

WATERCARE SERVICES LIMITED

AGENDA	BOARD MEETING	Tuesday, 29 May 2018 at 9am	
Venue	Watercare Services Limited, Level 3, 73 Remuera Road, Newmarket		
<i>Open Public Meeting</i>			
Item	Spokesperson	Action sought at governance meeting	Supporting Material
1 Apologies	Chair	Record apologies	
2 Minutes of Meeting	Chair	Approve Board Meeting Minutes 24 April 2018	Board Minutes 24 April 2018
3 Review Directors' Disclosure of Interests	Chair	For noting	Report
4 For discussion			
4.1 Safety Moment	All	For sharing	Nil
4.2 Health & Safety Report	R Jaduram	For discussion	Report
4.3 Chief Executive's Report	R Jaduram	For discussion	Report
4.4 Board Committee Updates	Committee Chairs	For discussion	Nil
4.5 Low Emissions Economy Report	S Webster	For discussion	Report
4.6 Major storm event - 10 April 2018	R Jaduram	For discussion	Report
5 Approvals			
5.1 Statement of Intent - 2018-2021	J Simperingham	For approval	Report
5.2 Policy & Charter Approvals			
5.2.1 Board Delegations to the Chief Executive	R Fisher	For approval	Report
5.2.2 Audit and Risk Charter	R Fisher	For approval	Report
5.2.3 Good Employer Policy	J Glennon	For approval	Report
5.2.4 Sensitive Expenditure Policy	R Jaduram	For approval	Report
6 For information			
Compliance			
6.1 RMA Compliance	R Fisher	Receive report	Report
Capital Programme			
6.2 Infrastructure Dashboard	R Jaduram	Receive report	Report
7 Presentations			
7.1 Watercare Harbour Cleanup Trust	P Drummond, Trust Chair	Receive presentation	Presentation
8 Directors' Corporate Governance Items			
8.1 Board Planner	Chair	For noting	Report
8.2 Review Executive Management Disclosure of Interests	Chair	For noting	Report
8.3 Director Appointment Terms and Committee Membership	Chair	For noting	Report
9 General Business	Chair		
Date of next meeting	Tuesday 31 July 2018		
Venue	Watercare Services Limited, Level 3, 73 Remuera Road, Newmarket		

MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Watercare Services Limited, 73 Remuera Road, Remuera, Auckland
DATE	24 April 2018
TIME	9am
STATUS	Public Session

	<p>Present: M Devlin (Chair) J Hoare (Deputy Chair) N Crauford B Green C Harland Hon Dame A King D Thomas</p>	<p>In Attendance: R Jaduram (CE) B Monk R Chenery E McBride R Fisher S Webster M Bridge M Bourne D Hawkins J Glennon R Young (departed meeting after item 4.5) R Klein (departed meeting after item 4.5) S Naidoo (departed meeting after item 4.5)</p>
1.	<p>Apologies</p> <p>There were no apologies.</p>	
2.	<p>Minutes of Previous Meetings</p> <p>The Board resolved that the minutes of the public section of the Board meeting held on 27 March 2018 be confirmed as true and correct.</p>	
3.	<p>Review Directors' Disclosure of Interests</p> <p>Two additions are required to be made to the Directors' Disclosure of Interests, namely:</p> <ul style="list-style-type: none"> - The Chair has been appointed Chair Elect of Lyttelton Port. - Hon Dame A King has been appointed to the Appropriations Review Committee of the New Zealand Parliament. 	
4.	<p>For Discussion</p> <p>4.1 Safety Moment</p> <ul style="list-style-type: none"> - M Bourne, Acting Chief Operations Officer, provided the Board with a safety moment on how every day, simple tasks can sometimes result in serious injury. 	
	<p>4.2 Health & Safety Report, including Quarterly Report</p> <p>The CE spoke to the report.</p> <ul style="list-style-type: none"> - At previous meetings, it was requested that the Total Recordable Injury Frequency Rate (TRIFR) include comparison data. This month, the Business Leaders Health and Safety Forum updated their records, which resulted in a substantial difference compared to the report last month. In February, Management reported that Watercare's TRIFR was 12.29 per million hours (which was higher than the Business Leader's Forum TRIFR of 11.03 per million hours). In March, Watercare's TRIFR was 11.16 per million hours, which is now significantly lower than the Business Leaders Forum's updated TRIFR of 	

16.89 per million hours. These updated results indicate that Watercare's TRIFR is better than the median benchmark.

- An independent review of the Major Hazard Facility Safety Case for the Ardmore water treatment plant was conducted in February/March 2018. The recommendations of the review were incorporated into the Safety Case. The Safety Case was submitted to Worksafe on 4 April. Worksafe's response is expected within the next 3-6 months.
- In relation to the Contractor Engagement Forum, S Webster, Chief Infrastructure Officer, provided a more detailed update to the Board. The Forum, which is scheduled for 3 May, will bring together eight contractors (six from construction and two from operations) and four Professional Services Panel Representatives to discuss Health and Safety and areas that need deeper consideration. The six construction contractors represent 85 per cent of the company's construction contractors by revenue, and are leaders in their field. Health and Safety learnings and initiatives from the Forum will be shared with other contractor organisations. Feedback will be provided to the Board and the Senior Management team.
- The independent external audit report of the Waikato water treatment plant has been circulated to Management and they are working on an action plan with relevant Managers. The report did not identify any significant issues for immediate attention. A summary of key actions will be provided to the Board in May 2018.
- The Board noted the new column "Corrective Actions Raised" in the table on page 23. S Webster explained that there had been no resistance from contractors, as this information is already provided by them to Watercare.
- In response to a query from the Board, S Webster also provided an update on fatigue management of salaried workers. This issue has been under consideration by Management for the last 18-24 months. In exceptional or crisis circumstances, staff should not work more than 70 hours per week, or more than 14 hours per day. Management is partnering with People and Capabilities to explore an alternative approach to manage the effects of possible fatigue impairment with salaried workers.
- The Chair noted that Health & Safety is all about culture and not just numbers. It was acknowledged that the evolution to Safety-II will help embed this understanding into Watercare's culture.

4.3 Chief Executive's Report

The CE spoke to the report.

Scorecard

- In relation to score 3c, (median response time for attendance at non-urgent call-outs), the March result is 3.1 days which is above the target of less than or equal to 3 days. M Bourne, Acting Chief Operations Officer, explained that following the Network Efficiency Review, Management reviewed the response times for planned work. The response times have been changed to reflect the recommendations of the Network Efficiency Review. However, the target has not been updated to reflect this change. This will be addressed in the new reporting year. The CE noted that response times are often impacted due to heavy traffic issues in Auckland, and the need for traffic management. Other times, the response team may require an arborist, which can also cause delays. If a customer does not have water restored within 5 hours, they are provided with an alternative water supply. The challenge is being cost efficient, whilst also responding within a reasonable time. Watercare has three dispatch areas around Auckland, however, throughout the day, the teams responding to shutdowns move from job to job and do not usually return to the base. It was noted that despite the threshold being red, customer satisfaction scores have remained good, which has been achieved by managing customer expectations and clearly explaining how long a job will take.

