

SOUTH WAIRARAPA DISTRICT COUNCIL

20 FEBRUARY 2019

AGENDA ITEM C2

WELLINGTON WATER STATEMENT OF PROPOSAL

Purpose of Report

To present for adoption statement of proposal in relation to shareholding in Wellington Water

Recommendations

Officers recommend that the Council:

- 1. Receive the Wellington Water Statement of Proposal Report.*
- 2. Notes the in principle support from Wellington City Council; Porirua City Council; Hutt City Council; Upper Hutt City Council; and Greater Wellington City Council.*
- 3. Adopt the Wellington Water Statement of Proposal Appendix 1.*
- 4. Delegates to the Chief Executive the authority to make minor editorial changes to the Statement of Proposal.*

1. Executive Summary

Wellington Water is a council controlled organisation jointly owned by Hutt, Porirua, Upper Hutt, and Wellington City Councils, and Greater Wellington Regional Council.

Wellington Water is not a profit driven entity. In any event, the Local Government Act prohibits profit being made from water.

With around 200 full time employees, Wellington Water represents the largest body of expertise in water infrastructure services management in New Zealand, outside of Auckland. The shared service approach delivers benefits to our shareholders and their communities through cost savings, resilience and expertise that individual councils could not achieve on their own.

SWDC has been in discussions with Wellington Water governance and executive teams on whether SWDC could become a shareholding member of Wellington Water.

Wellington Water shareholders, Wellington City Council; Porirua City Council; Hutt City Council; Upper Hutt City Council; and Greater Wellington City Council have endorsed SWDC's application to join Wellington Water.

2. Summary of Proposal

If SWDC were to become a shareholding member:

- SWDC would retain ownership of infrastructural assets
- SWDC would have an appointee on Wellington Water Committee, which provides overall leadership and direction for the company.
- Some operational assets would transfer (vehicles and other equipment)
- Staff currently employed by SWDC to manage its, three waters infrastructural assets would transfer to Wellington Water
- SWDC contracts Wellington Water to manage its three waters infrastructure assets

3. Reason for Proposal

Operationally, our three waters networks perform well, modelling undertaken indicates our current level of funding is sufficient (inflation adjusted) to maintain our current networks for the very long term.

Network management and capability efficiencies are achieved by economies of scale, and while we have the ability to manage our current three waters infrastructural asset base on a day to day basis, future legislative and environmental changes require significant additional resource if we are going to meet these challenges.

In addition, if we were to have any significant issues, our current team would become stretched very quickly, as we have witnessed with the current E. coli problem.

The shared service approach delivers benefits to our shareholders and their communities through cost savings, resilience and expertise that individual councils could not achieve on their own.

This unique opportunity will ensure South Wairarapa residents, ratepayers, and visitors will have a network managed in the best possible way.

4. Options

Consideration of this proposal requires the Council to think about all reasonably practical options to achieve SWDC's objectives. The reasonably practical options centre around, what is the best entity to manage SWDC's three waters function (including water races).

Three options have been identified as the most practicable:

4.1 Status Quo

The status quo is the cheapest and simplest option.

While we will need to retender for the delivery of three waters services we require in the next year or so, this is a viable option.

As indicated earlier in this report, we manage our three waters networks to a good standard, and have sufficient funding to keep this going in the long term.

The shortcoming with the status quo is that we cannot achieve cost savings, resilience and expertise that a relationship with Wellington Water can achieve.

In addition, the Government has indicated that “the status quo is not an option”.

Attached as Appendix 2 is a cabinet “Future State of the Three Waters System: Regulation and Service Delivery.

In particular, paragraph 10 of that cabinet minute clearly outlines proposed direction and thinking.

So, like it or not, SWDC’s current system may not be an option.

Key strengths we lack are those identified in the analysis under paragraph 4.3.

4.2 Another Combined three waters delivery organisation

Apart from Wellington Water, there are no local three waters delivery organisations.

Accordingly a new structure would need to be created, willing and committed participants found, and ensuring the size of the new organisation is such that cost savings, resilience and expertise improvements are achieved.

In addition, a new organisation would need to demonstrate much improved resilience and ability to find resources to cover emergency situations.

This option would be significantly more costly to set up than the status quo, or joining Wellington Water, and quite possibly more costly to run, as for example it may not be able to achieve the scale of Wellington Water.

Over time, if the organisation set up under this option attained sufficient scale, some or most of the additional benefits (over status quo) discussed under paragraph 4.3 could be achieved.

4.3 Become a shareholder in Wellington Water

This option is the preferred option.

Becoming a shareholding member of Wellington Water would be relatively cheap in terms of cost of entry, and as the organisational structures are already set up there would be minimal costs in integrating organisational structures.

In addition, as this structure has been in place for some years, and has withstood the test of time, the risk of this structure failing is very low.

The benefits to becoming a member would be:

- Improved asset management systems and information
- Better service resilience (bladders)
- Procurement, project, contract and risk management
- Help with climate change preparedness
- Strengthen comms (pro-active, current material, capacity etc.)
- Multiple Chief advisors (including consulting panel)
- More resources for long term planning and strategy development
- Tactical asset management thinking (resilience and redundancy)
- Global perspective and visibility (e.g. Scottish Water)
- Support for process quality and standardisation
- Access to greater pool of water resources (broader relationships)
- Stronger advocacy (e.g. Central Govt, GWRC)- more equal
- Customer Hub providing a seamless service (via SWDC contact)
- Access to specialist skills when needed
- Access to Crown money
- Improved buying power (commercial leverage)
- Raise organisational thinking to a strategic level
- Create alternative resilience centre
- Retain local decision-making
- Learning for both sides
- Robust systems, approaches and science
- Quick access to additional capability

These benefits were identified at a recent workshop and are not exhaustive.

While we have good capability to think about many of these initiatives, we do not have the capability to analyse them in a manner that we can actually “do”.

It is this higher level action that is the real benefit of this option.

5. Assessment of Options

The options in this report need to be assessed in accordance with the Local Government Act 2002.

This includes:

- Identifying the objective - what do you want to do and why?
- Assessing the options by considering:
 - The benefits and costs of each option in terms of the present and future interests of the district or region;
 - The extent to which community outcomes would be promoted or achieved in an integrated and efficient manner by each option;
 - The impact of each option on SWDC's capacity to meet present future interests of the district or region;
 - The extent to which community outcomes would be promoted or achieved in an integrated and efficient manner by each option;
 - The impact of each option on the SWDC's capacity to meet present and future needs in relation to its statutory responsibilities;
 - Any other matters which, in the opinion of SWDC, are relevant (such as existing policies).
- Giving consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter.

The benefits and disadvantages/costs of each option have also been assessed against the following decision criteria which fit with SWDC's overall strategic direction:

- Ability to deliver high quality water services;
- Ability to enable more effective network service delivery via integrated services;
- Ability to enable more effective and integrated democratic decision making;
- Ability to achieve step change cost efficiencies; and
- Ability to provide environmental protection and alignment with the ecosystem services approach to managing environmental decisions.

5.1 Assessment of Status Quo

The status quo option has no transactional/establishment costs or uncertainty associated with change. However it is considered sub-optimal for implementing a strategic and long-term integrated approach to three waters management services and will not realise any long term cost efficiencies from scaling up management of water infrastructure and services.

5.2 Assessment of another three waters delivery option

This option is also unlikely to create new opportunities for improving the existing approach to strategic planning and integrated management, or for realising long term cost efficiencies.

