



# Annual Report

For the year ending 30 June 2017



Our water, our future.

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# Chair / Chief Executive's report

Over the past year we've focused on our strategic priorities to provide regional service planning, review how we deliver services, strengthen resilience and deliver value for money to our customers.

It's important that our client councils have certainty about the long-term delivery of our three waters outcomes. We've worked hard to increase the robustness of our regional service planning so that councils' 2018-28 long term plans are well informed.

Optimising three waters services through council long term planning processes is our highest order value for money offering. Priority areas for councils include making Wellington more resilient, reducing the impacts of flooding, supporting growth and improving water quality. To enable optimal investment, councils need to know how their assets are performing. This year, we delivered the first region-wide and council specific performance report across the three waters.

During the year we reviewed how we deliver services and developed a blueprint for improvement over the next 10-20 years. This ambitious programme started at the beginning of 2017 and will continue over the next two years.

We continue to deliver value for money every day. Over the course of the year a total of 183 value for money ideas were generated by our teams, which will create value for our customers. An independent reviewer examined 15 examples of these initiatives and found quantifiable benefits of \$839,000 in total, whole-of-life gains.

In placing customers at the heart of our business, we've set up our customer hub. The customer hub is designed as a central coordinating space, which works with council contact centres to continually improve our service. It is the central location within our business where staff share customer care experiences and knowledge. We're pleased with how this approach is progressing.

During the year, we had a couple of one-off events which tested our networks and the company. The first of these, the 14 November Kaikoura earthquake, caused an estimated \$6 million in network damage. We were pleased that customers experienced minimal loss of supply due to the event, and no boil water or other emergency measures were necessary. However severe weather in the days following the quake saw many people affected by surface flooding, and our response to that was challenged by not having immediate access to our main office.

The earthquake may have contributed to the second key issue, the increased bacteria count in the Waterloo wellfield. Increasing bacteria counts and a series of positive E.coli tests led to the chlorination of the Waterloo supply on an indefinite basis while further investigations were carried out. Our office building near the Petone foreshore was also affected by the earthquake. We evacuated the building twice, and its seismic performance rating has been reduced. This tested the resilience of staff and impacted our work programme, but we have kept on track with the majority of our targets.

Overall, the company continues to mature and foster strong working relationships, delivering good value to its 408,510 customers.



**John Strahl**  
Chairman



**Colin Crampton**  
Chief Executive

# Who we are

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

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

We manage the three waters networks and infrastructure on behalf of our client councils, and provide advice about how best to invest in infrastructure development. An important part of our work is promoting water conservation and sustainability.

At 30 June, Wellington Water employed 192 staff and during the year managed \$166 million of expenditure on behalf of the five councils, 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.

## The scope of our functions

Our role is to ensure our customers experience the levels of service that are agreed with our client councils, and to support achievement of the councils' 30-year infrastructure plans.

Our services include:

- collecting, treating and delivering water for our client councils
- building, operating, managing and maintaining networks
- managing the lifecycle of water assets to support communities and accommodate council growth strategies and changes
- progressing regional initiatives such as water supply for resilience and community education
- providing strategic and technical advice to help councils plan three waters infrastructure investment.

# 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.

The Wellington Water Committee provides governance oversight of Wellington Water, considering the company's half yearly and annual reports, monitoring performance of the company, appointing directors of the Board, and providing recommendations to shareholders on proposals from the company.

The Committee writes an annual Letter of Expectations to the Chair of the Board, which is used by the company to develop the Statement of Intent.



**David Bassett,**  
Chairman

Deputy Mayor,  
Hutt City Council



Mike Tana

Mayor,  
Porirua City  
Council



Iona Pannett

Councillor,  
Wellington City  
Council



Wayne Guppy

Mayor,  
Upper Hutt City  
Council



Jenny Brash

Councillor,  
Greater  
Wellington  
Regional Council

## Board of Directors

The Board is responsible for the proper direction and control of Wellington Water. They approve our strategy, ensure compliance with legal obligations, and monitor our performance and relationships with key stakeholders. Directors are independent and are appointed by the Wellington Water Committee.



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

## Senior Leadership Team

Our Senior Leadership Team comprises the group 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 Network Development and Delivery), Gary O'Meara (Group Manager Network and Customer Operations), Jo Bryan (Principal Advisor, Chief Executive's Office)*

## Company values

**People come first**

What we do makes a big difference in people's lives. We strive for excellence in serving our communities and each other.

**We share our knowledge**

We're a diverse team of skilled professionals, soaking up new knowledge to share innovative solutions that meet our customers' and client needs.

**Together we're stronger**

We look out for each other, we trust and respect each other, and we're proud of our achievements.

# What we want to achieve for our customers

## Customer outcomes and service goals

We have three long-term (20-30 year) outcomes that relate to network service delivery and performance. They are what our customers see and care about. Each outcome has four service goals, which is what we want to achieve for our customers, and each goal is measured through a series of key performance indicators. Details are under Our Performance, from page 37.

### 1. Safe and healthy water

- We provide safe and healthy drinking water
- We operate and manage assets that are safe for our suppliers, people and customers
- We provide an appropriate region-wide fire-fighting water supply to maintain public safety
- We minimise public health risks associated with wastewater and stormwater

### 2. Respectful of the environment

- We manage the use of resources in a sustainable way
- We will enhance the health of our waterways and the ocean
- We influence people's behaviour so they are respectful of the environment
- We ensure the impact of water services is for the good of the natural and built environment

### 3. Resilient networks support the economy

- We minimise the impact of flooding on people's lives and proactively plan for the impacts of climate change
- We provide three water networks that are resilient to shocks and stresses
- We plan to meet future growth and manage demand
- We provide reliable services to customers

On the following pages, we review some of the main issues and activities influencing our customer outcomes and reflected in our key performance indicators (see pages 37-63).



## Safe and Healthy Water



### **We provide safe and healthy drinking water**

We provide water services to ensure safe drinking water and minimise harmful effects of wastewater and stormwater.

We delivered safe and healthy water to all customers this year, and expect to continue to do so in the future.

Liquefaction caused by the earthquake cracked the concrete aprons surrounding two of the three wells at Gear Island Treatment plant. The wells were taken out of service until appropriate testing proved their security and by June 30 two had been returned to full operational service with testing of the third well to be completed in July.

Following the November 2016 earthquake, we observed a sharp increase in the number of coliforms (bacteria) in water at the Knights Road Waiwhetu Aquifer wells. E.coli was detected within Lower Hutt network on three occasions between December and April, and the water supply was chlorinated from mid-April. We also shut down two Knights Road wells. These actions ensured we were able to continue delivering safe water to all customers.

We launched an investigation into causes of the wellfield contamination, as well as plans to improve treatment of the aquifer water on an ongoing basis, through filtration, ultraviolet light and chlorination.

## Respectful of the environment



### **We will enhance the health of our waterways and the ocean**

When we provide water services we seek to have a positive impact on the natural and built environment.

Due to the complexities involved in this, we are working in the medium term to improve our understanding of how to measure performance.

This means we need to do more to stop pipes overflowing where they shouldn't, and monitoring and measuring overflows when they do occur.

Overflows are a fact of network management; to build a system that does not overflow would be prohibitively expensive, and increases the risk and impact of uncontrolled flow, for example in people's homes or across city streets.



## **We ensure the impact of water services is for the good of the natural and built environment**

We're undertaking investigations both to identify and remedy pollution sources, and to inform planning for better performance and future growth. Stormwater and wastewater flow modelling contributes to master plans that capture the issues and the proposed solutions that clients can use to prioritise the work they need to do. The Porirua Stormwater Master Plan is an example of this and a draft of this work has been presented to that council.

The picture is further enriched by the Whaitua process, put in place by the regional council. Whaitua Committees are tasked with helping set environmental quality limits including for freshwater and coastal water. These limits will affect network performance criteria which mean that they must be considered in any framework seeking to provide a coordinated response to the challenges of managing urban stormwater and wastewater. We are working closely with the Porirua Whaitua Committee as it builds its understanding of the various factors that will be captured in the region's Natural Resources Plan. We have also been collaborating with Greater Wellington Regional Council to develop a joint water quality monitoring programme.

We continue to undertake investigations to identify and remedy pollution sources and work is ongoing regarding understanding the education needs of the community.

## **Resilient networks support the economy**



## **We provide reliable services to customers**

Day-to-day, the three waters services are highly reliable. Our water supply network remains resilient in non-emergency conditions. That is, our supply and demand modelling indicate the aquifer and river supplies, (supported by lake storage and demand management measures such as summer garden watering restrictions and conservation campaigns) are sufficient to meet demand in 49 out of 50 summers (i.e. a 2% annual exceedance probability).

Under stress, (such as earthquakes and heavy weather) there are vulnerabilities. The most common of these is flooding during large wet weather events. We aim for a decreasing trend in habitable floors flooded per year – which was achieved this year in Wellington, but not in Porirua or Lower Hutt, due in part to where the heaviest rain fell.

Historical building standards, physical changes to the environment over which surface water flows, street design, housing density and urban development all have a part to play in the ability of stormwater and wastewater networks to cope with stress. Increasing the resilience of these networks is a long-term improvement initiative involving working with planners and property owners. We can help by being proactive around ensuring drains and streams are clear, and working with people in known trouble spots.



## **We provide three water networks that are resilient to shocks and stresses**

We were delighted to be involved in the jointly funded central and local government project to improve community infrastructure resilience for drinking water.

The 14 November 2016 Kaikoura earthquake reinforced the need for coordinated resilience planning and action by local and central government agencies, and of communities and customers to improve their preparedness.

Our approach is based on setting and working to levels of service. Right now, between the ability of customers to look after their own water needs for health and hygiene for the first seven days after a major earthquake, and the time it would take to restore networked services, there is a gap. To close the gap, we are working on establishing temporary supply and distribution points that will provide at least 20 litres per person per day. This is a \$12 million project that we will complete in the coming financial year.

We also need to encourage people to be better prepared to look after themselves by making sure that they have 20 litres of water stored per person per day for the first seven days. And we will continue to strengthen our networks, and our emergency response measures, through planning and delivery.

# How we will achieve our goals

We are building a high-performance organisation by progressing activities in three company result areas, each with a specific priority.

- Growing capability and culture
  - Priority: Becoming Wellington Water
- Working collaboratively
  - Priority: Growing the business
- Demonstrate value for money
  - Priority: Put in a system to demonstrate value for money

## Growing capability and culture

To create a high-performing organisation where people want to make a difference, we need to be agile and have capability and an organisational culture that supports company growth, resilience and the aspirations of our shareholders and staff.

### Health and safety

Our health and safety vision is 'our people and those we work with go home healthy and safe each day'. This vision was under review at year-end; we have engaged with staff, suppliers and councils regarding shared objectives, measures and the vision statement.

We are committed to our path of taking a cultural approach to protecting, promoting and improving the health, safety and well-being of all people working in our business. During the year, we temporarily closed a work site that we believed was not up to standard. We also held a special post-earthquake meeting to ensure open communications.

We identified the need to do more with suppliers on their health and safety culture, particularly on incidents resulting in lost time injuries and making sure that people know why and how to record observations and events. Proactive reporting on health and safety by our staff is trending well above the target of one reactive report to 20 proactive reports.

We regularly collaborate with our contractors on health and safety matters. Contractors are encouraged to report not only injuries, but near misses, new risks, and good safety ideas, successes, initiatives and observations too. This approach has been rewarded with improved practices, reporting and more accurate data.

### Health and safety measure areas

- Staff engagement scores for health and safety remain on trend above the benchmark level of 61% (in 2015 we achieved 81%).
- Near hit/risk reporting/something good ratio to total recorded injuries. Target: Increasing ratio of 50% year-on-year towards a stretch target of 20:1 by end 2018/19. Benchmark is the year 2015/16 ratio.
- We receive our first WorkSafe NZ/ACC Safety Star Rating score.
- Injury frequency rates for lost time, total recordable injury and severity of injury. The target is a trend toward the Business Leaders Health and Safety Forum rates for our sector (infrastructure management) of 1.5 injuries per 200,000 hours worked for the Lost Time Injury Frequency Rate, and 4.6 injuries per 200,000 hours for the Total Recordable Injury Frequency Rate.

### Result: Achieved

- Our annual staff engagement health and safety score was 85%. This is an improvement from the previous annual staff engagement score of 81%.
- This measure area aimed to increase proactive reporting of risks and risk mitigation ('something good'). Our near hit/risk/something good reporting to total injuries ratio is 44:1, which well exceeds the target we set of 20:1. What this means is that 44 positive reports have been made to one reactive report across our team and our suppliers.
- We assessed ourselves on the WorkSafe NZ/ACC Safety Star Rating and achieved two out of five stars. The two areas identified where we could make improvements were vision and goals, and staff training – we've made improvements in both of these areas.
- Lost Time Injury Frequency Rate (LTIFR), per 200,000 hours:
  - 0.6 for Wellington Water staff
  - 2.6 for our contractors
- Total Recordable Injury Frequency Rate (TRIFR), per 200,000 hours:
  - 0.6 for Wellington Water staff
  - 5.2 for our contractors

LTIFR and TRIFR are standard measures that can be compared with any other organisation.

## Leadership and engagement

To achieve leadership at work, we've continued our investment in a longer-term leadership development programme for all people leaders and staff to build capability in adaptive leadership.

Our leadership development programme is evolving as senior leaders take over responsibility for facilitating group learning and discussion. New employees took part in a one-day adaptive leadership session to introduce them to the concepts and tools of the programme.

Our engagement survey last financial year identified leadership and uncertainty about our future as necessary focus areas.

