

Statement of Intent 2016-19

30 June 2016



Our water, our future.

Contents

Foreword.....	3
Who we are.....	5
The scope of our functions.....	6
How we are governed	7
What influences us.....	9
What we want to achieve	10
Customer outcomes	10
Service goals	10
Key performance indicators	12
Smart investment	13
How we do it	14
Company result area 1: Growing capability and culture.....	14
Company result area 2: Demonstrate value for money.....	16
Company result area 3: Working collaboratively	19
Company values	22
Operational focus areas.....	23
Sound financial management.....	23
Systems improvements	23
Managing risk	23
Measuring success.....	24
Appendix 1: Organisational structure	25
Appendix 2: Three generations of the Regional Asset Management Plan.....	26
Appendix 3: Governance and shareholder information.....	27
Appendix 4: Council key performance indicators	29
Appendix 5: Accounting policies	40
Appendix 6: Three Year Forecasts	47

Foreword

In our first year of being Wellington Water, we've consolidated our structure and explored how to lift performance of three waters services in the region. In 2016/17 and beyond, we want to better position the company to respond to the changing operating environment and the needs of our shareholders and customers.

To stay relevant and connected to our customers, we've reviewed our outcomes to recognise water as an enabler for economic resilience and the public health aspects of our services. We now have a series of service goals that sit beneath our outcomes and we will use these to guide investment discussions with councils.

We'll continue to apply a regional approach to strategic and operational decision making across the three waters (drinking water, stormwater and wastewater) businesses and provide trusted advice to our shareholders across everything we do. This includes providing shareholding councils with the second generation Regional Asset Management Plan (RAMP). The final fully optimised plan will be available for 2018-28 long-term council plans and will support council growth strategies.

The RAMP will help us focus on operational delivery of the capital programme by asking whether we are investing in the right things, at the right time, in the right order. This requires a different way of working within the business, with shareholders and stakeholders. The RAMP includes an initiative to prepare the Wellington region's water supply network for a significant shock event. The programme business case for this work will require councils to consider investment decisions to build a resilient regional economy.

We have a regional conscience and want to see other water businesses benefit from our learnings. An opportunity to do so in the future may be as we support regulatory changes in the water sector, such as the introduction of metadata standards. We've realised that in order to operate effectively at the regional level, we also need to be well connected with national and central government. We'll therefore be supporting Water New Zealand to increase their collaborative approach with water businesses and again we'll share our learnings.

Within the company we'll focus on growing our capability and culture, and working more collaboratively with stakeholders and customers. We'll ensure we are providing value for money by asking our shareholders what they think about our delivery against their desired levels of service, and through initiatives like our procurement strategy. We have identified priorities to focus on which includes balancing our company work programme, managing pace within the company, and developing our business model to better realise value for money benefits.

There has never been a question that water management is crucial to creating strong, resilient communities. How that management is performed and measured is increasingly subject to inquiry, from a broad range of perspectives. This is why we will be transparent about our progress and why we'll be prioritising investment decisions in a way that best benefits the local economy.

This document summarises why we believe Wellington Water is well placed to both meet those challenges and to represent our shareholders' interests in local, regional and national arenas.



John Strahl
Chairman of the Board

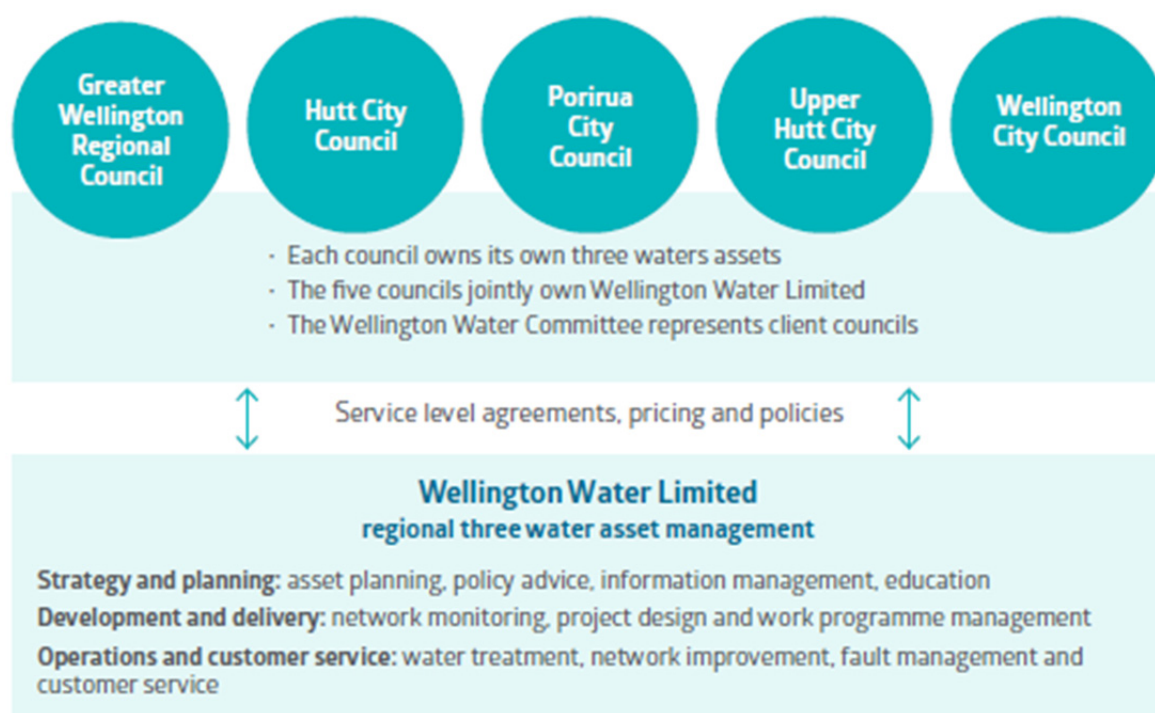


Colin Crampton
Chief Executive

Who we are

Wellington Water is a council-controlled organisation jointly owned by Hutt, Porirua, Upper Hutt and Wellington City Councils, and Greater Wellington Regional Council (GWRC). We employ 170 staff and manage expenditure on behalf of shareholding councils of approximately \$170 million to maintain and develop water assets with a replacement value of approximately \$5.3 billion.

We manage the three water networks and infrastructure (drinking water, stormwater and wastewater) on behalf of our shareholding councils and provide advice about how best to invest in their future development.



Each shareholding council owns its own water services assets (pipes, pump stations, reservoirs and treatment plants) and decides (after considering advice from Wellington Water) the service levels, policies and investments it will make in consultation with 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 Board Act 1972 and the Health and Safety Reform Act.

The scope of our functions

Our role is to ensure the three waters meet the levels of service that are agreed with shareholding councils and supports achievement of their 30 year infrastructure plans.

We provide shareholding councils with a Regional Asset Management Plan (RAMP) that looks across all our councils and outlines investments and initiatives that make sense for them to work on together. Individual Asset Management Plans are attached for each shareholding council to inform their long term planning.

Our asset management services include the collection, treatment and delivery of drinking water for our client councils; the build, operation, management and maintenance of three waters networks assets and systems, as well as wastewater treatment facilities, pump stations, reservoirs and related networks. We are also conscious of how critical the three waters are for the local economy's success.

We deliver a capital work programme that includes upgrade, renewal and development of the three waters infrastructure. This involves managing the lifecycle of water assets to support communities three waters needs and accommodate council growth strategies and changes.

We also progress regional initiatives (eg. water supply for resilience, Whaitua process and community education) that improve three waters performance and seek to mitigate any harmful impacts from three waters activities on the environment.

How we are governed

Board of Directors

The company is governed by a Board of independent directors.



John Strahl, Chair

Cynthia Brophy

Nicki Crauford

David Wright

David Benham

The Chair of the Board reports to the Wellington Water Committee. The Board approves the company's strategy, ensures legal compliance, ensures the company has necessary capability to deliver and monitors the company's performance, risk and viability.

The boards approach to governance is to establish with management (and in consultation with shareholders) clear strategic outcomes that drive the company's performance. It is also mindful of the relationships the Board has with the Wellington Water Committee and how the two influence the company in slightly different ways.

It supports and empowers management to deliver and report performance using a no surprises approach and by creating a trusted environment where information is transparent and strategic conversations occur providing 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.

Wellington Water Committee

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



David Bassett,
Chair,
Wellington Water
Committee



Chris Laidlaw
Deputy Chair,
Wellington Water
Committee



Nick Leggett



Wayne Guppy



Iona Pannett

Deputy Mayor,
Hutt City Council

Chair,
Greater
Wellington
Regional Council

Mayor,
Porirua City
Council

Mayor,
Upper Hutt
City Council

Councillor,
Wellington
City Council

The Wellington Water Committee provides governance oversight of Wellington Water and of the network infrastructure for the delivery of bulk water, water reticulation, wastewater and stormwater services. They do this by considering the company's half yearly and annual reports, monitoring performance of the company, appointing directors to the Board, providing recommendations to shareholders on proposals from the company. The Committee writes an annual Letter of Expectations to the Chair of the Board which is used by the company to develop the Statement of Intent.

