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Foreword

Every day we provide on average 140 million litres of water to Wellingtonians. That's around 400,000 people consuming 56 Olympic-sized swimming pools full of water every day. We then take wastewater from homes and businesses, treat it at one of our four wastewater treatment plants, and discharge it safely into the ocean. To make sure that we enhance the health of our waterways and ocean, we've been working to reduce wastewater overflows following heavy rain events, and stormwater run-off from the urban stormwater network.

Most importantly has been our work in the past year to shift the way we think about our customers. This work kicked off in August 2017 when we hosted customer experience experts from Scottish Water.

Their approach helped us to focus on putting customers at the heart of everything we do. One of Scottish Water's key recommendations was to build a customer culture within the company. We've started to do this through the introduction of a customer plan, which includes a number of areas that will help us to better understand what our customers value from the services we provide and how we might be able to learn from those insights.

Because the majority of customer interactions are through our client council contact centres and interactions with our contractors, we only have a limited view of our customers. We still have a lot of work to do to create a common customer experience across the region, and we will continue to work with our client councils in this space.

2017 saw the third driest November on record. Demand for water soared and we had to start using reserves from the Stuart Macaskill storage lakes at Te Marua to supplement supply. To curb water demand we introduced a total sprinkler ban and provided customers with advice and information on the importance of water conservation. The result of this activity was a significant decrease in demand. It was great to see the public share their water conservation tips and hints and we saw positive engagement and growth through our social media channels.

We're reminded on a regular basis that we live in a seismically active region. Our drinking-water supply and wastewater networks are vulnerable. Underground pipes, pumps, and reservoirs could be

badly damaged in a significant earthquake, and as a result some suburbs could be without drinking water for more than 100 days, and without wastewater services for more than 120 days.

In the past 12 months we've been working with central and local government to develop an emergency water network that will supply communities across the metropolitan Wellington region with water from day eight following a disaster. The first of 22 emergency water stations was opened on 25 June at a special event attended by Civil Defence Minister Kris Faafoi and senior representatives of our five client councils.

This emergency water network, together with our investigations into an alternative water source for Wellington's southern and eastern suburbs and the construction of water reservoirs, will help our communities to become more resilient. At a household level, we've continued to raise awareness of the need to store 20 litres per person per day for at least seven days.

We've had a busy year making sure that our customers remain confident that the drinking water we provide is safe and wholesome.

Following the discovery of E. coli in the water exiting the Waterloo Water Treatment Plant, our client councils agreed to add ultraviolet (UV) light and chlorine to the treatment process. This is part of a multi-barrier system that provides assurance to our client councils that water supplied to everyone who lives and works in the metropolitan Wellington region is safe. Introducing UV treatment to Waterloo wasn't a smooth process, and we appreciated the patience of residents and the community as we disrupted traffic to dig up roads to install the new pipes needed to cope with the UV treatment process.

A safe and reliable water supply is essential to public health and the social and economic progress of our region. The findings from stage two of the government's Havelock North Drinking Water Inquiry have reinforced this importance. The inquiry proposed six fundamental principles of drinking-water safety and we have worked to understand how we can integrate these into the services we provide.

As a result of Local Government Minister Nanaia Mahuta's announcement to reform drinking water, stormwater, and wastewater, we have agreed to facilitate the development of a proposal on behalf of our five client councils that suggests improvements to the water sector in New Zealand.

Our region is experiencing steady urban growth, with the population expected to increase by 21% in the next 30 years. Because the infrastructure and assets we use to deliver our services have lifespans of 30-100 years, we have to take a sophisticated approach to planning. We've continued to develop key planning documents such as the Regional Service Plan, which outlines all the activities in the next three, 10 and 30 years that we need to undertake to make sure we provide services now and into the future. Our Three Waters Strategy takes a long-term (50-year) view of our drinking-water, stormwater, and wastewater networks. We've used this strategy to identify a number of issues that could disrupt the services we provide. In the next three years we'll investigate these issues by carrying out Future Service Studies using the 'Better Business Case' approach.

We've made great progress on our Service Delivery Strategy. This strategy articulates how we propose to deliver services through our suppliers and contractors in the next 10-20 years across our three waters services, and outlines how we can create value for money by selecting the optimal way of delivering services through options ranging from self-performing to full outsourcing.

We're on track to deliver an alliance approach to network maintenance and operations by June 2019; select a collaborative capex contractor panel to start work in 2019/20; and consolidate our wastewater treatment plant management contract by July 2019.

We've completed the review of our health and safety vision, and launched 'people first, every time' with our staff, contractors, and suppliers. It's been well received and we'll continue to work with these groups as we embed this vision in our way of working.

From a financial perspective, the company ended the year with a \$29k deficit (pre tax). In March 2018 we were forecasting a \$300k loss, so the fact that we

finished as close to break-even as we did is a reflection of the effort made throughout the organisation to reduce costs where possible.

Two key areas that helped were our continued focus on annual leave, resulting in a \$20k year-end credit, and the high level of effort on cost savings throughout the organisation.

Our capital expenditure (capex) was underspent by \$0.2m. This was to be used for the fit-out of the alternative office (replacing IBM House, Level 6, Petone). However, the updated engineering assessment of the IBM building concluded the building's NBS rating was between 70-80%, so this has remained unspent.

The final council operational expenditure (opex) result was \$2.1m over budget. This was primarily due to a \$3.3m planned overrun for Greater Wellington Regional Council (GWRC) from the harbour bores work and an overspend of \$0.8m for Porirua City Council. Both of these overruns were signalled to the councils well in advance and were fully funded by the councils through year-end wash-ups. The other three councils finished with a combined \$2m below budget.

The final council capex was \$3.7m below budget. This result is due to some work being delayed until next year and savings made. It's great to see that the changes we're making internally, to both our mindset and processes, are yielding positive results and making capex forecasting more certain.

The results show that we've made significant improvements across the organisation. However, we need to continue building on this success. The focus for this year will continue to be on accurate and timely forecasting and sustainable cost savings.



David Wright

CHAIR OF THE BOARD



Colin Crampton

CHIEF EXECUTIVE

TAKI

HE WAI, HE WAI
HE WAI HERENGA TĀNGATA
HE WAI HERENGA WHENUA
HE WAIRUA
HE WAIORA

TIS WATER, TIS WATER
WATER THAT JOINS US
WATER THAT NECESSITATES THE LAND
SOUL OF LIFE
LIFE FOREVER

About us

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

Our role is to plan and deliver three waters services (drinking water, wastewater, and stormwater) to the metropolitan Wellington region on behalf of our five client councils Hutt City Council, Upper Hutt City Council, Porirua City Council, Wellington City Council, and the Greater Wellington Regional Council.

Our services include the collection, treatment, and delivery of drinking water and the construction, operation, management, and maintenance of three waters network assets and systems, as well as treatment facilities, pump stations, reservoirs, and related networks. The ongoing and effective development and maintenance of these assets is critical for the local economy.

We deliver our services by focusing on three customer outcomes: safe and healthy water; respectful of the environment; and resilient networks that support our economy. These outcomes are supported by 12 customer service goals, which help us to assure our client councils and our customers that all of our activities are directed to providing the right services today and into the future.

What we've achieved

Performance against our customer outcomes and service goals are described on pages 24-26. This performance assessment is across the metropolitan Wellington region as a whole. Individual council performance sheets are provided directly to our client councils.

Our Statement of Intent 2017-2020 identifies four key areas that we'll focus on in the three-year period: customer experience (page 7); growing capability, resilience, and culture (page 8); creating value for money (page 11); and working collaboratively (page 17).

The following pages highlight our achievements against the goals we set ourselves in our Statement of Intent 2017-2020.



CUSTOMER EXPERIENCE

Key to delivering a positive customer experience has been increasing our understanding of our customers and what they expect from us and the services we deliver.

We've continued to engage effectively with our customer panel. Working with this group has influenced our thinking, our advice to councils, and how we can improve community awareness initiatives. We'll continue to work with this group and have invited them to co-design their own participation in the business.

We've also continued to develop our customer hub and are using customer interactions, feedback, and data to look for ways to improve our services and customer experiences. Because the majority of customer interactions are through our client council contact centres and interactions with our contractors, we only have a limited view of our customers. We still have a lot of work to do to create a common customer experience across the region and we'll continue to work with our client councils in this space.

Customer experience

Statement of Intent Measure	Commentary	Result
Develop a suite of customer service measures and start using the results to guide our business to be more customer centric.	<p>We've developed a suite of customer service measures that are reported in the form of a Customer Report on a quarterly basis. The Report includes:</p> <ul style="list-style-type: none"> Customer feedback (year to date): number of complaints, compliments, and call-backs; percentage of complaints completed in timeframes; customer call-back ratings; capex project surveys; and customer feedback (quarter). Job summary (per council): total number of jobs progressed by priority; and total average of jobs in progress and by each water type. Citycare volume (last seven days): number of jobs logged by council; job volume per 1000 connections by council; type of job; job volume by priority; and job percentage by status. 	Achieved
Of an annual 10% sample of call-backs to customers, 80% have a satisfactory experience.	Call-backs for the year have been ongoing. Level of service exceeding 90%. Call-backs are being reviewed for 2018/19 and will be aligned with Statement of Intent 2018-21 outcomes.	Achieved
Invite Scottish Water to review our customer work and provide recommendations for future improvement.	<p>Scottish Water visited us in August 2017 and made some suggestions for improvement. We have documented these suggestions in the form of a Customer Plan, which includes the following priorities: develop a set of customer behaviours; improve the relationship with customer contact centres; improve road signage; improve the end-to-end customer process; and publish a customer report.</p> <p>We've also incorporated these suggestions into our planning and discussions with potential partners for our maintenance and operations alliance.</p>	Achieved

GROWING CAPABILITY, RESILIENCE, AND CULTURE

We want to be an organisation where people can do their best, and we are continuing to develop our capabilities and organisational culture to support the achievement of our customer outcomes and service goals.

We've completed a review of our health and safety vision and successfully launched the vision, together with a set of accompanying behaviours, to our staff, contractors, and suppliers. We've seen a noticeable improvement in our culture, with all of our teams being involved in promoting and discussing how the vision and behaviours relate to them and the work they're doing.

Our Senior Leadership Team has continued to increase its visibility and participation in, and accountability for, health and safety. We're conducting a review of our critical health and safety risks (traffic management, mobile plant, and service strikes) to find out if those we've identified are, in fact, the ones that our people truly face when they're working. We continue to report regularly to our client councils, the Wellington Water Board, and the Wellington Water Committee on this.

Staff wellbeing has been a key area of focus for us in 2017/18. Our People and Capability team has worked with our Wellbe Committee to develop a Wellness Strategy and implemented an extensive package of initiatives, which have been very well received by our people.

Our leadership development programme is continuing to evolve as senior leaders take over responsibility for facilitating group learning and discussions.

We want to be a high-performing organisation. To achieve this it's important that we have highly engaged employees who deliver, go the extra mile, and intend to stay.

While the 2016 employee engagement survey showed a significant increase in engagement from 2015, the 2017 survey (conducted in December 2017) saw our overall engagement score go through a downward corrective, and it is now at the international benchmark. The recent survey indicates that 'uncertainty about our future' continues to be an area of concern for our people. Managing change effectively, while lifting engagement, will continue to be a priority for us.

Communications and health and safety continue to be strengths, with both results sitting well above the benchmark. Further investigation will be required to identify the specific areas of focus in the year ahead to improve engagement.