Given the costs and complexity of setting up another three waters delivery model, compared to the existing Wellington Water structure, little benefit is seen in this option.

In addition, it is unlikely a cohesive service delivery model of the size and scale could be set up as there are no candidates in close proximity to SWDC to create such an organization, compared to Wellington Water.

5.3 Assessment of becoming a shareholder in Wellington Water

As this is the option recommended by this report, it is described in greater detail in the section below.

This option would enable a more integrated and strategic approach to three waters management at SWDC, in combination with that taken in metropolitan Wellington.

As SWDC would retain asset ownership, budgetary control, and service level setting, the impact of this option in relation to that forecast in the 2018/28 Long Term Plan would be minimal.

The above said, being part of a larger three waters focused entity may also enable some long term cost efficiencies to be achieved resulting from scaling up the management of infrastructure under a single management company.

As with other change options, there will be some transactional/establishment costs and uncertainty associated with the transfer of employees from SWDC's three waters group to Wellington Water.

Under this option, each council retains a direct relationship with the board of directors via service level agreements and funding agreements.

6. Recommended Option

6.1 Becoming a Shareholder

There are currently two classes of shares in Wellington Water - equally held voting (Class A) shares and shares which reflect each shareholder's economic stake in the company (Class B).

SWDC would be issued Class A shares which carried equal voting rights and would be expected to contribute financially by way of the Class B shares.

Shareholders obligations are set out in a Shareholder Agreement which all shareholders are required to sign.

The Shareholders Agreement sets out the structures that will govern Wellington Water.

These include the Wellington Water committee, composition of the Board, Statement of Intent and conduct by the shareholders.

The Wellington Water Committee provides overarching governance in relation to water services in the Wellington region, and to assist Shareholders fulfil their obligations. Each Shareholder appoints one of their elected members as a Committee Member.

In relation to the Composition of the Board, all Directors must be Independent Directors selected by the Wellington Water Committee, in accordance with the "Board Skills Matrix" included in the Shareholders Agreement.

The Business of the Company is expected to be conducted in accordance with its Statement of Intent, which must be prepared in accordance with the Local Government Act. As a shareholder, SWDC will have input into the Statement of Intent.

The Statement of Intent is the key operational relationship document; a copy is attached as Appendix 3.

6.2 Entering into a service level agreement with Wellington Water

Wellington Water would manage SWDC's three waters assets in accordance with a Service Level Agreement to be negotiated between the parties.

The Service Level Agreements in place between Wellington Water and each of the Cities and Regional Council are on identical terms, save for certain schedules that are specific to each local authority.

It is anticipated that most of the terms of these existing agreements would be included in SWDC's Service Level Agreement with Wellington Water, but a degree of tailoring is likely to be required.

Wellington Water would manage both operational expenditure and capital projects on behalf of SWDC.

If SWDC becomes a shareholder of Wellington Water, it would similarly be able to elect, pursuant to its Service Level Agreement, which capital projects would be managed by Wellington Water. These capital projects would be recorded in the company's Statement of Intent but would be managed in accordance with the terms of the Service Level Agreement.

A Service Level Agreement between Wellington Water and SWDC would need to be in place prior to the company taking on any management services. This could coincide with the date on which SWDC becomes a shareholder of Wellington Water. However, depending on the timing of issues such as transferring SWDC employees, transitional arrangements may be needed. The day-to-day operational aspects of these Service Level Agreements would be between Wellington Water and the individual shareholding local authorities. Any change to the overarching governance structure should not affect this.

The Service Level Agreement is based around SWDC's publicly consulted 2018/28 Long Term Plan, and as such the community sets the service levels and costs associated with these service levels.

The service level agreements delegate to Wellington Water certain powers that are required to allow Wellington Water the carry out management services appropriately.

6.3 Ongoing Asset Management

SWDC retains ownership of all network infrastructural assets.

SWDC will transfer some operational assets to Wellington Water, for example vehicles.

Management of these assets remains the responsibility of SWDC, and will be managed in conjunction with and advice from Wellington Water.

Operationally, our three waters networks perform well, modelling undertaken indicates our current level of funding is sufficient (inflation adjusted) to maintain our current networks for the very long term.

Network management and capability is all about economies of scale, and while we have the ability to manage our current three waters infrastructural asset base on a day to day basis, future legislative and environmental changes require significant additional resource if we are going to meet these challenges.

In addition, if we were to have any significant issues, our current team would become stretched very quickly, as we have witnessed with the current E. coli problem.

Wellington Water provides a level of capacity, expertise, and resilience our ratepayers would not be able to achieve otherwise.

6.4 Relationship with iwi

Issues of interest to Maori will continue to be addressed through existing Maori representation arrangements in place for SWDC.

Through these arrangements, Maori values would help to inform the development of SWDC's service level agreement with Wellington Water and any decision SWDC makes in relation to its infrastructure (e.g. investigating a new water source). Service level agreements are anticipated to include a requirement for Wellington Water to engage proactively with iwi on related matters.

6.5 Governance

A representative from each authority sits on the Wellington Water Committee that provides overall leadership and direction for the company.

Each authority has the same voting rights on the Wellington Water Committee.

The company is governed by a board of independent directors.

7. Employment and Resource Issues

SWDC staff have been involved in discussions in regards to the possibility of becoming a shareholder in Wellington Water.

The Employment Relations Act 2000, and SWDC's Employment Agreements cover the requirements when considering a transition of this nature.

8. Consultation

Section 56 of the Local Government Act 2002 requires public consultation if a local authority intends to become a shareholder in a CCO:

56 Consultation required before council-controlled organisation established

(1) Before a local authority may establish or become a shareholder in a council controlled organisation, the local authority must undertake consultation in accordance with section 82.

(2) The consultation required in subsection (1) may be undertaken as part of another proposal or as part of a long-term plan.

This paper and the Statement of Proposal will meet the requirements for consultation.

9. Risks

The risks associated with this proposal are deemed very low.

Wellington Water is a well-established organisation with good structures in place.

If anything the risks are higher if this proposal is not adopted.

There has been some commentary that Wellington water does not have any experience in treated wastewater to land, water races, and water metering. Within Wellington water there is expertise in these areas, it is acknowledged our colleagues in the Wellington metropolitan area do not currently carry out the se functions.

However, as the skills and expertise we do have will be retained, this is not seen as an issue.

10. Financial Considerations

This proposal is intended to provide long term financial benefits by SWDC participating in the integration of management of the three waters across the Wellington metropolitan region and South Wairarapa, aligning service delivery and asset planning, and promoting cost effectiveness.

SWDC will incur some costs to implement this proposal, however these are deemed insubstantial. For example, the cost of shareholding will be circa \$50,000.

Any other transition costs are expected to be offset by operational efficiencies and other gains from better purchasing power, and from the integrated management of the networks.

11. Significance

In terms of Councils "Significance and Engagement Policy" this matter is deemed low significance in terms of risk, and high significance in terms of future benefit.

The initiative is seen as strengthening delivery, or having a positive impact on three waters delivery and reducing risk. As such it does not meet the negative thresholds set in the significance policy.

12. Next Steps

If SWDC adopts the Statement of Proposal the special consultative procedure will commence.

At the same time, it would be useful to commence preparation for the transition.

