 2015-18	
Stormwater	Service quality	Service quality	To minimise the effects of flooding	Number of flooding events that occur in a territorial authority district* ¹²	WCC 1	UHCC 0	PCC 1	HCC 0		Zero	All clients (excl GWRC)
				Number of habitable floors affected per 1000 stormwater connections	0.014	0	0.908	0		0/1000 per flood event	
				Number of pipeline blockages per km of pipeline	0.04	0.01	0.13	0.04		Less than 0.5 per km	
	Cost-effectiveness	Operating efficiency	To provide a cost-effective stormwater service	Operating cost per connection	\$40	\$45	\$26	\$93		\$ / connection WCC = <\$100 UHCC = <\$60 PCC = <\$35 HCC = <\$85	
	Customer focus	Customer satisfaction	To achieve a high overall level of customer approval of the stormwater service	Customer satisfaction with stormwater management	68%	N/A	69%	83%		WCC = 70% UHCC = 70% PCC = 80% HCC = 80%	
				Number of complaints per 1000 properties connected to the Council's stormwater system	12.13	0.16	8.87	1.59		Less than 30 per 1000 connections	

¹² Preventing flooding completely may be out of the company's control in some circumstances so we're looking for a declining trend, however we work with councils through their long term plans to reduce the likelihood of future flooding

* All of the above measures have been agreed with councils, however Wellington Water will assess performance based on whether the trend is increasing or decreasing. This is because some of them are new measures where we need to establish a baseline.

	Service category	Service aspect	Service objectives	Performance Measures	Target		
					Actual result 2015/16	Target 2015-18	Client
				<p>Completion of key programmes in the stormwater asset management plan</p>	<p>WCC – 68% project completion rate (original programme), 86% complete by budget due to us bringing forward work from 2016/17</p> <p>HCC – 78% (project completion rate), impacted by high tender prices</p> <p>PCC – 100%</p> <p>UHCC – 83% (project completion rate), one project deferred as work was assessed as no longer a priority and agreed with</p>	<p>●</p> <p>100% completion of programme</p>	<p>All clients (excl GWRC)</p>

Governance Report

How we are governed

Wellington Water is a council-controlled organisation as defined by Section 6 of the Local Government Act (LGA) 2002. Wellington Water is also covered by the Companies Act 1993 and governed by law and best practice. The Shareholders' Agreement relating to Wellington Water outlines how shareholdings are managed and respective relationships.

Board of Directors

Wellington Water is governed by a board of independent directors. The chair of the board reports to the Wellington Water Committee, which is made up of a representative of each of the five shareholders.

The Board of Directors is responsible for the proper direction and control of Wellington Water.

The Board of Directors' accountabilities include:

- approving the company's strategy
- ensuring the company is compliant with the law, solvency and organisational capability
- monitoring the company's performance and its relationships with and provision of services to client councils and others.

It has a maximum eight members. All directors must be Independent directors selected by the Wellington Water Committee, in accordance with the Board's skill matrix. Each director can serve a maximum of two terms, or six years unless a longer term is agreed by shareholders.

Directors in office for the year ended 30 June 2016 are as follows:

Director	Appointed	Resigned	Term Expires
John Strahl (Chair)	13 October 2009	-	31 December 2017
David Benham	1 July 2015	-	30 June 2018
Cynthia Brophy	1 February 2015	-	31 January 2018
Nicki Crauford	1 June 2014	-	31 December 2017
David Wright	1 February 2015	-	31 January 2018
Raveen Jaduram	1 January 2014	31 December 2015	

Disclosure of Interests

The general disclosures of interest made by Directors of Wellington Water, pursuant to section 140(2) of the Companies Act 1993 are shown below.