Client councils

Our five shareholding councils own their own three water assets and are accountable for levels of service. We are accountable for delivery of the work programme.

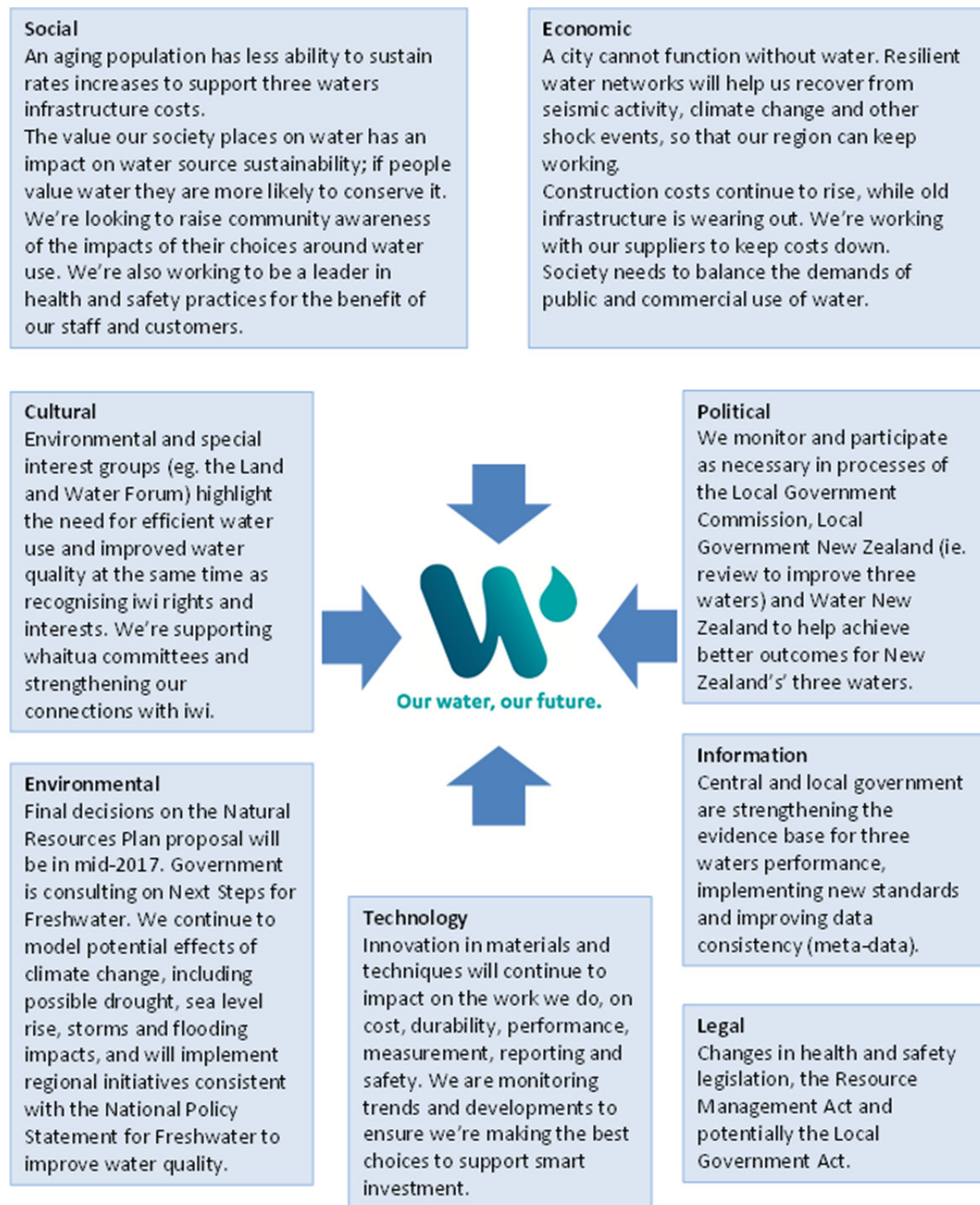
Wellington Water works with client councils on a regular basis on both strategic/policy and operational matters, liaising formally monthly with Client Council Representatives to ensure our work is aligned to councils intentions.

Ensuring we have the trust of councillors and council officers of the five councils is vitally important. Our client councils work with councillors to achieve their visions for their communities.

Refer to Appendix 3 for information about governance and shareholders.

What influences us

To plan for the future and manage our daily business, Wellington Water needs to understand the impact of social, economic, environmental, technological, cultural, information and political changes that may impact our business. The diagram below describes some of the external influences on our business.



What we want to achieve

We have three high level customer outcomes that are supported by twelve service goals. Each outcome and strategic goal has a set of key performance indicators that we use to assess how well we are delivering services to our customers.

Customer outcomes

We have three long term (20-30 years) customer outcomes:

- Safe and healthy water
- Respectful of the environment
- Resilient networks support the economy

Each outcome is supported by service goals that help focus delivery and we are seeking to either maintain or improve our performance against each outcome.

Service goals

Our service goals state what we want to achieve by providing water supply, stormwater and wastewater services to the Wellington region.





These goals are new and will help guide councils to make trade-off decisions and to prioritise and optimise long term investment.

In order to enable councils to make these decisions we will provide sufficient data and information about each goal's performance. Once councils have made decisions they will be reflected in their 2018-28 long term plans and consulted with the community.

We describe our goals and what we are seeking to achieve from each of them and how they are supported by key performance indicators over the page.



Customer outcome 1: Safe and healthy water



We provide water services, to ensure safe drinking water and will work to eliminate the harmful effects of wastewater and stormwater over time.

	We provide safe and healthy drinking water	<ol style="list-style-type: none"> 1. Water is delivered to meet current NZ Drinking Water Standards and water supply legislation so that our activities prevent contamination of treated water 2. Water supplied is of acceptable quality to customers
	We operate and manage assets that are safe for our suppliers, people and customers	<ol style="list-style-type: none"> 1. Water services are delivered in a way that is safe for our suppliers, people and customers 2. Asset safety risks are identified and improved
	We provide an appropriate region-wide fire-fighting water supply to maintain public safety	<ol style="list-style-type: none"> 1. Sufficient water is supplied meet urban firefighting needs under normal conditions 2. We identify and implement water supply improvements to assist the Fire Service
	We minimise public health risks associated with wastewater and stormwater	<ol style="list-style-type: none"> 1. The public is protected from direct exposure to untreated wastewater onto land 2. The public is protected from direct exposure to untreated wastewater onto beaches

Customer outcome 2: Respectful of the environment




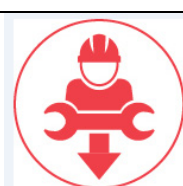
When we provide water services we seek to avoid harm to the natural and built environment and overtime enhance it for the benefit of future generations

	We manage the use of resources in a sustainable way	<p>Our customers receive water services that are managed efficiently through minimising:</p> <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	<ol style="list-style-type: none"> 1. Water quality of the waterways and harbours is not adversely affected by discharges from any of the three waters network 2. 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 enhance the impact on the natural and built environment of water services	<ol style="list-style-type: none"> 1. Water services are managed to comply with consents 2. Water services are built and managed in ways that are not intrusive to communities

Customer outcome 3: Resilient networks support the 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	<ol style="list-style-type: none"> 1. The potential impact of increased sea levels and flooding on property and key transport links from stormwater is identified and the impacts are minimised 2. 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 for sustainable water sources and future demand	<ol style="list-style-type: none"> 1. The water supply network meets normal demand except where a drought is more severe than a 1-in-50 year return period event 2. 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	<ol style="list-style-type: none"> 1. Customers have access to reliable water and wastewater services 2. Stormwater networks perform as intended when it rains

Key performance indicators

The overall performance for each set of goals will roll up to a trend indicator per outcome. Each outcome/goal has a set of key performance indicators in Appendix 4. These include mandatory measures from the Department of Internal Affairs (DIA). Throughout 2016/17 we will be introducing investment measures per goal.

Smart investment

The highest order value for money advice that we can provide to councils is to optimise the 2018-28 investment in each of the councils' three water network, and to produce clear and realistic 30 year infrastructure plans that meets the need of our customers.

To do this we are strengthening the alignment of our planning activities to outcomes and service goals and we're calling this approach Smart Investment.

Over the next year we will land our smart investment model with our client councils, provide them with a range of scenarios and advice to enable them to make informed trade-off decisions between service goals that they can reflect in their long term plans and consult with their communities on.

How we do it

The reason the company exists is to:

Create excellence in regional water services so communities prosper

To deliver our customer outcomes need the capability to become a high performance organisation. Our capability is developed through three company result areas.