To make sure that we're as effective as possible in our long-term service planning approach, we've organised our people into groups with an overriding mantra that workflow is more important than structure.

A specific priority initiative was to develop and embed a workforce plan, which was signed off in July 2017. As we embed the plan, it will help us to develop the capabilities of our people and meet our future challenges. The workforce plan was agreed with leadership and customer service being the capability areas we wanted to focus on. Our ability to attract and retain skilled and capable people remains critical to our success. We've encouraged managers and staff to focus on individual development and growth, and we've continued to develop our engineering capability through partnering with Engineering New Zealand.

We have around 205 roles, and our growth in numbers can be attributed to the transfer of the Porirua Water and Drainage unit, plus a role from Wellington City Council to Wellington Water, along with other newly funded roles to support the increased complexity of the Waterloo water treatment plant and the significant increase in land development activity across the region.

Health and safety

Statement of Intent Measure	Commentary	Result
<p>Staff engagement scores for 'Safety Environment' increased in 2016 to 85%. This is 18% higher than the international benchmark and a 6% lift for Wellington Water in the same area since 2015. Our target is to maintain this achievement during 2017/18.</p>	<p>Our staff engagement score for Safety Environment has reduced by 4% from 85% (recorded in 2016) to 81% (recorded in November 2017). This result (81%) is still above the international benchmark. We did not maintain 85% for the year, meaning we didn't achieve our 2017/18 goal. To improve this measure for 2018/19 we are engaging with our people directly through a monthly newsletter to raise the profile of improvements and activities within Health and Safety.</p>	Not achieved
<p>Near hit/risk reporting/something good ratio to total recordable injuries. Target: Increasing ratio of 50% year on year towards a stretch target of 25:1 by end of 2018/19. Our focus is on lifting contractor performance.</p>	<p>Our near hit/risk reporting/something good ratio to total recordable injuries is 33:1 (which is above our stretch target of 25:1). We've continued to focus on lifting our contractors' performance and have seen this group excel in reporting/something good.</p>	Achieved
<p>Standard lag measures such as injury frequency rates for lost time, total recordable injury. Targets: Lost Time Injury Frequency Rate (LTIFR) 1.5 and Total Recordable Injury Frequency Rate (TRIFR) six per 200,000 hours.</p>	<p>Both LTIFR and TRIFR rates have reduced. However, we have not met our Statement of Intent targets: LTIFR 1.5 and TRIFR six per 200,000 hours.</p> <p>LTIFR – overall rate of 1.67 (target 1.5). This is in response to a number of lost-time injuries that have been recorded in the past six months. Investigations for each incident have provided insights (behavioural challenges and ways the processes can be changed to prevent a reoccurrence).</p> <p>TRIFR – combined 4.3, which reflects the increase in injuries and lost-time injuries recorded.</p>	Not achieved

Leadership

Statement of Intent Measure	Commentary	Result
<p>All staff participate (within six months of joining) in a one-day workshop for adaptive leadership.</p>	<p>We've offered all new staff the opportunity to attend a one-day adaptive leadership workshop within six months of joining Wellington Water. These workshops were held on 8 December 2017 and 18 April 2018. The attendance was 95%. While the goal is for all staff to participate within six months of joining, in some cases this has not been possible due to the availability of attendees (sick leave, annual leave, attendance at other critical meetings).</p>	Not achieved
<p>An evaluation of how well peer learning groups are working will be completed by the end of 2017.</p>	<p>An evaluation of how well peer learning groups are working took place in August 2017. The evaluation resulted in the lead peer learning group agreeing to refocus the programme for 2018/19.</p>	Achieved

Engagement

Statement of Intent Measure	Commentary	Result
We continue to see an increasing trend in our overall engagement score.	There was a reduction in the overall engagement survey score (December 2017), particularly around the 'future' questions (i.e. expectation of what's to come within the organisation in the next two years). Following an analysis of the information, engagement leads were established within each business group and actions were developed to address identified issues where possible.	Not achieved

Working across the company

Statement of Intent Measure	Commentary	Result
Working effectively across the organisation will be measured by adding a new specific question on workflow to the next engagement survey.	The engagement survey (December 2017) included a new specific question regarding workflow: 'People at Wellington Water work collaboratively (together) to get things done across the groups'. 57% of respondents either strongly agreed or agreed with this statement. Only 3% responded negatively to this question.	Achieved

Specific priority – workforce plan

Statement of Intent Measure	Commentary	Result
A workforce plan will be signed off by the Senior Leadership Team by 1 July 2017 and key areas developed and actioned.	<p>A workforce plan was approved in July 2017, with a focus on two key areas: developing capability in leadership and customer service.</p> <p>We've progressed these focus areas by strengthening the adaptive leadership programme and completing a co-design process with our people to agree our customer behaviours. These are now being rolled out throughout the organisation.</p>	Achieved

CREATING VALUE FOR MONEY

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

We've achieved this by detailing what we'll deliver in a single Regional Service Plan, which has been agreed with our five client councils. The plan has been informed by our Three Waters Strategy and identifies future infrastructure investments and their rationale from a regional perspective and, when significant, a local or council perspective. The plan is supported with budgets for each client council. Councils will use this information to develop their Long-term Plans (LTPs) and Infrastructure Strategies (for all assets).

The Regional Service Plan has been prepared to inform our client councils' 2018-28 LTPs and Infrastructure Strategies. It addresses key issues that have been identified and through discussions with client councils. We'll know if this plan is working when our performance against the key service goals is improving.

An integral part of delivering the Regional Service Plan is delivering the capital works programme. This involves working with our consultancy panel to achieve seamless and efficient delivery and enable better-quality outcomes.

We've continued to deliver a capital works programme that includes the upgrade, renewal, and development of our three waters network infrastructure. This involves managing the lifecycle of water assets to support our communities' three waters needs and accommodating council growth strategies and changes. It also requires close collaboration with our suppliers and contractors to deliver to required standards (including health and safety).

We're organising ourselves into a more proactive cycle of working with our contractors. This requires better planning, change control, and the agility to respond to new information as it becomes available, as well as good consultation with our client councils and other interdependent utilities. We'll continue to look for opportunities to lift performance and improve our relationships with suppliers.

We continue to display a culture of eliminating waste, continually improving, and introducing innovation. This has been demonstrated through the rising registration

of value-for-money initiatives from within Wellington Water and especially throughout our supply chain (e.g. consultants and contractors).

One of the three themes that arose out of the Shaping our Future initiative, as a specific priority initiative identified in our Statement of Intent 2017-20, was to develop a collaborative Service Delivery Strategy that consolidates our approach to water services across the region.

This strategy was completed prior to 30 July 2017, with delivery commencing immediately; and in the following three years will drive regional consistency and operational excellence, including the development of a health and safety culture with our suppliers and promoting innovation and new technology opportunities.

We'll be looking for reliable delivery of the capital programme, fully utilising our new consulting panel, and will review our in/out sourcing arrangements as we implement the strategy.

One of the reasons for forming Wellington Water was to see where there could be benefits in taking a regional approach to solving issues. We've identified four key areas where adopting a regional approach should benefit client councils:

-
- A** build resilience for drinking-water supply and wastewater;

 - B** better plan for and accommodate urban growth and change;

 - C** develop an integrated catchment approach to manage water and land use to achieve better outcomes (i.e. improve urban water quality); and

 - D** better understand climate change impacts on our three waters networks.

A Build resilience for drinking-water supply and wastewater

We know that our water supply network is vulnerable, as our underground pipelines cross fault-lines in multiple locations. Following a significant seismic event in the Wellington region, it's highly likely that these pipes will be damaged. Our research tells us that parts of Wellington's eastern suburbs, southern suburbs, and central business district could be without water for 100+ days.

We agreed, as part of our water supply resilience strategy (Towards 80-30-80), that we'd develop a programme of work to reduce the amount of time it would take to get water services up and running following a seismic event. The Cross-Harbour Pipeline is part of this programme of work and has been included in the GWRC LTP as a priority for the region.

This is only one part of a comprehensive regional response to the resilience challenges.

A key aspect of the strategy is the concept of people and businesses being self-sufficient for the first seven days (emergency state), the provision of up to 20 litres per person per day at distribution points from days eight to 30 (survival and stability state), and the regional water supply moving towards restoration of normal service through the provision of near-normal reticulated water services from day 30 (restoration and recovery state).

The Community Infrastructure Resilience network is an above-ground emergency water network of bores and surface-water treatment stations and desalination plants, supported by a distribution network out to the communities. It has been designed and built to provide 20 litres of water per person per day from day seven after an event.

We're also building reservoirs in Wellington City to increase the amount of water that's stored, and replacing our existing reservoirs that are aging and would not be particularly strong in the event of an earthquake.

We know that our wastewater network is equally vulnerable to a major shock. Our wastewater strategic case identified almost 80% of the network as non-resilient. The strategic case identified that more work was required to make communities more self-sufficient and that there was a need to work more closely with other utilities and the Wellington Region Emergency Management Office (WREMO) to improve preparedness and recovery efforts.

B Better plan for and accommodate urban growth and change

As well as the usual growth planning, the National Policy Statement on Urban Development Capacity requires councils to provide in their plans enough development capacity to ensure that demand for development can be met. Development capacity includes the provision of adequate infrastructure to support the development of land. Our focus is on supporting the proposed changes and providing advice on infrastructure changes to meet growth strategies. All of our strategic planning and development takes climate change into account.

C Develop an integrated catchment approach to manage water and land use to achieve better outcomes

We're adopting an integrated approach to planning, investing in, and managing activities to achieve better outcomes across all three waters in the region.

As we develop an integrated approach we'll consider the direction set by National Policy Statements, utilise our operational knowledge of the networks, and work with our stakeholders to share information and build our capability to enable holistic investment decision-making.

Our catchment approach will be influenced by Whaitua processes in the region. The Te Awarua-o-Porirua Whaitua¹ is underway, and the Wellington Harbour and Hutt Valley Whaitua is currently being formed. We'll continue facilitating, providing information, and advocating for three waters as part of the Whaitua process to achieve both aspirational and realistic outcomes for communities.

D Better understand climate change impacts on our three waters networks

We know that climate change is upon us, with an increasing likelihood of frequent and intense rainfall and rising sea levels affecting stormwater networks and causing flooding in low-lying areas. We're working to plan proactively and regionally for this impact to ensure value for money and that our actions are in alignment with council growth strategies.

¹ Whaitua means a designated space or catchment. GWRC is working closely with communities to manage land and water through Whaitua committees.

