



WELLINGTON WATER COMMITTEE

17 November 2017

Order Paper for the meeting to be held in the
Hutt City Council Chambers, 2nd Floor, Hutt City Council Administration Building,
30 Laings Road, Lower Hutt
on:

Wednesday 22 November 2017 commencing at 1.00pm

Membership

Deputy Mayor D Bassett (Chair)	Hutt City Council
Mayor W Guppy	Upper Hutt City Council
Mayor M Tana	Porirua City Council
Cr C I Pannett	Wellington City Council
Cr J Brash	Greater Wellington Regional Council
Cr D Ogden	Greater Wellington Regional Council (Alternate)
Mayor R Wallace	Hutt City Council (Alternate)
Cr R Leggett	Porirua City Council (Alternate)
Cr G McArthur	Upper Hutt City Council (Alternate)
Cr P Gilberd	Wellington City Council (Alternate)

For the dates and times of Council Meetings please visit www.huttcity.govt.nz

Wellington Water Committee

Purpose

The Wellington Water Committee ("the Committee") is established to:

- Provide governance oversight of the network infrastructure for the delivery of bulk water, water reticulation, wastewater and stormwater services in the areas of Lower Hutt City, Porirua City, Upper Hutt City and Wellington City ("the four cities");
- Provide governance oversight of Wellington Water Limited; and
- Provide a forum for the representatives of Wellington Water Limited's shareholders (being Wellington Regional Council and the local authorities for the four cities) ("the Shareholders") to meet, discuss and co-ordinate on relevant issues and, through their representatives, exercise their powers.

Status

The Committee is a joint committee of the Lower Hutt City Council, Porirua City Council, Upper Hutt City Council, Wellington City Council and Wellington Regional Council.

Specific responsibilities

The Committee's responsibilities are:

Governance oversight responsibilities

Governance oversight of Wellington Water Limited and of the network infrastructure for the delivery of bulk water, water reticulation, wastewater and stormwater services in the areas of the four cities, including by:

- Receiving and considering the half-yearly and annual reports of Wellington Water Limited;
- Receiving and considering such other information from Wellington Water Limited as the Committee may request on behalf of the Shareholders and/or receive from time to time;
- Undertaking performance and other monitoring of Wellington Water Limited;
- Considering and providing recommendations to the Shareholders on proposals from Wellington Water Limited;
- Providing co-ordinated feedback, and recommendations as needed, on any matters requested by Wellington Water Limited or any Shareholder;
- Providing recommendations to the Shareholders regarding the relevant network infrastructure owned by each Shareholder;
- Providing recommendations to the Shareholders regarding water conservation;
- Agreeing the annual Letter of Expectation to Wellington Water Limited;
- Receiving, considering and providing agreed feedback and recommendations to Wellington Water Limited on its draft statement of intent;
- Receiving, considering and providing recommendations to the Shareholders regarding Wellington Water Limited's final statement of intent.

- Agreeing when Shareholder meetings, or resolutions in lieu of Shareholder meetings, are required, without prejudice to Shareholder and board rights to call meetings under Wellington Water Limited's constitution;
- Seeking and interviewing candidates for Wellington Water Limited's board as needed and approving director appointments and/or removals;
- Approving the remuneration of directors of Wellington Water Limited;
- Monitoring the performance of the board of Wellington Water Limited; and
- Providing recommendations to the Shareholders regarding changes to these terms of reference, the Shareholders' Agreement and the constitution of Wellington Water Limited.

Shareholders' responsibilities

To the extent that each Shareholder delegates its relevant powers to the Committee member it appoints, the Committee will provide a forum for the Shareholders to meet and exercise their powers in relation to Wellington Water Limited.

Membership

The membership of the Committee will total five persons, as follows:

- One member appointed by Hutt City Council;
- One member appointed by Porirua City Council;
- One member appointed by Upper Hutt City Council;
- One member appointed by Wellington City Council; and
- One member appointed by Wellington Regional Council.

[Each appointee must be an elected member of the appointing Shareholder.]

Chairperson

The Chairperson and Deputy Chairperson will be elected by the Committee once all Committee members have been appointed.

Quorum

For a meeting of the Committee to have a quorum, three members, or their appointed alternates, must be present.

Where the Committee is providing a forum for the Shareholders to meet and exercise their powers in relation to Wellington Water Limited, the requirements of Wellington Water Limited's constitution will prevail.

[Note: Clause 11.3 of the company's constitution provides that Directors shall be appointed and removed by the unanimous resolution of the shareholders. For this matter the quorum is therefore all five members or their alternates.]

Alternates

Each member appointed to the Committee must have an alternate appointed by the relevant Shareholder. The alternate may attend and vote at meetings of the Committee, but only in the event that the primary member is unable to do so.

Decision-making

The Committee will strive to make all decisions by consensus.

In the event that a consensus on a particular matter before the Committee is not able to be reached, each member of the Committee has a deliberative vote. In the situation where there is an equality of votes cast on a matter, the Chairperson does

not have a casting vote and therefore the matter subject to the vote is defeated and the status quo is preserved.

Other than for those matters for which the Committee has effective decision-making capacity through these terms of reference, each Shareholder retains its full powers to make its own decisions on matters referred to it by the Committee.

Standing Orders

The Wellington Regional Council's Standing Orders apply, subject to the provisions for meeting quorum and decision making as set out in these terms of reference taking precedence.

Remuneration

Each Shareholder will be responsible for remunerating its representative on the Committee for any costs associated with that person's membership of the Committee.

Administration

Reports to be considered by the Committee may be submitted by any of the Shareholders or Wellington Water Limited.

Duration of the Committee

In accordance with clause 30(7) of Schedule 7 to the Local Government Act 2002, the Committee is not deemed to be discharged following each triennial election.

Appendix

Common delegations

Governance oversight responsibilities

- Each Shareholder will delegate to the Committee the responsibilities and powers necessary to participate in and carry out the Committee's governance oversight responsibilities.

Shareholders' responsibilities

- Each Shareholder will delegate to its appointed Committee member and, in accordance with these terms of reference, that person's alternate, all responsibilities and powers in relation to the agreement of:
 - when Shareholder meetings, or resolutions in lieu of Shareholder meetings, are required (without prejudice to Shareholder and Board rights to call meetings under Wellington Water Limited's constitution); and
 - the appointment, removal and remuneration of Wellington Water Limited's directors.

WELLINGTON WATER COMMITTEE

Meeting to be held in the Hutt City Council Chambers, 2nd Floor, Hutt City Council
Administration Building, 30 Laings Road, Lower Hutt
on
Wednesday 22 November 2017 commencing at 1.00pm.

ORDER PAPER

PUBLIC BUSINESS

1. APOLOGIES

Cr J Brash (Cr D Ogden, Alternate, GWRC will be in attendance).

2. PUBLIC COMMENT

Generally up to 30 minutes is set aside for public comment (three minutes per speaker on items appearing on the agenda). Speakers may be asked questions on the matters they raise.