Company result area 1: Growing capability and culture

To create a high performing organisation where people want to make a difference, we need to be agile and have capability and an organisational culture that supports company growth, resilience and the aspirations of our shareholders and staff. This includes being healthy, looking after ourselves and those we work with.

Health and safety

Our Health and safety vision is *'our people and those we work with go home healthy and safe each day'*. This vision is supported by our systems, processes and organisational culture.

The Safe and Well Together (SWELL) Project will ensure alignment with the Health and Safety at Work Act, which comes into effect on 4 April 2016. We are taking a continuous improvement approach that will grow the health and safety competency of our people, the quality of our systems, the efficiency and effectiveness of our procedures and strengthen our culture. We will share stories, have frequent health and safety conversations, provide ongoing training for staff and review procedures and measures/monitor performance against the vision and legislation. Each staff member will have a Health and Safety Training Development Plan and our new Health and Safety Management System (QPulse) will improve collection and analysis of data. We will refine our health and safety systems by collaborating with our supply chain to develop solutions that manage health and safety better. This means helping staff and suppliers to think more about probability and consequence of their day to day actions.

Measure area
<ul style="list-style-type: none">• Staff engagement scores for health and safety remain or trend above the benchmark level of 60% (in 2015 we achieved 81%)• Near hit/risk reporting/something good ratio to total recordable injuries. Target: Increasing ratio of 50% year on year towards a stretched target of 20: 1 by end of 18/19. Benchmark is final year 15/16 ratio of near hit/ risk report/ something good observations to each recordable injury that occurs• We receive our first safety star rating score• Standard lag measures such as injury frequency rates for lost time, total recordable injury and severity of injury. Target: Trend toward Business Leaders Health and Safety Forum rates for our sector of LTIFR¹ 1.5 and TRIFR² 4.6. per 200,000hrs

¹ LTIFR Lost Time Injury Frequency Rate. The number of lost time injuries per 200,000hrs worked. LTI frequency rate (LTIFR).

² TRIFR Total Recordable Injury Frequency Rate. Total of all injuries per 200,000hrs worked incl. First Aid and return to work/rehabilitation cases.

Leadership

We want everyone at Wellington Water to exercise leadership at work. We continue to invest in a longer term leadership development programme for all people leaders and staff to build capability in adaptive leadership. The benefits of this investment will be to develop the skills of our leaders and staff to be authentic, empower others, and develop confidence in leading in complex and ambiguous situations.

Engagement

Wellington Water aims to be a high performing organisation. To achieve this it's important we have highly engaged employees who deliver performance, go the extra mile and intend to stay. The results of our 2015 employee engagement survey highlights we need to focus on leadership and addressing any uncertainty about both the future of Wellington Water and having a successful career here. Our plan is to work with staff to determine if these are the areas of focus and then dig deeper to understand the causes so they can be addressed. Our engagement work is key to achieving one of our company priorities to settle into our own pace and energy.

Measure area
<ul style="list-style-type: none">Overall engagement survey results continue to improve each year (in 2015 we achieved 56%)

Workforce plan

Workforce planning is a key piece of work for us to complete in 2016/17. We seek to build a capable and committed workforce focusing on performance, personal leadership, engagement and health and safety. The ability to attract and retain skilled people is critical to the success of Wellington Water. In particular, skill shortages in the areas of engineering make it essential that a planned approach is taken to ensure we have the capability to deliver our outcomes in the near term and future. The outcome of a workforce plan will be confidence that Wellington Water will have the capacity and capability to deliver on its outcomes.

Measure area
<ul style="list-style-type: none">Succession plans in place for tier 1 and tier 2 positions

Specific priority for 2016/17 – becoming Wellington Water

We have achieved a great deal over the past year, however at times the speed of change has been challenging for our people. We have remained agile to the changing internal and external demands and we now we are settling to our own pace with a roadmap to deliver our strategic outcomes.

Our work load is driven by two focus areas, the council work programme and our company work programme, that focuses on internal improvements and strategic positioning for the future (e.g. Smart Investment). The next six months will see substantial progress made on the consolidated company work programme. This is about balancing out the company work programme, group teams managing pace and completing transition.

Measure area
<ul style="list-style-type: none">• Deliver 95% of our company wide work programme on time

Company result area 2: Demonstrate value for money

Our priority is to deliver value through our Smart Investment approach. By delivering the right project, at the right time we will deliver the greatest value to our clients. This is expressed through our RAMP.

In addition we are always looking to make efficiency savings and if the opportunity arises, work with other infrastructure providers to increase value across the Wellington region. While we have no specific plans at the moment we are actively building relationships with other infrastructure providers to ensure we can progress some across agency initiatives.

Regional asset management plan (RAMP)

A RAMP will incorporate the key outputs of the 14 existing AMP's that we currently produce across the Wellington metropolitan region. This approach will help our client councils make regionally-based decisions and promote the three drinking water, stormwater and wastewater outcomes for the region.

A high level RAMP (refer to Appendix 2 for the generations of RAMP) was produced to accompany the 14 separate plans and budgets for the 30 year period commencing 2016/17. The generation two RAMP will include detailed 30 year programmes, starting in 2017/18. This document will be informed by three water strategies for drinking water, stormwater and wastewater and highlight key improvements. The third generation RAMP will contain investment guidance on levels of service and each of the three regional initiatives, in time to inform 2018-28 long term plans.

Measure
<ul style="list-style-type: none">• Produce an optimised 30 year infrastructure plan, generation three RAMP for 2018-28, asset management plans and work programmes for Councils

Working regionally

Our ability to work regionally is one of the reasons we were established. We have three regional priorities that complement the RAMP and a number of other areas where we are taking a regional approach. Details follow.

1. Water supply resilience

The Wellington Water Committee has approved the strategic case for water supply resilience and we have developed a programme that will achieve our objectives and levels of service agreed by councils.

We are working with councils to agree a water supply level of service which is acceptable and affordable to the community following a major earthquake. The level of service together with the agreed investment objectives will establish the framework for future investment. Water supply resilience decisions will be reflected in council long term plans for 2018-28 and consulted with the community. Our job is to provide the evidence base and rationale for investing at certain levels of service and to coordinate with others that are also passionate about addressing resilience in Wellington.

In addition to water supply resilience we are also investigating resilience of our waste water networks in a major earthquake.

Measure area
<ul style="list-style-type: none">• Complete the water supply resilience Programme Business Case by June 2017• Complete the waste water resilience Strategic Case by September 2016

2. Catchment management approach to impacts on fresh water

We will continue contributing to GWRC's Whaitua or catchment-based approach to managing water quality and quantity, minimising our impact on the environment and improving consent compliance. The modelling of water quality and quantity limits, their implications and potential for improved water quality will be a focus in the Porirua Whaitua. The Wellington Harbour/Hutt Valley Whaitua is expected to start in the third quarter of 2016/17.

We'll also advise councils on their long term funding plans for monitoring programmes, meeting consenting requirements and infrastructure upgrades to meet the Whaitua limits that will be reflected in the Wellington Natural Resources Plan.

Measure area
<ul style="list-style-type: none">• Councils are satisfied with the investment plan that Wellington Water devises to make progress on meeting the limits adopted by the Whaitua work

3. Community education

We want a community that is well-informed and engaged about the impact that their actions can have on the three waters networks and the environment. We will develop a community education strategy to improve quality of receiving waters; reduce public health risk, reduce demand for potable water and network maintenance costs; and defer the need for investment in new infrastructure, where possible.

Measure area
<ul style="list-style-type: none">• Develop a community education strategy and implementation plan that increases council collaboration across the region by June 2017 to inform 2018-28 long-term plans

4. Three waters strategy, policies and bylaws

We are developing a three waters strategy. This strategy along with smart investment will inform what policies and bylaws we focus on in consultation with councils. One of many important factors to consider in the three waters strategy is the impact of climate change.

We continue to work with council policy staff to increase opportunities for consistent regional policies and bylaws relating to the three waters. Our focus in 2016/17 for regionalising policies and bylaws will be on improving water quality outcomes by supporting our ability to meet the stormwater and wastewater discharge consenting requirements of the proposed Natural Resources Plan, and addressing flood risk.

Measure area
<ul style="list-style-type: none">We have a draft policy and proposed adoption process for regionally aligned watering restrictions considered by the Water Committee in August 2016, and a summer water campaign in place by November 2016 (either based on current policy or bylaw settings, or new draft policy if feasible). This project has an interdependency with a review of current consent-based restrictions (by Wellington Water and GWRC), that is planned to occur in consultation with consent stakeholders

Three waters contribution to land development

While the company already provides some land development advice relating to the three waters, there is an opportunity to increase regional consistency (ie. how different council's Codes of Practice and the Regional Standard for Water Services are implemented). We will explore this opportunity with our five shareholding councils to see if we can improve the customer experience across the region and to standardise ways of operating.

