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Our water, our future.



01

From the Chairman and the Chief Executive



John Strahl,
Chairman



Colin Crampton,
Chief Executive

We have created the necessary critical mass to be a high-performing organisation

It has been a very big year of change for the company. We started the year as Capacity Infrastructure Services (Capacity) and ended the year as Wellington Water Limited, following the merger of Capacity with the water supply group of the Greater Wellington Regional Council (GWRC), on 19 September 2014.

Before Christmas 2014 we consulted on a new, more efficient, regional structure for our organisation and this was implemented from 2 March 2015. We are pleased to report this structure has been bedded in and nearly all transitional arrangements have been completed.

All of this was achieved while still providing the core three water services to the nearly 400,000 residents of the Wellington region. This included navigating the exceptionally dry summer and dealing with three flood events that occurred within just a few weeks of each other in April and May.

During the 2014-15 year we consolidated the company strategy, which is to be a truly regional entity providing best value to our shareholders. At the heart of this approach is the trusted advisor model – where we provide seamless services to councils. We are earning trust, building effective relationships and putting in place improvements to the business with the approval of our client councils.

We promised we would identify the issues we could all work on together as a region. These were consolidated down to four and one of these – first-generation regional asset management plans – was completed. This is a big step forward in generating best value for the region.

The year has been a challenging one financially with the merger and reorganisation causing some extra expenditure for the company. The year ended with an operating deficit of \$68,000¹ compared with a budgeted surplus of \$120,000.

The increased expenditure resulted mainly from costs associated with the reorganisation, recruitment of new roles, increased IT and personnel costs and professional services. The company also moved to new premises in March 2015, and this increased accommodation and utility costs. These costs were forecast at the time of the merger and came in largely as expected.

We would like to thank departing director Ian Hutchings for his contribution to the progress of the company over many years and to welcome David Benham to the Board. Ian was a member of Capacity's Board from July 2009 until September 2014 and subsequently served on Wellington Water's Board until 30 June 2015.

Our greatest strength is our people, and through the merger of Capacity and the GWRC water supply group we have created the necessary critical mass to be a high-performing organisation. We have made some excellent new appointments and our overall technical capability has lifted greatly.

We are really looking forward to the 2015-16 financial year.

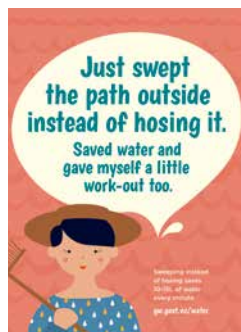
John Strahl
Chairman

Colin Crampton
Chief Executive

¹ Excludes capital grant of \$1,094,000

02

The year in brief



One of our summer water conservation tips



Flooding at Melling, Lower Hutt

Navigating a tough summer

Despite Wellington's driest January on record, summer water use wasn't excessive. Feedback shows the public responded to our water conservation messages and eased back on water use. Our aim is to improve further the consistency of water-use communications across our five client councils.

Dealing with a flood of floods

Three intense rainstorms hit our region in April and May, each one unusual in its severity (1-3% probabilities of occurring in any year). Our stormwater networks aren't designed to cope with such rain intensities, and even secondary overland flow-paths such as roads couldn't prevent some buildings flooding. We've learnt from this and will work on both localised and infrastructure solutions with our client councils.

Creating a successful merger and appointing a new team

With people at the centre of the change process, we've brought together two distinct organisations, built a new structure, appointed a strong senior leadership team, moved offices, created a new identity and generally delivered on our commitments and performance targets to a high standard – a sound start to becoming a high-performing organisation.

Establishing an effective client council representatives team

Working seamlessly with councils is essential to building their trust in us and central to how we've set up the company. We've assigned a senior client manager to each council and are establishing strong relationships with councils' senior water services staff. We hold quarterly meetings with the joint committee representing the five shareholding councils, to review company progress and discuss issues, and these are going well.

Agreeing four regional issues

Wellington Water can create value by taking a regional approach to providing water services. We agreed the first priorities for this approach: regional asset management, resilience of water services, freshwater quality management and community education – and delivered a first-generation regional asset management plan that was well received by councils.

Fast-tracking the capital works future programme

Delivery of the capital works programme for our five clients – 89% – wasn't as strong as we'd have liked. We've addressed the main cause within our control, with over 90% of 2015-16 projects designed by 30 June and a fast-track process that will see design briefs for most 2016-17 projects finished by October 2015.

03

How this Annual Report is structured

We have reported on bulk water supply activity and performance measurement separately from the rest of our three waters activity. This reflects GWRC's direct responsibility for bulk water supply delivery until 19 September 2014.

A summary of the basis of performance measurement for the founding parts of Wellington Water can be found on page 4



As a council-controlled organisation, we must provide our shareholders and the public with an annual Statement of Intent. This describes our business and records the agreement between shareholders and the organisation on asset management outcomes and activities for the coming year. Our Annual Report must then describe how we performed in relation to that agreement.

Our Statement of Intent 2014-15 was agreed between Capacity and the Hutt, Porirua, Upper Hutt and Wellington city councils in the early months of 2014. GWRC agreed its bulk water supply projects and performance measurements for 2014-15 with the community directly as part of its annual plan process.

The purpose, outcomes and values of the founding parts of Wellington Water share many similarities. Our four city council clients identified individually 27 strategic outcomes through their 2012-22 long-term plans, which encompass such things as public and environmental health, strong local economies, community resilience and sustainability. Those outcomes related to water services were distilled to create Capacity's three strategic outcomes. Similarly, GWRC's outcome descriptions reflect its diverse service responsibilities.

However, the role of bulk water supply in contributing to those ends – sufficient water quality and quantity, resilient networks and care for the environment – is well matched with Capacity's three strategic outcomes and we have carried those through into Wellington Water.

As a new company with a new mandate, Wellington Water's strategy is evolving. Today, our strategy includes a continuing focus on our long-term outcomes, embedding a regional approach by, among other things, developing a regional asset management plan (see page 12), working collaboratively with others (including for safe workplaces), and building a customer strategy and plan that put our customers at the heart of everything we do.

We provide:

- drinking-water collection, treatment and distribution
- wastewater and stormwater network operation
- asset management planning
- project design and management
- work programming
- contract management
- network maintenance
- advisory and educational activities

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The following diagram summarises the basis of performance measurement in 2014-15 for city council three waters and GWRC bulk water supply.



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Introduction to Wellington Water

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

Creating excellence in regional water services for healthy communities

We manage the three water networks (drinking water, stormwater and wastewater) on behalf of our client councils and provide advice about how best to deliver the three water services.

We employ 166 staff² and manage expenditure on behalf of client councils of approximately \$175 million annually to maintain and develop water assets worth \$5.1 billion.

Wellington Water was formed in September 2014, when the bulk water supply team from GWRC merged with Capacity Infrastructure Services (Capacity). A new structure was implemented from March 2015, to align with the company's purpose of creating excellence in regional water services.

We are governed by a Board of Directors and subject to oversight by a committee of representatives from our five shareholding councils. Each client council owns its water assets and consults with its community to decide on the levels of service it will provide, the policies it will be guided by, and the investment it will make in water services based on the advice that we give.

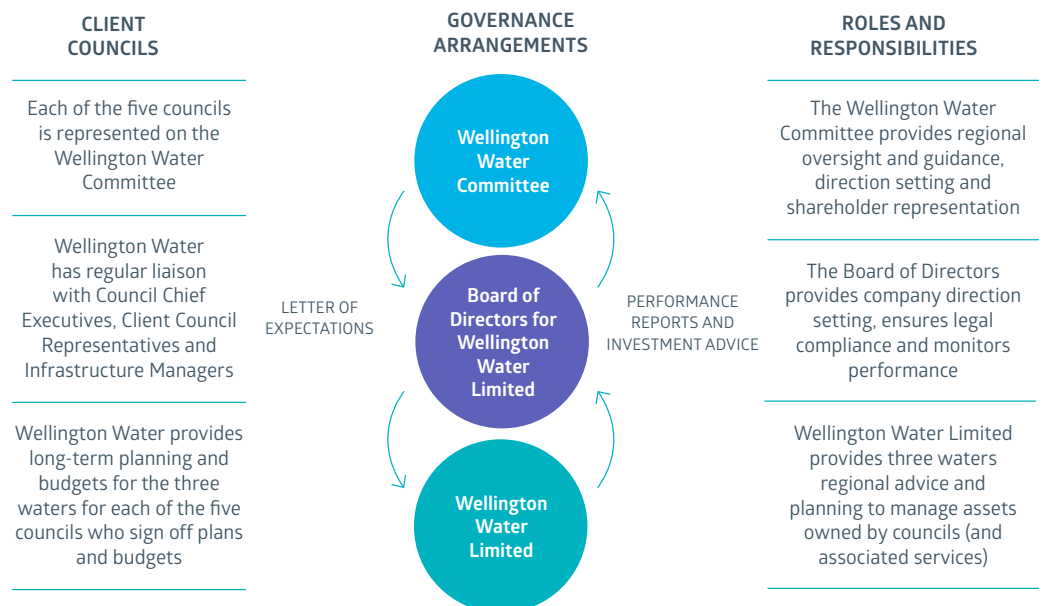
Our purpose is:

Creating excellence in regional water services for healthy communities

Our role is to ensure the three water networks meet the level of service our client councils have agreed to in their long-term plans. The strategy that shaped the focus of our 2014-15 year was to:

1. focus on our three long-term outcomes:
 - water that's safe to drink
 - respect for the environment
 - water services that are resilient today and into the future
2. work with our shareholding councils at the regional level first, to agree the priorities that need to flow down into individual council asset management plans
3. take account of these regional priorities as we develop and implement asset management plans for each council

Governance and shareholder relationships in service delivery



² Headcount at 30 June 2015

Our Board of Directors



Wellington Water's directors as at 30 June 2015 (from left): Cynthia Brophy, David Wright, Raveen Jaduram, John Strahl, Ian Hutchings and Nicki Crauford

John Strahl, Chairman

John is an experienced commercial lawyer with extensive experience in local government commercial work as well as expertise in the financial services sector. He has provided advice on corporate governance and trust structuring for local authorities including the establishment and funding of the Westpac Stadium. John joined the Board of Capacity Infrastructure Services as an Independent director in December 2009.



David Benham joined the Board of Wellington Water on 1 July 2015. He was Chief Executive of the Greater Wellington Regional Council for nine years until September 2014 and held the roles of Chief Financial Officer and manager of bulk water supply and plantation forestry for GWRC prior to that. Dave is a director of the Wellington port company Centreport Ltd. He is also the independent chair of Otago Regional Council's Audit and Risk Committee

Cynthia Brophy, Director

Cynthia is the Chief Executive of the Human Rights Commission and is an experienced leader with skills in people and performance management, corporate, government and community relations, communications and infrastructure management. Cynthia has extensive experience in financial services, working as a general manager for corporate affairs for the National and ANZ banks, and headed corporate affairs at Airways Corporation.

Nicola Crauford, Director

Nicola has extensive management and governance experience gained in private and state-owned companies. She is a director of Watercare Services Limited, Orion New Zealand and the Environmental Protection Authority, and chairs GNS Science and the Wellington Rural Fire Authority. Nicola is also a member of the Local Government Risk Management Agency Establishment Board and was formerly a member of Transpower's executive team and a director of Genesis Energy. She has a PhD in engineering and is a Chartered Professional Engineer and a Fellow of IPENZ.

Ian Hutchings, Director

Ian is a Professional Engineer with a Bachelor of Engineering (Honours) degree from the University of Canterbury. He is the Principal Policy Analyst in the Ministry of Business, Innovation and Employment's Radio Spectrum Policy Group. Ian is also a member and Chair of the Hutt Mana Community Trust. His term on the Board of Wellington Water finished on 30 June 2015.

Raveen Jaduram, Director

Raveen, ME, BE (Hons), FIPENZ, is Chief Executive at Watercare Services Limited, Auckland. He re-joined Watercare in July 2013 as General Manager Maintenance Services. Prior to that, he was Managing Director and Chief Executive of Murrumbidgee Irrigation (Australia). Raveen was Chief Operating Officer at Watercare during the 2010 amalgamation of local government in Auckland. He has over 25 years' experience in the water industry.

David Wright, Director

David chairs West Coast Energy, the Australian subsidiary company of New Zealand electricity network lines company North Power. He is a director of WEL Networks Limited, the electricity network lines infrastructure provider in Waikato, which is also constructing an ultra-fast fibre network in the central North Island. David is Deputy Chair of the New Zealand Blood Service and a director of New Zealand Registry Limited and Air Rescue Group.

Our Senior Leadership Team



From left:
Jo Bryan, Gary O'Meara,
Mark Kinvig,
Colin Crampton,
Jetesh Bhula,
Audrey Scheurich and
Chris Mathews

Colin Crampton, Chief Executive Officer

Together with the Senior Leadership Team and Board, Colin is responsible for setting the direction of the company, building its capability to achieve this direction and leading the development of the Wellington Water culture. Colin is a Chartered Professional Engineer and holds a Diploma in Business Administration.

He has over 30 years' experience in water services asset management, operations, design, and contract and project management. He also leads Wellington Water's emergency management services.

Jo Bryan, Principal Advisor, Chief Executive's Office

Jo has 20 years' experience in strategy, planning and performance, including management roles with New Zealand Police and the Ministry of Health. Jo's role helps to increase integration across our various groups from a strategic perspective, and to build and strengthen relationships with our client councils and with central government.

Jetesh Bhula, Group Manager Development and Delivery

Jetesh manages asset development for all Wellington Water's clients. This includes forward works programmes, investigations, new water supply connections and subdivisions, project management and water modelling. Jetesh is a Chartered Professional Engineer and holds Bachelor of Science and Civil Engineering degrees.

Mark Kinvig, Group Manager Network Strategy and Planning

Mark's group provides regional strategy and policy advice, information management and asset management planning. Mark is a Chartered Member of the Institution of Civil Engineers (UK) with a degree in Civil Engineering and over 20 years' experience in infrastructure asset management and delivery. He has also led major business improvement projects including organisational redesign.

Chris Mathews, Group Manager Business Services

Chris' group is responsible for business planning, risk and assurance, people and capability, communications, IT and health and safety. Chris has held strategic, transformational and programme management positions including with Sydney Water. His qualifications include a Bachelor of Commerce and Administration and an MBA.

Gary O' Meara, Group Manager Network and Customer Operations

Gary leads the Wellington Water teams that provide customer service, and operate and maintain the water, wastewater and stormwater network.

Audrey Scheurich, Chief Financial Officer

Audrey is responsible for the Finance and Procurement team. She has previously held senior finance roles including General Manager of Finance at Genesis Energy. Audrey is a member of the Institute of Chartered Accountants of Australia and New Zealand, and holds a Bachelor of Management Studies. She is also a graduate of the Global Women – Women in Leadership programme.

Key facts, regional network

Regional water networks

Drinking water and wastewater



The following table summarises the three waters assets owned by each of our client councils.

	Hutt	Porirua	Upper Hutt	Wellington	GWRC
Asset replacement value	\$1,062 million	\$520 million	\$450 million	\$2,256 million	\$816 million
Population	100,300	53,000	39,600	197,600	
Connections	38,731	18,220	12,523	69,030	
Pipelines (km)	2,018	1,063	679	2,946	180
Pumping stations	74	80	28	98	20
Reservoirs	24	18	16	74	7*

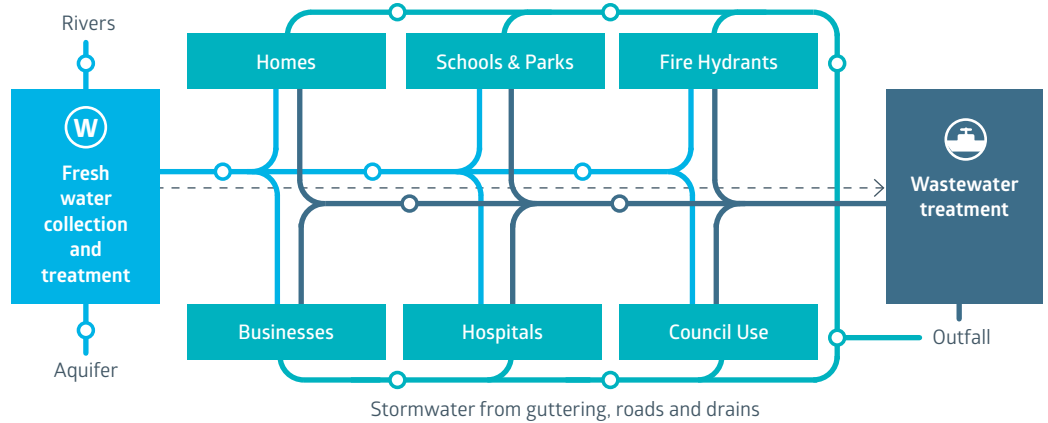
* Includes two bulk water storage lakes, two treated water reservoirs at water treatment plants and three bulk water balancing reservoirs

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

Three waters, from source to sea

○ ○ ○ Pumping stations



Regional water assets for each of the three water networks

	Metropolitan Region
Three waters asset replacement value	\$5.1 billion
Population served	390,500
Connections	138,504
Water Supply	
Surface water catchments	3
Bulk water storage (untreated)	3,674 ML
Water treatment plants	4
Pipelines	2,880 km
Pumping stations	88
Reservoirs	139*
Wastewater	
Wastewater treatment plants	4
Pipelines	2,367 km
Pumping stations	191
Stormwater	
Retention dams	7
Pipelines	1,639 km
Pumping stations	21

* Includes two bulk water storage lakes, two treated water reservoirs at water treatment plants and three bulk water balancing reservoirs

Strategic direction

This section provides an update on the strategic priorities that we noted in Capacity's Statement of Intent 2014-15, in response to requests from our shareholders



Our core strategic effort is to take a regional approach to the provision of the three water services

Three outcomes

In the Statement of Intent 2014-15 we introduced the three outcomes we strive to meet for the communities of Wellington:

- water that's safe to drink
- working in a way that's respectful of people and the environment
- creating resilience in our network, every day and under strain

These are long-run outcomes, which help our staff and others see where we are ultimately headed. During the year we set about developing strategic goals under each outcome. In doing this we are creating a bridge between those outcomes and the work we do in our asset management plans.