Regional Service Plan

Statement of Intent Measure	Commentary	Result
Produce a Regional Service Plan and provide input to councils' 30-year Infrastructure Strategies to inform council 2018-28 LTPs.	The draft Regional Service Plan was completed prior to 30 June 2018. Budgets and justification were supplied to each council and support was provided as required. All LTP budgets were signed off at the end of June 2018.	Achieved
Evaluate over three years how well we are implementing the Regional Service Plan by assessing performance against service goal measures.	We're in the process of establishing the measurement of performance. A baseline capital works plan has been signed off for construction in 2018-2021 (based on the LTP budgets signed off by councils). Assessing the effectiveness of delivery against the goals is ongoing.	On track

Capital works programme

Statement of Intent Measure	Commentary	Result
95% of all planned construction projects from client council annual plans are completed within timeframes agreed with councils.	We had 96 planned construction projects planned in the year which excludes reactive work. We've completed 6 additional projects that were not planned for. 9 projects were re-baselined, not completed or partially completed. Our nett construction projects non-completion rate is 4 which equates to 4%. Therefore the overall completion rate is 96%.	Achieved
90% of all completed projects (from a 10% sample) meet requirements of the project briefs.	11 (or 11%) completed projects were audited out of the total of 96 Construction projects. 100% of audited construction projects met the requirements of the briefs. The audits revealed that 37% of the projects were subject to formal change management requests related to scope and budget; these changes do not affect our overall completion rates.	Achieved

Our value-for-money system

Statement of Intent Measure	Commentary	Result
A trend of increasing registration of value-for-money ideas from within Wellington Water and throughout our supply chain.	We recorded 221 value-for-money initiatives in 2017/18, which is a 20% increase on 2016/17 and a 100% increase on 2015/16. The total number of initiatives recorded as at the end of June 2018 is 512. Bringing our suppliers with us on the value-for-money journey has been the focus for the past two years. Of the 221 initiatives, around 80% have come from our consultants and contractors.	Achieved
An independent reviewer agrees that greater than 85% of our value-for-money ideas have actually generated value.	The independent review was completed in 2016/17, and identified that the system was sound and the calculation appropriate. We have used exactly the same methodology, therefore there was no need to repeat the review.	Not applicable

Specific priority – Service Delivery Strategy

Statement of Intent Measure	Commentary	Result
Regional Service Delivery Strategy completed and endorsed by 30 July 2017.	The Regional Service Delivery Strategy was completed and endorsed prior to 30 July 2017.	Achieved
Regional Service Delivery Strategy implemented progressively through 2020, including wastewater delivery, operation, and maintenance alliance; and contractor panel.	<p>The Regional Service Delivery Strategy is on track to be implemented progressively through 2020.</p> <ul style="list-style-type: none"> · A Contractor Panel request for proposals (RFP) is in draft, due to go out in early July 2018. · Network maintenance alliance – RFP closed and to be marked in early July 2018. · Wastewater treatment plant management – shortlisting of registrations of interest has taken place and due diligence is to start. 	Achieved
Senior Leadership Team is engaged in the consultation process and receiving regular reports on progress of all three streams.	The Senior Leadership Team receives quarterly reporting against strategy milestones.	Achieved

Regional initiatives

A Build resilience for drinking-water supply and wastewater

Statement of Intent Measure	Commentary	Result
Implement the water supply resilience strategy by implementing education and community programmes to raise awareness of the need for drinking-water and wastewater self-sufficiency for at least the ‘first seven days’ by June 2018.	During the 2017/18 year we continued to raise awareness of the need for drinking-water and wastewater self-sufficiency for at least the first seven days, through education and community programmes. The Water Hero campaign used social media promotions, outdoor marketing, community events, and our website to reach Wellingtonians.	Achieved
Investigate and, if approved, implement agreed initiatives (e.g. network alternatives and new water sources, reservoirs, and equipment projects) by June 2020.	Our efforts have focused on obtaining approvals under the Resource Management Act 1991 and the Wellington Town Belt Act 2016 for the Omāroro, Bell Road, and Aotea Reservoirs, establishing community water stations (Community Infrastructure Resilience project), and completing the investigations for Wellington’s alternative water supply.	Achieved
Complete a wastewater programme business case by June 2019.	During the year it was concluded that a full programme business case could not be completed due to the priority being drinking water. So we have developed a operational response plan for wastewater based on a two bucket system stored at home with collection set up post-earthquake.	Not achieved

B Better plan for and accommodate urban growth and change

Statement of Intent Measure	Commentary	Result
Develop a strategic case to investigate effects of climate change on stormwater management, by 30 June 2018.	A strategic case is no longer considered necessary, as climate change is a key consideration in all of our strategy and planning processes. We continue to contribute to climate change work being led by our client councils, Local Government New Zealand, central government, and the Victoria University of Wellington. All our future service studies will consider climate change as we consider the key long-term challenges.	Not achieved

C Develop an integrated catchment approach to manage water and land use to achieve better outcomes

Statement of Intent Measure	Commentary	Result
An Integrated Catchment Management Plan (ICMP) is being developed by end of March 2018 for Lambton Harbour as part of the existing global stormwater consent held by Wellington City Council.	<p>The ICMP for Lambton Harbour was completed in March 2018. Following a period of review by GWRC, the Stormwater Consultative Committee (made up of key stakeholders) and the Three Waters Decision Making Committee (3WDMC), it has now been formally lodged with GWRC. In developing the stage two ICMPs it has become clear to Wellington Water that there is a risk that the plans will not respond adequately to emerging policy changes at national and regional levels, and particularly the holistic stormwater framework identified by the Proposed Natural Resources Plan (PNRP).</p> <p>Although the PNRP is still at the hearing stage, Wellington Water is committed to delivering integrated catchment management in accordance with the PNRP.</p> <p>To ensure the efficient use of limited resources and funding and to future-proof Wellington Water's catchment management plan effort, it is considered necessary to align the ICMP with the requirements of the PNRP. A project brief has been developed to develop a Stormwater Management Strategy (and potentially more detailed Stormwater Management Plans) for the remaining Wellington City catchments.</p>	Achieved
A global stormwater consent for all councils will be in place by the end of the 2017 calendar year, which will initially require a stormwater monitoring regime followed by the development of stormwater management strategies by all councils.	We've been working with our key stakeholders to establish a global stormwater consent that will include a five-year monitoring regime. The consenting process was delayed due to a request for further information. All information has been provided to allow the consent to be processed and issued. We're awaiting the consent and final stormwater monitoring plan from GWRC. Draft conditions have been provided by GWRC but go beyond the scope of the matters of control, so we're querying these.	Not achieved

D Better understand climate change impacts on our three waters networks

Statement of Intent Measure	Commentary	Result
<p>A survey that tells us whether client councils are satisfied with our involvement in the early planning stages of growth and development changes, our contribution to spatial planning, and ensuring increased alignment with their strategies for future growth.</p>	<p>Survey responses from some of our client councils demonstrate that they're satisfied with our involvement in the early planning stages of growth and development changes, our contribution to spatial planning, and ensuring increased alignment with their strategies for further growth.</p> <p>Our client councils have asked for (and received) a three-month extension to delivering the National Policy Statement on Urban Development Capacity report. This has removed some of the previous urgency. We've prepared a methodology and discussed this with some of our client councils.</p>	<p>Achieved</p>

WORKING COLLABORATIVELY

We've continued to work collaboratively with our customers, shareholders, and key stakeholders at central, regional, and local levels. Our goal is to be seen as a trusted advisor to councils, and managing our relationships with our stakeholders will help us to achieve that.

As a trusted advisor to our client councils it is essential that we're 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.

At the national level there is a range of matters relating to water governance and management in which we need to be involved, including resilience. Working collaboratively includes putting ourselves at the centre of all conversations with authenticity and a commitment to act.

We've worked with Local Government New Zealand on its Water 2050 project, including looking at funding options, and continue to build our relationship with the Local Government Commission by coordinating submissions on relevant topics.

We continue to support Water New Zealand by participating in and leading national projects such as the customer value project, which conducted nationwide water research that has been published.

Local Government Minister Nanaia Mahuta has announced a programme to transform the management of drinking water, stormwater, and wastewater. Known as the Three Waters Review, it is focused on the challenges facing the sector, including funding pressures, rising environmental standards, climate change, seasonal pressure from tourism, and the recommendations of the Havelock North inquiry. The review is in its second stage. The first stage explored the issues and opportunities with three waters services by gathering and analysing information, and was completed at the end of 2017. The second stage commenced in March 2018, looking at options for improving the three waters system, including the management, service delivery, funding, and regulatory arrangements.

We've signed a Memorandum of Partnership with local iwi through their Post Settlement Governance Entities – Port Nicholson Block Settlement Trust and Te Rūnanga o Toa Rangatira. We'll continue to develop these relationships through the Whaitua and other processes.

A priority initiative was to develop relationships with neighbouring councils to improve three waters service provision. We've begun discussions with neighbouring councils in the wider Wellington region, including some Wairarapa councils, to explore how we can help them with asset management and data-related services, such as providing assistance in implementing metadata standards. We'll consider how we could fund this in a sustainable way.

Trusted advisor to our shareholders

Statement of Intent Measure	Commentary	Result
Client council representatives judge us on an ongoing basis as being their trusted advisor.	We continue to be judged as meeting the requirements of being a trusted advisor by client councils' representatives.	Achieved

Central government

Statement of Intent Measure	Commentary	Result
Work alongside central government to improve the resilience of the three waters infrastructure, including providing advice to central government on three waters issues.	We've worked alongside central government through our contribution to the Wellington Water Resilience Programme, which is drafted and ready for presentation to central government.	Achieved
Involve central government in our initiatives as appropriate e.g. climate change impacts on three waters.	We've collaborated and assisted with the Ministry for the Environment's implementation of the National Policy Statement on Urban Development, the development of National Planning Standards, and guidance on improving urban waterways; Local Government New Zealand's review of the impact of climate change on local government infrastructure; and GWRC's regional working group on climate change.	Achieved

Other stakeholders

Statement of Intent Measure	Commentary	Result
Conduct an annual stakeholder survey by 1 April 2018 in consultation with client councils.	We developed our annual stakeholder engagement survey in April and received the results in May 2018. We're developing an action plan to identify opportunities and address areas for improvement.	Achieved

Specific priority-neighbouring councils

Statement of Intent Measure	Commentary	Result
Provide asset management and data-related services to neighbouring councils, including implementation of metadata standards and sharing our knowledge.	During 2017 (calendar year) we worked with South Wairarapa District Council in improving its water supply and wastewater network asset data and used the updated data to develop a 10/30-year asset renewals plan, which was well received by the council.	Achieved



Operating frameworks

Key operational focus areas for the company include improving company systems, risk management, and company performance, completing special projects, setting up One Budget, and securing funding certainty.

Company systems

We continue to develop our systems. This includes implementing the Information Strategy, which is focused on recording and maintaining accurate data, which is transformed to information to aid decision-making and is shared to support knowledge. Our focus has been on simplification of underlying business processes, developing new, integrated systems to support our processes, and rationalising applications currently used by employees. We've also implemented our Information Technology Strategy and are monitoring the development of technology-enabled, smart services supporting three waters operations.

Risk management

Our risk management framework supports our company strategy and outcomes and aims to integrate risk management in all aspects of the company. We've invited all staff to engage in risk management, understand their role in risk processes, and influence and improve risk effectiveness. Our risk procedures require all groups to maintain risk profiles and risk registers and to discuss risks and their treatment programmes, and report on them at a leadership level on at least a quarterly basis. Risk management and its effectiveness are discussed at the Senior Leadership Team quarterly performance meetings. We report risks quarterly to the Board Audit and Risk Committee and discuss treatment programmes to mitigate extreme risks at each meeting. Quarterly we report to meetings of client council representatives on risks relating to the work programme and those we collectively share.

Company performance

Please refer to pages 24–31 for a summary of performance against our customer outcomes and service goals, and to our website for performance against Department of Internal Affairs measures. We continue to report performance to the Wellington Water Board, our five client councils and the Wellington Water Committee on a quarterly basis.

Special projects for 2017/18

To contribute to the company's smooth operation we've: investigated with our councils how we can support consent activity effectively; introduced ID cards; worked with councils to develop delegation rights and enforcement; and continued the move towards developing regionally consistent three waters bylaws and policies.