Procurement strategy

Towards the end of 2016 we will have a regional procurement strategy that will be outcome based and seek to optimise value. It will drive regional consistency and operational excellence, including a health and safety culture with our suppliers and consider innovation and new technology opportunities. We will be looking for reliable delivery of the capital programme and will review our in/out sourcing arrangements as we develop the strategy. Our procurement approach includes implementing a consultancy panel.

Measure
<ul style="list-style-type: none">First generation procurement strategy completed in collaboration with suppliers

Capital programme

We know that effective, design, delivery and monitoring of performance of the capital programme is essential. Over the next few years we will organize ourselves to get into a more proactive cycle of working with our suppliers to enable better quality outcomes. This requires better planning, change control and agility to respond to new information as it becomes available. We are increasing transparency of the programmes progress and actively looking for opportunities to lift performance and improve relationships we have with suppliers.

Measure
<ul style="list-style-type: none">95% of all planned construction projects from client council asset management plans are completed within timeframes agreed with councils90% of all completed projects (from a 10% sample) delivered what they said they would

Creating value in everything we do

Our overall objective is to deliver to our customers' best value water services. We have described the systematic things we are doing above, but in addition we want to display a culture of eliminating waste, continuously improving and introducing innovation.

We have created a value for money framework that allows Wellington Water staff, consultants and contractors to register good ideas which we will collectively investigate and then implement if appropriate.

Measure
<ul style="list-style-type: none">A trend of increasing registration value for money ideas

Specific priority for 2016/17 – put in place a system to demonstrate value for money

Value for money is a difficult thing to measure because generally you have to forecast savings based on a change. It is very rare to have the luxury of paralleling two activities to see the true value. It makes sense therefore to have a thorough valuation system. We will set this up and then have our results audited by an independent party.

Measure
<ul style="list-style-type: none">Independent reviewer agrees with greater than 85% of our individual valuations

Company result area 3: Working collaboratively

We work collaboratively with our customers, shareholders and key stakeholders at central, regional and local levels. Our goal is to be seen as a trusted adviser to councils; managing our relationships with our stakeholders will help us achieve that. Working collaboratively includes putting ourselves in the centre of all conversations with authenticity and a commitment to act.

Trusted advisor to our shareholders

As a trusted advisor to our client councils it is essential we are transparent and responsive to their needs and expectations. We treat each client council as an individual, with specific conditions and needs that we must meet and where it makes sense introduce a regional perspective (for example we are exploring taking a regional approach to climate change with the GWRC).

In the widest regional sense, we are building our regional consciousness and are open minded about working better with our neighbours in a geographic sense to lift performance of the sector.

Measure area
<ul style="list-style-type: none">• Client Council Representative's judge us on an ongoing basis as having an effective relationships

Central government

At the national level, there are a range of matters relating to water governance and management that we need to be involved in, including resilience. This requires us to continue effective relationships with the Treasury's National Infrastructure Unit, MBIE and Worksafe, the Department of Internal Affairs and the Ministry for the Environment amongst many.

Measure area
<ul style="list-style-type: none">• As part of our water supply resilience initiative, keep government officials briefed on our progress

Customers: We place customers at the heart of everything we do

What we want to achieve is all about three waters services to the customer. We know that an exceptional company delivers exceptional customer value. The two are interlinked; hence the centrality of the customer in our overall business strategy. We're re-orienting ourselves around the customer (the end user of three waters services) through a medium-term strategy that will see the customer accounted for throughout our entire business.

We will establish a customer panel – a group of users that will lead our collaborative approach to delivering three waters services. They'll provide input into our customer communications, education programmes, feedback systems, and service promises. But they'll also co-define their own participation in the business, from asset management strategy to programme delivery.

We will share customer stories over our social media channels, and promote those channels as a means of engaging with us. We want to learn from our customers, so we know how to do things better, to meet their needs, be more effective and build a reputation for caring about the customer experience.

Our website will be re-engineered for mobile users, and include an outage and activity map, as well as feedback applications. We will work with council partners to identify where best to spend a day out of the "office" to work on a community project.

Measure area
<ul style="list-style-type: none">• Work with client councils to develop a customer panel and an annual customer survey for implementation

Other stakeholders

We have relationships with Water New Zealand, Local Government New Zealand and the Local Government Commission. We believe we can both learn from and share our experience with these national bodies to build and operate a successful shared service model for managing three waters networks across council boundaries. We are supporting Water New Zealand to lead an initiative to increase national collaboration across water utilities to lift performance of the sector.

Iwi as partners to the Crown have expressed a specific interest in increasing their participation in the governance and management of water. In the past, we've engaged with local iwi groups largely through our client councils. As our regional focus has broadened, we've continued to check in with councils and

mana whenua on how we can best meet their needs for participation, and as a result are building relationships in this area.

We have a strategy to increase our profile with recreational groups, environmental groups, beach and river care organisations, and resident and community groups that all recognize the growing significance of water quality, water management and water governance.

Largely through our resilience work we continue to strengthen our alliances with other utilities, for example Wellington Electricity, New Zealand Land Transport Agency and other organisations such as the New Zealand Fire Service.

Measure area
<ul style="list-style-type: none">• Create and implement an annual stakeholder survey in consultation with our client councils

Special priority for 2016/17 and beyond – growing the business

We are conscious of proposed changes at a national level to managing three waters (such as requirements for increased consistency of data standards) and that this may have an impact on some of the smaller councils.

We therefore want to be able to work with them to support them to deliver against national requirements. During the year we intend to build our relationships with councils outside the immediate Wellington region and to provide services to them if they require. We would do so in a transparent manner with our current five shareholding councils.

Consistent with our regional approach is our intent to provide contract services for any of the five shareholding councils and occasionally for others beyond the shareholding councils. Our Pomare team will provide services beyond their traditional scope of GWRC work to work for others and some of our technical people will be engaged in work that could fall beyond the five regional councils.

Measure area
<ul style="list-style-type: none">• Explore the regional consciousness model with our nearest neighbours and make a decision by December 2016 with our shareholding councils about whether to progress engagement

Company values

Our values put people first, sharing, innovating and working together.



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.

Operational focus areas

Sound financial management

Wellington Water's operating expense budget for 2016/17 is \$23.3 million. This budget was approved in October 2015 by the Wellington Water Board and Council Representatives. Of this total, \$17.8 million represents remuneration and other employee costs, and \$5.5 million relates to vehicles, utilities, professional services and directors fees, and depreciation costs.

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

In October 2015, a first principle review was presented to the Board and Council representatives to update forecasts on the 2015/16 budgets and present the 2016/17 budgets. Wellington Water's 2016/17 forecast Comprehensive Revenue and Expenses was based on the approved Operating budget of \$23.3 million. Year-on year up to 2018/19, a 2.5% increment was applied on Personnel and Other Employee Costs and 1% on other operating expenditure.

Forecasts include the principal repayment of the \$0.8 million loan secured in July 2015. Interest was assumed at 6%. No further loan is anticipated. Trade and other payables are high at year end resulting mostly from timing differences on the payment of project consultancy accruals.

Staff leave is being continuously managed and the increased leave liability from prior years is largely a result of increased staff numbers. Capital expenditure was assumed only up to the extent of the preceding year's depreciation.

The forecast Statement of Cash Flows remain steady with the inflow from Operations being received on the month they fall due. No further investments are anticipated except for capital expenditure funded by depreciation. Fixed amortisation payments on the \$0.8 million loan are expected to reduce financing cash flows.

Systems improvements

We will continue to refine our health and safety systems to meet legislative requirements with a focus on culture and collaboration with our suppliers.

We seek to improve the management systems across the business with a focus on outputs and measurement of achievement. We will do this through improving the maturity of the management systems we currently have in place and seeking to integrate the regional approach where appropriate. Significant improvements are planned in the next three years in the systems covering asset management, procurement/contract management, project management and finance management. The remainder of the systems (being a further 11) will have maturity improvements made over time. It is anticipated that all the management systems maturity improvement work is completed within five years with the focus then turning to continuous improvement.

Managing risk

Our risk management framework supports our company strategy and outcomes and aims to integrate risk management across all aspects of the company.

Our risk procedures require all groups to actively maintain their risk profiles, registers and discuss risks, their treatment programmes and to report on them on at a leadership level on at least a quarterly basis. Health and safety risks are specifically reported and discussed in senior leadership performance meetings.

