

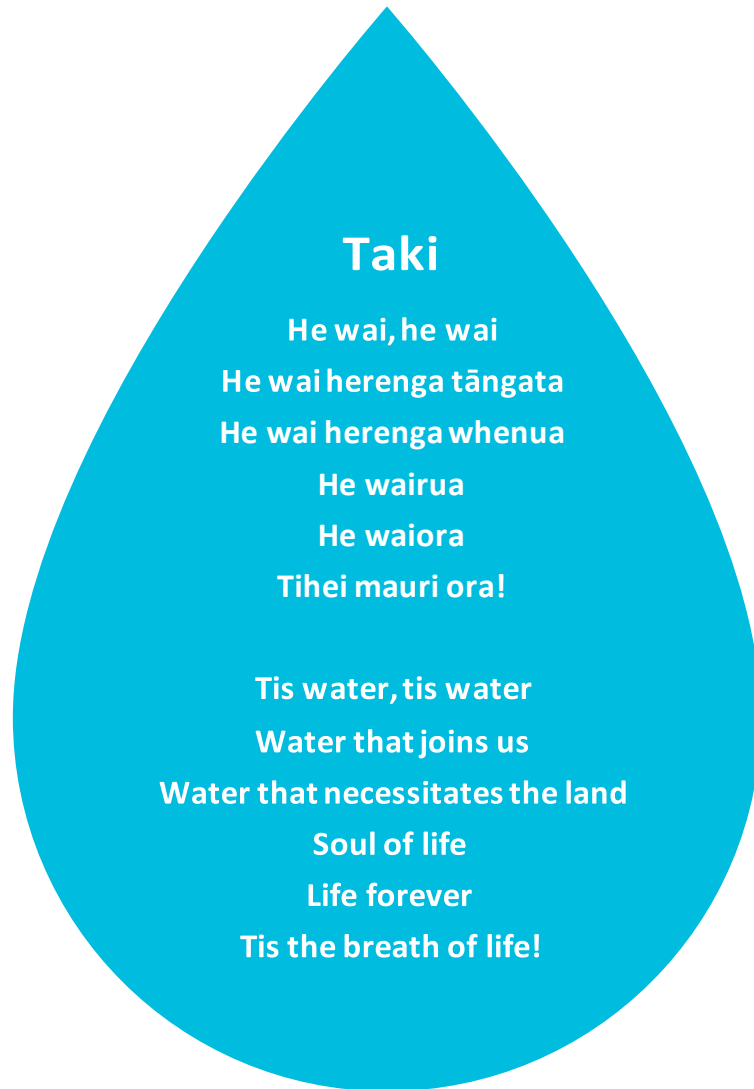


# Our water, our future

HALF-YEARLY REPORT TO 31 DECEMBER 2020

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## About this document

This Half-yearly Report covers the period 1 July 2020 to 31 December 2020 and sets out our progress against the goals we set ourselves in *Our water, our future* (Wellington Water's 2020-23 Statement of Intent).

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 help communities prosper.

We have indicated against each non-financial measure how we are tracking to the targets we set for ourselves: green (on-track), amber (likely to meet target subject to managing risks), red (won't meet target), and grey (not yet due for reporting).

## The year so far...

**We have been working closely with councils over the last six months providing quality strategic asset management advice to input into long-term plans. Our advice has been centred around the five strategic priorities that have been adopted across the region.**

The end-to-end system stories that support the priorities continue to be refined, and to reflect the journey we are on, we have been gifted two names: Ngā Wai Hangarua that describes our rivers and streams and their journey to the catchments and sea that is currently in an altered state, and Te Ika Rō Wai, the name we are aspiring to – where our water is pure like that from within a fish's head.

Our network is under pressure and this is due to a lack of investment over many years. The cost of renewing and maintaining assets continues to rise, and we are experiencing more frequent breaks and bursts to even our high-criticality assets.

And this is why understanding our high-criticality assets is so important. We are about to commence health assessments on these assets, to be completed by 30 June 2021. The physical assessments will be completed alongside these through to August 2021.

It has been a challenging six months delivering the region's capital and operating programme, and responding to breaks and bursts, and the impacts of extreme weather events. The flash flooding in Wellington towards the end of November impacted 15 homes and closed State Highway 1. We continue to work together with the council and affected communities post-event.