CE's report

- Digital take up of the three new tools noted on page 36 has been surprisingly better than expected. The tools were launched softly. The only promotion has been on the corporate website. In the future, the company may promote the tools via invoices, or via “hold” messages when customers phone Watercare (e.g. *If you are reporting a fault, did you know you can do this online, and also send us photos and videos of the fault?*)
- R Chenery, Chief Digital Officer reported that a further improvement had been made which now provides current and planned outage information on the website.
- The company is also working on placing a “wrapper” around the corporate website so that appears as an “app” on a mobile device.
- In response to questioning from the Board, R Chenery noted that she was going to be speaking with Vector to learn more about their communications of outages and the issues they experienced with their app, following the recent significant storm event in Auckland.
- In relation to People and Capabilities, the CE noted that the Ask Your Team Survey was sent to all staff on 23 April 2018. The survey has been updated to provide more tangible outcomes. The expectation is that 65-67 per cent of staff will complete the survey, which would be an excellent result, especially given the company is currently working through the Target Operating Model consultation period. Key findings of the Ask Your Team Survey will be reported to the Board in due course.
- In relation to the Discrimination, Bullying and Harassment Policy, the Board requested oversight of this policy.
- In relation to the s17A reviews:
 - o **Procurement** - R Chenery advised that Board that they will receive a more detailed update at the May Board meeting regarding the work currently being undertaken to understand the joint asset management capability requirements of Auckland Transport, Auckland Council and Watercare.
 - o **ICT and Customer Service** – R Chenery noted that these reviews are due next. As Watercare is a life-line provider, Watercare’s ICT requirements are different to those of Council and other CCOs. As a result, it will be important to ensure that the differing level of service requirements across the Council group are considered and understood during the review.
- In relation to the Strategic Transformation Programme, R Chenery noted that Management has started to notice a culture shift in the organisation. Staff who were initially resistant to the changes, or sitting on the fence, are now starting to embrace the changes that are being made. Further advancements in relation to robots and automation are being explored. To open people’s minds to the new technologies which are available, Management is considering holding a “Digital Day” or “Digital Expo”, which will allow staff to be exposed to some of the technologies that could be incorporated into the business. The Board expressed their desire to be involved in these days.
- The Board requested an update on the community sentiment around the Huia water treatment plant. M Bourne noted that some in the Titirangi community remain concerned, and a number of residents have erected signs protesting the plant. However, the open days in early March were very successful, with a small minority of attendees supporting the plant, another small and vocal minority opposing the plant, and the majority of attendees “sitting on the fence” and attending the open days to obtain more information. The Community Liaison Group, which was formed on the suggestion of the Board, has been highly successful. D Hawkins noted that the media are generally supportive of the project as is the Council.

	<ul style="list-style-type: none"> - The Court case involving the designation of the Huia water treatment plant will be heard by the High Court on 8 May. The Judge's decision is likely to be reserved, so the outcome will not be known for some months. The Company Secretary noted that the judgment will have implications for all designations in New Zealand. - In relation to the Southwest Sub-Regional Wastewater Servicing Project, there is now only one issue in dispute, which concerns the discharge of wastewater containing phosphorous. Management's position is that the phosphorus does not need to be removed from the wastewater, as the wastewater is being discharged into sea water. The situation would be different if the wastewater was being discharged into freshwater, because in that situation, the phosphorus is chemically treated first. The Board noted that they were pleased with Management's progress in negotiating the dispute down to one issue. <p>4.4 Board Committee Updates</p> <ul style="list-style-type: none"> - The date of the first AMP & Major Capex Committee meeting is 7 May 2018. - The date of the first STP Committee meeting is 28 May 2018. <p>4.5 Integrated Reporting/Annual Report 2018 Update</p> <p>R Klein, R Young and S Naidoo spoke to the report and provided a short presentation (copy attached).</p> <ul style="list-style-type: none"> - The Integrated Reporting (<IR>) project has now merged with the Annual Report process. S Naidoo, Acting Financial Controller, is project managing the 2018 Annual Report process. - Watercare's 2018 Annual Report will be the company's first integrated report, and the intention is to improve on this, year-on-year. Inspiration has been sought from other <IR> reports, including global leaders in the area, such as Sanford. Ultimately, the aim is for the Annual Report to be available in digital form, but it is unlikely to occur this year. - The Board endorsed the approach of the <IR> and Annual Reporting team and thanked them for their work to date. The Board also requested that Management: <ul style="list-style-type: none"> o Keep the Board informed of the Annual Report process as it changes to the <IR> format; o Accelerate the plan to incorporate <IR> thinking into all Board Reports and decision making throughout the business; and o Consider the role of digital in Annual Reporting. - Management advised that an appropriate template was being developed to prompt the coverage of the capitals in the integrated thinking to reflect in Watercare decision papers, including those submitted to the Board.
5.	<p>Approvals</p> <p>5.1 STP Committee Terms of Reference</p> <p>E McBride spoke to the report.</p> <ul style="list-style-type: none"> - The Terms of Reference have been reviewed by the Committee members, prior to being included in this Board paper. <p>The Board approved the Terms of Reference attached as Appendix A.</p>

6.	<p>For Information</p> <p>6.1 Compliance</p> <p>6.1.1 RMA Compliance</p> <p>The Board noted the report.</p> <p>6.2 Capital Programme</p> <p>6.2.1 Infrastructure Dashboard</p> <p>The Board noted the report.</p>
7.	<p>Strategy</p> <p>7.1 Organisation and Culture Update</p> <p>J Glennon, R Chenery and M Bridge made a presentation to the Board on changes underway in the transformation of Watercare.</p> <ul style="list-style-type: none"> - R Chenery spoke about the Nerve Centre. Similar Nerve Centres exist at Sydney Water, Thames Water and many other Australian water companies. The company is drawing on these companies' learnings as it builds Watercare's Nerve Centre. The aim of the Watercare Nerve Centre is to pull together all of Watercare's data from various parts of the business to obtain better overall visibility of the business and customers. - M Bridge spoke about the Customer Centre of Excellence (CoE). Potential road blocks to the CoE are technology but these roadblocks will be addressed as STP releases new capability to the business. - J Glennon spoke about the Leadership Programme, which is aiming to break down the silos in the business and create better cross-department relationships. Already, Management has noticed a definite transformation in culture and less 'siloiing'.
8.	<p>Directors' Corporate Governance Items</p> <p>8.1 Board Planner</p> <p>The Board noted the planner.</p> <p>At the May Board meeting:</p> <ul style="list-style-type: none"> - Board Members will have their photograph taken for the Annual Report; - The Site visit is to be moved to July 2018; and - Board members are to have a Health & Safety update, as scheduled. <p>8.2 Review Executive Management Disclosure of Interests</p> <p>The Board noted the report.</p> <p>8.3 Director Appointment Terms and Committee Memberships</p> <p>The Board noted the report.</p> <p>The Chair noted that she had not had any further discussion with Auckland Council regarding the upcoming 2019 appointment of new Board members.</p>

9.	General Business There was no general business.
	The meeting closed at 10.15am.

CERTIFIED AS A TRUE AND CORRECT RECORD

Margaret Devlin
Chair

Report to the Board of Watercare Services Limited

Subject: Directors' Disclosure of Interests

Date: 22 May 2018

Section 140 of the Companies Act 1993 requires disclosure of interests of a director to the Board. Set out below are the disclosures of interests received as at the date of this report.

Director	Interest
Margaret Devlin	<ul style="list-style-type: none"> - Chair, Harrison Grierson Limited - Director, Meteorological Services of NZ Limited - Director, Waikato Regional Airport - Chair, Titanium Park (wholly owned subsidiary of Waikato Regional Airport) - Director, IT Partners Group - Director, Aurora Energy - Independent Chair of Audit and Risk Committee, Waikato District Council - Chair, Women in Infrastructure Network - Councillor, Wintec Council - Councillor The University of Waikato Council - Member, Audit and Risk Committee of The University of Waikato - Chair, Waikato Spatial Plan Joint Committee - Chair Elect, Lyttleton Port Company Limited
Catherine Harland	<ul style="list-style-type: none"> - Director, McHar Investments Ltd - Director, Interface Partners Ltd - Trustee, One Tree Hill Jubilee Educational Trust - Member, Auckland Regional Amenities Funding Board - Member, Water Allocation Technical Advisory Group
Julia Hoare	<ul style="list-style-type: none"> - Director, AWF Madison Group Limited - Director, New Zealand Post Limited - Deputy Chair, The a2 Milk Company Limited - Director, The a2 Milk Company (New Zealand) Limited - Director, Port of Tauranga Limited - Director, Auckland International Airport Limited - Chair, Auckland Committee, Institute of Directors - Member, Advisory Panel to External Reporting Board - Member, Institute of Directors National Council
Nicola Crauford	<ul style="list-style-type: none"> - Director, Environmental Protection Authority - Member of Electoral Authority, Cooperative Bank Limited - Specialist Advisor, WorleyParsons New Zealand Ltd - Director and Shareholder - Riposte Consulting Limited - Director, Wellington Water Limited - Director, Orion New Zealand Limited - Chair, GNS Science Limited - Deputy Chair, Fire and Emergency New Zealand