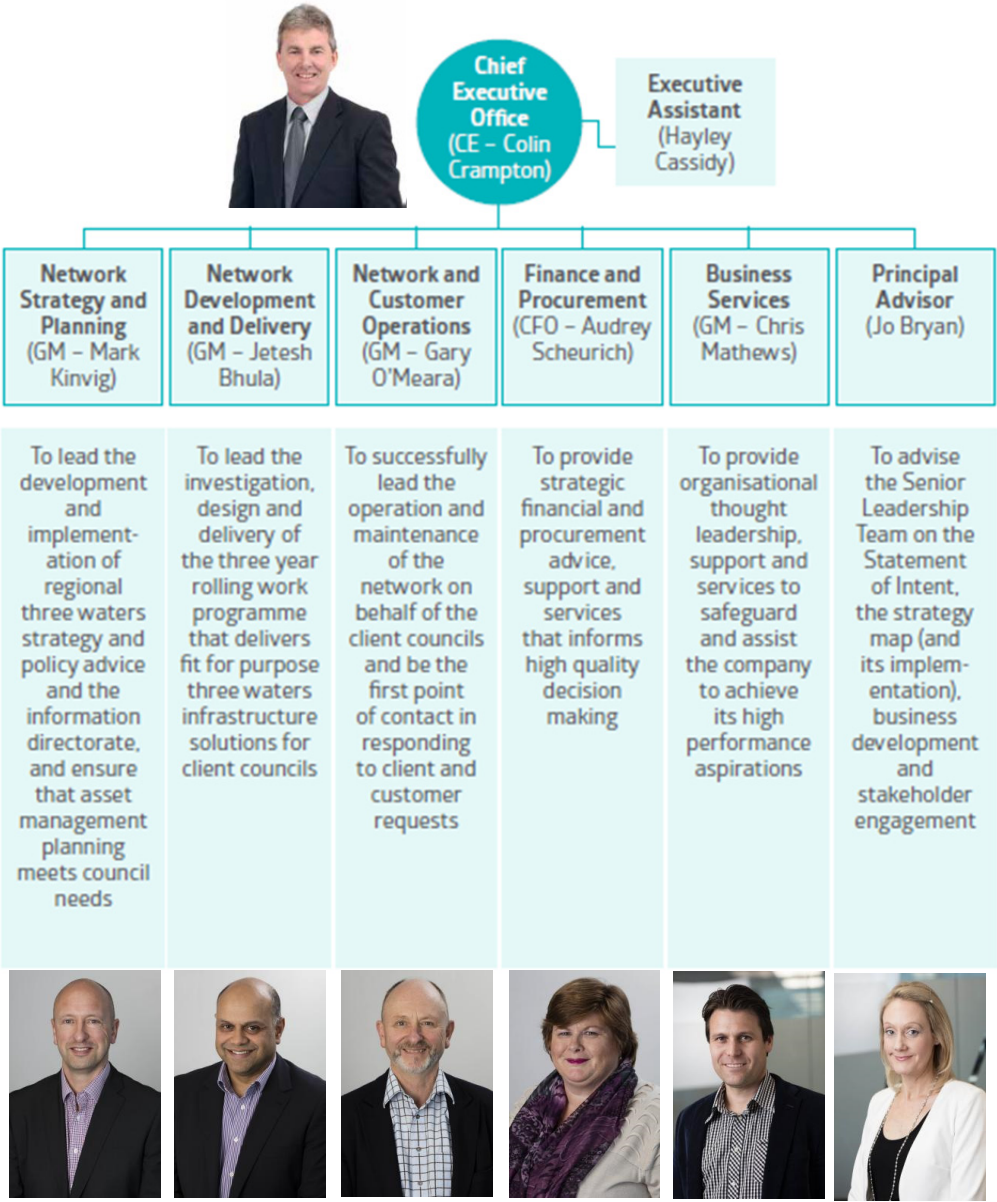
We report risks quarterly to the Company Audit and Risk Committee and discuss treatment programmes to mitigate extreme risks at each meeting. Quarterly we also report to the meeting of the Client Council Representatives risks that relate to the work programme and those that we collectively share.

Measuring success

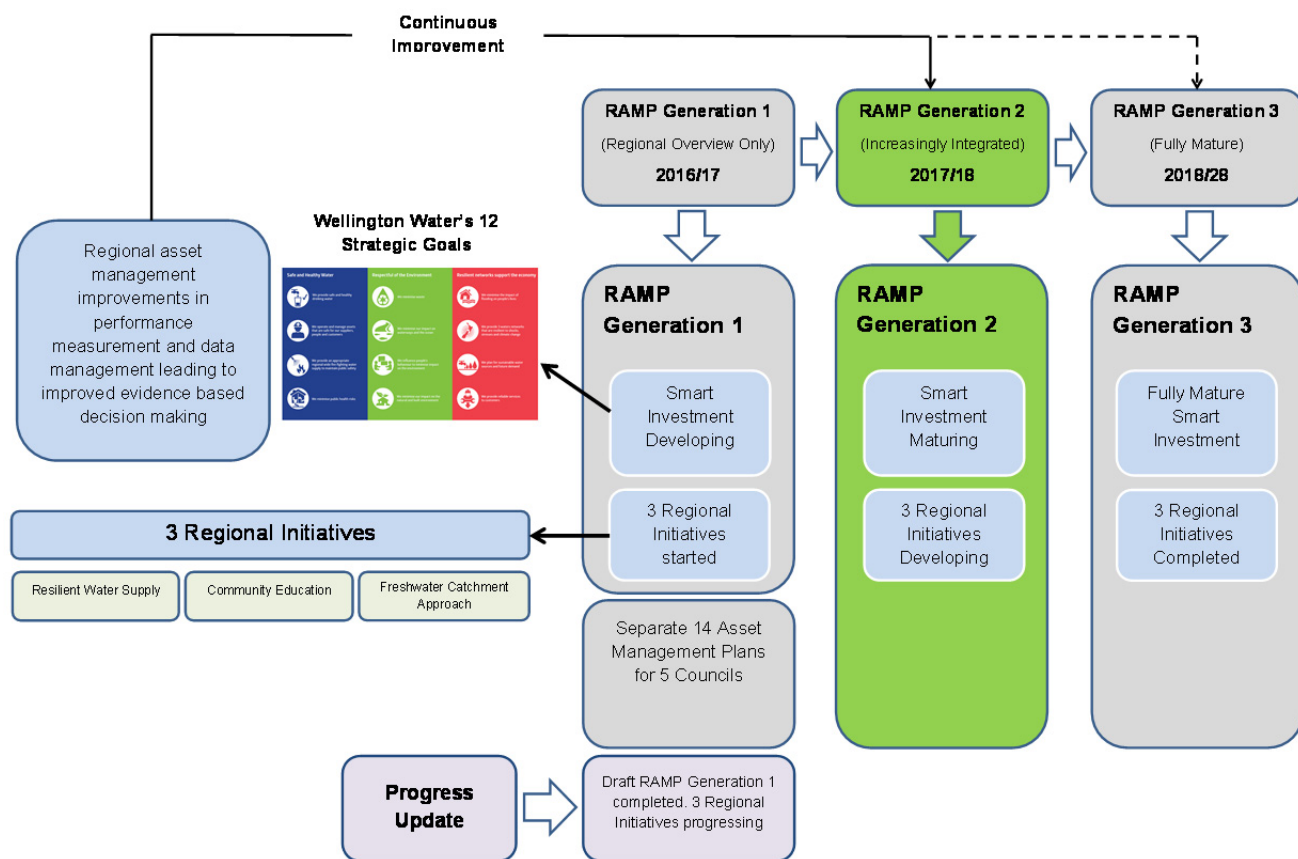
Monitoring and reporting against the Wellington Water strategy and its priorities occurs on a regular basis to the Senior Leadership Team (SLT), the Board, client councils and the Wellington Water Committee.

We provide monthly company performance reports to the SLT. In addition quarterly performance reports, the Half Year Report and Annual Report all go to the SLT, the Board and the Wellington Water Committee.

Appendix 1: Organisational structure



Appendix 2: Three generations of the Regional Asset Management Plan



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 currently consists of five members. All directors must be Independent directors selected by the Wellington Water Committee, in accordance with the Boards skill matrix. Each director can serve a maximum of two terms, or six years.

Board Chair John Strahl's term has been extended for a further two years to expire on 31 December 2017. Nicola Crauford is an independent director to 31 December 2017. The Wellington Water Committee jointly appointed Cynthia Brophy and David Wright to 1 February 2018. David Benham is appointed to 1 July 2018.

Board performance reviews are undertaken annually and will be 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 Movements in Equity (Appendix 6).

Information to be provided to shareholders

It was proposed, and accepted by the client councils that the company can retain 10% of the annual value created by Wellington Water as confirmed by independent assessment.

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)
- 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

The net value of the shareholders' investment in the company is estimated to be valued at \$2.3 million as at 31 December 2015. 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.

Matters that shareholders wish to restrict

The shareholding councils provided a letter of expectations that refer to the following restrictions:

- making a loan or borrowing money, except for any borrowings in the ordinary course of business of no more than \$1,000,000 in total
- granting security over the assets of the Company, or granting and indemnity or guarantee other than in the ordinary course of business
- making a material change in the nature of the Company's business or engaging in business activities outside the ordinary course of business
- entering a new customer service level agreement, except in the form already agreed by Shareholders
- entering into a partnership or joint venture, except in the ordinary course of business
- acquiring a new business or shares in another company
- starting or settling any legal or arbitration proceedings, except in the ordinary course of business
- transferring or disposing of real or intellectual property with a value of over \$200,000

Appendix 4: Council key performance indicators

Measures below are council specific targets that Wellington Water aims to achieve for its shareholding councils on their behalf. Most of these measures are also in councils Long Term Plans and some are from the Service Level Agreements we have with councils.

