

Introducing Wellington Water

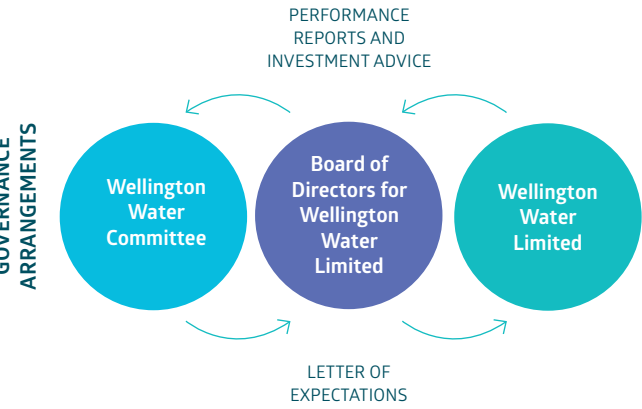
We are a shared-service, council-controlled organisation, owned jointly by the Hutt, Porirua, Upper Hutt and Wellington city councils and the Greater Wellington Regional Council.

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 staff (at 30 June 2015) and manage expenditure 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).

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 levels of service, policies, and investment, taking our advice into account.

Governance and shareholder relationships in service delivery



Our purpose: Creating excellence in regional water services for healthy communities

Our role is to ensure the three water networks meet the levels 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:

- 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
- 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
- Take account of these regional priorities as we develop and implement asset management plans for each council.

The year in brief

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.



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.



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, created a new identity and made 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.

Agreeing four regional issues

Wellington Water can create value by taking a regional approach to providing water services. The first priorities for this approach: regional asset management, resilience of water services, freshwater quality management and community education.

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 and set up a fast-track process that will see design briefs for most 2016-17 projects finished by October 2015.

Summary financial statements

For the year ended 30 June 2015

Revenue and Expenses

\$000	Actual 2015	Budget 2015	Actual 2014
Total Revenue	25,988	26,396	13,281
Total Expenses	24,962	26,276	13,225
Net Surplus Before Tax	1,026	120	56
TOTAL COMPREHENSIVE	755	120	38

Financial Position

\$000	Actual 2015	Budget 2015	Actual 2014
Current Assets	7,097	1,983	4,565
Non current Assets	2,257	699	400
TOTAL ASSETS	9,354	2,682	4,965
Current Liabilities	7,751	2,126	4,311
Non current Liabilities	44	0	0
TOTAL LIABILITIES	7,795	2,126	4,311
NET ASSETS	1,559	557	654

Service performance summary

For 2014-15, Wellington Water had over 75 performance targets for city councils and almost 50 for GWRC. This includes long-term plan and company-focused indicators. These are fully reported in the Annual Report.

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.

This rationalisation of the measures and levels of service performance will enable better understanding among and engagement with communities as they participate in council processes to reach decisions on investment in our most critical infrastructure—water.



Full financial information appears on pages 45-64 of the Annual Report.
Full performance information appears on pages 27-30 (four cities), 36-39 (bulk water) and 40-42 (company).

Work programme summary

We completed 88% of our capital programme and 99% of our operational programme for the four city councils, against targets of 90%.

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	



Annual Report Digest

2014-15

This Digest is a summary of the key results and outcomes for the year for Wellington Water. The full report is available at www.wellingtonwater.co.nz/publications-and-links. The letter below is the full text of the report from the company chairman and chief executive.

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

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 have earned trust and built effective relationships and now we're 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 \$68,000 (excluding a capital grant of \$1,094 million) 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.

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.



John Strahl

John Strahl
Chairman



Colin Crampton

Colin Crampton
Chief Executive

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

The regional three waters network

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

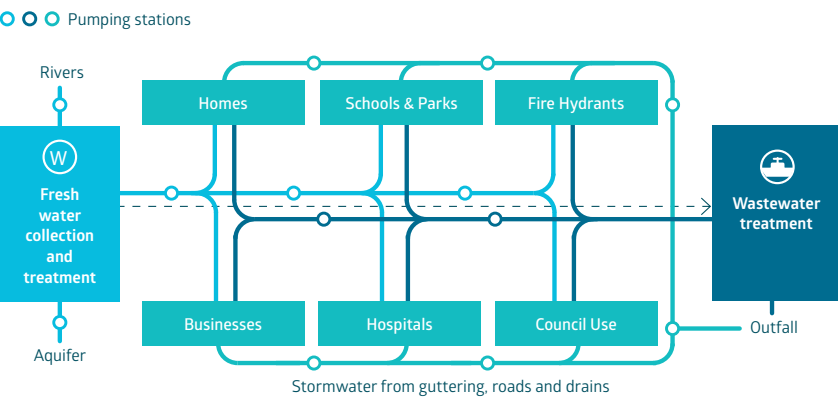


Regional water assets for each of the three water networks

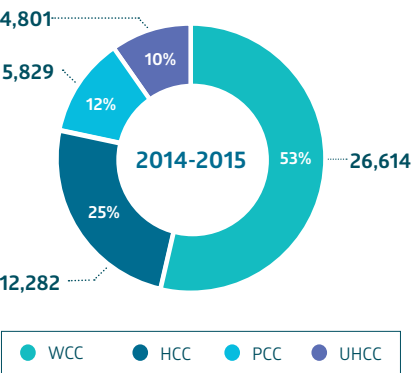
Metropolitan Region	
Three waters asset replacement value	\$5.1 billion
Population served	390,500
Connections	138,504
Water Supply	
Surface water catchments	3
Bulk water storage (untreated)	3,674 ML
Water treatment plants	4
Pipelines	2,880 km
Pumping stations	88
Reservoirs	139*
Wastewater	
Wastewater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

