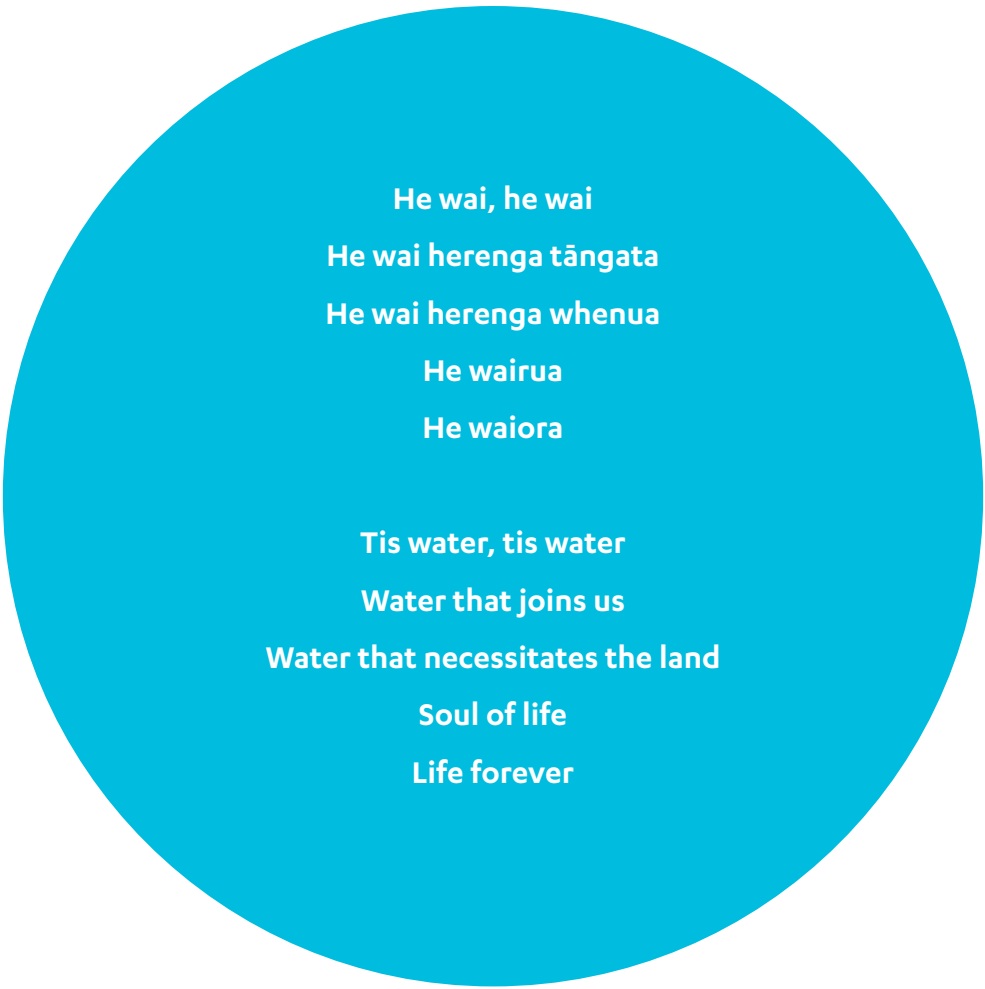




Our water,  
our future

## Contents

|   |           |
|---|-----------|
| Helping communities prosper.....                              | 3         |
| Getting water to and from communities.....                    | 5         |
| Keeping the water running.....                                | 9         |
| How we work.....  | 17        |
| <b>Appendices</b>   |           |
| <b>Appendix 1: What influences us.....</b>                    | <b>27</b> |
| <b>Appendix 2: About us.....</b>                              | <b>28</b> |
| <b>Appendix 3: Governance and shareholder information... </b> | <b>30</b> |
| <b>Appendix 4: Customer outcomes and service goals .....</b>  | <b>31</b> |
| <b>Appendix 5: Three-year forecasts .....</b>                 | <b>32</b> |



He wai, he wai  
He wai herenga tāngata  
He wai herenga whenua  
He wairua  
He waiora  
  
Tis water, tis water  
Water that joins us  
Water that necessitates the land  
Soul of life  
Life forever



# Helping communities prosper



## Looking after our water now and for the future

The Wellington region is the perfect balance of urban culture and the great outdoors, and when people say “you can’t beat Wellington on a good day” they’re not wrong.

We’re also a growing region. About 412,000 people (10 per cent of New Zealand’s population) live, work and play here, and our cities (Wellington, Lower Hutt, Upper Hutt, and Porirua) are forecasting significant growth in population over the next 10 years.

As our communities grow, the need for infrastructure such as roads, power, and water to keep up with change will be vital to our region’s economic success.

Here at Wellington Water, our vision is to create excellence in regional water services so communities prosper. Our customers, the residents of the metropolitan Wellington region, use the services we provide: drinking water; wastewater; and stormwater in their homes, businesses, and communities every day. Reliable and affordable access to these services supports the social fabric of our communities.


We deliver our services by focusing on three customer outcomes, which are the driving force behind our day-to-day work, and encompass everything we want to achieve for our customers: safe and healthy water; respect for the environment; and resilient networks that support our economy.

Most of our work is unseen, as the majority of our infrastructure is underground. We rely on sumps, pipes, manholes, pumps, reservoirs, and treatment plants to get safe drinking water to our customers, remove and treat wastewater, and divert and discharge stormwater and treated wastewater into the environment without exposing people to public health hazards, and without impacting the environment. These hidden, yet important pieces of infrastructure connect our customers’ homes, businesses, and communities.

The services our three water networks provide are vital to a modern and successful economy, so it’s important we look after our water now and for the future.

What brings all this breadth of activity together is a commitment from our people and local iwi to support the region. We want to be a high performing team and will lift our capabilities in a number of areas to help Wellingtonians get the most out of the services we provide, so they can work, live, and play in this beautiful region of ours with confidence.

This document *Our water, our future* sets out our Statement of Intent for the next three years 2018-2021. On the following pages we’ll take you through getting water to and from communities, keeping the water running, and how we work as an organisation to make all this happen.



**We provide drinking water,  
wastewater, and stormwater services  
on behalf of our five client councils –  
Hutt City, Porirua City, Upper Hutt City,  
Wellington City, and Greater Wellington  
Regional Councils.**





**Getting  
water to  
and from  
communities**

## Our promise to our customers

Our promise to our customers (people who live, work, and play in the metropolitan Wellington region) is that we will get water to and from communities in a way they can rely on and trust.

We want our customers to be confident the services we provide will help communities to prosper, and we will do this by focusing on our three customer outcomes: safe and healthy water; respect for the environment; and resilient networks that support our economy.

We value our customers, and over time want to understand what they value from us. This means working with our client councils as we engage with customers and put them at the heart of everything we do. It also means listening to what our customers want from the services we provide and incorporating their feedback into our service planning.

### SAFE AND HEALTHY WATER

A safe and reliable water supply is essential to public health and the social and economic progress of our region. The recent findings from stage two of the government's Havelock North Inquiry into drinking water contamination has reinforced the importance of providing safe and healthy water. The inquiry proposed six fundamental principles of drinking water safety. We agree with these principles and have indicated how we have integrated them into the services we provide our customers throughout this document.

Principles of drinking water safety:

1. A high standard of care must be embraced.
2. Protection of source water is of paramount importance.
3. Maintain multiple barriers against contamination.
4. Change precedes contamination.
5. Suppliers must own the safety of drinking water.
6. Apply a preventative risk management approach.



Our focus on safe and healthy water means we embrace a high standard of care (Principle 1: A high standard of care must be embraced), and aligns with the United Nations Sustainable Development Goal 6: Clean water and sanitation, which is about availability and sustainable management of water and sanitation.

For us to provide safe drinking water we must protect our water sources and catchments (Principle 2: Protection of source water is of paramount importance) where the rain falls. We are lucky our catchments have all been protected from deforestation and are very nearly pristine. We consider the Waiwhetu Aquifer a regional treasure. Water from the Hutt River/Te Awakairangi flows into the aquifer at Taita, and the aquifer travels down the Hutt Valley and out towards the harbour entrance.

It is important we work with the region to ensure our catchments remain protected and pristine. This is why we have joined forces with Greater Wellington Regional Council and Ministry of Health to map out a management plan to improve the protection of this resource.

All water from the aquifer and catchments is either put through filtration systems or ultraviolet light to kill bacteria and protozoa, and to remove organic material or chemicals and metals. These materials are sent to landfill in the form of sludge. As the water exits the treatment plant we add chlorine as a final protection from the harmful effects of bacteria, which might enter into the system as our water travels through pump stations and pipes before arriving at your house. This is known as a two barrier system (Principle 3: Maintain multiple barriers against contamination) and when combined with catchment protection provides a multi (three) barrier protection system.

Water supplied to our customers' homes and businesses is ultimately removed by our wastewater network. We want our customers to feel confident our wastewater service is reliable, and we will do this by making sure wastewater is treated at our treatment plants and then discharged into the environment. Along the way we want to prevent wastewater from overflowing during dry weather (dry weather overflow), which can pose a health risk to our communities.

### RESPECTFUL OF THE ENVIRONMENT

Every day we take water from rivers and streams to supply our residents with drinking water. This water would have otherwise flowed down our rivers and streams into the sea. Being mindful of how we use water is why we built the Stuart Macaskill Lakes to store water during winter when it's plentiful.