This work on strategic goals is included in our first-generation regional asset management plan, completed in early July 2015.

Regional initiatives

Our core strategic effort is to take a regional approach to the provision of the three water services. By looking across all of the work of our five clients and considering what is best for the region, we can develop initiatives we can all work on together. During the year we consulted on many issues and agreed on four initiatives with our client councils:

1. Producing a regional asset management plan.

The plan introduces the concept of working across the region together, rather than individually through individual asset management plans. The first draft articulates how each of the other three regional initiatives is to be progressed during 2016-17 and beyond.

2. Ensuring the water supply network is resilient.

A lot of good work has been done by GWRC to investigate risk-reduction options to make our water supply network more resilient when faced with natural or man-made disasters. This work has now been extended to the entire drinking water network – from source to tap. To assist with this approach we have been using the Better Business Case process recommended by the Treasury.

3. Taking a catchment-based approach to impacts on fresh water.

This initiative recognises the Whaitua (catchment) process started as a result of the National Policy Statement for Freshwater Management, which required regional councils to set limits for what is taken from and put back into fresh water. GWRC has set up a collaborative process for this work and we are part of it. It will provide modelling inputs that allow links to be created between the performance of our three water networks and the impacts on the environment. The Porirua Whaitua Committee has been set up and has started its work, and the Wellington/Hutt Valley Whaitua Committee will be set up in 2015-16.

4. Providing community education.

Community groups and members of the public can help greatly with achieving three waters outcomes. What people do every day impacts on the performance of the water networks. For example, when paint is tipped down a stormwater drain it goes directly to a stream, then the sea, and this affects the quality of the receiving water. This means education around these issues is essential. Because of other commitments, we haven't started this initiative yet, but it is now a priority for the coming year.

Impact on 2015-16 long-term plans

Capacity's Statement of Intent 2014-15 signalled our desire to ensure client councils reflect regional priorities in their 2015-25 long-term plans, effective from 1 July 2015, through commitments to investing in asset management. This was a stretch target for the company and was not achieved, mainly because we misjudged the timing of the various planning decisions made by councils. Final decisions on long-term plans were made in the December quarter of the financial year, a period when we were heavily occupied with setting up the newly merged company; we were just not ready for this additional workload. We still intend to complete all this in time for the 2018-28 long-term planning round.

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This year was all about building a solid foundation of capability across the new business

Supporting our strategy

Building capability

We said we would lift the capability of our strategic asset management and modelling teams. By merging with GWRC's bulk water supply group, we have brought together three strategic asset management resources. We have appointed a Chief Advisor Asset Management to lead this team, and we are already seeing the benefits of this stronger capability. We will finalise the size of this team when the Hutt Valley Services wastewater contract – management of the Seaview Wastewater Treatment Plant and trunk sewer mains – is transitioned to the company between 1 July 2015 and 1 July 2016. This is the last element of three waters assets to make Wellington Water fully regional.

We have built up a modelling team of four from scratch. Three members of the team have been recruited externally and one senior data analyst is retraining. With all the modelling work to carry out in 2015-16, we also need to be innovative in the way we work with suppliers to complete this work.

Trusted advisors

The trusted advisor model has made significant progress over the year. It requires us to act seamlessly with our client councils, as though we are one team. We have developed great relationships with all these councils, and we work together through a monthly meeting with all our council representatives.

We believe all client councils are comfortable with the trusted advisor model, and we are now working on taking it to the next level. This goes hand in hand with the regional asset management plan work. We want to encourage clients to make decisions about the link between level of service and investment, leaving Wellington Water to prioritise the work within the various investment levels.

All this updated information is contained in our Statement of Intent 2015-18. This document is an excellent step towards the company being strategy led, and will allow us to be more purposeful in measuring our results at the end of the year.

Strategic priorities

Capacity's strategic priorities for 2014-15 were:

1. Building strong relationships with our stakeholders
2. Building up staff capability to support our strategy
3. Improving key operational systems (asset management planning, risk, and health and safety)
4. Embedding the outcome-based business model
5. Potentially integrating with the GWRC water supply group

The strategic priorities for bulk water supply are covered from page 31.

Stakeholder relationships

The company introduced a stakeholder "heart map" approach to prioritising our stakeholder relationships. This identified client councils, GWRC's consents division, suppliers, iwi and environmental guardians as key priority areas to develop. We have plans in place to develop each of these relationships further, and all but iwi and guardians have been implemented.

Staff capability

This year was all about building a solid foundation of capability across the new business, with emphasis in our key strategic priority areas. We continued to focus on leadership, high performance and living our values as part of our People Plan.

We finalised the merger between Capacity and the bulk water team from GWRC in September 2014. Before then, employees undertaking work covered by the new business model had been transferred into Capacity from city councils in the region. The process to create Wellington Water put people at the centre of the change, and, through a collaborative design process, staff were supported and encouraged to contribute to the look and feel of the new organisation. In March 2015, the new structure went live and we moved into new offices, an open plan environment to encourage collaboration and workflow communication.

We are continuing to build capability to fulfil our strategic priorities, captured in our refreshed People Plan. Two key areas it addresses are strategic planning and general strategy.

This year we completed a first-generation regional asset management plan

We have appointed a principal planner who will ensure our objectives complement those of the individual councils. A review completed at the final draft stage of the long-term plans suggested excellent alignment. It identified room for improvement in:

- aligning resilience investment
- enabling councils' growth aspirations, through ensuring three waters infrastructure can support new development
- understanding the current level of flood protection we are delivering and what our communities expect
- integrating the effects of climate change into our work

We also recruited a principal advisor for strategy whose role is to ensure we are a strategy-led organisation that follows through on that strategy. We have produced a new Statement of Intent for 2015-18, which lays out our exact plans so that it can be our leading business planning document.

Building a technical centre of excellence is also important. We established chief advisors in drinking water, stormwater and wastewater, along with technical workflow committees that work across the business. We also began to define and establish technical career paths at Wellington Water.

Senior, broader and group leaders meet regularly to set the direction, tone and culture of the new company. In May 2015, we set up an organisation-wide leadership programme, with a focus on adaptive leadership. The programme started in July 2015. Our values were strengthened and adapted to the new organisation – they are now *people come first, we share our knowledge and together we're stronger*.

At 30 June, the employee headcount was 166 and the full-time equivalent number was 162.5.

Key operating systems

Asset management planning

In consultation with councils, we manage 13 separate council asset management plans (AMPs) for the Wellington metropolitan region. Since we adopted the Statement of Intent 2014-15, we have revised our company strategy and changed the focus of our asset management planning work. Our former operational focus was on gaining ISO accreditation for our asset management planning and making improvements to our asset management practices.

This has evolved to taking a regional approach to developing council asset management plans. We've canvassed this idea with our people, the sector and across the five councils and they have all endorsed the concept.

We began this approach with four regional programmes of work. All are significant pieces of work that we expect will take two to three years to scope, investigate and design solutions for.

This year we completed a first-generation regional asset management plan (RAMP) and developed and refined 12 strategic goals. The 12 goals support our three waters outcomes by defining in more detail what achieving each outcome would look like. We will use the cost (both operational and capital) and current performance of these goals to engage councils about their investment approach for 2016-17. Our aspiration is for the plan to have investment strategies for all water infrastructures, as well as each of the three regional initiatives, in time to inform 2018-28 long-term plans.



The first-generation three waters regional asset management plan

The outcomes-based approach requires us to be both trusted advisor and value generator

Risk management

Since the inception of Wellington Water we have been working to increase the maturity of our organisational risk management. This is an evolutionary process. We are building from the pre-merger position of separate risk management systems and terminologies for Capacity and GWRC water supply, towards a new risk management framework that combines the two systems and provides a consistent approach to risk and reporting. Our aim is for every part of the organisation to recognise the inherent risks involved in achieving Wellington Water's strategy and embrace risk management as one of the levers we use to identify opportunities and start conversations across the business.

We have developed a company risk profile, and at this stage there are no risks classified as extreme. This includes the key emerging risks noted in our Statement of Intent 2014-15.

We've worked to improve the way we manage emerging risks. We've built a systematic approach to how risks are raised and discussed, and how mitigation measures are identified, including determining which part of the business can best manage each risk. Our Senior Leadership Team discusses the company's risks every month and provides the Board with a risk report, including management progress, every quarter. Any newly identified extreme risk is raised with our Board immediately.

We introduced new risk procedures and separate registers for company and work programme risks. These have provided a solid foundation for further developments. We will continue this focus on improving the alignment of risk management in Wellington Water as the new organisation evolves.

Health and safety

Our aspiration is to make health and safety a part of everything we do. Over the first six months of the company's life we needed to bring together all the health and safety components and then chart a way forward. The key to our approach is:

- Everybody takes personal responsibility for their health and safety and that of others
- We reinforce our approach to health and safety through the organisational structure

Our water, our future.

It's early days for the company, but we've made the commitment, at leadership level, to make a difference in the health and safety area.

During 2014-15, we assessed the health and safety processes of our two legacy organisations, to identify and adopt the best parts of each and look for where further development was needed. As a result, we updated four key procedures.

We introduced a Health and Safety Forum with our suppliers, as we want everybody working with us in the provision of water services to show leadership in health and safety. This peer-to-peer forum encourages frank discussion about barriers to improved performance and how to overcome them.

We've targeted more reliable reporting of "near-miss" incidents, where no harm occurred to people but the contributing factors may point to safer ways of working. This effort has seen reports of near-miss incidents increase fourfold, while injury rates remained static. We've also started recording our contractors' and consultants' data, so we get a better picture of health and safety performance in the work we're involved with. This increased focus and breadth of reporting may initially create the headline impression of worsening performance. However, our aim is to build a culture that welcomes and supports shared learning to drive real improvement.

Outcomes-based business model

As part of the merger discussion with shareholders in the first half of 2014, we agreed an outcomes-based business model. This allows us to apply the funding provided by councils in the most efficient way to achieve agreed results (levels of service) rather than being evaluated and managed on individual projects. The model was confirmed by all shareholders with the merger of GWRC's bulk water supply group and our change in ownership structure, in September 2014.

We are confident that Wellington Water is well aligned with the intent of the National Infrastructure Plan

The outcomes-based approach requires us to be both a trusted advisor and a value generator – to provide leading asset management capability and regional strategic advice to councils in order to generate better value from their collective investment. We identified that we needed to build our strategic planning and strategic asset management functions, and we have done this through senior appointments within the new structure. We also identified the need to develop systems to embed a value focus in the organisation, and to improve our performance reporting. Our Statement of Intent 2015-18 and the development of our company results sheet are significant steps in that direction. Our shareholders have agreed to the introduction of a value-for-money system that provides for part of any savings to be reinvested in the business. We plan to implement this system in 2015-16.

Integrated water management

Bulk water

This turned out to be the biggest challenge of 2014-15. GWRC committed to the integration in early August 2014, and their staff transferred in September. We completed a full organisational redesign, and consulted with staff on it and reached agreement before Christmas 2014. New staff were recruited before and after Christmas and the new structure went live on 2 March 2015.

At June 2015, the new structure is bedding down nicely and we are nearly through all the remaining transitions needed to fold the two organisations into one.

Wastewater services

Wellington Water was set up to provide a one-stop shop for three waters services across five client councils. In the establishment phase of the company, some elements could not be transferred because of pre-existing service contracts. The most significant of these was the Hutt Valley Services contract, between the Hutt and Upper Hutt city councils and Montgomery Watson Harza (MWH). MWH supplies asset, contract and project management to the trunk wastewater mains and wastewater treatment plant servicing the Hutt Valley.

During the year, we proposed to the Hutt councils that Wellington Water could provide these services and reduce the cost of the total service by removing duplication of services between the company and MWH. The councils agreed with this proposal and from 1 July 2015 wastewater services for the Hutt Valley began the transition from MWH to Wellington Water. We expect this process to be completed by 30 June 2016.

Policy and environment

Central, regional and local government policies, plans, guidelines and strategies have an impact on how we achieve our company outcomes of *safe to drink, respectful to the environment and resilient now and in the future*. During 2014-15, we responded to several of these documents, as either contributor or submitter. Of particular note are the:

National Policy Statement for Freshwater Management

We coordinated a joint submission with client councils on proposed amendments to the National Policy Statement for Freshwater Management (NPS-FM) in 2014, stressing the lack of focus on urban impacts on freshwater quality, and on the economic impacts of the proposed changes. The amended NPS-FM 2014 included a framework for setting freshwater objectives (by regional councils) with compulsory national bottom lines for human and ecosystem health. It took effect on 1 August 2014.

Proposed Natural Resources Plan

GWRC is developing a Natural Resources Plan for the Wellington region, to replace the current five regional plans. The Plan will set out the rules and policies that govern the use of natural resources and manage the effects of that use.

There are cost implications associated with complying with the Resource Management Act and regional plan provisions. We are actively involved in the review of the regional plans, seeking to influence plan provisions to ensure Wellington Water and our shareholders don't bear undue costs.

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Repairing and strengthening an aging stormwater main in Kent Terrace, Wellington

We engaged with GWRC staff before we made a submission on its Draft Natural Resources Plan. Our main concerns were that wastewater treatment plants should have greater recognition as regionally significant infrastructure; that the Plan should apply an effects-based consenting structure; and that stormwater consenting provisions should be made as enabling as possible pending the outcomes of the catchment-based Whaitua processes that will recommend objectives and limits for water quality in receiving water bodies. We have held further meetings since the submission was lodged in November 2014, and will coordinate a submission on behalf of our client councils on the Proposed Natural Resources Plan that was notified publicly on 31 July 2015.

The Treasury's National Infrastructure Plan

Over recent years, central government has taken an increasing interest in how New Zealand's services infrastructure is managed strategically, to provide certainty in the face of competing priorities of containing costs and facilitating growth and productivity.

The Treasury's National Infrastructure Unit (NIU) is developing the National Infrastructure Plan (NIP) to provide a New Zealand-wide strategic view of the country's stock of physical infrastructure assets. The NIP will also address how these assets should best be developed over the next 20 years to meet national and community aspirations.

We have participated in regional workshops and in the New Zealand Infrastructure Forum held in March 2015. We provided comment about urban three waters issues for the NIU draft Infrastructure Evidence Base, which supported the development of the 2015 NIP. Nationwide, some common three waters themes that came through from the plan were the need to strengthen the evidence base for decision-making through better data management; improving asset management and ensuring we can cater for population growth; resilience; compliance with resource consents; and enabling affordable renewals.

Wellington Water's work programme has a healthy degree of alignment with the intent of the NIP and we will monitor our progress against the plan. (The National Infrastructure Plan 2015 was published on 20 August 2015.)

Infrastructure strategy advice

Also this year, Upper Hutt City Council engaged Wellington Water to prepare its long-term infrastructure strategy in response to the 2014 amendment to the Local Government Act 2002. We also provided input to the development of the infrastructure strategies for Hutt, Wellington and Porirua city councils and GWRC. These strategies were informed by asset management plans we had previously prepared on behalf of our client city councils, which included 30-year work programmes.

