



**Wellington
Water**

Our water, our future.

A man in a dark jacket and cap is fishing on a concrete pier. He is holding a long fishing rod that extends over a body of water. A fishing bag is on the pier next to him. In the background, there is a large body of water and a hilly coastline under a cloudy sky.

Annual Report 2021/22

Contents

Foreword	4
Our water, our future	5
Year at a glance	7
Building trust through our relationships	8
Keeping the water running	14
How we delivered our work	20
About us	24
Governance report	26
Financial statements	31
Notes to the financial statements	36
DIA Rules	47
Independent Auditor's Report	59



Taki

**He wai, he wai
He wai herenga tāngata
He wai herenga whenua
He wairua
He waiora
Tihei mauri ora!**

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

Foreword

We won't be alone in saying this has been a year unlike any other. But as we reflect and look ahead, it is safe to say that it was both unprecedented, and, in many ways, somewhat predictable.

After a year of steadily increasing failures of our water networks and a growing backlog of repairs, dissatisfaction within the community and increased attention from the media was really to be expected. The Wellington City Council Mayoral Taskforce, in which Wellington Water participated, was a good opportunity to lift the lid on the origins of today's service and performance issues. It was impressive the way the diverse members of the taskforce came together on a clear set of future challenges and recommendations.

This was timely given the cycle of three-yearly advice that the company provides into our shareholders' long-term plans. From an initial unconstrained view, our officers worked closely with councils to agree budgets that recognise the level of investment required to bring their networks up to the condition necessary to meet current service level requirements and future expectations. I'm pleased to say that in the majority of cases our shareholders accepted the need for increased investment in a framework of strategic prioritisation that will, if followed, begin to turn the corner on decades of underinvestment.

Staying the course on this increased investment pathway is only more important in the context of the surge in growth we are seeing in the region, as well as the many macro-economic factors we are experiencing as consequence of the disruption caused by COVID-19, including labour shortages, material shortages and construction cost increases coupled with heightened environmental and regulatory requirements.

The government's stimulus funding for three-waters must be acknowledged here, in allowing us to ramp up our response capability to the point where we had all but exhausted the market for operational resource, and to get on with some urgently needed proactive investigation and maintenance work to help reduce the risk of major unexpected failures.

Of course, it will take time to turn the corner. And until we do, customers and communities must be prepared to accept service issues that they see as less than ideal. We'll continue to be transparent about our performance in relation to targets set by local and central government, especially as the new regulator, Taumata Arowai, is established – and we'll also provide the context for that performance. We'll continue to emphasise and support the dedication of our officers that we saw reflected in satisfaction scores among customers whom we deal with.

The coming year brings more challenge and change. Regardless of how things such as the central government's water reforms play out, we know the people we serve can count on this dedication. And at the leadership level, we will continue to work with our iwi mana whenua partners, our shareholding councils, and other stakeholders, to build relationships and strengthen our role as a trusted advisor.



Geoff Dangerfield
CHAIR OF THE BOARD



Colin Crampton
CHIEF EXECUTIVE

Our water, our future

Our iwi mana whenua partners Taranaki Whānui ki te Upoko o te Ika, Ngāti Toa Rangatira, Ngāti Kahungunu ki Wairarapa - Tāmaki Nui ā Rua and Rangitāne o Wairarapa have challenged us to understand our role as a water services provider in terms of managing a balance between the needs of people, the environment and the water itself.

In the recent past, the balance has favoured the needs of people. Communities have increasingly come to recognise that this is unsustainable. Focusing on people over the environment, aside from the harm it causes to the natural world, ultimately affects our own wellbeing.

While embracing the community's support for change, Wellington Water also has a particular responsibility to represent water in this balance. The pressures of climate change, population growth and urban development on a network that is showing its age will continue into the near future.

Our role will be to not only care for these assets and replace what we can as quickly as we can, but to seek help from and support our communities in reducing the harmful consequences of this historical imbalance, at the same time as looking to the future and the large-scale investments we must make.

Our five strategic priorities are:

- looking after existing three-water assets
- supporting growth without adverse environmental impacts
- reducing water consumption
- improving environmental water quality; and
- reducing the impact of climate change.

We cover our activity over the past year in these areas in more detail later in this document.

These priority areas are a pathway towards the balance of te ao tangata, te ao taiao and te ao wai. It will be a long journey, and we have taken the first steps along it this year with our advice to councils' long-term planning processes resulting in the largest capital and operating investment to date.

But there is much ground to cover. In the process of developing our investment advice we began with an unconstrained view of the work required. In collaboration with councils, this advice was refined to meet what their communities could afford. The next planning cycle begins now, and guided again by iwi mana whenua principles, we've already begun the work of setting out a 30-year plan that will aim to meet community expectations and government regulations.

Throughout the journey, we will continue to do our utmost to provide safe, healthy drinking water to communities, improve the collection and treatment of wastewater, and safely manage stormwater. In the new regulatory environment, we'll have the opportunity to improve the transparency with which we report on these and other activities such as our planning processes. We are confident that as we progress, we will build trust between ourselves and communities.



Our water, our future.

Year at a glance

The Wellington Water model is unique in New Zealand. We are owned by multiple councils, and we do not own the assets which we manage. We work with our council owners to agree on work programmes that will bring councils the greatest value individually and as a collective.

Councils, through their long-term plans and consultation with their communities, set budgets and service levels for their assets. We – Wellington Water – then set about delivering the results we are funded to achieve, through both maintaining council assets and developing them for future needs.

The continuous process of providing advice to councils on how to meet national and community aspirations for health and environmental standards with respect to drinking, storm and wastewater; modelling for growth and climate change; improving our asset management knowledge in order to provide better advice; while delivering agreed construction programmes and maintaining existing assets, are the core elements of our work.

To engage in the performance of Wellington Water as a company requires an assessment both of these asset management outputs, and the company's growth and development as an organisation.

Performance of assets owned by councils

Historic underinvestment in the existing assets of the three waters networks has created a steady increase in the number of service interruptions, whether through leaks or bursts or other unplanned events. This has meant a number of performance measures relating to service performance and maintenance being missed, and a decrease in customer and stakeholder confidence. We continued to meet demand and standards for safe drinking water throughout the year.

Performance as an organisation

This year saw the conclusion of the long-term plan advice cycle. Budget advice provided to council resulted in significant and new funding – the largest programme in our history. Achieving satisfactory engagement with iwi mana whenua into our planning processes continued to challenge us. We were able to establish relationships with iwi groups in South Wairarapa and we look forward to developing effective engagement frameworks with iwi mana whenua.

Overall, it has been a good year for the organisation. Our staff remain in good spirits as they carry out essential work for communities, the environment and water, now and in future. The Government's fiscal stimulus package provided a welcome additional funding stream to help us address some outstanding areas of work. The least satisfactory area of our performance was the abatement notices we received from the regional council, for impacts of our work which were avoidable.

Building trust through our relationships

IMPACT STATEMENT 1

We value our client councils, mana whenua partners, and customers in the way we work.

We will know we are successful if we see

- Upwards trends in satisfaction, trust, and understanding of te ao Māori in survey results for our councils, mana whenua partners, and customers.
- Results from Wellington Water and council surveys are applied to improving the customer experience.

The value we place on our relationships with councils, mana whenua and customers has been at the forefront of the way we work this year.

We took a strategic priority and risk-based approach to our investment advice to councils as part of their 2021-31 long-term planning processes. This required detailed input and analysis across six councils. We were clear on the three-water infrastructure deficit and worked with councils to agree the funding pathway that balanced affordability with the need to increase investment in the aging network.

We experienced increasing numbers of service faults negatively impacting levels of customer service. This along with a lack of detailed asset condition information available for the draft long-term plans contributed to a decline in satisfaction and trust from councils.

This year we made a commitment to developing capability within our whānau to enhance value in the way we work with iwi mana whenua through the fostering of understanding of te ao Māori.

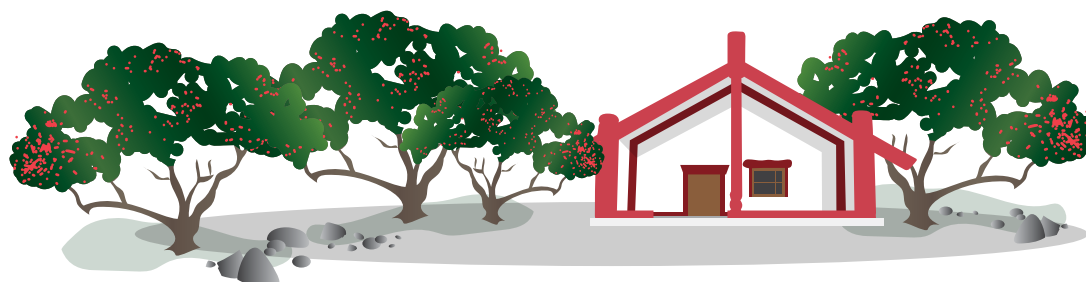
Our Te Mangai Taketake led a number of programmes and initiatives to achieve this: gifting the company its te reo Māori name Ngā Wai Hangarua, and our prize of Te Ika Rō Wai, revising our values with a te ao Māori perspective (for more information see page 20), and embedding our taki and karakia into our formal interactions with each other.

More challenging has been capacity to engage in a consistent way with Taranaki Whānui ki te Upoko o te Ika, Ngāti Toa Rangatira, Ngāti Kahungunu ki Wairarapa - Tāmaki Nui ā Rua and Rangitāne o Wairarapa iwi mana whenua who manage a variety of commitments, and we navigate the most appropriate way to work into these and thus improve satisfaction. There were delays in appointing new representatives to the Water Committee and we made less progress on our relationship with South Wairarapa iwi mana whenua than we had set out to.

This year we focused on the interactions with our customers who receive and benefit from the work we do to drive value. We developed a customer strategy with a supporting customer promise that sets out the level of service customers can expect following a major incident. We advanced the framework for understanding the experience end-to-end for customers from notification to resolution and will embed this fully in the year ahead.

These changes have had a positive impact on customer satisfaction, and saw it materially trend upwards throughout the year, from 69% in December to 79% in June, despite a significant number of outages and incidents. We complete a customer experience review each quarter that considers the feedback from this survey and other channels to inform where we focused our improvements in how we work with customers throughout the year.

We surveyed our councils, asking how they felt about our advice to them for their long-term plans. We had eight responses (42%) agree that our advice was evidence-based, timely and clear on risk.



Looking after existing three waters assets

IMPACT STATEMENT 2	We will know we are successful if we see
Condition assessment programmes are implemented for highly-critical assets to help us understand asset condition and inform the scheduling of renewal programmes as part of our wider asset management system.	<div>Condition assessment programmes for very-high-criticality assets are scheduled during the 2020/21 year.</div> <div>Councils accept our advice on asset management plans as well based and invest to lift service levels and reduce failures.</div>

We have a limited amount of information on the condition of the region's water assets. Our focus this year was to better understand the asset condition of the region's highest criticality assets. There are 471 kilometres of pipes and 835 above ground assets that are classified as having a "very high" criticality.

We took a risk-based approach to scheduling our very high criticality inspections. Our oldest pipes have the highest risk of failure, and so were scheduled first. These included old asbestos cement pipes and pressure mains that are vulnerable to failure, both from within the pipes themselves and in the numerous valves and fittings attached to them. Should these fail, there would be significant impacts on our communities and the environment.

Condition assessment programmes were scheduled this year for 100% of these assets and completed 20% of the field inspections. The information gathered is being used to inform future renewals programmes based on the results of this programme.

We provided advice to councils around the need for investment in the wider asset management system as part of the long-term plan with the goal of completing improvements to align with ISO 55001 by 2024. All councils invested to support this direction, and we allocated stimulus funding provided by government to fast-track this programme.

We delivered draft asset management plans at the end of May that summarised the recommendations made on where to invest based on draft long-term plans. Councils accepted our advice to increase investment in looking after existing three water assets – with a total of \$585.48 million of capital expenditure and \$218.25 million of operational funding for the region over the next three years.

We have seen a lift in capital investment over the last three years from \$254 million between 2018-21, to \$570 million for 2021-24. Operational investment has increase by 51% over the same period from \$139 million to \$210 million.