The engagement survey undertaken in October 2016 indicated a positive shift in questions relating to "manager" (increasing from 60% to 70%, or 11% ahead of the international benchmark) and 37% to 51% on questions relating to "Leadership", which is 7% above the benchmark.

We undertook a significant engagement exercise involving staff as well as councils and suppliers to address the uncertainty people had about our future. The work was called 'Shaping our Future'. This was to address an underlying issue identified through focus groups, that people did not feel confident about the future. There was a perception that there was a plan to outsource roles. While the work may not have provided definitive answers for people, the engagement survey undertaken in October 2016 indicated a 12 percentage point increase in confidence related to future performance of the organisation and confidence about having a successful career at Wellington Water.

Following discussion with the Broader Leadership Team, a future organisational area to focus on is career performance.

Leadership and engagement measure area
<ul style="list-style-type: none"><li>Overall engagement survey results continue to improve each year (in 2015 we achieved 56%).</li></ul>
Result: Achieved
Our overall engagement score was 65%, from a response rate of 89%. This was a nine point lift, and is 5% above the benchmark. Initiatives to address the areas of confidence in the future and leadership in the organisation were reflected in higher scores in these areas. Communications and safety environment scores also improved. Our greatest gap was 3% below the benchmark and related to discretionary work.

## Workforce plan

We now have a workforce plan that gives us the confidence that we have the capacity and capability to deliver on our outcomes. It is designed to build a capable and committed workforce on performance, personal leadership, engagement and health and safety.

Workforce plan measure area
<ul style="list-style-type: none"><li>Succession plans in place for tier 1 and tier 2 positions.</li></ul>
Result: Achieved

Succession plans and where appropriate development plans are in place for tier 1 and tier 2 positions. Succession plans include internal promotion, development of individuals for more senior roles, and bringing in expertise should this be required.

### Priority: Becoming Wellington Water

Becoming Wellington Water relates to the effective delivery of the overall company work programme. Our company work programme focuses on internal improvements and strategic positioning for the future. With rapid change within the business, we've been careful to remain agile to changing internal and external demands while being mindful of the time our staff need to recover from the pace of progress and change.

By the end of September 2016 we were managing eight vital initiatives and seven business improvement projects. The lengthy disruption caused by the 14 November Kaikoura earthquake and the displacement of staff from the IBM building to various locations slowed progress in some areas. We were struggling to meet monthly milestones in some projects because operational staff managing these programmes were deployed to respond to requests following the impact of the earthquake.

The Senior Leadership Team (SLT) recognised the need to balance the delivery of the company work programme and council work programme in order to manage staff welfare. In early April, the SLT re-prioritised the company work programme to include only nine initiatives (three of these were new projects) for end of year reporting, and some projects were slowed down.

Due to this change in priority mid-stream, not all initiatives and projects in our original plan were continued in the fourth quarter of the year (April-June). As some of the work programme will be carried over to the next financial year, we will continue to monitor and review its impact on energy and pace for the organisation.

The Shaping our Future initiatives, Customer and Service Delivery Strategy, have progressed well, although there is further work to be done with Smart Services where we want to increasingly use technology and adopt innovative approaches to solving issues.

We have created the Customer Hub as a physical space, which is run by a range of staff from across the business – and with City Care expertise. The Customer Hub has defined its role and functions and is working with our council contact centres to establish processes and systems for the delivery of sound customer care.

<b>Becoming Wellington Water measure area</b>
<ul style="list-style-type: none"> <li>• Deliver 95% of our company-wide work programme on time.</li> </ul>
<b>Result: Not achieved</b>
<p>Against the original 15 projects committed to at the beginning of the year, we delivered six, or 40%.</p> <p>This was a direct consequence of the 14 November Kaikoura earthquake, due to our attention being focussed on the welfare of our staff, repairs to the wider three waters network, and the structural performance of the IBM building.</p>

## Demonstrate value for money

Our priority is to deliver value through smart investment; delivering the right project at the right time means we will deliver the greatest value to our clients.

The draft 2018-28 Three Waters Service Plan and 30-year infrastructure strategy for each of our client councils has been developed using a smart investment approach. The basis of this is to understand the performance of each network service goal and the interventions and costs necessary to lift performance.

This enables intelligent trade-off decisions, while still aligning investment with Councils' preferences. To stay within the overall budget envelope, investment can be targeted at areas of high importance and poor performance, while easing off in areas where there is better performance and less priority.

A key component of this smart investment approach has been the involvement of a company-wide "virtual team" in its co-design to ensure that we are establishing an initiative that sticks and becomes fully embedded in the company's decision making processes and culture.

### Regional Service Plan

Our regional approach to three waters service planning (asset management) is set out in a single integrated regional service plan. The first generation of this document focused on three regional priorities; water supply resilience, a catchment-based approach to managing stormwater quality, and community education. The second generation of the regional asset management plan has been prepared and is currently being reviewed by Audit New Zealand. Wherever practical, audit recommendations will be incorporated into the third generation document.

The third generation document (Regional Service Plan) will provide investment priorities and include 30-year work programmes, directed at improving performance and achieving our outcomes, starting in 2018-19. These programmes will be finalised through a process of engagement and discussion with our client councils.

The final 30-year infrastructure plan will align with the ISO55000 standard for asset management, and be in three parts.

Part 1 – a strategic asset management plan that outlines strategic objectives, service goals and performance targets, our approach to investment prioritisation, other supporting strategies and key asset management improvements.

Part 2 – specific asset management plans for water supply, wastewater and stormwater.

Part 3 – performance dashboards and 30-year proposed programme budgets for each of our five client councils.



<b>Regional service plan measure area</b>
<ul style="list-style-type: none"> <li>Produce an optimised 30-year infrastructure plan, generation three regional service plan for 2018-28, asset management plans and work programmes for client councils.</li> </ul>
<b>Result: Achieved</b>
A third generation draft service plan was produced by 30 June 2017.

Three regional priorities that complement regional service plans are as follows:

### **1. Water and wastewater resilience**

Water and wastewater resilience refers to the ability of the networks to resume service after a major shock such as an earthquake.

In November 2016 we were reminded of our potential vulnerability to infrastructure damage arising from seismic activity, which resulted in \$6m of damage to our network. Also, in January 2017 the failure of a large water main in Wellington City resulted in the capital running low on its stored water – highlighting the importance of both seismic and day-to-day resilience.

Infrastructure resilience has been a focus area for us over the past two years. The water supply resilience strategy was substantively complete in December 2016 in the form of a long-term vision for the region. The strategy, named Towards 80-30-80, defines the level of service target for the region's water supply including extensive short, medium and long term programmes that will, over time, strengthen the region's supply. The long term goal is to have 80% of customers receive 80% of their water supply needs within 30 days after a major seismic event (i.e. 80-30-80).

We've also been involved in the Lifelines infrastructure resilience work, which entails understanding the vulnerability of the region's key infrastructure, likely recovery times after a large earthquake and the resulting economic impact associated with the damage. This work will provide valuable input into the wastewater strategy and will enable refinement of the 80-30-80 water supply strategy in 2017-18.

Development of the resilience work has enabled the company to clearly identify and prioritise key initiatives and projects that will be included in the 2018-28 Regional Service Plan for our five client councils.

#### ***High Priority Resilience Projects***

##### *Community Infrastructure Resilience*

Following the November 2016 earthquake, we opted to advance some of the short-term resilience work included in the 80-30-80 strategy, namely the Community Infrastructure Resilience (CIR) programme. Initially, this \$30m programme focused on household resilience, alternative water supplies, strategic stores, and recovery equipment and the provision of welfare centres. Of these, household resilience, alternative water supplies and recovery equipment were incorporated into the work programme.

A central government bid for this programme of work was submitted in early 2017 with some success. Central government approved the alternative water supplies programme component of the CIR programme estimated at \$12m on the basis that it would be a 50/50 co-funding arrangement between the Crown and the four City Councils (Wellington, Porirua, Upper Hutt and Hutt).

The purpose of the CIR programme is to ensure the availability of 20 litres per person per day from day eight onwards (within 500-1000m walking distance from every home) across the four City Council areas.

This is based on the 80-30-80 level of service, requiring all customers (residents, businesses and critical customers) to be self-sufficient for the first seven days following a major shock event. The CIR programme will be complete by June 2018.

#### **Individual health and hygiene resilience**

We've been promoting the message that people need to store water at home at a level of at least 20 litres per person per day for at least seven days. This is a shift from the old three litres a day for three days message, which is just a survival minimum. People need to do more than just survive if their water and wastewater services are cut off. They need to prepare food and maintain basic hygiene.

At the same time, we need to revamp our infrastructure planning to close the gap in service restoration. To do this we're looking for alternative supply sources (such as land and sea bores), and fast-tracking projects to complete a joined up bulk water supply loop.

#### *A new water source from the Waiwhetu Aquifer*

Another high-priority project included in the 80-30-80 water supply strategy is the alternative water supply for Wellington city. The original scope of this project involved the cross-harbour pipeline included in Greater Wellington Regional Council's long term plan. An alternative approach is being investigated, which could, if successful, significantly reduce the cost of the project.

The initial investigative work will increase our understanding of the Waiwhetu aquifer, which is located under the Hutt Valley and extends out under the Wellington Harbour.

The alternative water source is a key project that will dramatically improve the resilience level of service for those who live and work in the capital. This is because current projections estimate that these communities could be without network water post-earthquake for up to 100 days; this initiative is expected to reduce that period to below 30 days.

#### *Prince of Wales Reservoir – Omāroro*

Another important resilience project included in the long-term strategy is the Prince of Wales reservoir, which was renamed Omāroro reservoir during the year.

Wellington City is currently lacking in water storage leaving it vulnerable to post-seismic water supply and day-to-day resilience. The proposed 35MLD (35 million litres of water per day) reservoir will double the current storage in the Capital and will provide for sufficient CBD growth over the next 30 years plus and complement the CIR programme for post-earthquake response.

#### *Wastewater and water resilience*

Good progress has been made on the wastewater resilience work, with the strategic case endorsed by the Water Committee in early 2017. Our 'water hero' campaign promoted the need for customers to look after their own wastewater needs and store water for a period of seven days following a major earthquake.

Planning regarding the management of wastewater in the initial weeks following an event is under way. The wastewater strategy will be developed in 2017-18, which will serve to provide greater visibility over the major medium and long-term investments required over the next 30 years.

<b>Water supply resilience measure areas</b>
<ul style="list-style-type: none"> <li>• Complete the water supply resilience programme business case by June 2017.</li> <li>• Complete the wastewater resilience Strategic Case by September 2016.</li> </ul>
<b>Result: Achieved</b>
<p>The water supply resilience programme business case was completed by June 2017. It may change as a result of work under way in 2017-18.</p> <p>The wastewater resilience strategic case was completed in September 2016. Two of the three problems it identified, namely community awareness and integrated operational planning, are being addressed through the Community Infrastructure Resilience (CIR) work. The third problem is the fragility of the network, addressing this is a long-term goal for the region.</p>

**2. Catchment management approach to impacts on fresh water**

We’ve continued to contribute to GWRC’s Whaitua or catchment-based approach to managing water quality and quantity, minimising our impact on the environment and improving consent compliance.

A catchment-based approach considers all the contributory factors to the quality of stormwater re-entering the environment in streams or coastal waters within a catchment. We’re working to support Whaitua Committees in Porirua and Wellington to build their understanding of the environmental issues of network management and performance.

We have provided some preliminary advice to the Committee on the potential cost and time required to meet potential water quality limits. We continue to work with the Committee in developing a policy framework that will form a part of the Whaitua Implementation Programme. The investment plan is contingent on the setting of limits and the development of the policy framework.

A draft Integrated Catchment Management Plan (ICMP) for the Lambton Harbour Catchment in Wellington City has been prepared. Wellington City Council, GWRC and the Stormwater Consultative Committee (SCC) have provided their feedback.

<b>Catchment management approach measure area</b>
<ul style="list-style-type: none"> <li>• Councils are satisfied with the investment plan that Wellington Water devises to make progress on meeting the limits adopted by the Whaitua work.</li> </ul>
<b>Result: Not achieved</b>
<p>Whaitua Committees are still working through the process of setting limits on freshwater bodies, so are yet to adopt limits against which we can develop an investment plan.</p> <p>The Porirua Whaitua Committee is expected to complete this work in late 2017 or early 2018.</p>

### 3. Community education

The development of a community education strategy is vital to improve the quality of receiving waters; reduce public health risk, reduce demand for potable water and network maintenance costs; and defer the need for investment in new infrastructure – where possible.

We held workshops with council partners to identify priority areas where education can make a difference. Activity plans have been produced to deliver messages and support community awareness, understanding and engagement on these issues. Regionally collaborative activities undertaken include:

- working with BRANZ on a national survey about public attitudes to water use and consumption
- producing an educational ‘virtual tour’ video of our water treatment facilities with LEARNZ. The video features our staff explaining what they do and why
- Customer Panel – the Customer Panel meets approximately every six weeks and has undertaken work relating to our community education activity
- in conjunction with the Wellington Regional Emergency Management Office, we ran a water and wastewater resilience awareness campaign during June. The aim is to motivate people to store enough water for their family for seven days, as well as having a plan to deal with wastewater. Adverts directed people to [www.getprepared.co.nz/water](http://www.getprepared.co.nz/water) for more information.

Quarter two saw the usual seasonal surge in the number of treatment plant tours; 10 tours were hosted, compared with three in quarter one. At year end a total of 15 tours were hosted.