16 Service review – city council three waters



Wellington Water Project
Manager Maria Maillio

This section provides an update on the projects and operational activities we noted in Capacity's Statement of Intent 2014-15.

How Wellington Water was funded and its performance assessed in 2014-15

City councils are required to describe community outcomes and set measures and targets for the performance of activities, including each of the three waters. Councils do this through long-term (10-year) and annual plans. The public can make submissions on any aspect of these plans, so councils can be sure their communities are comfortable with proposed levels of service.

As part of their 2014-15 annual planning process, our client city councils set annual work programmes and budgets based on the asset management plans provided by Capacity. We have applied this money to the three water networks to deliver the level of service councils require and to achieve our agreed outcomes (reported in full from page 27).

As a council-owned organisation, we also report to our shareholders on targets and measures for our business performance; these are reported from page 40. Wellington Water sets its own annual operating budgets to achieve these measures, which are also funded by councils as part of their annual plans.

Our performance in providing bulk water supply services is covered from page 36.

Capital projects management

Capital works projects are managed through programmes agreed with individual councils, sometimes several years ahead of when they're carried out. As a result, the actual work programme may vary from that set out in council annual plans and our Statement of Intent.

This year we completed 88% of total planned projects for our four city council clients, with related expenditure coming some 16% under budget before approved transfers of funding to 2015-16. Ten percent of projects were running behind schedule but were largely complete, and 2% were on hold by councils.

Project completion rates were 84% for Hutt, 66% for Porirua, 93% for Upper Hutt and 96% for Wellington (see page Table 1, page 42³).

Project deferrals were the main cause of the variance across the programme. These often arose because funding was diverted to more urgent work or the scope of a project was changed. A planned wastewater pipeline for Porirua, across Porirua Harbour, with a budget of \$5.2 million, was the most significant project delayed, with work on hold while further investigations are carried out.

We have been looking at areas where we can release value from the merger by taking a more regional approach to delivering the capital works programmes for our clients. Our new regional contract document and regional specifications will be released soon.

We completed a significant amount of forward design – with design work started for about 90% of 2015-16 projects by year-end – and this helps us identify and manage project risks earlier. We'll maintain this focus on fast-tracking our forward design programme next year, aiming to have the majority of project design briefs for 2016-17 completed by October 2015.

3 Summary table with company KPIs



New lining being applied to a wastewater main in Titahi Bay, Porirua

Emergency management

A major earthquake would severely damage water supply pipelines and treatment plants, and result in a water supply shortage for the Wellington metropolitan region. Widespread damage of the reticulation network is also likely.

One of the company's four regional initiatives (see page 10) has seen us start to work with councils on a regionally consistent approach to identifying an emergency water supply level of service that is affordable and acceptable to the community, and an investment plan to achieve this level of service within an agreed timeframe. As a result, the preparation of comprehensive emergency water supply plans for each of our client councils was put on hold and has been rescheduled to the 2015-16 year. We now plan to review the former Capacity Emergency Management Plan and Business Continuity Plan as part of our business improvement programme.

Our ongoing work in this area includes strengthening existing network components as well as undertaking projects to build resilience into the network as a whole. We are also improving our emergency response capability by upgrading our information management systems, providing emergency supplies and participating in the region's Lifelines group.

During 2014-15, we assessed and upgraded critical assets, including:

- completing the strengthening of four service reservoirs across three cities, finalising designs for strengthening four more and continuing a programme to install seismic triggers and auto-shutoff valves on reservoir outlet mains across the network, to retain water in the reservoirs if the downstream pipes rupture
- replacing a key water main along Knights Road in Lower Hutt, with the design incorporating direct emergency connection to the Hutt aquifer, to allow tankers to draw water from it if needed
- completing a pilot programme for installing valves designed to stop manhole chambers in liquefaction-prone areas from rising above the ground during earthquakes
- making progress with a long-term plan commitment to install 50 emergency water storage tanks at key Wellington locations, including Civil Defence centres, to augment the water storage of the network reservoirs. Ten new tanks were installed this year. So far, 35 tanks have been placed, with a total emergency storage capacity of 875,000 litres
- identifying key lessons from the flooding during April and May with partner organisations and creating a programme of improvement actions, which will feed into our business continuity plan and operational emergency response plans

Drinking-water management

Every week we deliver enough water to fill Wellington's Westpac Stadium – equivalent to almost 350 litres per day for every resident.

We achieved 22 of 26 city council water supply targets, and were just 1% short of achieving three of the remaining four

The Wellington region's drinking water comes from the Hutt, Wainuiomata and Orongorongo rivers and the Waiwhetu aquifer, beneath Lower Hutt. Taking water from these sources for public supply is governed by resource consents⁴.

Water is treated and distributed in accordance with national drinking-water quality standards, managed by the Ministry of Health. The Ministry grades city water supply zones based on the risk of the water in the local pipe network becoming contaminated, and the procedures in place to manage that risk. Grading can range from very low risk ("a1") to high risk ("e").

Water supply performance summary

We achieved 22 of 26 city council annual water supply performance measures (85%). Targets and performance are listed in full from page 27.

Water quality targets met

Our performance is measured by how well we comply with the drinking-water standards and maintain the Ministry of Health "a" or "b" grading for all city water supply zones⁵. We achieved each of these targets for all of our city council clients this year. Maps of the grading zones in Porirua, Lower Hutt, Upper Hutt and Wellington are available on our website: wellingtonwater.co.nz/your-water.

Supply reliability target exceeded

We recorded an average of just 1.5 cuts to water supply per thousand connections, with all councils experiencing fewer than two per thousand connections. This was well under our target of fewer than four. Low numbers of unplanned cuts to water supply due to burst pipes are an indicator of effective pipe assessment and upgrade programmes.

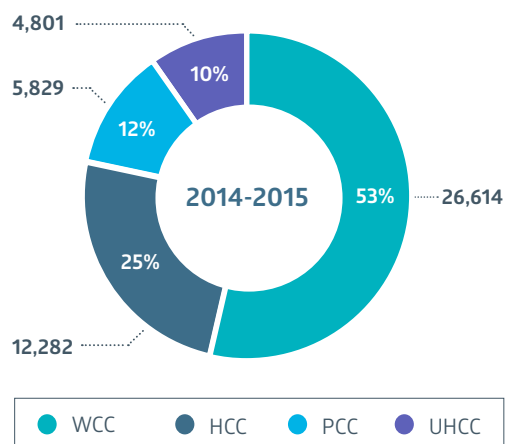
Customer satisfaction levels remain high

Three client councils survey customer satisfaction with the water supply as part of their assessment of our performance. For Wellington and Hutt, results exceeded target levels, while in Upper Hutt overall satisfaction was 1% below target, even though the number of those who were "very satisfied" had increased markedly.

Water usage up

We supplied 49,526 million litres (ML) of water, 0.5% more than during 2013-14. Water use during January and February 2015, which were relatively dry months, was the most significant contribution to the higher annual usage year-on-year. This is the first year since 2005-06 that the annual supply total has increased. By city, Wellington and Porirua used more water year-on-year (1.1% and 0.4% respectively), while Lower Hutt and Upper Hutt used slightly less (0.4% and 0.1% respectively).

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

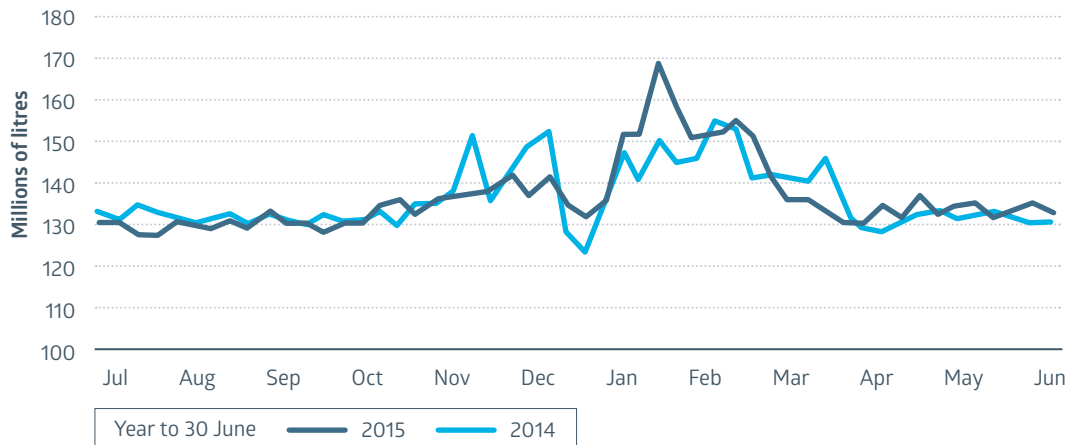


Collectively, the region's cities used 49,526 million litres (ML) of treated water this year, almost 1,000 ML per week

⁴ GWRC water supply group was responsible for water-take consents at 1 July 2014. Compliance is reported on page 38

⁵ Performance measures in our Statement of Intent 2014-15 relate to the local pipe network component of zone grading and quality management only. Water source and treatment grading and quality management for 2014-15 are bulk water supply performance measures (see page 36)

Weekly water supply, average day



Water use was 0.5% higher this year than during 2013-14, with mid-summer the key difference between years

Supply per resident continues to drop

While the annual water supply total increased, so too did the resident population that the supply serves. We provided 347 litres per resident per day⁶ on average during 2014-15, down from 348 litres per resident per day for 2013-14. Per-resident water consumption targets for Wellington and Hutt city councils were each met (see pages 27-28).

Dry conditions force sprinkler ban

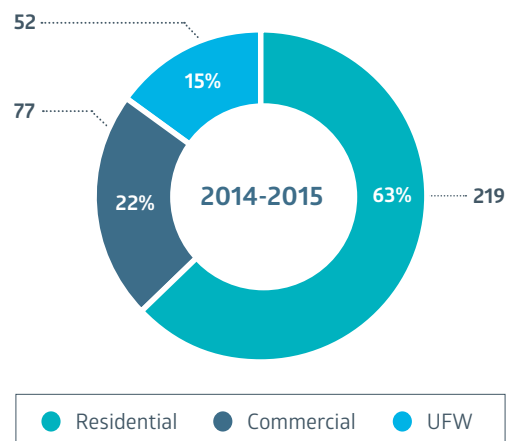
The way we manage publicity about watering restrictions was brought into focus last summer, when Wellington had its driest January on record. Low river levels necessitated a precautionary ban on using garden sprinklers, and we used advertising, publicity and patrols to monitor compliance and provide information on watering restrictions leading up to the sprinkler ban.

While the region's dry-weather water storage lakes remained above 50% full throughout the summer, we and our client councils believe we could make the current system for stepping up restriction levels more effective and improve publicity. We're reviewing this and aim to have an improved system in place for next summer.

Where water use goes

There are three main categories of water usage: residential, commercial, and "unaccounted-for" (UFW). Because we don't have universal water metering in the Wellington region, it is not possible to give exact figures for where the water goes⁷. However, we estimate an average per-resident usage at home of 212-223 litres a day. Unaccounted-for water includes leaks, firefighting, council use such as watering public parks and gardens, and unauthorised use. The recent trends in these three categories of water use are shown on page 20.

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



Almost two-thirds of the water that we supply each year is used by households

⁶ Total supply for all purposes divided by the resident population

⁷ Commercial premises and services (schools, hospitals, councils etc) are metered for water use but not households

Water use by type (litres per resident per day)

Year to 30 June	Hutt			Porirua			Upper Hutt			Wellington		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Commercial	54	52	53	49	46	43	64	70	63	105	101	100
Unaccounted-for	68	60	60	40	44	46	55	55	57	50	48	49
Residential	225	225	222	210	212	212	210	212	212	220	220	220
			335			301			332			369

Water use per resident has remained steady in each of the three main usage categories over recent years. Targets for unaccounted-for water and consumption per resident were all achieved.

Unaccounted-for water targets met

Targets set by Wellington and Hutt city councils were each achieved. Leak reduction measures, such as zone metering, pressure management and leak detection, have contributed to a recent trend of falling water consumption per capita.

Response time targets for leaks and bursts met for two of three councils

Response times to leak and burst alerts are closely monitored, and they are a key performance metric for our council clients. We achieved these targets for Hutt and Wellington, but marginally exceeded the target response time in Upper Hutt, because of the nature of the repairs. There were no major incidents as a result.

Annual work programme summary

Our work in water supply focuses on undertaking projects to strengthen, renew or upgrade infrastructure, and managing reactive work to repair bursts or leaks. In the past year we managed capital works expenditure of \$18.7 million and operational expenditure, including the cost of bulk water, of \$57.2 million. We completed 78 of 86 water supply capital works projects for Hutt, Porirua, Upper Hutt and Wellington cities, giving us a completion rate of 91%. These included pipe replacements, reservoir and network seismic upgrades, and improvements to the SCADA remote monitoring network.

Water supply capital expenditure by city

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

New Melrose reservoir

A highlight of the year's work programme was the start of construction of a new 2.2 million-litre reservoir in Wellington's Mt Albert Park, to serve Melrose, Southgate and Houghton Bay. The new reservoir will be more resilient during a severe earthquake and provide for projected population growth over the next 80 years. It is being built on the site of, and will replace, the older of the park's two reservoirs, which was built in 1910 and is much smaller, at 0.8 million litres. Construction started in January 2015, and is due to be completed by January 2016.



Construction of a new reservoir at Mt Albert Park, Wellington

Among other initiatives, we continued building relationships with and between large commercial water users

Water management

Hydraulic models of distribution networks allow system performance to be assessed under a range of conditions, including asset failure scenarios. They also mean the implications of proposed developments can be assessed and compared, to inform asset management planning.

Last September's water services amalgamation provides the platform for us to start rationalising water network modelling, consistent with national best practice, so that outcomes are consistent and comparable. The first stage of the project was to update our regional water modelling specification. This is a cornerstone of our development strategy, to deliberately build towards being able to easily combine individual council water models into a single model.

This year, we completed stage 1 of a new hydraulic model for Hutt City Council, the first under our new regional modelling specification. This involved building, field-testing and calibrating the model. We'll need to do more work in several sub-zones to improve the accuracy of their demand profiles and we'll complete that in 2015-16. We also upgraded Upper Hutt's hydraulic model to capture recent network changes, recalibrate the model and align it with the regional water modelling specification.

Within cities, the performance of the water network is monitored and managed by sub-zones, called District Metered Areas (DMAs). We continued our annual programme of leak detection surveys (based on DMA meter analysis) on behalf of councils. We covered 71 of the 133 DMA zones across the four cities and completed thousands of individual repairs.

Water conservation

Improving water-use efficiency and conservation helps to reduce the annual operating costs and environmental impacts of water supply. It also helps to delay borrowing to increase our region's water supply capacity, thus avoiding increased interest costs that would be met from rates.

Water conservation activity target

We have continued our work with client councils to manage their individual water demand management plans and priorities. Two client councils have water conservation and efficiency plans. We achieved the outcome targets for reducing water use in both cases and progressed each of the activities within

Our water, our future.

the plans, including extending work programmes to all four city areas. However, two self-imposed targets, for large water user visits and retailer engagement, weren't fully met.

Our Aquarius water-use efficiency demonstrator plays a key part in engaging with the community about how much water we use, the main components of household water use and the difference that things like fixing leaks and installing water-efficient showers can make.

This year, we took Aquarius to eight public events, including Upper Hutt's Spring Festival, Wellington's Home & Garden Show and the inaugural Wainuiomata Water Festival. Visitors to our stand were particularly interested in the potential to save electricity as well as water. The free shower-timers and flow-measurement bags on offer proved popular and were great conversation starters.



The Aquarius water-use efficiency demonstrator in use at Hampton Hill School, Tawa

We also took Aquarius to six local schools, an EnviroSchools expo involving students from 18 Hutt Valley schools, and our first kura kaupapa. We offer linked learning activity guides for teachers and have commissioned a teacher to update the guides, so they highlight linkages to the school curriculum. This work will be completed in 2015-16.

We visited three new large users (with the planned programme reduced because of the demands of our amalgamation). Our visit to Victoria University resulted in their linking with Wellington City Council's home energy saver programme to install water-efficient showers in their student accommodation hostels.

Wastewater management

Every day, the water that goes down the sinks, drains, showers, baths and toilets across our cities ends up at one of four wastewater treatment plants.

We achieved 12 of 14 city council wastewater targets. Freshwater quality remains challenging

Moa Point (Wellington), Western (Karori), Seaview (Lower Hutt) and Porirua (north Wellington and Porirua) treat about 140 million litres of wastewater on a typical day, using biological and ultraviolet treatment processes. The treated water is discharged to the sea. The sludge resulting from filtration and treatment is de-watered (with this water further treated) and the solid content sent to landfills.