In terms of a timeline, the following is proposed:

- Decision on whether to adopt Statement of Proposal 20 February 2019
- Consultation commences 22 February 2019
- Consultation finishes 15 March 2019 (3 weeks)
- Hearing (if required) 20 or 27 March 2019
- Council Meeting 4 April 2019

13. Appendices

Appendix 1 – Wellington Water Statement of Proposal

Appendix 2 – Three Waters Cabinet Minute

Appendix 3 – Wellington Water Statement of Intent

Contact Officer: Paul Crimp, Chief Executive Officer

Appendix 1 – Wellington Water Statement of Proposal

SOUTH WAIRARAPA DISTRICT COUNCIL

20 FEBRUARY 2019

WELLINGTON WATER - STATEMENT OF PROPOSAL TO BECOME A SHAREHOLDER IN A COUNCIL CONTROLLED ORGANISATION

1. Overview

South Wairarapa District Council supplies waters services known as “three water services” (drinking water, wastewater, stormwater, and stock water races), to residents of South Wairarapa.

SWDC considers that, while retaining public ownership of three waters infrastructure, and water race infrastructure, there are advantages to managing these infrastructure assets on a network basis through the service delivery options available by becoming a shareholding member of Wellington Water.

In summary, the proposal is:

- SWDC retains ownership of the three waters infrastructure and water race infrastructure
- SWDC becomes a shareholder in Wellington Water
- Wellington Water has an independent Board of Directors
- Each shareholder has an equal right on the “Wellington Water Committee”
- Each council retains a direct relationship with the Wellington Water Committee via Service Level Agreements and Water Committee
- Most staff currently employed by SWDC in three waters and water races will transfer to Wellington Water. These staff will remain operating from SWDC premises.
- Some operational assets will transfer to Wellington water, but not infrastructure assets.
- SWDC contracts with Wellington Water to provide infrastructure management services for its three waters networks, and water races.

The purpose of this statement is to inform the public and seek feedback on the proposal. Any decision made by SWDC to implement the proposal will,

however, be subject to SWDC finalizing the details of agreements with Wellington Water.

The feasibility of the proposal has already been tested with the existing shareholders; each of which has expressed support in principle.

2. Have your say

Submissions on this proposal may be made to SWDC and are welcomed.

Submissions must be made in writing and sent either:

- By post to: Wellington Water proposal PO Box 6, Martinborough 5741
- Or by email to: info@swdc.govt.nz

Submissions must be received no later than 4 pm on 15 March 2019

Any person or organisation who wishes to make a submission has a right to be heard in person by SWDC. Submitters who wish to be heard must request this in their submission.

Every submission:

- Will be acknowledged by SWDC; and
- May be made available to the public, including via SWDC's website.

The Local Government Act 2002 requires SWDC to make all written submissions on this proposal available to the public. This requirement is subject to the provisions of the Local Government Official Information and Meetings Act 1987. If you consider there to be compelling reasons why your details and/or submission should be kept confidential, you should explain this as part of your submission.

Timeline Date	Activity
20 February 2019	SWDC adopted this statement of proposal and a summary of the information contained in it for consultation
22 February 2019	Consultation commences
15 March 2019	Consultation closes 4pm
27 March 2019	Hearings (if required)
4 April 2019	Council Consideration of proposal

3. Background

South Wairarapa District Council has three waters and water race infrastructural assets located in Featherston, Greytown, Martinborough, and the rural communities of Pirinoa and Lake Ferry. In addition there are stock water races in the vicinity of Greytown and Featherston.

3.1 Drinking Water Supply

The water supply activity goal is:

- a) To provide reliable (as possible) and sustainable reticulated water supplies to the townships of Greytown, Featherston and Martinborough.
- b) To provide stock water race supply networks from the Tauherenikau and Waiohine Rivers.
- c) To encourage conservation of this valuable resource.

In the South Wairarapa district, there are presently two public water supply systems – Greytown (for Greytown and Featherston) and Martinborough, with 3,985 serviced and 279 serviceable connections.

Six sources supply water to the urban populations of Featherston, Greytown and Martinborough. The sources of water are:

- Greytown & Featherston – Waiohine River
- Featherston – Boar Bush Gully Catchment
- Featherston – Tait’s Creek Intake Weir
- Greytown Well
- Martinborough – Ruamahanga Wells
- Martinborough – Huangarua
- Pirinoa – river bore

3.2 Stock Water Supply

- Featherston – Tauherenikau River (Longwood Water Race)
- Greytown – Waiohine River (Moroa Water Race)

The Council owns a number of structures and components supplying water including the following:

WATER SUPPLY	
URBAN	NETWORK
Featherston	36km of underground pipes
Greytown	30km of underground pipes
Martinborough	38km of underground pipes
RURAL	NETWORK
Featherston	40km of open race
Greytown	225km of open race

3.3 Wastewater

SWDC's wastewater activity goal is:

- To collect, treat and dispose of wastewater from the urban areas of Featherston, Greytown, Martinborough and Lake Ferry so as to provide public health protection with minimal effects on the environment.
- In the South Wairarapa district, there are presently four wastewater systems, to which 4,120 pans are serviced and 269 properties serviceable.

The wastewater schemes are:

- Featherston – Urban.
- Greytown – Urban.
- Martinborough – Urban.
- Lake Ferry – Rural.

SYSTEM	
URBAN	NETWORK
Featherston	25km of underground pipes
Greytown	20km of underground pipes
Martinborough	20km of underground pipes
RURAL	NETWORK
Lake Ferry Settlement	3km underground pipes (nearly 50% rising mains)

3.4 Stormwater

The storm water activity goal is:

- a) To provide and maintain waterways to collect and dispose of excess surface water to protect amenities, reduce flooding, avoid erosion and establish a safe environment.

Storm water systems are provided in the three towns of Featherston, Martinborough and Greytown.

The primary storm water system is the system of reticulation pipes, culverts, open drains and access chambers. It is designed to collect stormwater resulting from moderate rainfall and discharge it into watercourses. The primary stormwater system is intended to minimise what is often termed as nuisance flooding.

The secondary stormwater system generally comprises overland flow-paths designed to convey excess floodwater with a minimum of damage when the primary stormwater system is unable to cope. Roads are often used as secondary flow-paths.

More information on SWDC's three waters and water race assets and outputs can be found in the Councils 2018/28 Long Term Plan, and Infrastructure Strategy.

3.5 Wellington Water

Wellington Water is a council-controlled organisation under the Local Government Act 2002. It provides water management services (water supply, wastewater, stormwater) for the shareholding councils of Wellington CC; Hutt CC; Upper Hutt CC; Porirua CC; and Greater Wellington Regional Council.

This includes providing planning, advice, design, project and operations management, maintenance, and monitoring relating to the assets and services of the water networks of the shareholding councils.

The Shareholding councils own the water infrastructure assets that are managed by Wellington Water. They also set all policies and performance objectives that are expected to be met.

Wellington Water has an independent Board of Directors, and political oversight is facilitated by a "Water Committee", which is made up of one elected member from each shareholding council. Each council has equal voting rights.

Wellington Waters promise to its customers, articulated in their Statement of Intent is to:

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

In addition, Wellington Water have three key outcomes:

- Safe and Healthy water
- Respectful of the environment
- Resilient networks to support our economy

There are currently two classes of shares in Wellington Water - equally held voting (Class A) shares and shares which reflect each shareholder's economic stake in the company (Class B).