This summer we rolled out a water conservation campaign with a new focus. Our messaging centred on reducing waste, which was a good call as it the poor summer weather meant that ‘saving’ water wasn’t required. We used rubbish bags, a wheelie bin and a skip bin to help people visualise how much water is wasted by leaving the tap on while brushing your teeth or leaving a dripping tap.

<b>Community education measure area</b>
<ul style="list-style-type: none"><li>• Develop a community education strategy and implementation plan that increases council collaboration across the region by June 2017 to inform 2018-28 long-term plans.</li></ul>
<b>Result: Achieved</b>
A Community Education Strategy and Implementation Plan were developed and carried out. Outcomes from that work, and continuing education and awareness-raising activity in the coming year, will inform council 2018-28 long term plans.

### Three waters strategy, policies and bylaws

A fourth regional work-stream aims to create value by finding opportunities to simplify and align council approaches and regulations into a regional approach.

A working group made up of representatives from Wellington Water, GWRC, Porirua City Council, and Wellington City Council has been established to advance the three waters strategy, in order to

link with other regional initiatives such as the National Policy Statement – Urban Development Capacity and the draft Regional Hazards Strategy.

<b>Three waters strategy measure area</b>
<ul style="list-style-type: none"><li data-bbox="252 315 1385 551">• We have a draft policy and proposed adoption process for regionally aligned watering restrictions considered by the Water Committee in August 2016, and a summer water campaign in place by November 2016 (either based on current policy or bylaw settings, or new draft policy if feasible). This project has an interdependency with a review of current consent-based restrictions (by Wellington Water and GWRC), that is planned to occur in consultation with consent stakeholders.</li></ul>
<b>Result: Achieved</b>
<p>We've prepared a regional approach to watering restrictions. A key outcome of this approach is to align Upper Hutt's water restrictions policy with those of the other three cities. This was to be determined by council in the new year. The summer water campaign ran from early February to mid-March 2017 and focused on reducing waste and highlighted the value of water.</p>

## Procurement strategy

Smart procurement will significantly improve services for the region's ratepayers at a lower cost and we look forward to providing that. With a focus on service delivery, our procurement strategy has been renamed internally as our service delivery plan.

Delivering long run customer service goals is everybody's job at Wellington Water whether a staff member, a consultant, a contractor or a supplier. We understand that by building a "family" around everybody who undertakes three waters work, together we are much more likely to succeed. Our motto is to keep it local, but we understand when we are working on something that's beyond our in-house capabilities or capacity, and we need outside help.

We've addressed service procurement in five areas: bulk water delivery; wastewater treatment; engineering consultancy; upgrade and renewals (capital expenditure work); and repairs and maintenance (operational expenditure work).

By year end, we had arrived at the following approaches:

- *Bulk water delivery* – We have built up considerable in-house capability to do this well, and it makes sense to continue doing that. We'll focus on benchmarking our performance in this area.
- *Wastewater treatment* – With four different plants managed three different ways, everybody could see there should be economies of scale and improvements from a single common approach. In the coming year, we'll work with the industry to develop that.
- *Engineering consultancy* – Our panel of consultants has been running for a year and we are now delivering a much more structured capital expenditure programme with flow-on benefits to the contractors through reliable and well communicated plans.
- *Upgrades and renewals* – We think the best way ahead is to establish a panel model with our skilled and experienced local contractors, where work is tendered within a framework of overall performance requirements.
- *Repairs and Maintenance* - A pure alliance format will bring our people and a single private sector supplier together, delivering services in a uniform fashion across the region. Central to the performance of this alliance will be a single customer processing system which allows us to track all jobs, ensure they are done and follow up on our success or otherwise with the customer. This will save us money because we currently have duplication in the system.

Procurement strategy measure area
<ul style="list-style-type: none"><li>• First generation procurement strategy completed in collaboration with suppliers.</li></ul>
Result: Achieved
The first generation procurement strategy has been completed in collaboration with suppliers. We are now in the process of converting that overarching strategy into individual work stream procurement plans before taking these to market in the 2017/18 financial year.

## Capital Programme

Delivering the capital programme smoothly over the year helps our team and our suppliers manage their workload. We made significant improvements this year, with a maximum variation of expenditure to budget of 13% compared to 23% last year. The full year expenditure of \$64 million was 6.8% under budget. This was a significant improvement on the previous year.

Several large construction projects were deferred during the year, which contributed to the reduced expenditure. We were able to get further ahead with our forward design programme and better planned with our project phasing and risk management. This will continue into the new financial year providing confidence in our ability to deliver the work programme.

The Wellington construction market remains heated, with significant infrastructure work under way in the region. We are seeing this in issues such as tender prices generally being higher than allowed for. In response, we are managing programme output to work within our budgets, and working to improve our budget estimating.

In addition, our programme this year had a higher number of complex projects, and a large amount of work within the CBD. We did not adequately factor risk allowances for these activities which resulted in a number of budget exceedances. We have chosen to defer some projects where budgets have been exceeded significantly whilst we reassess the business case to ensure we invest our programme budget wisely.

Overall we completed 90% of our planned capital works programme activities this year, and 85% of our planned construction activities. Over the next few years we'll establish a more proactive cycle of working with our suppliers to enable better forecasting and outcomes. Increasing the transparency of the programme's progress will support this, as will actively looking to lift performance and improve the relationship we have with suppliers.

<b>Capital programme measure area 1</b>
<ul style="list-style-type: none"> <li>95% of all planned construction projects from client council asset management plans are completed within timeframes agreed with councils.</li> </ul>
<b>Result: Not achieved</b>
The completion rate for planned construction projects was 85%.
<b>Capital programme measure area 2</b>
<ul style="list-style-type: none"> <li>90% of all completed projects (from a 10% sample) delivered what they said they would.</li> </ul>
<b>Result: Achieved</b>
100% of projects audited delivered on the proposed outputs, although some projects exceeded budgets.

**Creating value in everything we do**

We want to display a culture of eliminating waste, continuously improving and introducing innovation. We created a value for money framework that allows Wellington Water staff, consultants and contractors to register good ideas which we collectively instigate and then implement if appropriate. Staff engagement on value for money will continue, with a small number of initiatives furthered at any one time.

<b>Creating value measure area</b>
<ul style="list-style-type: none"> <li>• A trend of increasing registration value for money ideas.</li> </ul>
<b>Result: Achieved</b>
The number of value for money ideas lodged in 2016-17 was 183 (68 of these came from the Consultancy Panel). This compares to 108 value for money ideas lodged in 2015-16.

**Priority: Put in place a system to demonstrate value for money**

Value for money is a tricky thing to measure because generally you have to forecast savings based on a change. It’s not very often that we can run two activities in parallel to see the true value.

In demonstrating value for money, a thorough valuation system has been set up that will have our results audited by an independent party on an annual basis. A review of the value for money framework was undertaken and it was confirmed that it was appropriate and the calculations reasonable. This is because the framework appropriately includes non-financial indicators, financial costs and benefits and prioritisation criteria.

An independent reviewer found that a sample of cost reduction initiatives demonstrated progress towards the desired culture of eliminating waste, continuous improvement and innovation, and that the structure of our value for money financial model was sound in terms of the accuracy of its calculations.



<b>Value for money system measure area</b>
<ul style="list-style-type: none"> <li>Independent reviewer agrees with greater than 85% of our individual valuations.</li> </ul>
<b>Result: Achieved</b>
<p>The reviewer examined 15 initiatives with measurable financial benefits and found they provided \$569,000 net gains in the 2016-17 financial year and \$270,000 in ongoing net gains, or \$839,000 total whole of life gains.</p> <p>The reviewer concluded that the structure of our value for money financial model is sound in terms of the accuracy and reasonableness of calculations and assumptions made.</p>

We have asked all councils to reinvest operational expenditure that didn't occur or any operational expenditure savings, where they are found, back into the company and into the regional initiatives, particularly the water supply resilience project.

## Working collaboratively

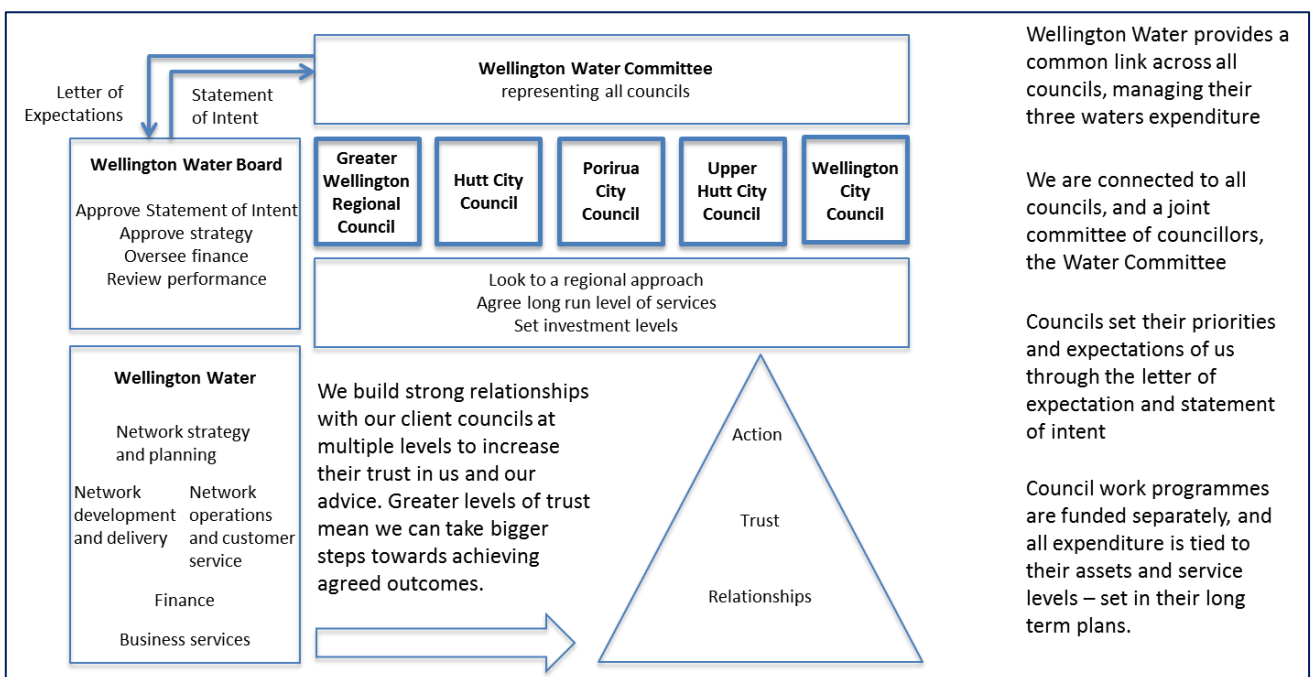
We work collaboratively with our customers, shareholders and key stakeholders at central, regional and local levels. Our goal is to be seen as a trusted adviser to councils. We use a relationship management model to build the strength of our client council relationships.

### Trusted Advisor to our shareholders

As a trusted advisor to our client councils, it is essential we are transparent and responsive to their needs and expectations.

We treat each client council as an individual, with specific conditions and needs that we must meet. Where it makes sense we introduce a regional perspective (such as exploring a regional approach to climate change with Greater Wellington Regional Council).

### Our Trusted Adviser model



In the widest regional sense, we are building our regional consciousness and are open minded about working better with our geographic neighbours to lift performance of the sector.

We've been transparent with our client councils about the changes to the capital programme, the work-streams arising from the Shaping our Future consultation, and the work we've undertaken to streamline the way councils fund Wellington Water, which we call One Budget. One Budget means managing procurement through our own system, rather than that of our different client councils, and we expect it to provide value by supporting improvements such as our Service Delivery (Procurement) strategy.

#### Trusted advisor measure area

- Client council representatives judge us on an ongoing basis as having an effective relationship.

<b>Result: Achieved</b>
Our clients continue to rate us as having their trust.

These important relationships need our ongoing attention to ensure effective service delivery. In particular, we have a new client council representative at Upper Hutt City Council and Porirua City Council is experiencing some bedding-in issues with operational changes.

### Central government

At the national level, there are a range of matters relating to water governance and management that we have been involved in, including resilience.

This requires us to continue effective relationships with the Treasury's National Infrastructure Unit, the Ministry of Business Innovation and Employment, WorkSafe NZ, the Department of Internal Affairs and the Ministry for the Environment amongst others.

The November Kaikoura earthquake changed the environment we work in, and added impetus to our central government engagement, and the Minister of Local Government announced co-funding work of \$6m for our community infrastructure resilience programme, a first in New Zealand.

<b>Central government relationship measure area</b>
<ul style="list-style-type: none"><li>As part of our water supply resilience initiative, keep government officials briefed on our progress.</li></ul>
<b>Result: Achieved</b>
Central Government, particularly the Department of Internal Affairs, is very engaged in our resilience work and relationships are good. The Department of Internal Affairs has been appointed as our Central Government contact point for water.



### Customers: We place customers at the heart of everything we do

An exceptional company delivers outstanding customer value. A customer centric approach is increasingly informing our overall business strategy. We're re-orienting ourselves around the customer (the end users of three waters services) through a medium-term approach that will see the customer accounted for throughout the entire business.

We established a customer panel, comprised of representatives from the four cities, in late 2016. We'd held five meetings by the end of June, focused at first on building an understanding of the work we do, and our key relationships. An early output from the panel was advice on the content of a customer service charter. The aim is for the panel to be one of the channels for increased customer input into the planning and service delivery work we do.

Our first customer survey found, among other facts, that eleven per cent of people spontaneously mentioned Wellington Water as their water services supplier and a further 27% said that they recognised the name. Just over a third said they would like to know more about our current activities and future plans. Information such as this will help us improve customer understanding of the value of the services they receive.