Underpinning all our work over the last six months has been the strengthening of our relationships with our councils, mana whenua partners, and customers. We have made good progress as trusted advisors but will need to keep pushing to maintain this for the remainder of the year.

An aerial photograph of an offshore oil platform in the middle of a dark blue ocean. A massive, vertical plume of white water is being discharged from the platform, creating a large splash and mist around it. The text is overlaid on the left side of the image.

# Creating value through trusted relationships

Building trust through our relationships

## Building trust through our relationships

To provide the best three waters services possible, we need our councils, mana whenua partners, and customers to understand our respective roles and build trusted relationships. Building trust in the overall system that makes up the Wellington Water model underpins the work we do as a company.

### VIEWED AS A TRUSTED ADVISOR AND OPERATOR BY COUNCILS

The Wellington Water model is unique in that our six client councils retain ownership of their three waters assets, decide on levels of service, and set rates (and therefore funding levels) in line with their long-term plans.

It is our role to provide the necessary long-term planning and asset-management plans to enable our councils to consult their communities on future levels of service and the funding to provide these levels.

### PARTNERING WITH MANA WHENUA

In the past three years we have worked closely with mana whenua to build a partnership focused on the common goal of looking after the precious taonga (treasure) that is water.

A memorandum of partnership is in place that guides our relationship with mana whenua, recognises the unique relationship mana whenua have with the environment, and sets out an approach to how we interact collectively with the many forms of water in the environment.

### PUTTING CUSTOMERS AND COMMUNITIES AT THE HEART OF EVERYTHING WE DO

Putting customers and communities at the heart of everything we do means taking a broad view of the services we provide and concentrating on our interactions with the people on the receiving end of the work we do.

IMPACT STATEMENT 1	How we measure success	Progress as at 31 December 2020
<p><b>We value our client councils, mana whenua partners, and customers in the way we work.</b></p>	<p>Upwards trends in satisfaction, trust, and understanding of te ao Māori in survey results for our councils, mana whenua partners, and customers.</p> <p>Results from Wellington Water and council surveys are applied to improving the customer experience.</p>	<p>Little to report at this stage as the bulk of the customer surveys are completed between January and June each year.</p> <p>In direct response to council feedback, two new resolution managers have been appointed to handle the more complex customer issues and complaints.</p>

## Our outcomes and strategic priorities

We use these outcomes to set priorities and guide decision-making. Our strategic priorities are:

- Looking after existing three waters assets;
- Supporting growth so there are no adverse environmental impacts;
- Reducing water consumption;
- Improving water quality; and
- Reducing carbon emissions.

Every three years, through the long-term planning process, our councils seek our advice. This advice is fine-tuned on an annual basis. In 2020/21 we have been delivering advice for councils next long-term plans. We have completed the 'early signals' phase of the long-term planning process with councils, and we are now in the process of developing options within our councils' budgets and delivering a preferred option for public consultation.

This long-term planning work is important for each council and also for the region as there are benefits in creating regional consistency in what we do. This advice will result in an optimised, ten-year total expenditure plan for each council.

## PRIORITY 1: LOOKING AFTER EXISTING THREE WATERS ASSETS

There's over \$6.1 billion worth of council-owned assets providing three waters services in the Wellington region (this includes South Wairarapa District Council). Some of these assets are now more than 130 years old.

IMPACT STATEMENT 2	How we measure success	Progress as at 31 December 2020
<p><b>Condition assessment programmes are implemented for highly-critical assets to help us understand asset condition and inform the scheduling of renewal programmes as part of our wider asset management system.</b></p>	<p>Condition assessment programmes for very-high-criticality assets are scheduled during the 2020/21 year.</p>	<p>Our programme of very high criticality assessments is ready to go. We have formed a supplier team and the contract has been awarded.</p> <p>Our target is to complete all survey work by 30 June 2021 with all physical asset assessments in parallel out through to August 2021.</p>
	<p>Councils accept our advice on asset management plans as well based, and invest to lift service levels and reduce failures.</p>	<p>We have completed our stage 2 advice to all councils. The next step is consultation on the draft LTPs. We will assess council confidence as part of this next stage.</p>



## PRIORITY 2: SUPPORTING GROWTH WITHOUT ADVERSE ENVIRONMENTAL IMPACTS

Our role is to provide timely and accurate information to support our councils' land development and growth work. In 2019/20 we provided three waters infrastructure plans for identified growth cells to support councils' decision-making.