Each day we use about 220 litres of water per person per day at home. If we include our commercial customers this number rises to about 330 litres per person. This is a lot of water and is well in excess of other New Zealand communities. We will educate our customers on the value and cost of water, and give them the information they need to be able to reduce water use in their homes.

The water quality of our streams, rivers, harbours, and ocean is deteriorating. In urban areas, leaky pipes can allow wastewater to enter the stormwater system, or overflowing water from stormwater pipes can enter the wastewater network in such quantities our treatment plants can't cope. We will focus on tackling these problems and reduce the likelihood of cross connections occurring, so the water quality of our waterways can improve. The region has set up whitua (catchment) committees to address these issues, and we will work with the whitua committees to set water quality limits with the community.

## RESILIENT NETWORKS SUPPORT OUR ECONOMY

We want our networks to be resilient, so they can recover and remain functioning after a significant natural event such as an earthquake, landslide, or flooding. We also want our networks to be adaptive to on-going stresses such as the impacts of climate change, sea level rises, and uncertainties such as social and political change.

Our stormwater network is generally designed for rainfall events which occur every five to 10 years. This means the rain that falls, flows into sumps and pipes and is conveyed to rivers and the sea. If the rain is heavier, up to events which occur every 50 years (2 per cent probability) then the stormwater system can't cope. In these circumstances stormwater flows in overland flow-paths, such as low areas, streets, and rivers and creeks. We want heavy rainfall events to occur without impacting adversely on people's homes, businesses, and our roads. Significant rainfall which might occur every 100 years can cause a lot of damage. Our role in these situations is to respond promptly to the issues and get customers and businesses up and running again as quickly as possible.

We will work with our customers to help them build resilience at a household level by encouraging water storage and having a plan for their wastewater, and we will continue to build capability at a community level through our community water stations and our emergency response planning.

## CUSTOMER EXPERIENCE

We will make a step change in the way we think about our customers. We will work with our five client councils and contractors to build a shared understanding of what a positive customer experience should look and feel like. We will make changes to the way we work, so we are focused on putting the customer at the heart of everything we do, and we will publish a quarterly customer report that will track our progress.

We will:

- keep our customers informed about the work we are doing at their front gate, and in their community, to improve the services we provide;
- listen to our customers when they contact us, and work with them to make sure we are able to answer their questions, or resolve any complaints they might have; and
- provide practical advice, information, and education to help customers change their behaviours regarding water conservation, protecting the environment, and resilience.

We will discuss our plans with our customer panel, mana whenua partners, and other community groups (i.e. guardian groups), and ask for their input into our strategy and planning on policy and non-asset based ideas.

While doing all of this, we will make sure our customers are aware of the work we are doing, and are kept safe as they go about their day-to-day business. This means customers will not be endangered by any of our services, or the way in which they are provided, and we'll be proactive in anticipating what any potential risks and hazards might be.

Water flowing down our streams and rivers is free in New Zealand. There is no charge for taking this valuable resource. Getting water to and from customers' homes, on the other hand, is very costly. We operate assets (valued at \$5.8 billion dollars) to do this job and we spend \$120 million dollars annually on keeping them well maintained and operating.

Residential customers pay for their water, wastewater, and stormwater services through their rates, while our business customers pay a volumetric rate according to how much water they use. This cost is not transparent and many customers want more information about how their money is being spent and what value they are receiving. We have agreed with our client councils to calculate the cost of water as a cost per connection. By understanding the cost of water we want our customers to be more aware of their own water use and to gain a better understanding for how much it costs to improve services.

Customers expect us to keep these assets in good condition, so we can deliver the services we promise. Operating and renewing assets (when they get old) is how we do this, and the way we tell our customers this is being maintained for future generations is by the value of our assets. We aim to keep the asset value constant, not reducing, otherwise we are putting additional costs onto future generations, and not spending money on improving beyond what is needed.

## STATEMENT OF INTENT MEASURES

The measures we've included in *Our water, our future* (Statement of Intent 2018-21) helps us to achieve our goals over a three year period. The following customer promise measures (page 8) looks at areas impacting our customers the most and includes a trend: reduce; maintain; or improve and targets we will work towards over the coming three years.



| Statement of Intent Measure   | Trend    | Year 1  | Year 2  | Year 3  |
|---|----------|---|---|---|
| 1. <b>Our customers will feel confident the drinking water we provide is safe</b> because we will maintain 100% compliance with the Drinking Water Standards New Zealand and we will monitor the treated water to make sure there have been no transgressions | Maintain | 100% compliance and no transgressions   | 100% compliance and no transgressions   | 100% compliance and no transgressions   |
| 2. <b>Our customers will not be exposed to any public health risks</b> because we will reduce the number of wastewater overflows that happen in public places   | Reduce   | Baseline set  | Target to be confirmed following baseline   | Target to be confirmed following baseline   |
| 3. <b>Our customers will feel confident our drinking water service is reliable</b> because we will maintain the number of hours drinking water supply is available  | Maintain | 99.6%   | 99.6%   | 99.6%   |
| 4. <b>Our customers will feel confident our wastewater service is reliable</b> because we will improve the number of days the wastewater service is available   | Improve  | Baseline set  | Target to be confirmed following baseline   | Target to be confirmed following baseline   |
| 5. <b>Our customers will reduce the amount of water they are using at home</b> because they have the information they need to be able to make informed decisions and change their behaviours  | Reduce   | 0.5 % reduction per year in gross per capita usage  | 1% reduction per year in gross per capita usage   | 1.5 % reduction per year in gross per capita usage  |
| 6. <b>Our customers will be able to enjoy our region's beaches</b> because we will improve the number of days monitored beaches (between 1 November – 31 March) are not adversely affected by our services and are available for swimming                     | Improve  | 95%   | 96%   | 97%   |
| 7. <b>Our customers will feel confident the water quality of our waterways are not adversely affected by our services</b> because we will work with whatua committees to meet acceptable limits   | Improve  | Hutt/Wellington Harbour (baseline set)<br>Porirua (complete investment plan to meet minimum requirements) | Hutt/Wellington Harbour (target to be confirmed following baseline)<br>Porirua (Council alignment with investment plan) | Hutt/Wellington Harbour (target to be confirmed following baseline)<br>Porirua (investment plan accepted for the next Long Term Plan) |
| 8. <b>Our customers' homes and businesses will be protected from flooding</b> because we will reduce the number of habitable floors impacted adversely by our stormwater service during a 1:100 year flood event  | Reduce   | 1% reduction in modelled areas  | 1% reduction year on year   | 1% reduction year on year   |
| 9. <b>Our customers will be resilient in the event of a natural disaster</b> because we will improve the number of households that have drinking water stored and have a plan for the safe disposal of their wastewater                                       | Improve  | 5% increase in stored water and awareness for wastewater plan   | 5% increase in stored water and awareness for wastewater plan   | 5% increase in stored water and awareness for wastewater plan   |
| 10. <b>Our customers will have positive interactions with us</b> because we will measure and improve their customer experience satisfaction   | Improve  | Establish methodology.<br>70% satisfaction  | 75% satisfaction  | 80% satisfaction  |
| 11. <b>Our customers will feel valued</b> because we will improve their customer experience satisfaction by acknowledging complaints and working to resolve them within acceptable timeframes   | Maintain | 50% of complaints resolved within 10 days.<br>95% of complaints resolved within 30 days                   | 50% of complaints resolved within 10 days.<br>95% of complaints resolved within 30 days                                 | 50% of complaints resolved within 10 days.<br>95% of complaints resolved within 30 days   |
| 12. <b>Our customers will be kept safe</b> because our work sites will not result in any member of the public suffering a serious injury or hospitalisation   | Maintain | Zero incidents reported to us, our supply chain or client councils  | Zero incidents reported to us, our supply chain or client councils  | Zero incidents reported to us, our supply chain or client councils  |
| 13. <b>Our customers will get a better understanding of where their water rates money is being spent</b> because we will improve transparency of the cost per connection of our services  | Improve  | Model developed and tested  | Analyse results and explore implications  | Increased transparency to rate payers   |
| 14. <b>Our customers will feel confident we are creating value for money</b> because we will maintain our assets at a sustainable level now and in the future   | Maintain | Information gathering   | Normalise results across councils and look for a regional proxy   | Increased transparency to rate payers   |



# Keeping the water running



## Delivering our promise to customers

The infrastructure and assets we use to deliver our services to customers throughout the metropolitan Wellington region generally have a life expectancy of 30-100 years. This means we must take a sophisticated approach to planning to make sure we get the best value from these assets now, and into the future.

To meet the future services challenge, we plan 30-50 years in advance. This means we are on top of the key issues that need to be addressed to deliver future services.

Our Regional Service Plan outlines all the activities we need to do to ensure we provide services now and into the future. It includes:

- 30 year infrastructure plans – these outline the large infrastructure improvements necessary to meet future levels of service.
- 10 year service plans – these lay out the priorities for investment to meet today's and future levels of service.
- Three-year rolling programmes – these contain the activities which are fully planned to be delivered over the next three years.

The Regional Service Plan tells us we need to: investigate issues on the horizon; respond to growth; maintain, operate and renew assets; improve our services; and plan for and respond to emergencies. We will provide more detail about these areas on the following pages.