SWDC would be issued Class A shares which carried equal voting rights and would be expected to contribute financially by way of the Class B shares.

Wellington Water is not a trading CCO, and thus is not profit driven.

Wellington Water company documentation can be found by searching the companies register at www.business.govt.nz/companies

3.6 Reasons for this proposal

The objectives of the proposal are to manage SWDC's three waters networks in a way that is optimal in terms of:

- Retaining public ownership of bulk water infrastructure;
- Enabling a strategic approach to, and the integrated management of, service delivery for the SWDC three waters network delivery
- Provision of a higher level of resilience
- Promoting cost-effectiveness over the long term.

Our three waters networks are key assets in relation to the safe and healthy operation of our district. In addition, three waters assets add significantly to the economic wellbeing and resilience of every local authority.

While our three waters assets and operations are managed well, and operate as designed, we have an opportunity to take the operational aspects to the next level, and provide ratepayers, residents, and visitors with a management structure that is world class.

In addition, environmental standards are continually rising, community expectations are increasing, and costs are increasing.

A shareholding in Wellington Water will ensure the best possible outcomes, under the pressure points noted above.

4. Assessment of Options

SWDC has identified three main practicable options, and we analyse these against the objectives outlined in paragraph 3.6 above

4.1 Assessment of Status Quo

The status quo option has no transactional/establishment costs or uncertainty associated with change. However it is considered sub-optimal for implementing a strategic and long-term integrated approach to three waters management services and will not realise any long term cost efficiencies from scaling up management of water infrastructure and services.

4.2 Assessment of another three waters delivery option

This option is also unlikely to create new opportunities for improving the existing approach to strategic planning and integrated management, or for realising long term cost efficiencies.

Given the costs and complexity of setting up another three waters delivery model, compared to the existing Wellington Water structure, little benefit is seen in this option.

In addition, it is unlikely a cohesive service delivery model of the size and scale could be set up as there are no candidates in close proximity to SWDC to create such an organization, compared to Wellington Water.

4.3 Assessment of becoming a shareholder in Wellington Water

As this is the option recommended by this report, it is described in greater detail in the section below.

This option would enable a more integrated and strategic approach to three waters management at SWDC, in combination with that taken in metropolitan Wellington.

As SWDC would retain asset ownership, budgetary control, and service level setting, the impact of this option in relation to that forecast in the 2018/28 Long Term Plan would be minimal.

The above said, being part of a larger three waters focused entity may also enable some long term cost efficiencies to be achieved resulting from scaling up the management of infrastructure under a single management company.

As with other change options, there will be some transactional/establishment costs and uncertainty associated with the transfer of employees from SWDC's three waters group to Wellington Water.

Under this option, each council retains a direct relationship with the board of directors via service level agreements and funding agreements.

5. Detailed description of the proposed option – Wellington Water

5.1 Becoming a shareholder in Wellington Water

The proposal is that SWDC is issued with the following shares in Wellington Water:

There are currently two classes of shares in Wellington Water - equally held voting (Class A) shares and shares which reflect each shareholder's economic stake in the company (Class B).

SWDC would be issued Class A shares which carried equal voting rights and would be expected to contribute financially by way of the Class B shares.

Shareholders obligations are set out in a Shareholder Agreement which all shareholders are required to sign.

The Shareholders Agreement sets out the structures that will govern Wellington Water.

These include the Wellington Water committee, composition of the Board, Statement of Intent and conduct by the shareholders.

The Wellington Water Committee provides overarching governance in relation to water services in the Wellington region, and to assist Shareholders fulfil their obligations. Each Shareholder appoints one of their elected members as a Committee Member.

In relation to the Composition of the Board, all Directors must be Independent Directors selected by the Wellington Water Committee, in accordance with the "Board Skills Matrix" included in the Shareholders Agreement.

The Business of the Company is expected to be conducted in accordance with its Statement of Intent, which must be prepared in accordance with the Local Government Act. As a shareholder, SWDC will have input into the Statement of Intent.

The Statement of Intent is the key operational relationship document, a copy is attached as Appendix 1

5.2 Entering into a service level agreement with Wellington Water

Wellington Water would manage SWDC's three waters assets in accordance with a Service Level Agreement to be negotiated between the parties.

The Service Level Agreements in place between Wellington Water and each of the Cities and Regional Council are on identical terms, save for certain schedules that are specific to each local authority.

It is anticipated that most of the terms of these existing agreements would be included in SWDC's Service Level Agreement with Wellington Water, but a degree of tailoring is likely to be required.

Wellington Water would manage both operational expenditure and capital projects on behalf of SWDC.

If SWDC becomes a shareholder of Wellington Water, it would similarly be able to elect, pursuant to its Service Level Agreement, which capital projects would be managed by Wellington Water. These capital projects would be recorded in the company's Statement of Intent but would be managed in accordance with the terms of the Service Level Agreement.

A Service Level Agreement between Wellington Water and SWDC would need to be in place prior to the company taking on any management services. This could coincide with the date on which SWDC becomes a shareholder of Wellington Water. However, depending on the timing of issues such as transferring SWDC employees, transitional arrangements may be needed. The day-to-day operational aspects of these Service Level Agreements would be between Wellington Water and the individual shareholding local authorities. Any change to the overarching governance structure should not affect this.

The Service Level Agreement is based around SWDC's publicly consulted 2018/28 Long Term Plan, and as such the community sets the service levels and costs associated with these service levels.

The service level agreements delegate to Wellington Water certain powers that are required to allow Wellington Water to carry out management services appropriately.

5.3 Ongoing Asset Management

SWDC retains ownership of all network infrastructural assets.

SWDC will transfer some operational assets to Wellington Water, for example vehicles.

Management of these assets remains the responsibility of SWDC, and will be managed in conjunction with and advice from Wellington Water.

Operationally, our three waters networks perform well, modelling undertaken indicates our current level of funding is sufficient (inflation adjusted) to maintain our current networks for the very long term.

Network management and capability is all about economies of scale, and while we have the ability to manage our current three waters infrastructural asset base on a day to day basis, future legislative and environmental changes require significant additional resource if we are going to meet these challenges.

In addition, if we were to have any significant issues, our current team would become stretched very quickly, as we have witnessed with the current E. coli problem.

Wellington Water provides a level of capacity, expertise, and resilience our ratepayers would not be able to achieve otherwise.

5.4 Accountability and monitoring arrangements

Wellington Water will be answerable to SWDC:

- Under the service contract;
- Through the accountability and monitoring obligations that council controlled organisations and local authorities have under the Local Government Act 2002, including Wellington Water's statement of intent;
- Through SWDC's role as a shareholder and its ability to influence the appointment of independent directors to the board of Wellington Water.

Each shareholder's power to comment on Wellington Water's draft statement of intent will be delegated to its representative on the Water Committee. This will allow the Water Committee to provide comments to Wellington Water in a collective and 'joined-up' way, and in an environment that allows for public input/community views. It is likely that each shareholder's power to approve the final statement of intent or seek a resolution to require the board of Wellington Water to modify its statement of intent will also be delegated to its representative on the Water Committee.

Wellington Water will also be accountable to the public through meetings of the Water Committee, as well as the publication of its statement of intent and half yearly and annual reports.

5.5 Operational Implications

The most significant operational impact will involve the 4 SWDC employees that make up the three waters group. As SWDC's three water management services will be carried out by Wellington Water, it is anticipated that these roles performed by these staff will be taken over by Wellington Water.