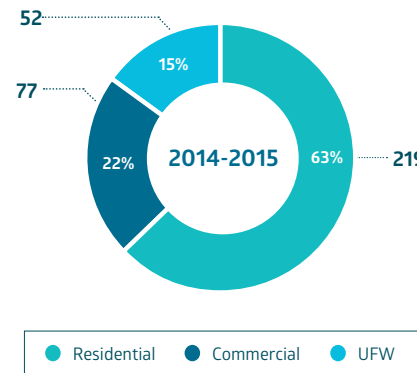
Three waters, from source to sea



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



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



Collectively, the region's cities used 49,526 million litres (ML) of treated water this year, almost 1,000 ML per week. There are three main categories of water usage: residential, commercial, and "unaccounted-for" (UFW).

Unaccounted-for water includes leaks, firefighting, council use such as watering public parks and gardens, and unauthorised use. Figures are approximate, because we do not meter household usage.

Bulk water management

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

Performance in this area is measured against compliance with national standards and customer satisfaction. The target we missed was for compliance with aesthetic requirements of the Drinking Water Standards of New Zealand. This was not considered by the Regional Public Health drinking water assessor to be of immediate health concern.

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%

Five of 10 targets for water supply security were achieved

Performance in this category relates to maintaining supply and planning to renew assets. Four targets were not achieved due to planned activity being reprioritised. A fifth was missed due to an unplanned interruption to supply during a trial to isolate a reservoir in Wellington.

We achieved 10 of 13 environmental targets

These measures include regulatory compliance, environmental impact and waste minimisation. The targets we missed related to delay in re-planting a worksite; large plastic tanks that have exceeded their safe working age, and an accidental discharge of sediment from a water storage lake into a stream.

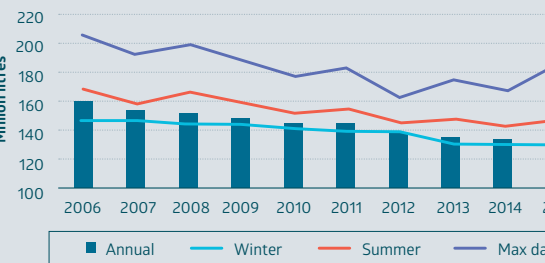
Drinking water management

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

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 consents. 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.

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

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

Our service performance in water supply management is measured on water quality, network resilience, response times, consumption, pressure, and hydrant testing. We missed water pressure and hydrant testing targets for Wellington, and customer satisfaction and response time targets for Upper Hutt

We recorded an average of just 1.5 cuts to water supply per thousand connections, 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.

The 49,526 million litres (ML) of water supplied to the four cities was 0.5% more than for the 2013-14 year. 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. Supply per resident dropped, however, from 348 to 347 litres per head, because of a net population increase.

Water supply capital expenditure by city

Year to 30 June	2013 (\$000)	2014 (\$000)	2015 (\$000)
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

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.

Our service performance in stormwater management is measured in flooding incidents through network failure, meeting water quality standards, complying with relevant resource consents, and responding to network issues. Besides flooding incidents, caused by 2% return period storms, we also missed a water quality and a consent target.

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.

Moa Point (Wellington), Western (Karori), Seaview (Lower Hutt and Upper 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.

Our service performance in wastewater management is measured on water quality, consent compliance, network reliability incident response times and resident satisfaction. We missed the water quality target for Wellington City Council, and the reliability target for Porirua.

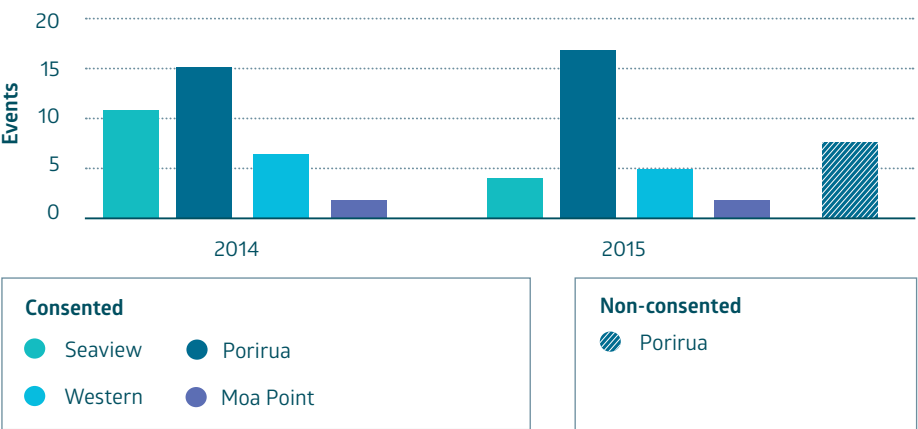
Wastewater capital expenditure by city

Year to 30 June	2013 (\$000)	2014 (\$000)	2015 (\$000)
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



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

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

Stormwater capital expenditure by city

Year to 30 June	2013 (\$000)	2014 (\$000)	2015 (\$000)
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



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

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