One Budget and funding certainty

We've implemented the One Budget concept for operational and capital funding for each council. This consists of each council paying to Wellington Water the full allocated operating and capital budget for three waters in 12 monthly instalments. From this funding stream we'll optimise the costs between the company, consultants and contractors.

Once the 2018-28 LTPs have been approved by councils, we envisage fixing annual funding for a three-year period, providing the company with more certainty. We'll be more explicit about risk pricing, our method for managing risks, and any coverage that individual councils need to be aware of. In the case of capital projects we'll use the retiming of projects as the principal basis for managing scope and cost risk, but this will be done with the agreement of councils involved. Similarly, councils expect to be able to modify funding priorities in the event of emergencies or other significant events; this would be done in discussion with the company and in consideration of existing commitments and operational risks.

Who we are

WELLINGTON WATER COMMITTEE

The Wellington Water Committee's five shareholders are: Hutt City Council (represented by Deputy Mayor David Bassett); Porirua City Council (represented by Mayor Mike Tana); Upper Hutt City Council (represented by Mayor Wayne Guppy); Wellington City Council (represented by Councillor Iona Pannett); and GWRC (represented by Councillor Jenny Brash).

Each shareholder holds 20% of the voting shares ('A' shares) of Wellington Water.

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

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



DAVID BASSETT
CHAIR



WAYNE GUPPY



MIKE TANA



JENNY BRASH



IONA PANNETT

WELLINGTON WATER BOARD OF DIRECTORS



DAVID WRIGHT

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



CYNTHIA BROPHY

The Board's approach to governance is to establish with management (and in consultation with shareholders) clear strategic outcomes that drive our performance.

The Board is also mindful of its relationship with the Committee and how both the Board and the Committee influence us in different ways.



NICKI CRAUFORD

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

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



DAVID BENHAM

On 1 September 2017 the Wellington Water Committee agreed to appoint two new Directors and extend the terms of others.

- Geoff Dangerfield was appointed as a Director from 1 October 2017 for a term of three years, and Philip Barry was appointed as a Director from 1 July 2018 for a term of three years.
- Board Chair John Strahl's term expired on 31 December 2017 and David Wright was appointed Chair from 1 January 2018.
- Nicki Crauford's term was extended to 31 December 2018.
- David Wright's term was extended to 31 January 2020.
- Cynthia Brophy's term was extended to 31 January 2021.



GEOFF DANGERFIELD

On 1 March 2018 the Wellington Water Committee agreed to extend David Benham's term to 30 June 2019.



PHILIP BARRY



↕ Service level agreements, pricing and policies ↕

Wellington Water Limited
regional three water asset management

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

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

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

WELLINGTON WATER LIMITED

We're a council-controlled organisation jointly owned by five client councils. Employing 205 staff, we manage the three waters networks, infrastructure, and services on behalf of our client councils.

To do this we manage annual expenditure of approximately \$145m to operate, maintain and develop water assets with a replacement value of approximately \$5.8b. We also provide investment advice on the future development of three waters assets and services.

Each client council owns its own water service assets (pipes, pump stations, reservoirs, and treatment plants), and decides on the level of service it requires, the policies it will adopt, and the investments it will make based on our advice, followed by consultation with their communities through the LTP process.

We operate under the Companies Act 1993 and the Local Government Act 2002 (LGA) 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 (and proposed amendments), the Wellington Regional Water Board Act 1972, and the Health and Safety at Work Act 2015.



COLIN CRAMPTON,
CHIEF EXECUTIVE



MARK KINVIG



AUDREY SCHEURICH



CHRIS MATHEWS



GARY O'MEARA



JO BRYAN



TONIA HASKELL

Customer outcomes and goals

We deliver our services by focusing on three customer outcomes: safe and healthy water, respectful of the environment, and resilient networks that support our economy. These outcomes are supported by twelve customer service goals, which help us assure our client councils and customers that all of our activities are directed to providing the right services today and into the future. The following performance assessment is across the metropolitan Wellington region as a whole.

Customer outcome one: Safe and healthy water

<p>Much of the region’s water is sourced from protected catchments, though we constantly face challenges that threaten the safety of supply to customers. Some challenges are emerging, such as new contaminants. Others will occur, but we have yet to understand their full impact – e.g. climate change. We are constantly monitoring change and its impact on our operations. We face a rapidly changing regulatory environment. Safe and healthy water is also affected by wastewater and stormwater entering land and waterways – particularly during heavy rain events. This is likely to get worse, with aging infrastructure, urban growth and more extreme weather events. Until we have reduced these occurrences we continue to rate this outcome as amber.</p>		
<p>We provide safe and healthy drinking water We are compliant with the New Zealand Drinking-water Standards. The Regional Water Safety Plan is in draft and an implementation plan will need to be created.</p>		
<p>We operate and manage assets that are safe for our suppliers, people and customers We have experienced nine lost time injuries in the period 2017/18. All investigations conducted have reviewed physical and behavioural causes with controls implemented to reduce the likelihood of reoccurrences. The critical risk projects have continued to progress, with traffic management and vehicles, plant and equipment being the two critical risks under review. The review process is collaborative with working groups involving our staff, supply chain and client councils.</p>		
<p>We provide an appropriate region-wide firefighting water supply to maintain public safety Identification and confirmation with the Fire Service of critical hydrants that will be part of ongoing hydrant performance testing across the region is an ongoing work programme. Where non-compliant hydrants are found they are prioritised for upgrade works.</p>		
<p>We minimise public health risks associated with wastewater and stormwater There are network capacity and condition issues that cause wastewater overflows and result in contamination of urban stormwater catchments. This can result in public health concerns. Work is ongoing throughout the region to minimise the number of wet weather overflows. Eliminating dry-weather overflows continues to be a challenge.</p>		

Key

-  On track
-  Intervention required
-  Significant intervention required

Customer outcome two: Respectful of the environment

<p>Fresh water quality in the metropolitan Wellington region is variable. Some of our larger rivers flowing out of forested catchments are in excellent health. In contrast, some of our streams, rivers and coastal areas are degraded. In some places, urbanisation is contributing to the degradation of water quality through increased stormwater volumes flowing directly into water bodies. Our wastewater network can also result in increased pollution in waterways from leaks in aging pipes and overflows during heavy rain events. We are improving long-term environmental outcomes through both asset and non-asset solutions. The impact of these initiatives is either unknown or variable, so we can continue to rate this outcome as amber.</p>		
<p>We manage the use of resources in a sustainable way</p> <p>We measure water consumption (including loss) across the region. An increase in the identification of water leaks requiring repair occurred in late 2017/early 2018, coinciding with the early summer dry period, affecting per capita consumption for all councils. We are continuing leak detection and repair work as well as investigating the causes of the increased consumption. As part of future consolidation of contracts for wastewater treatment plants, we are developing a regional approach for the management of biosolids.</p>		
<p>We will enhance the health of our waterways and the ocean</p> <p>We currently monitor freshwater sites and beaches, and some of these sites exceed pollution target levels. This is a long-term ongoing initiative to identify then remove sources of pollution. Test results from freshwater monitoring sites has shown a decline in water quality in the past 12 months. Current water quality is less than the minimum national bottom-line described in the National Policy Statement for Fresh Water. We have until 2040 to rectify this. Wellington Water is mapping a pathway for the enhancement of our networks to achieve these limits.</p>		
<p>We influence people's behaviours so they are respectful of the environment</p> <p>Our most recent customer survey showed 38% of people surveyed had seen one of our campaigns, which prompted an average (across seven campaigns) of 55% of people to take action. We have prepared a marketing and community awareness programme for 2018/19 focusing on the three waters and resilience. Each campaign provides behavioural messaging, highlighting the issue and presenting a solution. Campaign delivery will depend on funding, which has still to be determined.</p>		
<p>We ensure the impact of water services is for the good of the natural and built environment</p> <p>There is significant work underway with consenting activities under the Proposed Natural Resources Plan. We have also been involved in a good level of engagement in the PRNP process itself including hearings, submissions and other collaborative opportunities. The outcomes of the collaborative work with the Whaitua committee may impact future consent conditions.</p>		

Key

 On track

 Intervention required

 Significant intervention required

Customer outcome three: Resilient networks that support our economy

<p>The overall reliability of our three waters services will be compromised during significant natural events; these include flooding from high-intensity wet weather events. We want our networks to be adaptive to ongoing stresses such as the impacts of sea level rise, and flexible so that they can recover quickly from the shocks and stresses of natural events. We are both investigating and investing to improve our performance; however, a green rating is a long-term aspirational goal. Understanding the limitations of our networks so that improvements can be made is vital to supporting growth in the region and minimising the impacts of events such as flooding. Due to the extent of the regional issues, we currently rate this outcome as red.</p>		
<p>We minimise the impact of flooding on people’s lives and proactively plan for the impacts of climate change</p> <p>Completion of our hydraulic models by 2021 will allow us to better understand the likely impact of flooding on communities. There are known flood risk areas, and recent flooding events in Kilbirnie, Tawa and Porirua have reinforced the need for improved flood mitigations. Programmes are being developed and prioritised to understand the scale and urgency of an appropriate response. Areas of known high risk are having upgrades implemented.</p>		
<p>We provide three waters networks that are resilient to shocks and stresses</p> <p>Our networks are fragile and vulnerable to a significant natural event such as an earthquake. Improvements coming out of the water supply resilience strategy have been incorporated into councils’ 30-year Infrastructure Strategies, informing and supporting the 2018-28 Long-term Plans.</p>		
<p>We plan to meet future growth and manage demand</p> <p>A review of Te Marua treatment plant capacity has changed our assessment of water supply shortfall from an annual probability of 2% to 5.7%. This issue will be addressed in our future services study “Sustainable Water Supply” which is underway. The National Policy Statement on Urban Development Capacity reinforces the need to understand the impact of councils’ growth aspirations on three waters infrastructure performance. Continued pressure to process building consent enquiries highlights the need to properly identify and resolve potential capacity issues.</p>		
<p>We provide reliable services to our customers</p> <p>This year’s extended summer period led to a significant increase in the number of water network bursts and leaks across the region, resulting in a slower initial response to lower-priority (non-urgent) jobs, as more urgent jobs (e.g. bursts) have taken precedence. The time taken to resolve urgent jobs has also been affected. With the return of wetter weather the number of reported leaks began to drop and now contractors are clearing the backlog of non-urgent jobs.</p>		

Key

 On track

 Intervention required

 Significant intervention required



Performance measures

Outcome: Safe and healthy water

Service Goal	Objective (KRA)	Measure	Target	2017/18 Result		Client
We provide safe and healthy drinking water	Water is delivered to meet current New Zealand Drinking Water Standards and water supply legislation so that our ongoing activities prevent contamination of treated water	Compliance with National Drinking Water Standards	100%	Achieved	 (10)	GWRC
	Water supplied is of acceptable quality to customers	Number of customer complaints relating to: <ul style="list-style-type: none"> · clarity; · taste; · odour; · pressure or flow; · continuity of supply; and · responsiveness 	<140/1000 connections (HCC, PCC, UHCC, WCC) <5/1000 connections (GWRC)	16.03		HCC
				6.73		PCC
				5.55		UHCC
				13.35		WCC
0.01	GWRC					
We operate and manage assets that are safe for our suppliers, people, and customers	Water services are delivered in a way that is safe for our suppliers, people, and customers	Lost-time injuries involving Wellington Water or its suppliers in activities associated with the operation of council assets	Nil	9	 (11)	Wellington Water measure
	Asset safety risks are identified and improved	Number of assets identified for improvement as entered in the company's health and safety risk register	Trend only	4		Wellington Water measure
We provide an appropriate, region-wide firefighting water supply to maintain public safety	Sufficient water is supplied to meet urban firefighting needs under normal conditions	Number of identified key hydrants that meet testing requirements (as defined in SNZ PAS 4509:2008)	95%	100%		PCC
				100%		UHCC
				N/A		HCC
				N/A		WCC
	We identify and implement water supply improvements to assist the Fire Service	Number of asset improvements completed to improve firefighting service	1 per year	2	 (13)	All clients
We minimise public health risks associated with wastewater and stormwater	The public is protected from direct exposure to untreated wastewater onto land	Number of dry-weather network blockages that result in discharge to land	Nil	2	 (14)	HCC
				1		PCC
				0		UHCC
				12		WCC
	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	90% (HCC, PCC, WCC only)	100%		HCC
				99.98%		PCC
100%				WCC		

(10) A boil water notice was issued for PCC's Pukerua Bay drinking-water network after E. coli was found following third-party damage to the wastewater and drinking-water networks. However, the positive E. coli results were within the acceptable Drinking-water Standards for New Zealand compliance tolerance. The Drinking Water Assessor has confirmed that Wellington Water has achieved full (100%) compliance with the Drinking-water Standards.