Our Three Waters Strategy takes a long term (50 year) view of our drinking water, stormwater, and wastewater networks. We've used this strategy to identify a number of issues which could disrupt the three water services we provide. Over the next three years we'll investigate these issues by carrying out future service studies using the better business case approach.

The better business case approach helps our communities understand the problem, and unify all of our client councils to work together to generate and detail individual activities which can be prioritised.

| Statement of Intent Measure  | Year 1  | Year 2  | Year 3   |
|--|---|---|--|
| 15. <b>We will understand future services needs</b> by completing the following three studies (carbon reduction; smart services; and resilient networks) and progressing the following strategic cases and business cases: sustainable water supply; receiving water quality; stormwater – flooding; sludge management; and supporting growth (subject to funding) | 1 study complete (resilient networks)<br>3 strategic cases complete | 1 study complete (carbon reduction)<br>3 strategic cases complete | 1 study complete (smart services)<br>4 business cases complete |



## Responding to growth

Our region is experiencing steady urban growth with the population expected to increase by 21 per cent over the next 30 years. At the same time, many of our water bodies have reached capacity in terms of acceptable water quantity limits (the amount of water we are able to take from water sources).

Critical to providing advice to our client councils on infrastructure needs to support growth are our three waters network models. Without good models we can't understand how current networks perform, and in turn what will happen when growth occurs. Over the next three years we will have all models completed.

We support quality development of properties, which will work today and into the future. For us to achieve this we need developers to provide quality infrastructure that will last. We know developers want clear and easy to understand advice, which means they can progress their developments at their pace. We want developers to feel their needs are being met and are satisfied by the services we offer.

We will work with property developers and our client councils to encourage stormwater neutrality. This means runoff from the site during one or more specific rainfall events must be managed so the post-development peak flows do not exceed the pre-development flows for specific design events. We will also work with developers to encourage water sensitive urban design.

The National Policy Statement for Urban Development Capacity requires our client councils to provide enough development capacity in their long term plans to make sure demand for land development can be met. We will work with councils to ensure they have sufficient information for their submission to the Ministry for the Environment due in December 2018. We will provide input into the region's development capacity assessments, supporting the proposed changes, and we will provide advice on infrastructure changes to meet growth strategies.

| Statement of Intent Measure   | Year 1   | Year 2  | Year 3  |
|---|--|---|---|
| 16. <b>We will understand how our current networks perform and plan for growth</b> by completing our three waters network modelling programme | 33% complete   | 66% complete  | 100% complete   |
| 17. <b>We will build our relationships with developers</b> by improving their satisfaction with the advice and services we offer              | 60% of developers are satisfied  | 65% of developers are satisfied   | 70% of developers are satisfied   |
| 18. <b>We will make sure future growth is supported</b> by having well thought out service plans  | All capacity assessments provided to respective councils by 31 December 2018 | Capacity assessments inform the Regional Service Plan and influence long term plans and infrastructure strategies | Capacity assessments inform the Regional Service Plan and influence long term plans and infrastructure strategies |



## Operate, maintain and renew

The majority of our annual expenditure (\$145 million dollars) goes into operating our treatment plants; delivering services to customers by maintaining the networks; and renewing infrastructure which is worn out. When we do this work we will make sure we meet all of our consent conditions on maintenance and operations activities and capital expenditure projects.

We will use our updated Water Safety Plan to record our risk management approach including the systematic assessment of risks from source to tap; identification of ways these risks can be managed; and control measures implemented to ensure that management is occurring properly. We want our customers to have confidence the drinking water we supply is safe, but also that it is wholesome and an acceptable quality to customers in terms of clarity, taste, and odour.

A by-product of treating water is sludge. We will make sure we keep the water content of sludge to a minimum to reduce odour and manage disposal to landfills.

We aim to achieve a high level of reliability and availability of our three waters networks. If our services are disrupted we want them to be fixed as soon as possible, and we will keep our customers informed, fix the service, and let them know when it is back on.

Should you meet or interact with our people on the job we want them to be friendly, helpful, professional, and prompt with their work. We will embed our customer behaviours throughout our business, so that customer calls are owned end-to-end (including council call centres), and when customers contact us we will make sure we respond to their queries as quickly as possible.

Pipes that break too often, or are predicted to, need to be replaced. By replacing them we avoid breakdowns in the future. We do this through projects which replace a long length of pipe at a time. We want to do this work in a way which reduces inconvenience to traffic and residents. It has to be done, but we will do the work with a minimal level of fuss and impact to our customers.

One of the fundamental reasons we established the consultant panel (and are in the process of establishing the contractor panel) is to generate improved outcomes for customers by creating cost efficiencies and effectiveness through the delivery of capital programmes.



| Statement of Intent Measure   | Year 1   | Year 2   | Year 3   |
|---|--|--|--|
| 19. <b>We will meet all environmental consent requirements</b> by being fully compliant with consent requirements in the delivery of our services                                 | Fully compliant  | Fully compliant  | Fully compliant  |
| 20. <b>We will safeguard our drinking water</b> by completing our Regional Water Safety Plan  | Regional Water Safety Plan complete and approved by 1 July 2019. Service delivery improvement plan established               | Service delivery improvements arising from the Regional Water Safety Plan implemented  | Service delivery improvements arising from the Regional Water Safety Plan implemented  |
| 21. <b>We will supply wholesome drinking water at an acceptable standard</b> (taste, clarity, and odour) by maintaining satisfaction  | 99.5% customer satisfaction  | 99.5% customer satisfaction  | 99.5% customer satisfaction  |
| 22. <b>We will minimise the impact of sludge odour and landfill disposal</b> by maintaining minimum water content   | Landfill bins have a dry-solids content greater than 15%   | Landfill bins have a dry-solids content greater than 15%   | Landfill bins have a dry-solids content greater than 15%   |
| 23. <b>We will own customer calls end-to-end (including council call centres) and manage customers' expectations</b> by embedding our customer behaviours throughout our business | All customer enquiries are tracked and responded to within 60 minutes<br>95% of customer enquiries raised have been resolved | All customer enquiries are tracked and responded to within 60 minutes<br>95% of customer enquiries raised have been resolved | All customer enquiries are tracked and responded to within 60 minutes<br>95% of customer enquiries raised have been resolved |
| 24. <b>We will be reliable in the delivery of our renewals and capital works programmes</b> by completing planned work within timeframes  | 95-105% of planned work completed  | 95-105% of planned work completed  | 95-105% of planned work completed  |
| 25. <b>We will work with our contractor panel to be cost effective</b> by decreasing cost per kilometre of laying pipes in real terms (adjusted for inflation)                    | Benchmark costs  | 5% reduction year on year  | 5% reduction year on year  |

## Improving our services

The services our three water networks provide are vital to a modern and successful economy, so it's important we look after them now and for the future. It costs an estimated \$40 million each year to improve our services, which is over and above maintaining, operating, and renewing current services. We will work with our Consultancy Panel to improve efficiency by reducing costs and will work to lift our internal capability.

### SAFE AND HEALTHY WATER

Our focus in providing safe drinking water will be the improvement plan arising from the completion of our updated regional Water Safety Plan. This will be completed by 30 June 2019, and we will report on progress in the 2018/19 half year report. This will outline all critical risks within our system and what we are doing to address these risks (Principle 6: Apply a preventive risk management approach).

### RESPECTFUL OF THE ENVIRONMENT

To make sure we enhance the health of our water ways and ocean, we will reduce wastewater network overflows following heavy rain events, and monitor the impact of stormwater run-off from urban stormwater networks. We will develop a stormwater strategy, work with councils to introduce planning controls to mitigate the effects of stormwater run-off, and we will complete major stormwater projects in Tawa, Porirua central business district and Kilbirnie.

We will complete major wastewater improvements including upgrading the capacity of the Porirua wastewater treatment plant to treat wet weather flows and we will reduce bypasses from the Seaview wastewater treatment plant by increasing storage and moving the overflows away from the Waiwhetu stream.

We will implement catchment management plans for councils and will develop water sensitive urban design guidance, and then work with councils to include this design in their district plans.

The Proposed Natural Resources Plan (PNRP) requires all stormwater discharges be consented, and a global consent is currently being sought. Following an initial four-year monitoring period under the stage one stormwater consent, stage two of the consent will require stormwater management strategies to be developed, which will include measures to meet the water quality objectives of the whitua chapters of the PNRP.

Through the whitua committee process and Natural Resources Plan (Schedule 1) process, we will understand the objectives and limits with respect to water quality across the region, and implement long term measures and policies to meet these objectives and limits with communities.

## RESILIENT NETWORKS SUPPORT OUR ECONOMY

To make sure we provide three water networks that are resilient to shocks and stresses we will plan for long term drinking water source reliability to meet future demand, and help improve the resilience of Wellington's eastern suburbs by progressing either the cross harbour pipeline or off-shore bores into an alternative water source. We will also look to deliver the Omāroro Reservoir towards the end of the Long Term Planning period, with the ultimate goal being a resilient supply of drinking water to central and eastern Wellington City. We will also complete major drinking water projects in Bell Road, Aotea, and Silverstream.