3. CONFLICT OF INTEREST DECLARATIONS

4. MINUTES

Wellington Water Committee, 1 September 2017 7

5. COMPANY UPDATE REPORT (17/1751)

Report No. WWC2017/5/309 by the Wellington Water 14

6. LETTER OF EXPECTATIONS 2018/19 (17/1719)

Report No. WWC2017/5/310 by the Divisional Manager, Democratic
Services 22

7. INFORMATION ITEMS

a) Meeting Schedule 2018 (17/1611)

Memorandum dated 18 October 2017 by the Divisional Manager,
Democratic Services 26

b) **Submission to Hamilton City and Waipa District Councils - Shared Waters Management Company (17/1762)**

Memorandum dated 16 Nov 2017 by the Divisional Manager,
Democratic Services

27

8. **EXCLUSION OF THE PUBLIC**

9. **MINUTES**

1 September 2017

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

(A)	(B)	(C)
General subject of the matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground under section 48(1) for the passing of this resolution.
Minutes of the Wellington Water Committee held on 1 September 2017 - Appointment of Company Directors, Wellington Water Limited - Wellington Water Limited Board Membership - Chair Wellington water limited	The withholding of the information is necessary to protect the privacy of natural persons. (s7(2)(a)).	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exist

Kathryn Stannard
DIVISIONAL MANAGER DEMOCRATIC SERVICES

WELLINGTON WATER COMMITTEE

Minutes of a meeting held in Committee Room 1, Wellington City Council,
101 Wakefield Street, Wellington on
Friday 1 September 2017 commencing at 1.00pm

PRESENT: Deputy Mayor D Bassett (Chair) (HCC)
Mayor W Guppy (Deputy Chair) (UHCC)
Cr I Pannett (WCC)
Cr J Brash (GWRC)
Cr R Leggett (Alternate PCC)

APOLOGIES: An apology was received from Mayor Tana (PCC)

IN ATTENDANCE: Mr T Stallinger, Chief Executive, HCC (part meeting)
Mr C Crampton, Chief Executive (WWL) (part meeting)
Mr J Strahl, Chair (WWL)
Ms K Stannard, Divisional Manager Secretariat Services (HCC)
Mrs H Clegg, Minute Taker (HCC)

PUBLIC BUSINESS

4. APOLOGY

"That the apology from received from Mayor Tana, Porirua City Council be accepted and leave of absence be granted."

5. PUBLIC COMMENT

There was no public comment.

6. CONFLICT OF INTEREST DECLARATIONS

Members noted that Deputy Mayor Bassett declared that one of the candidates was known to him.

4. MINUTES

RESOLVED:

Minute No. WWC 17401

"That the minutes of the meeting of the Wellington Water Committee held on Wednesday, 31 May 2017 be confirmed as a true and correct record."

7. ENGAGEMENT WITH COUNCILS ON THE 10 YEAR SERVICE PLAN (17/1264)

Report No. WWC2017/4/111 by the WW

The Chief Executive, Wellington Water Ltd (WWL) elaborated on the report.

In response to a question from a member, the Chief Executive, WWL agreed to prepare a report on options to deal with the future capacity of infrastructure and in particular water usage.

Members discussed Greater Wellington Regional Council's (GWRC) bulk water item in Year 18 of its Long Term Plan and the work required from each Council which would involve forward planning in budgets. Members agreed that conversations needed to occur now in preparation for the upcoming Long Term Plans.

In response to a question from a member concerning 'trade-offs', the Chief Executive, WWL agreed that only projects intended to occur should be included and that once modelling had been completed, WWL would have a clearer picture of how the timing of each project (and any changes to the timing) would impact on GWRC levies. He further agreed that all pieces of work by all parties should be co-ordinated to avoid double handling. He asked that if Councils were in individual talks with developers about large projects, they inform WWL so modelling can be adjusted accordingly. He requested clear communication lines between all parties.

Members discussed the merits of other forms of controlling water usage aside from levies or rates.

RESOLVED:

Minute No. WWC 17402

"That the Wellington Water Committee receives the report on developing the three waters 10 and 30 year service plans and Wellington Water Ltd's progress to date in engaging with Councils."

8. COMPANY UPDATE REPORT (17/1261)

Report No. WWC2017/4/112 by the WW

The Chief Executive, Wellington Water Ltd (WWL) elaborated on the report. He highlighted the Scottish Water visit.

The Chair asked for a report detailing the structure of Scottish Water and its regulatory operations.

The Chief Executive, WWL summarised the proposed WWL Service Delivery Strategy and elaborated on a draft pamphlet relating to how service alliances would create better value for water network customers in urban Wellington. He assured members that once the pamphlet was finalised, copies would be made available to all Councils.

With regard to resilience planning, the Chief Executive, WWL explained that the major problem was the initial week that individuals would have to provide their own water, before the community water stations were set up. He noted that funding for individual water tanks was an issue. He added that WWL could organise installation of water tanks to individual properties beginning in 2018, with possibly other resilience items (eg fire extinguisher and portable toilets) also delivered. However the purchase of the tanks was an issue.

Members agreed that the tanks could not be provided for free and careful planning and education was required. The Chief Executive, WWL agreed to provide a report detailing budget implications for the supply of water tanks.

The Chief Executive, HCC advised that the residents of Waiwhetu had recently all contributed over \$2,000 each for the repair and/or replacement of all stormwater lateral pipes to improve and control stormwater runoff in that suburb. He added payment was via an additional rate.

In response to a question from a member, the Chief Executive, WWL advised that WWL was continuing to look for alternative accommodation, which he believed would be found within three to five years. He assured members that should a significant event occur within the time frame, the logistics of responding had been assessed.

In response to a question from a member concerning the sewerage discharge into the harbour, the Chief Executive, WWL explained that WWL was working to increase its response rate to higher than 80% of raw sewage being collected and transported off-site, should another pipe break occur.

In response to a question from a member concerning the proposed contractor panel for CAPEX works, the Chief Executive, WWL elaborated on how the process would work using the existing six to eight firms who regularly tendered for all jobs.

RESOLVED:

Minute No. WWC 17403

"That the Committee receives this Company Update Report and asks Wellington Water Ltd to report back on Scottish Water and water tanks."

9. **WATER SECTOR STRUCTURAL REFORM** (17/1256)

Report No. WWC2017/4/202 by the Deputy Mayor

Members discussed the various water sector reviews currently underway. They agreed to wait until after the general election to assess if any action was required.

RESOLVED:

Minute No. WWC 17404

"That the Committee discuss potential implications of water sector reviews and how they could impact on Wellington Water, the region and country."

10. **FINAL PROPOSAL FOR A COMBINED WAIRARAPA DISTRICT COUNCIL** (17/1252)

Memorandum dated 17 Aug 2017 by the Divisional Manager, Secretariat Services

The Chair briefly updated members on the Final Proposal for a combined Wairarapa District Council expressing disappointment that the Local Government Commission had not included discussion concerning the Wairarapa region joining Wellington Water Ltd.

RESOLVED:

Minute No. WWC 17405

"That the Committee receives the information and notes Sir Wira Gardiner's letter to the Committee attached as Appendix 1 to the memorandum."

11. **INFORMATION ITEM**

Verbal Updates by the Chair on Regional Visits (17/1254)

The Chair advised that he and Mayor Guppy had completed visits to all the Wairarapa Councils providing them with information on how Wellington Water Limited operated. He further advised he had been asked to present to Palmerston North City Council and that together with the Chief Executive, HCC, he had presented to the Local Government New Zealand conference.

12. **EXCLUSION OF THE PUBLIC**

RESOLVED:

Minute No. WWC 17406

"That the public be excluded from the following parts of the proceedings of this meeting, namely:

13. *Appointment of Company Directors, Wellington Water Limited (17/1246),
11. Wellington Water Limited Board Membership (17/1247) and 12 Chair of
Wellington Water Limited (17/1245)*

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

(A)

(B)

(C)

<i>General subject of the matter to be considered.</i>	<i>Reason for passing this resolution in relation to each matter.</i>	<i>Ground under section 48(1) for the passing of this resolution.</i>
<i>Appointment of Company Directors, Wellington Water Ltd</i>	<i>The withholding of the information is necessary to protect the privacy of natural persons. (s7(2)(a)).</i>	<i>That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exist.</i>
<i>Wellington Water Ltd Board Membership.</i>	<i>The withholding of the information is necessary to protect the privacy of natural persons. (s7(2)(a)).</i>	<i>That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exist.</i>
<i>Chair of Wellington Water Ltd.</i>	<i>The withholding of the information is necessary to protect the privacy of natural persons. (s7(2)(a)).</i>	<i>That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exist.</i>

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as specified in Column (B) above."