Director	Nature of interest	Date disclosed
John Strahl	Director at Pigeon Investments Ltd	August 2011
	Chair of the Creditors' Committee of Ross Asset Management	February 2013
	Director at Webby Holdings Ltd	October 2013
	Director at Hallett Nominees Ltd	May 2014
	Director at Life Income Ltd	December 2014
	Independent Reviewer of Auditor Generals Contracts	October 2015
David Benham	Director at Centreport Ltd	June 2015
	Director at Centreport Properties Ltd	June 2015
	Director at Centreport Property Management Ltd	June 2015
	Director/Shareholder at Point Six Ltd	June 2015
	Independent Chair of Audit and Risk Committee at Otago Regional Council	June 2015
	Harbour Quays A1 Ltd	December 2015
	Harbour Quays D4 Ltd	December 2015
	Harbour Quays F1F2 Ltd	December 2015
	Independent appointee on Audit and Risk Committee of Hawkes Bay Regional Council	December 2015
	Director Harbour Quays C1 Limited	August 2016
	Director Harbour Quays Shed 39 Limited	August 2016
	Director Harbour Quays D3 Limited	August 2016
	Nicki Crauford	Director at Watercare Services Ltd
Director at Orion New Zealand		June 2014
Director at Environmental Protection Authority		June 2014
Senior Consultant, WorleyParsons New Zealand		June 2014
Member of Electoral Authority, Cooperative Bank Ltd		June 2014

	Director and Shareholder, Martin Crauford Ltd	June 2014
	Director and Shareholder, Riposte Consulting Ltd	June 2014
	Member of the Local Government Risk Management Agency Establishment Board	July 2015
	Chair of GNS Science	July 2015
	Deputy Chair – Fire Service Commission	May 2016
David Wright	Director, WEL Networks Ltd	February 2015
	Deputy Chair, New Zealand Blood Service	February 2015
	Director, New Zealand Domain Name Registry Limited	February 2015
	Chair, Air Rescue Group	February 2015
	Director, David Wright Limited	July 2015
	Member of the Advisory Board for the Global Safety Index Pty Ltd	May 2016
	Director Solomon Islands Airport Corporation	August 2016
Cynthia Brophy	Chief Executive, Human Rights Commission	February 2015
	Chair, Transpower Community Case Fund Panel	February 2015

Board Meetings and attendance

The Board schedules meeting in advance for the year at which Directors receive written reports from the Chief Executive and Senior Leadership team providing monitoring and reports on matters requiring Board approval.

The table below shows attendance at Board meetings during the year ended 30 June 2016.

Name	29-Jul-15	15-Sep-15	28-Oct-15	Special mtg 25/11/2015	12-Feb-16	Tele- conference 8 Apr 16	4-May-16	Total Attended	Total Meetings
John Strahl	✓	✓	✓	✓	✓	✓	✓	7	7
David Benham	✓	✓	✓	x	✓	✓	✓	6	7
Raveen Jaduram	✓	x	✓	x	-	-	-	2	4
Nicki Crauford	✓	✓	✓	✓	✓	x	✓	6	7
David Wright	✓	✓	x	✓	✓	✓	✓	6	7
Cynthia Brophy	✓	x	✓	✓	✓	x	✓	5	7

Directors remuneration

The table below shows remuneration paid to Directors during the year ended 30 June 2016.

	Fees paid \$
John Strahl	40,000
Cynthia Brophy	20,000
Nicki Crauford	20,000
David Wright	20,000
David Benham	20,000
Raveen Jaduram*	10,000
* Resigned Dec 15	

Employee remuneration

The number of employees earning over \$100,000 per annum:

Salary range \$000	2016	2015
380 - 390	1	-
350 - 360	-	1
300 - 310	-	1
220 - 230	1	-
210 - 220	2	-
200 - 210	-	1
190 - 200	1	-
180 - 190	1	1
170 - 180	1	-
160 - 170	2	-
150 - 160	3	1
140 - 150	4	1
130 - 140	3	-
120 - 130	9	2
110 - 120	17	6
100 - 110	6	6

Indemnity and Insurance

In accordance with section 162 of the Companies Act and the Company's constitution, Wellington Water Limited has indemnified and arranged insurance for all current and former directors and executive officers of the Company in respect of all liabilities to persons (other than the Company or a related body corporate) to the extent permitted by law which arise out of the performance of their normal duties as directors or executive officers unless the liability relates to conduct involving a lack of good faith.