Customer relationship measure area
<ul style="list-style-type: none"> <li>Work with client councils to develop a customer panel and an annual customer survey for implementation.</li> </ul>
Result: Achieved
<p>We've formed a customer panel and are meeting with them regularly to share knowledge.</p> <p>We developed and carried out a customer survey.</p>

Research also tells us that customers are generally satisfied with drinking water, stormwater, and wastewater provision and management, with 84% rating the current services as good or better. In terms of direct contact with Wellington Water, customers were slightly less satisfied with contact related to unexpected water outages than other forms of contact. This seems largely to be due to a perceived lack of notification and we're currently trialling some new procedures to address this.

### Other stakeholders

We have key relationships with Water New Zealand, Local Government New Zealand and the Local Government Commission.

Wellington Water has been actively engaging with other utilities and lifeline organisations over resilience, local government (over Local Government Act proposed changes, the proposal for the Risk Management Agency and review of 60/40 risk profile with central government and resilience) and with central government over policy issues relating to National Policy Statements, the Natural Resources Plan and RMA changes.

Our Chief Executive continues to participate on the Water NZ Board and one of our staff is chairing the Water Utilities Association. These two positions enable us to both influence national water businesses and to learn from them.

We assisted the Wellington Water Committee to prepare a plan for three waters in the wider Wellington region that has been submitted to the Local Government Commission. We have made appointments within the company to further develop our relationship with local iwi.

Stakeholder relationship measure area
<ul style="list-style-type: none"> <li>Create and implement an annual stakeholder survey in consultation with our client councils.</li> </ul>
Result: Achieved
<p>A stakeholder survey was developed and carried out in June 2017, and will be carried out annually.</p>

Similar to customers, a majority of stakeholders (68%) think we're doing a good job and most (85%) are satisfied with their relationship with Wellington Water. Our stakeholders are particularly appreciative of the way we keep them informed, our honesty, and that we work with them. One

area stood out as something we need to work on, some of our 'special interest groups and other' stakeholders would like a closer relationship with us than they've currently got.

**Specific priority: Growing our business**

Growing our business is about evolving our business model and relationships with councils outside the immediate Wellington area. We provided asset management services to South Wairarapa District Council and have continued engagement with other neighbouring councils.

Consistent with our regional approach is our intent to provide services for any of the five shareholding councils and occasionally for others beyond the shareholding councils. This will be done in a transparent manner with our current five shareholding councils.

<b>Growing our business measure area</b>
<ul style="list-style-type: none"><li>• Explore the regional consciousness model with our nearest neighbours and make a decision by December 2016 with our shareholding councils about whether to progress engagement.</li></ul>
<b>Result: Achieved</b>
Our client councils are comfortable with our gradual progress towards a regional consciousness model. We have undertaken some work for South Wairarapa District Council.

# Operational focus areas

## Sound financial management

Wellington Water's operating expense budget for 2016-17 is \$51.6 million. The company reported a full year deficit as at 30 June 2017 of \$355,000 before tax (\$246,000 after tax) against a budgeted surplus of \$36,000 before tax (see Statement of Comprehensive Revenue and Expenses, page 76).

The drivers for the deficit relate to earthquake-related costs of approximately \$120,000 and a higher than expected use of contractors to cover vacancies. We also saw the full implemented cost of the new IT shared service office; this is significantly higher than the original budget allowed for.

In line with our no surprises approach the impact of these additional costs were communicated to our client and shareholder representative meetings during the year.

### One Budget

Throughout the year we've worked on our One Budget project. One Budget is a project that has brought Wellington Water to truly owning the relationship from procurement to payment for both controllable operating and capital expenditure. By managing costs through our own systems a new range of potential benefits are unlocked.

- Three-year funding certainty – providing certainty and enabling commitment to longer-term region wide contracts.
- There is the possibility of leveraging preferential procurement deals with suppliers, contractors and consultants at advantageous rates.
- Implementing the Smart Investment model and having the financial transactions to support the decisions made, reporting to track spend on specific objectives will enable us to ensure we maintain the benefits of those decisions.
- It allows flexibility between Council costs and Wellington Water fees.
- It is reflective of the trusted advisor model as we commit to delivery of the program within approved budgets.

All of our controllable expenditure was operating under the One Budget system from 1 July 2017.

## Improving our processes

We continue to refine our health and safety systems to meet legislative requirements with a focus on culture and collaboration with our suppliers.

We are designing and implementing a management framework for consolidating and streamlining processes across the business. Focusing on asset management, we've introduced business process mapping software to support the framework. The software (Promapp) serves to illustrate roles and accountabilities of interdependent functions and processes.

The asset management function was selected first due to its strategic position in our company's core value chain and because it supports our commitment to client councils in the delivery of the 10-year service plan. To date we are well under way in identifying critical interactions in the system.

In early 2016 our health and safety system was upgraded; throughout the year we've been embedding the system within our processes.

We continue to refine how we work and will be looking at more opportunities to make the processes simple and effective as our business develops.

## Managing risk

We report risks quarterly to the Audit and Risk Committee of the Board and discuss treatment programmes to mitigate extreme risks at each meeting.

The 14 November Kaikoura earthquake resulted in us being out of our offices for a total of 28 days. This meant that we had to continue our operations from numerous locations as we responded to flooding issues. Throughout this time we continued a high degree of service delivery to our client councils and customers.

We've made good progress on resilience across the breadth of the organisation. We deployed emergency kits to cover each person for a minimum of three days and business continuity plans have been updated. Resilience training has been offered to all staff, which focuses on providing practical tools to build resilience both professionally and in personal lives.

Every year we keep an eye on summer demand and the water supply capacity for the summer period. With the water quality issues in the aquifer and the supply restriction at the Waterloo Water Treatment Plant, we brought forward our planning and risk management practices to ensure that we were able to meet not only summer demand but current demand.

## Measuring success

The Senior Leadership Team (SLT) meets fortnightly and has an all-day meeting each month and at the end of each quarter.

Quarterly meetings included developing and reporting against some key dashboards:

- 1) the company dashboard which includes our outcomes and internal company results areas and priorities
- 2) three waters dashboard – provides detailed performance against our 12 service goals
- 3) health and safety dashboard
- 4) people and capability dashboard.

We also look at the status of each initiative in the company work programme.

All this information is made available at our Board meetings and the three waters and health and safety dashboards also go through to the Wellington Water Committee. The 2015/16 Annual Report was published in quarter one.

We kept client councils briefed on key issues and consulted with them on new developments as they have arisen – we do this on a monthly basis.

# Our regional water

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

## Wellington region bulk water and trunk wastewater mains



## 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	408,510	145,220 (provisional total)

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 (km)	Pumping stations	Reservoirs
3	3,674 ML (ML = million litres) (usable storage)	4	2,383  (Excludes the public component of laterals)	87	144  (including bulk water storage)

## Wastewater

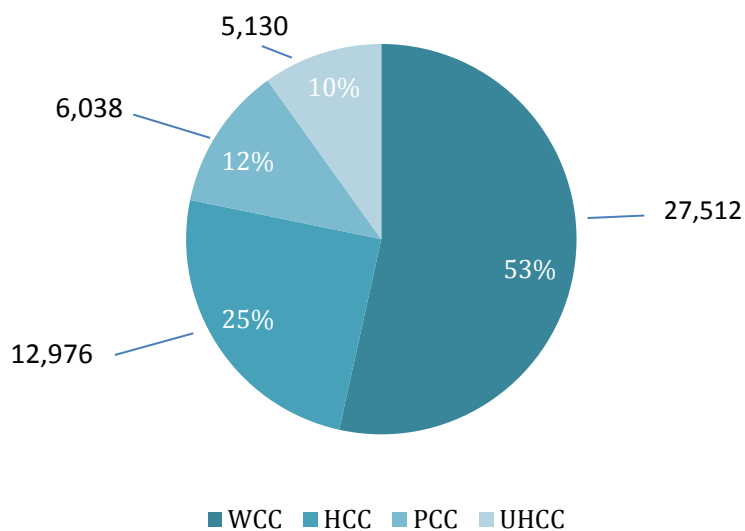
Wastewater treatment plants	Pipelines (km)	Pumping stations
4	2,391	191

## Stormwater

Retention dams	Pipelines (km)	Pumping stations
7	1,684	21

## Regional Water Consumption

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

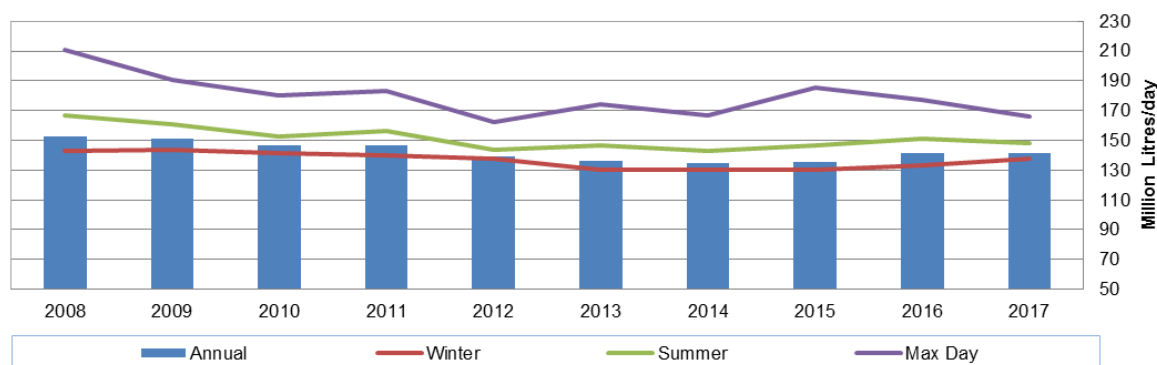


## Drinking water

Collectively, the region's cities used 51,654 million litres of treated water – an average of 139 million litres per day, or 340 litres per person per day. The 2015/16 year recorded 51,816 million litres of treated water being used – an average of 142 million litres per day.

Regional per capita demand must remain below 374L/p/day (litres per person/per 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. We're heading in the right direction with the region's cities using 162 million litres less of treated water than the previous year, as shown below.

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



## Water supply capital expenditure by council (\$000)

Year to 30 June	2013	2014	2015	2016	2017
Hutt City	\$1,885	\$2,604	\$3,036	\$3,590	\$6,346
Porirua	\$1,184	\$1,620	\$1,010	\$1,536	\$1,472
Upper Hutt	\$1,046	\$1,022	\$1,378	\$1,505	\$1,068
Wellington	\$12,170	\$10,983	\$13,265	\$14,926	\$14,431
Greater Wellington	*	*	*	\$4,025	\$4,270
TOTAL	\$16,285	\$16,229	\$18,689	\$21,557	\$27,587

\*GWRC's numbers pre-2016 are excluded as they were not part of Wellington Water at that time.

Over the 2016/17 year we replaced or renewed 11,430.60 metres of water supply pipes in 33 separate projects for our city councils.

## Resilience

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

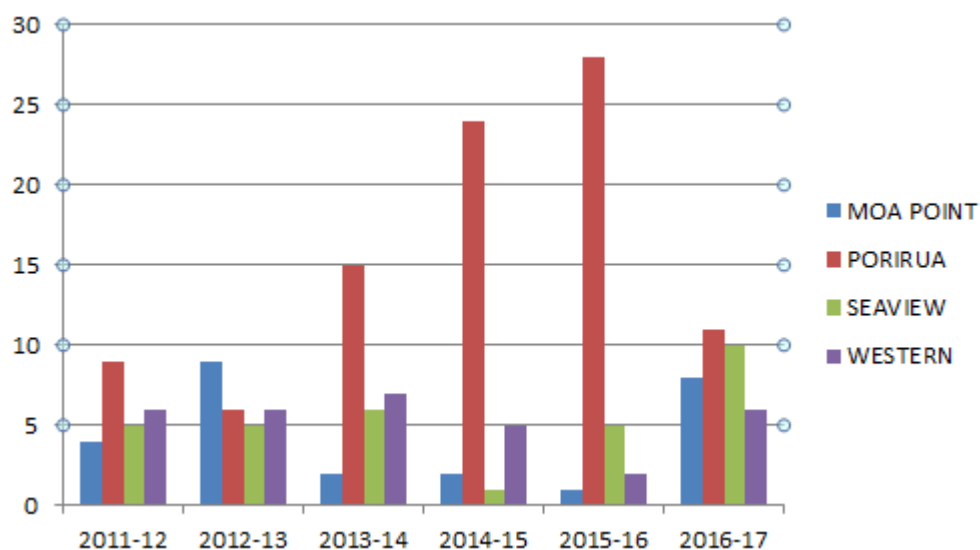
A Wellington fault movement earthquake is likely to have the greatest impact on the bulk water supply system compared with other events. Because of the long supply lines in the Wellington region, a large earthquake could interrupt water supplies for up to 100 days for some suburbs and as much as 70 days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

## Wastewater

On a typical day, the average flow to our wastewater plants is 165 million litres of wastewater. We have 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, and is then discharged to the sea. The sludge resulting from filtration and treatment, is de-watered and then the solid content is taken to landfills.

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



Note that overflow and discharge events are highly weather dependant; increased rainwater in the wastewater network, caused by cross connections and other faults, can overload pumping stations, pipes and treatment plant capacity. The improved figure at Porirua compared to previous years represents both operational improvements, and weather impacts. Although there were storms that led to overflows, over the entire year the rain fell in more manageable quantities than last year.