Inflow and infiltration

Inflow and infiltration (“I and I”) are two leading causes of environmental risk stemming from urban wastewater networks.

Inflow refers to both stormwater entering the wastewater network and wastewater entering the stormwater network. Inflow occurs mainly through illegal cross-connections between the two pipe networks. In the case of the wastewater network, excess stormwater overloads the system and can result in wastewater that has not been treated fully entering the environment. Wastewater cross-connections into the stormwater network result in the discharge of untreated waste into streams and harbours at stormwater discharge points. In urban areas, this can pose a health risk, as these discharge points can be near coastal recreational or food gathering areas.

Infiltration describes the entry of ground-water, including sea-water, into the networks, mainly through faults such as cracked and broken pipes. Again, this contributes to overloading pipe capacities and improper discharges.

Most wastewater networks perform well during dry weather and moderate rainfall.

Wastewater performance summary

We achieved 12 of 14 city council annual wastewater service performance measures (85%). Targets and performance are listed in full from page 27.

Freshwater quality remains challenging

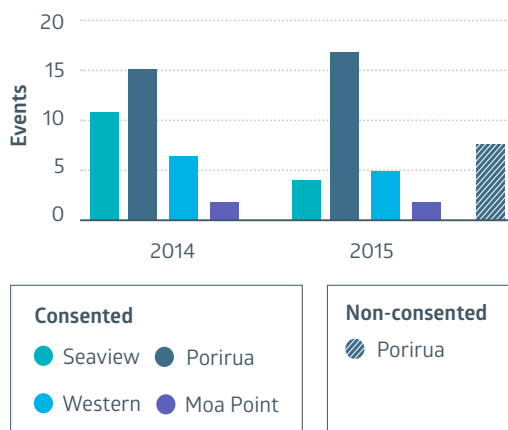
Our freshwater quality measure – that 95% or better of river and stream sampling sites have low E. coli

counts⁸ – is still trending below the target standard and continues to fluctuate. The majority of non-compliant samples were taken during rain events. Investigations continue to uncover problems in the wastewater network, and these are prioritised for repair. Problems also arise from private property, and are transferred to councils to pursue.

Three of four treatment plants compliant with contents

Each of the treatment plants operates under its own resource consent, which permits the discharge of treated wastewater to the sea. Most of the discharges that occurred met consent conditions, with almost half of all discharges during the year coming between April and June. This reflects the impact of heavy rain events (see Flooding, page 25). All plants are designed to operate during these conditions. However, the Porirua plant currently has some difficulties maintaining resource consent compliance due to a combination of heavy rainfall and high treatment sludge levels exceeding the plant’s processing capacity under current operating conditions. Two projects in the coming year will go a long way towards addressing this.

Discharge events from treatment plants (year to 30 June)



Seven wastewater discharge events did not meet consent conditions this year. We have two projects planned for 2015-16 to address the causes

8 Rolling 12-month median from wet and dry weather samples

23

Wastewater pipeline reliability target achieved

We recorded 0.9 or fewer incidents per kilometre of wastewater pipes across the four city council areas, against a target of fewer than 1.2 incidents per kilometre⁹.

Response targets met, customer satisfaction remains high

Service response times were better than targets and all satisfaction measures for council wastewater services were achieved.

Inflow and infiltration reduction

Inflow and infiltration investigation programmes are used to prioritise wastewater and stormwater network renewals. Methods include “course” catchment flow-trend monitoring, more detailed sub-catchment flow investigation, pipe pressure-testing, inspections via closed-circuit television (CCTV), and smoke-testing of sewers to locate misconnections from the stormwater network.

This is the first year we have managed the Porirua wastewater network and we’ve started to develop a detailed master plan to prioritise future investigations and improvements.

Flow monitoring in wastewater catchments in central Wellington was used to calibrate a new wastewater hydraulic model, and in Cannons Creek and Upper Hutt to recalibrate existing models. We will use this work to prioritise more targeted “I and I” investigations in those catchments. Inflow surveys were also started in Lower Hutt’s Gracefield and Belmont catchments.

Monitoring of night flows and salinity around wastewater pumping stations between Taranaki Street and Wellington Railway Station found several sections of pipe that were contributing to large volumes of sea-water infiltration. We’ve started video inspections of these “hotspots”, and will make repairs or replacements over the next two years. CCTV inspections were also conducted in Naenae, Wainuiomata and Plimmerton, with upgrades in both catchments underway as a result.



Upgrading a wastewater pipeline in Fergusson Drive, Upper Hutt

In Wellington, we surveyed some 900 properties in Hataitai¹⁰ and 300 in Berhampore¹¹ for roof guttering and storm drains connected to the waste network. In Hataitai, around one in six properties surveyed had wrongly connected pipes or drains, while for Berhampore it was about one in 20. Wellington City Council will work with the property owners to get these issues fixed.

Wastewater capital expenditure by city

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

9 The UHCC target is fewer than two incidents per kilometre

10 Walmer catchment

11 Priscilla catchment

Stormwater management



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

Because it is untreated before it enters streams, rivers and the sea, stormwater run-off presents a major challenge. Rain flushes roads and other hard surface areas into receiving environments including coastal waters, which can be adversely affected by contaminants and bacteria. Some people also dispose of waste material and detergents into street-side gutters or sumps, polluting the environment. In heavy rain events, or as a result of system failure such as blockages, excess stormwater can cause flooding, with potentially devastating and costly effects.

We achieved 10 of 13 city council stormwater targets. Only one measure, flooding, was well short of being achieved

Stormwater performance summary

We achieved 10 of 13 city council annual stormwater service performance measures (77%). Targets and performance are listed in full from page 27.

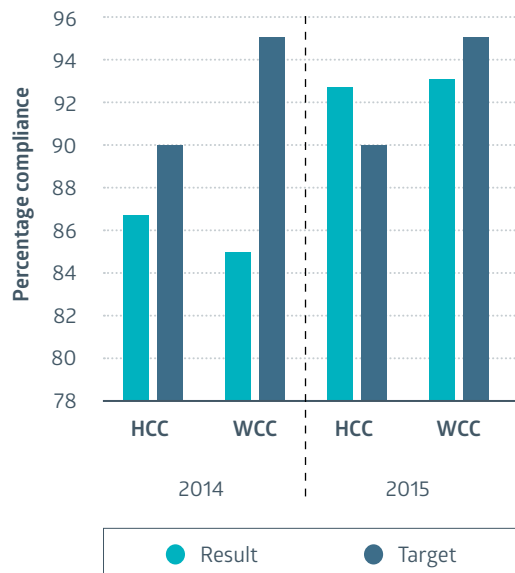
Response targets met, customer satisfaction high

Stormwater service response times were better than targets and we achieved all satisfaction measures for council wastewater services.

Resource consent compliance

We expect to receive a single non-compliant assessment of resource consent conditions for the year. Sampling of the Karori Stream downstream of the Western Wastewater Treatment Plant is required during high-rainfall events that raise plant inflows and discharges. However, heavy or sustained rainfall also makes collecting samples from this site a significant safety risk for personnel. Therefore, while this measure has not been achieved fully, this is due to overriding health and safety factors that are outside of our control. We are currently working with GWRC to identify an appropriate solution¹².

Bathing beaches' "green status" compliance (year to 30 June)



Water quality at Lower Hutt and Wellington beaches improved this year, but Wellington beaches remained below the "green status" target

Beach-water quality near target

Our target for compliance with Ministry for the Environment (MfE) "green status" for bathing beaches was achieved for Lower Hutt and just missed for Wellington¹³, based on an annual monitoring programme. During the bathing season (November to March) we were able to keep beaches open safely for the public more than 99% of the time.

¹² The same matter resulted in a non-compliant assessment for 2013-14, but was not reported in Capacity's Annual Report 2013-2014 as we were not aware of the breach of consent condition at the time of its publication

¹³ 92.7% result versus 95% target



Flooding in Porirua East, May 2015

Flooding

Our primary target, to avoid buildings flooding in all but extreme rain events, wasn't achieved. Less than a month after we lifted watering restrictions at the end of Wellington's very dry summer, the region experienced the first of three exceptionally intense rainfall events. On 28 April, a 1% probability storm centred over eastern Karori saw nearly 19 mm of rainfall in a 10-minute period. The sudden deluge overwhelmed the capacity of the stormwater network, including secondary above-ground flow-paths (which are designed to channel floodwater away from buildings). As a result, stormwater entered homes and businesses in several suburbs, including at some known trouble spots.

Two weeks later, another rainstorm, of about a 3% probability, hit central Wellington – this time coinciding with an exceptionally high tide. This affected the ability of the network to drain floodwaters away, and saw streets flood in the CBD, as well as in low-lying outer suburbs. Just two days later, on 14 May, the effects of a third storm cut transport links to Porirua and Lower Hutt, and flooded homes and businesses in Porirua, Tawa and several Lower Hutt suburbs.

All told, we recorded 77 homes and businesses were flooded, along with another 61 basements and garages, and multiple properties and roads. These floods were a test of our response on the ground, and our internal procedures and processes.

We've since worked through what went well and what didn't with our contractors, affected client councils, the fire service and the region's emergency managers. This has provided the impetus for us and client councils to re-focus on stormwater network management priorities – both reactive localised solutions to help keep water out of buildings and infrastructure upgrades to increase peak-flow design capacities, and so minimise future impacts.

As a result of this work, we have started to revise and update our business continuity and operational emergency response plans. Wellington City Council has fast-tracked some stormwater projects set out in its long-term plan, including a major modelling programme, as well as assigning funding for interim solutions at particular trouble spots.

Integrated catchment management

Wellington

Wellington Water is developing integrated stormwater catchment management plans (ICMPs) for Wellington City Council, consistent with its stormwater discharge consent issued in 2011. These take a holistic approach to managing the inflows and outflows of a stormwater catchment.

Stage 1 of the ICMP development involved high-level assessments of activities in five central catchments and their effects at discharge locations. The Stage 1 ICMP report was submitted to GWRC in March 2014 and subsequently approved, along with our proposal for development of Stage 2 of ICMPs.



Children from Barnardos KidStart Childcare Centre – pictured here with Tavete Fau from our contractor Groundworks – checking out the stormwater improvement works in the Cannons Creek Lakes Reserve

We're working towards completing the Stage 2 ICMPs by March 2018. They will include options to minimise catchment issues; preferred methods of managing network-related and land-use issues; and a timetable for undertaking preferred methods and developing plans for monitoring, evaluation, and reporting.

Stage 2 work started in the Lambton Harbour catchment. We have developed plans to engage with stakeholder groups concerned with the major issues of each catchment and have started an education programme to create awareness of the issues identified (see Stormwater education, this page).

Our work on the ICMPs for Wellington will help to inform our advice as part of a technical support committee to the Wellington/Hutt and Porirua harbour Whaitua committees (see Regional initiatives, page 10).

Hutt Valley and Porirua

We've all but finished Upper Hutt's stormwater network model upgrade, which will guide their asset management and renewal programme for 2016-17 and beyond.

We have also developed water-quality management plans for Hutt and Upper Hutt city councils, which include monthly sampling and investigation processes if results exceed thresholds. In Lower Hutt, two of 22 sampling sites investigated (Waiwhetu and Awamutu) have water quality below the target threshold. In Upper Hutt, no major contamination issues were found, but one of the 10 sites sampled was marginally above the threshold. Investigations are underway at all three sites.

The highlight of our work for Porirua City Council was an upgrade of the stormwater system running through Porirua College, Brandon Intermediate and Cannons Creek Lakes Reserve. This project will stop the flooding problems of the past for Maraeroa School and nearby residents of the Driver Crescent area of Cannons Creek, which are within a natural overland stormwater flow-path.

We're working to tackle potential sources of contaminants – heavy metals, hydrocarbons and detergent

Our water, our future.

Stormwater capital expenditure by city

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

Stormwater education

We delivered stormwater education programmes in Wellington and Lower Hutt in line with the stormwater discharge consents for those council areas.

In Wellington we worked with DIY retailers and developed a relationship with Master Plumbers, Gasfitters & Drainlayers NZ to raise awareness about the issue of wastewater-stormwater cross-connections and faecal coliforms. Association members could provide a great way of reaching homeowners with cross-connections. Repeat visits to DIY stores and the industry association have helped to maintain and build support and understanding around the issues.



We're working to tackle potential sources of contaminants – heavy metals, hydrocarbons and detergent – with targeted visits to auto garages and by engaging with the Motor Trade Association.

We've also engaged a video producer to create several short clips about sources of stormwater pollution, including cigarette butts, paint and oils. The first clip was finished and we'll develop up to four others in the coming year to trial through social media.















In Lower Hutt, our work supports Hutt City Council's Gracefield stormwater consent. We focus on industrial premises in Gracefield to address issues such as unpainted galvanised roofs, insufficient maintenance of private stormwater drains and sumps, and sewer-stormwater cross-connections. The groundwork done in 2013-14 to introduce the visits programme and build relationships appears to have paid dividends, with a generally supportive reception from the businesses revisited.

Performance – city council three waters

Collectively, our city council clients had 22 different service-level categories for 2014-15 across drinking water (10), wastewater (6) and stormwater (6). Not all councils had targets for each category. For each council, only measures with an active target are listed.

	Achieved
	Not Achieved

Wellington City Council

Ref	Level of Service	Measure	Target	Result	Note
Outcome Safe (Water Supply)					
1	Compliance with drinking-water standards	Compliance with NZ drinking-water standards	100% compliance		
2	Residents' satisfaction	Residents agree water services provide good value for money (from survey)	90%		97%
		Customers are satisfied with water quality and network service (measured via calling cards)	95%		99.7%
3	Taste and odour complaints	Number of complaints about water quality (taste and odour)	Fewer than 200		145
4	Pressure	Properties receive appropriate water pressure	97% >= 250kPa		96%
5	Fire hydrant testing	Fire hydrants meet NZFS Code of Practice (firefighting supply)	95% of hydrants tested		94% <i>a</i>
6	Network quality	Water distribution network quality grading (Ministry of Health)	"a" to "b" grading		
7	Response time	Response time to service requests, water network	97% meet A and B response time targets for Priority One activities ("on-site within one hour")		99.6%
8	Unaccounted-for water	Unaccounted-for water (%) from the network	14%		13.3%
9	Consumption	Average residential water consumption per day (total supply less metered commercial usage)	287 litres/person/day		273 l/p/d
		Total city water consumption per year	< 30 billion litres		26.6 billion litres
Outcome Respectful (Wastewater)					
2	Response time	Response time to service requests, wastewater network	95% meet A and B response time targets for Priority One activities ("on-site within one hour")		99.24%
3	Residents' satisfaction	Customer satisfaction with the city wastewater service (measured via calling cards)	90%		99.1%
		Residents agree that wastewater services provide good value for money (from survey)	75%		97%

Note: For 2014-15, performance indicators were updated for two councils, so are not entirely comparable with 2013-14. The performance of city council annual plan measures for 2013-14 is listed on pages 20-21 of Capacity's Annual Report 2013-14, which can be viewed at www.wellingtonwater.co.nz (Publications and links). Further changes to performance measures will be introduced for 2015-16, to reflect further development of our regional focus and to comply with new mandatory performance measures from the Department of Internal Affairs. From 2015-16, where possible, performance reporting will include prior-year results for measures.

a 83 hydrants tested

4	Consent compliance	Our sewerage network complies with all resource consents	100% compliance	✓		
5	Water quality	Freshwater sites within acceptable bacteria counts (E. coli)	95%	–	70.37%	<i>b</i>

Outcome Resilient (Stormwater)

1	Residents' satisfaction	Customer satisfaction with the city stormwater service (measured via calling cards)	85%	✓	100%	
		Residents agree that stormwater services provide good value for money (from survey)	75%	✓	95%	
3	Response time	Response time to service requests, stormwater network	95% meet A and B response time targets for Priority One activities ("on-site within one hour")	✓	99.54%	
4	Flooding incidents	Number of buildings reported to have been flooded as a result of a < 1-in-50-year rain event	0	–	22	<i>c</i>
5	Beach-water quality	Bathing beaches' compliance with MfE guidelines (green status)	95%	–	92.7%	<i>d</i>
6	Consent compliance	Resource consent compliance, including monitoring of overflows, outfall discharges and coastal water quality	100% (no non-compliance)	–	1	<i>e</i>

Hutt City Council

Ref	Level of Service	Measure	Target	Result	Note
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Outcome Safe (Water Supply)