Once growth decisions have been made by councils, we want them to invest in the necessary three waters networks ahead of that growth. In some cases growth can be an opportunity to improve the current situation, as quality infrastructure upgrades can improve environmental outcomes.

IMPACT STATEMENT 3	How we measure success	Progress as at 31 December 2020
<p><b>Our investment and decision-making models enable us to us plan for growth and increased demand while ensuring that agreed levels of service are maintained.</b></p>	<p>Investment/growth plans are developed for growth areas identified and funded by our client councils.</p>	<p>A Growth Programme has been drafted to capture the growth (cell) activities for each council.</p> <p>A growth study for Wainuiomata has been submitted to Hutt City Council, informing their LTP growth portfolio. A Hutt City Valley Floor growth study has commenced and we are on track to deliver this by June 2021.</p> <p>No other investment plans for growth areas have been completed this year.</p>
	<p>Council's long term plans include/reflect our recommended growth-related investments and activities.</p>	<p>The work done has informed investment plans set out in LTP and strategic asset management plans.</p>

### PRIORITY 3: REDUCING WATER CONSUMPTION

The high rate of population growth, together with relatively high per-capita water consumption, is putting pressure on our existing water sources. If action is not taken to reduce this demand in the next five or six years, the frequency of garden-watering restrictions will increase and the region will need to make a significant investment in developing new water sources, storage facilities, and treatment options.

Our residential customers in the metropolitan Wellington region do not have any information on how much water they are using. This makes it very difficult for them to change their water consumption behaviours to use water more efficiently. Our councils have requested that we complete a business case to assess the options for providing customers with usage information, including through universal household water metering. Our South Wairarapa customers already have individual household water meters in place.

IMPACT STATEMENT 4	How we measure success	Progress as at 31 December 2020
<p><b>Average water consumption per capita is reducing.</b></p>	<p>Our five-year proposal informs client councils' long-term plans for a 10 per cent gross per-capita reduction in consumption and programmes of work to be developed.</p>	<p>We are unable to progress with this initiative as councils have signalled they do not have the funds to take a comprehensive outcomes based approach. Consumption continues to increase.</p>

#### PRIORITY 4: IMPROVING WATER QUALITY

The health of the region’s waterways is increasingly important to customers and their communities. This desire for improved water quality is supported by the tightening of associated environmental standards at both national and regional levels.

It could take 30-50 years to restore the health of our waterways fully. In the short to medium term, our focus is on targeting problems on private properties and across the stormwater and wastewater networks, in combination with some improvements in discharges from wastewater treatment plants.

IMPACT STATEMENT 5	How we measure success	Progress as at 31 December 2020
<p><b>The health (water quality) of our region’s beaches and coastlines is static or improving. A baseline will be set for each of the three catchments our roving field maintenance crews will cover in 2020/21.</b></p>	<p>The number of days customers are able to enjoy our region’s (monitored) beaches.</p>	<p>November and December 2020 were both very wet months. Over this period we had a reduction in the number of days our beaches were available to enjoy. It is still possible we can achieve this measure at year end.</p>

## PRIORITY 5: REDUCING THE IMPACTS OF CLIMATE CHANGE

We are looking into operational and investment options that enable us to reduce our net emissions. We are also investigating opportunities to reduce the carbon emissions from our capital projects (concrete, steel, etc.).

IMPACT STATEMENT 6	How we measure success	Progress as at 31 December 2020
<p><b>Work to reduce regional three waters' carbon footprint contributes to the objectives of the Climate Change Response (Zero Carbon) Amendment Bill.</b></p>	<p>Emission-reduction targets and action plans are developed for each council. Investment pathways are different for each council.</p>	<p>Future operational carbon emissions trajectories have been developed for each council except South Wairarapa (where we do not have an existing baseline). There is no budget allocated for 2020/21 to develop targets and action plans.</p> <p>Looked at more widely, however, little progress is expected to be made on this strategic priority. It appears unlikely that the proposed LTP investments will be funded and most other carbon and climate change-related activities are on hold.</p>



# Keeping the water running

## Keeping the water running

We describe our core business in terms of planning, operating and maintaining, renewing, upgrading, and responding to emergencies that affect our three waters network.

We aim to achieve the levels of service agreed with our councils and provide operational services within the agreed funding arrangements and timeframes, and to a high quality.