David Thomas	<ul style="list-style-type: none"> - Chair, Ngāti Whakaue Tribal Lands Inc. - Chair, Gypsum Board Manufacturers of Australasia - Shareholder / Employee, Fletcher Building Limited - Director, New Zealand Ceiling & Drywall Supplies Limited - Chair, Altus NZ Limited - Director, Delcon Holdings (No.8) Ltd - Director, Fletcher Building Products Ltd - Director, Fletcher Concrete and Infrastructure Ltd - Director, Home&Dry Ltd - Director, Iplex Pipelines NZ Ltd - Director, Pinkfit Ltd - Director, Selwyn Quarries Ltd - Director, Tasman Insulation New Zealand Ltd - Director, Winstone Wallboards Ltd
Brendon Green	<ul style="list-style-type: none"> - Director, Kaitiaki Advisory Limited - Director, Tainui Kawhia Incorporation - Director, Peak2Peak - Executive Director, Bay Dairy Limited - Executive Director, Advanced Biotech NZ - Executive, Te Rūnanganui o Ngāti Hikairo - Management contract, Tainui Kawhia Minerals - Representative of Waipapa Marae, Kawhia, Te Whakakitenga o Waikato Tainui.
Hon Dame Annette King	<ul style="list-style-type: none"> - Chair, Life Flight Trust Wellington. - Interim Chair, Earthquake Commission (EQC) - Member of the Appropriations Review Committee of the New Zealand Parliament

RECOMMENDATION

That the report be received.

Approved by:



R Jaduram
Chief Executive

Report to the Board of Watercare Services Limited

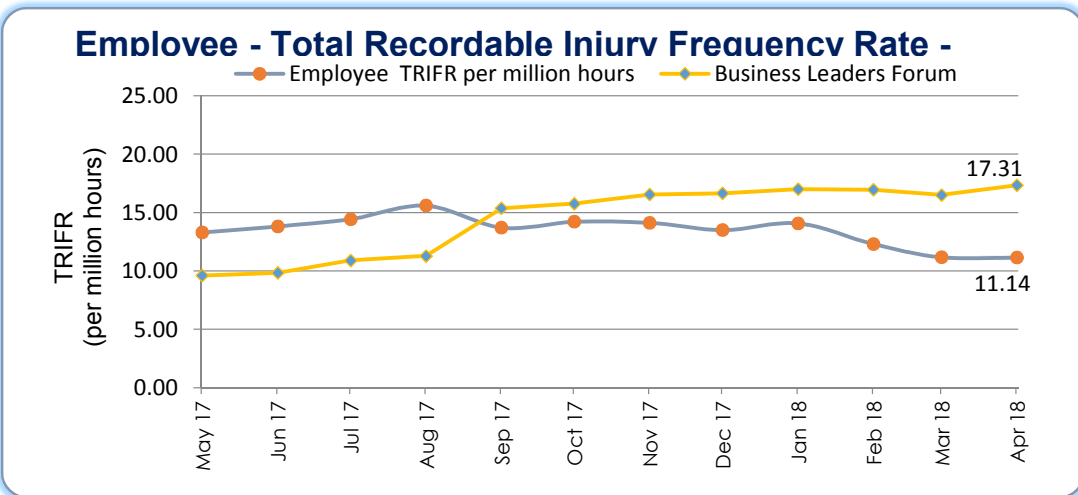
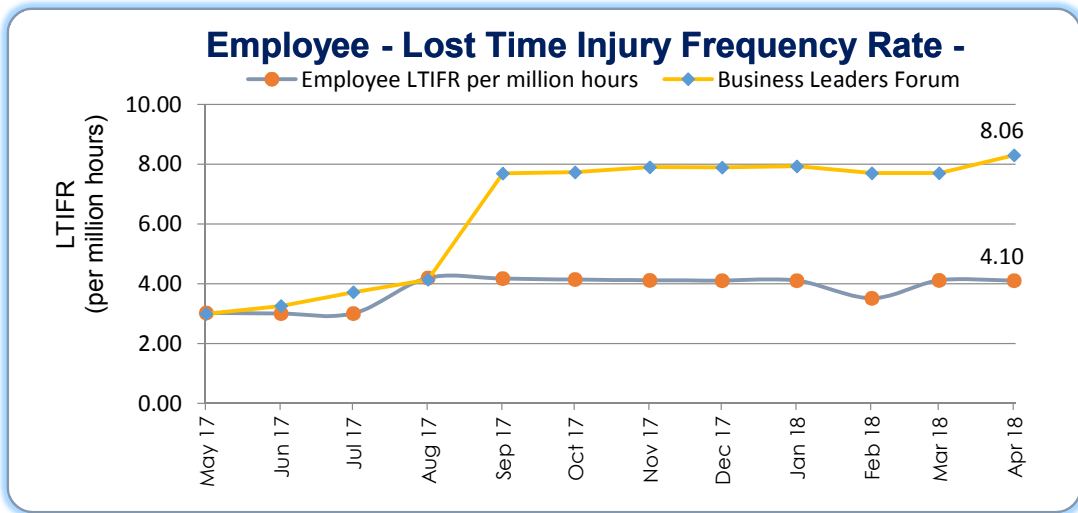
Subject: Health and Safety Report – April 2018

Date: 22 May 2018

1. LAG INDICATORS

There were no Lost Time Injuries (LTI), Restricted Duties Injuries (RDI) or Medical Treatment Injuries (MTI) involving Watercare employees during April. As a result, the rolling 12 month Lost Time Injury Frequency Rate (LTIFR) for employees is 4.10 per million hours, remaining below the Statement of Intent target of ≤ 5 .

The rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) is 11.14 per million hours, and remains below the Statement of Intent target of ≤ 20 .



As previously reported, the Business Leaders Health and Safety Forum's recent records update has resulted in the above graphs indicating a substantial difference compared to earlier reports. Previous discussions in the context of the Business Leaders Forum comparator anomalies had identified that some members are not entering data monthly thereby leading to historical aggregated results changing over time.

2. WATERCARE WORKER INJURIES

There were no injuries recorded for Watercare employees for the month of April.

As previously reported, a MSN worker is being treated for a lumbar sprain and a strained knee ligament which they believe occurred due to the nature of the job. These injuries could possibly be a result from a previous non-work related accident. The injury has been recorded as a LTI while additional tests are conducted and medical records are being reviewed by our consulting doctor in conjunction with ACC. An update will be provided as soon as a final decision is made.

3. CONTRACTOR WORKER INJURIES

A worker sustained a chest contusion and thoracic sprain while trying to manually drag a small digger bucket during site cleaning activities. The worker was unfit for a period of five days. While the worker was experienced and aware of the task associated hazards as outlined in the daily pre-start, he had a momentary lapse in judgement and hazard controls, hence resulting in the injury. Watercare project management together with the contractor have reiterated the risks associated with manual handling and the controls to be used (single person lift, 2 person lift, correct technique, mechanical assisted lift) with the work teams. The contractor will ensure that all new workers undergo 'Move @ Work' training to enhance understanding and prevent future occurrences.

Three workers were lifting a steel floor cover when it slipped and damaged an alum dosing pipe. This resulted in a pressurised release, spraying the alum mixture into the eye of one of the workers. First aid treatment was given (rinsing the eye). The worker was subsequently taken to A&E and the Greenlane Eye Clinic where further treatment was administered and it was confirmed that there was no serious injury to the eye. Though there was a JSA in place and the workers were wearing their PPE, the investigation revealed the need to include a job specific hazard ID. The design of the steel cover, which was awkwardly located and heavy, without any lifting attachments will be reviewed with options to replace it with a lighter aluminium cover with handles. Further mitigations include a recommendation for a plumbed eye shower to be installed to replace the bottled eye wash in the Aluminium Sulphate dose room.