There being no further business the Chair declared the meeting closed at 2.15pm and the non-public portion of the meeting finished at 3.15pm.

Deputy Mayor David Bassett
CHAIR

CONFIRMED as a true and correct record
Dated this 22nd day of November 2017



Wellington Water Committee

15 November 2017

File: (17/1751)

Report no: WWC2017/5/309

Company Update Report

Purpose of Report

1. To give the Wellington Water Committee an update on issues associated with the performance of the company.

Recommendations

It is recommended that the Wellington Water Committee receives Wellington Water Ltd's Company Update Report.

Service Planning Task

2. We have provided to all Councils our advice on the optimal mix of activities to be undertaken within budget. This advice plus advice across all infrastructure and other service areas is now being optimised by all Councils before being reported in draft Long Term Plans. Wellington Water staff are involved with Council teams to complete this work.
3. Once funding processes are completed we will be able to programme work for the 2018-21 period, obviously subject to community consultation.
4. A significant change for the 18/21 period is a commitment from Councils to a three year rolling programme. This will provide the market with certainty around future works which we think will increase value for money. The details are being worked through with each Council.

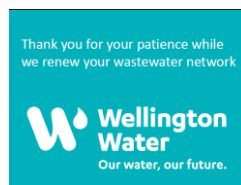
Service Delivery Strategy

5. We have circulated our Service Delivery Strategy to Councillors, officers, stakeholders and suppliers (see Appendix A attached). This strategy outlines the basis for Wellington Water to deliver value to our customers and Councils. We have made a start with the procurement of our Alliance. Shortlisting to two proponents will occur in December.
6. Feedback on our pamphlet (see Appendix A attached) was good with customers liking the map. They liked the simple and concise nature of the

map. What did you think?

Scottish Water

7. We had an excellent visit from Scottish Water. They are one of the pre-eminent water companies in the United Kingdom and mirror our model in that they don't charge customers directly through a meter. As a consequence they have to work very hard to ensure great customer service. We are using their experience to drive our approach.
8. The unique difference between Wellington Water and any other models is that initial customer contact is made through the Council Contact Centres. This means we need to work closely with Council Contact Centres to manage the end to end customer processes and their experience in interacting with us. Creating alignment between us and Council Contract Centres over shared ownership of the customer is not fully embedded. We need to keep working on this.
9. You might have seen our new work signs at construction sites.



More Tanks Faster

10. We are not making much progress on "more tanks into homes".
11. There are three parts to our resilience strategy:
 - a) individuals look after themselves for seven days;
 - b) we provide 20 litres per person per day from day eight until the system is fixed; and
 - c) we slowly but surely upgrade the system to make it more resilient so that it is not so vulnerable to outage from natural events.
12. Progress on the "more tanks into homes" faster initiative has slowed down. We have done all we can with education and now very little progress is being made. We need a Council to take the lead by putting the capital cost of a tank (and waste water devices) on the rates so we can make progress. Porirua are thinking about it but it is obviously not easy. I am not sure what the answer is.

Demand Management

13. We should talk about demand management strategies for the future. We have limited supply of drinking water across the region. Demand has been manageable over the last couple of years but is now increasing as our population grows.

14. We can carry on increasing the capacity of our treatment plants and store more water but we could also contemplate much stronger demand controls. We consume more water per day than other parts of New Zealand that are metered and we have only a moderate amount of user pays in the current pricing model.
15. We think it is a good time to undertake a better business case proposal to look into how best to manage demand. There are a range of options which should include pricing.
16. In the past pricing discussions have been difficult to have because people felt it may compromise current models. This does not need to be the case if the purpose of demand management is focused on avoiding costly infrastructure projects of the future and benefiting the environment by reducing water takes.
17. The idea of introducing demand management is a regional decision. Do you think there is justification in progressing this debate?

Value for Money

18. One of the criticisms of the current performance of the company is the proof of value for money. When we look across other infrastructure sectors we see much better systems for assessing value for money.
19. We have started a process in collaboration with Councils to calculate the cost per connection for three waters for each Council. In this way we can have a conversation with councils around the impacts on customers of the various investment plans councils have across our 12 service goals. We would also be more definitive about our efficiency plans and also link these to cost per connection amounts.
20. To round out the picture of overall value for money we need to decide on other key metrics like asset value and customer performance measures. The latter all well under development.
21. With this work complete we will be in an improved position to benchmark our services against other water utilities.
22. And lastly, we have organised for an external Governance Group to oversee some of this work. We have asked Roy Baker (PCC) and an individual from DIA (yet to be agreed) to stand on this group.

Operational Issues

Waterloo Water Treatment

23. The Waterloo Treatment Project is progressing to time but costs are very challenging. We have set ourselves the goal of ensuring all water to Hutt residents is subject to both UV and chlorine treatment from 1 October 2017. The biggest challenge is to get the second UV unit connected up and the discharge pipe to the Hutt River completed before demand increases over summer. The project itself is going very well but the costs have increased.

Water Treatment Collaboration

24. Wellington Water has established a collaborative working group with Regional Public Health, Greater Wellington Regional Council and all Councils across the region. The purpose of this working group is to influence better potable water quality outcomes across the region. Following the Havelock North incident in 2016 of subsequent reviews, these types of working groups are likely to be mandated in the near future.

Company Performance

25. There is nothing of note to present at the end of Quarter 1.
26. The IBM building has been rated at a 40-50% NBS. We are working through the medium and long term options for the company.

Appendices

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1	Service-Delivery-Map-8	18
2	Three Waters Dashboard Attachment B	21
3	Health and Safety Dashboard	22

Author: External Author (Wellington Water Ltd)

Smarter customer service solutions

Delivering better value for the Wellington region



Drinking water treatment

Wellington Water staff have built up considerable capability in this area and will continue to manage and operate bulk water treatment for the region.

\$5 MILLION

– Operating cost per year

\$210 MILLION

– Capital expenditure, 10 year forecast



Planning and design

Our panel of preferred consultants handle the bulk of our professional engineering services. This ensures we get access to both local and international expertise, and that our suppliers are focused less on price competition and more on achieving the outcomes communities want.

\$185 MILLION¹

– Consulting engineering services 10 year forecast



Upgrades and renewals

The contractors panel will work with us to ensure we're able to deliver more of our councils' work programmes every year, carrying out hundreds of projects a year more effectively than ever before.

\$580 MILLION²

– 10 year forecast



Operations, repairs and maintenance

As well as daily service provision, our alliance partner will focus on customer service, data collection and management, consent compliance and cost effectiveness. They'll be a first line provider in the event of a natural disaster. In particular, the alliance will operate our emergency water services after a large seismic event.

\$160 MILLION

– Operating costs, 10 year estimate



Wastewater treatment

We'll put in place a single 10-year contract to manage the four treatment plants in the region. This will create efficiency improvements. Key deliverables include effective sludge management and upgrades of two treatment plant outfalls.