### Wastewater supply capital expenditure by city (\$000)

Year to 30 June	2013	2014	2015	2016	2017
Hutt City	\$5,335	\$4,514	\$4,779	\$3,858	\$5,151
Porirua	\$3,440	\$3,459	\$2,940	\$5,251	\$7,001
Upper Hutt	\$1,704	\$1,142	\$2,790	\$2,404	\$2,033
Wellington	\$6,883	\$7,923	\$7,959	\$10,855	\$10,671
TOTAL	\$17,362	\$17,038	\$18,468	\$22,368	\$24,856

Over the 2016/17 year we replaced or renewed 8,272.85 metres of wastewater pipes in 24 separate projects for our city councils.

## 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.

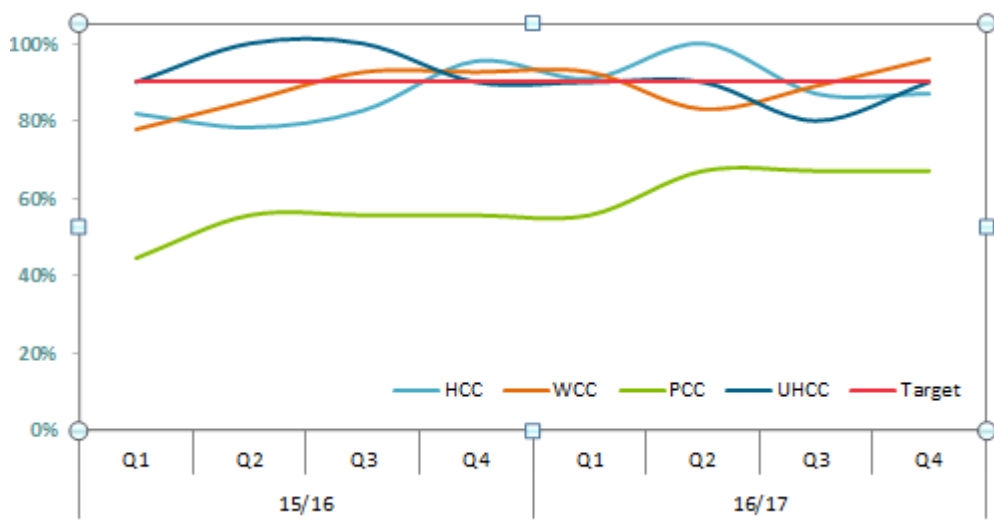
### Stormwater capital expenditure by city (\$000)

Year to 30 June	2013	2014	2015	2016	2017
Hutt City	\$2,566	\$1,012	\$1,327	\$2,706	\$3,182
Porirua	\$647	\$921	\$668	\$573	\$972
Upper Hutt	\$733	\$751	\$75	\$1,002	\$521
Wellington	\$2,564	\$4,193	\$4,821	\$4,867	\$7,217
TOTAL	\$6,510	\$6,877	\$6,891	\$9,148	\$11,892

Over the 2016/17 year we replaced or renewed 1,218.33 metres of stormwater pipes in 14 separate projects for our city councils.

### Fresh Water Quality: % of sites compliant

Target: 90% of all freshwater sites have a rolling 12 month median < or = 1000cfu/100ml3



Current Result

HCC 87% 🟡

WCC 96% 🟢

PCC 67% 🔴

UHCC 90% 🟢

Freshwater quality is affected by runoff, and cross connections or leaks from the wastewater network into the stormwater system. We're working hard to improve the performance of Porirua's network with regard to both overflows and water quality.

# Our performance

Our performance is formally measured in company (including financial), outcome (network outcome and service delivery) and council (long term plan) performance statements.

This section introduces these three measurement areas and includes an overview of activity in each of the three water networks, to provide some context for customer outcome performance.

Our financial performance is covered in the Financial Statements (see page 76)

## Company performance measures

Of the three performance statements, the company performance measures (How we will achieve our goals, pages 12-29) provide insight into our performance for the year. These are the organisational goals we've set ourselves to help us improve, and are focused on people and performance. Our other two service statements – Outcome (customer) measures and service goals, and Client council key performance measures, are mainly comprised of network performance measures.

## Outcome (customer) measures and service goals

### Safe and Healthy Water

Overall we provide services that contribute to safe and healthy water. Due to apparent contamination of the Waiwhetu aquifer and deterioration in water quality, we anticipate that we will need to put in place permanent treatment for supply to Lower Hutt areas previously not receiving chlorinated water.

### Respectful of the Environment

There is more work to do in this area around measuring our performance. We are undertaking investigations to identify and remedy pollution sources and work is ongoing regarding understanding the education needs of the community.

### Resilient networks support our economy




Overall the three waters service is reliable. There are parts of the network that do not have sufficient capacity during large wet weather events and this can lead to flooding and wastewater overflows.





Refer to the summary Three Waters Dashboard on the next page, and detailed reporting from page 38.








## Client council key performance measures











The key performance indicators that underlie each of our outcomes and service goals are derived from council long-term plans. Key indicator performance is reported from page 43.

# Our outcomes and service goals










Our Customer Outcomes and Service Goals performance.  = on track;  = some issues;  = serious issues






Customer Outcome	2016/17 Commentary	Service Goal and 2016/17 performance			Key result areas (objectives)	2016/17 Goal Performance Commentary
<b>Safe and Healthy Water</b> - We provide water services to ensure safe drinking water and work to eliminate the harmful effects of wastewater and stormwater over time	Overall we provide services that contribute to safe and healthy water however, due to apparent contamination of the Waiwhetu aquifer and deterioration in water quality, we anticipate that we will not achieve compliance with the New Zealand Drinking Water Standards for water supplied to WCC and HCC consumers that are supplied from this aquifer. We continue to chlorinate water from the bores.		We provide safe and healthy drinking water		Water is delivered to meet current NZ Drinking Water Standards and water supply legislation so that our activities prevent contamination of treated water.	Overall we continue to provide services that deliver safe and healthy water to customers; however, due to the apparent contamination of the Waiwhetu aquifer and deterioration in water quality indicated by two positive E.coli results, we will not achieve bacteriological compliance for Waterloo Water Treatment plant. We continue to chlorinate water from these bores which ensures the provision of acceptable quality water to customers.
					Water supplied is of acceptable quality to customers	
			We operate and manage assets that are safe for our suppliers, people and customers		Water services are delivered in a way that is safe for our suppliers, people and customers	Achieved, however we need to implement processes and continue to investigate asset improvements to maintain this status. Programmed inspection of the manholes on Carey's Gully wastewater return pipeline has identified potential safety risks which are being addressed. Manhole replacement with alternative materials, more resistant to corrosion, is a likely outcome.
					Asset safety risks are identified and improved	

Customer Outcome	2016/17 Commentary	Service Goal and 2016/17 performance			Key result areas (objectives)	2016/17 Goal Performance Commentary	
			<p>We provide an appropriate region-wide fire-fighting water supply to maintain public safety</p>		<p>Sufficient water is supplied to meet urban firefighting needs under normal conditions</p>	<p>Identification and confirmation with the Fire Service of critical hydrants that will be part of hydrant performance testing across the region is an ongoing work programme. Non-compliant hydrants are prioritised for upgrade works.</p>	
							<p>We identify and implement water supply improvements to assist the Fire Service</p>
			<p>We minimise public health risks associated with wastewater and stormwater</p>		<p>The public is protected from direct exposure to untreated wastewater onto land</p>	<p>There are network capacity and condition issues that may result in contamination of urban stormwater catchments that can result in public health concerns. Work is ongoing throughout the region to minimise the number of overflows.</p>	
					<p>The public is protected from direct exposure to untreated wastewater onto beaches</p>		

Customer Outcome	2016/17 Commentary	Service Goal and 2016/17 performance			Key result areas (objectives)	2016/17 Goal Performance Commentary	
<b>Respectful of the environment</b> – When we provide water services we seek to avoid harm to the natural and built environment and over time enhance it for the benefit of future generations	We continue to have work to do in this area around measuring our performance. We continue to undertake investigations to identify and remedy pollution sources and work is ongoing regarding understanding the education needs of the community.		We manage the use of resources in a sustainable way		Our customers receive water services that are managed efficiently through minimising:		
					A) water loss	We measure water consumption (including loss) across the region, with service levels currently within targets. As part of future consolidation of contracts for wastewater treatment plants, we are developing a regional approach for the management of biosolids.	
					B) energy consumption		
		C) production of treatment plant waste					
			We will enhance the health of our waterways and the ocean		Water quality of the waterways and harbours is not adversely affected by discharges from any of the three waters network	We currently monitor freshwater sites and beaches, some of these sites exceed pollution target levels. This is a long term ongoing initiative to identify and remove sources of pollution.	
					Integrated catchment management plans are used in a collaborative approach with stakeholders to carry out improvements to the water quality of waterways and harbours		
	We influence people's behaviour so they are respectful of the environment		Communities are educated to use our infrastructure in ways that reduce the impact on the natural environment in areas such as stormwater pollution and water conservation	We are finalising a new community awareness strategy. This strategy seeks to deliver a regionally aligned, consistent and coordinated programme of activities to improve customers' knowledge of three waters and influence behaviour to minimise their impacts on the system.			



Customer Outcome	2016/17 Commentary	Service Goal and 2016/17 performance			Key result areas (objectives)	2016/17 Goal Performance Commentary	
			We ensure the impact of water services is for the good of the natural and built environment		Water services are managed to comply with consents	There is significant work underway with consenting activities under the Proposed Natural Resources Plan. The outcomes of the collaborative work with the Waitaitua committee may impact future consent conditions.	
					Water services are built and managed in ways that are not intrusive to communities.		
<b>Resilient networks support our economy</b> – We provide reliable day-to-day water services that are able to withstand shock and stresses and future-proof the network to enable a strong regional economy and enhanced natural environment	Overall the three waters service is reliable. There are parts of the network that do not have sufficient capacity during large wet weather events. This can lead to flooding and wastewater overflows. Planning of infrastructure for growth will be critical to prevent further network capacity issues.		We minimise the impact of flooding on people’s lives and proactively plan for the impacts of climate change		The potential impact of increased sea levels and flooding on property and key transport links from stormwater is identified and the impacts are minimised	Further development of hydraulic models will allow us to better understand the likely impact of flooding on communities. There are known flood risk areas. Areas prone to flooding will need to be prioritised based on a consistent economic analysis framework. Our work on climate change impact in 2017/18 will inform our approach to stormwater investment.	
			We provide three water networks that are resilient to shocks and stresses				The resumption of water services to customers is prioritised and managed appropriately

Customer Outcome	2016/17 Commentary	Service Goal and 2016/17 performance			Key result areas (objectives)	2016/17 Goal Performance Commentary	
			<p>We plan to meet future growth and manage demand</p>		<p>The water supply network meets normal demand except where a drought is more severe than a 1-in-50 year return period event</p>	<p>The National Policy Statement on Urban Development Capacity reinforces the need to understand the impact of Councils' growth aspirations on three waters infrastructure performance. Continued pressure on the land development section to process building consent enquiries, has highlighted the need for planning to identify and resolve potential capacity issues.</p>	
				<p>We provide reliable services to customers</p>			<p>Customers have access to reliable three water services</p>

# Client council key performance indicators

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.


We receive information from both Citycare and the relevant council (WCC, PCC, HCC, UHCC and GWRC) for some aspects of our performance reporting. This information is then processed by Wellington Water staff and used for reporting against specific performance measures. This includes the following areas:

- Complaints (measured per 1,000 connections)
- Response times (attendance and resolution) for urgent and non-urgent call outs
- Customer satisfaction with 3 waters service (survey conducted by each council where measured)

We rely on the controls implemented at each relevant organisation (be it the council or Citycare) to provide accurate data for our performance reporting.

## Customer Outcome: Safe and Healthy Water

We provide water services to ensure safe drinking water and work to eliminate the harmful effects of wastewater and stormwater over time.




Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17						Target 2016/19	Client	
							Bacterial	Protozoa <sup>1</sup>	Chemical	Aesthetic				
We provide safe and healthy drinking water	Bulk water	Service quality	Service quality	Water is delivered to meet current NZ Drinking Water Standards and water supply legislation so that our activities prevent contamination of treated water	Comply with the Drinking Water Standards for NZ 2005 (Part 4 and 5) (revised 2008) (P1 Microbiological, P2, Chemical and Aesthetic compliance)							100% compliance	GWRC	
						Treatment Plants	Te Marua	Yes	Yes	Yes	Yes			
							Wainuiomata	Yes	Yes	Yes	Yes			
							Waterloo <sup>2</sup>	No <sup>3</sup>	Yes	Yes	Yes			
							Gear Island	Yes	Yes	Yes	Yes			
						Zones	Wellington	Yes	NA	Yes	Yes			
							Lower Hutt	Yes	NA	Yes	Yes			
Upper Hutt / Porirua	Yes	NA	Yes	Yes										

<sup>1</sup> Protozoa (Part 5 of the DWSNZ) is tested for at the treatment plants for all water delivered to customers within all four city councils. GWRC is responsible for this testing.

<sup>2</sup> We have moved to permanent water treatment at our Waterloo plant. This was due to the presence of E.coli in the water supply following the 14 November Kaikoura earthquake.

<sup>3</sup> Result measure updated in line with DIA guidelines on reporting against NZ Drinking Water Standards to reflect Yes/No compliance against criteria rather than a percentage of compliance as a whole as this is more reflective of how compliance is measured.



Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17	Target 2016/19	Client
						<p>We have four treatment plants and three distribution zones that are evaluated according to the New Zealand Drinking Water Standards. One treatment plant (Waterloo) was found to be non-compliant with one section of the standards due to receiving two positive E.coli results in conjunction with the sampling regime not meeting the nominated criteria of the standards. We changed this regime in September 2016 and it is now compliant.</p> <p>We continue to chlorinate water from the bores at Waterloo treatment plant, which ensures the provision of acceptable quality water to customers.</p> <p>We have received formal confirmation for the Waterloo treatment plant results, however only verbal clearance of compliance for all other results has been provided by the Drinking Water Assessors. We do not expect this assessment to change in the final results.</p> <p>The assessment of compliance for 2015/16 was received in October 2016 and confirmed our results for last year with no change from results reported in the 2015/16 annual report.</p>		

Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17		Target 2016/19	Client
We provide safe and healthy drinking water	Bulk water	Service quality	Service quality		Maintenance of water supply quality grading's from Ministry of Health for the bulk water supply <sup>4</sup>	Achieved. Grading has been maintained. Last assessed 2011 and no change recorded. <sup>5</sup>		Maintain grading	GWRC
					Number of waterborne disease outbreaks	Nil		Nil	
	Bulk Water	Customer focus	Customer satisfaction	Water supplied is of acceptable quality to customers	Number of complaints about:			Fewer than 5 per 1000 connections	
					a) drinking water clarity /1000 connections	0			
					b) drinking water taste /1000 connections	0.03			
					c) drinking water odour /1000 connections	0.03			
					d) drinking water pressure or flow /1000 connections	0			
					e) drinking water continuity of supply /1000 connections	0			
f) Response to drinking water complaints /1000 connections <sup>6</sup>	0								

<sup>4</sup> Refer to: <http://www.drinkingwater.esr.cri.nz/general/grading.asp> for definition of grading

<sup>5</sup> Last grading exercise for each treatment plant: Te Marua = March 2007, Wainuiomata = May 2005, Waterloo = April 2007, and Gear Island = June 2011




<sup>6</sup> This is about the service we are providing

Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17				Target 2016/19	Client	
We provide safe and healthy drinking water	Water Reticulation	Service Quality	Service Quality	Water is delivered to meet current NZ Drinking Water Standards and water supply legislation so that our activities prevent contamination of treated water	Comply with the Drinking Water Standards for NZ 2005 (revised 2008) (Part 4 bacterial compliance)	Distribution Zone		Bacterial	Protozoa <sup>7</sup>		100% compliance	All clients (excl GWRC)
						PCC	Judgeford	Yes	NA			
							Mana/Plimmerton/Paremata	Yes	NA			
							Porirua High Level	Yes	NA			
							Porirua Low Level	Yes	NA			
							Pukerua Bay	Yes	NA			
							Whitby	Yes	NA			
						HCC	Eastbourne	Yes	NA			
							Haywards	Yes	NA			
							Lower Hutt	Yes	NA			
							Petone	Yes	NA			
							Stokes Valley	Yes	NA			
							Wainuiomata	Yes	NA			
We provide	Water Reticulation	Service	Service	Water is delivered to meet current NZ	Comply with the Drinking Water Standards for NZ	UHCC	Pinehaven	Yes	NA		100% compliance	All clients








<sup>7</sup> Protozoa (Part 5 of the DWSNZ) is tested for at the treatment plants for all water delivered to customers within all four city councils. GWRC is responsible for this testing.



Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17				Target 2016/19	Client	
safe and healthy drinking water		Quality	Quality	Drinking Water Standards and water supply legislation so that our activities prevent contamination of treated water	2005 (revised 2008) (Part 4 bacterial compliance)		Upper Hutt Central	Yes	NA			(excl GWRC)
						WCC	Brooklyn	Yes	NA			
							Churton	Yes	NA			
							Eastern Wellington	Yes	NA			
							Johnsonville	Yes	NA			
							Karori	Yes	NA			
							Kelburn	Yes	NA			
							Onslow	Yes	NA			
							Southern Wellington	Yes	NA			
							Tawa	Yes	NA			
							Wadestown	Yes	NA			
							Wellington Central	Yes	NA			










Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17		Target 2016/19	Client
We provide safe and healthy drinking water	Water Reticulation	Service Quality	Service Quality	Water is delivered to meet current NZ Drinking Water Standards and water supply legislation so that our activities prevent contamination of treated water	Maintenance of water supply quality grading's from Ministry of Health for the bulk water supply	Achieved. Grading has been maintained. Last assessed 2008 and no change recorded. <sup>8</sup>		Grading maintained	All clients (excl GWRC)
		Customer Focus	Customer Satisfaction	To achieve a high overall level of customer approval of the water service	Number of complaints about: a) drinking water clarity /1,000 connections b) drinking water taste /1,000 connections c) drinking water odour /1,000 connections d) drinking water pressure or flow /1,000 connections e) drinking water continuity of supply /1,000 connections f) Response to drinking water complaints /1,000 connections (Note: this is about the service we are providing)	12.49		Fewer than 140 complaints per 1,000 connections for each council	HCC
						6.81			PCC
						7.11			UHCC
						13.84			WCC
We provide	Water Reticulation	Customer	Customer	To achieve a high overall	Customer Satisfaction with water supply	97%		95%	HCC

<sup>8</sup> Last grading exercise for each zone: UHCC zones = December 2007, WCC zones = June 2008, PCC zones = March 2008, HCC zones = July 2008, and Bulk Distribution zones = October 2007

Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17		Target 2016/19	Client					
safe and healthy drinking water		Focus	Satisfaction	level of customer approval of the water service		94%			95%	PCC				
						Not available. UHCC does not provide a measure of Customer Satisfaction for 3 waters services								UHCC
						90%			90%	WCC				
We operate and manage assets that are safe for our suppliers, people and customer	All	Health and Safety	Health and Safety	Water services are delivered in a way that is safe for our suppliers, people and customers	LTI's and Incidents associated with operation of council assets	LTI's:	0	These measures have evolved for 2017 onwards to focus on LTIs solely.		Zero	All Clients			
						Injury:	13							
						Near Hit:	25							
					LTI's and incidents associated with supplier activities in designing, constructing, commissioning or operating Council assets	LTI's:	5			Zero				
						Injury:	49							
						Near Hit:	389							
We provide an appropriate region-wide fire-fighting water supply to maintain public safety	Water Reticulation	Service Quality	Continuity of Supply	Sufficient water is supplied to meet urban firefighting needs under normal conditions	Percentage of fire hydrants identified as complying with NZ Fire Service Code of Practice	100%			95%	HCC				
						100%				UHCC				
						99.9%				WCC				
						100%				PCC				
We provide an appropriate	Water Reticulation	Service Quality	Continuity of Supply	Sufficient water is supplied to meet urban firefighting needs under	No. of key hydrants that do not meet testing requirements (as defined in SNZ PAS 4509:2008)	These measures have been removed from the SOI for 2017/18	0		NA	PCC				
							0			HCC				

Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17			Target 2016/19	Client
region-wide fire-fighting water supply to maintain public safety				normal conditions	% of fire hydrants inspected in the previous five years (as defined in Clause G4 of Appendix G SNZ PAS 4509:2008)	due to being inappropriate for measuring performance in this area.	8			UHCC
							0			WCC
							99.8%			PCC
							99.6%			HCC
							100%			UHCC
							96.8%			WCC
We minimise public health risks associated with wastewater and stormwater	Wastewater	Customer Focus	Customer Satisfaction	The public is protected from direct exposure to untreated wastewater onto beaches	The total number of complaints received by the council about any of the following sewage issues: · odour · system faults · system blockages, and · council's response to issues Expressed per 1,000 connections to the council's sewerage system	25.42		Less than 30 per 1,000 connections	HCC	
						20.65			PCC	
						16.17			UHCC	
						19.72			WCC	
	Wastewater	Customer Focus	Customer Satisfaction	The public is protected from direct exposure to untreated wastewater onto beaches	The number of dry weather sewerage overflows from the council's sewerage system expressed per 1000 sewerage connections to the sewerage system	0.05		Nil	HCC	
						0.11			PCC	
						0			UHCC	
						0.46			WCC	








Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17		Target 2016/19	Client
We minimise public health risks associated with wastewater and stormwater	Wastewater	Customer Focus	Customer Satisfaction	The public is protected from direct exposure to untreated wastewater onto beaches	Percentage of days during the bathing season (from 1 November to 31 March) that the monitored beaches are suitable for recreational use <sup>9</sup>	100%		90%	HCC
						99.95%			PCC
						99.99%			WCC
					The number of non-consented overflows from the treatment plants	0		Nil	HCC
						0			PCC
						1			WCC
					The number of consented overflows from the treatment plants	10		< 10 and decreasing trend	HCC
						13			WCC
						10		< 15 and decreasing trend	PCC






<sup>9</sup> GWRC grading and risk profiles for beaches, is separate to beach suitability for recreational use (i.e. beach closures). If a beach is graded C, this does not mean the beach was unsuitable for recreational use, rather it notes the risk of illness associated with the grading of that beach.

## Customer Outcome: Respectful of the environment

When we provide water services we seek to avoid harm to the natural and built environment and over time enhance it for the benefit of future generations.

Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17	Target 2016/19	Client
We will enhance the health of our waterways and the ocean	Stormwater	Environmental Performance	To manage stormwater in an environmentally sensitive manner	Water quality of the waterways and harbours is not adversely affected by discharges from any of the three waters network	Percentage of days during the bathing season (from 1 November to 31 March) that the monitored beaches are suitable for recreational use	100.00%	90%	HCC
						99.95%		PCC
						99.99%		WCC
					Percentage of monitored fresh water sites that have a rolling twelve month median value for E.coli (dry weather samples) that do not exceed 1000 cfu/100ml	87%	90%	HCC
						67%		PCC
						90%		UHCC
						96%		WCC
					The number of non-consented overflows from the treatment plants	0	Nil	HCC
						0		PCC
						1		WCC
					The number of consented overflows from the treatment plants	10	< 10 and decreasing trend	HCC
						13		WCC
						10	< 15 and decreasing trend	PCC
					We manage the use of	Water Reticulation	Cost	To manage water in an






Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17		Target 2016/19	Client		
resources in a sustainable way		Effectiveness	environmentally sensitive manner	that are managed efficiently through minimising water loss		302.66		335 l/p/d	PCC		
						345.36			UHCC		
						363.73		375 l/p/d	WCC		
						Percentage of real water loss from networked reticulation system*	21.60%		Less than 18%	HCC	
							8.30%			WCC	
							*Real Water Loss is a calculation based on metered water use (domestic and commercial) and assumed population size movements and other water uses	12.70%		Less than 17%	UHCC
								24.80%			PCC
					We enhance the impact on the natural and built environment of water services	Bulk Water	Legislative Compliance	Legislative Compliance	Water services are managed to comply with consents	<p>Compliance with resource consents for discharge from its stormwater system (full compliance is no notices/ convictions):</p> <ul style="list-style-type: none"> <li>• Abatement notices</li> <li>• Infringement notices</li> <li>• Enforcement orders</li> <li>• Convictions</li> </ul> <p>Received by the Council in relation to the resource Consents</p>	Nil

Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17	Target 2016/19	Client	
We enhance the impact on the natural and built environment of water services	Bulk Water	Legislative Compliance	Legislative Compliance	Water services are managed to comply with consents	Compliance with all resource consents and environmental regulations	Not Achieved There was one non-compliance with discharge consent requirements at Wainuiomata WTP in June 2017. This is under investigation. We were compliant with the requirements of all other resource consents.		100%	GWRC
	All	Legislative Compliance	Legislative Compliance	Water services are managed to comply with consents	Compliance with resource consents for discharge from its stormwater system (full compliance is no notices/ convictions): <ul style="list-style-type: none"> <li>• Abatement notices</li> <li>• Infringement notices</li> <li>• Enforcement orders</li> <li>• Convictions</li> </ul> Received by the Council in relation to the resource Consents	Nil		Nil	All clients (excl GWRC)
We influence people's behaviour so they are respectful of the environment	All	We want to preserve water sources for future generations and have chosen to measure awareness of water conservation work and changes in behaviour through the following:							
		<ul style="list-style-type: none"> <li>• I think I should be conserving more water than I'm currently doing</li> </ul>	Actual Result June 2016: 70% Actual Result June 2017: <b>69%</b>		Decreasing Trend	All Clients			
		<ul style="list-style-type: none"> <li>• I have the information I need to be able to conserve more water</li> </ul>	Actual Result June 2016: 69% Actual Result June 2017: <b>58%</b>		Increasing Trend				
<ul style="list-style-type: none"> <li>• I generally make a positive effort to conserve water</li> </ul>	Actual Result June 2016: 51% Actual Result June 2017: <b>51%</b>								

Customer Outcome: Resilient networks support our economy



We provide reliable day-to-day water services that are able to withstand shock and stresses and future-proof the network to enable a strong regional economy and enhanced natural environment.

Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17	Target	Client	
We provide reliable services to customers	Bulk Water	Service Quality	Continuity of Supply	Customers have access to reliable water and wastewater services	Median response time for:				GWRC
					1) Attendance for urgent callouts	No callouts recorded		60 minutes	
					2) Resolution of urgent callouts	No callouts recorded		4 hours	
					3) Attendance for non-urgent callouts <sup>10</sup>	30 minutes		36 hours	
					4) Resolution of non-urgent callouts <sup>11</sup>	1 hour, 40 minutes		15 days	
					Number of shutoffs to the bulk water supply network resulting in loss of water or pressure to consumers	Nil		Nil	
We provide	Water Distribution	Service	Continuity of Supply	Customers have access to reliable	Median response time for:				







<sup>10</sup> Attendance time for GWRC is calculated based on travel time as entered into SAP. This is entered as 30, 60 or 90 minutes. Only jobs that involve travel time are included in the calculations for callouts for 2016/17 which may differ from previous years' calculations.