### PLANNING

In 2020/21 we have continued to provide investment advice to our councils on these challenges and indicative investment requirements for their 2021-31 long-term plans. This advice has been in the form of investment options to achieve the strategic priorities, which councils will then weigh up with their other investment priorities for consultation with communities.

### OPERATE AND MAINTAIN

The additional funding provided by the Government's three waters fiscal stimulus package has allowed us to get under way with some much needed proactive operational and maintenance work.

We've identified a list of very important pipes and other network assets which, if they failed, could have potentially disastrous impacts for people or the environment. Inspecting and operating these assets to ensure they are functioning as they should will get under way in quarter two.

### RENEWING

With funding including carryovers from the previous financial year, we were able to programme almost the entire year's planned renewal work. Our full year budget is for around \$160 million, with current forecast spend to be slightly less than that; it's important to note that the actual delivery amount will likely change as circumstances and priorities change through the year. We'll closely monitor the delivery of the programme, and work with individual councils to manage choices where any under or over-allocation of available funding might arise.

### UPGRADING

Our 2020/21 capital programme is currently forecasting to complete in a range between \$133 million and \$152 million across all of our client councils, against a programmed \$160 million. Four major projects pose a risk to our capability to deliver to this forecast, and we are actively tracking and managing these delivery risks with the respective councils.

Wellington City Council have approved an increase in their original programme to accommodate emergency works and faster delivery of the Omāroro Reservoir. We are forecasting to deliver to programmes for Porirua City Council and South Wairarapa District Council, with Greater Wellington Regional Council, Upper Hutt City Council and Hutt City Council forecasting to come in at the lower end of our original estimated range due to a small number of projects with large cash flows being delayed.

We have completed the installation of multiple small area monitors across our councils and are receiving flow information enabling leak identification. The fast track Three Water Reform renewals are underway with the majority of construction due to begin in March 2021.

## RESPONDING TO NETWORK EMERGENCIES

We experienced significant emergencies that affected our three waters network in the first half of 2020/21. In the case of such events, our top priorities were to make sure people were safe, avoid polluting the environment, and minimise the disruption of service to customers.

Customer experience		Progress as at 31 December 2020
1	The percentage of customers rating their experience of our performance as 'Satisfied' or higher steadily improves.	We achieved a small upwards trend in satisfaction across the first two quarters of the year.
2	Drinking-water supply is reliable and fully meets drinking-water standards (defined) and wholesome water standards (defined).	We are meeting all drinking and wholesome water standards apart from an incident at the Waterloo Treatment Plant. This meant that we may not comply with the DWSNZ. We are discussing this with the Drinking Water Assessor to ensure that all of the circumstances around this incident and the mitigating response is taken into account.
		SWDC will not achieve this measure this year.
Plan, operate and maintain, and renew		Progress as at 31 December 2020
3	Through the long-term planning process and with input from the customer panel and our mana whenua partners, we provide a ten-year 'three waters plan' for each of our councils. <ul style="list-style-type: none"> <li>Councils rate our input as timely, evidence based, and clear on risk.</li> </ul>	Work is ongoing. We are having difficulties engaging with our mana whenua partners. This is still to be measured and understood as part of our year end reporting.
4	Condition assessment programmes are scheduled in our forward service plans in the 2020/21 financial year for very-high-criticality pipeline assets, and the remainder are scheduled for completion in 2021/22.	Condition assessments are scheduled and is expected to be completed by 30 June 2021.
5	We will achieve no less than 85 per cent of planned renewals.	Currently tracking at 88% of planned renewals.
6 DIA*	<b>(1) Performance measure 1 (safety of drinking water)</b> The extent to which the local authority's drinking water supply complies with: a) part 4 of the drinking-water standards (bacteria compliance criteria); and b) part 5 of the drinking-water standards (protozoal compliance criteria).	We are forecasting non-compliance Part 4 for the Wellington Metropolitan area due to a process failure at Waterloo Treatment Plant. We are discussing this with the Drinking Water Assessor to ensure that all of the circumstances around this incident and the mitigating response is taken into account.
		As previously reported we will not comply with Part 4 or 5 for SWDC.
7 DIA	<b>(2) Performance measure 1 (system and adequacy)</b> The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000	1.7 overflows/1000 connections, against a target of zero. This measure is not going to be achieved.