An employment processes needs to be followed, including consultation with affected staff.

While Wellington Water main office is located in Petone, it is anticipated these staff will remain located primarily out of SWDC Martinborough Offices.

In terms of contracted services, Wellington Water will take over management of these contracts on SWDC behalf.

While all of the core three waters infrastructural assets, including land, will remain owned by SWDC, some operational assets (such as vehicles and some movable equipment) may be transferred to Wellington Water.

The proposal is not expected to have any impact on:

- The levels of service and asset management practices set out in the Three Waters Asset Management Plans;

- SWDC's aim to ensure that its assets are managed well and all relevant environmental standards, health and safety standards and three waters quality and supply targets are met.
- The proposal will not negatively alter the intended level of service for the three waters outputs as described in the 2018/28 Long Term Plan.

5.6 Relationship with Iwi

Issues of interest to Maori will continue to be addressed through existing Maori representation arrangements on SWDC's Maori Standing Committee

Through these arrangements, Maori values would help to inform the development of SWDC's service level agreement with Wellington Water and any decision SWDC makes in relation to its infrastructure (e.g. investigating a new water source). Service level agreements are anticipated to include a requirement for Wellington Water to engage proactively with iwi on related matters.

6. Financial Implications

This proposal is intended to provide long term financial benefits by SWDC participating in the integration of management of the three waters across the Wellington metropolitan region and South Wairarapa, aligning service delivery and asset planning, and promoting cost effectiveness.

SWDC will incur some costs to implement this proposal, however these are deemed insubstantial. For example, the cost of shareholding will be circa \$50,000.

Any other transition costs are expected to be offset by operational efficiencies and other gains from better purchasing power, and from the integrated management of the networks.

7. Consultation

Please let us have your feedback. Details on how to make a submission are set out in the section "Have your say" above.

Appendix 2 – Three Waters Cabinet Minute



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Future State of the Three Waters System: Regulation and Service Delivery

Portfolios Health / Local Government

On 5 November 2018, Cabinet; following reference from the Cabinet Economic Development Committee (DEV):

Background

- 1 **noted** that on 9 April 2018, Cabinet invited the Ministers of Health and Local Government to report back to DEV on the options for the future regulation and service delivery of the three waters, including the government response to the Havelock North Drinking Water Inquiry [CAB-18-MIN-0145 and CAB-18-MIN-0147];
- 2 **noted** that Cabinet directed that oversight of this work be provided by a group of Ministers with portfolio interests in water infrastructure, comprising the Ministers of Finance, Environment, Health, Infrastructure, Climate Change, Commerce and Consumer Affairs, Civil Defence, Housing and Urban Development, Transport, and Conservation (with the Minister for Rural Communities subsequently joining this group);

Challenges facing the three waters

- 3 **noted** that the best evidence available indicates there are system-wide challenges facing the three waters, and that the response will require a whole-of-system approach, from source to tap and back again;
- 4 **noted** that while the challenges vary across communities and for each of the three waters services, a number of themes have emerged that, taken collectively, mean the status quo is not sustainable in the long term:
 - 4.1 funding to upgrade infrastructure is unaffordable for many communities, with councils struggling to fund plant and pipe infrastructure to the level required to meet standards and community aspirations, keep pace with population growth, or ensure resilience to climate change and other natural hazards such as earthquakes;
 - 4.2 capability is a challenge for many councils, particularly in rural and provincial areas, which can struggle to find and retain staff with specialist skills to design, procure, deliver, and manage three waters services;
 - 4.3 across many areas, the challenges increase as population size decreases, and for many small towns and sparsely populated regions there is no clear way forward;

- 4.4 regulation of three waters is weak across the system, with drinking water and environmental regulation not properly providing assurance that good outcomes are always being reached, and no real system of economic regulation to ensure that the long-term interests of consumers are being protected or that services are value for money;

Road map for future decisions on three waters reform – timetable and scope

- 5 **agreed** that the government embark on a process of three waters reform over the next 18 months, seeking detailed policy decisions in tranches in 2019, with a view to introducing legislation in 2020;
- 6 **agreed** that the overall three waters reform process be led by the Minister of Local Government, with shared accountability with the Minister of Health (drinking water regulation), Minister for the Environment (environmental regulation), and Minister of Commerce and Consumer Affairs (economic regulation);
- 7 **agreed** that oversight will be provided by a group of Ministers with portfolio interests in water infrastructure, comprising the Ministers of Finance, Environment, Infrastructure, Climate Change, Commerce and Consumer Affairs, Civil Defence, Housing and Urban Development, Transport, Conservation, and Rural Communities;
- 8 **agreed** that the outcomes for reforms will be as follows:
- 8.1 existing three waters assets and services must remain in public ownership, and the system will incorporate safeguards to protect public ownership of this essential infrastructure, both now and in the future;
 - 8.2 a sustainable three waters system that operates in the long-term interests of consumers, communities, tangata whenua, and New Zealand generally;
 - 8.3 drinking water that is safe, acceptable and reliable;
 - 8.4 environmental performance of wastewater and stormwater realises the aspirations of communities in which they are situated, including tangata whenua, and New Zealand generally;
 - 8.5 three waters services are delivered in a way that is efficient, effective, resilient and accountable, with transparent information about performance, and prices consumers can afford;
 - 8.6 regulatory stewardship of the three waters system is fit for purpose, and provides assurance that these outcomes are being achieved and safeguarded;
- 9 **invited** the Ministers of Local Government, Health, and Environment to report back to DEV in June 2019 with detailed policy proposals for drinking water and environmental regulation of the three waters, to enable drafting of legislation to commence in the following areas:
- 9.1 system-wide reform of regulation of drinking water;
 - 9.2 a new risk management regime for sources of drinking water;
 - 9.3 targeted reform of environmental regulation of wastewater, aimed at lifting its environmental performance within the existing framework of the Resource Management Act 1991;

- 9.4 measures to give greater transparency around the operation of wastewater and stormwater systems, and to promote better practice;
- 9.5 the institutional arrangements, and oversight and stewardship needed to give effect to these reforms;
- 10 **invited** the Minister of Local Government to report back to DEV in late 2019 with detailed policy proposals for service delivery arrangements, to enable drafting of legislation if required, following further analysis and engagement on the following high-level options:
- 10.1 regulatory reforms only, with voluntary, sector-led reforms to service delivery arrangements;
- 10.2 a three waters fund to support voluntary service delivery improvements;
- 10.3 an aggregated system of dedicated, publicly-owned, drinking water and wastewater providers;
- 11 **agreed** that the identification of the three high-level options referred to in paragraph 10 above does not preclude or constrain the investigation or the development of other options that could be effective in responding to the challenges identified, and deliver a long-term, sustainable three waters system;
- 12 **invited** the Minister of Local Government and the Minister of Commerce and Consumer Affairs to report back to DEV in late 2019 with policy proposals for the economic regulation of three waters services, to enable drafting of legislation to commence, if appropriate;
- 13 **invited** the Ministers of Local Government, Health, Environment, and Commerce and Consumer Affairs to report back to DEV in late 2019 with proposals to improve oversight and stewardship across the three waters system (taking account of decisions on service delivery arrangements and economic regulation, as well as previous decisions on oversight and stewardship to support drinking water and environmental regulation);