Supporting growth without adverse environmental impacts

IMPACT STATEMENT 3	We will know we are successful if we see
Our investment and decision-making models enable us to plan for growth and increased demand while ensuring that agreed levels of service are maintained.	<p>Investment/growth plans are developed for growth areas identified and funded by our client councils.</p> <p>Council's long-term plans include/reflect our recommended growth-related investments and activities.</p>

Population growth increases the demand for services and can result in lower levels of service for customers and adverse environmental impacts such as wastewater overflows if investment in network and service capacity does not stay ahead of this demand.

Achieving this requires the alignment of our councils' land use planning with our infrastructure planning, and the necessary investment against these plans. These activities are currently out of step. This can be seen in areas such as water supply, where we are currently unable to meet the expected level of service under drought conditions, and the overflows from the wastewater networks.

We provided high catchment level catchment growth plans to inform the development of council long-term plans for Wellington City, Porirua City, Greater Wellington Regional and South Wairarapa District councils. We also completed a standalone growth study for Wainuiomata to support decision-making during this period.

In the months ahead we are completing high catchment level growth models for Hutt and Upper Hutt city councils. We are moving forward with more detailed council-level planning alongside this for the other councils and will do so with Hutt and Upper Hutt city councils once the catchment level planning is complete.

Both Porirua and Hutt city councils incorporated elements of our advice into their long-term plan investment, other councils deferred decisions to their next long-term plans. The limited investment in enabling growth, in the face of continuing high growth rates, will place increasing pressure on the services and service performance.

We take care to manage these impacts by carefully overseeing the process for new connections to the network. The Growth and Land Development function was expanded to increase our capacity and capability to respond to these applications and support growth planning activities.

The Omāroro reservoir, an important investment that will support growth and resilience for the Wellington City is on track to be operational by August 2022 with remaining backfill and landscaping due for completion in August 2023.



Reducing water consumption

IMPACT STATEMENT 4	We will know we are successful if we see
Average water consumption per capita is reducing.	Our five-year proposal informs client councils' long-term plans for a 10 per cent gross per-capita reduction in consumption and programmes of work to be developed.

We need to reduce water demand to ensure we are both making the best use of this finite, precious taonga and to avoid likely severe water restrictions, and possible supply interruptions, in the event of a drought. The demand for water increases with population growth, so along with other activities, we need to focus on reducing per capita consumption if we are to achieve these objectives.

This year we saw per capita consumption increase, continuing the upwards trend seen over recent years. The majority of this increase is considered to be the result of increasing leaks within the network and on private property as the assets age and deteriorate.

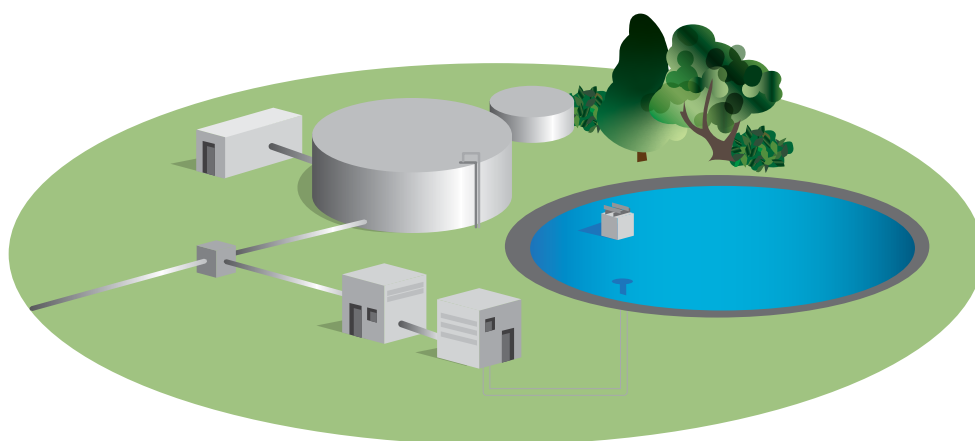
The combination of growth and increasing consumption is putting pressure on our network and water sources. A reduction in total demand is required over the next five to ten years in order to avoid severe water restrictions and possible service interruptions in a major drought. An upgrade of the Te Mārua Water Treatment Plant is being fast-tracked to help mitigate this risk but will not avoid the need for short and long-term demand reductions.

Our investment advice provided to councils to inform long-term plan decisions recommended increases in leak detection and repair activity and investment in residential advanced (or “smart”) water meters.

Water metering is key to help us identify leaks not only in the public side of the network, but also on the private side. Metering gives us the tools to detect leaks and help educate our customers on their water consumption habits to reduce the demand on our catchments.

Only Hutt and Porirua city councils adopted this advice, with investment proposed to commence from 2024/25. We are progressing a business case to better understand the benefits and costs and have a ‘proof of concept’ deployment is underway for South Wairarapa District.

We were able to use government stimulus funding to establish and implement a leak detection programme. This programme has enabled us to increase our activity in this area. Our crews have worked on both proactive and reactive leak repairs, responding to the increased number of leaks being observed across the region. Through this work we located and repaired 1,210 public water leaks and identified and followed up on 441 private leaks.



Improving environmental water quality

IMPACT STATEMENT 5	We will know we are successful if we see
<p>The health (water quality) of our region's beaches and coastlines is static or improving. A baseline will be set for each of the three catchments our roving field maintenance crews will cover in 2020/21.</p>	<p>The number of days customers are able to enjoy our region's (monitored) beaches.</p>

Our communities want to be able to enjoy the region's beaches and coastlines at all times. When there is an incident, we advise the community that it is unsafe for a period of 48 hours. There were 11 incidents which resulted in our coastlines and beaches being unsafe to swim.

This year, we established roving drainage investigation crews, completing investigations in Owhiro Bay, Titahi Bay and Wainuiomata's Black Creek. The programme focused on identifying cross-connections in private property by tracking the pollution source through sampling. The baseline for sampling is dictated by the global stormwater consent for water quality, and we use this as a guideline to target areas where sampling is above baseline.

The crews inspected 576 properties across the region, resolving 10 cross connections of wastewater and stormwater and 10 broken wastewater laterals discharging direct to the environment.

In Owhiro Bay the sampling revealed elevated e-coli levels and this helped us identify and then repair three cross-connections that then had a noticeable effect on water quality when we tested post-repair.

To meet the water quality targets for human health and environmental health in the government's Freshwater Policy Statement we would need to be addressing water quality issues proactively for both human health and environmental health at the rate of 5% of catchments per annum for 20 years.

Whilst we have been able to undertake some activity that contributes to this priority, the investment in water quality will be insufficient to meet the standard required for our streams, rivers and harbours by 2040 without additional and significant investment over the next 10 years.



Reducing the impacts of climate change

IMPACT STATEMENT 6

Work to reduce regional three waters' carbon footprint contributes to the objectives of the Climate Change Response (Zero Carbon) Amendment Bill.

We will know we are successful if we see

Emission-reduction targets and action plans are developed for each council. Investment pathways are different for each council.

The Climate Change Response (Zero Carbon) Amendment Bill sets the target of New Zealand achieving net zero carbon emissions by 2050. The majority of our owner councils have also declared climate change emergencies and are setting or considering emission reduction targets and climate change response strategies. The three-waters services are entirely dependent on the climate, so we need to be working to reduce emissions and help to mitigate the potential impacts of climate change.

To reach this target, we need to reduce emissions annually by 3%. Reducing these emissions requires us to understand where they are coming from, and the options available to reduce them. This year we developed trajectories that project the carbon emissions for our operations for each of the metropolitan councils out to 2050. This information helped to inform our advice to councils on the investment needed to reduce emissions and to better inform the setting of targets and future investment.

A significant recommendation that has been adopted is the decision by Wellington City to progress investment in a new facility that will materially reduce the amount of wastewater biosolids, or sludge, that is sent to the landfill. There was limited uptake of advice beyond this specific investment and will limit both near-term emissions reduction and the ability to plan future investment.

We have looked at the emissions associated with our capital programme. These emissions come from both the materials that we use (i.e. concrete and steel) and the construction processes that we use. We have used the government stimulus funding to pilot the increased use of trenchless pipe laying technology for our renewals process. This year we will be adopting this approach on a more widespread basis, as well as baselining the expected emissions from our capital programme. This baseline will enable us to identify "hot spots" for potential emissions reduction and to set an emissions reduction target from 2022/23.



Keeping the water running

We describe our core business in terms of planning, operating and maintaining, renewing, upgrading, and responding to emergencies that affect our three waters network.

Planning

In 2019/20 we provided unconstrained advice to councils as part of our early signals input into long-term plans. This year we provided a range of investment options and then each council selected their preferred option to consult with their communities on. We sought input from our panels and iwi mana whenua as these programmes were developed.

The Water Industry Commission for Scotland (WICS) reviewed our advice to provide additional assurance to councils, and their assessment was that the region would need to invest \$300 – \$350 million in capital works each year to meet long-term aspirations. Our councils have increased investment in response to this advice, investing approximately \$200 million each year, up from less than \$100 million three years ago. While there is still a gap to the WICS recommendation, we are tracking in the right direction, and trying to create the capacity internally and in the sector to deliver on larger programmes of work now and in the future.

On 23 July 2020 the National Policy Statement on Urban Development (NPS-UD) came into effect. Over the last year we have undertaken work to assist our councils in incorporating these changes into their planning; including a memorandum to Wellington City Council to inform their draft Spatial Plan, and a Greenfields assessment for Hutt City Council to inform a review of their District Plan.

We completed a strategic environmental assessment for the Wellington region. We used an environmental impact lens across all of the catchments to understand the impact of growth on those environments. This will be used to inform advice that we provide our councils moving forward.

Operate and maintain

The government stimulus package has allowed our councils to invest in additional programmes of work this year to improve asset condition. This funding was approximately 10% of our overall expenditure, however, all \$47.3 million must be spent by the end of 2021/22. From 2022/23 we will see an overall decrease in spending on operating and maintaining our infrastructure and delivering on strategic outcomes.

A core deliverable is the provision of safe drinking water that is compliant with Drinking Water Standards New Zealand. We complied again this year for all metropolitan councils. We set a stretch target to have South Wairarapa District compliant by December 2020.

Although this was not achieved, we did have all water supplies performing to Drinking Water Standards New Zealand, except for Memorial Park (Greytown) which will meet Part 5 when filtration is installed at the plant. Pirinoa that services seven customers and a school is not currently compliant as it still requires monitoring of the UV and cartridge filters. Both of these capital upgrades are being completed in the year ahead.

We experienced work volumes exceeding capacity due to the aging network throughout the year, responding to 31,390 customer service requests and fixing 22,571 network faults. This continues to affect our ability to deliver the level of service set by councils regarding response and resolution. Our operational focus therefore has been on maximising the efficiency of the stretched resource.

We have improved the triaging and resource allocation processes, rolled out extensive training programmes to best utilise our new asset and work management platform, and eliminated numerous operational bottlenecks with capital investments on key equipment.

We continued work on renewing our existing stormwater and wastewater network discharge consents. These consents will require us to consider how we will meet increased environmental standards for water quality in the future. We have developed methodologies and are embedding processes that will provide opportunities to build effective and meaningful relationships with iwi mana whenua and prioritise investment to where is needed most.

Renewing

When we renew our assets, we want to make sure they are fit-for-purpose into the future. That means, when there has been an issue with asset performance, we build back better. We work with our councils to develop solutions that will suit the needs of their communities now, and as they continue to grow.

Renewing these assets at the right time, and in the right way, will lead to fewer asset failures and network outages in the future. We have a backlog of assets requiring renewal, and by working to clear this backlog we will see better asset performance and better outcomes for our communities.

We achieved our target of completing 85% of renewals for the year. We laid close to 30 kilometres of pipeline through our renewals programme and set a baseline of cost per kilometre for the years ahead.

To deliver more renewals more quickly, we trialled a different approach to delivering catchment-based renewals. Our fast-track renewals programme saw an integration of teams between our contractor and consulting panels.

The focus was on renewals that were easy to deliver and low risk. These pipes were still in need of replacement, but this trial was looking at expediting the renewal of pipes that were not on private property or main roads, and therefore didn't need resource consenting.

This was a success, delivering more pipe in the ground for less cost. We have taken the learnings from this trial and incorporated those into how we deliver other catchment-based programmes for renewals moving forward.