<sup>11</sup> The calculation for resolution time is based on duration of outage. From the time the job is raised to when the service is restored to the customers. Only jobs that involve travel time are included in the calculations for callouts for 2016/17 which may differ from previous years' calculations.









Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17	Target	Client		
reliable services to customers		Quality		water and wastewater services	1) Attendance for urgent callouts	45 minutes	60 minutes	HCC		
						38 minutes			PCC <sup>12</sup>	
						35 minutes				UHCC
						51 minutes				
					2) Resolution of urgent callouts	3.38 hours	4 hours	HCC		
						3.24 hours			PCC	
						2.57 hours				UHCC
						3.23 hours				
					3) Attendance for non-urgent callouts	42 hours	36 hours	HCC		
						26 hours			PCC	
						29 hours				UHCC
						45 hours				
4) Resolution of non-urgent callouts	2 days	15 days	HCC							






<sup>12</sup> Response times for PCC for 2016/17 are based on 10 months available data from PCC systems.

Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17		Target	Client		
services to customers		Quality		access to reliable water and wastewater services		2 day			PCC*		
						2 days			UHCC		
						3 days			WCC		
				Customers have access to reliable water and wastewater services	Fewer than four unplanned supply cuts per 1000 connections	2.42		Fewer than 4 per 1000 connections	HCC		
						1.06			PCC		
						1.13			UHCC		
						0.71			WCC		
				To provide a cost effective water supply service	Operating cost per property (SLA measure)	\$303.86		<\$275 / connection	HCC		
						\$266.91				PCC	
						\$266.58				< \$340 / connection	UHCC
						\$315.35				< \$300 / connection	WCC
				We provide reliable	Waste water	Service Quality	Continuity of Supply	Customers have access to reliable	<u>Attendance time:</u> from the time that the Council receives	35 minutes	












Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17		Target	Client
services to customers				water and wastewater services	notification to the time that service personnel reach the site	5 hours, 14 minutes			PCC <sup>13</sup>
						37 minutes			UHCC
						46 minutes			WCC
					<u>Resolution time:</u> from the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault	2 hours, 31 minutes			HCC
						6 hours, 25 minutes			PCC
						2 hours, 42 minutes			UHCC
				Customers have access to reliable water and wastewater services	Customer satisfaction with the wastewater service	2 hours, 41 minutes		WCC	
						96%		95%	HCC
						85%			PCC
						Not available. UHCC does not provide a measure of Customer Satisfaction for 3 waters services			
		82%		75%	WCC				
We provide	Waste water	Service	Continuity of	Customers have	Number of wastewater reticulation incidents per km of reticulation	0.55		< 1.2 / km	HCC



<sup>13</sup> Response times for PCC for 2016/17 are based on 10 months available data from PCC systems.

Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17		Target	Client					
reliable services to customer		Quality	Supply	access to reliable water and wastewater services	pipeline (blockages)	0.5			PCC					
						0.45			UHCC					
						0.64			WCC					
										Operating cost per property (SLA measure)	\$305.35		< \$220 / connection	HCC
									\$261.17			< \$280 / connection	PCC	
									\$217.81				UHCC	
									\$322.36				WCC	
						Stormwater	Service Quality	Continuity of Supply	Stormwater networks perform as intended when it rains	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	48 minutes			60 minutes
											5 minutes	PCC		
											40 minutes	UHCC		
57 minutes	WCC													
We provide	Storm water	Service	Continuity of	Stormwater networks	Number of complaints per 1000 properties connected to the	11.44		Less than 30 per 1000	HCC					

Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17		Target	Client					
reliable services to customer		Quality	Supply	perform as intended when it rains	Council's stormwater system <sup>14</sup>	12.99		connections	PCC					
						6.36			UHCC					
						10.45			WCC					
					Customer satisfaction with the stormwater management	86%		80%	HCC					
						59%			PCC					
						Not available. UHCC does not provide a measure of Customer Satisfaction for 3 waters services			UHCC					
						62%		70%	WCC					
					Number of pipeline blockages per km of pipeline	0.03		< 0.5/ km	HCC					
						0.22			PCC					
						0.05			UHCC					
						0.04			WCC					
					We minimise	Stormwater	Service	Continuity of Supply	To minimise the effects of flooding	Number of flooding events that occur in a territorial authority	1		Zero	HCC

<sup>14</sup> New methodology applied to the result calculation for HCC, UHCC and WCC to better reflect number of calls (complaints) into the council call centres.

Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17		Target	Client				
the impact of flooding on people's lives and proactively plan for the impacts of climate change		Quality			district	1			PCC				
						0			UHCC				
						6			WCC				
						0.05			HCC				
						0.32			0/1000 per flood event	PCC			
						0			UHCC				
					Actual result 2016: 0.14 Actual result 2017: <b>0.11</b>			Decreasing trend/1000 per flood event	WCC				
					To provide a cost effective storm water service				Operating cost per property (SLA measure)	\$97.77		< \$85 / connection	HCC
										\$42.72		< \$35 / connection	PCC
										\$32.42		< \$60 / connection	UHCC
										\$44.38		< \$100 / connection	WCC

Service Goal	Asset Group	Service category	Service aspect	Service objectives	Performance Measures	Actual result 2016/17	Target	Client
We provide three water networks that are resilient to shocks and stresses	Bulk Water	Resilience	Resilience	Resilience	Implementation of annual programme for improvements to resilience of bulk water network	<p>Not Achieved:</p> <p>We completed 94% of the network resilience improvement programme (year-end expenditure of \$376k out of \$400k budget). \$105k of this was reclassified as investigations and transferred to opex</p>	 <p>100%</p>	GWRC
We plan for sustainable water sources and future demand		Forward Planning	Forward Planning	Water supply and wastewater services are planned to accommodate changes in demand and future growth, with a focus on reducing water wastage	Probability of annual water supply shortfall (modelled)	<p>Achieved</p> <p>Currently 0.2% (revised down from 0.4% after modelling update during quarter)</p>	 <p>&lt; 2%</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 2017 are as follows:

Director	Appointed	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



## Audit and Risk Committee

The Audit and Risk Committee is comprised of all members of the Board and is chaired by David Benham. The purpose of the Board Audit and Risk Committee is to:

- Approve, review and assess the quality and integrity of financial reporting of Wellington Water Ltd;
- Consider whether the Company has established appropriate policies and put in place management processes to ensure risks are properly identified and managed; and
- Oversee and assess the internal audit process for evaluating the effectiveness of risk management, control and governance processes.

## Interest Register as at 30 June 2017

Director	Nature of interest	Date disclosed
<b>John Strahl</b>	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
<b>David Benham</b>	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
	Advisory Board Member and Shareholder Storbie Limited	November 2016
Director	Nature of interest	Date disclosed

<b>Nicki Crauford</b>	Director at Watercare Services Ltd	June 2014
	Director at Orion New Zealand	June 2014
	Director at Environmental Protection Authority	June 2014
	Specialist Advisor, WorleyParsons New Zealand	June 2014
	Member of Electoral Authority, Cooperative Bank Ltd	June 2014
	Director and Shareholder, Riposte Consulting Ltd	June 2014
	Chair of GNS Science	July 2015
	Deputy Chair – Fire Service Commission	May 2016

<b>David Wright</b>	Director, WEL Networks Ltd	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
	Chair Solomon Islands Airport Corporation	August 2016
	Acting Chief Executive Palmerston North City Council	June 2017

<b>Cynthia Brophy</b>	Chief Executive, Human Rights Commission	February 2015
	Chair, Transpower Community Case Fund Panel	February 2015

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.

## Board meetings and attendance

The Board schedules Board and Audit and Risk Committee meetings 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 and Audit and Risk Committee meetings during the year ended 30 June 2017.

### Meeting Attendance 2016-17

	Board	Audit and Risk Committee
John Strahl	8	8
Cynthia Brophy	8	8
Nicki Crauford	8	8
David Wright	7	7
David Benham	8	8

## Director's remuneration

The table below shows remuneration paid to Directors during the year ended 30 June 2017.

### Remuneration 2016-17

	Fees paid \$
John Strahl	40,833
Cynthia Brophy	20,833
Nicki Crauford	20,833
David Wright	20,833
David Benham	21,667

## Employee remuneration

### Number of employees earning over \$100,000 per annum

Salary range \$000	2017	2016	2015
390 - 400	1	-	-
380 - 390	-	1	-
350 - 360	-	-	1
300 - 310	-	-	1
220 - 230	1	1	-
210 - 220	2	2	-
200 - 210	-	-	1
190 - 200	2	1	-
180 - 190	-	1	1
170 - 180	1	1	-
160 - 170	1	2	-
150 - 160	2	3	1
140 - 150	2	4	1
130 - 140	6	3	-
120 - 130	12	9	2
110 - 120	12	17	6
100 - 110	8	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. 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 his 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 Local Government Act's requirements and is considered appropriate.

### Ratio of shareholders' funds to total assets

Ownership of infrastructure assets is retained by the shareholders. As a business that returns all benefits to shareholders, the ratio of shareholders' funds to assets is as follows:

	Actual 2017	Budget 2017	Actual 2016
Ratio of shareholders' funds to total assets	0.14:1	0.16:1	0.19:1

## 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 behaviour 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

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

## To the readers of Wellington Water Limited's financial statements and performance information for the year ended 30 June 2017.

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 his behalf.

### Opinion

We have audited:

- the financial statements of the company on pages 77 to 90, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expenses, 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 37 to 63.

In our opinion:

- the financial statements of the company on pages 77 to 90:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.
- the performance information of the company on pages 37 to 63 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 2017.

Our audit was completed on 20 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

### Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing



(New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

### **Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

### **Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and

appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### **Other Information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 36 and 64 to 71, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, our Specialist Audit and Assurance Services group were engaged to complete a review of the Regional Asset Management Plan. This engagement is compatible with our independence requirements. Other than the audit and this engagement, 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

30 June 2017

# Statement of Comprehensive Revenue and Expenses

For the year ended 30 June 2017

	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Revenue from exchange transactions	3	56,848	52,404	46,152
Capital grant revenue	10	180	-	-
Interest revenue		40	140	154
Gain on sale of vehicles		44	-	-
<b>Revenue</b>		<b>57,112</b>	<b>52,544</b>	<b>46,306</b>
Salaries and wages		(16,770)	(16,921)	(15,521)
Superannuation		(510)	(584)	(495)
Directors fees	11	(125)	(120)	(130)
Audit fees - financial statements		(67)	(65)	(66)
Audit fees - other		(11)	-	-
Consultancy		(19,466)	(13,207)	(12,774)
Network maintenance services		(12,444)	(12,357)	(11,058)
Operating leases		(963)	(1,047)	(946)
Other personnel expenses		(937)	(851)	(1,094)
Other operating expenses - council related		(1,989)	(4,021)	-
Other operating expenses		(3,315)	(2,472)	(2,899)
<b>Total operating expenses</b>		<b>(56,597)</b>	<b>(51,644)</b>	<b>(44,983)</b>
Depreciation and amortisation expense	4	(830)	(813)	(678)
Interest expense		(40)	(50)	(41)
<b>Total expenses</b>		<b>(57,467)</b>	<b>(52,508)</b>	<b>(45,702)</b>
<b>Net surplus before taxation</b>		<b>(355)</b>	<b>36</b>	<b>604</b>
Tax (expense)/credit	5	109	-	(203)
<b>Total comprehensive revenue and expenses</b>		<b>(246)</b>	<b>36</b>	<b>401</b>
<b>Attributable to:</b>	<b>9</b>			
Wellington City Council		(103)	15	168
Hutt City Council		(52)	8	85
Upper Hutt City Council		(21)	3	34
Porirua City Council		(31)	5	51
Greater Wellington Regional Council		(39)	6	63
<b>Total comprehensive revenue and expenses</b>		<b>(246)</b>	<b>36</b>	<b>401</b>

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 2017

	Retained earnings \$000	Issued capital \$000	Total \$000
Balance at 1 July 2015	609	950	1,559
<b>Comprehensive revenue and expenses</b>			
Net surplus for the year	401	-	401
<b>Balance at 30 June 2016</b>	<b>1,010</b>	<b>950</b>	<b>1,960</b>
Balance at 1 July 2016	1,010	950	1,960
<b>Comprehensive revenue and expenses</b>			
Net surplus for the year	(246)	-	(246)
<b>Balance at 30 June 2017</b>	<b>764</b>	<b>950</b>	<b>1,714</b>

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

# Statement of Financial Position

At 30 June 2017

	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Cash and cash equivalents		1,930	6,380	4,417
Receivables and prepayments	6	7,428	3,136	3,261
<b>Total current assets</b>		<b>9,358</b>	<b>9,516</b>	<b>7,678</b>
Intangible assets	4	627	-	503
Property, plant and equipment, vehicles	4	2,068	2,568	1,851
Deferred tax	5	113	(44)	65
<b>Total non-current assets</b>		<b>2,808</b>	<b>2,524</b>	<b>2,419</b>
<b>Total assets</b>		<b>12,166</b>	<b>12,040</b>	<b>10,097</b>
Payables and provisions	7	9,924	9,702	7,142
Tax payable/(receivable)		(102)	(115)	245
Bank loan		120	-	120
<b>Total current liabilities</b>		<b>9,942</b>	<b>9,587</b>	<b>7,507</b>
Deferred tax	5	-	-	-
Bank loan		510	525	630
<b>Total non-current liabilities</b>		<b>510</b>	<b>525</b>	<b>630</b>
<b>Total liabilities</b>		<b>10,452</b>	<b>10,112</b>	<b>8,137</b>
<b>Net assets</b>		<b>1,714</b>	<b>1,928</b>	<b>1,960</b>
Issued capital	9	950	950	950
Accumulated comprehensive revenue and expenses		764	978	1,010
<b>Total equity</b>		<b>1,714</b>	<b>1,928</b>	<b>1,960</b>

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 20 September 2017.