To make sure we minimise the impact of flooding on people's lives and proactively plan for the impacts of climate change, we will complete a three-year modelling programme to understand the full extent of the risk across all catchments. While we know high risk flooding areas, we will model stormwater impacts and work with our client councils and customers to plan how to minimise this impact.

Current population and demand growth projections for the Wellington region indicate that based on current per capita consumption, a new major water source (or storage facility) will be required by around 2040. We anticipate development work for this new facility will need to start around 2030 if demand is not reduced from current levels.





| Statement of Intent Measure   | Year 1  | Year 2   | Year 3  |
|---|---|--|---|
| 26. <b>We will work with our consultancy panel to improve efficiency</b> by reducing costs (from the current 15% of average fees per total construction costs) and lifting our internal capability  | Reduce (simple projects) to 14.5%<br>Identify areas to lower whole of life costs for complex projects   | Reduce (simple projects) to 14%  | Reduce (simple projects) to 13.5%<br>Trend emerging in reduction of whole of life costs for complex projects  |
| 27. <b>We will complete major stormwater projects by 2021:</b><br>Tawa (commence construction); Porirua (commence construction); Kilbirnie (Stage 3 - subject to funding)   | Tawa (feasibility, preliminary design complete)<br>Porirua (commence consenting, preliminary design)<br>Kilbirnie (Stage 1 complete)                    | Tawa (detailed design)<br>Porirua (consenting, preliminary design complete)<br>Kilbirnie (Stage 2 complete – subject to funds)               | Tawa (commence construction)<br>Porirua (detailed design complete)<br>Kilbirnie (Stage 3 consents obtained, preliminary design complete - subject to funds) |
| 28. <b>We will complete major wastewater projects by 2021:</b><br>Dixon Street (complete); Seaview (treatment plant seismic strengthening); Porirua (treatment plant consent renewal); and Hutt (main collecting sewer complete)                      | Dixon Street (complete)<br>Seaview (seismic strengthening)<br>Porirua (options)   | Porirua (capacity upgrade)   | Porirua (consent renewal)<br>Hutt (complete)  |
| 29. <b>We will complete major drinking water projects by 2021:</b><br>Omāroro (complete detailed design - subject to funding); Bell road (commence detailed design); Aotea (complete preliminary design); and Silverstream (commence detailed design) | Omāroro (consent obtained)<br>Bell Road (easement obtained, consents lodged)<br>Aotea (commence consents)<br>Silverstream (consent, preliminary design) | Omāroro (commence detailed design)<br>Bell Road (commence preliminary design)<br>Aotea (consents obtained)<br>Silverstream (detailed design) | Omāroro (complete detailed design)<br>Bell Road (commence detailed design)<br>Aotea (commence preliminary design)<br>Silverstream (commence construction)   |
| 30. <b>We will look for alternative water sources</b> by completing the harbour bore investigation project  | Complete drilling, results analysed and recommendation on preferred option put forward and agreed with Greater Wellington Regional Council              | Commence consents, land acquisition, and preliminary design  | Consents obtained, land acquisition complete, detailed design commenced   |

## Ready to respond in emergencies

We live in a region which experiences a number of natural hazard events. In recent times these have been more frequent, particularly short burst rainfall events.

No matter what the event, customers can rely on us to be out there dealing with issues and working hard to get our services back up as quickly as possible. We know sudden or extreme changes in water quality, flow, or environmental conditions (heavy rainfall, flooding, earthquakes) can cause drinking water to become contaminated, and we will diligently monitor and respond to any changes (Principle 4: Change precedes contamination).

Each emergency results in a lot of customer issues. We will maintain an accurate record of all issues and work through them with our customers until they are resolved, or the parties agree all options are exhausted.

We will make sure we are ready to respond during emergency events. This includes making sure we are able to utilise strategically placed depots and not solely rely on our head office to coordinate our response.

| Statement of Intent Measure   | Year 1  | Year 2  | Year 3  |
|---|---|---|---|
| 31. <b>We will respond to customer issues following a significant event (flooding, earthquake, landslip, major service failure)</b> by keeping an accurate record of all issues that occur and working through them with our customers within agreed timeframes | 85% customer satisfaction with interactions measured through call backs | 90% customer satisfaction with interactions measured through call backs | 95% customer satisfaction with interactions measured through call backs |







**How we  
work**



# Putting our customers at the heart of everything we do

To help us create excellence in regional water services so communities prosper, we have three company values: people come first; we share our knowledge; and together we're stronger. These values influence the way we work and interact with each other and our suppliers on a day-to-day basis.

We have three company result areas where we focus our efforts as an organisation to make sure we are successful: we'll grow our capability; we'll work collaboratively with iwi and customers; and we'll create the highest value for money. These result areas help us to assure our customers that we are committed to providing the best services and outcomes for our customers, by putting our customers at the heart of everything we do.

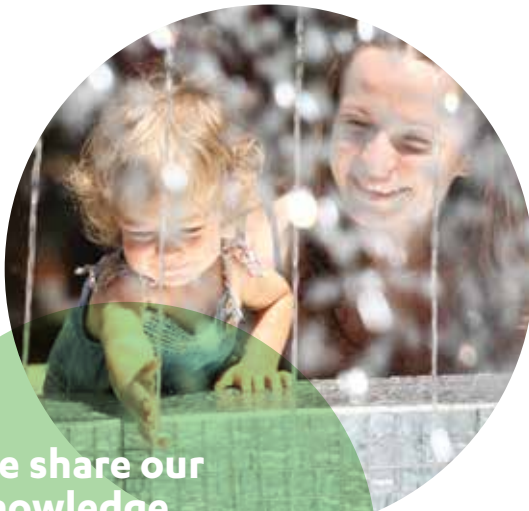
## Vision and values

Our vision is to create excellence in regional water services so communities prosper.



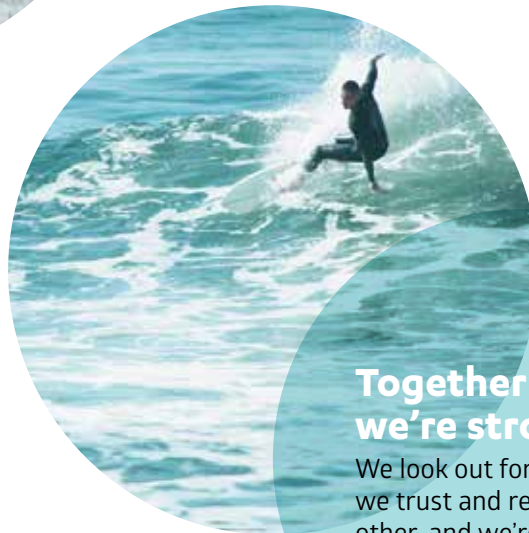
### People come first

What we do makes a big difference to other people's lives, and 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 clients' needs.



### Together we're stronger

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

## We'll grow our capability

We want our people to be passionate and dedicated to providing our customers with safe water. We need to promote our region as a great place to work so we attract the best people and grow our sector.

Councils have provided additional funds for a number of roles that will help address improving water quality and urban growth. However, a tight labour market is impacting our ability to recruit suitably talented people. Over the coming year we will seek to work with our contractors to launch a programme focused on a water career in Wellington.

We want to be an organisation where people can do their best, and will develop our capability and organisational culture through embedding our health and safety vision and behaviours, increasing engagement, growing and developing our leadership and customer capabilities, and recruiting a diverse workforce.

### LIFT SECTOR CAPABILITY

Sector capability has generally been under-invested in over the past decade. We've made great strides to reverse this trend, but we can't do it alone and we need the sector to collaborate to make sure we are attracting the best people.

We will form a regional capability leadership group, which will include our consultant and contractor panels. This group will promote the region as a great place to work and look at the appointment of people from a 'best for the sector' mentality.

### LEADERSHIP AND THE CUSTOMER

We want to have the capability to do our jobs well and we want dedicated and knowledgeable people to help us to provide customers with safe water (Principle 5: Suppliers must own the safety of drinking water). We also want to grow our capability and offer a higher duty of care in the way we deliver water services (Principle 1: A high standard of care must be embraced).

Our Workforce Plan describes the people capability development required to help us to meet the challenges of the future. As we develop strategic cases for our future service studies, we'll ensure that we have the capability to support implementation.

We will focus on developing our capability in the areas of leadership and the customer. All staff (within six months of joining) will participate in a one-day adaptive leadership course. Our people leaders and high potential staff will continue to progress and refine their skills in adaptive leadership through peer learning groups.

The key to placing the customer at the heart of everything we do is to develop a customer culture. This will take time but we'll start doing it by developing behaviours we want to convey in a consistent way when engaging with customers. These customer behaviours will be shared with our client councils' contact centres and contractors.

We will make customer capability a mandatory core competency for recruitment. To increase ownership of the customer throughout the business we will create 'customer champions', and define roles and responsibilities for owning customer issues end-to-end as they progress along their customer journey with us.

### HEALTH AND SAFETY

Our new health and safety vision 'people first, every time' and behaviours have been shared with our contractors and partners. We will make sure our people, contractors and partners are committed to living and breathing this vision and behaviours.

We'll continue to increase health and safety engagement, participation, and accountability at all levels across the company and with our contractors, and we will work with our client councils to ensure critical risks are controlled and managed.