Safe and Healthy Water

Service goal	Asset group	Service category	Service aspect	Service objectives	Performance measure	Actual result (2014/15)	Target (2016-2019)	Client
We provide safe and healthy drinking water	Bulk Water	Service quality	Service quality	Water is delivered to meet current NZ Drinking Water Standards and water supply legislation so that our activities prevent contamination of treated water	Comply with the Drinking Water Standards for NZ 2005 (revised 2008) (Part 1 Microbiological, Part 2, Chemical and Aesthetic compliance)	100% compliance for Microbiological and Chemical. Not achieved for Aesthetic ¹	100% compliance	GWRC
					Maintenance of water supply quality grading's from Ministry of Health for the bulk water supply	Grading maintained ²	Maintain grading	GWRC
					Number of waterborne disease outbreaks	nil	nil	GWRC
		Customer focus	Customer Satisfaction	Water supplied is of acceptable quality to customers	Number of complaints about: a) drinking water clarity /1000 connections	0	Fewer than 5 per 1000 connections	GWRC
					b) drinking water taste /1000 connections	0	Fewer than 5 per 1000 connections	GWRC
					c) drinking water odour /1000 connections	0	Fewer than 5 per 1000 connections	GWRC
					d) drinking water pressure or flow / 1000 connections	0	Fewer than 5 per 1000 connections	GWRC
					e) drinking water continuity of supply /1000 connections	1	Fewer than 5 per 1000 connections	GWRC

Service goal	Asset group	Service category	Service aspect	Service objectives	Performance measure	Actual result (2014/15)	Target (2016-2019)	Client
					f) Response to drinking water complaints /1000 connections (Note: this is about the service we are providing)	0	Fewer than 5 per 1000 connections	GWRC
	Water Reticulation	Service quality	Service quality	Water is delivered to meet current NZ Drinking Water Standards and water supply legislation so that our activities prevent contamination of treated water	Comply with the Drinking Water Standards for NZ 2005 (revised 2008) (Part 4 bacterial compliance)	100% compliance	100% compliance	All clients (excl GWRC)
					Maintenance of water supply quality grading's from Ministry of Health for the bulk water supply	Grading maintained	Maintain grading	
		Customer focus	Customer Satisfaction	To achieve a high overall level of customer approval of the water service	Number of complaints about: a) drinking water clarity /1000 connections	New indicator from 2015/16	Fewer than 140 complaints per 1000 connections for each council	All clients (excl GWRC)
					b) drinking water taste /1000 connections	New indicator from 2015/16		
					c) drinking water odour /1000 connections	New indicator from 2015/16		
					d) drinking water pressure or flow / 1000 connections	New indicator from 2015/16		
					e) drinking water continuity of supply /1000 connections	New indicator from 2015/16		
					f) Response to drinking water complaints /1000 connections (Note: this is about the service we are providing)	New indicator from 2015/16		
					Customer Satisfaction with water supply	95%	95%	HCC
						93% ³	95%	PCC
						94% ⁴ – not available	Not available	UHCC

Service goal	Asset group	Service category	Service aspect	Service objectives	Performance measure	Actual result (2014/15)	Target (2016-2019)	Client
						99.7%	90%	WCC
We operate and manage assets that are safe for our suppliers, people and customer	All	Health and Safety	Healthy and Safety	Water services are delivered in a way that is safe for our suppliers, people and customers	LTI's and Incidents associated with operation of council assets	New Measure	Zero	All clients
					LTI's and incidents associated with supplier activities in designing, constructing, commissioning or operating Council assets	New Measure	Zero	
We provide an appropriate region-wide fire-fighting water supply to maintain public safety	Water Reticulation	Service quality	Continuity of supply	Sufficient water is supplied to meet urban firefighting needs under normal conditions	Percentage of fire hydrants identified as complying with NZ Fire Service Code of Practice	HCC – n/a PCC – 92% UHCC – 98% WCC – 94%	95%	All clients (excl GWRC)
					No of key hydrants that do not meet testing requirements (as defined in SNZ PAS 4509:2008)	New Measure	Not available	All clients (excl GWRC)
					% of fire hydrants inspected in the previous five years (as defined in Clause G4 of Appendix G SNZ PAS 4509:2008)			
We minimise public health risks associated with wastewater and stormwater	Wastewater	Customer focus	Customer Satisfaction	The public is protected from direct exposure to untreated wastewater onto land	The total number of complaints received by the council about any of the following: · sewage odour · sewage system faults · sewage system blockages, and · council's response to issues with its sewage system Expressed per 1000 connections to the council's sewage system	New indicator from 2015/16	Less than 30 per 1000 connections	All clients (excl GWRC)
					The number of dry weather sewerage overflows from the council's sewerage system expressed per 1000 sewerage connections to the sewerage	New indicator from 2015/16	Nil	

Service goal	Asset group	Service category	Service aspect	Service objectives	Performance measure	Actual result (2014/15)	Target (2016-2019)	Client
					system			
				The public is protected from direct exposure to untreated wastewater onto beaches	Percentage of days during the bathing season (from 1 November to 31 March) that the monitored beaches are suitable for recreational use	WCC – 100% HCC – 99.5% PCC – New indicator from 2015/16	90%	HCC, PCC, WCC
					The number of non-consented overflows from the treatment plants	New indicator from 2015/16	Nil	PCC, HCC, WCC
					The number of consented overflows from the treatment plants	New indicator from 2015/16	Fewer than 10 and decreasing trend (HCC and WCC) Fewer than 15 and decreasing trend (PCC)	PCC, HCC, WCC

¹A few aesthetic test results in the distribution zone have been outside the DWSNZ guideline values (for details see page 31 – Annual performance in 2014/15 Annual Report).

²Non-compliance with DWSNZ guideline values (including aesthetics, see aesthetic compliance above) can affect water source treatment and distribution grading. This risk is being managed via Wellington Water's risk management process.

³Within the margin of error for the survey.

⁴Within the margin of error for the survey and is the same as in 2014. Overall satisfaction has increased however with the percentage of "very satisfied" increasing from 52% to 65%.

Respectful of the environment

Strategic goal	Asset group	Service category	Service aspect	Service objectives	Performance measure	Actual result (2014/15)	Target (2016-2019)	Client
We will enhance the health of our waterways and the	Stormwater	Environmental Performance	To manage stormwater in an environmentally sensitive	Water quality of the waterways and harbours is not adversely affected by discharges from any of the three	Percentage of days during the bathing season (from 1 November to 31 March) that the monitored beaches are suitable for recreational use	WCC – 100% HCC – 99.5% PCC – New indicator from 2015/16	90%	HCC, PCC, WCC

Strategic goal	Asset group	Service category	Service aspect	Service objectives	Performance measure	Actual result (2014/15)	Target (2016-2019)	Client
ocean			manner	waters network	Percentage of monitored fresh water sites that have a rolling twelve month median value for E.coli (dry weather samples) that do not exceed 1000 cfu/100ml	WCC – 74% HCC, UHCC & PCC – New indicator from 2015/16	90%	All clients (excl GWRC)
					The number of non-consented overflows from the treatment plants	New indicator from 2015/16	Nil	PCC, HCC, WCC
					The number of consented overflows from the treatment plants	New indicator from 2015/16	Fewer than 10 and decreasing trend (HCC and WCC) Fewer than 15 and decreasing trend (PCC)	PCC, HCC, WCC
We manage the use of resources in a sustainable way	Water Reticulation	Cost effectiveness	To manage water in an environmentally sensitive manner	Our customers receive water services that are managed efficiently through minimising water loss	Average drinking water consumption/resident/day	HCC – 335 l/p/d PCC – 300 l/p/d UHCC – 332 l/p/d WCC – 273 l/p/d	345 l/p/d (HCC) 335 l/p/d (PCC, UHCC) 375 l/p/d (WCC)	All clients (excl GWRC)
					Percentage of real water loss from networked reticulation system	HCC – 18.2% PCC – 12.8% UHCC – 17.2% WCC – New indicator from 2015/16	Less than 18% (HCC, WCC) Less than 17% (PCC, UHCC)	All clients (excl GWRC)