					<i>f</i>
1	Compliance with drinking-water standards	Compliance with NZ drinking-water standards	100% compliance	✓	
2	Residents' satisfaction	Residents who express an opinion are satisfied with the city water supply (from survey)	95%	✓	95%
6	Network quality	Water distribution network quality grading (Ministry of Health)	"b" grading	✓	
7	Response time	Response time to service requests, water network	97% meet A and B response time targets for Priority One activities ("on-site within one hour")	✓	99.5%
9	Consumption	Average unmetered water consumption per day	< 350 litres/person/day	✓	286 l/p/d
10	Network reliability	Number of unplanned supply cuts per 1,000 connections	< 4	✓	2.19

b See page 22 (Freshwater quality remains challenging)

c See page 25 (Flooding)

d See page 24

e We did not comply with a sampling condition of one discharge consent, due to safety concerns about the sampling site. See page 24

f A burst water pipe in January 2015 resulted in an infringement notice for discharge of silt to the Waiwhetu Stream. This is reported in the company's environmental performance (indicator 18). There is no council indicator for 2014-15 covering this event

Outcome Respectful (Wastewater)

1	Network reliability	Number of wastewater reticulation incidents per km of reticulation pipeline (blockages)	< 1.2 wastewater incidents reported per km of pipeline	✓	0.64	
2	Response time	Response time to service requests, wastewater network	97% meet A and B response time targets for Priority One activities ("on-site within one hour")	✓	99.5%	
3	Residents' satisfaction	Residents who express an opinion are satisfied with the city wastewater service (from survey)	95%	✓	97%	
4	Consent compliance	No resource consent-related infringement notices received from GWRC	100% compliance	✓		

Outcome Resilient (Stormwater)

1	Residents' satisfaction	Residents who express an opinion are satisfied with the city stormwater service (from survey)	80%	✓	87%	
2	Network reliability	Number of stormwater reticulation incidents per km of reticulation pipeline (blockages)	< 0.5	✓	0.05	
3	Response time	Response time to service requests, stormwater network	97% meet A and B response time targets for Priority One activities ("on-site within one hour")	✓	100%	
5	Beach-water quality	Water quality at main recreational beaches meets MfE guidelines	90% of sampling days (1 November to 31 March)	✓	99.5%	

Porirua City Council

Ref	Level of Service	Measure	Target	Result	Note
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Outcome Safe (Water Supply)

1	Compliance with drinking-water standards	Results of random testing throughout the city show the water supply is safe to drink	100% compliance	✓		
2	Residents' satisfaction	Water supply network maintenance requests per 1,000 households	< /= 81	✓	69.49	<i>g</i>
5	Fire hydrant testing	Fire hydrants tested comply with minimum firefighting pressures	> /= 92%	✓	100%	
8	Unaccounted-for water	Unaccounted-for water (%) from the network	18%	✓	15.2%	
10	Network reliability	Major reticulation breakage incidents per 100 km of pipe	< /= 80	✓	8.65	

Outcome Respectful (Wastewater)

1	Network reliability	Number of wastewater reticulation network maintenance requests per 1,000 households	< /= 24	–	25.09	<i>h</i>
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g Target error in SOI (8). See PCC Annual Plan 2014-15

h Target error in SOI (5). See PCC Annual Plan 2014-15

6	Network integrity	Estimated unaccounted-for water lost through the public network	Implement accurate measurement	✓	Data in SCADA	
		Ratio of peak wet-weather flow to average dry-weather flow	Set a baseline measure	✓	6-8 times dry-weather flows	

Outcome Resilient (Stormwater)

2	Network reliability	Number of stormwater reticulation network maintenance requests per 1,000 households (excluding road culverts, sumps and sump leads)	<= 15	✓	9.63	i
4	Flooding incidents	Reports of buildings affected by floodwater during storm events (network management gives protection from 1-in-10-year flood events)	0	✓	0	j

Upper Hutt City Council

REF	Level of Service	Measure	Target		Result	Note
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Outcome Safe (Water Supply)

2	Residents' satisfaction	Residents who express an opinion are satisfied or very satisfied with the water supply (from survey)	95%	–	94%	k
6	Network quality	Water distribution network quality grading (Ministry of Health)	Maintain "A1-a" grading	✓		
7	Response time	Response time to service requests, water network	97% of individual consumers who experience unplanned water disruptions have the service restored within 2 hours	–	91%	l
9	Consumption	Average unmetered water consumption per day	< 350 litres/person/day	✓	286 l/p/d	

Outcome Respectful (Wastewater)

1	Network reliability	Number of wastewater reticulation incidents per km of reticulation pipeline (blockages)	< 2 wastewater incidents reported per km of pipeline	✓	0.5	
2	Response time	Restoration time for properties unable to dispose of wastewater due to unplanned interruptions	95% restored within 6 hours	✓	100%	

Outcome Resilient (Stormwater)

4	Flooding incidents	Reports of inhabited buildings being flooded	0	✓		
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i Target error in SOI (27). See PCC Annual Plan 2014-15

j Flooding was reported during the storm of 14 May 2015. This was estimated to be in excess of a 1-in-100-year event

k Those "very satisfied" increased from 52% to 65% since 2013-14

l See page 20 (Response time targets)

Service review – GWRC bulk water supply



One of the Waterloo well-field pumps is readied to be put back in service after cleaning of the well

This section covers the delivery of work programmes for GWRC's bulk water supply function – the collection, treatment and distribution of water to Hutt, Porirua, Upper Hutt and Wellington city councils, for their supply to consumers.

This work was carried out by GWRC's water supply group between 1 July and 18 September 2014. From 19 September, Wellington Water started providing bulk water services to GWRC under the terms of a service-level agreement (SLA) – Contract for Provision of Management Services Relating to Bulk Water Supply Services. For completeness of record, the following reporting covers the period from 1 July 2014.

A summary of GWRC's basis for performance measurement can be found on page 4.

GWRC strategic priorities for bulk water supply for 2014-15 were:

- investigating sites for emergency water storage
- assessing the viability of a pipeline across Wellington harbour from Seaview
- earthquake strengthening critical assets
- putting in place a back-up water supply control and communications system

Safe to drink

Annual performance measures

Eleven of 12 performance measures for a safe and pleasant water supply were achieved (see page 36), including with the drinking-water standards for chemical and microbiological compliance, but not the guidelines for aesthetics – properties of water that can affect its taste, odour or appearance.

The results that didn't meet the aesthetic guidelines – for aluminium, manganese, turbidity, pH and iron – are not considered to be of immediate health concern by the Regional Public Health drinking-water assessor. The results identified would affect our water treatment plant and distribution system grading if a re-grading was required in the next 12 months. While the drinking-water assessor has no plans to review the grading in the next year, we're making it a priority to consider the options available to prevent repeat occurrences.

Aquifer well-field investigations

Water from an aquifer is regarded as safe¹⁴ if it is at least a year old. This is considered enough time to ensure potentially harmful organisms (that may enter the aquifer with surface water) have died off. The treatment regime for "safe" aquifer water is less onerous and costly than that for river water. Age-dating of aquifer water must be completed every five years to demonstrate its secure status.

Waterloo well-field water has had secure status for many years; however, testing earlier this year cast some doubt on the age of water in some wells. Repeat testing found results in line with secure status and indicates the samples of concern may have been compromised. Further testing is now in progress to confirm the age of water reaching our aquifer wells.

Well condition assessments

We are doing condition assessments on the eight wells that tap the aquifer as they are nearing the end of their forecast economic life, some 30 years. This work will guide whether we recommend replacing or refurbishing wells.

**We achieved 11 of
12 targets for safe
and pleasant water**

¹⁴ According to *Drinking-water Standards for New Zealand*



Five of 10 targets for water supply security were achieved. Four targets were not achieved due to planned activity being reprioritised following the merger

Two wells have been temporarily removed from service because of high turbidity (reduced clarity) in the water, which can mask the presence of harmful organisms. One bore has been mechanically cleaned and had a video survey completed for condition assessment. The condition of the well casing was described as being in good order, but the harmless and naturally occurring iron bacteria that's causing the turbidity has returned. We will consider redeveloping the well to help lower turbidity levels in the abstracted water. The second well with high turbidity has a suspected hole in the inner casing; video inspection will check that before we finish the condition assessment. We aim to get both wells back in service by Christmas 2015, before demand on the aquifer increases.

Aquifer source resilience

We have started investigations to assess whether liquefaction could occur near the Waterloo wells. This work will help determine the level of damage the wells could experience in a major earthquake. The results are expected before the end of 2015.

Geosmin in the Macaskill Lakes

Last year GWRC reported that it had drained one of its two storage lakes at Te Marua in May 2014 to tackle high levels of a naturally occurring organic compound – geosmin – in the lake during early autumn. Geosmin is harmless, but can make water taste or smell “earthy”. A moderate level of geosmin in lake water isn't unusual and is commonly treated effectively with activated carbon. However, the carbon hadn't dealt completely with the high geosmin levels experienced.

The lake was refilled with fresh water before the 2015 summer and geosmin levels have been much lower, and treatable. But we have yet to pinpoint the underlying cause of the high levels experienced 18 months ago and so remain concerned about the possibility of further spikes. Investigations so far have ruled out the typical causes and we are now engaging an algae expert to investigate further.

Macaskill Lake linings

During the draining of the southern lake it was found that unequal pressure from water beneath the liner could potentially cause it to separate from the lake embankment.

Our water, our future.

The liner was modified while the lake was empty and this has resolved the problem. In the coming year we will complete a rapid water-level drawdown trial of the northern lake to test whether its liner needs the same remedial work.

A secure water supply

Annual performance measures

For the first time in many years, a shutoff in the bulk water network resulted in a loss of supply to water users (in the Aro Valley zone). A reservoir isolation trial – to test our process for working on the reservoir without interrupting supply – didn't go as planned. Water was reinstated quickly once the problem was identified and we've reviewed what went wrong, to avoid a repeat.

Five of 10 active performance targets for reliable water supply were achieved (see page 36). Of the five not achieved fully, four were due either to projects being delayed for alignment with Wellington Water's related work for other councils, or to higher-priority commitments as a result of the merger.

Resilience

A Wellington Fault movement earthquake is likely to have the greatest impact on the bulk water supply system compared with other events, so planning is based on this possibility. GWRC has spent more than \$20 million over the last 20 years making its network more robust in a seismic sense.

In 2012, the Wellington Lifelines Group presented a report¹⁵ showing that estimated restoration times to return water to consumers after a rupture of the Wellington Fault would likely result in significant shortages in central Porirua and in Wellington suburbs to the south and east of the CBD. Since then, bulk water supply investigations to address this shortfall have focused on extra storage and the possibility of a cross-harbour pipeline (Seaview to Wellington).

This year, GWRC's primary improvement focus was resilience projects: to progress its assessments of the harbour pipeline and Wellington storage alternatives, to continue strengthening its critical water supply assets, and to put a back-up control and communications system in place.

¹⁵ Based on the GNS study *Wellington Without Water*

We achieved 10 of 13 environmental targets. Two of the remaining three were near-misses

Emergency storage and the cross-harbour pipeline

A feasibility study commissioned by GWRC early this year looked at three possible emergency water storage sites in Miramar. While construction of a storage reservoir at any of the three sites was technically feasible, consenting for all the sites was assessed as likely to be difficult.

Following this, to test the merits of emergency storage lakes compared with those of a cross-harbour pipeline, a proposal was developed comprising five reservoirs (in Miramar, Newtown, Berhampore, Mount Cook, and near Government House) with storage capacity of about 200 million litres. The reservoirs would provide a comparable emergency capability at similar cost to the harbour pipeline (\$95 million). The consultants to GWRC assessed the harbour pipeline as having lower environmental and social impacts, as well as operational benefits not available from the storage option.

On 9 September, prior to the establishment of Wellington Water, GWRC decided the harbour pipeline offered the best solution for emergency water supply to Wellington's eastern and southern suburbs and included the project in its draft 2015-25 long-term plan (LTP), together with an emergency storage reservoir at Takapu, which would supply water to Wellington's northern and western suburbs as well as Porirua.

Resilience of the entire water network based around a regionally agreed standard for availability of water following a major disaster is one of Wellington Water's four regional strategic initiatives (see page 10). These LTP bulk water projects will be progressively incorporated into the regional initiative work.

Earthquake strengthening of critical structures

We completed a three-year programme of seismic assessments of all critical¹⁶ bulk water supply structures against the New Building Standard (NBS) – and finished work arising from the first eight assessments, including upgrading all water treatment plants to 100% of NBS. We are currently reviewing the results of the most recent assessments to prioritise and prepare a further programme of strengthening works.

¹⁶ Importance Level 3 and 4

In total, 76 critical structures have been assessed, of which 37 were rated at less than 100% of NBS, with 16 of these rated at less than 33%.

A further 34 minor structures¹⁷ have been screened to determine seismic risks and identify if further assessment is needed. The results are being reviewed to determine our next steps.

A preliminary estimate to strengthen the remaining structures is \$4.5 million. This figure is expected to increase as we review the final set of assessments. Structural designs are due by October 2015 and will give us increased confidence in the cost estimates and programming for the upgrade works.

More reliable control systems communications

A dedicated data network was completed, improving the speed and reliability of communications between computer-based control systems and remote field assets, such as pumping stations and reservoirs. The network links control centres, including key GWRC sites and Wellington Water's Petone headquarters, with 23 data transfer "repeater" sites that convey communications between the control centres and some 650 remote sites. The sites are now linked in a microwave ring that has at least two alternative transmission paths back to the control centres. This provides a previously unavailable level of back-up if there's a failure. The rate of data transfer has also been doubled.

Environmental aspects

Annual performance measures

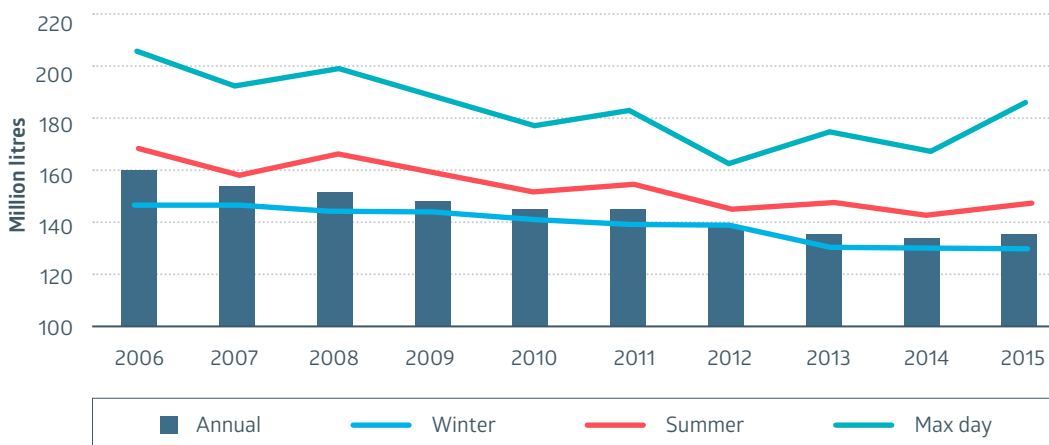
Ten of 13 environmental performance targets were achieved (see page 38), including retaining environmental management system certification to the international standard ISO 14001. Only one resource consent condition wasn't achieved, for replanting work at Te Marua, while an accidental discharge from the Macaskill Lakes to the Hutt River meant we missed the related target of no discharges.

¹⁷ Importance Level 2 and 3



Summer water conservation campaign advertising

Daily water supply 10-year trend (year to 30 June)



Summer water use was the third lowest in the last 10 years, despite record dry conditions in January



Fergusson Intermediate visit to Te Marua

Water supply volumes due to a dry summer

Water supply to the region's four cities for the full year was 49,526 million litres, 0.5% more than in 2013-14. Daily supply averaged 136 million litres. More water use during the summer was the main reason for the slight increase in total supply this year. A long spell of dry weather during January led to record low rainfall in Wellington for that month, while the summer in total witnessed rainfall between a third and half of normal in our river water catchments and half of normal in Wellington. Collectively, Wellington's sunshine, rainfall and temperatures during summer 2014-15 make it among the most challenging for water supply since 2000-01. Despite this, average daily summer water supply was not excessive in the context of the last 10 years, ranking third lowest over that period. The peak-day supply volume (185 ML) ranked fifth, and was well short of the 2005-06 peak-day, 204 ML.

Summer water conservation and restrictions management

From early January, Wellington Water ran a proactive summer water-efficiency and conservation promotion¹⁸ – featuring seven water-saving tips prioritised from research.

In response to reducing water availability from rivers, the tips activity was extended into late March to support publicity for a sprinkler and irrigation-system ban, introduced on 7 March. The sprinkler ban was lifted on 7 April.