	sewerage connections to that sewerage system.		
<b>8</b>	Wet-weather overflows in the wastewater system (from wastewater pump stations or network) are fewer than 250 per year.		A total of 225 wet-weather overflows were recorded for Q1 and Q2. This measure will not be achieved.
<b>9</b> <b>DIA</b>	<p><b>(4) Performance measure 4 (customer satisfaction)</b></p> <p>The total number of complaints received by the local authority about any of the following:</p> <ul style="list-style-type: none"> <li>a) drinking water clarity;</li> <li>b) drinking water taste;</li> <li>c) drinking water odour;</li> <li>d) drinking water pressure or flow;</li> <li>e) continuity of supply; and</li> <li>f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system.</li> </ul>		2.7 complaints/1000 connections received. Individual councils have differing targets but we are currently meeting agreed targets set.
<b>10</b> <b>DIA</b>	<p><b>(4) Performance measure 4 (customer satisfaction)</b></p> <p>The total number of complaints received by the territorial authority about any of the following:</p> <ul style="list-style-type: none"> <li>a) sewage odour;</li> <li>b) sewerage system faults;</li> <li>c) sewerage system blockages; and</li> <li>d) the territorial authority's response to issues with its sewerage system, expressed per 1000 connections to the territorial authority's sewerage system.</li> </ul>		10.3 complaints/1000 connections received. Individual councils have differing targets but we are currently meeting agreed targets set.
<b>11</b>	The public is informed through on-site signage and social media of environmental water quality risks within 24 hours of an incident being notified and agreed with the appropriate agencies.		There were two overflow incidents in Q1 that were notified – Houghton Bay leachate overflow and the Bell Rd sewer pipe collapse. The public were informed within 24 hours through on-site signage and social media.
<b>12</b>	We do not incur any abatement notices, infringement notices, enforcement orders, or convictions when carrying out planned maintenance, operational, and renewal activities.		No notices, orders or convictions have been received this year to date.
<b>13</b> <b>DIA</b>	<p><b>(2) Performance measure 2 (discharge compliance)</b></p> <p>Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of:</p> <ul style="list-style-type: none"> <li>a) abatement notices;</li> </ul>		No notices, orders or convictions have been received this year to date.



	<p>b) infringement notices;</p> <p>c) enforcement orders; and</p> <p>d) convictions</p> <p>received by the territorial authority in relation to those resource consents.</p>		
<b>Looking after existing assets</b>		<b>Progress as at 31 December 2020</b>	
<b>14</b>	Projects focused on emission reductions are submitted via councils long-term plan process.		Proposed investment to achieve operational carbon emissions reductions were included in the completed 'Stage 2' LTP presentations to councils. Current indications are that our councils are unlikely to be able to afford the bulk of these initiatives.
<b>15</b>	Future growth studies are developed for the growth cells identified by councils.		We have either commenced or completed these but will need to continue to do assessments at each council to align with their growth planning processes. There are two remaining to deliver this year for UHCC and HCC.



**How we  
will work**

## How we will work

To deliver on all this work, we have to perform well as a company. We have set ourselves a goal of being a high performing organisation.

Our focus is on:

- Growing our people and capability;
- Partnering and collaborating well with others;
- Getting better at demonstrating value for money; and
- Telling a better company performance story.

Growing our people and capability		Progress as at 31 December 2020	
16	The number of health and safety serious-harm and significant near-miss incidents to our people, our supply chain, and the public trends down annually.		Based on the first 6 months of data, we are tracking towards equalling or exceeding the number of serious injuries or incidents compared to last year.
17	Two health and safety critical risks (defined in February 2019) are reviewed per year and improvements are implemented.		On track, the Leadership Forum agreed not to start a new critical risk review project, but to use the opportunity instead to review two previously completed projects to ensure the project has contributed to a lower risk profile.
18	Engagement survey results show increasing alignment in the customer operations group between the Wellington Water people and those of our alliance partner.		A baseline was set in Q2 for alignment within the newly formed COG. There was a low turnout of 65%. Of those who responded 36% agreed or strongly agreed that we are now one team all headed in the same direction. A follow up survey will be sent in Q3.
19	Organisational values are renewed and reflected in recruitment, induction, and performance development processes.		The Three Values have been approved by SLT: Tangata Tiaki, Whānau, and Mana. More work will be done to socialise these in the second half of this year.