We are also continuing to innovate and use the right technology for each job. For example, we continued to increase our use of trenchless technology to deliver our programme, with around 57% of the pipes laid or renewed in the past three years employing trenchless technology. This has provided several benefits including reduced disruption, cost savings, carbon reduction and faster delivery.

Upgrading

At the end of the year, we spent \$131 million against a budget of \$160 million. We achieved around half of the milestones from the baseline programme. This is lower than the budget spent and indicates that there were likely increases in project costs throughout the year, and that the programme experienced changes from the original programme, such as the emergency works in Wellington City and additional work carried out on the fast-track programme in Hutt and Porirua city councils.

Throughout the year the consultant panel capacity was stretched, which slowed the progression of projects through design. We are now seeing much more work sharing throughout the consultant panel's New Zealand resources. Recruitment in Wellington region continues to be a challenge for all three consultant panel members.

We saw the benefits of our procurement framework emerging with better early contractor engagement across the programme that was in part driven by more trusted relationships developing between the two panels.

Responding to network emergencies

We managed 117 major incidents and outages this year, including three critical and high-profile events. These major incidents are forecast to continue to trend upwards in the years ahead.

Our focus regarding network emergencies is on working with councils to lift the service when replacing the failed assets – to ensure that there are solutions in place to prevent the same failures; to deliver clean water to our communities and keep them safe from the consequences of flooding. We have been actively working with councils where these emergencies have occurred to develop practical, cost-effective solutions that will meet the demands of the community.

Customer Experience	Target	Commentary
1 <p>The percentage of customers rating their experience of our performance as 'Satisfied' or higher steadily improves.</p>	Trending upwards annually (to be baselined)	<p>Achieved</p> <p>There was a notable increase in overall customer satisfaction demonstrated across the year, from 69% in December 2020 to 79%* in June 2021, in a survey run by Colmar Brunton. The seven-month average is 73% which will be used as the baseline for 2021/22.</p> <p>Our internal survey continued to show an increase across the 12 months, trending in a similar pattern. This survey is continuing.</p> <p>*The margin of error for the monthly results is +/- 9.8%</p>
2 <p>Drinking-water supply is reliable and fully meets drinking-water standards (defined) and wholesome water standards (defined).</p>	Compliant with Drinking Water Standards Part 4 & 5 (DWS) and zero complaints relating to taste, clarity and odour	<p>Wellington Metropolitan Area Drinking Water Standards: Achieved</p> <p>All residents of Hutt City, Porirua City and Upper Hutt City and Wellington City received clean, safe water 100% of the time this year</p> <p>South Wairarapa District Drinking Water Standards: Not achieved</p> <p>The South Wairarapa District Council (SWDC) networks do not fully comply with DWS, but by the end of the year, over 99% of the connections in SWDC were compliant with Part 4, and approximately 66.7% were compliant with Part 5. We are delivering capital upgrades this year to reach full compliance.</p> <p>For full year information on each scheme in SWDC please refer to the DIA measure results on page 54.</p> <p>Wholesome Water Standards: Not achieved</p> <p>A target of zero complaints is aspirational and not achievable with the funding provided by our councils. We received 520 complaints relating to taste, clarity and odour, down from 531 in 2019/20.</p>

Plan, operate and maintain, and renew		Target	Commentary
3	Through the long-term planning process and with input from the customer panel and our mana whenua partners, we provide a ten-year 'three waters plan' for each of our councils.	Trending upwards annually (to be baselined)	Not achieved
	Councils rate our input as timely, evidence based, and clear on risk.		<p>We improved our asset management system, allowing us to provide more evidence-based advice and be much clearer on risk.</p> <p>Our advice was peer reviewed by the Water Industry Commission of Scotland (WICS) and resulted in councils lifting investment by \$417 million dollars compared to the prior three years.</p> <p>Despite this only 42% (total of eight) of council staff surveyed believed we were timely, evidence-based and clear on risk (Colmar Brunton).</p>
4	Condition assessment programmes are scheduled in our forward service plans in the 2020/21 financial year for very-high-criticality pipeline assets, and the remainder are scheduled for completion in 2021/22.	All very-high criticality assets scheduled for assessment	Achieved
5	We will achieve no less than 85 per cent of planned renewals.	85% renewals complete	Achieved
6 DIA*	(1) Performance measure 1 (safety of drinking water) The extent to which the local authority's drinking water supply complies with: <ul style="list-style-type: none"> a) part 4 of the drinking-water standards (bacteria compliance criteria); and b) part 5 of the drinking-water standards (protozoal compliance criteria). 	Compliant with Drinking Water Standards Part 4 & 5 (DWS)	Wellington Metropolitan Area: Achieved
			<p>All residents of Hutt City, Porirua City and Upper Hutt City and Wellington City received clean, safe water 100% of the time during 2020/21.</p> <p>South Wairarapa District: Not achieved</p> <p>The South Wairarapa District Council (SWDC) networks do not fully comply with DWS, but by the end of the year, over 99% of the connections in SWDC were compliant with Part 4, and approximately 66.7% were compliant with Part 5. We are delivering capital upgrades this year to reach full compliance.</p> <p>For full year information on each scheme in SWDC please refer to the DIA measure results on page 54.</p>
7 DIA*	2) Performance measure 1 (system and adequacy) The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	Zero dry weather overflows	Not achieved
			<p>We observed 9.43 dry weather overflows per 1,000 connections.</p> <p>The target of zero was set by our council owners. Overflows are predominantly caused by blockages which are beyond our control and we are not funded to achieve a result close to zero.</p>

	Plan, operate and maintain, and renew	Target	Commentary
8	Wet-weather overflows in the wastewater system (from wastewater pump stations or network) are fewer than 250 per year.	250 wet weather overflows	Not achieved We observed 800 wet weather overflows, up from 400 in 2019/20. These are very weather dependent, and we recorded a significant number over the winter months.
9 DIA*	(4) Performance measure 4 (customer satisfaction) The total number of complaints received by the local authority about any of the following: a) drinking water clarity; b) drinking water taste; c) drinking water odour; d) drinking water pressure or flow; e) continuity of supply; and the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system.	Zero complaints	Not achieved We observed 14.4 drinking water complaints per 1,000 connections. A target of zero complaints is aspirational and not aligned with our funding from councils. Refer to page 58 for more information on the reliability of this data.
10 DIA*	(4) Performance measure 4 (customer satisfaction) The total number of complaints received by the territorial authority about any of the following: a) sewage odour; b) sewerage system faults; c) sewerage system blockages; and the territorial authority's response to issues with its sewerage system, expressed per 1000 connections to the territorial authority's sewerage system.	Zero complaints	Not achieved We observed 21.0 wastewater complaints per 1,000 connections. A target of zero complaints is aspirational, and not aligned with our funding from councils. Refer to page 58 for more information on the reliability of this data.
11	The public is informed through on-site signage and social media of environmental water quality risks within 24 hours of an incident being notified and agreed with the appropriate agencies.	Public informed within 24 hours	Achieved There were 11 incidents reported over the year. In each case, the public was informed of environmental water quality risks through on-site signage and social media within 24 hours of an incident being notified and agreed with appropriate agencies.

Plan, operate and maintain, and renew		Target	Commentary
12	We do not incur any abatement notices, infringement notices, enforcement orders, or convictions when carrying out planned maintenance, operational, and renewal activities.	Zero notices, orders and convictions.	Not achieved We received one infringement notice from Greater Wellington Regional Council for poor sediment control after a water supply pipe burst in Titahi Bay in November 2020. In February 2021 we received one global stormwater abatement notice for unauthorised discharge of sediment and sediment laden water into the stormwater network affecting the four metropolitan councils.
13 DIA*	(2) Performance measure 2 (discharge compliance) Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices; b) infringement notices; c) enforcement orders; and d) convictions received by the territorial authority in relation to those resource consents.	Zero notices, orders and convictions.	Not achieved We received three notices across the year. Both an abatement and infringement notice were issued for poor odour control at the Seaview Wastewater Treatment Plant. The third was an infringement notice for an unplanned discharge from the Western Wastewater Treatment Plant.
Looking after existing assets		Target	Commentary
14	Projects focused on emission reductions are submitted via councils long-term plan process.	Projects submitted to councils	Achieved Proposed activities to reduce operational carbon emissions (directly and indirectly) were included in the long-term plan (LTP) options proposals that were presented to councils. There was limited uptake of these activities in the final LTPs.
15	Future growth studies are developed for the growth cells identified by councils.	All planned future growth studies are developed	Achieved We delivered 80% of the programme for the future growth studies identified by Upper Hutt and Hutt city councils.

*Denotes a mandatory measure set by the Department of Internal Affairs, more information can be found on page 47

How we delivered our work

The company is focused on striving to be a high-performance organisation through lifting capability of the entire water family, working collaboratively with others and looking to add value wherever we can to demonstrate excellent value for our customers.

Water reform

Earlier in the 2021/22 financial year the government announced the next stage of the water reform of the sector and we reviewed the company focus, ensuring that we remain engaged and excited in our work as water reform progresses.

The government is moving at pace with its reform of the sector, and in March 2021 established Taumata Arowai, a Crown entity, as the new water services regulator. They have also announced the next stage of their reforms of the water sector, which has led to our company to adopt an approach of being excited and engaged in our work as water reform was discussed around us.

The project to coordinate the region's water reform work has made progress, with an ongoing focus on leadership, regional coordination and advocacy as well as transition planning.

An ongoing focus has been to provide information and support to coordinate the response to the reforms. This has operated at a number of levels from senior working groups to chief executives and elected members.

Government stimulus funding

For agreeing to continue to participate in the water reform, in late 2020, the government allocated \$47.3 million to our councils to spend through to 31 March 2022.

The early focus for the project was on responding to the request for information (RFI) process to feed into the analysis being undertaken for DIA by the Water Infrastructure Council of Scotland (WICS); and on building relationships to effectively respond to the reforms across the Wellington Water councils and the councils in the wider region.

This funding was allocated to cover activities over and above our regular work programme and is roughly a 10% increase in annual three-waters expenditure in the region, allocated to progressing:

- an additional 6 kilometres of capital renewals
- \$6.1 million on reactive maintenance

- establishing a business improvement programme for asset management systems, performance management framework and updated regulatory model
- automation of data transfer and analysis to better target leakage management
- progressing water safety initiatives
- a carbon assessment for Te Mārua Water Treatment Plant upgrade and a brief to look at wider issues and options for Featherston's Boar Bush Reservoir.

Growing our people and capability

In the last year, our organisation has grown by 17%. We have continued to offer in-house development training to our staff and improve the way that we work together with our wider whānau and stakeholders.

We conducted a refresh of our organisational values this year, engaging an independent consultant to help us. Workshops were held with representative people across the organisation, as well as with governance, iwi mana whenua and our consultant and contractor panels, and a draft set of values was proposed.

These draft values were then refined through further consultation, and three core values were agreed.

- Tangata tiaki: together we protect our most precious taonga
- Whānau: united we support, connect with and respect each other
- Mana: individually, we bring our best to every situation

These have now been embedded within the organisation, through inductions and in job descriptions, and are weaved into the way we work.

We revised our People Strategy, with a focus on supporting our people through change. Over the next three years we will set our whānau and the sector up for success in the future, and grow our capacity sustainably, providing transferrable skills, and ensuring we are aligned culturally.

We set out to achieve a more seamless alignment for staff in our partnership arrangement with Fulton Hogan (customer operations group). Two key initiatives have helped improve this alignment throughout the year; implementation of a combined 'living safely' health and safety system and 20 targeted initiatives such as the development of a graduated structure for our frontline teams and a review of frontline remuneration.

All these initiatives have improved the cohesion of the group evidenced in our quarterly alignment survey.

Partnering and collaborating well with others

We made progress on getting iwi representation to the Water Committee table, but we couldn't get our internal iwi liaison group working effectively which helps guide our work in the field day to day. We were also unable to complete a set of te ao Māori principles to guide our investment prioritisation but we will adopt a te ao Māori perspective into our revised Three Waters Strategy in the year ahead.