\$17 MILLION³

– Operating cost per year

\$160 MILLION

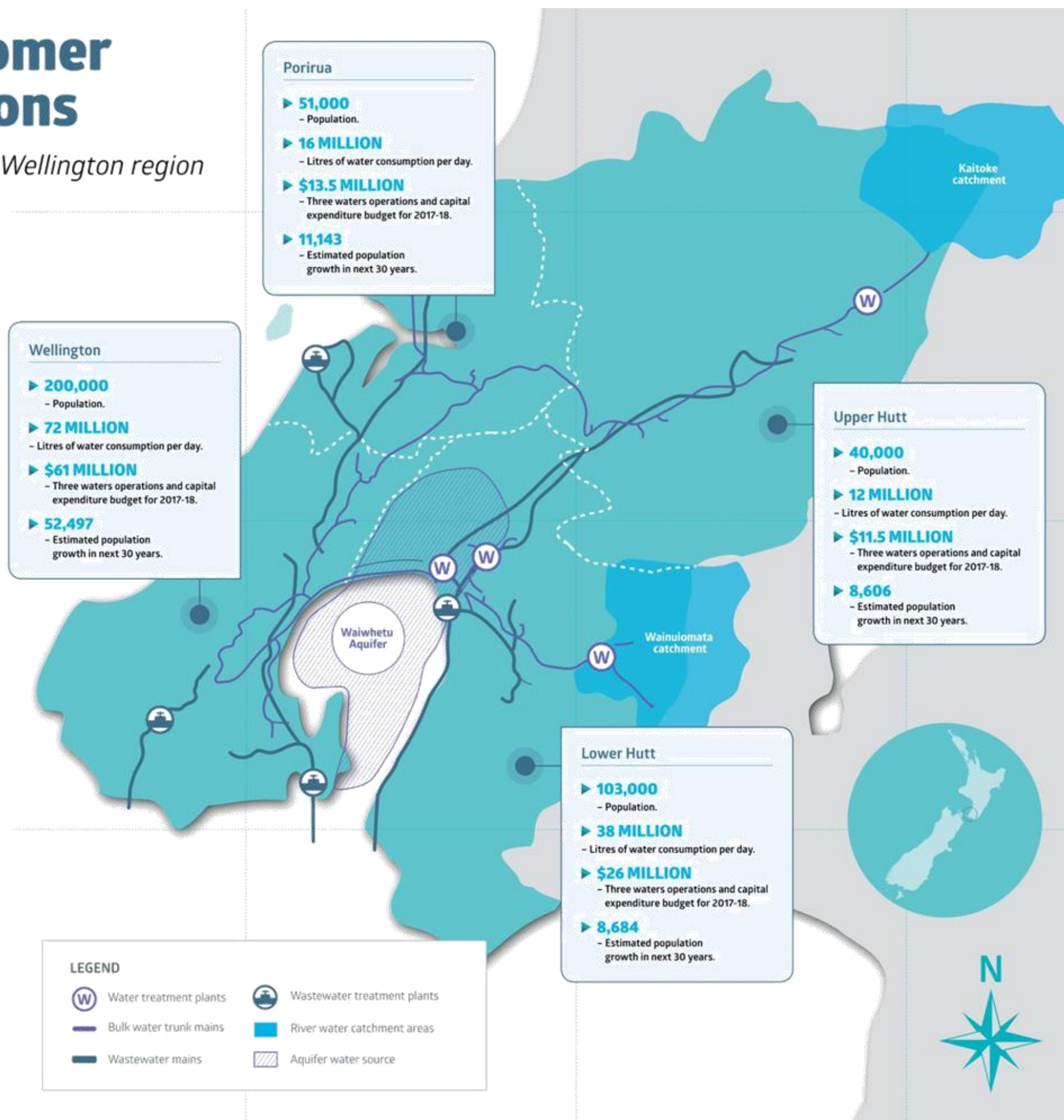
– Capital expenditure, 10 year forecast

Footnotes

1. Panel and non-panel.

2. Four cities, excluding wastewater mains.

3. Including network mains.



Your public water company



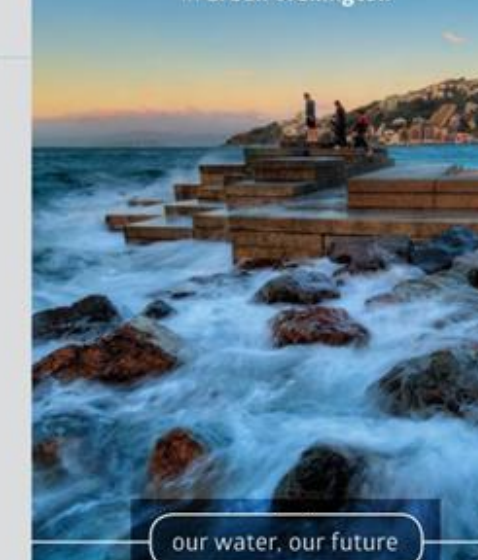
- ▶ Safe and healthy water
- ▶ Respect for the environment
- ▶ Resilient networks that support the economy



How service alliances will create

BETTER VALUE

for water network customers in urban Wellington



our water, our future

Better customer service, better value for communities

Delivering great customer service is everybody's job at Wellington Water, whether a staff member, consultant, contractor or supplier. We know the value of local knowledge, but we also understand when we are working on something bigger than us and need outside help.

Where we started from

We were formed from five different councils, bringing together the water expertise in the region into one organisation. We began with a mixed bag of service provider models, including using internal staff, consultants, contractor and others to carry out our core activities:

- » Drinking water treatment
- » Planning and design
- » Upgrades and renewals
- » Operations, repairs and maintenance
- » Wastewater treatment

We recognised that we could create value by finding the best way to provide these each of these activities on a regional basis, with a focus on what matters most to people. So we began our journey to smarter service delivery.

Where value is...

We know we will create value through smart investment; that is, investment for the long term, including in building relationships.

We want to develop our capability in a way that helps us form relationships with our suppliers, client councils and customers. This will ensure we're working on the right thing at the right time, in the right way.

- » Working on what matters – including putting people first
- » Working to be more efficient and more effective
- » Working smarter – thinking about the many factors affecting investment infrastructure, from climate change to environmental standards, new technology to population growth

Our approach...

In considering how to best deliver value, we first considered whether a regional approach would add value and then how to achieve it. We made those decisions in partnership with the industry. The result is a service delivery strategy that:

Is inclusive and collaborative in its development

Is customer centric and relationship focused



Recognises the value of a healthy local market for suppliers

Looks across the board at what we do and the service we provide

Where we've got to so far



Drinking water treatment – Our inhouse teams have the knowledge and skills to manage this, and we'll maintain that approach. This keeps this critical responsibility within Wellington Water. Next steps: benchmark our performance better, and build a cost model which reflects our operations in more detail.



Planning and design – We've set up a consultancy panel, to streamline the processes of bringing projects to construction while ensuring local expertise stays here. We'll keep working with the panel to find efficiencies and new ways to create value, especially as our other service delivery areas take shape.



Upgrades and renewals – We are fortunate to have several local contracting firms who have carried out our pipe, reservoir and other planned works for many years. We're now working with them and others to establish a contractor panel to address some of the barriers we face in delivering a full annual programme - such as repetitive tendering processes - and help the market plan and invest more effectively.



Operations, repairs and maintenance – Every day we undertake a whole lot of tasks on our network to keep it running smoothly. Many of these are carried out by a single contractor. We have decided an alliance is the best way forward for this work. This will bring our people and a private sector supplier together, to deliver uniform services across the region, and better service for our customers.