A worker carrying vegetation to a truck caught his foot in a trailing vine causing him to trip and fall, resulting in a fracture to his leg. Workers were reminded of the risk of trips and falls, and going forward such waste will be placed in bags or barrows before loading onto the truck. While it is uncommon to sustain a fracture from such a fall from a low height and on an even surface, the contractor advised that the worker has a history of fracturing bones under unusual circumstances and they are seeking medical advice and reviewing task suitability.

4. SIGNIFICANT INCIDENTS/HAZARDS/NEAR MISSES

While a contractor was tipping a load of concrete rubble, the concrete became stuck in the tailgate of an ADT (Articulated Dump Truck). The load imbalance caused the front of the truck to lift off the ground, resulting in the cab falling over onto its side, independently of the load bin. The operator was unharmed and the truck had minor panel damage. WorkSafe was notified of the event and subsequently authorised the site to be cleared. The truck was successfully recovered. The investigation revealed that there was inadequate hazard identification undertaken for the loading and tipping of concrete waste. The contractor has reviewed and updated their procedures for loading of trucks and selection of equipment. The ADTs undertaking these activities were replaced with units without tailgates for ease of tipping such product, and spotters will be positioned to have full visibility while directing trucks to tip. Both Watercare and the contractor's senior construction management and H&S managers met to discuss recent incidents and reinforce Watercare's health and safety expectations, ensuring a mutual approach going forward, to prevent harm to workers.

A contractor worker was found not following the correct procedure when cutting an asbestos concrete pipe. This resulted in some dust accumulation, exposing the worker to the inhalation of harmful dust with asbestos containing fibres. The worker advised that he was aware of the correct procedure that includes dust suppression and wilfully opted not to follow it. The worker subsequently resigned from his job. Watercare have requested that the contractor ensure that its workers were trained in the procedure (previously provided by Watercare) and monitor effectiveness across ongoing activities. The Watercare Networks team will continue with ongoing field observations and audits with an added focus on such activities. This event was communicated with other contractors and our internal maintenance teams.

5. INSPECTIONS

A table setting out Watercare business unit targeted versus completed inspections for the current reporting period is appended as Appendix A. Watercare is implementing any improvements that have been identified by these inspections and have not reported any trends of significance arising from these inspections.

Also included is a table reflecting contractor lead indicator statistics for Watercare construction project sites. Overall this indicates a positive culture of monitoring of activities and equipment.

6. INDEPENDENT AUDIT REVIEWS

An independent external audit was conducted by Advisian at the Waikato Water Treatment Plant in March 2018 to review the following;

- Confined space controls,
- Work adjacent to water bodies
- Working at height

The audit report has been reviewed and recommendations for improvement have been discussed with the plant management. An action plan has been developed and progressively being worked on. Appendix B attached to this report outlines the significant findings from the audit report.

The Telarc revalidation assessment took place on 7-9 May and included reviews of the following Watercare sites:

- Newmarket
- Headworks - Dam Management
- Ardmore Water Treatment Plant
- Huia Water Treatment Plant
- Mangere Wastewater Treatment Plant
- Laboratory Services
- Warkworth Wastewater Treatment Plant
- Army Bay Wastewater Treatment Plant

Feedback received at the audit closing meeting was largely positive with the auditors noting improvements and an enhanced atmosphere since their last visit to Watercare. They applauded management commitment, staff awareness and outstanding cooperation throughout the audit process from the various areas of the business that were visited. Conversations with staff demonstrated understanding of activities and a risk-based approach to health and safety in the work areas. The constructive use of Synergi, including the mobile application and general incident management was also commended.

Though there were no major non-conformances raised, some minor non-conformances identified included:

- Improvement in contractor management with formal monitoring in some areas of the business

- Opportunity for improvement of hazardous substance storage and access control identified at one of our wastewater treatment plants
- Isolation processes to be improved. There are multiple practices, and this needs to be simplified for improved staff understanding and execution
- Some minor equipment calibration issues were noted (these would not have any direct impact on employee health and safety)
- Formal emergency response trials to be conducted at the smaller treatment facilities.

The auditors expressed that these minor findings are not likely to affect our re-certification for conforming to the requirements of the AS/NZS 4801 standard. We await the formal audit report which will be reviewed and an action plan developed to address the findings.

7. HEALTH AND SAFETY TRAINING

Our in-house health and safety training workshops for Contractor Management commenced on 26th April and was well attended. Future training will include other health and Safety Toolkit element strands as part of our ongoing in-house training programme to improve understanding and capability.

8. CONTRACTOR ENGAGEMENT FORUM

The contractor forum meeting took place on 03 May 2018 and was attended by eight senior management contractor representatives and the four professional services panel representatives. The meeting was successful with strong engagement and input from attendees. Agenda items included:

- Health and Safety
- Industry Observations and Trends
- Improving Infrastructure Delivery performance (planning to commissioning)

9. HEALTH AND SAFETY AT WORK STRATEGY (MBIE / WORKSAFE)

The request to review the Government’s draft Health and Safety at Work Strategy has been socialised with the extended leadership team and input requested by 18 May, after which all feedback will be collated and submitted via the Business Leaders Health and Safety Forum.

10. RECOMMENDATION

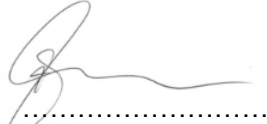
That the Board receives this report.

Prepared by:



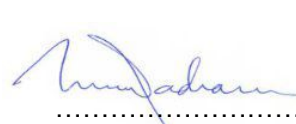
S Walthew
Health and Safety Manager

Reviewed by:



Jason Glennon
Chief People Officer

Approved by:



R Jaduram
Chief Executive

Appendix A

Inspections – Targets were set with business units for Health and Safety Inspections for the 2017-2018 financial year. In part this was done to identify new hazards and risk, but also as a way of embedding a culture of enquiry and vigilance around safety. The information below reflects a level of activity that indicates a positive ongoing culture of monitoring of activities and equipment.

Business Unit	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Total	Target for 2017-18	% Complete
Watercare House	0	0	0	1	1	1	0	0	2	0			5	6	83
Retail	20	17	18	15	22	12	19	31	25	46			225	130	173
Infrastructure Delivery															
Construction Delivery	13	13	13	27	23	23	18	24	25	10			189	230	82
Laboratory Services	9	13	15	10	6	10	11	8	11	6			99	104	96
MSN	30	40	47	60	46	30	35	33	17	24			362	180	201
Total	52	66	75	97	75	63	64	65	53	40			650	514	127
Service Delivery															
Networks	12	10	13	10	9	2	31	28	27	19			161	150	107
Asset Protection & Engineering Performance	4	4	7	5	5	2	2	2	3	2			36	40	90
Water Supply	19	30	27	23	22	23	29	29	11	8			221	192	115
Wastewater	21	20	21	25	30	13	18	23	19	19			209	232	90
MSO	10	14	4	16	16	4	6	18	12	13			113	138	82
Total	66	78	72	79	82	44	86	100	72	61			740	752	98
Watercare Total	138	161	165	192	180	120	169	196	152	147			1620	1402	116

Business units are implementing any improvements they have identified and there have not been any trends of significance coming out of these inspections. The improved system categorisation options for those completing inspections is under ongoing monitoring and review (enabling those inputting data to pre-categorise matters so as to improve the granularity of automated reporting available to us).

Contractor lead indicator statistics

The table below is a reflection of contractor statistics for the previous three months on a selection of four construction project sites followed by a summation of March lead indicators for all contractors.

This indicates a positive culture of monitoring of activities and equipment. Contractors are reviewing hazards to ensure controls remain adequate and implementing actions where required. Safe behavioural observations indicate that contractors are also looking at 'what is going right' at site operational level. No significant trends have been identified. As requested, an additional column for "Corrective Actions Raised" has been added and this information is now being provided by our contractors.