We began work on refreshing our relationship with the regulatory arm of Greater Wellington Regional Council. This has included regular engagements with their team and a focus on developing a programme of work to improve our alignment and relationship in a heightened regulatory environment. We will continue to focus on this area as we see real benefit in doing so in the medium term.

We are seeing the benefits of greater integration between our consultant and contractor panels through the methods trailed through the government stimulus programme. This work has accelerated the culture of collaboration we are driving as we move towards a fast-track approach to much of our capital delivery programme.

The tools we are using include early contractor involvement which helps to improve risk management and improve forward planning of design and construction work. Aligned with this new approach is earlier planning to bundle projects. This brought efficiencies in delivery with contractors having a more stable long-term pipeline of work in one area with the same crew. An example of this was the wastewater renewal programmes in Hutt City at Avalon and Epuni.

Getting better at demonstrating value for money

	2018/19	2019/20	2020/21
Overhead/Total Spend	11%	8%	8%
Drinking Water \$ cost per Megalitre	72.3	74.1	79.1
Wastewater \$ cost per Cubic Meter	0.31	0.34	0.33

This year we began a review of our value for money framework with the criteria focusing on efficiency (spending less), and effectiveness (spending wisely). We have developed a number of key metrics, and will be reporting on these through an annual value-for-money report. These metrics showed an increase this year in the cost of supplying drinking water, predominantly driven by the increased cost of chemicals.

We participated in two benchmarking exercises with Water Services Association of Australia Benchmarking (WSAA) and Water New Zealand National Performance Review.

The WSAA benchmarking looked at costs and to a lesser extent, levels of service. It showed that in general our costs are higher in operational areas and that Wellington Water spends less on enabling and value adding functions like customer centricity, IT, asset management and strategy compared to Australian entities in the benchmarking exercise.

The Water New Zealand National Performance Review looked at levels of service, events, and condition of assets. Nationally, they observed a large increase in capex spend coupled with high levels of vacancies, workforce shortages and a lack of skilled people. Residential water use in the Wellington region was high compared to WaterCare.

We also undertook a series of specific value for money and innovation initiatives.

By using models created by the modelling team plus open-source data from Land Information New Zealand, Network Engineering and Stantec came up with an innovative online flood risk survey tool called the Visual Property Assessment Tool.

This allows users to easily find, and view properties identified as at risk of flooding. It is estimated that this reduces cost by 70%, and saved \$500,000 in 2020, as well as lowering our carbon emissions.

One of the key performance indicators for a water asset management company is the cost it takes to put pipes in the ground. This year we established a baseline figure for our Water Supply and Wastewater works; of \$1,431/m and \$2,633/m respectively.

We will use this data, along with data collected in future years, to further refine these baselines, being able to filter for things like jobs on public and private property.

We completed three smart service initiatives:

- Installation of 15 Small Area Meters, to improve the confidence in calculations used to estimate and identify network leakage
- Collecting historical time series data on leakage and incorporating that into our systems to improve our leakage analysis.
- Installing remote monitoring units for transportable generators in South Wairarapa District Council, that monitor and record the status of the generators remotely.

We also completed a further two initiatives as a proof of concept and had two ongoing at the close of the financial year.

To meet the increased demand for automation, we have hired two more technicians to bolster our in-house team. As well as improving our resilience, these staff provide service and value for money and expertise in an area that is in high demand across the country.

An example of this automation is to increase the reliability integrity of the data collection across our water treatment plants – which saves time and provides a higher level of assurance and security to our water treatment.

Growing our people and capability		Target	Commentary
16	The number of health and safety serious-harm and significant near-miss incidents to our people, our supply chain, and the public trends down annually.	Trending downwards	Achieved We had 15 serious near miss events and 0 serious harm events (2019/20: 22 serious near miss events).
17	Two health and safety critical risks (defined in February 2019) are reviewed per year and improvements are implemented.	Two critical risks reviewed, and improvements implemented	Achieved We reviewed the effectiveness of controls for Traffic Management and Mobile Plant. Improvement actions have been implemented.
18	Engagement survey results show increasing alignment in the customer operations group between the Wellington Water people and those of our alliance partner.	Trending upwards	Not achieved Employees within the Customer Operations Group have been surveyed quarterly to track whether the team is headed in the same direction. We observed a minor downward trend from 68% in December 2020 to 67% in July.
19	Organisational values are renewed and reflected in recruitment, induction, and performance development processes.	Values renewed and embedded	Achieved Our values rollout was successful. There is strong support for the values from staff, and they are being used frequently as part of everyday work.

Partnering and collaborating well		Target	Commentary
20	Working in partnership with mana whenua, our actions match our promises.	Establish a partnership framework	Achieved We have an established partnership framework that has enabled us representation of iwi mana whenua on the Water Committee. The next step is to establish operational framework that gives effect to the partnership.
21	Annually at least 65 per cent of land developers are satisfied with their relationships with us.	Greater than 65% satisfaction	Not achieved We surveyed developers and 40% were satisfied with their relationship with us. We received five responses in total.
22	A Wellington Water family stakeholder and engagement plan details consultant panel members' contributions:	Four or more initiatives	Achieved We published 14 On Tap, three Te Kaitiaki Wai and held seven Brown Bag lunchbox sessions. <ul style="list-style-type: none"> Four or more combined educational Lunchbox sessions; and 'On Tap' articles each quarter.
Getting better at demonstrating value for money		Target	Commentary
23	During the 2020/21 financial year long term planning investment advice to councils is reviewed and validated by an independent industry expert.	Investment advice independently reviewed	Achieved The Water Industry Council of Scotland (WICS) reviewed our long-term plan advice.
24	Working with our consultancy panel, the average cost of fees as a percentage of construction costs reduces by 0.5 per cent per year.	Greater than 0.5% reduction	Achieved Average cost of fees reduced by 1.2%.
25	Baseline cost per kilometre of pipeline (Consumer Price Index adjusted) will be established and the rolling average unit cost will decrease.	Baseline established	Achieved We have established the following baseline costs per kilometre: <ul style="list-style-type: none"> Water Supply = \$1,431/m Wastewater = \$2,633/m
26	A 10 per cent sample of completed capital expenditure (CAPEX) projects demonstrates 95 per cent or greater achievement of outcomes agreed in the activity brief.	95% or greater outcomes achieved	Achieved Average cost of fees reduced by 1.2%.
27	At least two Smart Services ideas are delivered each year.	Two or more services delivered	Achieved Three smart service initiatives were delivered this year: <ul style="list-style-type: none"> Leakage Analysis Small Area Meters Transportable Generator Remote Monitors

About us

We provide drinking water, wastewater and stormwater services on behalf of our client councils – Hutt City, Porirua City, South Wairarapa District Council, Upper Hutt City, Wellington City and the Greater Wellington Regional Council. We are a council owned, shared service organisation.

A representative from each council sits on the regional Wellington Water Committee, which provides overall leadership and direction for the company. Wellington Water is governed by a board of independent directors.

Wellington Water

Our purpose is to create excellence in regional water services so that communities prosper. Our customers, the residents of the Wellington region, use the services we provide in their homes, businesses and communities every day. Reliable and affordable access to these services supports the social fabric of our communities.

We deliver our services focusing on three customer outcomes: safe and healthy water; respectful of the environment; and resilient networks that support our economy.

The services that our three waters networks provide are vital to a modern and successful economy, but they're also important to the interactions our customers have with the natural environment. We want our customers to be able to enjoy our beaches, rivers and streams with the confidence that these waterways are free from pollution.

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

We employ 240 staff (as at 30 June 2021) and provide drinking-water, stormwater and wastewater services to our customers on behalf of our shareholders.

Our Board of Directors

We're governed by a Board of Directors. The Chair of the Board reports to the Wellington Water Committee.

The Board of Directors consists of six members. Each director can serve a maximum of two terms, or six years, unless agreed otherwise by the Wellington Water Committee. The current Directors in office are as follows:

Director	Appointed	Term Expires
Geoff Dangerfield	1/10/2017	30/9/2023
Philip Barry	1/7/2017	30/6/2022
Mike Underhill	2/9/2020	1/9/2023
Kim Skelton	2/9/2020	1/9/2023
Leanne Southey	1/7/2021	30/6/2024
Lynda Carroll	1/7/2021	30/6/2024

The Board approves our strategy, ensures legal compliance and monitors our performance, risks and viability. The Board's approach to governance is to establish with management (and in consultation with shareholders) clear strategic outcomes that drive our performance. The Board is also mindful of its relationship with the Wellington Water Committee and how both the Board and the committee influence us in different ways.

Wellington Water Limited

The Wellington Water Committee has six client council shareholders and two representatives from mana whenua:

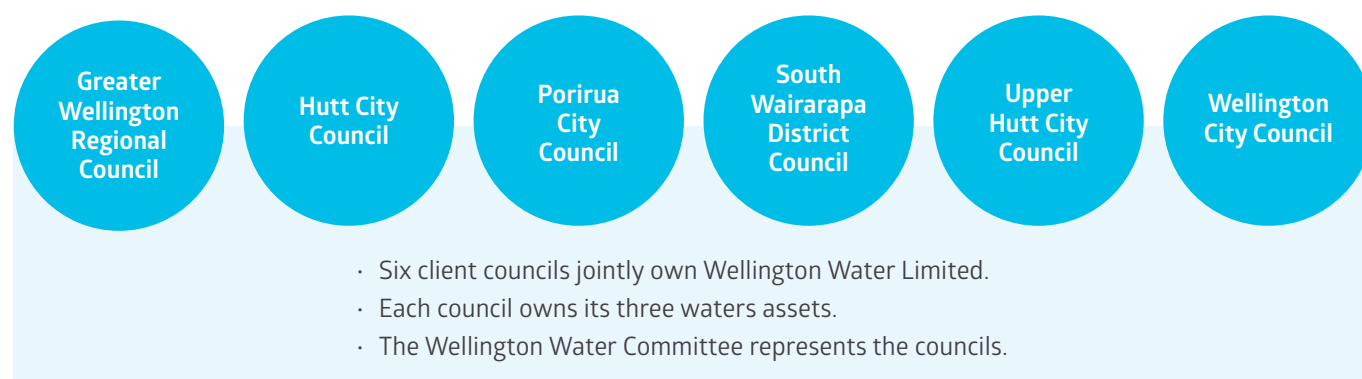
- **Hutt City Council** – Mayor Campbell Barry (replacing Councillor David Basset in May 2021)
- **Upper Hutt City Council** – Mayor Wayne Guppy
- **Porirua City Council** – Mayor Anita Baker
- **Wellington City Council** – Councillor Sean Rush
- **Greater Wellington Regional Council** – Councillor Josh van Lier (replacing Councillor Jenny Brash in May 2021)
- **South Wairarapa District Council** – Mayor Alex Beijen

The two iwi mana whenua representatives are:

- **Ngāti Toa Rangatira** – No current appointment
- **Taranaki Whānui ki te Upoko o te Ika a Maui** – Lee Rauhina-August

The Committee provides governance oversight of Wellington Water. It does this by considering our half-year 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.



Service level agreements, pricing and policies



Wellington Water Limited

- **Network Strategy and Planning:** asset planning, information management, education.
- **Network Development and Delivery:** project design, work programme management.
- **Customer Operations:** network operations, service delivery, customer service.
- **Network Management:** treatment facilities, quality control, innovation.
- **Business Services:** financial, procurement, business support, communications, planning & performance.
- **Chief Executive Office:** company strategy, leadership.

Governance report

Wellington Water is a council-controlled organisation as defined by section 6 of the Local Government Act 2002. Wellington Water is also covered by the Companies Act 1993 and governed by law and best practice. The Shareholders' Agreement relating to Wellington Water 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 six shareholders. Directors in office for the year ended 30 June 2021 are as follows:

Director	Appointed	Term Expires
David Wright	2/1/2015	31/7/2020 (Expired)
Cynthia Brophy	2/1/2015	31/1/2021 (Expired)
Geoff Dangerfield	1/10/2017	30/9/2023
Philip Barry	1/7/2017	30/6/2022
Mike Underhill	2/9/2020	1/9/2023
Kim Skelton	2/9/2020	1/9/2023

Audit and risk committee

The Audit and Risk Committee comprises all members of the Board and is chaired by Philip Barry. 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
- oversee and assess the internal audit process for evaluating the effectiveness of risk management, control, and governance processes.