Strategic goal	Asset group	Service category	Service aspect	Service objectives	Performance measure	Actual result (2014/15)	Target (2016-2019)	Client
We enhance the impact on the natural and built environment of water services	Bulk Water	Legislative Compliance	Legislative Compliance	Water services are managed to comply with consents	Compliance with resource consents for discharge from its stormwater system (full compliance is no notices/ convictions): <ul style="list-style-type: none">• Abatement notices• Infringement notices• Enforcement orders• Convictions Received by the Council in relation to the resource Consents	Nil	Nil	GWRC
					Compliance with all resource consents and environmental regulations	100%	100%	
	Water Reticulation	Legislative Compliance	Legislative Compliance	Water services are managed to comply with consents	Compliance with resource consents for discharge from its stormwater system (full compliance is no notices/ convictions): <ul style="list-style-type: none">• Abatement notices• Infringement notices• Enforcement orders• Convictions Received by the Council in relation to the resource Consents	Nil	Nil	All clients (excl GWRC)
	Wastewater							
	Stormwater							
We influence people’s behaviour so they are respectful of the environment	All	We want to preserve water sources for future generations and have chosen to measure awareness of water conservation work and changes in behaviour through the following: <ul style="list-style-type: none">• I think I should be conserving more water than I’m currently doing<ul style="list-style-type: none">– Target: decreasing trend– Actual result June 2012: 68%– Actual result June 2014: 68%• I have the information I need to be able to conserve more water<ul style="list-style-type: none">– Target: increasing trend						

Strategic goal	Asset group	Service category	Service aspect	Service objectives	Performance measure	Actual result (2014/15)	Target (2016-2019)	Client
		<ul style="list-style-type: none"> – Actual result: June 2012: 50% – Actual result: June 2014: 73% <ul style="list-style-type: none"> • I generally make a positive effort to conserve water <ul style="list-style-type: none"> – Target: increasing trend – Actual result: June 2012: 33% – Actual result: June 2014: 48% <p>These could be further enhanced throughout the year, as we consider developing surveys for customers and stakeholders and other forms of performance measurement.</p>						

Resilient networks support the economy

Strategic goal	Asset group	Service category	Service aspect	Service objectives	Performance measure	Actual result (2014/15)	Target (2016-2019)	Client
We provide reliable services to customers	Bulk Water	Service Quality	Continuity of supply	Customers have access to reliable water and wastewater services	Median response time for: <ul style="list-style-type: none">• attendance for urgent callouts• resolution of urgent callouts• attendance for non-urgent callouts• resolution of non-urgent callouts	30 minutes 90 minutes 30 minutes 33 minutes	60 minutes 4 hours 36 hours 15 days	GWRC
					Number of shutoffs to the bulk water supply network resulting in loss of water or pressure to consumers	1	Nil	
	Water Reticulation	Service Quality	Continuity of supply		Median response time for: <ul style="list-style-type: none">• attendance for urgent callouts• resolution of urgent callouts• attendance for non-urgent callouts• resolution of non-urgent callouts	HCC – 36 minutes, UHCC – 23 minutes, WCC – 44 minutes & PCC – new indicator from 2015/16 HCC – 2.6 hrs, UHCC – 2.2 hrs, WCC – 2.5 hrs & PCC – new indicator from 2015/16 HCC – 23.0 hrs, UHCC – 23.5 hrs, WCC – 25.8 hrs & PCC – new indicator from 2015/16 HCC – 1.0 day, UHCC – 1.1 days, WCC – 1.7 days & PCC – new indicator from 2015/16	60 minutes 4 hours 36 hours 15 days	All clients (excl GWRC)
					Fewer than four unplanned supply cuts per 1000 connections	HCC – 2.19, UHCC – 1.38, WCC – 1.22 & PCC – 1.55	Fewer than 4 per 1000 connections	

Strategic goal	Asset group	Service category	Service aspect	Service objectives	Performance measure	Actual result (2014/15)	Target (2016-2019)	Client
				To provide a cost effective water supply service	Operating cost per property (SLA measure)	HCC \$255 PCC \$257 UHCC \$314 WCC \$330	HCC less than \$275 per connection PCC less than \$275 per connection UHCC less than \$340 per connection WCC less than \$300 per connection	All clients (excl GWRC)
	Wastewater	Service Quality	Continuity of supply	Customers have access to reliable water and wastewater services	Attendance time: from the time that the Council receives notification to the time that service personnel reach the site, and	HCC – 29 minutes, UHCC – 32 minutes, WCC – 38 minutes & PCC – new indicator from 2015/16	60 minutes	All clients (excl GWRC)
					Resolution time: from the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault	HCC – 1.5 hrs, UHCC – 1.6 hrs, WCC – 2.1 hrs & PCC – new indicator from 2015/16	6 hours	
					Customer satisfaction with the wastewater service	HCC – 97% PCC – 92% UHCC – not available WCC – new indicator from 2015/16	95% – HCC, PCC UHCC – not available 75% – WCC	
					Number of wastewater reticulation incidents per km of reticulation pipeline (blockages)	HCC – 0.64 PCC – 0.89 UHCC – 0.50 WCC – 0.48	Less than 1.2/km	
					Operating cost per property (SLA measure)	HCC \$227 PCC \$490 UHCC \$273 WCC \$295	HCC less than \$220 per connection PCC, UHCC, WCC less than \$280 per connection	All clients (excl GWRC)

Strategic goal	Asset group	Service category	Service aspect	Service objectives	Performance measure	Actual result (2014/15)	Target (2016-2019)	Client
	Stormwater	Service Quality	Continuity of supply	Stormwater networks perform as intended when it rains	Median response time to attend a flooding event, measured from the time that council received notification to the time that service personnel reach the site.	HCC – 34 minutes, UHCC – 45 minutes, WCC – 42 minutes & PCC – new indicator from 2015/16	60 minutes	All clients (excl GWRC)
					Number of complaints per 1000 properties connected to the Council's stormwater system	New indicator from 2015/16	Less than 30 per 1000 connections	
					Customer satisfaction with the stormwater management	HCC – 87% PCC – 83% UHCC – not available WCC – new indicator from 2015/16	80% – HCC, PCC 70% – WCC UHCC – not available	
					Number of pipeline blockages per km of pipeline	HCC – 0.05 PCC – 0.35 UHCC – 0.03 WCC – 0.04	Less than 0.5 per km	
We minimise the impact of flooding on people's lives and proactively plan for the impacts of climate change	Stormwater	Service Quality	Service quality	To minimise the effects of flooding	Number of flooding events that occur in a territorial authority district	HCC – 1 PCC – 1 UHCC – 0 WCC – 3	Zero	All clients (excl GWRC)
					Number of habitable floors affected per 1000 stormwater connections	HCC – 0.37 PCC – 0.28 UHCC – 0.0 WCC – 0.30	0/1000 per flood event for all HCC, PCC, UHCC. WCC target is decreasing trend	
				To provide a cost effective storm water service	Operating cost per property (SLA measure)	HCC \$85 PCC \$41 UHCC \$55 WCC \$104	HCC less than \$85 per connection PCC less than \$35 per connection UHCC less than \$60 per connection WCC less than \$100 per connection	All clients (excl GWRC)

Strategic goal	Asset group	Service category	Service aspect	Service objectives	Performance measure	Actual result (2014/15)	Target (2016-2019)	Client
We provide three water networks that are resilient to shocks and stresses	Bulk Water	Resilience	Resilience	Resilience	Implementation of annual programme for improvements to resilience of bulk water network	67%	100%	GWRC
We plan for sustainable water sources and future demand	Bulk Water	Forward planning	Forward planning	Water supply and wastewater services are planned to accommodate changes in demand and future growth, with a focus on reducing water wastage	Probability of annual water supply shortfall (modelled)	<0.5%	Less than 2%	GWRC

Appendix 5: Accounting policies

Statement of accounting policies

Wellington Water Limited will apply the following accounting policies consistently during the year and to the Statement of Intent.

Cautionary note: The forecast financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

Nature of prospective information

The financial information presented consists of forecasts that have been prepared on the basis of best estimates and assumptions on future events that Wellington Water Limited expects to take place.

Reporting entity

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

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

For purposes of financial reporting, Wellington Water Limited is a public benefit entity.

Reporting period

The reporting period covers the 12 months from 1 July 2016 to 30 June 2017. Comparative projected figures for the year ended 30 June 2018 and 30 June 2019 are provided.

Specific accounting policies

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

The measurement basis applied is historical cost.

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

Changes to accounting standards

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

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

These financial statements comply with the PBE standards.. Previous references to “Income” have been relabelled “Revenue”. Similarly, references to “Comprehensive Income” have been relabelled “Comprehensive Revenue and Expenses”. Previous references to “Retained Earnings” have been re-labelled “Accumulated Comprehensive Revenue and Expenses”.

Judgments and estimations

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

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

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

a) Revenue

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

Revenues from Operations are standard charges agreed with the client councils on an allocation based on the average three year Asset Value and Operations Work programme. These revenues are billed and recognised monthly.

The Standard Consultancy Charges are revenues based on actual work programme and billed to the client councils on a monthly basis, except for GWRC.

Interest revenue is recognised using the effective interest method.

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

b) Expenses

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

c) Taxation

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

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

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the

carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

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

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

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

d) Goods and Services Tax (GST)

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

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

e) Financial instruments

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

Non-derivative financial instruments

Financial assets

Wellington Water investments comprise of cash and cash equivalents.