Opinion research completed after the end of the sprinkler ban found that:

- 43% of the adult population had seen or heard our conservation tips advertising, and almost a quarter of those people had made at least one change to how they used water as a result
- 46% had seen or heard advertising for the sprinkler ban
- 96% of those who had seen advertising across the tips and restrictions campaigns rated our messages easy to understand, while 94% said the points made were believable
- those who saw or heard these messages changed four water-use behaviours on average (new or more concerted action)

School resources and water treatment plant visits

We continued to promote our tap-water education resource for teachers, *Turning on the Tap*, which provides curriculum-linked study guides and the opportunity to visit a water treatment plant.

We hosted 37 groups for tours at one of our water treatment plants during the year, 19 from local schools and a further 18 from community groups or tertiary education providers. This represents more than 900 visitors. By comparison, we hosted 23 groups including 10 schools during 2013-14.

¹⁸ Previously GWRC's summer water conservation campaign

Financial performance

GWRC's water supply group ended the year with a deficit of \$8.5 million versus a budgeted deficit of \$8.2 million, a close result given the changes during 2014-15. All six financial performance targets were achieved (see page 39).

000s	2014-15 Budget	2014-15 Actual	Variance \$	Variance %
Capex	\$7,550	\$6,784	\$766	-10.1%
Opex – Income	\$27,365	\$28,199	\$834	3.0%
– Expenses	\$35,586	\$36,737	(\$1,151)	-3.2%
– Net	(\$8,221)	(\$8,538)	(\$317)	-3.9%

All financial performance targets were achieved

Capital works

The capital works programme ended the year \$0.7 million underspent (-10.1%). Resource challenges resulting from the integration meant some lower-priority projects were deferred. We have reduced the scope of one of the significant projects (after detailed investigation findings altered our approach) and found genuine savings on some of the smaller projects, and reactive capital replacement budgets. We completed 106 of 115 capital works projects in the annual programme (92%).

Improvement projects – quality and environmental management

The bulk water supply function previously part of GWRC operates quality and environmental management systems that comply with the international standards ISO 9001 and ISO 14001 respectively. Management systems reporting is split between “business as usual” work (adopted as Wellington Water’s key performance indicators in its service-level agreement with GWRC; see page 36) and improvement projects. The 2014-15 bulk water work programme included 15 key improvement projects (KIPs) and four environmental improvement projects (EIPs), three of which were also KIPs. Reporting of all of these projects and related outcomes will be posted on the Wellington Water website by 30 September 2015.



Operating activity

The key change to the 2014-15 budget was the integration into Wellington Water of all the GWRC bulk water supply staff. The two key financial aspects of this have been:















- GWRC incurred additional costs of \$0.5 million. These costs have been for management of the merger change process, with associated external resources and a project team working on rationalising systems and processes across the new organisation (also engaging outside resources). These costs were absorbed into the bulk water supply budget and have been funded by putting some improvement projects on hold, as the integration has either greatly reduced their priority or negated the need for them completely. There has been no reduction in the activities required to produce water
- When GWRC’s water supply team was merged into Wellington Water, a service-level agreement was drafted to ensure Wellington Water would be positioned to provide management services back to the five councils from its own staff and resources. To facilitate this, a capital grant of \$1.1 million was made to Wellington Water for the purchase of GWRC water supply operational vehicles and Petone office-based assets. There is no change for GWRC water supply to current or future cash or levy impacts arising from this transaction

Performance – GWRC bulk water supply

These targets are identified as the basis for performance measurement in the contract for provision of bulk water supply services between GWRC and Wellington Water. They are, with only minor alterations, the same targets adopted by GWRC for its water supply group at the beginning of 2014-15.

 Achieved
 Not Achieved

GWRC Annual Performance Targets

Measure	Target	Result	Note
Provide water that's safe and pleasant to drink			
Provision of water that is safe and pleasant to drink	No waterborne disease outbreaks		
	No taste complaints related to the bulk supply		
Having high level of customer satisfaction	< 5 complaints from TAs on drinking water clarity		
	< 5 complaints from TAs on drinking water odour		
	< 5 complaints from TAs on drinking water pressure or flow		
Comply with the requirements of the Drinking-water Standards for New Zealand (DWSNZ) 2005	100% compliance with the DWSNZ – P1 microbiological		
	100% compliance with the DWSNZ – P2 chemical		
	100% compliance with the DWSNZ – aesthetic		<i>a</i>
Maintain grading from Ministry of Health for the local water supply distribution	Te Marua, Wainuiomata and Gear Island water treatment plants – A1, Waterloo treatment plant – B, bulk water distribution system – a1		<i>b</i>
Comply with Health (Drinking Water) Amendment Act 2007	Up-to-date Water Safety Plans (no older than 5 years from the date plan approved)		
Maintain quality management system that is certified to ISO 9001	ISO quality management system certification maintained		
Operate a quality management plan for the Macaskill Lakes	Annual review of the quality management system for the Macaskill Lakes		
Bulk water supply is continuous and secure			
Maintain water supply to consumers	No shutoffs to bulk water supply network resulting in loss of water or pressure to consumers		<i>c</i>
	Improve the resilience of the bulk water supply to catastrophic events such as earthquakes by implementing the methodology for assessing improvements to the resilience		<i>d</i>

Note: For 2014-15, performance indicators were updated with the merger of GWRC bulk water supply with Capacity, so are not entirely comparable with 2013-14. GWRC annual performance target results for 2013-14 are listed on pages 34-36 of its Water Supply Annual Report (year ended 30 June 2014), which can be viewed at www.gw.govt.nz/water/Documents. Further changes to performance indicators will be introduced for 2015-16, to reflect further development of our regional focus and to comply with new mandatory performance measures from the Department of Internal Affairs. From 2015-16, where possible, performance reporting will include prior-year results for measures

a A few aesthetic test results in the distribution zone have been outside the DWSNZ guideline values, see page 31 (Annual performance)
b Non-compliance with DWSNZ guideline values (including aesthetics, see aesthetic compliance above) can affect water source-treatment and distribution grading. This risk is being managed via Wellington Water's risk management process.
c On 2 February 2015 a reservoir isolation trial resulted in no water to part of the Aro zone. See page 32 (Annual performance)
d Three of the 15 network resilience improvement projects will be carried over to 2015-16 and two projects were deferred to improve alignment with other planned work. The overall result was completion of 67% of planned projects

Measure	Target	Result	Note
Take all practicable steps to ensure reservoirs do not overflow	Less than 5 overflows per annum	✓	
Protecting water sources – pest animal numbers per hectare and areas of pest plants	Target removed. Completion of a Catchment Management Plan with GWRC		e
The distribution system will be protected from damage	Protecting pipelines – 100% of applications for mark out (dial before you dig) are processed within 2 working days from receipt of request (based on a monthly average of 70)	✓	
Sufficient water is available to meet the unrestricted demand (other than by routine hosing restrictions) in all but a drought that has a severity => a 1-in-50-year drought	Modelled probability of annual water supply shortfall is no greater than 2% (calculated annually)	✓	f
Maintenance plans are produced for all equipment and critical maintenance is not deferred	95% of compliance maintenance activities are carried out on time	✓	
	All new equipment will have maintenance plans in place within 3 months of commissioning	–	g
Continually increase knowledge of asset condition through implementation of the condition assessment strategy in the 2014 asset management plan (AMP)	Implement the condition assessment strategy outlined in the 2014 AMP by establishing an ongoing assessment programme with approved budget	–	h
	Complete 90% of the 2014-15 assessments by 30 June 2015	–	i
A comprehensive AMP is in place to guide maintenance, renewal and replacement programme so that assets are replaced or refurbished to maintain overall asset condition rating	Annual review and update of AMP are carried out	✓	
Achieve key milestones in emergency management planning – as per annual work programme (subject to funding)	Target removed. This measure was initially included as part of a KPI alignment exercise undertaken with Capacity prior to the merger. It was intended to be the highest-level target for GWRC's 2014-15 Annual Plan work, which consisted of four major projects specifically to improve resilience in emergency events. Wellington Water completed these projects as part of the GWRC capital works programme		

e This work was excluded from the SLA between Wellington Water and GWRC after the SLA was adopted. The activity has passed back to GWRC

f < 0.5%

g Developing maintenance plans is part of the asset replacement process so occurs as a matter of course. Further work is required to understand the current turnaround time

h In progress. Due to be completed early in 2015-16, in time to inform setting the 2016-17 renewals programme

i In progress. Work will be completed early in 2015-16 in time to inform setting the 2016-17 renewals programme

Measure	Target	Result	Note
Environmental impacts of bulk water supply activities are minimised			
Achieve full compliance with all resource consents and environmental regulations	Full compliance with resource consents	–	<i>j</i>
	Annual review of relevant environmental legislation	✓	
	HSNO location and stationary container test certificates are current	–	<i>k</i>
Adopt all practicable means to prevent pollution of the environment	All solid waste to consented landfill	✓	
	All liquid waste removed and disposed of as per Code of Practice. Waste disposal to be reviewed – site to be visited as part of our environmental aspects register	✓	
	No accidental discharges of substances with the potential of harming the environment	–	<i>l</i>
	Annual audit of chemical delivery and discharge procedures. Audits completed for relevant procedures	✓	
Conserve non-renewable resources such as fuels, energy and materials and minimise waste	Non-revenue water is +/- 2% of annual metered production volume	✓	<i>m</i>
	Complete at least 80% of annual test programme for pump efficiency testing	✓	<i>n</i>
Consider the environmental implications of business decisions	Provide awareness training for all staff and specific training to all staff whose actions have potential environmental impacts – within three months of commencing employment	✓	
	Include environmental performance as an attribute when assessing tenders for all sealed contracts (as defined in the contract works procedure)	✓	
	An environmental aspect and impact assessment will be completed for all new activities and new construction projects (excludes minor works, as defined in the contract works procedure, and equipment replacement projects)	✓	
Operate an environmental management system that is certified to ISO 14001	Environmental management system ISO certification maintained	✓	

j Replanting of a work site near the Macaskill Lakes (Te Marua) was not completed within the timeframe required. Planting is now complete

k An audit against requirements of the HSNO Act identified 11 roto-moulded plastic tanks (capacity > 5,000 L) at our water treatment plants that were non-compliant due to their age. We sought an exemption from WorkSafe (which manages HSNO certifiers) based on the condition of the tanks, but that was declined. An improvement plan will now be prepared and submitted to WorkSafe for approval. Investigations are in progress to assess the cost implications. WorkSafe is comfortable with our approach to gaining compliance

l An accidental discharge of sediment from the Macaskill Lakes into Beard Stream occurred on 2 July 2014. The environmental regulator assessed this as not a breach of the Resource Management Act

m 0.1%

n 82%

Measure	Target	Result	Note
Financial risks are adequately managed			
Capex projects completed within the relevant combined budget within the financial year	Complete capital expenditure programme within +/- 10% of budget, and 90% of projects are completed within the financial year	✓	
Ensure that the actual direct operating costs do not exceed the budgeted value	Direct operating costs do not exceed budget (annually)	✓	
Areas of significant operational expenditure will be routinely monitored and opportunities for cost reduction will be identified	Variations greater than \$20,000 or 10% of budget are identified and reported monthly	✓	
	Power and generation usage and costs monitored and reported monthly	✓	
	Chemical use is monitored and reported monthly	✓	
Practice prudent financial management	Asset insurance cover is reviewed annually to ensure that there is sufficient cover for maximum probable loss, through a mix of external insurance and reserve fund, so that the financial impact of any natural disaster is minimised	✓	
Our people are safe and productive			
Health and safety system meets the requirements of the ACC Workplace Safety Management Practices standards – complete gap analysis	Target removed. This measure was initially included as part of a KPI alignment exercise undertaken with Capacity prior to the merger (rather than due to client expectation). There was no agreement with GWRC for a gap analysis as referred to. The target was removed in agreement with GWRC after the SLA was signed		
Maintain an active, up-to-date, health and safety management system that helps achieve the requirements of the Health and Safety in Employment Act	Ratio of proactive to reactive reports is no less than 2:1	–	<i>o</i>
	Lost-time injury frequency rate is less than 1 incident/10,000 hours worked	✓	<i>p</i>
	Lost-time Injury severity rate is less than 1 day/10,000 hours worked	–	<i>q</i>
Compliance with the Health and Safety in Employment Act 1992	No infringement notices or prosecutions from Ministry of Business, Innovation and Employment	✓	
Ability – people have the knowledge, skills and competence to perform the role they are in	Annual training plans in place for all staff, including health and safety critical training per role	–	<i>r</i>
Direction – our staff know what is expected and understand the priorities	Performance review discussions occur 6 monthly	–	<i>s</i>

o Result 0.93:1 – proactive report numbers were steady throughout the year. Reactive reports of minor injuries, near misses and property damage increased in the last two quarters, due to a business focus on ensuring full reporting, which contributed to the ratio falling below target

p Result 0.41/10,000 hours worked

q Result 4.47/10,000 hours – In the 4th quarter of 2014-15 there were two moderate injuries. This resulted in 38 lost days, which has caused the ratio to rise above target. Hazard reviews have been carried out regularly and there is confidence that our workplace remains a safe place to work



r Work deferred due to water services amalgamation and restructuring










s Work deferred due to water services amalgamation and restructuring

Performance – company indicators

For 2014-15, Wellington Water had over 75 performance targets for city councils and almost 50 for GWRC. This includes long-term plan (LTP) and company-focused indicators. Since these measures were agreed, we have evaluated and refined them in line with our regional focus to improve coordination between councils, and compliance with new mandatory national performance measures from the Department of Internal Affairs (to be reported from 2015-16). The outcome of this work is reflected in the Statement of Intent agreed

with our client councils for 2015-18, as well as in their respective long-term plans, effective from 1 July 2015. The development of the new indicators has occurred since the release of Capacity's Statement of Intent 2014-15, and subsequently some 2014-15 indicators were not continued. These are indicators 5, 6, 8 and 22. Wellington Water is continuing to strengthen the links between outcomes and investment and as part of this process new performance indicators will be developed as required.

	Achieved
	Not Achieved

Company "Statement of Intent" Performance Indicators		How we did				Note	
Ref	Service Quality	HCC	PCC	UHCC	WCC		
1	Maintain Ministry of Health grading for local water distribution network ("a" or "b")	"b"	"a"	"b"	"b"		
2	Compliance with NZ drinking-water standards 2000 (Part 4, bacterial compliance)	100%	100%	100%	100%		
3	Fewer than 4 unplanned supply cuts (pipe bursts) per 1,000 connections	2.19	1.55	1.38	1.22		a
4	Fewer than 1.2 wastewater incidents reported per km of wastewater pipeline (target < 2 for UHCC)	0.64	0.89	0.50	0.48		a
5	Percentage of critical assets with a condition assessment completed in the last 3 years	Measure not continued (see table introduction)					
6	Percentage of non-critical assets with a condition assessment completed in the last 3 years	Measure not continued (see table introduction)					
7	Percentage of fire hydrants tested that meet NZFS Code of Practice (firefighting supply). (Target for WCC only, 95%)	n/a	92%	98%	94%		a,b,c
8	Maintain network serviceability indicators within agreed tolerances	Measure not continued (see table introduction)					
Ref	Customer Focus	HCC	PCC	UHCC	WCC		
9	Water supply – achieve justified customer complaint targets relating to network performance and activity within Capacity's control (target < 200)	1	0	0	2		
	Wastewater – achieve justified customer complaint targets relating to network performance and activity within Capacity's control (target < 100)	0	0	0	2		
	Stormwater – achieve justified customer complaint targets relating to network performance and activity within Capacity's control (target < 100)	0	1	0	0		
10	Water supply – achieve customer service satisfaction targets relating to network performance and activity within Capacity's control (target 95% HCC and UHCC, 90% WCC)	95%	n/a	94%	99.7%		d

Note: For 2014-15, our company performance measures were updated substantially from 2013-14, so are not entirely comparable. Capacity's company performance results for 2013-14 are listed on page 9 of its Annual Report 2013-14, which can be viewed at www.wellingtonwater.co.nz (Publications and links). Further changes will be introduced for 2015-16, to reflect further development of our regional focus and to comply with new mandatory performance measures from the Department of Internal Affairs. From 2015-16, where possible, performance reporting will include prior-year results for measures

- a Values in grey recorded but not council SOI measures
- b Values in red denote result below target level
- c All UHCC key hydrants last tested in 2011. Next testing scheduled for 2015-16
- d Values in red denote result below target level