Wastewater treatment – From having three different service models to manage our wastewater treatment plants we'll move to one. This means we can manage and treat wastewater on a regional basis. Next steps are to identify an external provider who is ready to work with us in a collaborative way.

What matters to people...

Our work is to:

- » collect, treat and deliver safe drinking water to all our customers
- » collect wastewater, treat it and discharge it safely to the sea
- » manage rainwater run-off from properties and roads, through pipes, streams and rivers to the sea

As a customer-focused organisation, we aim to deliver what matters most to people:



Water that is safe and healthy to drink



Networks that you can rely on, that support economic growth



Protecting and improving the natural environment

The lay of the land...

The urban Wellington region

- » Has about **400,000 people** connected to the water supply and wastewater networks
- » Is expecting **modest growth**
- » Needs to make the most of its existing and future investment in three waters infrastructure
- » Spends about **\$160 million a year** on water and water network upkeep and renewal

Three Waters Dashboard

Attachment B

Customer Outcome 1 Safe and Healthy Water

Detection of contamination in the Hutt Valley groundwater supply required urgent commitment to permanent chlorination and UV disinfection at the Waterloo Treatment Plant. A Regional Water Safety Plan is being developed, which will consistently assess drinking water quality risk across the entire water supply network (source to tap). Prioritised improvements written into the plan will be used as input into future investment programmes. There are also capacity issues in areas of the wastewater networks, during rain events this can cause overflows which can have public health implications. Until we have reduced these occurrences we are rating ourselves amber in this area.

We provide safe and healthy drinking water

Due to the detection of contamination in the Hutt Valley Groundwater supply, urgent commitment to permanent chlorination and UV disinfection at the Waterloo Treatment Plant is required. Standby plants have been brought into service at Gear Island as an interim measure, however this operating regime will not provide surety for the summer demand until the UV plant is commissioned. The supply of chlorinated water without UV disinfection to Hutt City residents has continued in Q1. There is an ongoing risk of the presence of protozoa in the water for which chlorination alone is ineffective. Testing to date has fortunately not detected protozoa and the supply of aquifer water from Waterloo to areas beyond Hutt City is being minimised.

We operate and manage assets that are safe for our suppliers, people and customers

Although this indicator is green we need to implement processes and continue to investigate asset improvements to maintain this status. Programmed inspection of at risk manholes has identified potential safety risks as a result of hydrogen sulphide attack, which are being addressed. Manhole replacement with alternative materials, more resistant to corrosion, is a likely outcome.

We provide an appropriate region-wide fire-fighting water supply to maintain public safety

Identification and confirmation with the Fire Service of critical hydrants that will be part of ongoing hydrant performance testing across the region is an ongoing work programme. Where non-compliant hydrants are found they are prioritised for upgrade works. We are modelling the water supply network, which will provide us more information on fire-fighting capacity.

We minimise public health risks associated with wastewater and stormwater

There are network capacity and condition issues that may cause wastewater overflows and result in contamination of urban stormwater catchments that can result in public health concerns. Work is ongoing throughout the region to minimise the number of overflows.

Customer Outcome 2 Respectful of the environment

Occasional wastewater network overflows that continue during heavy rain events can result in increased pollution in waterways. We actively seek to avoid or mitigate the effects of our activities through resource consent processes, and are also heavily involved in the formulation of national, regional and local planning policy to help improve long term environmental outcomes. The effects of some of these changes are yet unknown so contribute to this goal being amber. Community environmental education initiatives are also underway.

We manage the use of resources in a sustainable way

We measure water consumption (including loss) across the region, with service levels currently within targets. As part of future consolidation of contracts for wastewater treatment plants, we are developing a regional approach for the management of biosolids.

We will enhance the health of our waterways and the ocean

We currently monitor freshwater sites and beaches, some of these sites exceed pollution target levels. This is a long term ongoing initiative to identify and remove sources of pollution.

We influence people's behaviour so they are respectful of the environment

We are finalising a new community awareness strategy. This strategy seeks to deliver a regionally aligned, consistent and coordinated programme of activities to improve customers knowledge of three waters and influence behaviour to minimise their impacts on the system.

We ensure the impact of water services is for the good of the natural and built environment

There is significant work underway with consenting activities under the Proposed Natural Resources Plan. The outcomes of the collaborative work with the Whaitua committee may impact future consent conditions.

Customer Outcome 3 Resilient networks support our economy

The overall reliability of our three waters services will be compromised during significant natural events, this includes flooding from high intensity wet weather events. We are both investigating and investing to improve our performance, however a green rating is a long-term aspirational goal. Our response capacity and capability is being lifted through the Community Infrastructure Resilience project which will deliver substantial improvements by June 2018. We are also investing in resilient networks under Towards 80-30-80 – the water supply resilience strategy and an associated wastewater resilience strategy is being drafted.

We minimise the impact of flooding on people's lives and proactively plan for the impacts of climate change

Further development of hydraulic models will allow us to better understand the likely impact of flooding on communities. There are known flood risk areas. Areas prone to flooding will need to be prioritised based on a consistent economic analysis framework. Our work on climate change impact in 2017/18 will inform our approach to stormwater investment.

We provide three water networks that are resilient to shocks and stresses

Our networks are fragile and vulnerable to a significant natural event such as a 7.5 magnitude seismic event. The water supply and wastewater strategies for seismic resilience will enable activities to be prioritised for the 2018 / 2028 plan. Taking a regional and system wide view, we have initiated the "More Tanks Faster" initiative which aims to achieve drinking water storage of at least 20 litres per person per day in the region's households within 10 years.

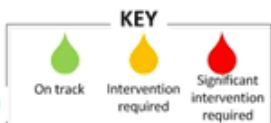
We plan to meet future growth and manage demand

The National Policy Statement on Urban Development Capacity reinforces the need to understand the impact of Councils' growth aspirations on three waters infrastructure performance. Continued pressure on the land development section to process building consent enquiries, has highlighted the need for planning to identify and resolve potential capacity issues.

We provide reliable services to customers

Current service interruptions for water supply and network blockages for wastewater and stormwater networks continue to be within targeted service levels.

Results to end September 2017 (Q1 2017/18)





Health & Safety Dashboard

Attachment C
Sep 2017

Number of SLT Members in Site Observations/Interactions



We measure SLT interactions as they're a powerful way to demonstrate commitment to safety, and identify any underlying matters onsite. The SLT regularly engage with contractors where H&S is discussed. It is disappointing that not all SLT members have been able to conduct a site visit in the last quarter as this is a critical indicator to build a positive H&S culture

Staff H&S Engagement Score

81% (2015)
85% (2016)

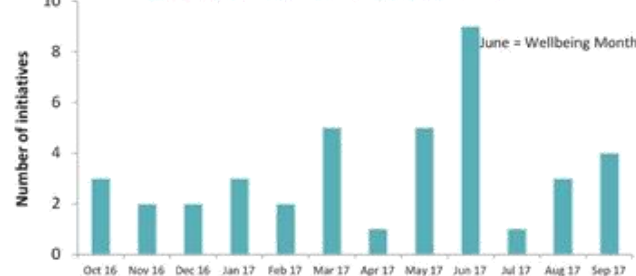
Our level of staff engagement under H&S has improved, due to increased staff participation, better systems, resources and greater communication by our H&S reps. Our goal for the next survey is to achieve a score of greater than 85%

H&S Representative Competency

Level 1 Certified
Level 2 Certified
Level 3 Certified
Level 4 Certified
Level 5 Certified