Partnering and collaborating well with others		Progress as at 31 December 2020	
20	Working in partnership with mana whenua, our actions match our promises.		The annual survey will be conducted in Q3/Q4. Positive and productive relationships continue to date between Wellington Water and mana whenua, although remain perhaps more anecdotal than against an actual measure at this stage.
21	Annually at least 65 per cent of land developers are satisfied with their relationships with us.		No report due for Q2. Land developer satisfaction is measured as part of the annual customer satisfaction survey in Q4.
22	A Wellington Water family stakeholder and engagement plan details consultant panel members' contributions:		7 On Tap articles completed to date, 3 Brown Bag sessions, along with 2 Te Kaitiaki Wai.

- Four or more combined educational Lunchbox sessions; and
- 'On Tap' articles each quarter.

Getting better at demonstrating value for money		Progress as at 31 December 2020
23	During the 2020/21 financial year long term planning investment advice to councils is reviewed and validated by an independent industry expert.	A review by Scottish regulator, WICS, is planned for Q3/Q4.
24	Working with our consultancy panel, the average cost of fees as a percentage of construction costs reduces by 0.5 per cent per year.	Outcome on this measure will be reported as part of the Annual Report 2020/21.
25	Baseline cost per kilometre of pipeline (Consumer Price Index adjusted) will be established and the rolling average unit cost will decrease.	Through the renewals programme a benchmark cost for "fast track" renewals will be set. There have been delays in understanding the baseline cost per km of pipeline.
26	A 10 per cent sample of completed capital expenditure (CAPEX) projects demonstrates 95 per cent or greater achievement of outcomes agreed in the activity brief.	100% achievement of outcomes based on 4 completed projects (10 renewals total). 14 other projects of various sizes are approaching completion.
27	At least two Smart Services ideas are delivered each year.	Four Smart Service initiatives remain underway, on target to deliver two by 30 June 2021. Two projects continue development (Reservoir Cleaning ROV, HV Trunk Sewer Optimiser). Proteus Water Quality Sensor trial nearing completion, preliminary results are promising and minimum of one unit to be purchased for the newly established roving crews. Smart Manhole Covers trial is on hold until April 2021 awaiting hazardous area certification of the new instruments.

## STIMULUS FUNDING PROGRAMME RESULTS

The Government allocated \$47.3 million to our owner councils under the fiscal stimulus package. We constructed a delivery plan to our owners which was approved by the Department of Internal Affairs (DIA) and Crown Infrastructure Partners (CIP) in September 2020.

All activities have now been commissioned and as at 31 December 2021 we were forecasting expenditure to be on programme. However, over the last six months our aging networks continue to fault and break in increasing numbers. This has resulted in forecasts to 30 June 2021 and 30 June 2022 increasing significantly.

We are currently looking at a revision of the delivery plan to account for these changes which will require DIA/CIP approach. We expect to complete this by the end of March 2021.

# Appendices

## Governance and shareholder information

### WELLINGTON WATER COMMITTEE

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

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

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

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



**Councillor David Bassett**  
(Water Committee Chair)  
HUTT CITY COUNCIL



**Taku Parai**  
TE RŪNANGA O TOA RANGATIRA



**Mayor Wayne Guppy**  
(Water Committee Deputy Chair)  
UPPER HUTT CITY COUNCIL



**Mayor Anita Baker**  
PORIRUA CITY COUNCIL



**Councillor Sean Rush**  
WELLINGTON CITY COUNCIL



**Councillor Jenny Brash**  
GREATER WELLINGTON REGIONAL  
COUNCIL



**Mayor Alex Beijen**  
SOUTH WAIRARAPA DISTRICT COUNCIL

### INFORMATION TO BE PROVIDED TO SHAREHOLDERS

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

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

### **Share acquisition**

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

### **Compensation from local authority**

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

### **Equity value of the shareholders' investment**

The total shareholders' equity is estimated to be valued at \$3.4 million as at 31 December 2019. This value will be assessed by the directors on completion of the annual accounts or at any other time determined by the directors. The method of assessment will use the value of shareholders' funds as determined in the annual accounts as a guide.

### **Ratio of consolidated shareholders' funds to total assets**

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

## **WELLINGTON WATER BOARD OF DIRECTORS**

We are governed by a Board of Directors (the Board). The Board consists of five members.