	Wastewater – achieve customer service satisfaction targets relating to network performance and activity within Capacity's control (target 95% HCC, 90% WCC)	97%	n/a	n/a	99.1%	✓	
	Stormwater – achieve customer service satisfaction targets relating to network performance and activity within Capacity's control (target 80% HCC, 85% WCC)	87%	n/a	n/a	100%	✓	
11	Water supply – achieve A & B response time targets for Priority 1 activities in 97% (or better) of incidents	99.5%	n/a	100%	99.6%	✓	
	Wastewater – achieve A & B response time targets for Priority 1 activities in 95% (or better) of incidents	99.5%	n/a	100%	99.24%	✓	
	Stormwater – achieve A & B response time targets for Priority 1 activities in 95% (or better) of incidents	100%	n/a	100%	99.54%	✓	
Ref	Work Planning and Cost-effectiveness	HCC	PCC	UHCC	WCC		
12	Completion of agreed annual work programme within the financial year (% of number completed of each of Capital and Operational projects within tolerance +0% to -10%)		See Table 1 below			–	e
13	Capital projects completed within the relevant combined budget within the financial year (value of projects within tolerance +0% to -10%)		See Table 1 below			✓	f
14	Operating cost per property – water supply	\$255	\$257	\$314	\$330	New indicator with no achievement level target for 2014-15	
	Operating cost per property – stormwater	\$85	\$41	\$55	\$104		
	Operation cost per property – wastewater	\$227	\$490	\$273	\$295		
15	Manage Capacity business within budget		See Table 2 below			–	g
Ref	Environmental Performance	HCC	PCC	UHCC	WCC		
16	Achieve key milestones in water conservation		Single indicator represents organisational performance			–	h
17	Achieve key milestones in stormwater management		Single indicator represents organisational performance			–	i
18	No RMA-related infringement notices received from GWRC	1	0	0	0	–	j
Ref	Legislative Compliance	HCC	PCC	UHCC	WCC		
19	Compliance with the Health & Safety in Employment Act 1992		Single indicator represents organisational performance			✓	
20	Lost Time Injury Frequency Rate per million hours worked (including contractors)		187.9			Note 1	
21	Total Recordable Injury Frequency Rate per 200,000 hours (including contractors)		13.8			Note 1	

Note 1: The lag indicators showing Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR) are the result of 8 months of data collection of Wellington Water activity. A business improvement process to record more complete contractor data was put in place in November 2014, initially with a trial group then extended to all contractors early in 2015. As our data record grows over time, our baseline performance can be assessed with more accuracy. This will allow us to set targets for improvement over the coming years. Reporting for LTIFR from 2015-16 will be standardised to "per 200,000 hours", suitable for an organisation the size and operations of Wellington Water

e Capital programme 88% completed. Operational programme 99% completed

f 0.9% underspend, inclusive of approved carry-forwards

g Year-end result of \$68,000 deficit compared with a budgeted surplus of \$120,000

h WCC and HCC have Water Conservation and Efficiency Plans with common activities. UHCC has a draft plan that has not been finalised. The outcome targets for reducing water use were achieved for both WCC and HCC. Progress was made with all activities within the finished plans, including extending work programmes to Porirua and Upper Hutt. However, self-imposed aims for large water-user visits and retailer engagement were not met

i One project for Hutt City Council, Ariki Street stormwater pipeline renewal, was not finished by 30 June. A funding carry-forward was agreed with council and the project was completed in July 2015. N.B. significant additional stormwater investigation work was undertaken as a result of three flooding events during April and May 2015. See page 25

j An infringement notice was received for discharge to stream due to a water-main burst in Lower Hutt in January 2015

22	ACC workplace management practices accreditation	Measure not continued (see table introduction)	
23	Compliance with all other relevant legislation		✓
Ref	Organisation/Process	HCC PCC UHCC WCC	
24	Achieve key milestones in emergency management planning	Single indicator represents organisational performance	– ^k
25	Meet agreed deadlines and requirements for asset management plans	Single indicator represents organisational performance	✓
26	Maintain ISO 9001 2008 accreditation	Single indicator represents organisational performance	✓
27	Meet shareholder reporting requirements	Single indicator represents organisational performance	✓

^k We completed 33 of 36 Emergency Preparedness Programme projects that were due for completion in 2014-15 (92%)

Table 1, Indicators 12 and 13

Capital Projects		2014-15	2014-15	2014-15	2013-14	Operations Projects		2014-15	2014-15	2013-14
		Forecast	Actual	Approved carry-forward	Actual			Forecast	Actual	Actual
HCC	Budget (\$000)	10,434	9,142	1,174	8,130	HCC	Budget (\$000)	25,652	24,798	18,460
	Projects	50	42				Projects	35	34.5	
PCC	Budget (\$000)	11,463	4,618	5,597	6,001	PCC	Budget (\$000)	9,345	9,233	19,072
	Projects	38	25				Projects	30	30	
UHCC	Budget (\$000)	5,032	4,243	620	2,915	UHCC	Budget (\$000)	7,990	7,895	4,598
	Projects	29	27				Projects	29	29	
WCC	Budget (\$000)	25,004	26,045	0	23,399	WCC	Budget (\$000)	40,206	38,949	41,380
	Projects	116	111				Projects	46	45.5	
TOTAL	Budget (\$000)	51,933	44,048	7,605	40,445	TOTAL	Budget (\$000)	83,193	80,875	84,482
	Projects	233	205				Projects	140	139	

Table 2, Indicator 15

	2014-15	2014-15	2013-14
\$ 000	Actual	Budget	Actual
Revenue	25,987	26,369	13,281
Expenditure	24,961	26,276	13,225

The significant change in revenue and expenditure compared to prior year is a result of the merge between Capacity Infrastructure Services and the (bulk) Water Group of the Greater Wellington Regional Council (GWRC) in September 2014, as well as the \$3 million increase in project consultancy from only a part-year implementation in 2013-14. There was also a \$1.1 million capital grant for the purpose of asset transfer from GWRC.

Governance

Wellington Water is a council-controlled organisation, as defined by section 6 of the Local Government Act (LGA) 2002. Wellington Water is also covered by the Companies Act 1993 and governed by law and best practice. The company's purpose is "creating excellence in regional water services for healthy communities".

Wellington Water's five shareholders are the Hutt City Council, Porirua City Council, Upper Hutt City Council, Wellington City Council and Greater Wellington Regional Council. Each shareholder holds 20% of the voting shares of Wellington Water.

The Local Government Act states that the principal objective of a council-controlled organisation is to:

- achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the Statement of Intent
- be a good employer
- show a sense of social and environmental responsibility by considering the interests of the community in which the company operates and trying to accommodate or encourage these when possible
- conduct its affairs in accordance with sound business practice

Board of Directors

Wellington Water is governed by a board of independent directors. The Chair of the Board reports to the Wellington Water Committee.

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

The Board of Directors' accountabilities include:

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

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

Directors conduct a Board evaluation review annually.

Wellington Water Committee

Representatives of the five shareholding councils meet quarterly as the Wellington Water Committee to discuss water issues and general progress. The Committee provides shareholder governance and regional oversight. It provides guidance on Wellington Water's regional approach to issues and policy.

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

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:

- 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 LGA 2002)
- Within three months after the end of each financial year, Wellington Water will provide an Annual Report which provides a comparison of its performance with the Statement of Intent, with an explanation of any material variances, audited consolidated financial statements for that financial year, and an auditor's report (in accordance with sections 67, 68 and 69 of the LGA 2002)

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

Directors' remuneration

This information is reported on in the notes to the financial statements.

Directors' and officers' liability insurance

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

Donations

There were no donations made during the year.

Auditor

The auditors are appointed under section 70 of the Local Government Act 2002. The Auditor-General has appointed Audit New Zealand to provide these services.

Independent Auditor's Report

To the readers of Wellington Water Limited's financial statements and performance information for the year ended 30 June 2015.

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 47 to 64 that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 40 to 42.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards.
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 30 June 2015.

Our audit was completed on 15 September 2015. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

An audit also involves evaluating:

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

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

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

Responsibilities of the Board of Directors

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

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

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

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

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



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

Financial Statements

Statement of Comprehensive Revenue and Expenses

For the year ended 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
REVENUE				
Operations	2	17,575	17,569	8,981
Capital grant	21	1,094	-	-
Standard consultancy charge	20, 21	7,121	8,707	4,204
Interest revenue		198	120	96
TOTAL REVENUE		25,988	26,396	13,281
EXPENSES				
Personnel costs	14	14,502	14,522	6,684
Operational expenses		9,468	10,751	5,730
Audit fees		64	40	40
Rental and operating lease costs		654	550	540
Directors' fees	13	102	180	114
Depreciation and amortisation expense	5	171	222	116
Finance cost		1	11	1
TOTAL EXPENSES		24,962	26,276	13,225
NET SURPLUS/(DEFICIT) BEFORE TAXATION		1,026	120	56
Income tax credit/(expense)	3	(271)	-	(18)
NET SURPLUS/(DEFICIT) AFTER TAXATION		755	120	38
Other comprehensive revenue and expense		-	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSES		755	120	38
Total comprehensive revenue and expenses attributable to:				
Wellington City Council		318	50	19
Hutt City Council		159	25	9
Upper Hutt City Council		63	11	4
Porirua City Council		95	15	6
Greater Wellington Regional Council		120	19	-
TOTAL		755	120	38

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

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Statement of Changes in Equity

For the year ended 30 June 2015

	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
Net surplus/(deficit) for the year	755	(174)	38
TOTAL COMPREHENSIVE REVENUE AND EXPENSES	755	(174)	38
Equity balance at 1 July	654	(70)	416
Capital contribution	150	800	200
EQUITY BALANCE AT 30 JUNE	1,559	556	654

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

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Statement of Financial Position

As at 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
CURRENT ASSETS				
Cash and cash equivalents	8	5,066	1,589	3,781
Receivables	6	2,031	394	784
		7,097	1,983	4,565
NON-CURRENT ASSETS				
Intangible assets	5	131	-	153
Property, plant and equipment, motor vehicles	5	2,126	699	130
Deferred tax asset		-	-	117
		2,257	699	400
TOTAL ASSETS		9,354	2,682	4,965
CURRENT LIABILITIES				
Payables	7	6,508	1,815	3,754
Employee entitlements	9	1,216	311	573
Provision for taxation		27	-	(16)
		7,751	2,126	4,311
NON-CURRENT LIABILITIES				
Deferred tax liability	4	44	-	-
		44	-	-
TOTAL LIABILITIES		7,795	2,126	4,311
NET ASSETS		1,559	557	654
EQUITY				
Contributed capital	10	950	800	800
Accumulated comprehensive revenue and expenses	11	609	(243)	(146)
TOTAL EQUITY		1,559	557	654



John Strahl
Chairman



Nicki Crauford
Director

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

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Statement of Cash Flows

For the year ended 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
CASH FLOW FROM OPERATING ACTIVITIES				
<i>Cash was provided from:</i>				
Operating receipts		23,459	24,357	13,740
Interest received		198	120	96
GST refund		702	-	-
<i>Cash was disbursed to:</i>				
Payments to suppliers and employees		(22,168)	(21,560)	(10,410)
Income tax paid (net)		(66)	(2,923)	(68)
Interest paid		(1)	-	(1)
GST paid		-	-	(380)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	15	2,124	(6)	2,977
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment, motor vehicles		(916)	(660)	(32)
Purchase of intangible assets		(73)	-	(178)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(989)	(660)	(210)
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Cash was provided from:</i>				
Capital contribution		150	-	200
NET CASH FLOW FROM FINANCING ACTIVITIES		150	-	200
Net increase/(decrease) in cash and cash equivalents		1,285	(666)	2,967
Cash and cash equivalents at the beginning of the year		3,781	2,255	814
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	5,066	1,589	3,781

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

Notes to the Financial Statements

For the year ended 30 June 2015

1. Statement of compliance

The financial statements have been prepared in accordance with the Local Government Act 2002, which requires compliance with generally accepted accounting practice in New Zealand ("NZ GAAP"). For the purposes of financial reporting, Wellington Water is a public benefit entity.

The financial statements have been prepared in accordance with Tier 1 Public Benefit Entity (PBE) accounting standards. These financial statements are the first financial statements presented in accordance with the new PBE accounting standards.

Reporting entity

Wellington Water is a company registered under the Companies Act 1993 and is a council-controlled organisation as defined by section 6 of the Local Government Act 2002. Wellington Water was incorporated in New Zealand in 2003 as Wellington Water Management Services Limited and later in September 2014 as Wellington Water Limited. Current shareholders are Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council and Greater Wellington Regional Council.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Local Government Act 2002.

Reporting period

The reporting period for these financial statements is the year ended 30 June 2015. The financial statements were authorised for issue by the Board of Directors on 15 September 2015.

Specific accounting policies

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

The measurement basis applied is historical cost.

The financial statements are presented in New Zealand Dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated. Any difference in these statements is due to rounding.

Standards issued and not yet effective and not early adopted

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. Wellington Water has applied these standards in preparing the 30 June 2015 financial statements.

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBEs with reporting periods on or after 1 April 2015. Wellington Water will apply these updated standards in preparing its 30 June 2016 financial statements and expects minimal or no change when these updated standards are applied.

Judgements and estimations

The preparation of financial statements in conformity with NZ IPSAS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes.

a) Revenue

Wellington Water derives revenue from its client councils. In 2014-15 the client councils were shareholder councils Wellington City Council, Hutt City Council, Upper Hutt City Council, and Porirua City Council with Greater Wellington Regional Council joining from 19 September 2014.

Revenues from operations are standard charges agreed with the client councils on an allocation based on the average three-year asset value and operations work programme. These revenues are billed and recognised monthly.

The standard consultancy charges are revenues based on actual work programme and billed to the client councils on a monthly basis, except for Greater Wellington Regional Council.

Interest revenue is recognised using the effective interest method.

Revenue is recognised when earned and is reported in the financial period to which it relates.

b) Expenses

Expenses are recognised on an accrual basis when the goods or services have been received.

c) Taxation

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years.

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

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

Current tax and deferred tax is charged or credited to the Statement of Comprehensive Revenue and Expenses, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

d) Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The GST (net) and income tax (net) components of cash flows from operating activities reflect the net GST paid to and received from the Inland Revenue Department. The GST and Income Tax components have been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

e) Financial instruments

Wellington Water classifies its financial assets and financial liabilities according to the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Non-derivative financial instruments

Financial assets

Wellington Water investments comprise cash and cash equivalents.

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, and term deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value. The carrying amount of term deposits approximates their fair value.

Financial liabilities

Financial liabilities comprise payables under exchange transactions. Financial liabilities entered into with duration of less than twelve months are recognised at their nominal value.

f) Property, plant and equipment

Recognition

Property, plant and equipment consists of operational assets. Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset and can be measured reliably. Costs that do not meet the criteria for capitalisation are expensed.

Measurement

Items of property, plant and equipment are initially recorded at cost.

The initial cost of property, plant and equipment includes the purchase cost and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential and that can be measured reliably is capitalised.

Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it is reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the Statement of Comprehensive Revenue and Expenses.

Disposal

Gains and losses arising from the disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Revenue and Expenses in the period in which the transaction occurs.

Depreciation

Depreciation is provided on all property, plant and equipment, except for assets under construction (work in progress). Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset (less any residual value) over its useful life. The useful lives and depreciation rates of the major classes of property, plant and equipment are as follows:

Furniture and office equipment	2-14 years (7.00-50.00%)
Motor vehicles	5-10 years (10.00-20.00%)
Fit out costs	4-6 years (16.67-25.00%)
Plant equipment	3-10 years (10.00-33.33%)

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance date.

Work in progress

The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and then depreciated.

g) Intangible assets

Acquired intangible assets are initially recorded at cost.

Intangible assets with finite lives are subsequently recorded at cost, less any amortisation and impairment losses. Amortisation is charged to the Statement of Comprehensive Revenue and Expenses on a straight-line basis over the useful life of the asset. The estimated useful lives and depreciation rates of these assets are as follows:

Computer software	2.5-5 years (18.60-40.00%)
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Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Comprehensive Revenue and Expenses in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss is recognised. Losses resulting from impairment are reported in the Statement of Comprehensive Revenue and Expenses.

h) Employee benefits

A provision for employee benefits (annual leave) is recognised as a liability when benefits are earned but not paid.