In authorising the insurances to be effected, each director signed a certificate stating that in their opinion the cost of the insurance is fair to the Company.

Use of company information

No notices have been received by the Board of Wellington Water under section 145 of the Companies Act with regard to the use of Company information received by Directors in their capacities as Directors of the Company.

Board evaluation

The Directors carry out an annual review and evaluation of the Board process, efficiency and effectiveness. In respect of 2016 the Board evaluation has been conducted utilising an online questionnaire. The results of this survey are presented to the Board and the Wellington Water Committee.

Auditors

The Auditors are appointed under Part 5, Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed by the Auditor General to provide these services on her behalf.

Wellington Water Committee

Wellington Water's five shareholders are the Hutt City Council, Porirua City Council, Upper Hutt City Council, Wellington City Council and Greater Wellington Regional Council. Representatives of these councils meet quarterly in the form of the Wellington Water Committee to discuss water issues and general progress. Each shareholder holds 20% of the voting shares of Wellington Water. The Committee provides shareholder governance and regional oversight. It provides guidance on Wellington Water's regional approach to issues and policy.

The Wellington Water Committee (on behalf of the shareholders) prepares the letter of expectations for the company. These expectations are reflected in the Statement of Intent and are reported on, along with service performance outcomes, in our annual report. The company reports on corporate goals and performance to the Board and Wellington Water Committee, quarterly as well as annually. Service performance outcomes are derived from council long term plans, which in turn are influenced by the asset management planning work we do.

Matters that shareholders wish to restrict

The shareholders have agreed that the approval of the Statement of Intent is subject to the following restrictions:

- making a loan or borrowing money, except for any borrowings in the ordinary course of business of no more than \$1,000,000 in total
- granting security over the assets of the Company, or granting an indemnity or guarantee other than in the ordinary course of business
- making a material change in the nature of the Company's business or engaging in business activities outside the ordinary course of business
- entering a new customer service level agreement, except in the form already agreed by shareholders
- entering into a partnership or joint venture, except in the ordinary course of business
- acquiring a new business or shares in another company

- starting or settling any legal or arbitration proceedings, except in the ordinary course of business
- transferring or disposing of real or intellectual property with a value of over \$0.2 million.

Information to be provided to shareholders

In each year Wellington Water shall comply with the reporting requirements under 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, the Company shall provide 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 LGA2002).
- Within three months after the end of each financial year, Wellington Water will provide 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 LGA 2002).

Due to the extensive reporting requirements undertaken in accordance with the service level agreements with client councils, the reliance on six monthly reports fully meets the LGA's requirements and is considered appropriate.

Ratio of consolidated shareholders' funds to total assets

Ownership of infrastructure assets is retained by the shareholders (or other clients). As a business that returns all benefits to shareholders, the ratio of shareholders' funds to assets is contained in the Statement of Movements in Equity in the annual Financial Statements.

Company Policies and Procedures

Delegation to the Chief Executive and senior leadership team

The Chief Executive and senior leadership team are responsible for:

- Developing and making recommendations to the Board on Company strategies and specific strategy initiatives
- The management and implementation of the strategy
- The implementation of board approved policies and reporting procedures
- The day to day management of the Company

These responsibilities are subject to the Board's delegation of authority to the Chief Executive and Senior Leadership team and other rights and responsibilities which are reserved to the Board.

Code of Conduct

Wellington Water's purpose is "Creating excellence in regional water services so communities prosper". Underpinning this is the Code of Conduct which acknowledges the Company's commitment to maintaining the highest standards of honesty, integrity and ethical conduct in their day to day behavior and decision making.

The Code of Conduct guides all members of the company in the practices necessary to maintain confidence in the Company's integrity and take into account legal obligations and compliance regulations. It also guides the responsibility and accountability of individuals for reporting and investigating any unethical practices.

The Code of Ethics is supported by the Conflicts of Interest Policy, Gifts and Entertainment Policy, Protected Disclosure Procedures, Harassment at Work Procedures; Health and Safety Policy and the Fraud Policy.