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

Board performance reviews are undertaken regularly and are provided to the Water Committee and shareholders on completion. The Board is responsible for the direction and control of Wellington Water Limited. The Chair of the Board reports to the Water Committee. The Board approves strategy, ensures legal compliance, and monitors Wellington Water's performance, risks, and viability.

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

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

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

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

Board of Directors		Appointed to
	<b>Geoff Dangerfield (Chair)</b>	30 September 2023
	<b>Philip Barry</b>	30 June 2021
	<b>Cynthia Brophy</b>	31 January 2021
	<b>Kim Skelton</b>	1 September 2023
	<b>Mike Underhill</b>	1 September 2023



## WELLINGTON WATER LIMITED

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

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

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

We employ around 200 staff and provide drinking-water, stormwater, and wastewater services to customers on behalf of our shareholders.

To do this, we manage annual expenditure of approximately \$137 million (based on the 2019/20 budget) to maintain and develop water assets with a replacement value of approximately \$6.1 billion. We also provide investment advice on the future development of the three waters assets and services.

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

We operate under the Companies Act 1993 and the Local Government Act 2002 and comply with the Health Act 1956, the Drinking-water Standards for New Zealand (revised 2018), and other legislation such as the Resource Management Act 1991, the Wellington Regional Water Board Act 1972, and the Health and Safety at Work Act 2015.



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

↕ Service level agreements, pricing and policies ↕

### Wellington Water Limited

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

#### Senior Leadership Team



**Colin Crampton**  
Chief Executive



**Susan Cuthbert**  
Principal Advisor to the Chief Executive



**Tonia Haskell**  
Group Manager  
Network Development and Delivery



**Mark Ford**  
Group Manager  
Business Services

#### Senior Leadership Team



**Julie Alexander**  
Group Manager  
Network Strategy and Planning



**Jeremy McKibbin**  
Group Manager  
Network Management



**Kevin Locke**  
Group Manager  
Customer Operations

# Financial statements

## INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

### Basis of preparation

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.

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 the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

### Statement of compliance

These interim financial statements are for the six months ended 31 December 2020 and are to be read in conjunction with the annual report for the year ended 30 June 2020. 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 and comply with PBE IAS 34 Interim Financial Reporting.

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.

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

For the period ended 31 December 2020.

	Unaudited 31 Dec 2020 \$000	Unaudited 31 Dec 2019 \$000	Audited 30 June 2020 \$000
Council opex programme	29,849	28,410	75,106
Council capex programme	54,446	39,174	96,120
Three Waters stimulus funding programme	6,038	-	-
Management fee	8,606	11,754	15,283
Other revenue	300	272	1,287
<b>Total revenue</b>	<b>99,239</b>	<b>75,553</b>	<b>187,796</b>
Salaries and wages	(10,866)	(9,953)	(20,193)
Superannuation	(358)	(305)	(621)
Directors fees	(62)	(60)	(113)
Audit fees - financial statements	(53)	(53)	(105)
Audit fees - other	-	-	(14)
Council opex programme	(29,849)	(28,810)	(75,106)
Council capex programme	(54,446)	(37,494)	(96,120)
Three Waters stimulus funding programme	(6,038)	-	-
Operating leases	(520)	(464)	(938)
Other personnel expenditure	(576)	(409)	(1,980)
Other operating expenditure	(4,787)	(3,791)	(7,954)
Direct costs charged to capex programme	3,922	3,908	7,909
Direct costs charged to opex programme	4,258	4,058	8,307
Depreciation and amortisation	(545)	(574)	(1,117)
	<b>(99,921)</b>	<b>(73,947)</b>	<b>(188,044)</b>
<b>Surplus/(deficit) before tax</b>	<b>(682)</b>	<b>1,606</b>	<b>(249)</b>
Tax expense/(credit)	-	-	55
<b>Total comprehensive revenue and expenses</b>	<b>(682)</b>	<b>1,606</b>	<b>(194)</b>
<b>Attributable to:</b>			
Wellington City Council	(273)	642	(29)
Hutt City Council	(136)	321	(40)
Greater Wellington Regional Council	(102)	241	(23)
Porirua City Council	(82)	193	(10)
Upper Hutt City Council	(55)	128	(15)
South Wairarapa District Council	(34)	80	(77)
<b>Total comprehensive revenue and expenses</b>	<b>(682)</b>	<b>1,606</b>	<b>(194)</b>

## **Comparison of results for the six months ended 31 December 2020 to the same period last year**

There was a deficit of \$682,000 for the period ended 31 December 2020. This is due to timing differences in revenue recognition and expenses and is in line with budget and latest forecasting.