Annual leave liability is calculated on an actual entitlement basis at the greater of the average or current hourly earnings in accordance with sections 16(2) and 16(4) of the Holidays Act 2003.

i) Other liabilities and provisions

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

j) Equity

Equity is the shareholders' interest in the entity and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the entity. The components of equity are share capital and retained earnings.

k) Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term finance leases are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item and the present value of the minimum leased payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to the ownership of an asset. Lease payments under operating lease are recognised as an expense on a straight line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

l) Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver and other cash accumulation schemes are recognised as an expense in the surplus or deficit as incurred.

m) Related parties

A party is related to Wellington Water if:

- it controls, is controlled by, or is under common control with Wellington Water or has an interest that gives it significant influence over control of the company
- the party is an associate of Wellington Water
- the party is a member of key management personnel of Wellington Water
- the party is a close member of the family of any individual referred to above
- the party is an entity controlled jointly or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to above

Directors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly, to a director during the reporting period. Directors' remuneration does not include reimbursement of legitimate work expenses or the provision of work-related equipment such as cell phones and laptops.

n) Budget figures

The budget figures are derived from the Statement of Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board of Directors in preparing these financial statements.

Changes in accounting policies

These financial statements comply with the PBE standards. These financial statements are the first financial statements presented in accordance with the new PBE standards. Previous references to "income" have been relabelled "revenue". Similarly, references to "comprehensive income" have been relabelled "comprehensive revenue and expenses". Previous references to "retained earnings" have been relabelled "accumulated comprehensive revenue and expenses".

2. Nature of the business

Wellington City Council, Hutt City Council, Upper Hutt City Council and Porirua City Council, together with the newly-joined Greater Wellington Regional Council, engage Wellington Water to manage water services (water, stormwater and wastewater) for the five councils. The five councils, however, continue to own their respective water service assets and to separately determine the level and standard of service to be provided. Wellington Water derives revenue through standard charges based on an average three-year Asset Value and the Operations Work Programme, which are agreed with the client councils and which fund its operating expenditures.

3. Income tax

	2015 \$000	2014 \$000
Current tax expense		
Current year	113	56
Prior period adjustment	(4)	(12)
	109	44
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	162	(26)
Change in unrecognised temporary differences	-	-
Recognition of previously unrecognised tax losses	-	-
	162	(26)
NET TAX EXPENSE	271	18
Reconciliation of effective tax rate		
Surplus/(deficit) for the period excluding income tax	1,026	56
Prima facie income tax based on domestic tax rate	287	16
Effect of non-deductible expenses	15	17
Effect of tax exempt income	(318)	-
Change in temporary differences	284	(26)
Prior period adjustment	3	12
	271	18
Imputation credits		
Imputation credits as at 30 June available for use in subsequent periods	148	54

4. Deferred tax

Deferred tax asset/(liability)

	Property, plant and equipment \$000	Employee entitlements \$000	Total \$000
Balance at 30 June 2013	3	89	92
Charged to surplus or deficit	(1)	26	25
Balance at 30 June 2014	2	115	117
Charged to surplus or deficit	(277)	116	(161)
Balance at 30 June 2015	(275)	231	(44)

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5. Property, plant and equipment and intangibles

The asset register continues to be updated and stock takes are periodically conducted.

Assets were auctioned out to staff during the move from the old Capacity building at 85 The Esplanade to 25 Victoria Street. The accumulated depreciation of the assets that were disposed of amounted to \$64K, which resulted in a \$25K loss on disposal on assets.

On 30 June 2015, Greater Wellington Regional Council transferred assets amounting to \$502K (furniture and fit out costs) and vehicles worth \$591K. These assets were funded by a capital grant.

There was no work in progress at the end of 2015.

2014-2015	Current additions \$000	Current disposals \$000	Current deprec'n \$000	Deprec'n eliminated on disposal \$000	Total cost \$000	Accum deprec'n \$000	Net book value \$000
<i>Owned assets:</i>							
Telephone system	-	-	-	-	34	34	-
Furniture, plant and equipment	1,513	95	76	64	1,685	150	1,535
Motor vehicles	591	-	-	-	591	-	591
Intangibles	73	-	95	-	400	268	131
	2,177	95	171	64	2,709	452	2,257

2013-2014	Current additions \$000	Current disposals \$000	Current deprec'n \$000	Deprec'n eliminated on disposal \$000	Total cost \$000	Accum deprec'n \$000	Net book value \$000
<i>Owned assets:</i>							
Telephone system	-	-	-	-	34	34	-
Furniture, plant and equipment	36	4	27	2	267	137	130
Intangibles	178	-	89	-	327	174	153
	214	4	116	2	628	345	283

6. Receivables

	Note	Actual 2015 \$000	Actual 2014 \$000
Receivable from exchange transactions		-	-
Related parties receivables		1,850	390
Prepayments and sundry debtors		181	156
GST receivable		-	238
		2,031	784

All related party receivables are exchange transactions as fees pertain to the delivery of management services and compliance on the conditions of the capital grant.

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7. Payables under exchange transactions

	Note	Actual 2015 \$000	Actual 2014 \$000
Payables under exchange transactions		4,713	2,715
Related parties payables	12	1,332	1,039
GST payable		463	-
		6,508	3,754

8. Cash and cash equivalents

	Actual 2015 \$000	Actual 2014 \$000
Cash at bank and on hand	1,566	3,781
Term deposits with maturities of less than 3 months	3,500	-
TOTAL CASH AND CASH EQUIVALENTS	5,066	3,781

9. Employee entitlements

Wellington Water provides accrual for leave benefits consisting of annual leave and time in lieu. Benefit entitlements are as follows:

	Actual 2015 \$000	Actual 2014 \$000
Current annual leave and time in lieu	728	358
Payroll accruals	489	215
TOTAL EMPLOYEE ENTITLEMENT	1,216	573

10. Share capital

	Actual 2015 \$000	Actual 2014 \$000
475 fully paid \$2,000 ordinary shares	950	800

Shareholder	A Shares Voting Rights	B Shares Equity Rights	Value of B Shares \$000
Wellington City Council	150	200	400
Hutt City Council	150	100	200
Upper Hutt City Council	150	40	80
Porirua City Council	150	60	120
Greater Wellington Regional Council	150	75	150
TOTAL SHARES	750	475	950

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11. Accumulated comprehensive revenue and expenses

	Actual 2015 \$000	Actual 2014 \$000
Balance at beginning of year	(146)	(184)
Net surplus/(deficit) for the year	755	38
BALANCE AT END OF YEAR	609	(146)

12. Related party transactions

	Actual 2015 \$000	Actual 2014 \$000
<i>Revenue for services by Wellington Water to:</i>		
Wellington City Council	11,196	8,259
Hutt City Council	3,911	2,549
Upper Hutt City Council	1,375	1,096
Porirua City Council	2,659	834
Greater Wellington Regional Council	5,555	-
	24,696	12,738
<i>Capital grants received by Wellington Water:</i>		
Greater Wellington Regional Council	1,094	-
	1,094	-
<i>Goods and services supplied to Wellington Water by:</i>		
Wellington City Council	84	45
Hutt City Council	11	8
Upper Hutt City Council	1	-
Porirua City Council	11	-
Greater Wellington Regional Council	64	-
	171	53
<i>Payments by councils relating to City Care:*</i>		
Wellington City Council	6,334	6,745
Hutt City Council	2,819	2,776
Upper Hutt City Council	852	901
	10,005	10,422

* Payments relating to City Care have no effect on the revenue and expenses as Wellington Water is purely managing the City Care contract on behalf of the councils and a monthly wash up of the funds is done. This is showing in our related party as we are receiving money from the councils to manage City Care services on behalf of them.

<i>Payments by councils relating to other reimbursements:</i>		
Wellington City Council	46	196
Hutt City Council	11	138
Upper Hutt City Council	25	33
Porirua City Council	37	30
Greater Wellington Regional Council	186	-
	305	397
<i>Receivables owing to Wellington Water from:</i>		
Wellington City Council	293	-
Hutt City Council	19	326
Upper Hutt City Council	113	64
Greater Wellington Regional Council	1,425	-
	1,850	390
<i>Payable by Wellington Water to:</i>		
Wellington City Council	11	1,039
Hutt City Council	1	-
Porirua City Council	226	-
Greater Wellington Regional Council	1,094	-
	1,332	1,039

13. Related party disclosures

In this section we disclose the remuneration and related party transactions of key management personnel, which comprise the Board of Directors, the Chief Executive and the Senior Leadership Team.

	Actual 2015 \$000	Actual 2014 \$000
Key management personnel		
Salaries and other short-term benefits	1,729	1,250
Post-employment benefits	57	44
Termination benefits	-	25
TOTAL COMPENSATION, CHIEF EXECUTIVE AND SENIOR LEADERSHIP TEAM	1,786	1,319
TOTAL PAYMENTS FOR DIRECTOR REMUNERATION AND SERVICES	123	124
TOTAL COMPENSATION, KEY MANAGEMENT PERSONNEL	1,909	1,443
Full-time equivalent count		
Chief Executive and Senior Leadership Team	8.00	6.00
Board of Directors	4.77	6.67
KEY MANAGEMENT PERSONNEL TOTAL FULL-TIME EQUIVALENT COUNT AS AT 30 JUNE	12.77	13.67

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Directors' remuneration	2015 \$	2014 \$	Important dates
John Strahl (Chairman)	40,000	27,500	Term end 31/12/2015
Ian Hutchings	20,000	17,500	Term end 30/06/2015
Nicki Crauford	20,000	1,667	Term end 31/12/2017
Cynthia Brophy	8,333	-	Appointed 01/02/2015
Peter Allport	-	15,000	Term end 31/12/2013
David Wright*	8,333	-	Appointed 01/02/2015
Andrew Foster	-	7,500	Term end 31/12/2013
Peter Leslie	-	7,500	Term end 31/12/2013
David Bassett	1,667	17,500	Term end 30/09/2014
Wayne Guppy	1,667	10,000	Term end 30/09/2014
Nick Leggett	1,667	10,000	Term end 30/09/2014
TOTAL DIRECTORS' REMUNERATION	101,667	114,167	

* Includes \$5,000 remaining payable at year end

There were also payments to Wellington City Council and Watercare in respect of director services as follows:

	2015 \$	2014 \$	Important dates
Wellington City Council, for director services of Sarah Free	1,667	5,000	Term end 05/08/2014
Watercare, for director services of Raveen Jaduram	20,000	5,000	Term end 31/12/2017
TOTAL PAYMENTS FOR DIRECTOR SERVICES	21,667	10,000	

Wellington Water purchased legal services from DLA Piper, a legal firm in which Wellington Water director John Strahl was formerly a partner and occasionally is engaged by DLA Piper for ad hoc assignments. These services cost \$21,118.43 for 2015, which included review of the company restructure documents and advice on employment and insurance matters (2014: \$55,511.69), and were supplied on normal commercial terms. There is an accrued outstanding balance in 2015 of \$2,678.12 (2014: \$2,571.44) for unpaid invoices at year end. John Strahl has resigned from DLA Piper subsequent to balance date.

Employee remuneration

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

Salary range		Year ended 30 June 2015	Year ended 30 June 2014
From	To		
\$350,000	\$360,000	1	-
\$300,000	\$310,000	1	-
\$250,000	\$260,000	-	1
\$200,000	\$210,000	1	-
\$190,000	\$200,000	-	1
\$180,000	\$190,000	1	-
\$150,000	\$160,000	1	3
\$140,000	\$150,000	1	-
\$120,000	\$130,000	2	-
\$110,000	\$120,000	6	5
\$100,000	\$110,000	6	6
		20	16

14. Personnel expenditure

Employee remuneration consists of salaries and wages, bonuses and overtime.

	Actual 2015 \$000	Actual 2014 \$000
Employee remuneration	12,823	6,084
Defined contribution plan employer contributions	402	150
Other employee costs	939	370
Recruitment costs	338	80
TOTAL	14,502	6,684
	Actual 2015	Actual 2014
TOTAL FULL-TIME EQUIVALENT PERSONNEL AS AT 30 JUNE	163	74

15. Reconciliation of net surplus before taxation with cash inflow from operating activities

	Actual 2015 \$000	Actual 2014 \$000
REPORTED SURPLUS/(DEFICIT) AFTER TAXATION	755	38
<i>Add non-cash items:</i>		
Depreciation	171	116
Capital grant	(1,094)	-
Adjustment: depreciation eliminated on assets disposed of	(64)	-
	(232)	154
<i>Add/(less) movements in other working capital items:</i>		
(Increase)/decrease in trade and related party receivable	(1,461)	555
(Increase)/decrease in deferred tax asset	161	(25)
(Increase)/decrease in prepayments and sundry debtors	(25)	(34)
Increase/(decrease) in trade and related party payable	2,290	2,604
Increase/(decrease) in GST payable	701	(381)
Increase/(decrease) in employee entitlements	644	130
Tax provision movement	44	(26)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	2,124	2,977

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16. Financial instruments

Wellington Water's financial instruments include financial assets (cash and cash equivalents and receivables) and financial liabilities (payables that arise directly from operations).

The Directors do not consider there is any material exposure to interest rate risk on its investments.

Concentrations of credit risk with respect to accounts receivable are high due to the reliance on Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council and Greater Wellington Regional Council for the company's revenue. However, the councils are considered by the Directors to be high credit quality entities.

Wellington Water invests funds on deposit with the ANZ Bank, which has a Standard and Poor's credit rating of AA-.

Fair value

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's-length transaction. There were no differences between the fair value and the carrying amounts of financial instruments at 30 June 2015.

Market risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates.

There is no exposure to interest rate and currency risk as Wellington Water does not have borrowings and other foreign currency transactions.

Credit risk

Credit risk is the risk that a third party will default on its obligations to Wellington Water, therefore causing a loss. Wellington Water is not exposed to any material risk.

Cash is held on deposit with ANZ Bank under a call, a cheque account and short-term deposits. Wellington Water holds no other collateral or credit enhancements that give rise to credit risk.

Receivables balances are monitored on an ongoing basis to Wellington Water's exposure to bad debts. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position.

	2015 \$000	2014 \$000
Receivables from exchange transactions		
Not past due date	2,031	784
TOTAL RECEIVABLES FROM EXCHANGE TRANSACTIONS	2,031	784

Liquidity risk

Liquidity risk is the risk arising from unmatched cash flows and maturities. The following table sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis.

	Statement of Financial Position \$000	Total contractual cash flows \$000	Zero to 12 months \$000	Two to five years \$000	More than five years \$000
2015					
PAYABLES UNDER EXCHANGE TRANSACTIONS	6,508	6,508	6,508	-	-
2014					
PAYABLES UNDER EXCHANGE TRANSACTIONS	3,754	3,754	3,754	-	-

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17. Commitments and contingencies

Wellington Water had a six-year lease commitment at 85 The Esplanade, Petone, starting 1 July 2009, with a two-month lease-free period on each year for the first three years. The lease expired on 30 June 2015. Wellington Water has signed up to a new six-year lease commitment at Level 4, 25 Victoria Street (IBM House), expiring August 2021, with a six-month lease-free period starting 25 February 2015. From 1 July 2015, the lease of the Greater Wellington Regional Council on Level 6 of IBM House was transferred to Wellington Water.

Wellington Water also has a commitment in operating leases for computer hardware, printers and vehicles.

	Actual 2015 \$000	Actual 2014 \$000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
Not later than one year	873	514
Later than one year and not later than five years	2,746	347
Later than five years	524	-
	4,143	861

18. Contingent assets and liabilities

Wellington Water has no contingent liabilities in 2015 (2014: \$nil) and no contingent assets in 2015 (2014: \$nil).

19. Capital management

The company's capital is its equity, which comprises shareholders' equity and retained surpluses. Equity is represented by net assets.

The company requires the Board of Directors to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently. The company's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing the company's equity is to ensure that the company effectively achieves its objectives and purpose, whilst remaining a going concern.

20. Budget disclosure

The budget was revised to include Greater Wellington Regional Council as a client council from 19 September 2014. The fees were recalculated under the outcome-based model and represented an increase of \$7 million in revenue and expenses for the year.

21. Other revenue disclosures

On 30 June 2015, Greater Wellington Regional Council agreed to provide a capital grant of \$1,094K to Wellington Water. This grant is contingent on Wellington Water purchasing vehicles and other assets from Greater Wellington Regional Council for similar values which were part of the Bulk Water Operations that were transferred to Wellington Water in September 2014.

The funds allocated by the client council for their project consultancies are managed by Wellington Water for which a standard charge is invoiced to the councils monthly. Any unspent funds are returned to the councils through wash-up credit notes at year end. This was reported in financial year 2014 as "recovered expenditure income" and has been relabelled as "standard consultancy charge".

22. Events after balance date

On 29 July 2015, Wellington Water was granted a \$2.8 million bank loan/overdraft facility by ANZ Bank. \$800K of this credit arrangement is a five-year fixed term loan and the remaining \$2 million is an overdraft facility. The overdraft facility is a provision to bridge a timing mismatch as Wellington Water enters into contracts for physical works as principal, effective July 2015.





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