

Wellington Water Committee | Komiti Ngā Wai Hangarua

08 November 2021

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Report no: WWC2021/5/267 (4)

Annual Letter of Expectation to Wellington Water Limited

Recommendations

That the Committee:

- (1) notes and receives the report;
- (2) approves the annual shareholder Letter of Expectation to Wellington Water Limited (attached as Appendix 1 to the report); and
- (3) authorises the Wellington Water Committee Chair to sign the letter.

Background

2. The Wellington Water Committee (the Committee) members have the delegated authority from each of the six councils who make up the shareholding of the company to agree to the annual letter of expectation. This is set out in the Committee's terms of reference.
3. The objective of the Letter of Expectation is to provide shareholders with the opportunity to state their priorities to the company which will then be included in the company's statement of intent. The board of the company must deliver a draft statement of intent on or before 1 March 2022 for consideration.
4. The priorities included in the Letter of Expectation reflect those flowing from the councils' overall objectives as expressed in their long-term plans in relation to the three waters, and also respond to short to medium priorities important to the shareholders.

Communication

5. Once approved, the Chair of the Committee will circulate the agreed Letter of Expectation to the Chair of the Board, the Chief Executive and to all shareholders.

Legal Considerations

6. Officers recognise that the matters referenced in this report may have a high degree of importance to affected or interested parties.
7. The matter requiring decision in this report has been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

Significance of the Decision

8. Part 6 requires the Committee to consider the significance of the decision. The term 'significance' has a statutory definition set out in the Act.
9. Officers have considered the significance of the matter and recommend that the matter be considered to have low significance. Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

Appendices

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1	Draft Wellington Water Letter of Expectation 2022-23	176

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Chief Executive, Porirua City Council

24 November 2021

Lynda Carroll
Chair
Wellington Water Ltd
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Wellington Mail Centre

Expectations of Wellington Water Ltd for the period 2022-25

Dear Lynda

This letter sets out the priorities and expectations of the six owner councils' and iwi mana whenua to inform the development of Wellington Water's (the company) Statement of Intent for 2022-2025.

This year has presented some practical difficulties in establishing the expectations of the owner Councils and our iwi mana whenua. The challenges of Covid loom large, Councils have had a busy time finalising their Long Term Plans and the Government's water reform programme is gathering pace with a recent decision to make inclusion in one of the four entities mandatory. Iwi have also had a busy year. Minimal consultation has therefore occurred to confirm Wellington Water priorities for the year ahead. However it is clear that these same issues have their place in the coming year for the effective operation of Wellington Water.

Our expectations over the next year are:

- **Performance** – delivering business-as-usual efficiently and to agreed performance standards and delivering an ambitious capital programme including any fiscal stimulus funding provided.

Following the company's advice to owner councils in preparing their 2021-31 long term plans, the company faces its largest programme of capital works ever. To deliver on this, it must scale up across its supply chain, including internally. At the same time, the infrastructure and construction sectors are experiencing supply constraints and historically high levels of activity, in a time of increased uncertainty due to Covid-19. These factors combine to create considerable risk around the deliverability and management of costs of the programme. We expect the company to be clear and realistic in setting programmes that will meet council expectations for the coming three years, while at the same time ensuring its reporting processes can effectively signal, in a timely fashion, any significant changes that may arise.

Managing programmes, budgets and deliverability over the over the next 3 years is critical. We are pleased to see the resolution of a number of outstanding performance and reporting issues, we urge the company to continue to pursue improvements in its performance management systems.

- **Planning** – With the new water entities targeted to open for business in July 2024, there is significant pressure to develop respective Council’s inputs to a new investment plan (a proxy for the next Long Term Plan) and asset management plans with a 10-30 year horizon to ensure a smooth transition for priorities and work programmes in the next 3-10 years.

We expect you to continue to use the five strategic priorities as a framework for three waters planning and advice, while at the same time having a view to the concerns and requirements of individual council owners, such as resilience to natural shocks and climate change, and the vision set out in the thirty-year plan. The five priorities are:

- Looking after existing infrastructure
- Supporting growth
- Ensuring a sustainable supply of water
- Improving environmental water quality
- Reducing carbon emissions and being resilient to climate change

We expect this process to fully engage Councils and iwi mana whenua. Planning should be undertaken guided by the principles of the journey to Te Ika rō Wai and restoring the balance of te ao wai, te ao taiao, and te ao tangata; and te mana o te wai.

- **Responding to change** - The Government’s three water reform programme means that the next few years will be a time of significant change.
 - The company has significant work to do to meet the expectations of the new regulator, Taumata Arowai. We look forward to the company improving its transparency of assurance reporting, and to ensuring it meets or exceeds the regulator’s expectations of reporting.
 - In addition the 3 waters reform will soon shift gear from policy to implementation. Our expectations are that you:
 - i. support owner Council’s through the policy/design phase of reform to input to the Government’s program of work
 - ii. focus on workforce retention and delivery of the Long-term Plan agreed work programme
 - iii. ready Wellington Water for the impending change through a robust change process
- **Relationship with mana whenua** – The presence of mana whenua representatives on the Wellington Water Committee has provided iwi input to the political governance of the entity. We expect you to support this governance arrangement through information, advice and support. As well we expect you to grow the cultural competence of your organisation at all levels.
- **Customer** - We continue to be interested in the company improving its customer focus through the way it problem solves with and for communities, communicates about its work and resolves customer issues.
- **Accountability** – Wellington Water has a number of accountability obligations. These include to:
 - Owner Councils – through both formal and informal means including a regular programme of briefings and regular performance reports to Councils

- Iwi – through Wellington Water Committee representatives and their iwi
- Customers – through responsive communication and delivery of work as agreed
- Taumata Arowai – as it develops a rigorous monitoring programme

- **Innovation** – We expect the company to keep abreast of innovations and value-add initiatives in the water sector to reduce cost, improve speed of delivery, ensure climate change targets are met and environmental improvements are delivered. Innovation should include a continued focus on internal efficiencies.

- **Workforce and supply chain pressures**– Our people are our greatest asset. With impacts from Covid-19, uncertainty around the future and competing market demands, managing a stable, engaged and productive workforce is a challenge. This is true for both Wellington Water staff and those people who work for your suppliers and contractors. We expect you to develop strategies that will ensure that you are an employer of choice through changing times.

- **Health and Safety** - We expect that you will place above all else the safety and welfare of your people and those affected by your activities.

I look forward to receiving a draft of Wellington Water’s Statement of Intent by Tuesday 1 March 2022.

Yours sincerely

Campbell Barry, Chair, Wellington Water Committee