We will work collaboratively to provide a safe and healthy environment and a culture people believe in and uphold. Our approach to health and safety ensures equal emphasis on both safety and wellbeing. We will continue to promote personal resilience, physical health, and mental health through our 'WellBe' programme. We will report our progress regularly to our client councils, the Board, and the Wellington Water Committee.

### RECRUITING A DIVERSE WORKFORCE

As we recruit for a capable and diverse workforce, we will maintain pay equity and provide opportunities for personal and professional growth. We will focus on gender equality by making sure we can have women better represented across the business which aligns with our commitment to United Nations Sustainable Development Goal 5: Gender equality.



| Statement of Intent Measure  | Year 1  | Year 2  | Year 3  |
|--|---|---|---|
| 32. <b>We will grow the water sector's capability</b> by increasing technical capability in our region   | Benchmark current capability by qualification, experience and role. Identify areas of risk and opportunity and set targets              | Meet set targets  | Meet set targets  |
| 33. <b>We will build a customer culture</b> by developing consistent customer behaviours and embedding these behaviours in our company and alliance  | Meet set targets  | 86% of all staff know how their work affects customers  | 87% of all staff know how their work affects customers  |
| 34. <b>We will understand people's engagement with our Health and Safety vision and behaviours</b> by developing and running a wellness survey for staff and our supply chain each quarter | Meet set targets  | Quarterly survey results indicate 80% wellness on average this year   | Quarterly survey results indicate 85% wellness on average this year   |
| 35. <b>We will improve the health and safety of our people</b> by reviewing our Health and Safety critical risks and applying controls to manage risks to an acceptable level              | All critical risks reviewed within a year (2 per year) and improved controls progress reported the senior leadership team and the Board | All critical risks reviewed within a year (2 per year) and improved controls progress reported the senior leadership team and the Board | All critical risks reviewed within a year (2 per year) and improved controls progress reported the senior leadership team and the Board |
| 36. <b>We will focus on gender equality</b> by removing barriers to workforce participation to enable more gender equity across all functions in the organisation                          | Min of 30% of gender balance in functional roles  | Min of 35% of gender balance in functional roles  | Min of 35% of gender balance in functional roles (excluding Alliance)   |





## We'll work collaboratively with customers and iwi

We will work as trusted advisors to our client councils, and will work collaboratively with our customers, mana whenua partners, and stakeholders to make sure their feedback and aspirations are incorporated into our service planning.

### TRUSTED ADVISOR TO OUR CLIENT COUNCILS

As a trusted advisor to our client councils it is essential we are transparent and responsive to their needs and expectations. We will treat each client council as an individual, with specific conditions and needs we must meet, and where it makes sense provide a regional perspective. We'll also aim for seamless interfaces with council contact centres and our contractors.

### OUR MANA WHENUA PARTNERS

We will use the Memorandum of Partnership (MoP) we have with local iwi to guide the next steps in our relationship with our mana whenua. The MoP takes a partnership approach in terms of how we collectively interact with water/wai (which to iwi is a taonga).

Local iwi are Taranaki Whānui (the legal entity representing their interests is 'Taranaki Whānui ki te Upoko o te Ika a Maui'), and Ngāti Toa Rangatira (the legal entity representing their interests is 'Te Runanga O Toa Rangatira').

We interact with our mana whenua partners on a regular basis and ensure where possible they form a part of our project teams. This means consulting and involving them in regulatory changes and all publically notified resource consents.

### CUSTOMERS

We will invite our customer panel, mana whenua partners, and stakeholders to have a view on service levels and make sure our network service goals and performance targets are meaningful to our communities.

We will build our customer hub capability and supporting information technology systems and processes to capture valuable customer data. As we improve our knowledge about customers and their expectations we will enhance our ability to deliver improved services as well as providing valuable input into investment decisions.

### STAKEHOLDERS

We will take a whole-of-catchment approach through integrated catchment management plans and the whitua committees. This means collaborating with multiple parties to establish shared objectives and ensure we are working towards the same goals.

Through the collaborative working group for Drinking Water Quality we will build our relationships with Regional Public Health, Greater Wellington Regional Council, and eight territorial authorities to safeguard the quality of our region's water.

We will continue to build relationships with our suppliers, contractors, partners, and with other key stakeholders (i.e. Water New Zealand, Wellington Region Emergency Management Office, Lifelines, Ministry for the Environment, Treasury's National Infrastructure Unit, Ministry of Business Innovation and Employment, WorkSafe New Zealand, and Guardian Groups).

Through our resilience work we'll keep building our relationships with other utilities, for example Wellington Electricity, New Zealand Land Transport Agency, and other organisations such as Fire and Emergency New Zealand, and Regional Public Health.



| Statement of Intent Measure  | Year 1    | Year 2    | Year 3    |
|--|-----------|-----------|-----------|
| 37. <b>We will maintain our rating as trusted advisor</b> by working with our five client councils to build strong relationships   | Satisfied | Satisfied | Satisfied |
| 38. <b>We will improve our relationship with our mana whenua partners</b> by improving their satisfaction with their ability to influence our decisions on future services | Satisfied | Satisfied | Satisfied |
| 39. <b>We will improve our relationship with our customer panel</b> by improving their satisfaction with their ability to influence our future services                    | Satisfied | Satisfied | Satisfied |
| 40. <b>We will build our relationship with our suppliers</b> by improving their satisfaction with how easy we are to work with   | Satisfied | Satisfied | Satisfied |



## We'll create highest value for money services

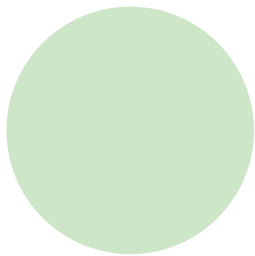
Our greatest asset is our people. Together with our contractors we have the experience and skills necessary to deliver all our services and provide value for money as we do it. Value for money is a complicated term, but to us it's just delivering services with more and more effectiveness and efficiency.

This starts with the effectiveness of our planning and our alignment with councils' long term plans. We want our 30-year infrastructure plans, our 10-year activity plans, and our three-year rolling capital programmes to be effective in bringing about the change our client councils and customers require.

The way we organise how our work is done, through our consultants and our contractors is a key factor in value. Our Service Delivery Strategy (SDS) outlines the changes in the way we will work with our contractors. At the heart of this strategy is the desire to take the same approach to common work across the region. We have laid out plans for our alliance, our contractor panel, and wastewater contracts which we are going to deliver over the next two years. Keeping this programme to time is an important value for money initiative.

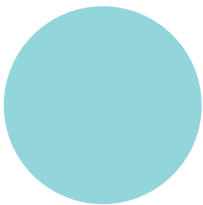
We want value for money to be part of everyday life. We want our people, our consultants and contractors to keep reducing waste and being innovative in their work. The success of this programme is measured by the number of value for money initiatives we come up with each year and the estimated costs of their implementation over the old way of doing things. We have made a special category within this work called 'smart services'. Smart services are defined as the importation of new ideas from around the world which deliver improved services to customers for less cost. We will deliver at least two new smart services a year from now on.

Continuing to ensure our own systems are efficient is a big challenge. We operate in an environment where we have to operate multiple systems and interface with multiple council systems. Simplifying this arrangement has enormous potential. We will prepare a business case for our client councils promoting the value of adopting an 'enterprise way of working', which we would then like funded. This would require additional capital from our councils (roughly valued at \$6m) which will be difficult to obtain.





| Statement of Intent Measure  | Year 1   | Year 2  | Year 3  |
|--|--|---|---|
| 41. <b>We will make sure our services support and align with our client councils long term plans</b> by delivering on agreed three water outcomes  | >90% alignment and achievement of agreed outcomes  | >90% alignment and achievement of agreed outcomes   | >90% alignment and achievement of agreed outcomes                       |
| 42. <b>We will deliver on what we set out to do</b> by completing capital projects that meet the requirements of the project design brief  | 10% sample demonstrates >95% achievement   | 10% sample demonstrates >95% achievement  | 10% sample demonstrates >95% achievement                                |
| 43. <b>We will deliver our service delivery strategy</b> by implementing the Alliance, implementing the contractor panel, and introducing a regional approach across all wastewater treatment plants | Alliance contract and approach agreed 31 December 2018<br>Contractor panel established 31 December 2018<br>Start the procurement process and finalise contract | Full implementation of alliance delivering agreed outcomes 31 July 2019<br>Full implementation of contractor panel delivering agreed outcomes 31 July 2019<br>Start phased implementation of new contract | Phased implementation continues   |
| 44. <b>We will create value for money</b> by delivering two smart services ideas each year   | Two smart service ideas delivered each year  | Two smart service ideas delivered each year   | Two smart service ideas delivered each year                             |
| 45. <b>We will better support the delivery of three waters services</b> by identifying where we can streamline and simplify our systems (subject to funding)   | The business case is endorsed by councils<br>Simplification programme plan in place, with delivery in line with plan   | Simplification programme plan in place, with delivery in line with plan   | Simplification programme plan in place, with delivery in line with plan |



## The world is changing around us

We can generate our own changes as we look to be more efficient. External factors and our customers' expectations can change over time. It also feels like there is a lot going on in the water sector, so it's important we remain well informed and ready to react.

Most of the change we are feeling at the moment flows from the Havelock North Inquiry and the higher expectations customers have for the water quality of our streams, rivers, harbours, and ocean. These are all good changes in our minds.

