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Committee Strategy and Policy
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Water Supply Benchmarking Exercise 2013

1. Purpose

To inform Committee of the benchmarking exercise undertaken for the Water Supply Group in 2013.

2. Background

Benchmarking is common practice in many organisations to measure their performance against other organisations in the same industry/sector. Benchmarking provides an independent perspective about the organisations performance and is used, among other things, to establish baselines and identify improvement opportunities.

Up until 2010, Greater Wellington Regional Council's (GWRC) Water Supply Group carried out a fairly simple annual benchmarking exercise with Watercare in Auckland who were the only other bulk water provider in New Zealand at that time. The arrangement ceased when Watercare absorbed all of the water and waste functions of the new Auckland Council.

In late 2012 Council indicated that it would like to gauge the level of performance of the Water Supply Group through benchmarking in some form.

3. National Infrastructure Plan

In 2011 the Treasury's National Infrastructure Unit (NIU) published its National Infrastructure Plan (NIP) which included a high level assessment of the current state of five key infrastructure sectors, being:

- Transport
- Telecommunications
- Energy
- Water
- Social

The assessment was made against six guiding principles for infrastructure development, being:

1. Investment Analysis
2. Resilience
3. Funding Mechanisms
4. Accountability and Performance
5. Regulation
6. Coordination

These principles focus on processes and decision making rather than outcomes. This approach is based on the assumption that good processes and decision making lead to good outcomes.

The results of the 2011 assessment, shown in Table 1 below, showed that the Water sector was performing poorly compared with other sectors.

As a result of the NIU assessment, and in anticipation of the future review of Local Government infrastructure (now completed by the Local Government Infrastructure Efficiency Expert Advisory Group) Water New Zealand and the New Zealand Council for Infrastructure Development engaged Price Waterhouse Cooper and GHD to develop a detailed assessment methodology to gain a better understanding of the performance of water and wastewater operators in New Zealand.

The assessment methodology was used in a pilot study of nine water/wastewater operators, not including GWRC, and the results were published in 2012. The assessments are not completely like-for-like but, because the methodology is based on business practices rather than specific performance metrics, meaningful benchmarking can be carried out across water and wastewater operators whose scope of activities varies i.e. solely bulk water, bulk water and reticulation or the whole range of water & waste services.

In early 2013 PwC and GHD were engaged to assess the performance of GWRC's Water Supply Group using the same methodology developed for the pilot study.

4. Methodology

The methodology used by PwC/GHD is similar to that of the NIU's 2011 assessment except that it was considerably more detailed. The methodology is based on a set of performance metrics for each of the six principles discussed above. All the metrics used are focused on processes and decision making, consistent with the discussion of the principles in the NIP. A traffic light system is used and the scores for each metric are aggregated to derive an overall score for each principle.

The following are extracts from the NIP describing good practice in relation to the six guiding principles and summarise the metrics that are used to assess performance against each principle:

- 1 Investment Analysis** – Investment is well analysed and takes sufficient account of potential changes in demand
- 2 Resilience** – National infrastructure networks are able to deal with significant disruption and changing circumstances



- 3 **Funding Mechanisms** – Maintain a consistent and long term commitment to infrastructure funding and utilise a broad range of funding tools
- 4 **Accountability and Performance** – It is clear who is making decisions and on what basis, and on what outcomes are being sought
- 5 **Regulation** – Regulation enables investment in infrastructure that is consistent with other principles, and reduces lead times and uncertainty
- 6 **Coordination** – Infrastructure decisions are well coordinated across different providers, and are integrated with decisions about land use

5. Results

The results of the assessment of GWRC Water Supply Group are shown against the results of the pilot study in Table 2 below. GWRC's score is equivalent to that of Watercare and, overall, on a par with the best performing infrastructure sectors.

6. Other Benchmarking

6.1 The National Performance Review – Water New Zealand

The National Performance Review of Water Utilities is administered by Water NZ and provides a benchmarking tool for local authorities and other organisations providing public water supply, wastewater and storm water services. GWRC Water Supply Group have completed the survey questionnaire for the 2012/13 review. The draft report from Water NZ is yet to be released.

6.2 Local Government New Zealand - 3 Waters Programme

This is a recent initiative from LGNZ for the purpose of establishing a clearer picture of the performance of drinking and waste water assets and services. The programme will deliver on 5 projects over the next 3 years. The current survey for 2012/2013 is in progress and GWRC Water Supply Group is in process of completing survey information.

7. Decision-making and significance

No decision is being sought in this report.

8. Recommendations

That the Committee:

- 1. Receives the report.*
- 2. Notes the contents of the report.*
- 3. Acknowledges that the management of Wellington's bulk water infrastructure compares favourably with the National Infrastructure Plan and other infrastructure national infrastructure sectors.*

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