Engagement

- 14 **agreed** that there will be ongoing engagement with stakeholders as part of the development of policy options for the future state of three waters, which will be led by the Minister of Local Government;
- 15 **agreed** that ongoing engagement with iwi and Māori, which is important from a Crown/Māori relationship and Treaty of Waitangi perspective, will also be led by the Minister of Local Government;

Financial implications

16

s9(2)(f)(iv)



Martin Bell
for Secretary of the Cabinet

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister of Health
Minister of Local Government

Proactively released by the
Minister of Local Government

Appendix 3 – Wellington Water Statement of Intent

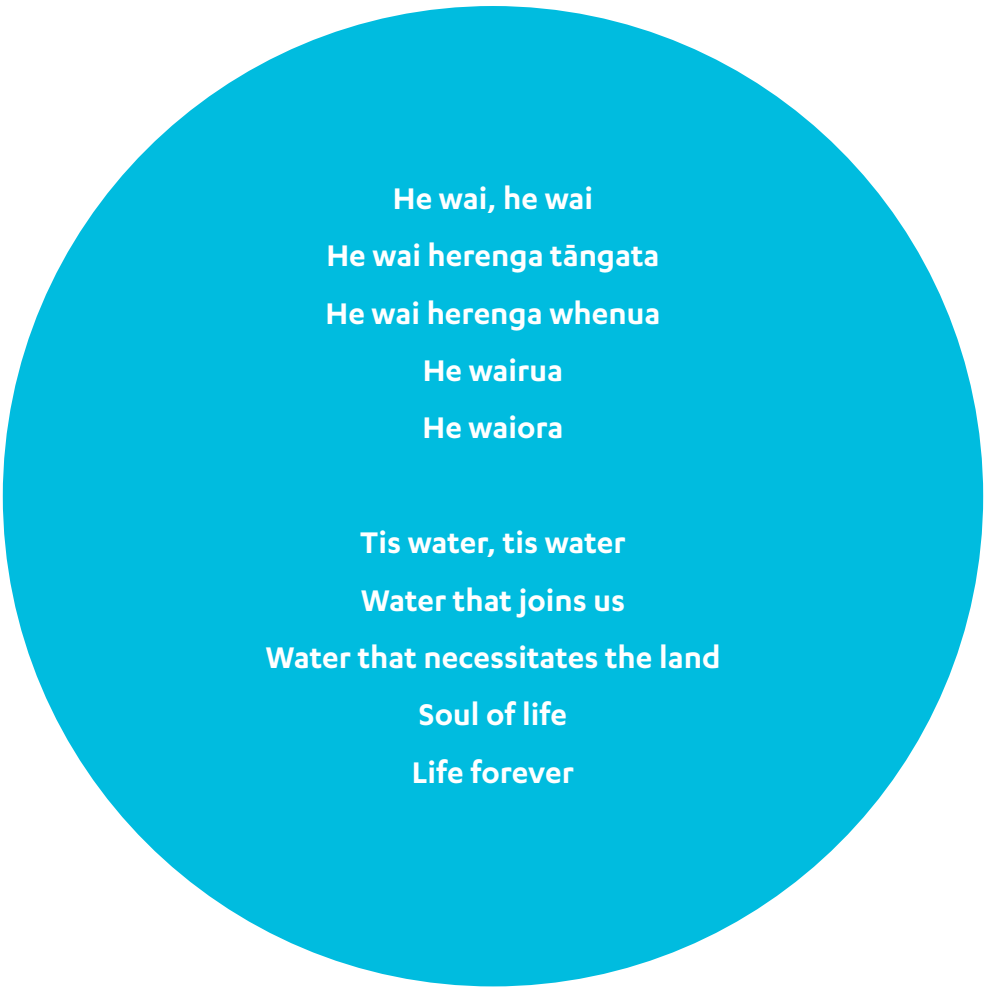
A photograph of two young children, a girl and a boy, working together in a raised garden bed. The girl, on the left, has long blonde hair and is wearing a pink t-shirt and light blue shorts. She is holding a green watering can. The boy, on the right, has dark hair and is wearing a grey sleeveless shirt and blue shorts. He is using a red-handled trowel to dig in the soil. The garden bed is filled with various green plants, including leafy greens and small tomatoes. In the background, there is a dark wooden fence and some white triangular flags hanging from a string. The overall scene is bright and sunny, suggesting a pleasant day outdoors.

Our water, our future

Statement of Intent 2018-2021

Contents

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



He wai, he wai
He wai herenga tāngata
He wai herenga whenua
He wairua
He waioira

Tis water, tis water
Water that joins us
Water that necessitates the land
Soul of life
Life forever

Helping communities prosper



Looking after our water now and for the future

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

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

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

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


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

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

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

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

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



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



**Getting
water to
and from
communities**

Our promise to our customers

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

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

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

SAFE AND HEALTHY WATER

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

Principles of drinking water safety:

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



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

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

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

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

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

RESPECTFUL OF THE ENVIRONMENT

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

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

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

RESILIENT NETWORKS SUPPORT OUR ECONOMY

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

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

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

CUSTOMER EXPERIENCE

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

We will:

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

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

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

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

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

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

STATEMENT OF INTENT MEASURES

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

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



Keeping the water running

Delivering our promise to customers

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

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

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

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

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

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

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

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



Responding to growth

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

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

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

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

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

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

Operate, maintain and renew

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

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

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

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

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

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

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



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

Improving our services

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

SAFE AND HEALTHY WATER

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

RESPECTFUL OF THE ENVIRONMENT

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

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

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

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

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

RESILIENT NETWORKS SUPPORT OUR ECONOMY

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

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

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



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

Ready to respond in emergencies

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

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

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

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

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





**How we
work**

Putting our customers at the heart of everything we do

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

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

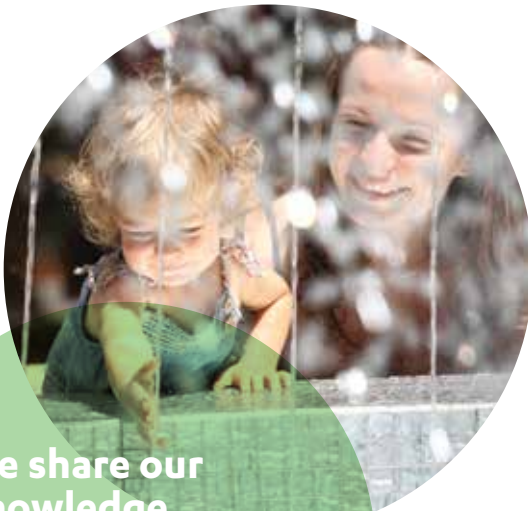
Vision and values

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



People come first

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



We share our knowledge

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



Together we're stronger

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

We'll grow our capability

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

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

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

LIFT SECTOR CAPABILITY

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

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

LEADERSHIP AND THE CUSTOMER

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

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

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

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

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

HEALTH AND SAFETY

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

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

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

RECRUITING A DIVERSE WORKFORCE

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



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



We'll work collaboratively with customers and iwi

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

TRUSTED ADVISOR TO OUR CLIENT COUNCILS

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

OUR MANA WHENUA PARTNERS

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

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

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

CUSTOMERS

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

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

STAKEHOLDERS

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

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

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

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



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



We'll create highest value for money services

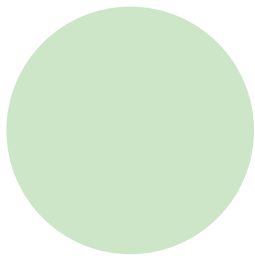
Our greatest asset is our people. Together with our contractors we have the experience and skills necessary to deliver all our services and provide value for money as we do it. Value for money is a complicated term, but to us it's just delivering services with more and more effectiveness and efficiency.