Independent Auditor's Report

To the readers of Wellington Water Limited's financial statements and performance information for the year ended 30 June 2016

The Auditor-General is the auditor of Wellington Water Limited (the company). The Auditor-General has appointed me, Mari-Anne Williamson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 57 to 70 that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 22 to 34.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards.
- the performance information of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2016.

Our audit was completed on 7 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the appropriateness of the reported performance information within the company's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand and Public Benefit Entity Standards. The Board of Directors is also responsible for preparation of the performance information for the company.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company.



Mari-Anne Williamson
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Financial Statements

Statement of Comprehensive Revenue and Expenses

For the year ended 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Revenue from exchange transactions	3	46,152	46,220	34,701
Grant income		-	-	1,094
Interest income		154	90	198
Revenue		46,306	46,310	35,993
Salaries and wages		(15,521)	(15,964)	(12,353)
Superannuation		(495)	(531)	(402)
Directors fees		(130)	(140)	(102)
Audit fees		(66)	(65)	(64)
Consultancy		(12,774)	(12,548)	(7,838)
Network maintenance services		(11,058)	(10,389)	(10,005)
Operating leases		(946)	(1,121)	(654)
Other personnel costs		(1,094)	(1,191)	(982)
Other expenses		(2,899)	(3,517)	(2,395)
Total operating expenses		(44,983)	(45,466)	(34,795)
Depreciation and amortisation expense	4	(678)	(631)	(171)
Interest expense		(41)	(54)	(1)
Total expenses		(45,702)	(46,151)	(34,967)
Net surplus before taxation		604	159	1,026
Tax expense	5	(203)	-	(271)
Total comprehensive revenue and expenses		401	159	755
Attributable to:	9			
Wellington City Council		168	67	318
Hutt City Council		85	33	159
Upper Hutt City Council		34	13	63
Porirua City Council		51	20	95
Greater Wellington Regional Council		63	25	120
Total comprehensive revenue and expenses		401	159	755

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2016

	Retained earnings \$000	Issued capital \$000	Total \$000
Balance at 1 July 2014	(146)	800	654
Comprehensive revenue and expenses			
Net surplus for the year	755	-	755
Share capital issued	-	150	150
Balance at 30 June 2015	609	950	1,559
Balance at 1 July 2015	609	950	1,559
Comprehensive revenue and expenses			
Net surplus for the year	401	-	401
Balance at 30 June 2016	1,010	950	1,960

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Statement of Financial Position

At 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Cash and cash equivalents		4,417	5,197	5,066
Receivables and prepayments	6	3,261	1,120	2,031
Total current assets		7,678	6,317	7,097
Intangible assets	4	503	-	131
Property, plant and equipment, vehicles	4	1,851	1,795	2,126
Deferred tax	5	65	117	-
Total non-current assets		2,419	1,912	2,257
Total assets		10,097	8,229	9,354
Payables and provisions	7	7,142	6,612	7,724
Tax payable/(receivable)		245	(88)	27
Bank loan		120	120	-
Total current liabilities		7,507	6,644	7,751
Deferred tax	5	-	-	44
Bank loan		630	698	-
Total non-current liabilities		630	698	44
Total liabilities		8,137	7,342	7,795
Net assets		1,960	887	1,559
Issued capital	9	950	950	950
Accumulated comprehensive revenue and expenses		1,010	(63)	609
Total equity		1,960	887	1,559

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Authorised on behalf of the Wellington Water Limited Board of Directors on 7 September 2016.