Revenue for the Council capital expenditure programme has increased by \$15.3 million and revenue for the Council operating expenditure programme has increased by \$1.4 million. These programmes vary each year depending on what has been planned and budgeted in each individual Council's long term plan.

In July 2020, the Government launched a three-year programme to reform local government three waters service delivery arrangements. This work is funded by central government and builds on the progress made through the Three Waters Reform and establishment of Taumata Arowai.

## STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2020

	Unaudited 31 Dec 2020 \$000	Unaudited 31 Dec 2019 \$000	Audited 30 June 2020 \$000
<b>Surplus/(deficit) for the period</b>	<b>(682)</b>	<b>1,606</b>	<b>(194)</b>
Share capital issued	-	50	50
Equity at the beginning of the period	1,574	1,718	1,718
<b>Total equity</b>	<b>892</b>	<b>3,374</b>	<b>1,574</b>

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2020.

	Unaudited 31 Dec 2020 \$000	Unaudited 31 Dec 2019 \$000	Audited 30 June 2020 \$000
Cash and cash equivalents	30,096	23,435	18,969
Receivables and prepayments	7,592	1,152	12,843
Tax receivable/payable	13	76	(72)
<b>Total current assets</b>	<b>37,701</b>	<b>24,662</b>	<b>31,740</b>
Intangible assets	259	289	342
Property, plant and equipment, vehicles	1,883	1,979	1,730
Deferred tax	304	215	304
<b>Total non-current assets</b>	<b>2,446</b>	<b>2,484</b>	<b>2,375</b>
<b>Total assets</b>	<b>40,147</b>	<b>27,146</b>	<b>34,115</b>
Payables and provisions	37,571	22,260	30,914
Employee entitlements	1,492	1,319	1,436
<b>Total current liabilities</b>	<b>39,064</b>	<b>23,579</b>	<b>32,350</b>
Employee entitlements	25	27	26
Capital grant in advance	166	166	166
<b>Total non-current liabilities</b>	<b>192</b>	<b>193</b>	<b>192</b>
<b>Total liabilities</b>	<b>39,255</b>	<b>23,772</b>	<b>32,541</b>
<b>Net assets</b>	<b>892</b>	<b>3,374</b>	<b>1,574</b>
Issued capital	1,000	1,000	1,000
Accumulated comprehensive revenue and expenses	(108)	2,374	574
<b>Total equity</b>	<b>892</b>	<b>3,374</b>	<b>1,574</b>

### **Comparison to statement of financial position at 30 June 2020**

Cash has increased by over \$11.1 million. This is due to funding received from central government for the Three Waters stimulus funding programme.

Receivables have decreased by \$5.2 million as councils were invoiced in arrears at 30 June and invoices have since been paid.

Payables have increased by \$6.7 million with increased spending due to an increased council work programme and commencement of the Three Waters stimulus funding programme.



## STATEMENT OF CASH FLOWS

	Unaudited 31 Dec 2020 \$000	Unaudited 31 Dec 2019 \$000	Audited 30 June 2020 \$000
Receipts from councils	123,778	80,617	176,869
Interest received	18	77	128
Employees and suppliers	(112,011)	(70,387)	(170,869)
Tax (paid)/received	(85)	(71)	43
<b>Net cash flow from operating activities</b>	<b>11,700</b>	<b>10,235</b>	<b>6,171</b>
Purchase of property, plant and equipment, vehicles	(594)	(372)	(623)
Purchase of intangibles	(22)	(42)	(197)
Proceeds of sales from vehicles	44	26	30
<b>Net cash flow from investing activities</b>	<b>(572)</b>	<b>(388)</b>	<b>(789)</b>
Share capital issued	-	50	50
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>50</b>	<b>50</b>
<b>Net cash flow</b>	<b>11,128</b>	<b>9,897</b>	<b>5,431</b>
Add: cash at the beginning of the period	18,969	13,537	13,537
<b>Cash at the end of the year</b>	<b>30,096</b>	<b>23,435</b>	<b>18,969</b>
Comprised of:			
Cash at bank and on hand	30,096	23,435	18,969

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