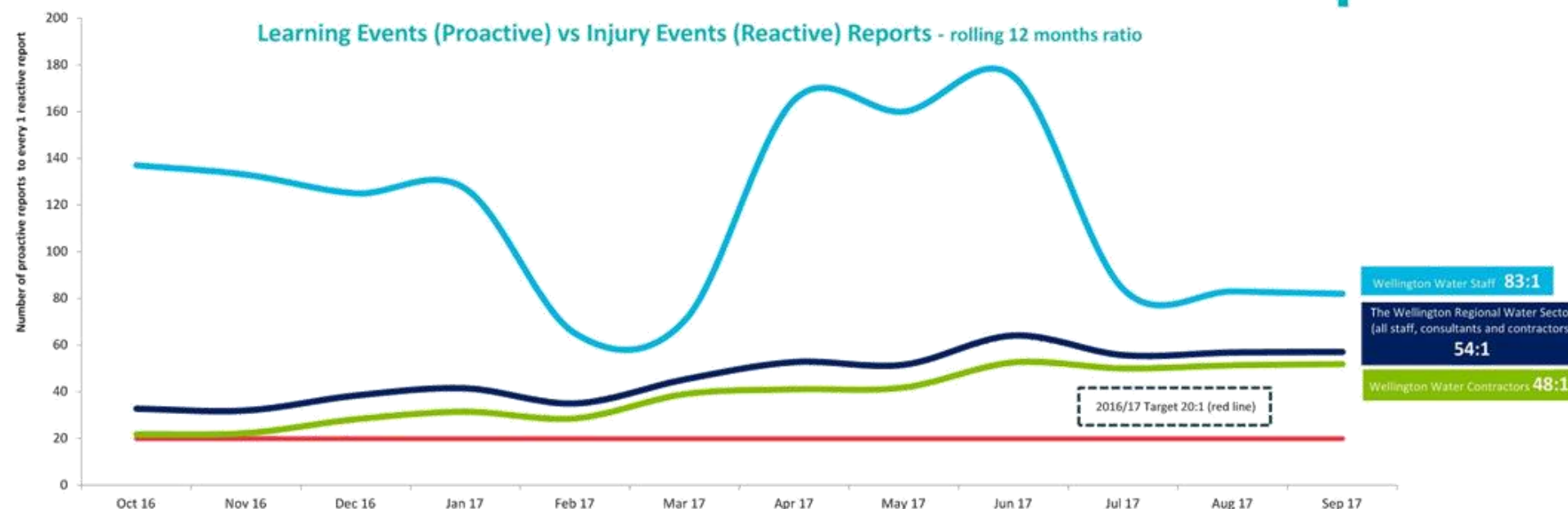
We have 12 H&S representatives (2 of whom are newly elected reps). Each level represents two days of formal training. Their role is to represent the H&S interests of staff and promote safety initiative (e.g. our Visions) They are required to bring to the employer's attention any safety concerns. We aim to have all our long standing H&S representatives to be Level 4 certified by end of Q3.

Number of Staff Wellness Initiatives



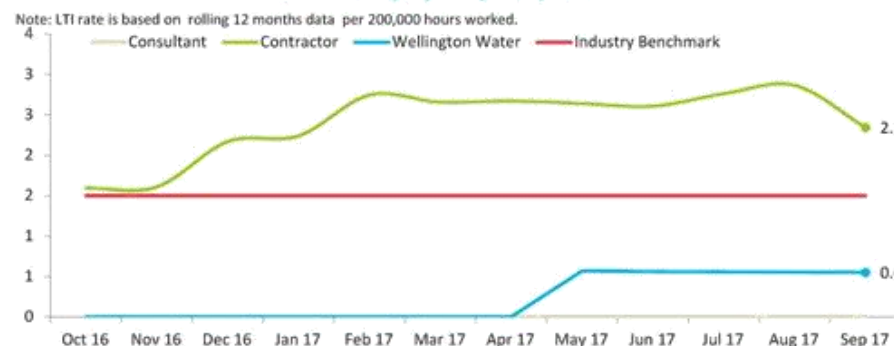
This measures the number of new initiatives that improve staff wellness in health promotion, diversity and inclusion, life/work management, and community events or contributions. We have launched a new Wellness Strategy to focus on our mental, social and physical wellbeing with a programme of monthly events that has been received positively by our staff

Learning Events (Proactive) vs Injury Events (Reactive) Reports - rolling 12 months ratio



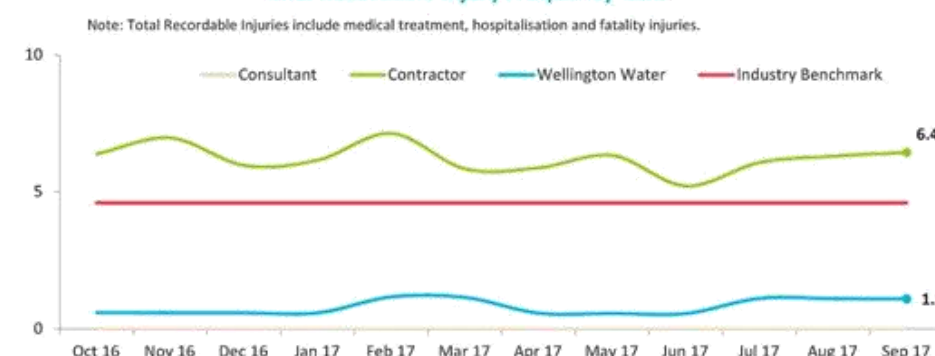
The general reporting trend with contractors and employees is increasing, as we keep pressing on advancing our sector's safety culture of openly 'speaking up' and reporting events into our safety system. In order to sustain this good momentum, we have established new goals and measures for Improving Performance, Critical Risks, Capability, and Wellness for the new financial year. We are looking to raise the level of reporting with some of our contractors as some organisations report substantially more incidents than others, not because they have more incidents, but because they understand that positive reporting improves H&S performance.

Lost Time Injury Frequency Rate



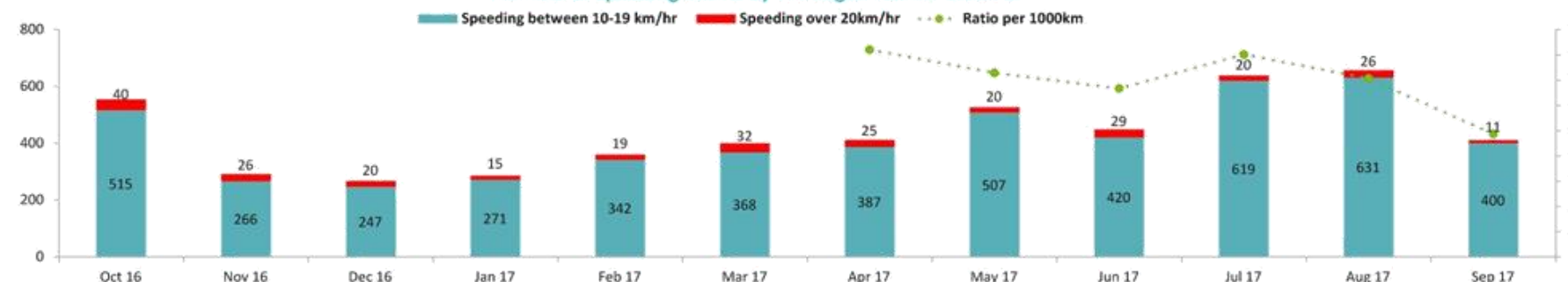
This trend has stayed relatively the same with 2 lost-time injuries reported by our contractors this quarter. This quarter we had an operator strike his head after removing his hard hat to examine an inspection chamber and a labourer feeling unwell after working in a restricted area without breathing apparatus. Both were minor injuries, but could have been more serious and have been investigated thoroughly by our contractors.