### THE HAVELOCK NORTH INQUIRY

For us the Havelock North Inquiry will bring about some changes to how we operate. The Inquiry has recommended all drinking water operators are regularly assessed for competency through a new certification system. When this is introduced we will make sure all staff (including contractors) meet new certification requirements.

The Inquiry also recommends we collaborate with the Ministry of Health and the Greater Wellington Regional Council on the protection of drinking water sources, and we will work with these organisations to develop a joint working group. There may be other changes and cost implications from this.

### CARBON NEUTRAL WORK

Wellington City Council is leading the way in our region to become carbon neutral. The three waters business is a significant user of electricity and producer of waste. It makes sense for us to follow the Council's lead and baseline our carbon use and then begin work to become carbon neutral by 2028. We will do this across the region for all of our client councils.

### CLIMATE CHANGE

Climate change is impacting our region and we know it's having an effect on the performance of our stormwater and wastewater networks. We'll work closely with our client councils across the region to consider how we plan for and address these impacts, especially sea level rise and flooding. We'll use the modelling and evidence we collect to inform and advise our client councils.

### LOCAL GOVERNMENT COMMISSION

The Wairarapa District Council's proposal to amalgamate was not accepted by the ratepayers of South Wairarapa, Carterton, and Masterton councils, so has not been progressed. The Local Government Commission wrote to the councils' suggesting they might like to consider joining Wellington Water. We will continue to explore ways of improving the delivery of services to all customers of the region.

We believe building a 'centre of excellence' of technical skills within our organisation to support the broader region makes a lot of sense. Such a model allows councils to continue to deliver services locally, while relying on us to provide service planning, modelling, data stewardship services, and other high value services.

| Statement of Intent Measure  | Year 1  | Year 2  | Year 3   |
|--|---|---|--|
| 46. <b>We will understand what our current carbon emissions are</b> by using a system/methodology to track and develop a carbon emission profile (which includes priority areas to reduce emissions) | System or methodology developed and agreed<br><br>Baseline carbon emission inventory complete | Performance reassessed and target set<br><br>Carbon emission profile developed and recommendations made | Start implementing recommendations made in carbon reduction plan |

## Keeping an eye on critical operating frameworks

To do our job well we rely on critical operating frameworks. These frameworks support our people so they can do their best work. We ensure these are maintained and regularly audited. The most important frameworks are: our financial system; our risk management and internal audit system; our Health and Safety system; and our performance management system.

We have incorporated the statement of intent into our performance management framework. For more information on how we measure our performance please visit our website: <https://wellingtonwater.co.nz/publication-library/dia-mandatory-non-financial-performance-measures/>

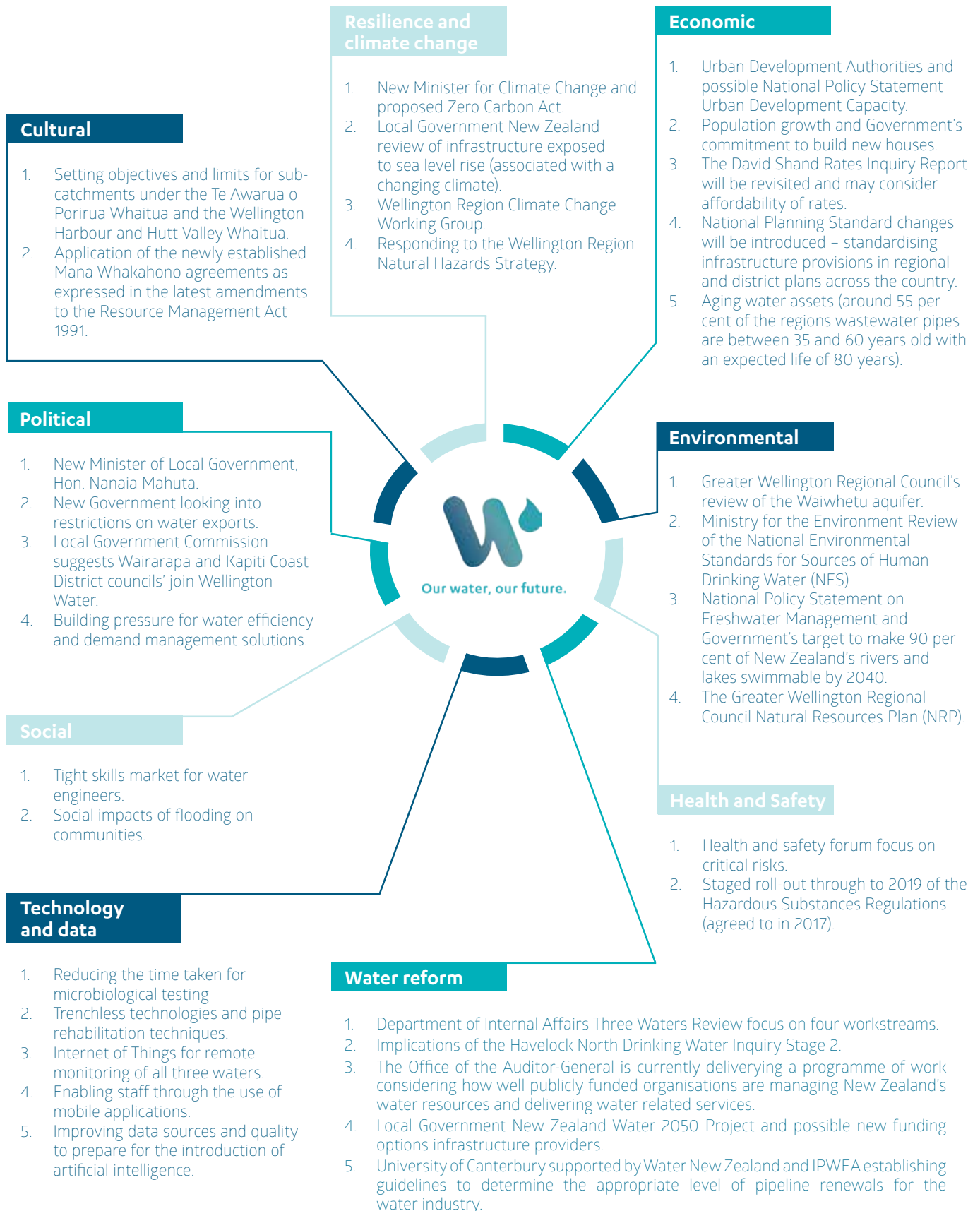
# Appendices





# Appendix 1: What influences us

There is a lot going on around us. We will keep pace with these changes and understand their implications to provide reliable services to our customers and good advice to our client councils.



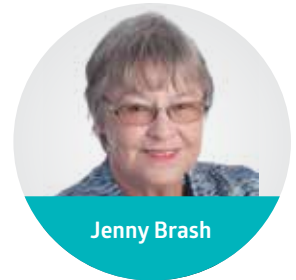
## Appendix 2: About us

### WELLINGTON WATER COMMITTEE

The Wellington Water Committee's five shareholders are: the Hutt City Council (represented by Deputy Mayor David Bassett); Porirua City Council (represented by Mayor Mike Tana); Upper Hutt City Council (represented by Mayor Wayne Guppy); Wellington City Council (represented by Councillor Iona Pannett); and Greater Wellington Regional Council (represented by Councillor Jenny Brash). Each shareholder holds 20 per cent of the voting shares ('A' shares) of Wellington Water.

The Wellington Water Committee provides governance oversight of Wellington Water and its management of the network infrastructure for the delivery of the three waters services. They do this by considering our half yearly and annual reports, monitoring our performance, appointing directors to our Board of Directors, and providing recommendations to shareholders on our proposals.

The Committee writes an annual Letter of Expectations to the Board, which outlines our key priorities and areas of focus. This is used to guide the development of our Statement of Intent.



### OUR BOARD OF DIRECTORS

We are governed by a Board of independent directors. The Chair of the Board reports to the Wellington Water Committee. The Board approves our strategy, ensures legal compliance, and monitors our performance, risks, and viability.

The Board's approach to governance is to establish with management (and in consultation with shareholders), clear strategic outcomes that drive our performance. The Board is also mindful of its relationship with the Committee and how both the Board and Committee influence us in different ways.

Our Board supports and empowers our management team to deliver and report performance using a no surprises approach, by creating an environment of trust where information is freely available, decision making is transparent, and strategic conversations provide insights and guidance for the company.

Consistent with a high performance organisation, Board members challenge management (and other Board members) to keep a healthy culture of inquiry and openness.



## WELLINGTON WATER LIMITED

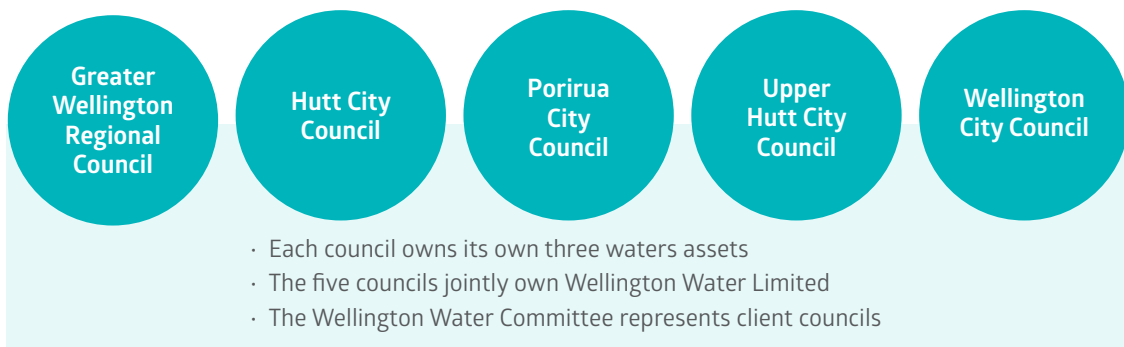
We're a council-controlled organisation jointly owned by five client councils.