John Strahl
Chairman



Nicki Crauford
Director

Statement of Cash Flows

For the year ended 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Receipts from councils		44,864	43,550	34,166
Interest received		154	160	198
Employees and suppliers		(45,506)	(43,338)	(32,173)
Tax paid		(94)	-	(66)
Interest paid		(41)	(44)	(1)
Net cash flow from operating activities	8	(623)	328	2,124
Purchase of property, plant and equipment, vehicles		(223)	(605)	(916)
Purchase of intangibles		(553)	-	(73)
Net cash flow from investing activities		(776)	(605)	(989)
Proceeds from borrowings		800	400	-
Repayment of borrowings		(50)	(141)	-
Share capital issued		-	-	150
Net cash flow from financing activities		750	259	150
Net cash flow		(649)	(18)	1,285
Add: cash at the beginning of the year		5,066	5,215	3,781
Cash at the end of the year		4,417	5,197	5,066
Comprised of:				
Cash at bank and on hand		4,417	5,197	1,566
Term deposits with maturities less than 3 months		-	-	3,500

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Notes to the financial statements

For the year ended 30 June 2016

1. About these financial statements

Wellington Water is a council-controlled organisation (CCO) owned by Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council and Greater Wellington Regional Council. Wellington Water provides asset management services specialising in water, storm water and waste water services. Wellington Water does not operate to make a financial return and the company's purpose is to create excellence in regional water services for healthy communities.

Wellington Water Limited is a company registered in New Zealand under the Companies Act 1993 and is a Tier 1 Public Benefit Entity (PBE) for reporting purposes.

These financial statements are for the year ended 30 June 2016. They have been prepared in accordance with the requirements of the Companies Act 1993, the Local Government Act 2002 and comply with generally accepted accounting practice in New Zealand ("NZ GAAP") and Tier 1 PBE accounting standards.

These financial statements have been prepared on a going concern basis and are presented in New Zealand dollars and rounded to the nearest thousand (\$000), unless otherwise stated. The measurement basis applied is historical cost.

Accounting policies have been applied consistently throughout the period. All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which include GST. The net amount of GST recoverable from or payable to Inland Revenue is included as part of receivables or payables in the statement of financial position.

The financial statements were authorised for issue by the Board of Directors on 7 September 2016.

Budget figures

The budget figures presented were approved by the Board in October 2015. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements. These figures differ from those presented in the Statement of Intent as a budget review was completed at the start of the financial year.

Critical accounting judgements

Wellington Water has reconsidered its approach to accounting for the network maintenance contract by reassessing the principal/agent relationship, which concluded that the company is principal to this contract. As a result, associated revenue and expenditure has been disclosed in the financial statements. For further detail see note 3.

Comparative figures

Prior year comprehensive revenue and expenses have been restated to include network maintenance services in the Statement of Comprehensive Revenue and Expenses. The expense component is shown as a new expense line item called 'network maintenance services'. For further detail on the revenue component see note 3.

Areas of significant estimation and judgement

Wellington Water is required to make estimates and judgements when applying accounting policies. The significant areas are:

- useful lives of property, plant and equipment, vehicles and intangibles (note 4)
- provisions (note 7)

2. Variances to budget

Commentary is provided for variances to budget greater than 20% or \$0.5 million.

Statement of comprehensive revenue and expenses

	2016 Actual \$000	2016 Budget \$000	Variance \$000	Variance %
Revenue	46,306	46,310	(3)	(0%)
Operating expenses	(44,983)	(45,466)	483	(1%)
Depreciation and amortisation	(678)	(631)	(46)	7%
Interest expense	(41)	(54)	13	(23%)

There were no material variances in the statement of comprehensive revenue and expenses.

Statement of financial position

	2016 Actual \$000	2016 Budget \$000	Variance \$000	Variance %
Current assets	7,678	6,317	1,361	22%
Non-current assets	2,419	1,912	507	26%
Current liabilities	7,507	6,644	863	13%
Non-current liabilities	630	698	(68)	(10%)
Equity	1,960	887	1,073	121%

- Current assets were higher than budget with higher closing receivables due to timing of invoicing for consultancy fees. This has been partially offset by a lower bank balance.
- Non-current assets were higher than budget due to investment in intangibles, primarily a new health and safety system and document management system.
- Current liabilities were higher than budget, with a higher tax payable as a result of a larger surplus and higher employee related provisions due to an increased annual leave provision.
- Equity was significantly higher than budget due to the budget being prepared prior to Wellington Water receiving a capital grant of \$1.1 million in 2015, which has increased accumulated comprehensive revenue and expenses carried forward to 2016.