(11) Two lost-time injuries occurred in the first quarter, one in the second, three in the third and three in the fourth in 2017/18. All investigations conducted have reviewed physical and behavioural causes, with controls implemented to reduce the likelihood of reoccurrence.

(12) Fire-hydrant testing is a five-year programme. HCC and WCC did not complete any tests in 2017/18.

(13) Two firefighting upgrade projects were completed for WCC. No firefighting projects were completed for HCC, PCC or UHCC.

(14) HCC had two dry-weather overflow events, one in the first quarter (August 2017) from Point Howard (Trunk WW) due to a leak in an air valve and another in the second quarter (October 2017) due to a local wastewater main blockage. PCC had one overflow in May 2018 due to a faulty wastewater pipe. There were 12 dry-weather network overflows in WCC, nine due to blockages, two due to faults in the rising main and one due to a broken air valve releasing sewerage from the rising main. All of these were investigated and fixed.

Outcome: Respectful of the environment

Service Goal	Objective (KRA)	Measure	Target	2017/18 Result		Client	
We manage the use of resources in a sustainable way	Our customers receive water services that are managed efficiently through minimising water loss	Gross average drinking-water consumption (litres) per resident per day	335 l/p/d (PCC, UHCC)	316		PCC	
				361		UHCC	
				345 l/p/d (HCC)	378		HCC
				375 l/p/d (WCC)	362		WCC
	Our customers receive water services that are managed efficiently through minimising energy consumption	Electricity usage at pump stations and treatment plants - GJ/cum for water supply and wastewater	Set baseline	0.002		N/A	
Our customers receive water services that are managed efficiently through minimising the production of treatment plant waste	Sludge disposed to landfill from water and wastewater treatment plants (t/ML and t/ML DS)	Set baseline	0.10		N/A		
We maintain or enhance the health of our waterways and the ocean	The water quality of the waterways and harbours is not adversely affected by discharges from any of the three waters networks	Percentage of monitored freshwater sites that have a rolling 12-month median value for E. coli (dry-weather samples) that does not exceed 1000cfu/100ml	90% (HCC, PCC, UHCC, WCC)	78%		HCC	
				58%		PCC	
				78%		UHCC	
				93%		WCC	
	Integrated catchment management plans are used in a collaborative approach with stakeholders to carry out improvements to the water quality of waterways and harbours	Number of new water-quality improvement projects initiated from ICMPs for the region	1 per year	9		All clients	
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	Percentage of people surveyed who understood nominated education messages conveyed within same financial year	30%	Achieved		All clients	
We ensure that the impact of water services is for the good of the natural and built environment	Water services are managed to comply with consents	Compliance with resource consents for water supply, wastewater, and stormwater activities (full compliance is no notices/convictions)	100% compliance (zero notices)	Zero notices		All clients	
				0.16		HCC	
	2.05	PCC					
	0	UHCC					
	0.10	WCC					
Water services are built and managed in ways that are not intrusive to communities	Number of confirmed customer complaints relating to odour, noise, and visual impacts for three waters	<5/1000 connections					

(15) An extended and dry summer resulted in higher-than-normal water consumption in quarters two and three across the region as outdoor and peak usage increased. An increase in water-main bursts also meant that less urgent leaks were not able to be responded to as quickly as desired, thereby increasing consumption through losses to a degree. Watering restrictions and summer demand strategies were implemented and work is continuing to find and fix network leaks in Upper Hutt.

(16) Average drinking-water consumption for HCC is higher than normal following a trend in the city since April 2017. Information to date indicates that the issue is mainly related to widespread increases in network leakage and commercial consumption. Leak detection/maintenance contractors are working across the city to find the leaks and fix them.

(17) This measure indicates that there may be faults and limitations in the wastewater network that are affecting water quality. Investigations are continuing in a number of catchments to identify public and private network issues. Findings are being used to inform the future works programmes. Improvement of water quality outcomes will depend in part on the implementation of such works.

(18) Our most recent customer survey showed that 38% of people surveyed had seen one of our ads/social media campaigns. On average, 82% rated the messages as easy to understand and the messages prompted 55% of people to take action.

Outcome: Resilient networks support our economy

Service Goal	Objective (KRA)	Measure	Target	2017/18 Result		Client
We minimise the impact of flooding on people's lives and take into account climate change	Our operational response to flooding events satisfies customers' expectations	Median response time to attend flooding event	60 mins (HCC, PCC, UHCC, WCC)	37		HCC
				40		PCC
				36		UHCC
				45		WCC
We minimise the impact of flooding on people's lives and take into account climate change	The potential impacts of higher sea levels and flooding on property and key transport links from stormwater are identified and minimised	Percentage of urban catchments covered by detailed hydraulic stormwater models	100%	60%	 (19)	All clients
	The impacts of an additional 1m sea-level rise are understood and preventive measures are implemented where practicable. Where prevention is not possible, the impacts are managed operationally					
We provide three waters networks that are resilient to shocks and stresses	The resumption of water services to customers is prioritised and managed appropriately	Percentage of customers with access to sufficient potable water for at least seven days (using at least 3l/person/d)	80%	22%	 (20) (21)	All clients
We plan to meet future growth and demand	The water supply network meets normal demand except where a drought is more severe than a one-in-50-year return period event	The assessed reliability of the potable water network shall not exceed an annual shortfall probability of 2% (assessed using the Sustainable Yield Model)	Less than 2%	5.7%	 (22)	All clients
	Water supply and wastewater services are planned to accommodate changes in demand and future growth, with a focus on reducing water wastage	Total volumetric deficit of water-supply storage based on two days of storage at average daily demand	Zero	Surplus water supply stored		All clients

(19) We're aiming to complete our hydraulic stormwater models by 2021.

(20) As a result of further work since the last Statement of Intent was written, we've revised the target to 20 litres per person per day.

(21) From our most recent customer survey, in which 339 people were asked how much water they had stored. Whilst this is a limited sample size, and the percentage of customers surveyed with sufficient water storage is up from 20% last year, it is indicative of the amount of work still needed in this area.

(22) A review of Te Mārua Water Treatment Plant capacity has changed our assessment of the water-supply shortfall from an annual probability of 2% to 5.7%. This issue will be addressed in our future service study 'Sustainable Water Supply', which is underway.

Service Goal	Objective (KRA)	Measure	Target	2017/18 Result	Client
We provide reliable services to customers	Customers have access to reliable three waters services	Median response time to fix water-supply service outages	60 mins (attendance for urgent call-outs)	38	HCC
				47	PCC
				20	UHCC
				46	WCC
				N/A	(23) GWRC
			4 hours (resolution of urgent call-outs)	2.9	HCC
				3.8	WCC
				7.0	PCC
				4.9	(24) UHCC
				N/A	(23) GWRC
			36 hours (attendance for non-urgent call-outs)	47.9	HCC
				40.4	PCC
				49.0	(25) UHCC
				52.8	WCC
				1.0	GWRC
			15 days (resolution of non-urgent call-outs)	2.7	HCC
				6.1	PCC
				3.8	UHCC
				3.7	WCC
				47 mins	GWRC
		Less than 1.2 per km	Number of wastewater blockages reported (per km of pipe)	0.52	HCC
				0.94	PCC
				0.29	UHCC
				0.47	WCC

(23) No events.

(24) This year's extended summer period led to a significant increase in the number of water network bursts and leaks across the region, resulting in a slower initial response to lower-priority (non-urgent) jobs, as more urgent jobs (e.g. bursts) took precedence. The time taken to resolve urgent jobs was also affected. With the return of wetter weather, the number of reported leaks began to drop and now contractors are clearing the backlog of non-urgent jobs.

(25) This can be shorter than on-site times due to the ability to address some breakdowns remotely.

Governance report

Wellington Water is a council-controlled organisation as defined by section 6 of the LGA. Wellington Water is also covered by the Companies Act and governed by law and best practice. The Shareholders' Agreement relating to Wellington Water outlines how shareholdings and respective relationships are managed.

Board of Directors

Wellington Water is governed by a board of independent directors. The Chair of the Board reports to the Wellington Water Committee, which is made up of representatives of all five shareholders.

The Board of Directors is responsible for the proper direction and control of Wellington Water. Their accountabilities include:

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

It has a maximum of eight members. All Directors selected by the Wellington Water Committee, in accordance with the Board's skill matrix. Each Director can serve a maximum of two terms, or six years, unless a longer term is agreed by shareholders.

Directors in office for the year ended 30 June 2018 are as follows:

Director	Appointed	Term Expires
John Strahl (Chair up to 2017)	13 October 2009	31 December 2017
David Benham	1 July 2015	30 June 2019
Cynthia Brophy	1 February 2015	31 January 2021
Nicki Crauford	1 June 2014	31 December 2018
David Wright (Chair from 2018)	1 February 2015	31 January 2020
Geoff Dangerfield	1 October 2017	30 September 2020

Audit and Risk Committee

The Audit and Risk Committee comprises all members of the Board and is chaired by David Benham. The purpose of the Board Audit and Risk Committee is to:

- approve, review, and assess the quality and integrity of the financial reporting of Wellington Water Ltd;
- consider whether the company has established appropriate policies and put in place management processes to ensure that risks are properly identified and managed; and
- oversee and assess the internal audit process for evaluating the effectiveness of risk management, control, and governance processes.

Board meetings and attendance 2017/18

The Board schedules Board and Audit and Risk Committee meetings in advance for the year where Directors receive written reports from the Chief Executive and Senior Leadership Team providing monitoring and reports on matters requiring Board approval.

The table below shows attendance at Board and Audit and Risk Committee meetings during the year ended 30 June 2018.

Name	Board Meeting Attendance	Audit and Risk Committee Attendance
John Strahl	6	3
Cynthia Brophy	9	5
Nicki Crauford	8	5
David Wright	8	5
David Benham	9	5
Geoff Dangerfield	5	3

Directors' remuneration 2017/18

The table below shows remuneration paid to Directors during the year ended 30 June 2018.