2018	Hours Worked	Audits	Inspections	Hazards Identified	Corrective Actions Raised	Corrective Actions completed	Safe Behaviour Observation	Safety Meetings held
North Shore Trunk Sewer 8 Upgrade								
February	3675	4	6	6	18	16	32	45
March	2629	1	2	1	3	3	8	20
April	6479	3	10	1	0	2	59	91
Albany-Pinehill Watermain								
February	630	2	0	10	31	31	0	17
March	7421	1	0	0	0	0	0	52
April	7430	1	0	0	3	3	0	61
Glen Eden Wastewater Storage Tank								
February	1320	0	2	2	2	2	0	22
March	3518	0	1	2	2	2	0	0
April	206	0	1	0	0	0	0	8
Army Bay WWTP Outfall Upgrade								
February	8680	1	8	86	6	4	6	57
March	13580	0	4	85	3	3	6	58
April	14780	0	4	104	2	101	4	55
Sub-Total of above projects - April								
	28895	4	15	104	5	106	63	215
All projects - April								
	74483	17	42	168	5	210	159	408

Appendix B

Major Recommendation	Action Plan
Conduct a formal risk assessment on areas around the filtration equipment that remain unguarded. (Membrane Filter Gallery). Determine and implement robust interim control measures until a permanent solution can be installed.	Access is currently restricted by means of chain barriers as an interim measure. Formal risk assessment will be carried out on 30/05/2018 with workers and management. Equipment requiring access will be identified and engineering and administrative controls will be reviewed.
Conduct a formal risk assessment on the use of the fixed caged ladders, and determine and implement interim control measures. This could include a locked barrier and completion of a JSA when entry is required.	Chains and locks will be installed at the bottom of the ladders as an interim measure. The Waikato WTP chemical upgrade project has been approved and will cover the replacement of the chemical tanks (as well as access points). The project manager will be informed of audit recommendations to include in design review.
Formalise risk assessments on all confined spaces, and review the Confined Space Register. Ensure workers can find information on potential hazards and known control measures (e.g. isolation procedures relevant to the space).	Review confined space register, and include all manholes. Entry into a confined space is not a routine task. A JSA is developed and approved by the Operations Controller or Area manager for confined space entries. Control measures are reviewed based on the activity in the space, and around the space.
Ensure all confined spaces are adequately identified by signage in accordance with NZS/AS 2865	To be actioned for confined spaces not already identified by signage. Manholes will not be signed due to the vast number, but will appear on the confined space register.
Update and complete the draft training register to ensure appropriate employee competency for work associated with critical risks.	The training register will be updated and added to the KPIs reported monthly to Tier 3 Manager.
Conduct a formal risk assessment for the access hatch in the plant room floor and the unguarded areas around equipment in the raw water shed that present a risk of falling through. Determine and implement appropriate control measures.	Formal risk assessment will be carried out on 30/05/2018 with workers and management. Engineering and administrative controls will be reviewed.

WATERCARE SCORECARD 2017/2018																		
On budget, on time, within parameters		Unfavourable but within parameters		Major issue, needs attention														
	SOI	2017/18 Target	Amber Threshold	Red Threshold	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	
1 Safe and Reliable Water																		
1a	<input checked="" type="checkbox"/>	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1b	<input checked="" type="checkbox"/>	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1c		100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1d		100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1e		100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1f		50%	n/a	<45%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1g		50%	n/a	<25%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1h		≥95%	93% to <95%	<93%	96%	95%	95%	95%	93%	94%	93%	93%	93%	93%	93%	92%	92%	92%
1i		≤10	>10 to 12	>12	5.7	5.9	6.0	6.0	6.0	6.0	6.1	6.0	6.2	6.0	5.9	5.9	6.0	6.0
1j		Unrestricted	Subjective	restrictions apply	Subjective	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
1k		Unrestricted	Subjective	restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Subjective	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
2 Healthy Waterways																		
2a		≤5	>5 to 7	>7	1.89	1.90	1.92	2.09	2.28	2.37	2.37	2.42	2.28	2.25	2.2	2.0	2.6	2.6
2b	<input checked="" type="checkbox"/>	≤ 2 overflows per year per engineered overflow point	Low risk non-compliance	High risk non-compliance	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
2c	<input checked="" type="checkbox"/>	≤10	>10 - ≤15	>15	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
2d	<input checked="" type="checkbox"/>	a) ≤2 b) ≤2 c) ≤2 d) 0	n/a	>2 (for any)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2e		≤10	>10 to ≤12	>12	9.00	9.20	9.28	9.36	9.26	9.17	9.20	9.07	8.83	8.60	8.50	7.90	8.90	8.90
2f		100%	98 to <100%	<98%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2g		35%	n/a	<35%	86%	80%	87%	76%	76%	79%	88%	83%	79%	80%	78%	76%	77%	77%
3 Customer Satisfaction																		
3a	<input checked="" type="checkbox"/>	≤ 60 mins	>60 - ≤90 mins	>90 mins	41 mins	41 mins	41 mins	41 mins	44 mins	45 min	46 min	49 min	51 min	53 min	57min	58 min	57 min	57 min
3b	<input checked="" type="checkbox"/>	≤ 5 hours	>5 - ≤ 8 hours	>8 hours	2.9 hours	2.8 hours	2.8 hours	2.7 hours	2.7 hours	2.7 hours	2.8 hours	2.8 hours	2.9 hours	3.0 hours	3.0 hours	3.0 hours	2.9 hours	2.9 hours
3c	<input checked="" type="checkbox"/>	≤ 3 days	>3 - ≤ 5 days	>5 days	1.0 days	1.0 days	1.0 days	1.0 days	1.1 days	1.1 days	1.2 days	1.9 days	2.1 days	2.8 days	2.9 days	3.1 days	3.0 days	3.0 days
3d	<input checked="" type="checkbox"/>	≤ 6 days	>6 - ≤ 8 days	>8 days	2.1 days	2.0 days	2.1 days	2.1 days	2.0 days	2.1 days	2.1 days	2.8 days	3.1 days	3.8 days	4.1 days	4.3 days	4.2 days	4.2 days
3e	<input checked="" type="checkbox"/>	≥80%	≥75% to <80%	<75%	82.2%	82.4%	82.4%	82.8%	83.4%	83.7%	83.7%	83.5%	83.4%	80.0%	82.7%	82.4%	82.4%	82.4%
3f	<input checked="" type="checkbox"/>	≤ 10	>10 - ≤15	>15	5.9	5.7	5.6	5.4	5.3	5.1	5.1	5.1	5.1	5.1	5.1	5.0	4.5	4.5
3g	<input checked="" type="checkbox"/>	≤ 60 mins	>60 - ≤90 mins	>90 mins	50 mins	50 mins	50 mins	51 mins	51 mins	51 min	51 min	52 min	51min	51min	51min	51min	49min	49min