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

Financial liabilities

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

f) Property, plant and equipment

Recognition

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

Measurement

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

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

Impairment

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

Disposal

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

Depreciation

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

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

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

Work in progress

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

g) Intangible assets

Acquired intangible assets are initially recorded at cost.

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

- | | |
|---------------------|----------------------------|
| - Computer software | 2.5-5 years (18.60-40.00%) |
|---------------------|----------------------------|

Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Comprehensive Revenue and Expenses in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of

impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss is recognised. Losses resulting from impairment are reported in the Statement of Comprehensive Revenue and Expenses.

h) Employee benefits

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

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

i) Other liabilities and provisions

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

j) Equity

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

k) Leases

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

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

l) Superannuation scheme

Defined contribution schemes.

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

m) Related parties

A party is related to Wellington Water Limited if:

- it controls, is controlled by, or is under common control with Wellington Water or has an interest that gives it significant influence over control of the company
- the party is an associate of Wellington Water
- the party is a member of key management personnel of Wellington Water
- the party is a close member of the family of any individual referred to above

- the party is an entity controlled jointly or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to above

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

Appendix 6: Three Year Forecasts

Forecast Statement of Comprehensive Revenue and Expenses

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2017, 30 JUNE 2018, 30 JUNE 2019

	Forecast 2015/16 000's	Budget 2016/17 000's	Budget 2017/18 000's	Budget 2018/19 000's
REVENUE				
Operations	23,283	23,314	23,979	24,600
Consultancy Charge**	11,875	11,875	12,548	12,548
Interest	110	144	148	156
TOTAL REVENUE	35,268	35,333	36,675	37,303
EXPENSES				
General Expenditure	4,769	4,629	5,126	5,306
Project Consultancy**	11,875	11,875	12,548	12,548
Personnel Expenditure	17,547	17,823	18,269	18,726
Depreciation	660	813	540	540
Interest on Finance Leases	51	46	35	28
TOTAL EXPENSES	34,902	35,187	36,519	37,147
NET SURPLUS/(DEFICIT) BEFORE TAXATION	367	146	156	156
Tax expense/(benefit)	103	41	44	44
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE PERIOD	264	105	112	112

COMPREHENSIVE REVENUE AND EXPENSES ATTRIBUTTABLE TO:

Wellington City Council	111	44	47	47
Hutt City Council	56	22	24	24
Upper Hutt City Council	22	9	9	9
Porirua City Council	33	13	14	14
Greater Wellington Regional Council	42	17	18	18
Non-controlling interest	0	0	0	0
Total	264	105	112	112

**Note: Council Consultancy Charges are still to be finalised for future years

Forecast Statement of Financial Position

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2017, 30 JUNE 2018, 30 JUNE 2019

	Forecast 2015/16 000's	Budget 2016/17 000's	Budget 2017/18 000's	Budget 2018/19 000's
CURRENT ASSETS				
Cash	5,729	6,380	6,600	6,090
Prepayments	2,618	2,918	2,618	2,873
Trade and other receivables	148	218	219	217
Current Assets	8,495	9,516	9,437	9,180
NON CURRENT ASSETS				
Property, plant and equipment	2,797	2,568	2,410	2,286
Deferred Tax Asset	(44)	(44)	(44)	(44)
Non current assets	2,752	2,523	2,366	2,241
TOTAL ASSETS	11,248	12,040	11,802	11,422
CURRENT LIABILITIES				
Trade and other payables	6,179	6,829	6,554	6,179
Finance / Leases*	112	119	126	134
GST payable	879	880	913	929
Provision for Taxation	(12)	(115)	(103)	(111)
Payroll Liabilities and Annual Leave	1,624	1,874	1,874	1,874
Current Liabilities	8,782	9,586	9,364	9,004
NON CURRENT LIABILITIES				
Loan Payable	643	525	399	265
Non current liabilities	643	525	399	265
TOTAL LIABILITIES	9,425	10,111	9,763	9,269
NET WORKING CAPITAL	1,823	1,928	2,040	2,152
EQUITY				
Share Capital	950	950	950	950
Retained Earnings	873	978	1,090	1,202
TOTAL EQUITY	1,823	1,928	2,040	2,152

* Includes current portion of Loan Payable

Forecast Statement of Movement in Equity

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2017, 30 JUNE 2018, 30 JUNE 2019

	Forecast 2015/16 000's	Budget 2016/17 000's	Budget 2017/18 000's	Budget 2018/19 000's
NET SURPLUS/(DEFICIT) FOR THE YEAR	264	105	112	112
COMPREHENSIVE REVENUE AND EXPENSES ATTRIBUTABLE TO:				
Wellington City Council	111	44	47	47
Hutt City Council	56	22	24	24
Upper Hutt City Council	22	9	9	9
Porirua City Council	33	13	14	14
Greater Wellington Regional Council	42	17	18	18
TOTAL COMPREHENSIVE INCOME & EXPENSES	264	105	112	112
EQUITY AT BEGINNING OF YEAR	1,559	1,823	1,928	2,040
SHARE CAPITAL PAID BY GREATER WELLINGTON REGIONAL COUNCIL	0	0	0	0
EQUITY AT END OF PERIOD DISTRIBUTED AS:				
Wellington City Council	767	812	859	906
Hutt City Council	384	406	430	453
Upper Hutt City Council	153	162	172	181
Porirua City Council	230	244	258	272
Greater Wellington Regional Council	288	304	322	340
TOTAL EQUITY	1,823	1,928	2,040	2,152

Ratio of Shareholder Funds to Assets

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2017, 30 JUNE 2018, 30 JUNE 2019

Forecast 2015/16 000's	Budget 2016/17 000's	Budget 2017/18 000's	Budget 2018/19 000's
0.16:1	0.16:1	0.17:1	0.18:1

Forecast Statement of Cash Flows

FOR THE FINANCIAL YEARS ENDING 30 JUNE 2017, 30 JUNE 2018, 30 JUNE 2019

	Forecast 2015/16 000's	Budget 2016/17 000's	Budget 2017/18 000's	Budget 2018/19 000's
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash was provided from:				
Operating receipts	21,199	23,164	24,129	24,481
Consultancy charge	11,875	11,725	12,698	12,412
Bank Interest	110	144	148	156
GST received (net)	413	1	33	16
Cash was disbursed to:				
Payment to suppliers	(32,905)	(33,465)	(35,813)	(36,414)
Tax Payments	(39)	(103)	12	(8)
Interest Payment	(51)	(46)	(46)	(47)
NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	602	1,420	1,161	595
CASH FLOW FROM INVESTING ACTIVITIES:				
Cash was provided from:				
Capital Grant	1,094			
Cash was disbursed to:				
Purchase of fixed assets	(1,788)	(657)	(822)	(978)
NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	(694)	(657)	(822)	(978)
CASH FLOW FROM FINANCING ACTIVITIES:				
Cash was provided from:				
Shares issued	0	0	0	0
Bank Loans	800	0	0	0
Cash was applied to:				
Loan Repayments	(45)	(112)	(119)	(126)
NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES	755	(112)	(119)	(126)
NET INCREASE (DECREASE) IN CASH	663	651	220	(510)
OPENING CASH BALANCE	5,066	5,729	6,380	6,600
CLOSING CASH BALANCE	5,729	6,380	6,600	6,090

Cost allocation to Councils

Schedule One					
Wellington Water Budget Summary 2016-17		Wellington Water Management Fee	Regional Opex Programme	Regional Capex Programme	Total
		\$000's	\$000's	\$000's	\$000's
<u>Water</u>	WCC	2,609	5,171	13,265	21,046
	GWRC	8,771	10,457	5,935	25,163
	HCC	1,246	2,470	4,089	7,805
	PCC	209	1,716	1,260	3,185
	UHCC	574	1,186	1,341	3,101
	Total	13,409	21,002	25,889	60,300
<u>Wastewater</u>	WCC	3,345	15,832	10,789	29,965
	HCC	1,207	5,563	5,053	11,822
	PCC	1,435	3,961	7,267	12,663
	UHCC	435	3,218	2,089	5,743
	Total	6,421	28,574	25,198	60,193
<u>Stormwater</u>	WCC	2,231	2,306	6,010	10,547
	HCC	770	1,340	2,804	4,913
	PCC	171	552	519	1,243
	UHCC	312	585	1,031	1,928
	Total	3,484	4,783	10,365	18,632
<u>Total</u>	WCC	8,185	23,309	30,064	61,558
	GWRC	8,771	10,457	5,935	25,163
	HCC	3,222	9,373	11,945	24,540
	PCC	1,815	6,230	9,046	17,091
	UHCC	1,321	4,990	4,461	10,772
	Total	23,314	54,359	61,452	139,124
Notes:		All numbers in this table are provisional (draft) only as council budgets are still being agreed and calculated			
		The Regional Opex Programme includes only Wellington Water managed budgets			
		Does not include carryovers that are yet to be confirmed with councils			