Employing 205 staff we manage the three waters networks, infrastructure, and services on behalf of our client councils.

To do this we manage annual expenditure of approximately \$145 million to maintain and develop water assets with a replacement value of approximately \$5.8 billion. We also provide investment advice about the future development of three water assets and services.

Each client council owns its own water services assets (pipes, pump stations, reservoirs and treatment plants), and decides the level of service they require, the policies it will adopt, and investments it will make (after considering our advice) in consultation with their respective communities.

We operate under the Companies Act 1993 and the Local Government Act 2002 and comply with the Health (Drinking Water) Amendment Act 2007, the Drinking Water Standards for New Zealand 2005 (revised 2008) and other legislation such as the Resource Management Act 1991 (and proposed amendments), the Wellington Regional Water Board Act 1972 and the Health and Safety Reform Act.



↕ Service level agreements, pricing and policies ↕

**Wellington Water Limited**  
regional three water asset management

**Strategy and planning:** asset planning, policy advice, information management, education

**Development and delivery:** network monitoring, project design and work programme management

**Operations and customer service:** water treatment, network improvement, fault management and customer service





## Appendix 3: Governance and shareholder information

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

### THE BOARD OF DIRECTORS

The Board of Directors consists of six 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 agreed by the Wellington Water Committee.

- Geoff Dangerfield is appointed to 30 September 2020.
- Nicola Crauford is appointed to 31 December 2018.
- Cynthia Brophy is appointed to 31 January 2021.
- David Benham is appointed to 30 June 2019.
- Philip Barry is appointed to 30 June 2021.
- David Wright (chair) is appointed to 31 January 2020.

Board performance reviews are undertaken regularly and are provided to the Wellington Water Committee and shareholders on completion. The Board is responsible for the direction and control of Wellington Water Limited.

### RATIO OF CONSOLIDATED SHAREHOLDERS' FUNDS TO TOTAL ASSETS

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

### 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 Local Government Act 2002); and
- 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 Local Government Act 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.

### SHARE ACQUISITION

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

### COMPENSATION FROM LOCAL AUTHORITY

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





### EQUITY VALUE OF THE SHAREHOLDERS' INVESTMENT

Total shareholders' equity is estimated to be valued at \$3.3 million as at 31 December 2017. This value will be assessed by the directors on completion of the annual accounts or at any other time determined by the directors. The method of assessment will use the value of shareholders' funds as determined in the annual accounts as a guide.

## Appendix 4: Customer outcomes and service goals

| Customer Outcome  | Service Goal   | Objectives  |
|---|--|---|
| <b>Outcome 1 - Safe and Healthy Water</b><br><br>We provide water services to ensure safe drinking water and work to eliminate the harmful effects of wastewater and stormwater over time |  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<br><br>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<br><br>Asset safety risks are identified and improved  |
|   |  We provide an appropriate region-wide fire-fighting water supply to maintain public safety | Sufficient water is supplied meet urban firefighting needs under normal conditions<br><br>We identify and implement water supply improvements to assist the Fire Service  |
|   |  We minimise public health risks associated with wastewater and stormwater                  | The public is protected from direct exposure to untreated wastewater onto land<br><br>The public is protected from direct exposure to untreated wastewater onto beaches   |

| Customer Outcome   | Service Goal  | Objectives  |
|--|---|---|
| <b>Outcome 2 - Respectful of the environment</b><br><br>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 manage the use of resources in a sustainable way  | Our customers receive water services that are managed efficiently through minimising: <ul style="list-style-type: none"> <li>· water loss</li> <li>· energy consumption</li> <li>· production of treatment plant waste</li> </ul>   |
|  |  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<br><br>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 ensure the impact of water services is for the good of the natural and built environment | Water services are managed to comply with consents<br><br>Water services are built and managed in ways that are not intrusive to communities.   |

| Customer Outcome   | Service Goal  | Objectives   |
|--|---|--|
| <b>Outcome 3 - Resilient networks support our economy</b><br><br>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 |  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<br><br>The impacts of an additional 1 m sea level rise are understood and preventive measures are implemented where practicable. Where prevention is not possible, the impacts will be managed operationally |
|  |  We provide three water networks that are resilient to shocks and stresses                                   | We work to meet agreed levels of service to restore water services to customers  |
|  |  We plan to meet future growth and manage demand   | The water supply network meets normal demand except where a drought is more severe than a 1-in-50 year return period event<br><br>Water supply and wastewater services are planned to accommodate changes in demand and future growth, with a focus on reducing water wastage  |
|  |  We provide reliable services to customers   | Customers have access to reliable water and wastewater services<br><br>Stormwater networks perform as intended when it rains   |

## Appendix 5: Three-year forecasts

### COMMENTARY ON FINANCIAL STATEMENTS

Wellington Water's operating expense budget for 2018/19 is \$29.1 million. Of this total, \$21.8 million represents remuneration and other employee costs, and \$4.3 million relates to vehicles, utilities, professional services and director's fees, and depreciation costs.

Wellington Water adopts a no surprises approach. Forecast updates, capital expenditure plans, debt and forecast positions are communicated to our client and shareholder representative meetings.

Wellington Water extended its trusted advisor model to consolidate Councils' external water expenditure, resulting in an increase in council operating expense (opex) and capex programme recoveries. Previously, these recoveries were limited to consultancy and network maintenance service recoveries. All three waters related expenditure managed on behalf of councils is now disclosed as "council opex programme" and "council capex programme".

### STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

Wellington Water's 2018/19 operating expense budget represents a \$3.5m increase from the 2017/18 operating expense budget.

- This increase primarily relates to funding for additional roles (\$2.3m) as agreed with councils throughout the year.
- Previous Statement of Intent forecasted a year on year increase of \$0.6m to allow for inflation and remuneration reviews.
- The balance of the increase (\$0.6m) is to fund additional depreciation (\$0.3m) and some discretionary spend (\$0.3m) to allow Wellington Water to operate efficiently in a flexible, agile or proactive manner.
- The forecast excludes any funding for the Simplification Project or scalability of the organisation to adapt to large changes in the capex programme.





## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

|   | <b>Budget<br/>18/19<br/>\$000</b> | <b>Projection<br/>19/20<br/>\$000</b> | <b>Projection<br/>20/21<br/>\$000</b> |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
| One budget fee                                  | 112,689                           | 114,559                               | 165,520                               |
| Management fee                                  | 29,934                            | 30,832                                | 31,757                                |
| Capital grant                                   | 109                               | 119                                   | -                                     |
| Other revenue                                   | 185                               | 189                                   | 253                                   |
| <b>Total revenue</b>                            | <b>142,917</b>                    | <b>145,699</b>                        | <b>197,531</b>                        |
| One budget capex expenditure                    | (67,263)                          | (68,224)                              | (118,259)                             |
| One budget opex expenditure                     | (45,426)                          | (46,335)                              | (47,261)                              |
| Salaries and wages                              | (19,614)                          | (20,104)                              | (20,607)                              |
| Superannuation                                  | (668)                             | (685)                                 | (702)                                 |
| Directors                                       | (164)                             | (164)                                 | (164)                                 |
| Audit   | (100)                             | (100)                                 | (100)                                 |
| Operating leases                                | (994)                             | (1,014)                               | (1,035)                               |
| Other personnel costs                           | (988)                             | (1,007)                               | (1,027)                               |
| Other expenditure                               | (6,226)                           | (6,745)                               | (7,159)                               |
| Depreciation and amortisation                   | (1,154)                           | (994)                                 | (962)                                 |
| Interest expense                                | (26)                              | (19)                                  | (1)                                   |
|   | <b>(142,622)</b>                  | <b>(145,391)</b>                      | <b>(197,277)</b>                      |
| <b>Surplus/(deficit) before tax</b>             | <b>295</b>                        | <b>308</b>                            | <b>253</b>                            |
| Tax (expense)/credit                            | (153)                             | (151)                                 | (131)                                 |
| <b>Total comprehensive revenue and expenses</b> | <b>142</b>                        | <b>157</b>                            | <b>122</b>                            |
| <b>Attributable to:</b>                         |                                   |                                       |                                       |
| Wellington City Council                         | 60                                | 66                                    | 52                                    |
| Hutt City Council                               | 30                                | 33                                    | 26                                    |
| Upper Hutt City Council                         | 12                                | 13                                    | 10                                    |
| Porirua City Council                            | 18                                | 20                                    | 15                                    |
| Greater Wellington Regional Council             | 22                                | 25                                    | 19                                    |
| <b>Total comprehensive revenue and expenses</b> | <b>142</b>                        | <b>157</b>                            | <b>122</b>                            |
| <b>Shareholder equity ratio</b>                 | <b>11%</b>                        | <b>11%</b>                            | <b>9%</b>                             |

The financials in this SOI are draft and include a number of assumptions which have yet to be evaluated fully. The increased Wellington Water budget will likely be offset in part by a reduction in council budgets, however the detail of this is yet to be finalised.