4.3

WATERCARE SCORECARD 2017/2018																			
On budget, on time, within parameters		Unfavourable but within parameters			Major issue, needs attention														
	SOI	2017/18 Target	Amber Threshold	Red Threshold	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18		
3h	Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault	☑	≤ 5 hours	>5 - ≤ 8 hours	>8 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.0 hours	
3i	The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system expressed per 1000 connections to the territorial authority's sewerage system	☑	≤ 50	>50 - ≤ 75	>75	24.5	24.4	24.1	23.5	23.1	22.6	22.4	22.4	22.3	22.3	23.1	18.8		
3j	Number of water quality complaints (taste, odour, appearance) per 1,000 water supply connections (12 mth rolling average)		≤5	>5 to ≤5.5	>5.5	3.30	3.50	3.46	3.48	3.50	3.46	3.47	3.56	3.55	3.53	3.60	3.40		
3k	Percentage of complaints being 'closed and resolved' within 10 working days (12 mth rolling average)	☑	≥95%	≥90% to <95%	<90%	97.6%	97.9%	98.1%	98.9%	99.9%	99.4%	99.4%	99.4%	99.3%	99.1%	99.0%	98.5%		
3l	Net Promotor Score (12 month rolling average)		>30	26-29	≤ 25	New measure			28	30	32	31	30	30	29	30	29	30	
3m	Percentage of the 19 lwi groups throughout Auckland that Watercare have entered into a Memorandum of Understanding with (target for end of FY16/17)	☑	≥75%			Annual measure		16.00%	21.05%	21.05%	21.05%	26.32%	26.32%	26.32%	26.32%	26.32%	31.57%		
4 Health, Safety and Wellbeing																			
4a	Lost-time injury frequency rate per million hours worked (12 month rolling average)	☑	≤5	5 - 7	>7	2.42	2.41	2.4	2.4	4.19	4.17	4.14	4.11	4.1	3.51	4.11	4.1		
4b	Percentage of total hours absent due to illness (12 mth rolling average)		≤2.5%	>2.5 to 3.5%	>3.5%	2.28%	2.28%	2.29%	2.29%	2.37%	2.35%	2.37%	2.91%	2.94%	2.97%	2.94%	2.98%		
4c	Percentage of voluntary leavers relative to number of permanent staff (12 mth rolling average)	☑	≤12%	>12 to 14%	>14%	10.76%	11.15%	12.00%	12.38%	11.88%	11.19%	12.90%	12.78%	13.28%	12.71%	13.54%	13.75%	13.74%	
4d	Total recordable injury frequency rate per million hours worked (12 month rolling average)	☑	<20	>20 to <23	>23	10.9	12.06	13.2	13.81	15.44	13.69	14.19	14.11	13.48	14.05	12.29	11.14		
5 Financial Responsibility																			
5a	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	☑	≥2.5	2.4 to <2.5	<2.4	3.92	3.91	3.94	4.53	4.10	4.05	3.97	4.00	4.09	4.09	4.12	4.17	4.18	
5b	Percentage of household expenditure on water supply services relative to the average household income	☑	≤1.5%	1.2 to <1.5	>1.5	0.87%	0.86%	0.86%	0.89%	0.85%	0.85%	0.86%	0.87%	0.92%	0.94%	0.95%	0.92%	0.90%	
5c	Water & wastewater revenue against budget YTD %		≥100%	≥98% to <100%	<98%	100%	100%	101%	101%	102%	101%	101%	101%	103%	103%	102%	102%	102%	
5d	Infrastructure growth charge revenue against budget YTD %		≥100%	≥95% to <100%	<95%	112%	111%	113%	162%	118%	113%	107%	108%	101%	96%	97%	97%	101%	
5e	Controllable costs against budget YTD %		≤100%	>100 to ≤102%	>102%	97%	98%	99%	101%	105%	104%	102%	101%	101%	100%	99%	99%	99%	
5f	Total contribution against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	29.7	38.2	53.1	8.59	7.11	8.97	9.54	12.02	15.09	14.16	13.37	17.01	24.97	
5g	Net surplus / deficit before tax against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	120.4	109.99	141.84	0.08	-11.9	0.7	-9.9	-12.0	-1.1	7.2	5.40	-4.5	18.48	
5h	Total net borrowing against budget YTD (\$ millions)		Negative	\$0.1m to \$10m	> \$10m	-20.70	-26.60	-23.50	-6.80	-7.50	-8.30	-14.50	-15.90	-10.00	-23.20	-26.20	-40.90	-43.00	
6 Fully Sustainable																			
6a	The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	☑	268 + / - 2.5%	≥274.7		272	272	272	272	272	273	273	273	276	276	276	277	279	
6b	Per capita consumption (litres / person / day) - Residential Monthly PCC		Information only			154	152	152	150	147	149	153	162	169	167	164			
6c	Non-Domestic Monthly Water Volume		Information only			2,905,975	2,948,602	2,887,411	2,869,036	2,953,759	2,850,758	3,006,935	3,186,122	3,406,703	3,190,594	2,989,184			
6d	Non-Revenue Water Percentage		Information only			17.1%	17.0%	17.1%	17.2%	17.2%	17.3%	17.3%	17.4%	17.9%	18.2%	18.2%			
6e	The percentage of real water loss from the local authority's networked reticulation system (rolling 12 mth average)	☑	≤13%	>13 to 13.2%	>13.2	11.9%	11.8%	11.9%	12.0%	12.0%	12.1%	12.1%	12.3%	12.8%	13.1%	13.1%			
6f	Percentage of annual potable water transmission system losses (12 month rolling average)		No specific target - information only			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
6g	Percentage of annual potable water network losses (12 mth rolling average) - Urban as a percentage of total volume		No specific target - information only			9.7%	9.5%	9.6%	9.7%	9.7%	9.8%	9.8%	10.0%	10.5%	10.8%	10.7%			
6h	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of total volume		No specific target - information only			0.33%	0.31%	0.31%	0.32%	0.33%	0.34%	0.35%	0.35%	0.37%	0.4%	0.4%			
6i	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of rural volume		No specific target - information only			21.8%	20.7%	20.8%	21.3%	21.7%	22.3%	22.6%	22.8%	23.9%	23.8%	23.8%			
7 Policy Compliance																			
7a	Compliance with Treasury Policy		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	

4.3

Report to the Board of Watercare Services Limited

Subject: Chief Executive Report – April 2018

Date: 22 May 2018

HEALTH AND SAFETY

1. HEALTH AND SAFETY SNAPSHOT

There were no Lost Time Injuries (LTI), Restricted Duties Injuries (RDI) or Medical Treatment Injuries (MTI) involving Watercare employees during April 2018.

The rolling 12 month Lost Time Injury Frequency Rate (LTIFR) for employees is 4.10 per million hours, remaining below the Statement of Intent target of ≤ 5 .

The rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) is 11.14 per million hours, and remains below the Statement of Intent target of ≤ 20 .

STRATEGIC OBJECTIVES

2. DIGITAL AND SELF SERVICE

Watercare has prioritised the use of digital channels and digital technologies to enhance the customer experience, provide customers with more choice as to how to interact with Watercare, and to more efficiently manage high volume transactions. This approach aligns with the Customer Focus and Business Excellence strategic objectives.

In March 2018, three new digital tools were released on the Watercare website. Customer uptake of the digital channels has been good with 32% of new connections and works over applications lodged online in April and 30% lodged online since launch. During April, 23% of faults were reported through the online channel.

During April 2018, a further website enhancement was released to provide customers with a geographic view of planned and unplanned water outages. Further user-navigation improvements and functional enhancements are planned for the website over the coming months. The most significant of these will be the release of a Watercare app that offers customers the opportunity to use the website functionality presented through an app-based experience.

3. CYBER SECURITY

It has been reported in the media that a glitch in the security settings of the Vector mobile app resulted in the personal details of more than 33,000 of its customers being made available to other app users.

In light of these issues, Management sought to confirm whether the same features (and weaknesses which may be exploited) are present in the Watercare 'report a fault' service.

The Vector mobile app is a standalone application. The key difference of the Watercare 'report a fault' service is that it is web based and sits behind the Watercare website interface, and therefore has the same security settings as the website.

The website designers have confirmed that, in keeping with industry best practice, there are no open or unprotected databases storing customer information that can be accessed from outside the Watercare network. In addition, a user can only access account information for the specific accounts to which access has been specifically granted.

As part of the website upgrade, the vulnerability of customer data was tested by security specialists from PwC who confirmed that the security settings are such that customer information could not be accessed.

4. PEOPLE AND CAPABILITIES

Watercare has made two new Executive appointments:

- Amanda Singleton has been appointed as Chief Customer Officer. Amanda started with Watercare on 7 May 2018 and brings significant experience to this newly created role. Prior to joining Watercare, Amanda was a senior executive at Vodafone in New Zealand and Vodacom in South Africa, as well as Genesis.
- Shane Morgan is Chief Operations Officer. Shane's appointment followed an extensive recruitment process that spanned Australasia. The calibre of all candidates was very high and the internal appointment and promotion of Shane (currently Watercare's Manager of Wastewater) is testament to Watercare's focus on building exceptional talent. Shane brings with him a wealth of industry and leadership experience gained through his roles both within and outside Watercare.