Total Recordable Injury Frequency Rate



This trend is slowly reducing each successive quarter. We'll continue to reinforce good practices, and raise awareness of risk mitigations to prevent injuries.

Number of Speeding Events by Wellington Water Vehicles



The number of excessive speeding events is on the increase, and we will work with managers and H&S representatives of people who speed often. We have set new targets to have zero high-range speeding events, and reduce low-range speeding events by 10% each quarter. We will schedule regular general awareness talks, engage the managers, and work with the H&S committees to reduce the speeding.

08 November 2017

File: (17/1719)

Report no: WWC2017/5/310

Letter of Expectations 2018/19

Purpose of Report

1. For the Wellington Water Committee (the Committee) to discuss and agree the Letter of Expectations to be sent to Wellington Water Limited (the Company).

Recommendations

It is recommended that the Committee:

- (i) receives the report; and
- (ii) agrees to the 2018 Letter of Expectations to Wellington Water Ltd attached as Appendix 1 to the report and authorises the Committee Chair to sign the letter.

Background

2. A Letter of Expectations from the Committee Chair provides guidance to the Company as it develops its next Statement of Intent. The Company is required under the Local Government Act 2002 to share a draft SOI with Councils by 1 March 2018 (date of the next meeting) and a final by 31 May 2018 before moving to publication by 30 June 2018.
3. The Committee members have the delegated authority from each of the five Councils (who make up the shareholding of the Company) to agree to the Letter of Expectations (see Appendix 1 attached to the report).
4. The last Chief Executives (CEs) Forum considered a letter from the Company's Chief Executive that outlined potential issues for the next Letter of Expectations. Feedback from that CEs Forum was considered in writing the Letter of Expectations.

Comment

5. A draft Letter of Expectations is attached from the Chief Executive of Hutt City Council for the Committee to discuss.

6. The objective of the Letter of Expectations is to provide shareholders with the opportunity to express their priorities to the Company.
7. It would also be appropriate for the Letter of Expectations (and subsequently the SOI) to emphasise the importance of the Company building better customer relationships and experiences.

Communication

8. No later than 15 December 2017, or an alternative date agreed by the shareholders, the Chair of the Committee will circulate the agreed Letter of Expectations to the Chair of the Board, the Chief Executive of the Company and to all Shareholders

Consultation

9. Once the Company has drafted its SOI and it has been shared with the Wellington Water Committee on 1 March 2018, then Councils will be able to consult on the draft internally between March and April 2018.

Legal Considerations

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

Significance of the Decision

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

Appendices

No.	Title	Page
1	Draft Letter of Expectations	25

Author: Kathryn Stannard

Divisional Manager, Democratic Services

Draft Letter of Expectations

Wellington Water
Committee
C/- Hutt City Council
Private Bag 31912
Lower Hutt 5040

14 November 2017

John Strahl, Chairman
Wellington Water Limited
Private Bag 39804
Wellington Mail Centre

Dear John

DRAFT 2018 LETTER OF EXPECTATIONS FOR WELLINGTON WATER

Wellington Water is entering its fourth year of operation. This letter sets out areas of focus we'd like to see the company address, which we would expect to be expressed in its forthcoming Statement of Intent.

We have identified four priority areas:

1. to continue to put the **customer** at the heart of what the company does and provide us with confidence that customer views are taken into account in the company's service planning and delivery
2. to keep focusing on the four areas of **service planning** (growth, resilience, flooding and water quality)
3. to introduce the disciplines of economic regulation on the company with a view to generating improved **value for money**
4. anticipating changes in **Government direction** that includes having plans in place for addressing climate change, water quality and emissions.

Each of these priorities is discussed in more detail below.

Customer

We can see the company is starting to make good progress with improving its customer relationships. Given customers also come to Council contact centres we're keen to work in a cohesive way to enable a single view of customer data and identify opportunities for improving customer experiences. One way to encourage improved customer experience is to allow the company to be driven by a few key customer metrics (ie. complaints).

Investment decisions we make for three waters are ultimately on behalf of rate paying customers. It is for this reason that we think its time to allow the Regional Service Plan (and 30 year infrastructure strategy) and changes to it over time to be influenced by customers. This could be achieved by involving the Customer Panel and iwi for example more in the company's service planning work.

Service planning

The top priority for the company over the next few years is to implement the Regional Service Plan, working with Councils to adjust it in line with Long term Plan (LTP) changes. This would include planning for growth, meeting any requirements of the National Policy Statement for Urban Development Capacity and developing a tactical plan that helps reprioritise the rolling three year capital programme that proactively addresses customer issues. We'd expect the company to address the following three waters issues over the next 10 years:

- Upgrading and/or installing new assets to support **growth**
- Improving **resilience** from hazards through long-term projects, operational response and household preparedness (more tanks faster and 2 bucket system)
- Improving **water quality** through the Whitua process and reducing wastewater overflows
- Reducing the impacts of **floodings**

These priorities are in common across all shareholding councils, although levels of investment will vary depending on specific requirements of each city.

As the company considers improvements to water quality we'd expect it to anticipate and be ready for results of the Havelock North Inquiry Stage 2 results and we'd like continued assurance that drinking water supplies are well positioned to comply with new or different requirements.

We'd like the company to work with us to introduce regionally-consistent non-asset solutions, such as District Plan provisions, encourage changes in behaviour through education, policy and standards changes and codes of practice to help mitigate the impacts of storm water (e.g. flooding and degraded water quality). This could be achieved for example by incentivising (or requiring) water sensitive urban design, hydraulic neutrality, minimum floor levels, setbacks from open streams, and the protection of overland flow paths.

Value for money

Now the company has matured we would like to see it introduce a value for money system that reports long term performance in terms of cost per connection to households, three waters and by Council. The company can engage with Councils on how we optimise investment in the 12 service goals. We would also like to see the company develop key productivity measures on large expenditure items which demonstrate value for money. When combined with key customer metrics, this should result in a comprehensive way of demonstrating value to us.

Government direction

We would like to be kept well briefed on progress against the new Government's policies (ie. water quality of rivers and streams, enabling growth in affordable housing and preparing for climate change and reduced emissions). Given Wellington Water's critical mass we'd expect the company to provide leadership on some of these challenges to the water sector.

We support the company's aspirations to explore alignment with some of the UN Sustainable Development Goals. We look forward to hearing which ones the company chooses to commit to and how this might enhance achievement of the company's outcomes.

Other considerations

In addition to the four priority areas there are several other initiatives we'd like the company to embrace over the next few years. One is about exploring active demand management

initiatives and planning for future drinking water sources. Another is about simplifying and regionalising the array of complex IT systems and business processes (ie. the company developing its own asset management system). We recognise that the company was not originally set up with regional systems and that developing them will require alignment with Council systems along the way.

Keep making the new health and safety vision and behaviours part of everyday life for the company and providing leadership to the sector. We would like assurance that critical health and safety risks and wellness initiatives are well managed.

We also support the company's plans to build new alternative premises in the long term.

In conclusion

We look forward to working with Wellington Water, as the company's performance remains critical to our success and fostering customer satisfaction.