Statement of cash flows

	2016 Actual \$000	2016 Budget \$000	Variance \$000	Variance %
Net cash flow from operating activities	(623)	328	(951)	(290%)
Net cash flow from investing activities	(776)	(605)	(171)	28%
Net cash flow from financing activities	750	259	491	190%

- Net cash flow from operating activities was significantly lower than budget, primarily due to closing receivables being higher than budget and therefore less cash received during the year.
- Net cash outflow from investing activities were higher than budget, primarily due to investment in intangibles.
- Net cash inflow from financing activities was significantly higher than budget, primarily due to drawing down a larger bank loan to fund fit out costs for the new office.

3. Revenue from exchange transactions

Revenue is derived from the five council shareholders. This is agreed on an allocation based on the Asset Value and three year Operations Work programme. Revenue is billed and recognised monthly and consists of:

- management fee for the five councils
- consultancy fee for all councils except Greater Wellington Regional Council
- network maintenance service fee for Wellington City, Hutt City and Upper Hutt City councils

	2016 Actual \$000	2015 Restated \$000	2015 Original \$000
Management fee	23,260	17,575	17,575
Consultancy fee	11,834	7,121	7,121
Network maintenance service fee	11,058	10,005	-
Total revenue from exchange transactions	46,152	34,701	24,696

Network maintenance revenue derives from invoicing councils for the amount that Wellington Water has paid to contractors for the maintenance work carried out during the year. This was not disclosed in the prior year's statement of comprehensive revenue and expenses as it was deemed that Wellington Water was managing the network maintenance contract on behalf of the council, as an agent.

Wellington Water has reconsidered its approach to accounting for the network maintenance contract and concluded that accounting for the contract as principal and reporting the associated revenue and expenditure was appropriate, and provides more reliable and relevant information.

Prior year numbers have been restated for comparability and consistency. The disclosure of this revenue has no impact on the net surplus as there is a corresponding expense in the statement of comprehensive revenue and expenses for the amount charged by contractors to Wellington Water for the work carried out.

4. Property, plant and equipment, vehicles and intangibles

Property, plant and equipment (PPE) consists of furniture and fittings, fit-out and office 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. 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:

Furniture and equipment	6% – 67%
Vehicles	20%
Intangibles	40%

	Furniture and equipment \$000	Vehicles \$000	Intangibles \$000	Total \$000
Cost				
Balance 1 July 2014	301	-	327	628
Additions	1,512	591	73	2,176
Disposals	(95)	-	-	(95)
Balance at 30 June 2015	1,718	591	400	2,709
Balance 1 July 2015	1,718	591	400	2,709
Additions	222	-	552	773
Disposals	-	-	-	-
Balance at 30 June 2016	1,940	591	952	3,483
Depreciation and amortisation				
Balance 1 July 2014	(171)	-	(174)	(345)
Charge for the year	(76)	-	(95)	(171)
Disposals	64	-	-	64
Balance at 30 June 2015	(183)	-	(269)	(452)
Balance 1 July 2015	(183)	-	(269)	(452)
Charge for the year	(334)	(163)	(180)	(678)
Disposals	-	-	-	-
Balance at 30 June 2016	(517)	(163)	(449)	(1,130)
Carrying amount				
Balance at 30 June 2015	1,535	591	131	2,257
Balance at 30 June 2016	1,423	428	503	2,354

5. Taxation

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probably that taxable surplus will be available against which the deductible temporary differences or tax losses can be utilised.