Management have been prioritising aligning the organisation to deliver to the customer centric strategy. This has identified opportunities to align the organisation, drive efficiency and reduce duplication. In late April, the Target Operating Model (TOM) moved into the consultation period. While the organisational structure is only part of the TOM programme, it is an aspect that is currently under review. A key part of TOM has been to look at our leadership capability across the business, to break down silos and reorganise the way we work. In May, the process will move into the confirmation period.

While the company works through this transition, non-essential recruitment remains on "lock down".

CUSTOMER FOCUS

5. STRATEGIC TRANSFORMATION PROGRAMME (STP) UPDATE

The discovery phase of the Strategic Transformation Programme continues as planned having completed the first three month release cycle (Release 1) providing the foundational capability for the programme.

Release 1 included the establishment of the customer model, the processing of meter readings and improvements to developer collaboration. A mobile product was released to a small user group focused on health & safety and enhancement of hazard information at the point of work. Improvements were also made to project management processes and the data inputs that support the infrastructure planning process.

Release 2 planning has been completed and Release 2 is underway with continued focus and development across the core capability sets. A deep-dive on project benefits is planned for the STP Committee meeting in May 2018.

6. CUSTOMER SATISFACTION

In April 2018, the customer satisfaction score was 82.4%. The rolling 12 month average remains above target, with an average score of 82.4%, against a target of 80%.

Complaint resolution was 95.7% for April 2018. The rolling 12 month average is 98.5%, against a target of 95%.

The Net Promoter Score (NPS) rolling 12 month average was 30, against a target of >30.

SHAREHOLDER AND STAKEHOLDERS

7. RELATIONSHIP AGREEMENT SIGNED BY NGĀTI PAOA AND WATERCARE

On 11 April 2018, Watercare and Ngāti Paoa signed a relationship agreement at a ceremony at Watercare's offices. Hauauru Rawiri, Chief Negotiator and Chair signed on behalf of Ngāti Paoa. Margaret Devlin, Chair of Watercare, signed on behalf of Watercare. This brings to six the number of relationship agreements with Iwi.

8. INTERACTION WITH LOCAL BOARDS DURING APRIL 2018

Over April, the Hibiscus and Bays Local Board granted Landowner approval for the Mairangi Bay Wastewater Pump Station redevelopment. This has been the culmination of several years of work and negotiation involving Parks, the Local Board and Watercare. The approval is an important milestone in the development of wastewater infrastructure that will accommodate growth and help reduce wet weather overflows.

A workshop briefing was held with the Rodney Local Board on water and wastewaters servicing in Rodney rural townships. The Local Board Chair also joined local media for a tour of the new Warkworth Water Treatment Plant currently under development. Media information and a site video were also shared with the local board.

A presentation was given to the Otara Lakes and Waterways Trust including Otara and Howick Local Board representatives. Information on the proposed enhancements to the local wastewater network was well received.

A number of local board information requests and escalations on faults, inflow and infiltration investigations were also responded to along with traffic notices associated with projects in View and Wairau Road.

A full schedule of local board interactions over the month is appended as **Appendix C**.

9. WORKING WITH AUCKLAND COUNCIL – SPECIAL PURPOSE VEHICLES (SPV) FOR MAJOR CAPITAL PROJECTS

Management is continuing to work with Council Officers and their advisors to develop a template for a Local Government Special Purposes Vehicle (SPV), which could be used to finance Watercare

projects in the future, without impacting on Council Group debt headroom. Progress has been made on a proposal that outlines:

- A possible structure;
- The requirements for charging and commercial relationships between the parties; and
- Legislative change and Government Support required to make the SPV possible and successful.

Further work will be conducted throughout June 2018 to allow for an assessment by Rating Agencies to ensure it achieves the objective of positively impacting Auckland Council's credit rating.

Once the structure is validated and accepted by both the Rating Agencies and the Crown, it can then move into implementation. Projects can then be assessed to determine whether they are appropriate candidates for SPV financing. This will include assessing the cost/benefit equation for each candidate project.

10. TRADE WASTE BYLAW REVIEW

Further to the September 2017 Board meeting, the review of the Trade Waste Bylaw is progressing. This review is mandated by the Local Government Act 2002, which requires all bylaws to be reviewed 5 years after introduction, and then every 10 years thereafter. This first 5-year review provides Watercare with an opportunity to clarify some of the definitions in the current bylaw, which should remove areas of confusion. It should also allow Watercare to strengthen controls around greasy waste and reduce unnecessary regulation.

Over the last six months, Watercare has undertaken research and engagement, including with Local Boards. The "Findings Report" has undergone an independent technical review and been reviewed by Council regulatory staff.

The key findings are that the current Bylaw is efficient and effective in providing protection to the wastewater system, people and the environment from the risks of trade waste discharges. It is also well accepted by stakeholders. A Findings Report includes suggestion for some minor improvements around fats, oils and grease as well as clarifications around the definitions and removal of redundant clauses.

The Findings Report will be submitted to Auckland Council's 14 June 2018 Regulatory Committee meeting for consideration.

Work is continuing on the "Options Report". This report will be submitted to Auckland Council's July 2018 Regulatory Committee meeting for consideration.

11. S17A VALUE FOR MONEY UPDATES

Procurement

Following the transfer of responsibility for s17A from the Finance and Performance Committee to the Appointments, Performance Review and Value for Money (APRVFM) Committee, the Procurement s17A report will now be tabled at their 7 June 2018 meeting. The report will be considered by the Committee in the "open to the public" portion of the agenda.

Three Waters

The s17A Three Waters review has progressed with Watercare, Auckland Council and Auckland Transport working collaboratively to identify opportunities for savings.

A report outlining a programme of savings will be reported to the Appointments, Performance Review and Value for Money Committee on 7 June 2018. Watercare Management will be attending the meeting. Future updates to the Committee will be quarterly.

Work to date has identified a sum of \$293m of deferred and avoided expenditure and savings in joint activities between Watercare, Auckland Council and Auckland Transport delivered over the next decade. In the first year (2017/18) a sum of \$181m has been realised through savings, deferred and avoided capital expenditure. This includes Watercare reviewing its Asset Management Plan to identify \$179m of capital expenditure that can be deferred or avoided without increasing operational risk. This has allowed funding for the Western Isthmus Water Quality Improvement Programme to be brought forward and assisted Auckland Council in managing its debt to revenue ratio. Further benefits have been achieved through joint co-ordination of projects between Watercare, Healthy Waters and Auckland Transport.

A councillor requested advice on options for integration between Watercare and Veolia for the planning, funding and delivery of water supply and wastewater infrastructure in Papakura. This will be addressed in the June Report - Watercare and Veolia are working more closely to align how water and wastewater infrastructure is delivered in Papakura with particular emphasis on growth infrastructure to meet growth.

Work is also progressing on evaluating outsourcing of stormwater operations and maintenance with a report due to be presented to the Appointments, Performance Review and Value for Money Committee in December 2018.

Communications

Watercare Communications will soon join the Council Group agreement for media monitoring services. When renewed, Watercare's contract with Isentia will be based on the Group-agreed charges and terms of service.

Customer Service Review and Information and Communication Technology Review

The next two s17A reviews are "Customer Service" and "Information and Communication Technology" (ICT). Both reviews are in the initial data-collection stage, with the final recommendations due in August/September 2018.

12. PROCUREMENT UPDATE**SAP Ariba**

A post implementation review undertaken by Council has yet to be shared with AT or Watercare as recommended in the S17a review. The aim is for Watercare to review the suitability of SAP Ariba vs other solutions and make a recommendation by December 2018. This is in line with AT's timeframes whom we will coordinate with on the review.

The procurement team working with Council and AT is currently developing a spend analysis tool using an SAP Ariba product.

Group source Procurement

Recent initiatives are:

- Electricity supply
- PPE and uniforms
- Travel agreement with Air New Zealand.

Current initiatives are:

- Mobile Voice and data agreement extension with Vodafone
- Geotechnical panel
- Media intelligence.