Major projects committee

The Major Projects Committee was formed on 14 June 2021 comprising members of the Board appointed by the Board and an external member Graham Darlow. The responsibilities of the Committee are to:

- govern, direct and monitor the delivery of the referred projects throughout their lifecycle and ensure they meet the set financial, time and quality outcome targets

- review the risks and risk controls associated with the projects and advise the Board about any areas requiring management action, and progress remedial action
- review and challenge the development and delivery programme
- oversee and challenge health and safety performance
- examine any other matters referred to it by the Board and make recommendations to the Board.

The Committee will be fully operational in the 2021/22 financial year.

Board meetings and attendance 2020/21

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 2021.

Name	Board Meeting Attendance (10 Meetings)	Audit and Risk Committee Attendance (7 Meetings)
David Wright	1*	1
Cynthia Brophy	4**	5
Geoff Dangerfield	10	7
Philip Barry	10	7
Mike Underhill	8 (out of 8)***	7
Kim Skelton	7 (out of 8)***	7

*Term expired 31 July 2020

**Term expired 31 January 2021

***Appointed on 2 September 2020

Directors' remuneration 2020/21

The table below shows remuneration paid to directors during the year ended 30 June 2021.

Name	Fees Paid (\$ 000's)
Kim Skelton	19
Mike Underhill	19
Philip Barry	25
Geoff Dangerfield	41
David Wright (end date 31 July 2020)	4
Cynthia Brophy (end date 31 January 2021)	13

Interest register as at 30 June 2021

Director	Nature of Interest	Date Disclosed
Geoff Dangerfield	Director, Payments New Zealand Limited	October 2017
	National Councillor, Institute of Directors of NZ	April 2021
	Director and Shareholder, Geoff Dangerfield Consulting Limited	October 2017
	Chair, Port Nelson Limited	October 2018
	Member, Risk and Assurance Committee, Office of the Auditor General	February 2019
	Chair Ministry Primary Industries Risk and Assurance Committee	November 2019
	Chair of Tawhiri Limited	July 2019
	Deputy Chair, NZ Symphony Orchestra Board	June 2020
	Certificate of Directors of Wellington Water Limited – Establishment of Indemnity Agreement	July 2021
Philip Barry	Owner and Director, TDB Advisory	July 2018
	Member, IMF Fiscal Experts Panel	February 2019
	Certificate of Directors of Wellington Water Limited – Establishment of Indemnity Agreement	July 2021
Kim Skelton	Director, Solas Consulting	September 2020
	Chairperson Mana Whenua Steering Group, Te Ara Tupua: Ngā Ūranga ki Pito-One Cycle & Walking Link (NZTA Project)	September 2020
	Registered Iwi Member, Port Nicholson Block Settlement Trust/ Taranaki Whanui ki te Upoko o te Ika	September 2020
	Registered Iwi Member, Te Atiawa ki te Upoko o te Ika a Māui Pōtiki Trust	September 2020
	Director, Te Atiawa Iwi Management Holdings Limited	September 2020
	Trustee, Poutama Trust	September 2020
	Alternate Director, Te Ohu Kaimoana Maori Trustee Limited	September 2020
	Member, Te Ohu Kaimoana Audit & Risk Committee	May 2021
	Director, Te Ohu Kaimoana Portfolio Management Services Ltd	May 2021
	Mana Whenua Steering Group Member, RiverLink Project Board	July 2021
	Certificate of Directors of Wellington Water Limited – Establishment of Indemnity Agreement	July 2021
Mike Underhill	Director, Electra	September 2020
	Chair, Electra Risk and Audit Committee	September 2020
	Director, Network Waitaki	September 2020
	Chair, Network Waitaki Risk Committee	September 2020
	Director, Herbert Gardens	September 2020
	Director, The Lines Company Te Kuiti	May 2021
	Member, Security and Reliability Council (Electricity Authority)	May 2021
	Certificate of Directors of Wellington Water Limited – Establishment of Indemnity Agreement	July 2021

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 affected, 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.

Auditor

The auditor is appointed under Part 5, section 70 of the Local Government Act. Audit New Zealand has been appointed by the Auditor-General to provide these services on his behalf.

Employee remuneration

2020/21	Salary Bracket
\$400,000.00 - \$410,000.00	1
\$250,000.00 - \$260,000.00	3
\$220,000.00 - \$230,000.00	1
\$200,000.00 - \$210,000.00	1
\$190,000.00 - \$200,000.00	1
\$180,000.00 - \$190,000.00	1
\$170,000.00 - \$180,000.00	3
\$160,000.00 - \$170,000.00	3
\$150,000.00 - \$160,000.00	6
\$140,000.00 - \$150,000.00	6
\$130,000.00 - \$140,000.00	10
\$120,000.00 - \$130,000.00	13
\$110,000.00 - \$120,000.00	21
\$100,000.00 - \$110,000.00	12
Total staff	82

Wellington Water Committee

Wellington Water's six council shareholders are Greater Wellington Regional Council, Hutt City Council, Porirua City Council, Upper Hutt City Council, South Wairarapa District Council and Wellington City Council. The two mana whenua representatives are Te Rūnanga O Toa Rangatira and Taranaki Whānui ki te Upoko o te Ika. Representatives meet quarterly in the form of the Wellington Water Committee to discuss water issues and general progress. 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
- 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 Local Government Act and the Companies Act and regulations.

In particular, Wellington Water will provide:

- a Statement of Intent detailing all matters required under the Local Government Act, including forecast 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 Local Government Act)
- 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 Local Government Act).

Owing to the extensive reporting undertaken in accordance with the service-level agreements with client councils, the reliance on six-monthly reports fully meets Local Government Act 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 2021	Budget 2021	Actual 2020
Ratio of shareholders' funds to total assets	4%	7%	5%

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 its 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 takes 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 Fraud Policy.

Financial statements

These financial statements and the performance information are for the year ended 30 June 2021. They comply with generally accepted accounting practice in New Zealand ("NZ GAAP") and Tier 1 PBE accounting standards. All statutory requirements as outlined in the Local Government Act 2002 and the Companies Act 1993 have been met.

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.

For and on behalf of management:



Colin Crampton

CHIEF EXECUTIVE

30 September 2021



Mark Ford

CHIEF FINANCIAL OFFICER

30 September 2021

For and on behalf of the Board of Directors:



Geoff Dangerfield

CHAIR OF THE BOARD

30 September 2021



Philip Barry

DIRECTOR

30 September 2021

Statement of comprehensive revenue and expenses

For the year ended 30 June 2021

	Note	Actual 2021 \$000	Budget 2021 \$000	Actual 2020 \$000
Revenue from exchange transactions	3	226,213	262,847	187,618
Interest revenue		60	150	128
Gain/loss on disposal of assets		15	-	50
Total revenue		226,288	262,997	187,796
Salaries and wages		(21,835)	(23,092)	(20,193)
Superannuation		(678)	(673)	(621)
Directors fees		(120)	(135)	(113)
Audit fees - financial statements		(105)	(105)	(105)
Audit fees - other		(24)	-	(14)
Council opex programme		(62,268)	(61,817)	(66,799)
Council capex programme		(131,391)	(160,215)	(96,120)
Stimulus funding programme		(14,395)	(23,437)	-
Operating leases		(1,095)	(743)	(938)
Other personnel expenses		(2,550)	(1,179)	(1,980)
Other operating expenses		(8,307)	(7,529)	(7,955)
Direct costs charged to opex programme		8,877	8,236	-
Direct costs charged to capex programme		9,362	8,824	7,909
Total operating expenses		(224,529)	(261,864)	(186,928)
Depreciation and amortisation expense		(1,217)	(1,133)	(1,117)
Total expenses		(225,746)	(262,997)	(188,044)
Net surplus/(deficit) before taxation		542	-	(249)
Tax (expense)/credit		(127)	-	55
Total comprehensive revenue and expenses		415	-	(194)
Attributable to:	9			
Greater Wellington Regional Council		62	-	(29)
Hutt City Council		83	-	(40)
Porirua City Council		50	-	(23)
South Wairarapa District Council		21	-	(10)
Upper Hutt City Council		33	-	(15)
Wellington City Council		166	-	(77)
Total comprehensive revenue and expenses		415	-	(194)

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 2021

	Retained Earnings \$000	Issued Capital \$000	Total \$000
Balance at 1 July 2019	768	950	1,718
Share capital issued		50	50
Comprehensive revenue and expenses			
Net surplus/(deficit) for the year	(194)	-	(194)
Balance at 30 June 2020	574	1,000	1,574
Balance at 1 July 2020	574	1,000	1,574
Comprehensive revenue and expenses			
Net surplus/(deficit) for the year	415	-	415
Balance at 30 June 2021	989	1,000	1,989

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

Statement of Financial Position

At 30 June 2021

	Note	Actual 2021 \$000	Budget 2021 \$000	Actual 2020 \$000
Cash and cash equivalents		29,959	5,865	18,969
Receivables and prepayments	6	22,754	13,333	12,843
Total current assets		52,713	19,198	31,812
Intangible assets	4	289	392	342
Property, plant and equipment, vehicles	4	1,950	1,547	1,730
Deferred tax	5	409	304	304
Total non-current assets		2,648	2,243	2,376
Total assets		55,361	21,441	34,188
Payables and provisions	7	51,567	18,333	30,914
Employee entitlements		1,565	1,436	1,436
Tax payable/(receivable)		121	72	72
Total current liabilities		53,253	19,841	32,422
Employee entitlements		26	26	26
Capital grant in advance		93	-	166
Total non-current liabilities		119	26	192
Total liabilities		53,372	19,867	32,614
Net assets		1,989	1,574	1,574
Issued capital	9	1,000	1,000	1,000
Retained earnings		989	574	574
Total equity		1,989	1,574	1,574

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 2021

	Note	Actual 2021 \$000	Budget 2021 \$000	Actual 2020 \$000
Receipts from customers		227,009	236,019	176,869
Interest received		60	150	128
Employees and suppliers		(214,523)	(248,273)	(170,869)
Tax paid		(184)	-	43
Net cash flow from operating activities	8	12,362	(12,104)	6,171
Purchase of property, plant and equipment, vehicles		(1,165)	(600)	(623)
Purchase of intangibles		(280)	(400)	(197)
Proceeds from disposal of assets		74	-	31
Net cash flow from investing activities		(1,371)	(1,000)	(789)
Share capital issued		-	-	50
Net cash flow from financing activities		-	-	50
Net cash flow		10,991	(13,104)	5,432
Add: cash at the beginning of the year		18,969	18,969	13,537
Cash at the end of the year		29,960	5,865	18,969
Comprising:				
Cash at bank and on hand		29,959	5,865	18,969

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 2021

1. About these financial statements

Reporting entity

Wellington Water is a council-controlled organisation (CCO) owned by Greater Wellington Regional Council, Hutt City Council, Porirua City Council, South Wairarapa District Council, Upper Hutt City Council and Wellington City Council. Wellington Water provides asset management services specialising in drinking water, storm water and wastewater services.

Basis of preparation

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.

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.

Budget

The budget figures presented are as provided by councils as part of their annual plan. The budget figures were prepared in accordance with NZ GAAP, using accounting policies consistent with those adopted by Wellington Water in preparing these financial statements.

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).

Accounting standards and interpretations

PBE IFRS 41 Financial Instruments is effective for financial years beginning on or after 1 January 2022, with early adoption permitted. Wellington Water plans to apply the new standard in preparing the 30 June 2023 financial statements and has determined that PBE IFRS 41 does not materially impact the financial statements.

PBE FRS 48 Service Performance Reporting is effective for financial years beginning on or after 1 January 2021, with early adoption permitted. Wellington Water plans to apply the new standard in preparing the 30 June 2022 financial statements.

2. Variances to budget

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

Statement of comprehensive revenue and expenses

	2021 Actual \$000	2021 Budget \$000	Variance \$000	Variance %
Revenue	226,288	262,997	(36,709)	(14%)
Operating expenses	(224,529)	(261,864)	37,335	(14%)
Depreciation and amortisation	(1,217)	(1,133)	(84)	7%

Revenue and operating expenses were lower than budget primarily due to a significant reduction in the council capex programme compared to budget. The programme was significantly impacted by delays on three major projects due to; one major project being put on hold by the owner council and two experiencing delays in the consenting and design stages.