	2016 Actual \$000	2015 Actual \$000
Components of tax expense		
Current tax expense	350	113
Adjustments to current tax in prior years	(38)	(3)
Deferred tax expense	(109)	161
Tax expense	203	271

Reconciliation of effective tax rate

Net surplus before tax	603	1,026
Tax at 28%	169	287
Plus (less) tax effect of:		
Non-deductible expenditure	2	15
Non-taxable income	-	(318)
Prior year adjustment	(38)	3
Deferred tax adjustment	70	284
Tax expense	203	271

Imputation credits

Imputation credits available for use in subsequent reporting periods	412	148
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Movement in deferred tax asset/(liability)

	Employee		
	PPE	entitlements	Total
	\$000	\$000	\$000
Balance at 30 June 2014	2	115	117
Charged to surplus or deficit	(277)	116	(161)
Charged to other comprehensive income	-	-	-
Balance at 30 June 2015	(275)	231	(44)
Charged to surplus or deficit	31	77	109
Charged to other comprehensive income	-	-	-
Balance at 30 June 2016	(244)	309	65

6. Receivables

	2016 Actual \$000	2015 Actual \$000
Receivables with related parties	3,203	1,850
Prepayments	58	181
Total receivables	3,261	2,031

All receivables greater than 30 days in age are considered past due. There are no material trade receivable balances past due.

7. Payables

	2016 Actual \$000	2015 Actual \$000
Trade payables	5,190	5,177
Payables with related parties	252	1,331
Employee related payables and provisions	1,657	1,216
Other provisions	43	-
Total payables and provisions	7,142	7,724

All payables greater than 30 days in age are considered past due. There are no material trade payable balances past due.

8. Reconciliation of net surplus to operating cash flows

	2016 Actual \$000	2015 Actual \$000
Net surplus after taxation	401	755
Add back non-cash items:		
Depreciation and amortisation	678	107
Capital grant	-	(1,094)
Movements in working capital		
Decrease in payables	(524)	3,637
Increase in receivables	(1,286)	(1,325)
Tax payable	108	44
Net cash flow from operating activities	(623)	2,124

Cash and cash equivalents include cash on hand, at bank, and other short-term, highly liquid investments with original maturities of three months or less.

9. Share capital

The total number of authorised, issued and fully paid shares at balance date was 475 (2015: 475) ordinary shares of \$2,000 each.

Shareholder	Class A Voting Rights	Class B Equity Rights	Class B \$000
Wellington City Council	150	200	400
Hutt City Council	150	100	200
Upper Hutt City Council	150	40	80
Porirua City Council	150	60	120
Greater Wellington Regional Council	150	75	150
Total shares	750	475	950

Class A shares entitle the holder to vote at a meeting of the Shareholders on any resolution.

Class B shares entitle the holder to an equal share in the distribution of the surplus assets of the company.

The company's capital is its equity, which comprises shareholders' equity and retained surpluses. Equity is represented by net assets. The company requires the Board of Directors to manage its revenue, expenses, assets, liabilities, investments and general financial dealings prudently and therefore managing the company's equity. The objective of managing the company's equity is to ensure that the company effectively achieves its required shareholders' funds to asset ratio as noted in the Statement of Intent, whilst remaining a going concern.

10. Related parties

During the year Wellington Water entered into the following material related party transactions with the five council shareholders:

	2016 Actual \$000	2015 Actual \$000
Revenue from exchange transactions:		
Management fee		
Wellington City Council	8,135	7,186
Hutt City Council	3,208	2,231
Upper Hutt City Council	1,274	1,016
Porirua City Council	1,828	1,587
Greater Wellington Regional Council	8,815	5,555
Total management fee	23,260	17,575
Consultancy fee		
Wellington City Council	7,115	4,010
Hutt City Council	2,232	1,680
Upper Hutt City Council	526	359
Porirua City Council	1,961	1,072
Total consultancy fee	11,834	7,121

	2016 Actual \$000	2015 Actual \$000
Network maintenance services		
Wellington City Council	7,098	6,334
Hutt City Council	3,063	2,819
Upper Hutt City Council	897	852
Total network maintenance services	11,058	10,005

Capital grants received by Wellington Water:

Greater Wellington Regional Council	-	1,094
Total capital grant income	-	1,094

	2016 Actual \$000	2015 Actual \$000
Amounts owing to Wellington Water at 30 June		
Wellington City Council	2,145	293
Hutt City Council	477	19
Upper Hutt City Council	58	113
Porirua City Council	377	-
Greater Wellington Regional Council	146	1,425
Total related party receivables	3,203	1,850

Amounts owed to councils by Wellington Water at 30 June

Wellington City Council	-	-
Hutt City Council	-	-
Upper Hutt City Council	140	-
Porirua City Council	112	237
Greater Wellington Regional Council	-	1,094
Total related party payables	252	1,331

During the year Wellington Water also received services (such as payroll, IT shared services) from Wellington City Council on an arm's length basis. These transactions are considered to be immaterial.