Name	Fees Paid \$
John Strahl	21,250
Cynthia Brophy	22,500
Nicki Crauford	22,500
David Wright	32,500
David Benham	25,000
Geoff Dangerfield	16,875

Interest register as at 30 June 2018

Director	Nature of Interest	Date Disclosed
David Benham	Director, CentrePort Ltd	June 2015
	Director, CentrePort Properties Ltd	June 2015
	Director, CentrePort Property Management Ltd	June 2015
	Director/Shareholder, Point Six Ltd	June 2015
	Independent Chair, Audit and Risk Committee, Otago Regional Council	June 2015
	Director, Harbour Quays A1 Ltd	December 2015
	Director, Harbour Quays D4 Ltd	December 2015
	Director, Harbour Quays F1F2 Ltd	December 2015
	Director, Harbour Quays Property Ltd	April 2018
	Advisory Board member and shareholder, Storbie Limited	November 2016
	Nicki Crauford	Director, Watercare Services Ltd
Director, Orion New Zealand Ltd		June 2014
Director, Environmental Protection Authority		June 2014
Specialist advisor, WorleyParsons New Zealand		June 2014
Member, Electoral Authority, The Cooperative Bank Ltd		June 2014
Director and shareholder, Riposte Consulting Ltd		June 2014
Chair, GNS Science		July 2015
Deputy Chair, Fire and Emergency New Zealand		May 2016
Member, Environmental Protection Authority Decision-making Committee for OMV's application for marine discharge consent		June 2018
David Wright	Chair, Air Rescue Group	February 2015
	Director, David Wright Ltd	July 2015
	Member, Advisory Board for the Global Safety Index Pty Ltd	May 2016
	Chair, Solomon Islands Airport Corporation	August 2016
	Chair, Workbridge Inc	November 2017
	Interim CEO, Red Meat Profit Partnership	November 2017
Cynthia Brophy	Chief Executive, Human Rights Commission	February 2015
	Chair, Transpower CommunityCare Fund panel	February 2015
Geoff Dangerfield	Director, Payments New Zealand Limited	October 2017
	Executive Chair, New Zealand Festival Trust	October 2017
	Chair, Oranga Tamariki Risk and Assurance Committee	October 2017
	Chair, Department of Corrections, Major Outsourced Contracts Advisory Board	October 2017
	Director and shareholder, Geoff Dangerfield Consulting Limited	October 2017

Indemnity and insurance

In accordance with section 162 of the Companies Act 1993 and the company's constitution, Wellington Water Limited has indemnified and arranged insurance for all current and former directors and executive officers of the company in respect of all liabilities to persons (other than the company or a related body corporate) to the extent permitted by law that arise out of the performance of their normal duties as directors or executive officers unless the liability relates to conduct involving a lack of good faith.

In authorising the insurances to be effected, each director has signed a certificate stating that in their opinion the cost of the insurance is fair to the company.

Use of company information

No notices have been received by the Board of Wellington Water under section 145 of the Companies Act with regard to the use of company information received by Directors in their capacity as Directors of the company.

Board evaluation

The Directors carry out a review and evaluation of the Board processes, efficiency and effectiveness every two years. The results of this survey are presented to the Board and the Wellington Water Committee.

Auditors

The auditors are appointed under Part 5, section 70 of the LGA. Audit New Zealand has been appointed by the Auditor-General to provide these services on his behalf.

Employee remuneration

Number of employees earning over \$100k per annum

Salary range \$000	2018	2017
390 – 400	1	1
220 – 230	2	1
210 – 220	1	2
190 – 200	2	2
170 – 180	1	1
160 – 170	3	1
150 – 160	1	2
140 – 150	5	2
130 – 140	8	6
120 – 130	13	12
110 – 120	11	12
100 – 110	15	8

WELLINGTON WATER COMMITTEE

Wellington Water's five shareholders are Hutt City Council, Porirua City Council, Upper Hutt City Council, Wellington City Council and GWRC. Representatives of these councils meet quarterly in the form of the Wellington Water Committee to discuss water issues and general progress. Each shareholder holds 20% of the voting shares of Wellington Water. The Committee provides shareholder governance and regional oversight. It provides guidance on Wellington Water's regional approach to issues and policy.

The Wellington Water Committee (on behalf of the shareholders) prepares the Letter of Expectations for the company. These expectations are reflected in the Statement of Intent and are reported on, along with service performance outcomes, in our annual report. The company reports on corporate goals and performance to the Board and Wellington Water Committee, quarterly as well as annually. Service performance outcomes are derived from council LTPs, which in turn are influenced by the asset management planning work we do.

Matters that shareholders wish to restrict

The shareholders have agreed that the approval of the Statement of Intent is subject to the following restrictions:

- making a loan or borrowing money, except for any borrowings in the ordinary course of business of no more than \$1m in total;
- granting security over the assets of the company, or granting an indemnity or guarantee other than in the ordinary course of business;
- making a material change to 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; and
- transferring or disposing of real or intellectual property with a value of over \$0.2m.

INFORMATION TO BE PROVIDED TO SHAREHOLDERS

In each year Wellington Water shall comply with the reporting requirements of the LGA and the Companies Act and regulations.

In particular, Wellington Water will provide:

- a Statement of Intent detailing all matters required under the LGA, including financial information for the next three years;
- within two months after the end of the first half of each financial year, a report on the operations of Wellington Water to enable an informed assessment of its performance, including financial statements (in accordance with section 66 of the LGA); and
- within three months after the end of each financial year, an annual report that provides a comparison of its performance with the Statement of Intent, with an explanation of any material variances; audited consolidated financial statements for that financial year; and an auditor's report (in accordance with sections 67, 68 and 69 of the LGA).

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

Ratio of shareholders' funds to total assets

Ownership of infrastructure assets is retained by the shareholders. As Wellington Water is a business that returns all benefits to shareholders, the ratio of shareholders' funds to assets is as follows:

	Actual 2018	Budget 2018	Actual 2017
Ratio of shareholders' funds to total assets	0.08:1	0.26:1	0.14:1

COMPANY POLICIES AND PROCEDURES

Delegation to the Chief Executive and Senior Leadership Team

The Chief Executive and Senior Leadership Team are responsible for:

- Developing and making recommendations to the Board on Company strategies and specific strategy initiatives.
- The management and implementation of the strategy.
- The implementation of board approved policies and reporting procedures.
- The day to day management of the Company.

These responsibilities are subject to the Board's delegation of authority to the Chief Executive and Senior Leadership Team and other rights and responsibilities which are reserved to the Board.

Code of Conduct

Wellington Water's purpose is 'Creating excellence in regional water services so communities prosper'.

Underpinning this is the Code of Conduct which acknowledges the Company's commitment to maintaining the highest standards of honesty, integrity and ethical conduct in their day to day behaviour and decision making.

The Code of Conduct guides all members of the company in the practices necessary to maintain confidence in the Company's integrity and take into account legal obligations and compliance regulations. It also guides the responsibility and accountability of individuals for reporting and investigating any unethical practices.

The Code of Conduct is supported by the Conflicts of Interest Policy, Gifts and Entertainment Policy, Protected Disclosure Procedures, Harassment at Work Procedures; Health and Safety Policy and the Fraud Policy.

Independent Auditor's Report

TO THE READERS OF WELLINGTON WATER LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

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

OPINION

We have audited:

- the financial statements of the company on pages 38 to 54, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 13 to 16, 24 to 26 and 28 to 30.

In our opinion:

- the financial statements of the company on pages 38 to 54:
 - present fairly, in all material respects:
 - ~ its financial position as at 30 June 2018; and
 - ~ its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and
- the performance information of the company on pages 13 to 16, 24 to 26 and 28 to 30 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2018.

Our audit was completed on 20 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing

(New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud

or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 54, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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

Karen Young

Karen Young

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

Financial statements 30 June 2018

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR ENDED 30 JUNE 2018

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Revenue from exchange transactions	3	153,945	153,042	56,848
Capital grant revenue	10	-	-	180
Interest revenue		281	96	40
Gain on sale of vehicles		-	-	44
Revenue		154,226	153,138	57,112
Salaries and wages		(18,045)	(18,092)	(16,770)
Employer contributions to superannuation		(575)	(613)	(510)
Directors fees	11	(141)	(141)	(125)
Audit fees to Audit NZ - financial statements		(101)	(70)	(67)
Audit fees to Audit NZ - other services		-	-	(11)
One Budget Opex programme		(50,331)	(48,148)	(1,989)
One Budget Capex programme		(71,864)	(74,058)	-
Other Capex programme		(4,531)	(6,000)	-
Consultancy		-	-	(19,466)
Network maintenance services		-	-	(12,444)
Operating leases		(987)	(999)	(963)
Other personnel expenses		(1,332)	(1,037)	(937)
Other operating expenses		(5,221)	(3,144)	(3,315)
Total operating expenses		(153,128)	(152,302)	(56,597)
Depreciation and amortisation expense	4	(1,094)	(800)	(830)
Interest expense		(33)	(36)	(40)
Total expenses		(154,255)	(153,138)	(57,467)
Net surplus/(deficit) before taxation		(29)	-	(355)
Tax (expense)/credit	5	3	-	109
Total comprehensive revenue and expenses		(26)	-	(246)
Attributable to:	9			
Wellington City Council		(11)	-	(103)
Hutt City Council		(6)	-	(52)
Upper Hutt City Council		(2)	-	(21)
Porirua City Council		(3)	-	(31)
Greater Wellington Regional Council		(4)	-	(39)
Total comprehensive revenue and expenses		(26)	-	(246)

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

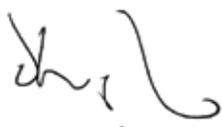
	Retained Earnings \$000	Issued Capital \$000	Total \$000
Balance at 1 July 2016	1,010	950	1,960
Comprehensive revenue and expenses			
Net surplus/(deficit) for the year	(246)	-	(246)
Balance at 30 June 2017	764	950	1,714
Balance at 1 July 2017	764	950	1,714
Comprehensive revenue and expenses			
Net surplus/(deficit) for the year	(26)	-	(26)
Balance at 30 June 2018	738	950	1,688

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

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Cash and cash equivalents		3,563	1,586	1,930
Receivables and prepayments	6	15,572	1,967	7,428
Total current assets		19,135	3,553	9,358
Intangible assets	4	536	764	627
Property, plant and equipment, vehicles	4	1,789	1,590	2,068
Deferred tax	5	120	41	113
Total non-current assets		2,445	2,395	2,808
Total assets		21,580	5,948	12,166
Payables and provisions	7	18,122	3,832	8,866
Employee entitlements		1,032	-	1,047
Tax payable/(receivable)		(177)	73	(102)
Bank loan		120	120	120
Total current liabilities		19,097	4,025	9,931
Employee entitlements		15	-	12
Deferred tax	5	-	-	-
Bank loan		390	390	510
Capital grant in advance		390	-	-
Total non-current liabilities		795	390	522
Total liabilities		19,892	4,415	10,452
Net assets		1,688	1,533	1,714
Issued capital	9	950	950	950
Retained Earnings		738	583	764
Total equity		1,688	1,533	1,714

Authorised on behalf of the Wellington Water Limited Board of Directors on 20 September 2018.