## OTHER FINANCIAL INFORMATION

|                                |   |
|--------------------------------|---|
| <b>Current value of assets</b> | The current value of assets at 31 December 2017 was \$3.3m based on the net asset value of Wellington Water as disclosed in the unaudited interim financial statements. |
| <b>Accounting policies</b>     | Accounting policies are as per the 2017 Annual Report.  |
| <b>Financial reporting</b>     | Wellington Water's financial reporting is prepared in accordance with generally accepted accounting policies.   |

## COUNCIL OPEX PROGRAMME

|  | 2018/19<br>\$000 | 2019/20<br>\$000 | 2020/21<br>\$000 |
|--|------------------|------------------|------------------|
| <b>Wellington City Council</b>             | <b>23,651</b>    | <b>24,124</b>    | <b>24,606</b>    |
| Potable Water                              | 4,772            | 4,868            | 4,965            |
| Stormwater                                 | 2,193            | 2,237            | 2,281            |
| Wastewater                                 | 16,685           | 17,019           | 17,359           |
| <b>Hutt City Council</b>                   | <b>11,702</b>    | <b>11,936</b>    | <b>12,175</b>    |
| Potable Water                              | 2,349            | 2,396            | 2,444            |
| Stormwater                                 | 1,314            | 1,341            | 1,367            |
| Wastewater                                 | 8,038            | 8,199            | 8,363            |
| <b>Upper Hutt City Council</b>             | <b>4,985</b>     | <b>5,085</b>     | <b>5,187</b>     |
| Potable Water                              | 1,094            | 1,116            | 1,138            |
| Stormwater                                 | 593              | 605              | 617              |
| Wastewater                                 | 3,299            | 3,365            | 3,432            |
| <b>Porirua City Council</b>                | <b>2,842</b>     | <b>2,899</b>     | <b>2,957</b>     |
| Potable Water                              | 972              | 992              | 1,012            |
| Stormwater                                 | 235              | 239              | 244              |
| Wastewater                                 | 1,635            | 1,668            | 1,701            |
| <b>Greater Wellington Regional Council</b> | <b>4,968</b>     | <b>5,067</b>     | <b>5,168</b>     |
| Potable Water                              | 4,968            | 5,067            | 5,168            |
| <b>Grand Total</b>                         | <b>48,148</b>    | <b>49,111</b>    | <b>50,093</b>    |

## COUNCIL CAPEX PROGRAMME

Note that this includes an allocation of Management Fee charged to projects.

|                                   | 2018/19       | 2019/20       | 2020/21       |  | 2018/19       | 2019/20       | 2020/21        |
|-----------------------------------|---------------|---------------|---------------|--|---------------|---------------|----------------|
|                                   | \$000         | \$000         | \$000         |  | \$000         | \$000         | \$000          |
| <b>Wellington City Council</b>    | <b>26,636</b> | <b>25,992</b> | <b>47,549</b> | <b>Upper Hutt City Council</b>             | <b>6,624</b>  | <b>10,712</b> | <b>15,526</b>  |
| <b>Potable Water</b>              | <b>9,605</b>  | <b>7,686</b>  | <b>17,661</b> | <b>Potable Water</b>                       | <b>1,962</b>  | <b>988</b>    | <b>1,388</b>   |
| 1.1 Safe drinking water           | 1,567         | 1,567         | 1,566         | 1.1 Safe drinking water                    | 50            | 50            | 50             |
| 1.2 Safety of assets              | 50            | 50            | 50            | 2.1 Resource usage                         | 159           | 67            | 86             |
| 1.3 Firefighting                  | 682           | 26            | 1,672         | 3.2 Resilience                             | 799           | 202           | 245            |
| 2.1 Resource usage                | 25            | 25            | 486           | 3.3 Growth                                 | 20            | 20            | 20             |
| 3.2 Resilience                    | 1,522         | 1,000         | 4,146         | 3.4 Reliability                            | 934           | 649           | 987            |
| 3.3 Growth                        | 850           | 850           | 7,050         | <b>Stormwater</b>                          | <b>1,011</b>  | <b>7,013</b>  | <b>7,147</b>   |
| 3.4 Reliability                   | 4,909         | 4,168         | 2,690         | 3.1 Flooding                               | 961           | 7,013         | 7,147          |
| <b>Stormwater</b>                 | <b>9,300</b>  | <b>8,969</b>  | <b>4,028</b>  | 3.2 Resilience                             | 50            | -             | -              |
| 1.2 Safety of assets              | 2,770         | 8,024         | 3,432         | <b>Wastewater</b>                          | <b>3,651</b>  | <b>2,711</b>  | <b>6,992</b>   |
| 3.1 Flooding                      | 6,460         | 875           | 525           | 1.4 Public Health                          | 3,604         | 2,665         | 6,953          |
| 3.3 Growth                        | 70            | 70            | 70            | 3.3 Growth                                 | 20            | 20            | 20             |
| <b>Wastewater</b>                 | <b>7,731</b>  | <b>9,337</b>  | <b>25,860</b> | 3.4 Reliability                            | 27            | 26            | 18             |
| 1.4 Public Health                 | 6,077         | 7,799         | 5,318         | <b>Porirua City Council</b>                | <b>10,611</b> | <b>12,102</b> | <b>10,631</b>  |
| 2.1 Resource usage                | 20            | 9             | 9             | <b>Potable Water</b>                       | <b>3,177</b>  | <b>1,157</b>  | <b>3,540</b>   |
| 2.2 Waterway health               | 300           | 495           | 19,000        | 1.1 Safe drinking water                    | 100           | 100           | 100            |
| 3.3 Growth                        | 1,094         | 994           | 1,494         | 2.1 Resource usage                         | 158           | 250           | -              |
| <b>Hutt City Council</b>          | <b>14,569</b> | <b>10,646</b> | <b>20,458</b> | 3.2 Resilience                             | 2,216         | 50            | 1,000          |
| <b>Potable Water</b>              | <b>4,568</b>  | <b>3,702</b>  | <b>1,496</b>  | 3.3 Growth                                 | 170           | 170           | 1,770          |
| 1.1 Safe drinking water           | 550           | 550           | 550           | 3.4 Reliability                            | 534           | 587           | 670            |
| 3.2 Resilience                    | 3,196         | 1,462         | 160           | <b>Stormwater</b>                          | <b>1,127</b>  | <b>4,492</b>  | <b>2,125</b>   |
| 3.3 Growth                        | 50            | 50            | 50            | 3.1 Flooding                               | 1,127         | 4,492         | 2,125          |
| 3.4 Reliability                   | 772           | 1,640         | 736           | <b>Wastewater</b>                          | <b>6,306</b>  | <b>6,452</b>  | <b>4,966</b>   |
| <b>Stormwater</b>                 | <b>3,380</b>  | <b>1,869</b>  | <b>4,187</b>  | 1.2 Safety of assets                       | 50            | 20            | 20             |
| 1.2 Safety of assets              | 50            | 660           | 10            | 1.4 Public Health                          | 2,345         | 3,396         | 4,200          |
| 2.2 Waterway health               | 100           | 100           | 100           | 2.1 Resource usage                         | 1,000         | -             | -              |
| 3.1 Flooding                      | 3,088         | 1,067         | 4,077         | 2.2 Waterway health                        | 670           | 740           | 600            |
| 3.2 Resilience                    | 100           | -             | -             | 2.4 Natural and Built Environment          | 350           | 200           | 50             |
| 3.4 Reliability                   | 42            | 42            | -             | 3.2 Resilience                             | 100           | -             | -              |
| <b>Wastewater</b>                 | <b>6,621</b>  | <b>5,075</b>  | <b>14,775</b> | 3.3 Growth                                 | 1,661         | 2,031         | 31             |
| 1.4 Public Health                 | 2,699         | 4,012         | 14,365        | 3.4 Reliability                            | 130           | 65            | 65             |
| 2.4 Natural and Built Environment | 199           | -             | -             | <b>Greater Wellington Regional Council</b> | <b>14,320</b> | <b>14,360</b> | <b>34,230</b>  |
| 3.2 Resilience                    | 2,860         | 100           | 100           | <b>Potable Water</b>                       | <b>14,320</b> | <b>14,360</b> | <b>34,230</b>  |
| 3.3 Growth                        | 800           | 900           | 300           | 1.1 Safe drinking water                    | 2,960         | 2,080         | 2,100          |
| 3.4 Reliability                   | 63            | 63            | 10            | 1.2 Safety of assets                       | 375           | -             | -              |
|                                   |               |               |               | 2.1 Resource usage                         | 60            | 60            | 60             |
|                                   |               |               |               | 3.2 Resilience                             | 9,443         | 7,300         | 3,200          |
|                                   |               |               |               | 3.3 Growth                                 | 150           | 1,500         | 100            |
|                                   |               |               |               | 3.4 Reliability                            | 1,332         | 3,420         | 16,520         |
|                                   |               |               |               | <b>Grand Total</b>                         | <b>72,759</b> | <b>73,812</b> | <b>128,394</b> |



# Your public water company