Yours sincerely

Deputy Mayor David Bassett
Chair, Wellington Water Committee



Our Reference 17/1611



TO: Chair and Members
Wellington Water Committee

FROM: Kathryn Stannard

DATE: 18 October 2017

SUBJECT: MEETING SCHEDULE 2018

Recommendation

That the Committee agrees to the meeting schedule for 2018 as follows:-

- (a) Thursday, 1 March 2018 commencing at 1pm (Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro);
- (b) Tuesday, 29 May 2018 commencing at 1pm (Upper Hutt City Council Chambers);
- (c) Thursday, 6 September 2018 commencing at 1pm (Committee Room, Porirua City Council); and
- (d) Thursday, 29 November 2018 commencing at 1pm (Committee Room 1, Wellington City Council)

Purpose of Memorandum

1. For the Wellington Water Committee (the Committee) to adopt its meeting schedule for 2018.

Background

2. It is envisaged that the Committee will usually meet on four occasions in each year, with additional meetings and workshops arranged as required. It is intended that meetings will be held at Council locations across the four cities.

Communication

3. In accordance with legislation, public notice of the each formal meeting will be given at the appropriate time. A copy of the Order Paper for each meeting will be made available for public inspection at the principal office of each shareholding local authority.

Appendices

There are no appendices for this report.

Author: Kathryn Stannard
Divisional Manager, Democratic Services

Our Reference 17/1762



TO: Chair and Members
Wellington Water Committee

FROM: Kathryn Stannard

DATE: 16 November 2017

SUBJECT: SUBMISSION TO HAMILTON CITY AND WAIPA
DISTRICT COUNCILS - SHARED WATERS
MANAGEMENT COMPANY

Recommendation

That the Committee approves the draft submission attached as Appendix 1 to the memorandum.

Background

Wellington Water Committee has been invited to comment on the formation of a shared waters management company for Hamilton City Council and Waipa District Council.

Appendices

No.	Title	Page
1 ↓	Submission on a Shared Waters Management Company	30

Author: Kathryn Stannard
Divisional Manager, Democratic Services

[The following would be entered into the online submission form by 27 November subject to Committee approval]

Submission on a Shared Waters Management Company

Introduction

Thank you for the invitation to comment on the formation of a shared waters management company for Hamilton City Council and Waipa District Council.

As Chair of the Wellington Water Committee, effectively representing 5 Council shareholders views of Wellington Water Ltd (Wellington Water), I'd like to be clear that we are not advocating for a particular option as this is a matter for locals in the Waipa and Hamilton area to contemplate.

The role of the Wellington Water Committee is to provide governance oversight of Wellington Water including the network infrastructure for the delivery of bulk water, water reticulation and stormwater services in the areas of Lower Hutt City, Porirua City, Upper Hutt City and Wellington City. The Wellington Water Committee meets to discuss and coordinate relevant issues and, through their representatives, exercise powers.

The Wellington Water Committee appreciates what the Waipa District Council and Hamilton City Council are going through and how important it is to make a good decision. To this end we have written our submission in a way that shares our learnings of the Wellington Water model and hopefully helps inform the decision process.

Trusted Advisor Model

A trusted advisor model has been established which is essentially about building effective, open and trusting relationships. Developing this relationship has played a significant role in allowing the company to grow and develop at its own pace.

Benefits

Some of the benefits of the Wellington Water model to date have been:

- establishing a critical mass of expertise (ie asset management, modelling, information management)
- providing a regional approach to policies and planning (ie Service Plan and input to Councils LTPs and Infrastructure strategies)
- improved data and understanding of network asset performance
- facilitating collaboration between central and local government (eg \$6m resilience)
- improving customer understanding of water issues and customer service
- shifting from an annual to a three year rolling capital funding programme.

Wellington Water is part way through regionalising procurement practices (ie use of contractors, consultants, management of wastewater plants and delivery of an operational maintenance Alliance). It will take another few years before changes can be embedded, but we expect to see significant long term financial and non-financial benefits from this work. These changes will incentivise improved performance and delivery.

Challenges

Wellington Water still has some way to go to regionalise three waters policies (which requires close ties with Councils) and to improve customer relationships. The majority of rate paying customers interact with Council Contact Centres or Wellington Water contractors who provide frontline services in the street. So for the company to build its customer knowledge we have had to be more deliberate about Wellington Water's involvement and exposure to customer interactions (including through others such as our councils and contractors).

It's important that the company is right sized and resourced from the beginning. This includes planning and budgeting for the company up front to develop its own processes and supporting systems (ie Asset Management System).

Responding to regulation

With specialist expertise Wellington Water is better placed to respond to regulatory pressures and expectations (ie National Policy Statement for freshwater management and National Policy Statement for urban development Capacity). The company is able to influence and provide advice on the water sector, not only at a local and regional level but also at a national level through submissions on changes in legislation. The company is also able to proactively anticipate changes in the sector (ie Havelock North) and put changes in place.

Asset ownership

Your proposal mentions that the company would not own the assets. Wellington Water may not own the assets but manages the assets as though they own them. This helps minimise risk to shareholding councils and ensures a match between asset planning/performance and asset investment decisions.

There may be times when there is a mismatch between where investment is needed in assets (based on performance) and the amount of funding actually made available from Councils. This is a risk that needs to be managed alongside other Council other priorities at the time.

Shared accountabilities

It's important that liability issues are clear up front between the Councils and the shared company. For example in the case of health and safety responsibilities, the Board is PCBU (person conducting a business or an undertaking) and so are Councils – both make funding decisions that can either restrict or enable activities to occur.

We have established mutual accountabilities and responsibilities for communicating, collaborating, sharing best practice and managing risks. Examples of collaboration at a governance level include the Health and Safety Forum that includes Health and Safety Managers from the five Councils and the company's new health and safety vision and behaviours involved an engagement exercise with all five councils, suppliers and staff.

Transparency

Wellington Water has presented investment options for different levels of service across the three waters to its Councils. They have facilitated trade-off discussions for these different levels of service to enable Councils to make decisions on a more informed basis.

Better value for money

The company set up a value for money system to encourage, record and track new value ideas and see them through to reality. Not all value proposals are about

monetary savings, some are just about providing better outcomes. Wellington Water is happy to share how this discipline works with a new shared service company.

Governance

From a governance point of view we note a similar set up again to Wellington Water. The Board is more interested in the viability of the company, whereas the Water Committee is more interested in the political/community facing implications of three waters decisions – however both are interested in ensuring we provide good value for money outcomes.

There is a healthy tension between what's good for the company and what's good for our customers and of course these objectives are becoming more integrated as we position the company to provide better customer service and experience.

Company strategy

Being driven by a set of common outcomes and goals that flow through to individuals has benefited Wellington Water.

A key learning has been to not underestimate the impact that culture can have. Because we also inherited a large portion of existing staff into the new company, there were transition issues that needed to be resolved. People's roles changed and some responded better than others to a different work environment.

It's also good to get legal responsibilities under the Local Government Act 202 transferred at the beginning such as warrants to access private property in times of emergency and in some cases enforce compliance, such as trade waste inspections.

Specific comments on the submission

It is noted on page 3, para 3 of the proposal that the Shareholders Forum can limit what the company can and can't do. On the positive side the Forum can also enable and make things easier for the company if it wishes to do so. This is more likely to come with time, as trust builds and the ability to deliver is demonstrated.

It is noted on page 3, para 8 that the company would not be able to make MAJOR decisions – this might need some further definition.

Like the submission states – establishing the company does not eliminate the political forces at play (ie water meters) but what it can do, is ensure that any decisions such as these are well informed of the pros, cons and implications. If set up right, the company could bring Councils (through the company) closer to customers and communities through a concentrated resource on water that can support meaningful customer/community engagements.

Wellington Water is more than happy to share its learnings and provide guidance, should Waipa District Council and Hamilton City Council decide to establish a Shared Waters Management Company.

David Bassett
Chair of Wellington Water