David Wright
Chairman



David Benham
Director

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Receipts from customers		146,259	47,616	52,668
Interest received		281	100	40
Employees and suppliers		(144,340)	(46,881)	(53,802)
Tax paid		(79)	37	(286)
Interest paid		(33)	(50)	(40)
Net cash flow from operating activities	8	2,088	822	(1,420)
Purchase of property, plant and equipment, vehicles		(419)	(332)	(596)
Purchase of intangibles		(305)	(422)	(398)
Proceeds from sale of vehicles		-	-	47
Net cash flow from investing activities		(724)	(754)	(947)
Repayment of borrowings		(120)	(120)	(120)
Capital grant in advance		390	-	-
Net cash flow from financing activities		270	(120)	(120)
Net cash flow		1,633	(52)	(2,487)
Add: cash at the beginning of the year		1,930	1,638	4,417
Cash at the end of the year		3,563	1,586	1,930
Comprised of:				
Cash at bank and on hand		3,563	1,586	1,930

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2018

1. ABOUT THESE FINANCIAL STATEMENTS

Reporting Entity

Wellington Water is a council-controlled organisation (CCO) owned by Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council and Greater Wellington Regional Council. Wellington Water provides asset management services specialising in water, storm water and waste water services. Wellington Water does not operate to make a financial return and the company's purpose is to create excellence in regional water services so communities prosper.

Wellington Water Limited is a company registered in New Zealand under the Companies Act 1993 and is a Tier 1 Public Benefit Entity (PBE) for reporting purposes.

The financial statements were authorised for issue by the Board of Directors on 20 September 2018.

Statement of compliance

These financial statements are for the year ended 30 June 2018. They have been prepared in accordance with the requirements of the Companies Act 1993, the Local Government Act 2002 and comply with generally accepted accounting practice in New Zealand ("NZ GAAP") and Tier 1 PBE accounting standards.

These financial statements have been prepared on a going concern basis and are presented in New Zealand dollars and rounded to the nearest thousand (\$000), unless otherwise stated. The measurement basis applied is historical cost.

Goods and services tax

Accounting policies have been applied consistently throughout the period. All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which include GST. The net amount of GST recoverable from or payable to the Inland Revenue Department is included as part of receivables or payables in the statement of financial position. The net GST paid to or received from the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Budget

The Statement of Comprehensive Revenue and Expenses budget differs from that presented in the Statement of Intent (2017 – 2020). A revised budget was approved by the Board in July 2017. The revision was due to:

- Wellington Water extending its trusted advisor model to consolidate Council's external water expenditure, as further detailed in note 3.
- Council budgets being finalised as draft budgets were used in the production of the Statement of Intent.

These revisions do not have any impact on the reported surplus/(deficit).

The changes between the Statement of Intent budget and the revised budget, and the reasons for these changes, are outlined in the following table:

	SOI Budget 2017-2020 \$000	Budget 2018 \$000	Variance \$000	
Revenue from exchange transactions	154,238	153,042	1,196	Result of changes to expenses
Interest revenue	100	96	4	More accurate estimate
Revenue	154,338	153,138	1,200	
Salaries and wages	(16,767)	(18,092)	1,325	Works Unit from PCC & Water Quality roles from GWRC
Employer contributions to superannuation	(591)	(613)	22	Works Unit from PCC & Water Quality roles from GWRC
Directors fees	(135)	(141)	6	Increase in Directors fees rate
Audit fees to Audit NZ - financial statements	(62)	(70)	8	Increase in Audit fee charge from Audit New Zealand
One Budget Opex programme	(56,185)	(48,148)	(8,037)	Result of Councils finalising their budgets after SOI produced
One Budget Capex programme	(74,073)	(74,058)	(15)	Result of Councils finalising their budgets after SOI produced
Other Capex programme	-	(6,000)	6,000	Government share of Community Infrastructure Resilience project
Consultancy	(718)	-	(718)	Result of Councils finalising their budgets after SOI produced
Operating leases	(1,020)	(999)	(21)	More accurate estimate
Other personnel expenses	(802)	(1,037)	235	Works Unit from PCC & Water Quality roles from GWRC
Other operating expenses	(3,181)	(3,144)	(37)	More accurate estimate
Total operating expenses	(153,534)	(152,302)	(1,232)	
Depreciation and amortisation expense	(754)	(800)	46	More accurate estimate
Interest expense	(50)	(36)	(14)	More accurate estimate
Total expenses	(154,338)	(153,138)	(1,200)	
Net surplus/(deficit) before taxation	-	-	-	
Tax (expense)/credit	(73)	-	(73)	More accurate estimate
Total comprehensive revenue and expenses	(73)	-	(73)	

Areas of significant estimation and judgement

Wellington Water is required to make estimates and judgements when applying accounting policies. The significant areas are useful lives of property, plant and equipment, vehicles and intangibles (note 4) and provisions (note 7).

Standards issued and not yet effective and not early adopted

Standards and amendments, issued but not yet effective that have not been early adopted and which are relevant to Wellington Water are:

Impairment of revalued assets

In April 2017, the XRB issued Impairment of Revalued Assets, which now clearly scopes revalued property, plant and equipment into the impairment accounting standards. Previously impairment only applied to property, plant and equipment measured at cost. Under the amendment, a revalued asset can be impaired without having to revalue the entire class-of-asset to which the asset belongs. This amendment is effective for the 30 June 2020 financial statements, with early adoption permitted. Wellington Water plans to apply the new standard in preparing the 30 June 2020 financial statements and has not yet assessed the effects of this new standard.

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for financial years beginning on or after 1 January 2021, with early adoption permitted. The main changes under the standard relevant to Wellington Water are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which might result in the earlier recognition of impairment losses.

Wellington Water plans to apply the new standard in preparing the 30 June 2022 financial statements and has not yet assessed the effects of this new standard.

2. VARIANCES TO BUDGET

Commentary is provided for variances to budget greater than 20% or \$1 million.

Statement of comprehensive revenue and expenses

	2018 Actual \$000	2018 Budget \$000	Variance \$000	Variance %
Revenue	154,226	153,138	1,088	1%
Operating expenses	(153,128)	(152,302)	(826)	1%
Depreciation and amortisation	(1,094)	(800)	(294)	37%
Interest expense	(33)	(36)	3	(9%)

Revenue was higher than budget primarily due to the management fee being higher than budget. This additional funding was to cover new staff required and was agreed with the councils involved.

Depreciation and amortisation was higher than budget primarily due to the budget calculation not taking into account assets transferred from councils at the end of the previous financial year.

Statement of financial position

	2018 Actual \$000	2018 Budget \$000	Variance \$000	Variance %
Current assets	19,135	3,553	15,582	439%
Non-current assets	2,445	2,395	50	2%
Current liabilities	19,097	4,025	15,072	374%
Non-current liabilities	795	390	405	104%
Equity	1,688	1,533	155	10%

Current assets were higher than budgeted due to the level of receivables. Invoicing to councils in June 2018 was delayed to ensure that the amount invoiced was as close to as possible to actual expenditure. This meant that councils were not able to make payment before balance date.

Current liabilities were higher than budgeted due to expenditure accruals being proportionately higher from the One Budget operational (Opex) and capital (Capex) programme.

Non-current liabilities was higher than budget due to the capital grant received in advance from Porirua City Council. This is for the future purchase of plant, equipment and vehicles and is to be spent over the next ten years.

Statement of cash flows

	2018 Actual \$000	2018 Budget \$000	Variance \$000	Variance %
Net cash flow from operating activities	2,088	822	1,266	154%
Net cash flow from investing activities	(724)	(754)	30	(4%)
Net cash flow from financing activities	270	(120)	390	(325%)

Net cash flow from operating activities was significantly higher than budget, primarily due to a shift in invoicing of client councils from a retrospective actual basis to in advance based on budget and forecasts.

Net cash outflow from financing activities were higher than budget, primarily due to the capital grant received in advance from Porirua City Council.

3. REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is derived from the five council shareholders, and from occasionally charging third parties for work performed. Revenue is billed and recognised monthly and consists of management fee, One Budget operational expenditure (Opex) and capital expenditure (Capex).

The management fee is agreed on an allocation based on the Asset Value and three year Operations Work programme. The One Budget fee is based on approved council budgets. Related party transactions are further detailed in note 10.

Wellington Water has extended its trusted advisor model (One Budget) to consolidate councils' external water expenditure within Wellington Water. The new model incorporates all five councils' Opex and Capex. It was commenced from 1 March 2017 for Porirua City Council Opex, from 1 May 2017 for Hutt City Council Opex and from 1 July 2017 for the remaining three councils' Opex and all Capex. Therefore, network maintenance service and consultancy recoveries has been classified into One Budget Opex and Capex.

Revenue was received during the year from Central Government via the Department of Internal Affairs for the Community Infrastructure Resilience project. This funding is only for the 2017/18 year.

	2018 Actual \$000	2017 Actual \$000
Management fee	25,535	23,550
One Budget Opex programme	50,249	1,989
One Budget Capex programme	72,521	-
Consultancy recoveries	-	18,769
Network maintenance service recoveries	-	12,444
Other revenue	5,639	96
Total revenue from exchange transactions	153,945	56,848

The following accounting policies are applied:

Management charge

The management charge is an exchange transaction which is accounted for using the percentage of completion method.

As the management charge is funded and performed on a financial year basis, Wellington Water recognises the revenue due under the management charge for the financial year. This is because the management services have been fully provided at balance date.

Opex charge, excluding the unexpected event reserve

Wellington Water develops an Annual Work Programme from the long-term plans of councils, agrees it with the councils, and then manages the Opex budget. Wellington Water enters into contracts with contractors to perform the work and manages the Opex projects. For this reason, Wellington Water considers it is acting as a principal in relation to these transactions.

The Opex charge is an exchange transaction which is accounted for using the percentage of completion method. As this component is funded and performed on a financial year basis, Wellington Water fully recognises the revenue due under this component for the financial year. This is because the services under this component have been fully provided at balance date.

Opex charge - unexpected event reserve

Any part of the Opex charge that remains unspent is transferred to the unexpected event reserve (up to the unexpected reserve cap). As it is not used for services scoped into the One Budget charges they are considered additional services under the service level agreement.

Therefore, unspent Opex that is transferred to the unexpected event reserve is accounted for as deferred revenue at balance date as the reserve reflects revenue received in advance of providing services.

Capex charge

Wellington Water develops an Annual Work Programme for Capex projects that is jointly agreed with councils. Wellington Water is responsible for the procurement process, including selection of contractors and contract pricing, and enters into contracts with contractors to perform the work and manages the Capex projects. The service level agreement with councils also specifies that Wellington Water is acting as principal for all contracts for water services (including Capex contracts). For these reasons, Wellington Water considers it is acting as a principal in relation to these transactions.

The Capex charge is an exchange transaction which is accounted for using the percentage of completion method based on the costs incurred as a percentage of total costs under the contracts. Specifically, Wellington Water recognises contract revenue and expenses equivalent to the invoices paid or payable to third parties for the financial year.

4. PROPERTY, PLANT AND EQUIPMENT, VEHICLES AND INTANGIBLES

Property, plant and equipment (PPE) consists of furniture and fittings, fit-out and office equipment. Vehicles consist of commercial vehicles used for operational purposes. Intangible assets consist of computer software and systems. These assets are carried at cost less accumulated depreciation or amortisation and accumulated impairments. Assets are reviewed annually for indicators of impairment.

Cost

These assets are initially measured at cost. Expenditure is capitalised when it creates a new asset or increases the economic benefits over the total life of an existing asset and can be measured reliably. Assets under construction are recorded as capital work in progress and include operational and intangible assets under construction. Costs that do not meet the criteria for capitalisation are expensed. At 30 June 2018, intangibles cost includes \$0.3m of capital work in progress (2017:nil).