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

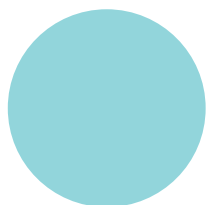
The way we organise how our work is done, through our consultants and our contractors is a key factor in value. Our Service Delivery Strategy (SDS) outlines the changes in the way we will work with our contractors. At the heart of this strategy is the desire to take the same approach to common work across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

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

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



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



The world is changing around us

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

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

THE HAVELOCK NORTH INQUIRY

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

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

CARBON NEUTRAL WORK

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

CLIMATE CHANGE

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

LOCAL GOVERNMENT COMMISSION

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

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

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

Keeping an eye on critical operating frameworks

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

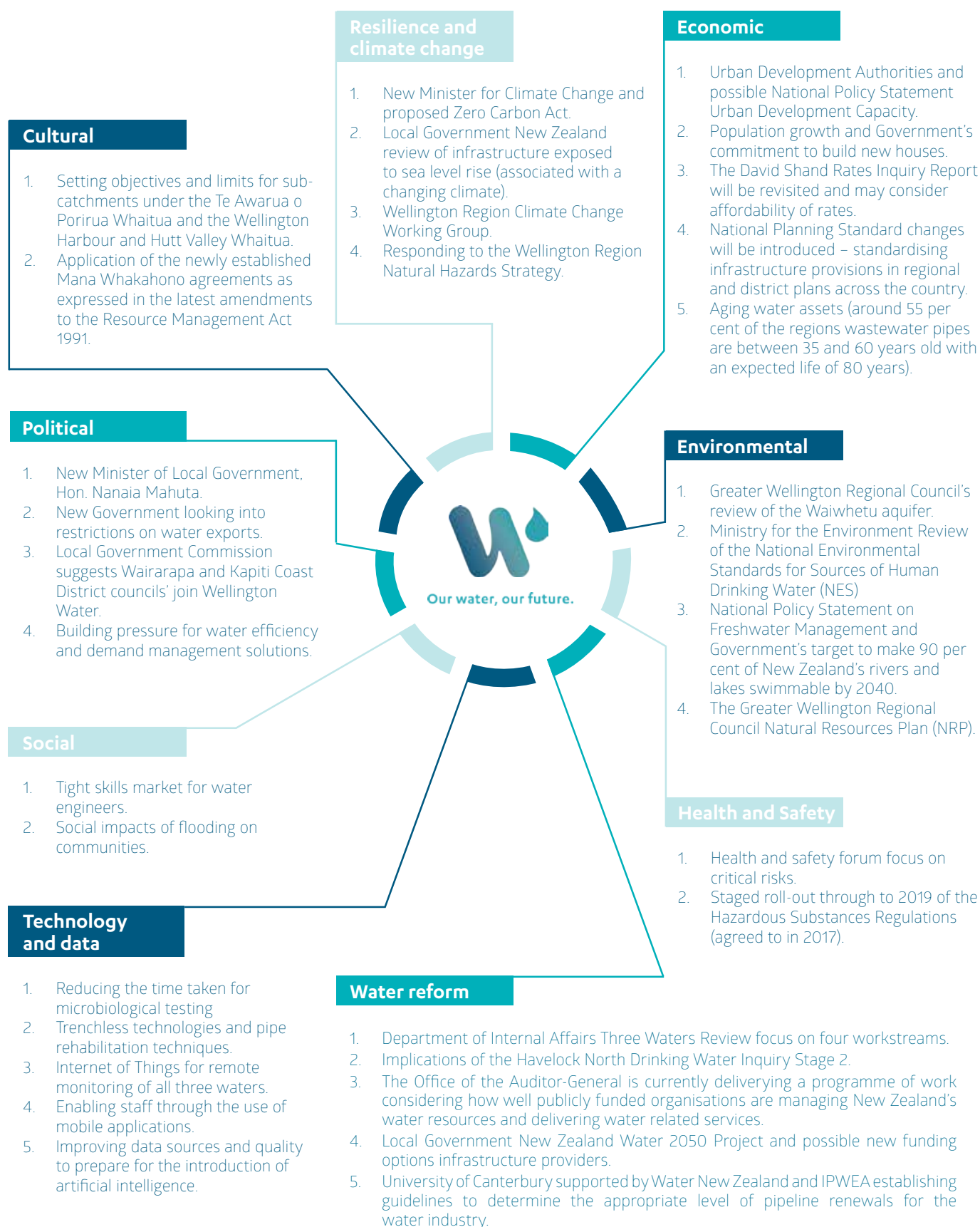
We have incorporated the statement of intent into our performance management framework. For more information on how we measure our performance please visit our website: <https://wellingtonwater.co.nz/publication-library/dia-mandatory-non-financial-performance-measures/>



Appendices

Appendix 1: What influences us

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



Appendix 2: About us

WELLINGTON WATER COMMITTEE

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

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

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



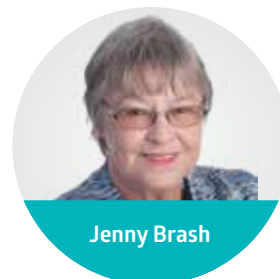
David Bassett
Chair



Wayne Guppy



Mike Tana



Jenny Brash



Iona Pannett

OUR BOARD OF DIRECTORS

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

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

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

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



David Wright



Cynthia Brophy



Nicki Crauford



David Benham



Geoff Dangerfield



Philip Barry

WELLINGTON WATER LIMITED

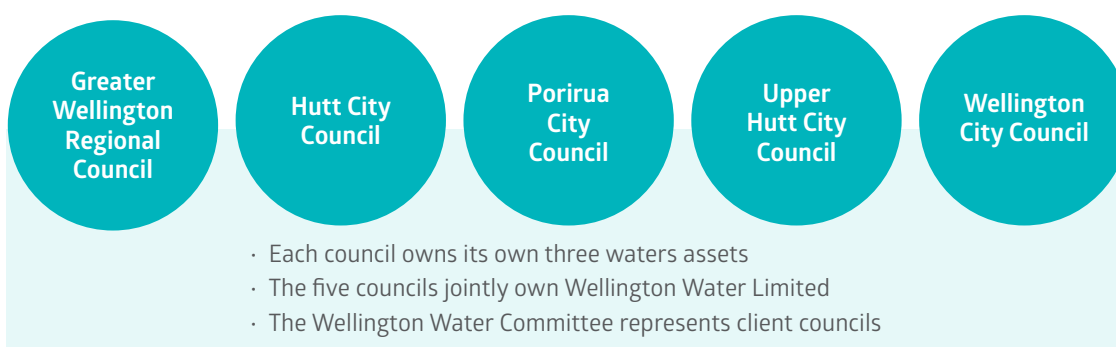
We're a council-controlled organisation jointly owned by five client councils.

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

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

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

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



Service level agreements, pricing and policies



Wellington Water Limited regional three water asset management

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

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

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



Appendix 3: Governance and shareholder information

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

THE BOARD OF DIRECTORS

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

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

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

RATIO OF CONSOLIDATED SHAREHOLDERS' FUNDS TO TOTAL ASSETS

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

INFORMATION TO BE PROVIDED TO SHAREHOLDERS

In each year Wellington Water shall comply with the reporting requirements under the Local Government Act 2002 and the Companies Act 1993 and regulations.

