

22<sup>nd</sup> January 2019

Richard Hardie  
Policy Manager for High Performing Local Government  
Department of Internal Affairs  
45 Pipitea Street  
Wellington

**Regarding: Non-Financial Performance Measure Rules Improvement Opportunities**

Dear Richard,

This letter reflects on the effectiveness of, and opportunities to improve the Non-Financial Performance Measure Rules (the Rules) related to Sewerage, Stormwater and Water.

This letter has been drafted at the request of the Water Service Managers Group (WSMG) of Water New Zealand. The WSMG is a group of Territorial Local Authorities and Council Controlled Organisations responsible for the management of drinking water, wastewater and stormwater networks convened by Water New Zealand. This group has requested that issues with the Financial Measure Rules be formally brought to the attention of the Department of Internal Affairs.

The WSMG recently held a workshop related to the rules. Feedback from the workshop and experiences gathered through an annual benchmarking exercise, the National Performance Review (NPR) convened by Water New Zealand have been used to draft the contents of this letter. The NPR is an annual benchmarking exercise of water, wastewater and stormwater system and services provided across New Zealand. Where possible the benchmarks have been aligned with the Rules.

The Water Service Managers agree the Rules are an important tool for managing level of service expectations with their communities. Water New Zealand is also supportive of the Rules. Following their introduction we have seen a noteworthy increase in data collection related to customer focused aspects of drinking water, wastewater and stormwater services. For example the number of participants able to supply NPR data on fault attendance and resolution times has increased from 72.81% in 2014/15 and 93.75% in 2016/17. The availability of this information creates a sound starting point for managing customer service expectations.

However changes to the rules are needed to provide meaningful performance indicators that help the public to contribute to discussions on future levels of service for their communities and to participate in decision-making processes. Currently, the indicators are set in long term plans, reported in annual plans, and in some instances reported in the NPR. It is our view that this level of reporting is insufficient to meaningfully engage the public in setting levels of service.

For the general public to meaningfully interpret the performance measures, contextual and/or comparative information is needed, for example, what is a reasonable level of water loss? How does this compare with ones neighbour? The British regulator OFWAT provides a good example of how such information can be presented to the public in a meaningful and accessible way:

<https://discoverwater.co.uk/>

Meaningful public engagement also requires the underlying measures to provide an accurate reflection of performance. Specific changes that need addressing to achieve this are outlined in the attached tables.

This correspondence has been drafted with the review of three water services in mind. We note that given proposed changes it is possible that the function of performance reporting is subsumed by a new regulator. We suggest the measures form a sound basis for such a function and accordingly are likely to maintain their relevance regardless of any changes that may occur to industry governance.

We welcome further engagement with the DIA to progress opportunities identified in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'J Pfahlert', written in a cursive style.

John Pfahlert

CEO Water New Zealand

on behalf of the Water Services Managers Group

## Sewerage

Indicator	Issue	Suggested solution
<p><b>System and Adequacy</b> The number of dry weather sewerage overflows from the territorial authorities' sewerage system, expressed per 1000 sewerage connections to that sewerage system.</p>	<p>The guidance for reporting suggests this metric only applies to days when less than 1mm of rain has fallen during a continuous period. This definition is problematic because;</p> <ul style="list-style-type: none"> <li>• Overflows may not necessarily relate to wet weather just because 1mm of rain has fallen in catchment.</li> <li>• Rainfall gages do not often correspond with sewerage catchments making it problematic to know where the 1mm rainfall reading should be taken from.</li> </ul>	<p>Dry weather overflows defined as overflows resulting from blockages or mechanical or electrical equipment failures.</p>
	<p>Does not consider the scale or impact of the event in reporting.</p>	<p>Require receiving bodies and estimates of volume and/or duration of spills to be included in commentary related to overflow reporting.</p>
	<p>Wet weather overflows have not been included in the rules. The stated reason is that "Overflows caused by wet weather are not included in the measure because they are regulated through district plans and resource consents issued under the Resource Management Act 1991." Regardless of whether are consented and/or regulated (in many instances they are not) the frequency of wet weather overflows is an important level of service that should be available to communities. Management of wet weather overflows has significant cost implications. Furthermore the discharge of untreated sewerage is an issue be of interest to the public and in particular, iwi.</p>	<p>Add the targeted level of service for wet weather overflows to the rules (expressed as the anticipated spill frequency) and whether or not this target was achieved.</p>

Indicator	Issue	Suggested solution
<p><b>Management of Environmental Impacts</b>  Compliance with the territorial authority's resource consents for discharge from its wastewater system, measured by the number of: abatement notices; and infringement notices; and enforcement orders; and successful prosecutions, received by the territorial authority in relation those resource consents.</p>	<p>This indicator is not a good measure of operational compliance. "Abatement notices", "infringement notices", "enforcement orders" and "successful prosecutions" are considered bottom of the cliff measures. Accordingly, reporting of non-compliance events associated with these measures is exceedingly low. Across all national performance review participants the sum of non-compliances against these measures was, 3 in 2012/13, 4 in 2014/15, 8 in 2015/16 and 8 in 2016/17.</p>	<p>Record the percentage of consent conditions complied with. Reporting should split these into, technical non-compliances (e.g. missing sampling results) vs. environmental non-compliances (e.g. failure to meet parameters specified in consents).</p>