Statement of financial position

	2021 Actual \$000	2021 Budget \$000	Variance \$000	Variance %
Current assets	52,713	19,198	33,515	175%
Non-current assets	2,648	2,243	405	18%
Current liabilities	53,253	19,841	33,412	168%
Non-current liabilities	119	26	93	356%
Equity	1,989	1,574	415	26%

Current assets were higher than budget mainly due to a larger bank balance. The main drivers behind this was the cash received from the Government's Stimulus Funding Programme which started in October 2020 but was not reflected in the budget. In addition to this, the capex programme was invoiced in arrears in June resulting in a higher closing trade receivables balance than budgeted as the council work programmes are usually invoiced in advance.

Current liabilities were higher than budgeted due to higher trade payables. This was driven by an increase in spend with the commencement of the Stimulus Funding Programme and also a ramp up in the capex work programme spend at the end of the year due to recovery on the earlier delays on projects.

Equity at the end of the year is higher than budgeted due to a surplus of \$415k at the end of the year. This surplus is mainly due to capital grant revenue that was received during the year to purchase vehicles and equipment which will be used to deliver the Stimulus Funding Programme.

Statement of cash flows

	2021 Actual \$000	2021 Budget \$000	Variance \$000	Variance %
Net cash flow from operating activities	12,362	(12,104)	24,466	(202%)
Net cash flow from investing activities	(1,371)	(1,000)	(371)	37%

Net cash flow from operating activities was significantly higher than budget. This is primarily due to a larger closing payables balance and Stimulus Funding Programme as noted previously.

3. Revenue from exchange transactions

Revenue is derived from the six council shareholders, and from occasionally charging third parties for work performed. Revenue is billed and recognised monthly and primarily consists of revenue derived from management and advisory services, council operational expenditure (opex) programme, council capital expenditure (capex) programme and stimulus funding programme.

	2021 Actual \$000	2020 Actual \$000
Management and advisory services	17,230	23,590
Council opex programme	62,268	66,799
Council capex programme	131,391	96,120
Stimulus funding programme	14,395	-
Capital grant	432	75
Other revenue	497	1,034
Total revenue from exchange transactions	226,213	187,618

Management and advisory services

Revenue from management and advisory services is recognised using the percentage of completion method.

The annual fee is agreed with councils and performed on a financial year basis and has been fully recognised because services have been fully provided at balance date.

From 1 July 2020, the council opex programme includes Wellington Water direct costs relating to the Network Management Group and Customer Operations Group. These teams work directly on delivering the work programme. Previously this amount was invoiced as part of management fee. This change in classification results in a decrease of \$8.9m in management and advisory services revenue with a corresponding increase council opex programme revenue.

Council opex programme

The opex programme revenue is recognised using the percentage of completion method.

Wellington Water develops an Annual Work Programme from the long-term plans of councils which is delivered on a financial year basis. Wellington Water enters into contracts with contractors to perform the work and manages the programme. Wellington Water is acting as a principal in relation to these transactions. Wellington Water employees also perform some of the work.

Opex programme revenue has been fully recognised because services have been fully provided at balance date.

From 1 July 2020, the council opex programme includes Wellington Water direct costs relating to the Network Management Group and Customer Operations Group. These teams work directly on delivering the work programme. Previously this amount was invoiced as part of management fee. This change in classification results in an increase of \$8.9m in council opex programme revenue with a corresponding decrease in management and advisory services revenue.

Council capex programme

The capex programme revenue is recognised using the percentage of completion method and based on the costs incurred as a percentage of total costs under the contracts.

Wellington Water develops an annual work programme that is jointly agreed with councils. Wellington Water is responsible for the procurement process including selection of contractors and contract pricing and manages the programme. Wellington Water is acting as a principal in relation to these transactions. Wellington Water has recognised capex programme revenue and expenses equivalent to the invoices paid or payable to third parties for the financial year.

Stimulus funding programme

The Stimulus funding programme revenue is recognised using the percentage of completion method. The stimulus funding aims to:

- Assist economic recovery through job creation
- Increase and accelerate investment in water infrastructure renewals and maintenance
- Support reform of water service delivery to realise economic, health, environmental and other gains

Wellington Water has developed a work programme which covers this financial year and also next financial year (from October 2020 to March 2022). Wellington Water enters into contracts with contractors to perform the work and manages the programme. Wellington Water is acting as a principal in relation to these transactions. Wellington Water employees also perform some of the work.

Capital grant revenue

During the year, Wellington Water vehicles and equipment were purchased as part of the Stimulus funding programme. This funding of \$358k has been recognised as capital grant revenue (2020: nil).

In June 2018, Wellington Water received a capital grant from Porirua City Council for the future replacement of some operational vehicles. \$74k of this grant revenue has been recognised during the financial year when replacement vehicles were purchased (2020: \$75k).

4. Property, plant and equipment, vehicles, and intangibles

Property, plant and equipment (PPE) consists of fit-out and 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.

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	13.5% - 21%
Intangibles	40%

	Fit-out and Equipment \$000	Vehicles \$000	Intangibles \$000	Total \$000
Cost				
Balance 1 July 2019	3,243	1,390	1,826	6,459
Additions	477	146	197	819
Disposals	-	(26)	-	(26)
Balance at 30 June 2020	3,720	1,510	2,023	7,252
Balance 1 July 2020	3,720	1,510	2,023	7,252
Additions	670	492	280	1,442
Disposals	(6)	(99)	(134)	(239)
Balance at 30 June 2021	4,385	1,902	2,168	8,454
Depreciation and amortisation				
Balance 1 July 2019	(1,906)	(757)	(1,426)	(4,089)
Charge for the year	(685)	(178)	(254)	(1,117)
Disposals	-	26	-	26
Balance at 30 June 2020	(2,591)	(909)	(1,681)	(5,179)
Balance 1 July 2020	(2,591)	(909)	(1,681)	(5,179)
Charge for the year	(782)	(158)	(277)	(1,216)
Disposals	3	100	78	181
Balance at 30 June 2021	(3,369)	(968)	(1,880)	(6,215)
Carrying amount				
Balance at 30 June 2020	1,129	601	342	2,072
Balance at 30 June 2021	1,016	934	289	2,239

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 manners in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

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

	2021 Actual \$000	2020 Actual \$000
Components of tax expense		
Current tax expense	224	108
Adjustments to current tax in prior years		(74)
Deferred tax expense	(97)	(190)
Adjustments to deferred tax in prior years		102
Tax credit	127	(54)
Reconciliation of effective tax rate		
Net surplus/(deficit) before tax	542	(249)
Tax at 28%	152	(69)
Plus (less) tax effect of:		
Non-deductible expenditure	(110)	1
Prior year adjustment	-	28
Deferred tax adjustment	85	(14)
Total income tax expense/(credit)	127	(54)
Imputation credits		
Imputation credits available for use in subsequent reporting periods	552	455

	PPE \$000	Employee Entitlements \$000	Tax Losses \$000	Total \$000
Movement in deferred tax asset/(liability)				
Balance at 30 June 2019	(113)	328	-	215
Charged to surplus or deficit	31	58	-	89
Balance at 30 June 2020	(82)	386	-	304
Charged to surplus or deficit	(22)	127	-	105
Balance at 30 June 2021	(104)	513	-	409

6. Receivables

		2021 Actual \$000	2020 Actual \$000
Receivables with related parties	Note 10	18,830	11,972
Other receivables		709	581
Prepayments		1,682	290
GST Receivable		1,533	-
Total receivables		22,754	12,843

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

	2021 Actual \$000	2020 Actual \$000
Trade payables	33,023	22,493
GST payable	-	1,367
Revenue in advance	7,854	208
Payables with related parties	Note 10	5,768
Employee related payables and provisions	675	1,020
Other provisions	58	58
Total payables and provisions	51,567	30,914

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 deficit to operating cash flows

	2021 Actual \$000	2020 Actual \$000
Net surplus/(deficit) after taxation	415	(194)
Non-cash and non-operating items		
Depreciation and amortisation	1,217	1,117
Gain on sale of vehicles	(15)	(30)
Capital grant	(74)	(75)
Movements in working capital		
Increase in payables	10,240	14,920
Increase in receivables	763	(9,610)
Tax payable	(184)	43
Net cash flow from operating activities	12,362	6,171

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 ordinary shares at 30 June 2021 was 500 (2020:500). These are represented by Class B shares and entitle the holder to a share in the distribution of the surplus assets of the company. Class A shares entitle the holder to vote at a meeting of the shareholders on any resolution.

Shareholder	Voting Rights Class A	Ordinary Shares Class B	Class B \$000
Greater Wellington Regional Council	150	75	150
Hutt City Council	150	100	200
Porirua City Council	150	60	120
South Wairarapa District Council	150	25	50
Upper Hutt City Council	150	40	80
Wellington City Council	150	200	400
Total shares	900	500	1,000

10. Related parties

During the year Wellington Water had the following material transactions with related parties recognised in revenue:

	2021 Actual \$000	2020 Actual \$000
Revenue from exchange transactions		
Management & advisory services		
Greater Wellington Regional Council	6,963	9,299
Hutt City Council	2,826	3,555
Porirua City Council	1,099	2,387
South Wairarapa District Council	281	372
Upper Hutt City Council	1,074	1,510
Wellington City Council	4,977	6,467
Total management and advisory services	17,230	23,590
Council opex programme		
Greater Wellington Regional Council	7,833	5,474
Hutt City Council	13,510	13,896
Porirua City Council	6,303	4,441
South Wairarapa District Council	2,379	1,519
Upper Hutt City Council	5,558	5,025
Wellington City Council	26,685	36,444
Total council opex programme	62,268	66,799
Council capex programme		
Greater Wellington Regional Council	16,490	13,089
Hutt City Council	24,572	11,836
Porirua City Council	19,796	9,413
South Wairarapa District Council	6,749	3,226
Upper Hutt City Council	8,599	8,159
Wellington City Council	50,397	30,042
Total council capex programme	131,391	96,120
	2021 Actual \$000	2020 Actual \$000
Stimulus funding programme		
Greater Wellington Regional Council	1,136	-
Hutt City Council	3,028	-
Porirua City Council	1,775	-
South Wairarapa District Council	585	-
Upper Hutt City Council	762	-
Wellington City Council	7,109	-
Total stimulus funding programme	14,395	-
Capital grant revenue		
Porirua City Council	36	75
Stimulus funding programme	358	-
Total capital grant revenue	394	75

During the year Wellington Water had the following material transactions with related parties recognised in expenses:

Wellington Water entered into an alliance partnership with Fulton Hogan (commencing 1 July 2019) to maintain and operate the three waters networks across the Wellington region. As Fulton Hogan employees occupy management positions that could exert significant influence over the Alliance, Fulton Hogan are treated as a related party. The total cost of services received from Fulton Hogan during the year was \$46.6m (2020: \$34.4m). Wellington Water also received services (such as payroll, IT shared services) from Wellington City Council on an arms' length basis.

At the end of the year, Wellington Water had the following balances outstanding with related parties:

	2021 Actual \$000	2020 Actual \$000
Amounts owing to Wellington Water by related parties at 30 June		
Greater Wellington Regional Council	1,430	-
Hutt City Council	1,210	2,955
Porirua City Council	-	2,509
South Wairarapa District Council	620	492
Upper Hutt City Council	1,177	-
Wellington City Council	14,393	6,016
Total related party receivables	18,830	11,972

	2021 Actual \$000	2020 Actual \$000
Amounts owed to related parties by Wellington Water at 30 June		
Greater Wellington Regional Council	557	330
Hutt City Council	363	-
Porirua City Council	206	-
South Wairarapa District Council	-	-
Upper Hutt City Council	2	904
Wellington City Council	23	334
Fulton Hogan	8,806	4,200
Total related party payables	9,957	5,768

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) during the year was 6 (2020: 6).

	2021 Actual \$000	2020 Actual \$000
Salaries and wages	1,514	1,413
Directors' fees	120	113
Superannuation	45	42
Total key management personnel remuneration	1,680	1,568

The FTE number of Directors at 30 June 2020 was 4 (2020: 4). Due to the difficulty in calculating the FTE for directors, the FTE figure is taken as the number of directors. There are two additional directors starting on 1 July 2021 which will bring the total number of directors to 6.