11. Key management personnel

The key management personnel are the Directors, Chief Executive and Senior Leadership Team. The full time equivalent (FTE) number of individuals receiving remuneration as key management (excluding directors) was 7 (2015: 8).

	2016 Actual \$000	2015 Actual \$000
Salaries and wages	1,545	1,729
Directors' fees	130	123
Superannuation	41	57
Total key management personnel remuneration	1,716	1,909

Directors	2016 Actual \$000	2015 Actual \$000
John Strahl - Chairman	40	40
Nicki Crauford	20	20
Cynthia Brophy	20	8
David Wright	20	8
David Benham*	20	-
Raveen Jaduram*	10	20
Sarah Free	-	2
Ian Hutchings	-	20
David Bassett	-	2
Wayne Guppy	-	2
Nick Leggett	-	2
Total Directors' remuneration	130	123

* Raveen Jaduram's term ended on 31 December 2015 and David Benham was appointed on 1 July 2015.

The FTE number of Directors at 30 June was 5 (2015: 6). Due to the difficulty in calculating the FTE for directors, the FTE figure is taken as the number of directors.

12. Financial instruments and risk management

Financial instruments include cash and cash equivalents, receivables from exchange transactions, payables from exchange transactions and a bank loan.

Fair values

Payables, receivables and loans are initially recognised at fair value less transaction costs and subsequently carried at amortised cost. Due to the relatively short-term nature, their carrying amounts were considered a reasonable approximation of fair value.

Market risk

Market risk is the risk of exposure to fluctuating interest rates and foreign currency rates.

Wellington Water does not have any long term borrowings. The medium term bank loan is at a fixed interest rate, therefore managing interest rate exposure. The company does not have any foreign currency exposure.

Credit risk

Credit risk is the risk that counterparties will default on its contractual obligations, resulting in financial loss to the company. Concentrations of credit risk with respect to receivables are high due to the reliance on Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council and Greater Wellington Regional Council for the company's revenue. However, the councils are considered by the Directors to be high credit quality entities. Receivables balances are monitored on an ongoing basis to manage Wellington Water's exposure to bad debts.

Cash and cash equivalents are held with ANZ Bank which has a Standard and Poor's credit rating of AA-.

Liquidity risk

Liquidity risk is the risk that the company is unable to meet its financial obligations. This is managed by maintaining short payment terms with the five council shareholders and also by ensuring availability of committed credit lines and borrowing facilities with ANZ. There are no trade payables with a due date of more than 1 year.

The carrying value of the bank loan is \$750k and gross contractual cash flows are as follows:

	2016 Actual \$000	2015 Actual \$000
Less than 1 year	160	-
1 - 2 years	153	-
2 - 3 years	146	-
3 - 4 years	139	-
4 - 5 years	271	-
Gross contractual cash flows	869	-

13. Commitments and contingencies

Wellington Water has no contingent liabilities or assets (2015: nil).

Operating leases relate to the rent of the Petone office, copiers and vehicles on normal commercial terms and conditions. The minimum payments to be paid under non-cancellable operating leases are as follows:

	2016 Actual \$000	2015 Actual \$000
Less than 1 year	893	873
Between 1 and 5 years	2,340	2,746
More than 5 years	62	524
Total operating lease commitments	3,295	4,143

A significant portion of the operating lease commitments relates to the lease of two floors of an office building. The leases expire in August 2018 and August 2021, with options to renew.

14. Subsequent events

No significant events have occurred since balance date requiring disclosure in these financial statements.