Indicator	Issue	Suggested solution
<p><b>Customer Satisfaction</b> The number of complaints received by a territorial authority about the performance of its wastewater system, expressed per 1000 properties connected to the territorial authority's stormwater system.</p>	<p>The definition of a complaint requires further detail to address;</p> <ul style="list-style-type: none"> <li>• whether requests for service should be recorded as complaints</li> <li>• how repeat complaints should be dealt with.</li> </ul>	<p>Complaints definition should specify that;</p> <ul style="list-style-type: none"> <li>• Complaints should be recorded using the following definition of a complaint in <i>ASNZ10002-2014 Complaints management standard</i>: "Expression of dissatisfaction made to or about an organisation, related to its products, services, staff or the handling of a complaint, where a response or resolution is explicitly or implicitly expected or legally required".</li> <li>• Where there is more than one complaint per event each individual complainant is counted separately, not each event or occurrence. Where there are multiple complaints made by a single complainant in relation to one event, these may be counted as a single complaint.</li> </ul> <p><i>Or</i></p> <p>Remove the measure and DIA to conduct surveys of council customer satisfaction.</p>

## Stormwater

Indicator	Issue	Suggested solution
<p><b>System Adequacy</b> The number of flooding events that occur in a territorial authority district. For each flooding event, the number of habitable floors affected.</p>	<p>Habitable floors is not a suitable definition of flooding as wide spread flooding can occur that has not impacted habitable floors.</p> <p>Most flooding that occurs in New Zealand is not associated with a stormwater systems but with waterway or river flooding and increasingly tidal inundation.</p> <p>This is a measure about weather that was experienced rather than the performance of a stormwater system.</p>	<p>An alternative measure could look at the level of flood protection stormwater systems have been designed to and whether this was achieved as follows:</p> <ul style="list-style-type: none"> <li>• Annual Exceedance Probability for the primary stormwater network (typically piped).</li> <li>• Annual Exceedance Probability for the secondary stormwater network (the network that receives stormwater flows when the primary system is overloaded).</li> <li>• The percentage of the network that meets the targeted level of service.</li> </ul>
<p><b>Management of Environmental Impacts</b> Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of: abatement notices; and infringement notices; and enforcement orders; and successful prosecutions, received by the territorial authority in relation those resource consents.</p>	<p>Many territorial authorities do not have stormwater discharge consents, or only have discharge consents for a limited number of stormwater discharges, meaning this number would always be low. Where authorities do have consents in place "Abatement notices", "infringement notices", "enforcement orders" and "successful prosecutions" are considered bottom of the cliff measures.</p> <p>Accordingly, reporting non-compliance events associated with these measures is exceedingly low. Across all national performance review participants the sum of non-compliances against this measure was, 8 in 2014/15, 0 in 2015/16 and 0 in 2016/17.</p>	<p>Introduce an alternative measures that addresses stormwater quality. For example wellington city council has defined levels of service for measuring the impact of stormwater on the environment as the:</p> <ol style="list-style-type: none"> <li>a. Percentage of days during the bathing season (1 November to 31 March) that the monitored beaches are suitable for recreational use.</li> <li>b. Percentage of monitored sites that have a rolling 12 month median value for E.coli (dry weather samples) that does not exceed 1000 cfu/100ml.</li> </ol>

Indicator	Issue	Suggested solution
<p><b>Response to stormwater system issues</b> The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site.</p>	<p>Often it is the Civil Defence or the Fire Brigade that act as the first responders for flooding events not the Council's stormwater department.</p>	<p>Consider removing the measure.</p>
<p><b>Customer Satisfaction</b> The number of complaints received by a territorial authority about the performance of its stormwater/wastewater/water system, expressed per 1000 properties connected to the territorial authority's stormwater system.</p>	<p>Same comments as Sewerage Customer Satisfaction Measure</p>	

## Water

Indicator	Issue	Suggested solution
<p><b>Maintenance of the reticulation network</b> The percentage of real water loss from the local authorities networked reticulation system</p>	<p>% of losses varies significantly year on year based on changes in demand (generally driven by changes in rainfall, or shifting demand outside the control of local authorities e.g. opening/closing of large non-residential water users such as factories)</p>	<p>Change the measure to performance measures recommended by the International Water Association as best practice;</p> <ul style="list-style-type: none"> <li>• Current annual real losses (reported as litres of water lost/connection/day for urban networks and litres of water loss/km of pipe for rural networks) when used to compare water loss changes across time in the same network.</li> <li>• the “Infrastructure Leakage Index (a dimensionless measure that classifies water loss levels as very high, high, moderate, or low) to compare loss levels across different networks.</li> </ul>
<p><b>Customer Satisfaction</b> The number of complaints received by a territorial authority about the performance of its wastewater system, expressed per 1000 properties connected to the territorial authority’s stormwater system.</p>	<p>Same comments as Sewerage Customer Satisfaction Measure</p>	

## Demand management

The average consumption of drinking water per day per resident within the territorial authority district.

The formula provided in the guidelines does not account for non-residential water use or water loss, providing an incorrect representation of average consumption of water per resident.

Update worked example in the guidelines to add in the text shown in red:

Total water supplied (all plants/ sources) =  
8,527,200,000 litres / year

Water loss = 2,527,200,000 litres / year

Non-residential water use = 1,000,000,000 litres/year

Normal population serviced = 61,200

Calculation for normal demand is  
 $(8,527,200,000 - 2,527,200,000 - 1,000,000,000) / 61,200 / 365$

Figures can be skewed by holiday populations

Allow authorities to include pro-rata population equivalent visitor numbers in the normally serviced population figures if they deem appropriate. For example if a local authority has 50,000 guest nights per year, the equivalent population figures that could be added to normal population serviced would be:

Holiday population equivalent =  $50,000 / 365$