In particular Wellington Water will provide:

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

Due to the extensive reporting requirements undertaken in accordance with the service level agreements with client councils, the reliance on six monthly reports fully meets the Local Government Act's requirements and is considered appropriate.

SHARE ACQUISITION

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

COMPENSATION FROM LOCAL AUTHORITY




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





EQUITY VALUE OF THE SHAREHOLDERS' INVESTMENT

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

Appendix 4: Customer outcomes and service goals

Customer Outcome		Service Goal	Objectives
Outcome 1 - Safe and Healthy Water We provide water services to ensure safe drinking water and work to eliminate the harmful effects of wastewater and stormwater over time		We provide safe and healthy drinking water	Water is delivered to meet current NZ Drinking Water Standards and water supply legislation so that our activities prevent contamination of treated water Water supplied is of acceptable quality to customers
		We operate and manage assets that are safe for our suppliers, people and customers	Water services are delivered in a way that is safe for our suppliers, people and customers Asset safety risks are identified and improved
		We provide an appropriate region-wide fire-fighting water supply to maintain public safety	Sufficient water is supplied meet urban firefighting needs under normal conditions We identify and implement water supply improvements to assist the Fire Service
		We minimise public health risks associated with wastewater and stormwater	The public is protected from direct exposure to untreated wastewater onto land The public is protected from direct exposure to untreated wastewater onto beaches

Customer Outcome		Service Goal	Objectives
Outcome 2 - Respectful of the environment When we provide water services we seek to avoid harm to the natural and built environment and over time enhance it for the benefit of future generations		We manage the use of resources in a sustainable way	Our customers receive water services that are managed efficiently through minimising: <ul style="list-style-type: none"> • water loss • energy consumption • production of treatment plant waste
		We will enhance the health of our waterways and the ocean	Water quality of the waterways and harbours is not adversely affected by discharges from any of the three waters network Integrated catchment management plans are used in a collaborative approach with stakeholders to carry out improvements to the water quality of waterways and harbours
		We influence people's behaviour so they are respectful of the environment	Communities are educated to use our infrastructure in ways that reduce the impact on the natural environment in areas such as stormwater pollution and water conservation
		We ensure the impact of water services is for the good of the natural and built environment	Water services are managed to comply with consents Water services are built and managed in ways that are not intrusive to communities.

Customer Outcome		Service Goal	Objectives
Outcome 3 - Resilient networks support our economy We provide reliable day-to-day water services that are able to withstand shock and stresses and future-proof the network to enable a strong regional economy and enhanced natural environment		We minimise the impact of flooding on people's lives and proactively plan for the impacts of climate change	The potential impact of increased sea levels and flooding on property and key transport links from stormwater is identified and the impacts are minimised The impacts of an additional 1 m sea level rise are understood and preventive measures are implemented where practicable. Where prevention is not possible, the impacts will be managed operationally
		We provide three water networks that are resilient to shocks and stresses	We work to meet agreed levels of service to restore water services to customers
		We plan to meet future growth and manage demand	The water supply network meets normal demand except where a drought is more severe than a 1-in-50 year return period event Water supply and wastewater services are planned to accommodate changes in demand and future growth, with a focus on reducing water wastage
		We provide reliable services to customers	Customers have access to reliable water and wastewater services Stormwater networks perform as intended when it rains

Appendix 5: Three-year forecasts

COMMENTARY ON FINANCIAL STATEMENTS

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

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

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

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

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



STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

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

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

OTHER FINANCIAL INFORMATION

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

COUNCIL OPEX PROGRAMME

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

COUNCIL CAPEX PROGRAMME

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

	2018/19 \$000	2019/20 \$000	2020/21 \$000
Wellington City Council	26,636	25,992	47,549
Potable Water	9,605	7,686	17,661
1.1 Safe drinking water	1,567	1,567	1,566
1.2 Safety of assets	50	50	50
1.3 Firefighting	682	26	1,672
2.1 Resource usage	25	25	486
3.2 Resilience	1,522	1,000	4,146
3.3 Growth	850	850	7,050
3.4 Reliability	4,909	4,168	2,690
Stormwater	9,300	8,969	4,028
1.2 Safety of assets	2,770	8,024	3,432
3.1 Flooding	6,460	875	525
3.3 Growth	70	70	70
Wastewater	7,731	9,337	25,860
1.4 Public Health	6,077	7,799	5,318
2.1 Resource usage	20	9	9
2.2 Waterway health	300	495	19,000
3.3 Growth	1,094	994	1,494
Hutt City Council	14,569	10,646	20,458
Potable Water	4,568	3,702	1,496
1.1 Safe drinking water	550	550	550
3.2 Resilience	3,196	1,462	160
3.3 Growth	50	50	50
3.4 Reliability	772	1,640	736
Stormwater	3,380	1,869	4,187
1.2 Safety of assets	50	660	10
2.2 Waterway health	100	100	100
3.1 Flooding	3,088	1,067	4,077
3.2 Resilience	100	-	-
3.4 Reliability	42	42	-
Wastewater	6,621	5,075	14,775
1.4 Public Health	2,699	4,012	14,365
2.4 Natural and Built Environment	199	-	-
3.2 Resilience	2,860	100	100
3.3 Growth	800	900	300
3.4 Reliability	63	63	10

	2018/19 \$000	2019/20 \$000	2020/21 \$000
Upper Hutt City Council	6,624	10,712	15,526
Potable Water	1,962	988	1,388
1.1 Safe drinking water	50	50	50
2.1 Resource usage	159	67	86
3.2 Resilience	799	202	245
3.3 Growth	20	20	20
3.4 Reliability	934	649	987
Stormwater	1,011	7,013	7,147
3.1 Flooding	961	7,013	7,147
3.2 Resilience	50	-	-
Wastewater	3,651	2,711	6,992
1.4 Public Health	3,604	2,665	6,953
3.3 Growth	20	20	20
3.4 Reliability	27	26	18
Porirua City Council	10,611	12,102	10,631
Potable Water	3,177	1,157	3,540
1.1 Safe drinking water	100	100	100
2.1 Resource usage	158	250	-
3.2 Resilience	2,216	50	1,000
3.3 Growth	170	170	1,770
3.4 Reliability	534	587	670
Stormwater	1,127	4,492	2,125
3.1 Flooding	1,127	4,492	2,125
Wastewater	6,306	6,452	4,966
1.2 Safety of assets	50	20	20
1.4 Public Health	2,345	3,396	4,200
2.1 Resource usage	1,000	-	-
2.2 Waterway health	670	740	600
2.4 Natural and Built Environment	350	200	50
3.2 Resilience	100	-	-
3.3 Growth	1,661	2,031	31
3.4 Reliability	130	65	65
Greater Wellington Regional Council	14,320	14,360	34,230
Potable Water	14,320	14,360	34,230
1.1 Safe drinking water	2,960	2,080	2,100
1.2 Safety of assets	375	-	-
2.1 Resource usage	60	60	60
3.2 Resilience	9,443	7,300	3,200
3.3 Growth	150	1,500	100
3.4 Reliability	1,332	3,420	16,520
Grand Total	72,759	73,812	128,394

Your public water company



porirua**city**

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