  
**John Strahl**  
 Chairman

  
**Nicki Crauford**  
 Director

## Statement of Cash Flows

For the year ended 30 June 2017

	Note	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Receipts from customers		52,668	47,246	44,864
Interest received		40	144	154
Employees and suppliers		(53,802)	(45,821)	(45,506)
Tax paid		(286)	(103)	(94)
Interest paid		(40)	(46)	(41)
<b>Net cash flow from operating activities</b>	<b>8</b>	<b>(1,420)</b>	<b>1,420</b>	<b>(623)</b>
Purchase of property, plant and equipment, vehicles		(596)	(657)	(223)
Purchase of intangibles		(398)	-	(553)
Proceeds from sale of vehicles		47	-	-
<b>Net cash flow from investing activities</b>		<b>(947)</b>	<b>(657)</b>	<b>(776)</b>
Proceeds from borrowings		-	-	800
Repayment of borrowings		(120)	(112)	(50)
Share capital issued		-	-	-
<b>Net cash flow from financing activities</b>		<b>(120)</b>	<b>(112)</b>	<b>750</b>
<b>Net cash flow</b>		<b>(2,487)</b>	<b>651</b>	<b>(649)</b>
Add: cash at the beginning of the year		4,417	5,729	5,066
<b>Cash at the end of the year</b>		<b>1,930</b>	<b>6,380</b>	<b>4,417</b>
Comprised of:				
Cash at bank and on hand		1,930	6,380	4,417
Term deposits with maturities less than 3 months		-	-	-

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 2017

## 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 so communities prosper.

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 2017. 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 20 September 2017.

### Budget

The Statement of Comprehensive Revenue and Expenses budget differs from that presented in the Statement of Intent (2016 – 2019). A revised budget was approved by the Board in March 2017. The revision was due to:

- a change in accounting policy, resulting in the disclosure of network maintenance service recoveries (\$11m) and expenses (\$11m), and
- Wellington Water extending its trusted advisor model to consolidate Council's external water expenditure, resulting in an increase in consultancy recoveries, network maintenance service recoveries and other recoveries (\$6m) and expenses (\$6m) within Wellington Water, as further detailed in note 3.

These revisions do not have any impact on the reported surplus/ (deficit).

### 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) and provisions (note 7).

## 2. Variances to budget

Commentary is provided for variances to budget greater than 20% or \$1 million.

### Statement of comprehensive revenue and expenses

	2017 Actual \$000	2017 Budget \$000	Variance \$000	Variance %
Revenue	57,112	52,544	4,568	9%
Operating expenses	(56,597)	(51,644)	(4,952)	10%
Depreciation and amortisation	(830)	(813)	(17)	2%
Interest expense	(40)	(50)	10	(20%)

Operating expenses were higher than budget, primarily due to an increase in the scope of the council capital work programmes. Council consultancy spend was \$6m higher than what was originally estimated in the Statement of Intent. This variance also flows through to revenue as consultancy costs are recovered. This was partially offset by a \$2m favourable variance in other council expenses due to delayed implementation of One Budget.

The November 2016 earthquake also contributed to the negative expense variance due to \$120k of unexpected costs for Wellington Water. The IT shared service office has been fully implemented and costs were significantly higher than the original budget. In addition, there was also higher than expected use of contractors to cover vacancies.

### Statement of financial position

	2017 Actual \$000	2017 Budget \$000	Variance \$000	Variance %
Current assets	9,358	9,516	(158)	(2%)
Non-current assets	2,808	2,524	284	11%
Current liabilities	9,942	9,587	355	4%
Non-current liabilities	510	525	(15)	(3%)
Equity	1,714	1,928	(214)	(11%)

There were no material variances in the statement of financial position.

### Statement of cash flows

	2017 Actual \$000	2017 Budget \$000	Variance \$000	Variance %
Net cash flow from operating activities	(1,420)	1,420	(2,840)	(200%)
Net cash flow from investing activities	(947)	(657)	(290)	44%
Net cash flow from financing activities	(120)	(112)	(8)	7%

Net cash flow from operating activities was significantly lower than budget, primarily due to a shift from invoicing client councils for consultancy in advance, based on estimates, to retrospectively invoicing based on actuals. This allows councils to use their money more effectively.

Net cash outflow from investing activities were higher than budget, primarily due to investment in software development which was not originally included in budget.

### 3. Revenue from exchange transactions

Revenue is derived from the five council shareholders, and from occasionally providing training or advisory services to external parties. Revenue is billed and recognised monthly and consists of management fee, consultancy recoveries, network maintenance service recoveries and other operational expenditure recoveries.

	<b>2017</b>	<b>2016</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
Management fee	23,550	23,260
Consultancy recoveries	18,769	11,834
Network maintenance service recoveries	12,444	11,058
Other operational expenditure recoveries	1,989	-
Other revenue	96	-
<b>Total revenue from exchange transactions</b>	<b>56,848</b>	<b>46,152</b>

Wellington Water is extending its trusted advisor model to consolidate Council's external water expenditure within Wellington Water. Currently, consultancy costs and network maintenance service costs are paid by Wellington Water and recovered from the individual Council and the recoveries noted as revenue. In addition to the above expenses and recoveries, the new model incorporates Porirua City Council other operational expenditure (from 1 March 2017) followed by Hutt City Council's other operational expenditure (from 1 May 2017). The three remaining Councils' other operating expenditure and all capital expenditure will commence under the new model from 1 July 2017.

### 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. Assets under construction are recorded as capital work in progress and include operational and intangible assets under construction. Costs that do not meet the criteria for capitalisation are expensed. At 30 June 2017, furniture and equipment cost includes \$0.2m of capital work in progress.

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
<b>Cost</b>				
Balance 1 July 2015	1,718	591	400	2,709
Additions	222	-	552	773
Disposals	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>1,940</b>	<b>591</b>	<b>952</b>	<b>3,483</b>
Balance 1 July 2016	1,940	591	952	3,483
Additions	377	399	398	1,174
Disposals	-	(7)	-	(7)
<b>Balance at 30 June 2017</b>	<b>2,317</b>	<b>983</b>	<b>1,350</b>	<b>4,650</b>
<b>Depreciation and amortisation</b>				
Balance 1 July 2015	(183)	-	(269)	(452)
Charge for the year	(334)	(163)	(180)	(678)
Disposals	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>(517)</b>	<b>(163)</b>	<b>(449)</b>	<b>(1,130)</b>
Balance 1 July 2016	(517)	(163)	(449)	(1,130)
Charge for the year	(405)	(151)	(274)	(830)
Disposals	-	5	-	5
<b>Balance at 30 June 2017</b>	<b>(922)</b>	<b>(310)</b>	<b>(724)</b>	<b>(1,955)</b>
<b>Carrying amount</b>				
<b>Balance at 30 June 2016</b>	<b>1,423</b>	<b>428</b>	<b>502</b>	<b>2,354</b>
<b>Balance at 30 June 2017</b>	<b>1,395</b>	<b>673</b>	<b>626</b>	<b>2,695</b>

## 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.

	2017 Actual \$000	2016 Actual \$000
<b>Components of tax expense</b>		
Current tax expense	-	(350)
Adjustments to current tax in prior years	61	38
Deferred tax expense	48	109
<b>Tax expense</b>	<b>109</b>	<b>(203)</b>

#### Reconciliation of effective tax rate

Net surplus/(deficit) before tax	(355)	603
<b>Tax at 28%</b>	99	(169)
Plus (less) tax effect of:		
Non-deductible expenditure	10	(2)
Non-taxable income	-	-
Prior year adjustment	-	38
Deferred tax adjustment	-	(70)
<b>Tax expense</b>	<b>109</b>	<b>(203)</b>

#### Imputation credits

Imputation credits available for use in subsequent reporting periods	<b>487</b>	<b>412</b>
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#### Movement in deferred tax asset/(liability)

	PPE \$000	Employee entitlements \$000	Tax Losses \$000	Total \$000
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
Charged to surplus or deficit	16	(44)	77	48
Charged to other comprehensive income	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>(228)</b>	<b>265</b>	<b>77</b>	<b>113</b>

## 6. Receivables

	2017 Actual \$000	2016 Actual \$000
Receivables with related parties	7,119	3,203
Other receivables	265	-
Prepayments	44	58
<b>Total receivables</b>	<b>7,428</b>	<b>3,261</b>

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

## 7. Payables

	2017 Actual \$000	2016 Actual \$000
Trade payables	7,989	5,190
Payables with related parties	90	252
Employee related payables and provisions	1,787	1,657
Other provisions	58	43
<b>Total payables and provisions</b>	<b>9,924</b>	<b>7,142</b>

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

	2017 Actual \$000	2016 Actual \$000
<b>Net surplus/(deficit) after taxation</b>	<b>(246)</b>	<b>401</b>
<b>Non-cash and non-operating items:</b>		
Depreciation and amortisation	830	678
Gain on sale of vehicles	(44)	-
Capital grant	(180)	-
<b>Movements in working capital</b>		
Increase/(decrease) in payables	2,687	(524)
Increase in receivables	(4,180)	(1,286)
Tax payable	(286)	108
<b>Net cash flow from operating activities</b>	<b>(1,420)</b>	<b>(623)</b>

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 (2016: 475) ordinary shares of \$2,000 each.

Shareholder	Voting Rights	Ordinary shares	Class B
	Class A	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
<b>Total shares</b>	<b>750</b>	<b>475</b>	<b>950</b>

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:

	2017 Actual \$000	2016 Actual \$000
<b>Revenue from exchange transactions:</b>		
<b>Management fee</b>		
Wellington City Council	8,185	8,135
Hutt City Council	3,222	3,208
Upper Hutt City Council	1,346	1,274
Porirua City Council	2,029	1,828
Greater Wellington Regional Council	8,768	8,815
<b>Total management fee</b>	<b>23,550</b>	<b>23,260</b>
<b>Consultancy</b>		
Wellington City Council	10,637	7,115
Hutt City Council	3,650	2,232
Upper Hutt City Council	839	526
Porirua City Council	3,542	1,961
Greater Wellington Regional Council	101	-
<b>Total consultancy recoveries</b>	<b>18,769</b>	<b>11,834</b>
<b>Network maintenance services</b>		
Wellington City Council	8,058	7,098
Hutt City Council	3,284	3,063
Upper Hutt City Council	1,102	897
<b>Total network maintenance recoveries</b>	<b>12,444</b>	<b>11,058</b>
<b>Other operational expenditure</b>		
Hutt City Council	1,172	-
Porirua City Council	817	-
<b>Total other operational expenditure recoveries</b>	<b>1,989</b>	<b>-</b>

During the year Wellington Water also received services (such as payroll, IT shared services) from Wellington City Council on an arm's length basis.

	2017 Actual \$000	2016 Actual \$000
<b>Capital grants received by Wellington Water:</b>		
Porirua City Council	180	-
<b>Total capital grant revenue</b>	<b>180</b>	<b>-</b>

On 29 June 2017, Porirua City Council agreed to provide a capital grant of \$180k to Wellington Water. This grant was contingent on Wellington Water purchasing vehicles from Porirua City Council for their book value at this date.

	2017 Actual \$000	2016 Actual \$000
<b>Amounts owing to Wellington Water at 30 June</b>		
Wellington City Council	4,335	2,145
Hutt City Council	1,172	477
Upper Hutt City Council	618	58
Porirua City Council	893	377
Greater Wellington Regional Council	101	146
<b>Total related party receivables</b>	<b>7,119</b>	<b>3,203</b>

#### Amounts owed to councils by Wellington Water at 30 June

Wellington City Council	55	-
Hutt City Council	30	-
Upper Hutt City Council	-	140
Porirua City Council	-	112
Greater Wellington Regional Council	5	-
<b>Total related party payables</b>	<b>90</b>	<b>252</b>

## 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 (2016: 7).

	2017 Actual \$000	2016 Actual \$000
John Strahl	41	40
Nicki Crauford	21	20
Cynthia Brophy	21	20
David Wright	21	20
David Benham	21	20
Raveen Jaduram	-	10
<b>Total Directors' remuneration</b>	<b>125</b>	<b>130</b>

	2017 Actual \$000	2016 Actual \$000
Salaries and wages	1,569	1,545
Directors' fees	125	130
Superannuation	42	41
<b>Total key management personnel remuneration</b>	<b>1,737</b>	<b>1,716</b>

The FTE number of Directors at 30 June was 5 (2016: 5). 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 \$630k and gross contractual cash flows are as follows:

	2017 Actual \$000	2016 Actual \$000
Less than 1 year	153	160
1 - 2 years	146	153
2 - 3 years	139	146
3 - 4 years	271	139
4 - 5 years	-	271
<b>Gross contractual cash flows</b>	<b>709</b>	<b>869</b>

### 13. Commitments and contingencies

Wellington Water has no contingent liabilities or assets (2016: 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:

	<b>2017</b>	<b>2016</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$000</b>	<b>\$000</b>
Less than 1 year	931	893
Between 1 and 5 years	1,765	2,340
More than 5 years	-	62
<b>Total operating lease commitments</b>	<b>2,696</b>	<b>3,295</b>

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.