The cost of assets 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.

Depreciation and amortisation

Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset over its useful life. The useful lives and depreciation rates are reviewed annually, and adjusted if appropriate, at each balance date.

The range of depreciation and amortisation rates for each class of asset is:

Fit-Out and equipment	6% – 67%
Vehicles	20%
Intangibles	40%

	Fit-Out and Equipment \$000	Vehicles \$000	Intangibles \$000	Total \$000
Cost				
Balance 1 July 2016	1,940	591	952	3,483
Additions	377	399	398	1,174
Disposals	-	(7)	-	(7)
Balance at 30 June 2017	2,317	983	1,350	4,650
Balance 1 July 2017	2,317	983	1,350	4,650
Additions	231	187	307	725
Disposals	-	-	-	-
Balance at 30 June 2018	2,548	1,170	1,657	5,375
Depreciation and amortisation				
Balance 1 July 2016	(517)	(164)	(449)	(1,130)
Charge for the year	(405)	(151)	(274)	(830)
Disposals	-	5	-	5
Balance at 30 June 2017	(922)	(310)	(724)	(1,955)
Balance 1 July 2017	(922)	(310)	(724)	(1,955)
Charge for the year	(447)	(250)	(397)	(1,094)
Disposals	-	-	-	-
Balance at 30 June 2018	(1,369)	(560)	(1,121)	(3,050)
Carrying amount				
Balance at 30 June 2017	1,395	673	627	2,695
Balance at 30 June 2018	1,179	610	536	2,325

5. TAXATION

Income tax expense includes components relating to both current tax and deferred tax.

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. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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 statement of financial position and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. 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 probably that taxable surplus will be available against which the deductible temporary differences or tax losses can be utilised.

	2018 Actual \$000	2017 Actual \$000
Components of tax expense		
Current tax expense	(4)	-
Adjustments to current tax in prior years	-	61
Deferred tax expense	7	48
Tax expense	3	109

Reconciliation of effective tax rate

Net surplus/(deficit) before tax	(29)	(355)
Tax at 28%	8	99
Plus (less) tax effect of:		
Non-deductible expenditure	(5)	10
Non-taxable income	-	-
Prior year adjustment	-	-
Deferred tax adjustment	-	-
Tax expense	3	109

Imputation credits

Imputation credits available for use in subsequent reporting periods	467	487
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Movement in deferred tax asset/(liability)

	PPE \$000	Employee entitlements \$000	Tax Losses \$000	Total \$000
Balance at 30 June 2016	(244)	309	-	65
Charged to surplus or deficit	16	(44)	77	48
Charged to other comprehensive income	-	-	-	-
Balance at 30 June 2017	(228)	265	77	113
Charged to surplus or deficit	104	(42)	(55)	7
Charged to other comprehensive income	-	-	-	-
Balance at 30 June 2018	(124)	222	22	120

6. RECEIVABLES

		2018 Actual \$000	2017 Actual \$000
Receivables with related parties	Note 10	11,689	7,119
Other receivables		3,171	131
Prepayments		121	44
GST Receivable		591	134
Total receivables		15,572	7,428

All receivables greater than 30 days in age are considered past due. There are no material trade receivable balances past due.

7. PAYABLES AND PROVISIONS

		2018 Actual \$000	2017 Actual \$000
Trade payables		2,242	2,886
Accrued expenditure		13,511	5,153
Revenue in advance		1,614	-
Payables with related parties	Note 10	-	90
Employee related payables and provisions		697	679
Other provisions		58	58
Total payables and provisions		18,122	8,866

All payables greater than 30 days in age are considered past due. There are no material trade payable balances past due.

8. RECONCILIATION OF NET SURPLUS TO OPERATING CASH FLOWS

	2018 Actual \$000	2017 Actual \$000
Net surplus/(deficit) after taxation	(26)	(246)
Non-cash and non-operating items:		
Depreciation and amortisation	1,094	830
Gain on sale of vehicles	-	(44)
Capital grant	-	(180)
Movements in working capital		
Increase/(decrease) in payables	9,243	2,686
Increase in receivables	(8,144)	(4,180)
Tax payable	(79)	(286)
Net cash flow from operating activities	2,088	(1,420)

Cash and cash equivalents include cash on hand, at bank, and other short-term, highly liquid investments with original maturities of three months or less.

9. SHARE CAPITAL

The total number of authorised, issued and fully paid shares at balance date was 475 (2017: 475) ordinary shares of \$2,000 each.

Shareholder	Voting Rights Class A	Ordinary shares Class B	Class B \$000
Wellington City Council	150	200	400
Hutt City Council	150	100	200
Upper Hutt City Council	150	40	80
Porirua City Council	150	60	120
Greater Wellington Regional Council	150	75	150
Total shares	750	475	950

Class A shares entitle the holder to vote at a meeting of the shareholders on any resolution.

Class B shares entitle the holder to an equal share in the distribution of the surplus assets of the company.

The company's capital is its equity, which comprises shareholders' equity and retained surpluses. Equity is represented by net assets. The company requires the Board of Directors to manage its revenue, expenses, assets, liabilities, investments and general financial dealings prudently and therefore managing the company's equity. The objective of managing the company's equity is to ensure that the company effectively achieves its required shareholders' funds to asset ratio as noted in the Statement of Intent, whilst remaining a going concern.

10. RELATED PARTIES

During the year Wellington Water entered into the following material related party transactions with the five council shareholders:

	2018 Actual \$000	2017 Actual \$000
Revenue from exchange transactions:		
Management fee		
Wellington City Council	8,500	8,185
Hutt City Council	3,314	3,222
Upper Hutt City Council	1,409	1,346
Porirua City Council	2,901	2,029
Greater Wellington Regional Council	9,411	8,768
Total management fee	25,535	23,550
One Budget Opex programme		
Wellington City Council	22,510	-
Hutt City Council	11,505	1,172
Upper Hutt City Council	4,410	-
Porirua City Council	3,535	817
Greater Wellington Regional Council	8,289	-
Total One Budget Opex programme	50,249	1,989
One Budget Capex programme		
Wellington City Council	33,246	-
Hutt City Council	12,791	-
Upper Hutt City Council	4,138	-
Porirua City Council	9,569	-
Greater Wellington Regional Council	12,777	-
Total One Budget Capex programme	72,521	-
Consultancy		
Wellington City Council	-	10,637
Hutt City Council	-	3,650
Upper Hutt City Council	-	839
Porirua City Council	-	3,542
Greater Wellington Regional Council	-	101
Total consultancy recoveries	-	18,769
Network maintenance services		
Wellington City Council	-	8,058
Hutt City Council	-	3,284
Upper Hutt City Council	-	1,102
Total network maintenance recoveries	-	12,444

	2018 Actual \$000	2017 Actual \$000
Capital grants received by Wellington Water:		
Porirua City Council	-	180
Total capital grant revenue	-	180

Amounts owing to Wellington Water at 30 June

Wellington City Council	5,099	4,335
Hutt City Council	2,693	1,172
Upper Hutt City Council	783	618
Porirua City Council	2,979	893
Greater Wellington Regional Council	135	101
Total related party receivables	11,689	7,119

Amounts owed to councils by Wellington Water at 30 June

Wellington City Council	-	55
Hutt City Council	-	30
Upper Hutt City Council	-	-
Porirua City Council	-	-
Greater Wellington Regional Council	-	5
Total related party payables	-	90

During the year Wellington Water also received services (such as payroll, IT shared services) from Wellington City Council on an arm's length basis.

11. KEY MANAGEMENT PERSONNEL

The key management personnel are the Directors, Chief Executive and Senior Leadership Team. The full time equivalent (FTE) number of individuals receiving remuneration as key management (excluding Directors) was 7 (2017: 7).

The FTE number of Directors at 30 June was 5 (2017: 5). Due to the difficulty in calculating the FTE for Directors, the FTE figure is taken as the number of Directors.

	2018 Actual \$000	2017 Actual \$000
David Wright (Chairman from 1 January 2018)	33	21
John Strahl (Chairman until 31 December 2017)	21	41
David Benham	25	21
Nicki Crauford	22	21
Cynthia Brophy	22	21
Geoff Dangerfield (commenced 1 October 2017)	17	-
Total Directors' remuneration	141	125
Salaries and wages	1,610	1,569
Directors' fees	141	125
Superannuation	44	42
Total key management personnel remuneration	1,795	1,737

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments include cash and cash equivalents, receivables from exchange transactions, payables from exchange transactions and a bank loan. The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	2018 Actual \$000	2017 Actual \$000
Financial Assets		
Loans and receivables		
Cash and cash equivalents	3,563	1,930
Receivables and prepayments	14,980	7,294
Total loans and receivables	18,543	9,224
Financial Liabilities		
Financial liabilities at amortised cost		
Trade payables and payables with related parties	2,242	2,977
Borrowings - Bank loan	510	630
Total financial liabilities at amortised cost	2,752	3,607

Fair values

Payables, receivables and loans are initially recognised at fair value less transaction costs and subsequently carried at amortised cost. Due to the relatively short-term nature, their carrying amounts were considered a reasonable approximation of fair value.

Market risk

Market risk is the risk of exposure to fluctuating interest rates and foreign currency rates.

Wellington Water does not have any long term borrowings. The medium term bank loan is at a fixed interest rate, therefore managing interest rate exposure. The company did not have any foreign currency exposure.

Credit risk

Credit risk is the risk that counterparties will default on their contractual obligations, resulting in financial loss to the company. Concentrations of credit risk with respect to receivables are high due to the reliance on Wellington City Council, Hutt City Council, Upper Hutt City Council, Porirua City Council and Greater Wellington Regional Council for the company's revenue. However, the councils are considered by the Directors to be high credit quality entities. Receivables balances are monitored on an ongoing basis to manage Wellington Water's exposure to bad debts.

Cash and cash equivalents are held with ANZ Bank which has a Standard and Poor's credit rating of AA-.

Liquidity risk

Liquidity risk is the risk that the company is unable to meet its financial obligations. This is managed by maintaining short payment terms with the five council shareholders and borrowing facilities with ANZ. There are no trade payables with a due date of more than 1 year.

The carrying value of the bank loan is \$510k (2017: \$630k) and it is unsecured. The gross contractual cash flows are as follows:

	2018 Actual \$000	2017 Actual \$000
Less than 1 year	146	153
1 - 2 years	139	146
2 - 3 years	271	139
3 - 4 years	-	271
4 - 5 years	-	-
Gross contractual cash flows	556	709

13. COMMITMENTS AND CONTINGENCIES

Wellington Water has no contingent assets (2017: nil) and has one contingent liability (2017: nil).

This contingent liability relates to a dispute over pricing of IT shared services provided. The amount disputed is \$64k.

Operating leases relate to the rent of the Petone office and vehicles on normal commercial terms and conditions. The minimum payments to be paid under non-cancellable operating leases are as follows:

	2018 Actual \$000	2017 Actual \$000
Less than 1 year	899	931
Between 1 and 5 years	1,902	1,765
More than 5 years	-	-
Total operating lease commitments	2,801	2,696

A significant portion of the operating lease commitments relates to the lease of the Petone Office. The leases expire in February 2019 and August 2021 with options to renew.

14. SUBSEQUENT EVENTS

No significant events have occurred since balance date requiring disclosure in these financial statements.

Your public water company