	2021 Actual \$000	2020 Actual \$000
Kim Skelton	19	-
Mike Underhill	19	-
Philip Barry	25	22
Geoff Dangerfield	41	25
David Wright (end date 31 July 2020)	4	43
Cynthia Brophy (end date 31 January 2021)	13	22
Total Directors' remuneration	120	113

12. Financial instruments and risk management

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

	2021 Actual \$000	2020 Actual \$000
Financial Assets		
Loans and receivables		
Cash and cash equivalents	29,959	18,969
Receivables and prepayments	22,754	12,843
Total loans and receivables	52,713	31,812
Financial Liabilities		
Financial liabilities at amortised cost		
Trade payables and payables with related parties	42,980	28,261
Total financial liabilities at amortised cost	42,980	28,261

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 or material 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 Greater Wellington Regional Council, Hutt City Council, Porirua City Council, South Wairarapa District Council, Upper Hutt City Council and Wellington City 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 six council. There are no trade payables with a due date of more than 1 year.

13. Commitments and contingencies

Wellington Water has no contingent assets (2020: nil).

At the time of signing these financial statements, Wellington Water may have a possible liability of \$265k arising from a claim from Audit New Zealand which relates to an increase in fees for the statutory audit of the financial statements for the year ended 30 June 2020 and 30 June 2021. This increase has not been agreed to and no fee proposal has been received from Audit New Zealand. There are no other material contingent liabilities (2020:nil).

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

	2021 Actual \$000	2020 Actual \$000
Less than 1 year	1,019	991
Between 1 and 5 years	1,808	472
Total operating lease commitments	2,827	1,463

A significant portion of the operating lease commitments relates to the lease of the Petone office. The lease term was renewed during the year and expires in August 2024 with an option to renew.

Wellington Water has no material capital commitments (2020: nil). Capital commitments relating to the council work programme are disclosed in the individual council financial statements.

14. Three Waters Reform

In July 2020, the Government launched the Three Waters Reform Programme – the three-year programme to reform local government three waters service delivery arrangements. Currently 67 different councils own and operate the majority of the drinking water, wastewater and stormwater services across New Zealand. The proposed reform programme is being progressed through a partnership-basis approach with the local government sector, alongside iwi/Māori as the Crown's Treaty Partner.

If the reform programme proceeds, it proposes to transfer the three-water delivery from the 67 councils to four water services entities. In June 2021, the Government announced the proposed regional boundaries for each entity A, B, C and D. Wellington Water would form part of Entity C if the proposed water reform proceeds. At the date this annual report was approved for issue, there is considerable uncertainty in respect of the extent of potential impacts on Wellington Water. This includes whether the reforms will ultimately progress as currently proposed by the Government and whether Wellington Water could continue in its current form, be wound up, or subsumed as part of "Entity C". At this stage, it is not possible to assess the likely outcome and impacts on Wellington Water with any certainty.

15. Subsequent events

Government mandated Level 4 lockdown in August 2021 as a measure against COVID-19. During lockdown Level 4 Wellington Water's core business of providing water, wastewater and stormwater services to the Wellington area continued. Management will monitor the costs incurred during the Level 4 lockdown to ensure appropriate accounting of these costs. There are no changes to reported numbers as a result. There are no other subsequent events identified.

Department of Internal Affairs (DIA) Rules

The following tables provide results of Department of Internal Affairs mandatory measures for all councils. More detailed information is available from each council's website, reported in their annual reports.

For the following measures, the reported medians are based on the data considered by Wellington Water as accurate. Data with no attendance times recorded has been excluded from the reporting. Wellington Water are satisfied with the reported performance for each council.

- Water Supply – Median response time to attend urgent call-outs (3A)
- Water Supply - Median response time to resolve urgent call-outs (3B)

- Water Supply - Median response time to attend non-urgent call-outs (3C)
- Water Supply - Median response time to resolve non-urgent call-outs (3D)
- Wastewater – Median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system (3A)
- Wastewater – Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system (3B)

Included at the end of the DIA tables is a full list of lowest and highest possible response times, based on data with no response time assigned either zero, or the maximum possible value.

Greater Wellington Regional Council

Bulk water Supply

Performance Measure	Target	Result
1A The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	100%
1B The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	100%
2 **The percentage of real water loss from the local authority's networked reticulation system	+/- 2%	0.12%
3A **Median response time to attend urgent call-outs	<60 mins	39 mins
3B **Median response time to resolve urgent call-outs	<4 hours	4 hours
3C **Median response time to attend non-urgent call-outs	<36 hours	N/A no events
3D **Median response time to resolve non-urgent call-outs	<15 days	N/A no events
4 **The total number of complaints received about drinking water taste, clarity, odour, water pressure or flow, continuity of supply or the response to any of these issues; expressed per 1000 connections	<0.2	0
5 Average consumption of drinking water per day per resident	<374L	372L

Hutt City Council

Water Supply

Performance Measure	Target	Result
1A The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	100%
1B The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	100%
2 **The percentage of real water loss from the local authority's networked reticulation system	<= 18%	15%*
3A **Median response time to attend urgent call-outs	<=60 mins	85 mins
3B **Median response time to resolve urgent call-outs	<= 4 hours	3 hours
3C **Median response time to attend non-urgent call-outs	<= 36 hours	68 hours
3D **Median response time to resolve non-urgent call-outs	<= 15 working days	6 working days
4 **The total number of complaints received about drinking water taste, clarity, odour, water pressure or flow, continuity of supply or the response to any of these issues; expressed per 1000 connections	<=20	17.6
5 Average consumption of drinking water per day per resident	<345L	379L

*There is a 95% confidence interval for this measure of 0 – 45%

Wastewater

Performance Measure	Target	Result
1 **The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 connections	0	6.25
2A Number of abatement notices received in relation to the resource consents for discharge from sewerage systems	0	2
2B Number of infringement notices received in relation to the resource consents for discharge from sewerage systems	0	0
2C Number of enforcement orders received in relation to the resource consents for discharge from sewerage systems	0	0
2D Number of successful prosecutions in relation to the resource consents for discharge from sewerage systems	0	0
3A **Median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system	<= 60 mins	73 mins
3B **Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system	<= 6 hours	6.4 hours
4 **The total number of complaints received about sewerage odour, sewerage system faults, sewerage system blockages and the response to any of these issues; expressed per 1000 connections	<=30	19.1

Stormwater

Performance Measure	Target	Result
1A The number of flooding events that occurred throughout the year	0	0
1B For each flooding event, the number of habitable floors affected; expressed per 1000 connections	0	N/A – No flooding events
2A Number of abatement notices received in relation to the resource consents for discharge from stormwater systems	0	1
2B Number of infringement notices received in relation to the resource consents for discharge from stormwater systems	0	0
2C Number of enforcement orders received in relation to the resource consents for discharge from stormwater systems	0	0
2D Number of successful prosecutions in relation to the resource consents for discharge from stormwater systems	0	0
3 **Median response time to attend a flooding event	≤8 hours	N/A – No flooding events
4 **The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 connections	≤30	6.71

Porirua City Council

Water Supply

Performance Measure	Target	Result
1A The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	100%
1B The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	100%
2 **The percentage of real water loss from the local authority's networked reticulation system	<17%	16%*
3A **Median response time to attend urgent call-outs	<60 mins	122 mins
3B **Median response time to resolve urgent call-outs	<4 hours	3 hours
3C **Median response time to attend non-urgent call-outs	<36 hours	148 hours
3D **Median response time to resolve non-urgent call-outs	<5 days	8 days
4 **The total number of complaints received about drinking water taste, clarity, odour, water pressure or flow, continuity of supply or the response to any of these issues; expressed per 1000 connections	<20	13.3
5 Average consumption of drinking water per day per resident	<335L	316L

*There is a 95% confidence interval for this measure of 0 – 32%

Wastewater

Performance Measure	Target	Result
1 **The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 connections	0	14.71
2A Number of abatement notices received in relation to the resource consents for discharge from sewerage systems	0	0
2B Number of infringement notices received in relation to the resource consents for discharge from sewerage systems	0	0
2C Number of enforcement orders received in relation to the resource consents for discharge from sewerage systems	0	0
2D Number of successful prosecutions in relation to the resource consents for discharge from sewerage systems	0	0
3A **Median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system	<60 mins	722 mins
3B **Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system	<6 hours	24 hours
4 **The total number of complaints received about sewerage odour, sewerage system faults, sewerage system blockages and the response to any of these issues; expressed per 1000 connections	<30	33.4

Stormwater

Performance Measure	Target	Result
1A The number of flooding events that occurred throughout the year	<=1	1
1B For each flooding event, the number of habitable floors affected; expressed per 1000 connections	<0.5	2.12
2A Number of abatement notices received in relation to the resource consents for discharge from stormwater systems	0	1
2B Number of infringement notices received in relation to the resource consents for discharge from stormwater systems	0	1
2C Number of enforcement orders received in relation to the resource consents for discharge from stormwater systems	0	0
2D Number of successful prosecutions in relation to the resource consents for discharge from stormwater systems	0	0
3 **Median response time to attend a flooding event	<60 mins	90 hours
4 **The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 connections	<20	14.53

Upper Hutt City Council

Water Supply

Performance Measure	Target	Result
1A The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	100%
1B The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	100%
2 **The percentage of real water loss from the local authority's networked reticulation system	<17%	24%*
3A **Median response time to attend urgent call-outs	<60 mins	131 mins
3B **Median response time to resolve urgent call-outs	<4 hours	14 hours
3C **Median response time to attend non-urgent call-outs	<36 hours	106 hours
3D **Median response time to resolve non-urgent call-outs	<15 days	7 days
4 **The total number of complaints received about drinking water taste, clarity, odour, water pressure or flow, continuity of supply or the response to any of these issues; expressed per 1000 connections	<= 30	3.5
5 Average consumption of drinking water per day per resident	335L	394L

*There is a 95% confidence interval for this measure of 16– 31%

Wastewater

Performance Measure	Target	Result
1 **The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 connections	0	2.67
2A Number of abatement notices received in relation to the resource consents for discharge from sewerage systems	0	0
2B Number of infringement notices received in relation to the resource consents for discharge from sewerage systems	0	0
2C Number of enforcement orders received in relation to the resource consents for discharge from sewerage systems	0	0
2D Number of successful prosecutions in relation to the resource consents for discharge from sewerage systems	0	0
3A **Median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system	<=60 mins	143 mins
3B **Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system	<=6 hours	18 hours
4 **The total number of complaints received about sewerage odour, sewerage system faults, sewerage system blockages and the response to any of these issues; expressed per 1000 connections	<=30	9.6

Stormwater

Performance Measure	Target	Result
1A The number of flooding events that occurred throughout the year	0	0
1B For each flooding event, the number of habitable floors affected; expressed per 1000 connections	0	N/A – No flooding events
2A Number of abatement notices received in relation to the resource consents for discharge from stormwater systems	0	1
2B Number of infringement notices received in relation to the resource consents for discharge from stormwater systems	0	0
2C Number of enforcement orders received in relation to the resource consents for discharge from stormwater systems	0	0
2D Number of successful prosecutions in relation to the resource consents for discharge from stormwater systems	0	0
3 **Median response time to attend a flooding event	<60 mins	N/A no flooding events
4 **The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 connections	<=25	2.25

Wellington City Council

Water Supply

Performance Measure	Target	Result
1A The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	100%
1B The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	100%
2 **The percentage of real water loss from the local authority's networked reticulation system	<17%	16%*
3A **Median response time to attend urgent call-outs	<60 mins	128 mins
3B **Median response time to resolve urgent call-outs	<4 hours	12 hours
3C **Median response time to attend non-urgent call-outs	<36 hours	93 hours
3D **Median response time to resolve non-urgent call-outs	< 5 days	6 days
4 **The total number of complaints received about drinking water taste, clarity, odour, water pressure or flow, continuity of supply or the response to any of these issues; expressed per 1000 connections	<20	14.2
5 Average consumption of drinking water per day per resident	<365L	380L

*There is a 95% confidence interval for this measure of 3 – 29%

Wastewater

Performance Measure	Target	Result
1 **The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 connections	0	11.70
2A Number of abatement notices received in relation to the resource consents for discharge from sewerage systems	0	0
2B Number of infringement notices received in relation to the resource consents for discharge from sewerage systems	0	1
2C Number of enforcement orders received in relation to the resource consents for discharge from sewerage systems	0	0
2D Number of successful prosecutions in relation to the resource consents for discharge from sewerage systems	0	0
3A **Median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system	<=60 mins	117 mins
3B **Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system	<= 6 hours	21 hours
4 **The total number of complaints received about sewerage odour, sewerage system faults, sewerage system blockages and the response to any of these issues; expressed per 1000 connections	<30	21.2

Stormwater

Performance Measure	Target	Result
1A The number of flooding events that occurred throughout the year	<=5	2
1B For each flooding event, the number of habitable floors affected; expressed per 1000 connections	<=0.14	0.03
2A Number of abatement notices received in relation to the resource consents for discharge from stormwater systems	0	1
2B Number of infringement notices received in relation to the resource consents for discharge from stormwater systems	0	0
2C Number of enforcement orders received in relation to the resource consents for discharge from stormwater systems	0	0
2D Number of successful prosecutions in relation to the resource consents for discharge from stormwater systems	0	0
3 **Median response time to attend a flooding event	<=60 mins	27 hours
4 **The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 connections	<20	11.07

South Wairarapa District Council

Water Supply

Performance Measure	Target	Result
1A The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)		
Featherston Scheme	100%	92%
Greytown Scheme	100%	58%
Martinborough Scheme	100%	50%
Pirinoa Scheme	100%	75%
1B The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)		
Featherston Scheme	100%	92%
Greytown Scheme	100%	0%
Martinborough Scheme	100%	50%
Pirinoa Scheme	100%	0%
2 **The percentage of real water loss from the local authority's networked reticulation system	<30%	42%*
3A **Median response time to attend urgent call-outs	<60 mins	295 mins
3B **Median response time to resolve urgent call-outs	<8 hours	15 hours
3C **Median response time to attend non-urgent call-outs	<2 working days	5 working days
3D **Median response time to resolve non-urgent call-outs	<5 working days	7 working days
4 **The total number of complaints received about drinking water taste, clarity, odour, water pressure or flow, continuity of supply or the response to any of these issues; expressed per 1000 connections	<70	38.4
5 Average consumption of drinking water per day per resident	<400L	560L

Wastewater

Performance Measure	Target	Result
1 **The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 connections	<10	7.39
2A Number of abatement notices received in relation to the resource consents for discharge from sewerage systems	0	0
2B Number of infringement notices received in relation to the resource consents for discharge from sewerage systems	0	0
2C Number of enforcement orders received in relation to the resource consents for discharge from sewerage systems	0	0
2D Number of successful prosecutions in relation to the resource consents for discharge from sewerage systems	0	0
3A **Median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system	<60 mins	170 mins
3B **Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system	<4 hours	30 hours
4 **The total number of complaints received about sewerage odour, sewerage system faults, sewerage system blockages and the response to any of these issues; expressed per 1000 connections	<60	33.9

Stormwater

Performance Measure	Target	Result
1A The number of flooding events that occurred throughout the year	0	0
1B For each flooding event, the number of habitable floors affected; expressed per 1000 connections	0	N/A – No flooding events
2A Number of abatement notices received in relation to the resource consents for discharge from stormwater systems	0	0
2B Number of infringement notices received in relation to the resource consents for discharge from stormwater systems	0	0
2C Number of enforcement orders received in relation to the resource consents for discharge from stormwater systems	0	0
3D Number of successful prosecutions in relation to the resource consents for discharge from stormwater systems	0	0
3B **Median response time to attend a flooding event	<180 mins	N/A –
4 **The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 connections	0	N/A*

*SWDC does not have any stormwater connections as defined in the DIA rules

Minimum and maximum possible response times

Hutt City Council

Water Supply

Performance Measure	Minimum	Maximum
3A Median response time to attend urgent call-outs	74 mins	97 mins
3B Median response time to resolve urgent call-outs	3.27 hours	3.75 hours
3C Median response time to attend non-urgent call-outs	37 hours	97 hours
3D Median response time to resolve non-urgent call-outs	2.38 days	6.10 days

Wastewater

Performance Measure	Minimum	Maximum
3A Median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system	68 minutes	78 minutes
3B Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system	5.04 hours	7.90 hours

Porirua City Council

Water Supply

Performance Measure	Minimum	Maximum
3A Median response time to attend urgent call-outs	73 minutes	465 minutes
3B Median response time to resolve urgent call-outs	1.89 hours	10.69 hours
3C Median response time to attend non-urgent call-outs	122 hours	168 hours
3D Median response time to resolve non-urgent call-outs	6.15 days	8.98 days

Wastewater

Performance Measure	Minimum	Maximum
3A Median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system	195 minutes	1,237 minutes
3B Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system	15.69 hours	36.98 hours

Upper Hutt City Council

Water Supply

Performance Measure	Minimum	Maximum
3A Median response time to attend urgent call-outs	121 minutes	172 minutes
3B Median response time to resolve urgent call-outs	13.50 hours	14.87 hours
3C Median response time to attend non-urgent call-outs	95 hours	124 hours
3D Median response time to resolve non-urgent call-outs	6.12 days	7.13 days

Wastewater

Performance Measure	Minimum	Maximum
3A Median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system	124 minutes	192 minutes
3B Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system	7.67 hours	24.00 hours

South Wairarapa District Council

Water Supply

Performance Measure	Minimum	Maximum
3A Median response time to attend urgent call-outs	229 minutes	329 minutes
3B Median response time to resolve urgent call-outs	8.99 hours	21.56 hours
3C Median response time to attend non-urgent call-outs	4.8 days	5.1 days
3D Median response time to resolve non-urgent call-outs	6.22 days	7.85 days

Wastewater

Performance Measure	Minimum	Maximum
3A Median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system	151 minutes	183 minutes
3B Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system	18.86 hours	53.60 hours

Wellington City Council

Water Supply

Performance Measure	Minimum	Maximum
3A Median response time to attend urgent call-outs	119 minutes	146 minutes
3B Median response time to resolve urgent call-outs	10.76 hours	13.61 hours
3C Median response time to attend non-urgent call-outs	74 hours	111 hours
3D Median response time to resolve non-urgent call-outs	4.95 days	6.05 days

Wastewater

Performance Measure	Minimum	Maximum
3A Median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system	89 minutes	180 minutes
3B Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system	14.90 hours	27.86 hours

The following notes relate to DIA tables pages 47-55 where a double asterisk () is included**

We received a qualified opinion in December 2020 for the 2019/20 audit relating to five non-financial performance measures (four DIA).

Since January we have been working to review and implement improvements that are within our control:

1. Fault resolution times: Unable to obtain assurance over the reliability of the data as the attendance and resolution times were not recorded when they occurred
 - Completeness and reliability of data are much more assured with the full implementation of Maximo since July 2020 as the primary data collection and information management tool. A small residual percentage of data (6%) was collected through a legacy system. This data is unlikely to materially impact results.
 - Further assurance is provided by matching vehicle location data and jobsites through the E-Roads system.
 - An internal system control has been implemented to quality check the data collection process. A weekly sample is checked by supervisors to ensure accuracy and completeness of data.
 - An external review of the efficacy of the manual system control resulted in further enhancements to the quality assurance process. The benefits will take time to embed and show through into results.
 - An internal audit programme has been instigated to regularly review the quality assurance process.
 - This is now being accurately reported on and therefore no longer qualified from 2020/21.
2. Dry-weather wastewater overflow: unable to accurately report the number of dry weather sewerage overflows. The system used for recording events included blockages in the wastewater network that did not necessarily result in an overflow
 - A new methodology has been implemented to comply with the DIA rules for reporting this measure. The new method incorporates GWRC data. The full year results have been re-run and manually reviewed resulting in twelve months of reliable data being available for audit.
 - This is now being accurately reported on and therefore no longer qualified from 2020/21.
3. Customer complaints: was unable to accurately report the number of complaints for each of the three water services. Complete records of all complaints were not available, and the after-hour complaints system used also did not classify complaints between wastewater, water supply and stormwater.
 - We have participated in a DIA led review to update the reporting rules for all DIA mandated measures. The definitions and intention of the measures have been clarified while allowing for varying levels of maturity among council reporting systems. As a result, some measures will in the future be able to be reported as a range rather than absolute values. We await the release of the new guidance notes by DIA.
4. Maintenance of the reticulation network (water supply loss): there is a limited number of water meters across the reticulation network. The water loss percentage was reported at a regional level for the majority of the shareholding councils. The reliability of this regional water loss percentage was also affected by the limited number of water meters.
 - Actual results, rather than a regional average, have been reported by council as requested by Audit NZ. The limited number of water meters across the reticulation network significantly impacts the reliability of these results.
 - In order to comply with the Department of Internal Affairs (DIA) rules for reporting this measure, a new method to more accurately calculate water loss is in development. Information is being collected from an increased distribution of small area monitors which capture real-time data. The small area meter's installed in November 2020 requires 12 months data to improve confidence. By March 2022 we expect to have sufficient data to report reliable results at an individual council level.

Independent Auditor's Report

To the readers of Wellington Water Limited's financial statements and performance information for the year ended 30 June 2021

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.

We have audited:

- the financial statements of the Company on pages 31 to 46, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expenses, 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 ages 8 to 13, 16-19, 22 and 23, and 47 to 57.

Opinion

Unmodified opinion on the financial statements

In our opinion:

- the financial statements of the Company on pages 31 to 46:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; 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.

Qualified opinion on the performance information

In our opinion, except for the matters described in the *Basis for our opinion* section of our report: the performance information of the Company on pages 8 to 13, 16-19, 22 and 23, and 47 to 57 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 2021.

Our audit was completed on 30 September 2021. This is the date at which our unmodified opinion on the financial statements and qualified opinion on the performance information are expressed.

The basis for our opinion is explained below, and we draw attention to the Government's proposed three waters reform programme. 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

The Company manages the water assets and services of its six shareholding councils on their behalf. The Company therefore reports on the Department of Internal Affairs' (DIA) mandatory performance measures as set out in the Non-Financial Performance Measure Rules 2013 (the Rules).

The results of the mandatory performance measures are provided on pages 47 to 57. The Company also reports on their statement of intent measures on pages 8 to 13, 16-19, 22 and 23.

We identified significant issues with the performance measures as described below. There were no practicable audit procedures we could apply to obtain assurance over the reported results for these performance measures. Our opinion on these performance measures were also qualified for the 2020 performance year.

DIA measures

Maintenance of the reticulation network – Water supply

The Company was unable to report a reliable water loss percentage for each shareholding council. This is because the water loss percentage is estimated using information obtained from water meters across the reticulation network. The limited number of water meters across the reticulation network significantly impacts the reliability of the results.

Total number of complaints received – Water supply, Wastewater and Stormwater

The Company was unable to accurately report the number of complaints for each of the three waters services. Complete records of all complaints were not available, and the after-hour complaints system used also did not classify complaints between water supply, wastewater and stormwater.

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.

Emphasis of matter – Three waters reform programme

Without modifying our opinion, we draw attention to note 14 on page 46 to the financial statements, which outlines the Government's proposed three waters reform programme. The likely outcome and impact on the Company is currently uncertain because no decisions have been made on how to progress the reforms announced by the Government on 30 June 2021.

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 on the financial statements. 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 2 to 7, 14 and 15, 20 to 22 and 24 to 30, 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 do 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.

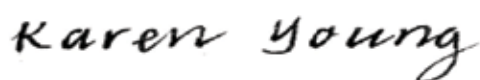
Independence

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: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit, we have performed a limited assurance engagement in respect of grant funding provided by the Ministry for the Environment. The engagement is compatible with those independence requirements.

For the year ended 30 June 2021 and to 9 July 2021, the independent Chair of the Company's Board of Directors is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it provides independent advice to the Auditor-General and does not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the member of the Auditor-General's Audit and Risk Committee has no involvement in, or influence over, the audit of the Company.

Other than in our capacity as auditor, the limited assurance engagement, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with, or interests, in the Company.



Karen Young
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Your public water company



poriruacity



Absolutely Positively Wellington City Council
Me Heke Ki Pōneke