13. AUCKLAND'S WATERS

Auckland Council is due to report to the Environment and Community Committee at their 12 June 2018 committee meeting. The report will outline the scope, budget and timeframes of the Auckland's Waters Strategy and will seek approval for the strategy's budget and forward plan.

The Auckland's Waters Programme Manager will present to the Watercare Board in October/November 2018. An update will also be provided to the Auckland Transport Board.

14. MINISTRY OF LOCAL GOVERNMENT - REVIEW INTO THE THREE WATERS

On 27 April 2018, Hon Nanaia Mahuta, Minister for Local Government, advised Watercare and other water industry members that that the Government, led by the Department of Internal Affairs, will be undertaking a broad-ranging review of the way the three waters (drinking water, wastewater and stormwater) are managed in New Zealand.

A copy of the Minister's letter is appended as **Appendix D**.

15. AUDITOR GENERAL'S 2018/2019 DRAFT PLAN

The Auditor General has released their draft plan for 2018/19.

A summary of the reports that the Auditor General plans to release over the next few years is appended as **Appendix E**.

Of interest to Watercare, the Auditor General plans to:

- Complete work on the theme "Water Management". Six reports are expected including a report on the "Management of stormwater networks to reduce the effect of flooding" and "Optimising the demand for and the supply of drinking water";
- Focus on the theme "Procurement"; and
- Conduct a review of Auckland Council's service performance (effectiveness of post-implementation reviews of projects).

16. WATER SUMMIT, WELLINGTON, 30-31 MAY 2018

In late May 2018, Local Government New Zealand, in conjunction with Water NZ and the Institute of Public Works Engineering Australasia, will host a Water Summit that will explore:

- possible changes to the regulatory framework for drinking water;
- funding options on how to meet the challenges facing water services;
- alternative options for the delivery of water services;
- responses to challenges of freshwater management; and
- options for allocation.

Watercare will speak about the Watercare model, as part of a wider discussion on various models for the delivery of three waters.

A copy of the programme for the Water Summit is appended as **Appendix F**.

17. SOUTHWEST SUB-REGIONAL WASTEWATER SERVICING PROJECT

Watercare received a favourable decision from Auckland Council commissioners for the Southwest Sub-Regional Wastewater Servicing Project with a 35-year term. This is a particularly important decision, with a discharge to the Manukau Harbour providing a strong signal for the future consenting of the Mangere WWTP. An appeal was lodged against the decision by The Manukau Harbour Restoration Society Incorporated and Mr Whyborn, who joined the appeal in February 2018. A Court date has not yet been determined but meetings have been held with the appellant in an attempt to resolve the appeal. This included a formal Environment Court mediation. The mediation has reached a conclusion with all substantive appeal points being addressed by updated proposed consent conditions. These are now being considered by the parties. The Court requires confirmation of a settlement to the appeal or otherwise by 30 May 2018.

18. HUIA WATER TREATMENT REPLACEMENT PLANT DESIGNATION CONFIRMED

The High Court has dismissed an appeal by the Titirangi Protection Group and others, who were disputing the designation over land where Watercare intends to construct the Huia Water treatment plant replacement plant. The current plant, built in the 1920s, is in urgent need of renewal in order to supply water for the next 100 years. The new plant will be located at the corner of Woodlands Park Road and Manuka Road, treating water from the Upper and Lower Huia Dams and Upper and Lower Nihotupu Dams. This land, adjacent to the current Huia Water Treatment Plant, has been vacant for many years, and has always been designated for future use, if Watercare required it. The Titirangi Protection Group were disputing the validity of that designation.

Supporting an earlier Environment Court decision, Justice Graham Lang ruled that the land on which Watercare plans to build the replacement is correctly designated. The judgment has implications for other organisations confirming land designations.

The Titirangi Protection Group and other appellants have until mid June 2018 to lodge an appeal with the Court of Appeal. In the absence of an appeal, Watercare will lodge the necessary regional consents required for construction to begin.

In the meantime, Watercare's communications team are continuing to field and answer questions from local residents regarding the project. In particular, the Community Liaison Group, established for the project, continues to meet regularly and consider the technical reports being developed by the project team. The Group's feedback help shape the content of the assessment of environmental effects.

19. IMPROVED WEATHER FORECASTING – NIWA’S SUPER COMPUTER

Watercare works closely with NIWA in a number of areas, including weather forecasting and climate change modelling.

NIWA’s new \$18m Cray supercomputers will soon go live. The Cray will enable New Zealand scientists to conduct leading edge research on the environment and climate simulation and improve scientists’ (and therefore Watercare’s) ability to forecast the impacts of severe weather events such as flooding, storm surge and inundation. They will also be used to model climate change, river flow, ocean levels and wave patterns, to help the country better prepare for the future.

The supercomputers will improve NIWA’s ability to create forecast models that are more aware of New Zealand’s complex geography, use more data and deliver faster and more reliable forecasts of hazards - especially flooding and coastal inundation.

Specific benefits of the Cray supercomputer that Watercare is likely to benefit from include:

- Weather forecasts to “individual farm scale” (down to a 1.5km scale);
- warnings of storm surge
- Improved climate change modelling, including more precision around sea level rise.

20. “FLUSHABLE” WIPES – ACCC DECISION

The Australian Competition and Consumer Commission (ACCC) has successfully prosecuted Pental, a wipes manufacturer, for making false and misleading misrepresentations about flushable toilet and bathroom wipes. The issues with the claims appear to centre around biodegradability.

The Australian Federal Court ordered Pental to pay penalties totalling AU\$700,000. The ACCC also has proceedings in process against Kimberley Clark PTY for making similar representations.

The implications of the above action is likely to be limited to the companies adjusting advertising statements. It is uncertain at this stage whether this will result in companies being required to specifically describe these types of products as “non-flushable”.

BUSINESS UPDATE**21. FINANCE**

Monthly performance – Total Contribution of \$12.0m (\$7.9m favourable to budget).



All revenue categories were favourable for the month against budget.



Maintenance costs were \$0.6m unfavourable to budget principally due to unplanned maintenance costs that were \$1.1m unfavourable to budget. This was due to extreme weather events that occurred during the month. Partially offsetting this variance was planned maintenance, which was \$0.5m favourable to budget. Planned maintenance was unable to be undertaken due to inclement weather and also because in-house and external resources were engaged with the unplanned works during and after the storm event.

Operating costs were \$0.1m unfavourable to budget principally due to higher chemical costs that were incurred during the month as a consequence of managing the extreme weather events.



April controllable costs were \$0.3m unfavourable to budget. This was principally due to the unfavourable unplanned maintenance costs as discussed above. These unfavourable costs have been partially offset by favourable variances to planned maintenance \$0.5m, net labour \$0.2m and energy costs \$0.1m.

Year to date and Full year performance

Figures (\$millions)	Year to Date			Full Year		
	Actual	Budget	Var	Forecast	Budget	Var
Revenue	527.4	510.2	17.2	644.6	617.5	27.1
Operating Expenses	177.7	179.5	1.8	213.8	213.6	(0.2)
Depreciation	183.2	189.6	6.4	225.5	230.0	4.5
Interest expense	67.8	67.4	(0.4)	82.9	82.0	(0.9)
Total Contribution	98.7	73.7	25.0	122.4	91.9	30.5
Non-operating costs/(income)	10.2	6.7	(3.5)	1.2	8.0	6.8
Financial instruments revaluation -	3.0	-	(3.0)	2.9	-	(2.9)
Operating Surplus / (Deficit) Before Tax	85.5	67.0	18.5	118.3	83.9	34.4
Deferred Tax - Expense/(Credit)	35.0	27.4	(7.6)	47.2	35.6	(11.6)
Net Surplus / (Deficit) After Tax	50.5	39.6	10.9	71.1	48.3	22.8

Year to Date

- Year to date revenue is \$17.2m favourable against budget with all revenue categories favourable apart from New Developments revenue which is unfavourable \$0.4m.
- Controllable costs are \$1.8m favourable with favourable variances for planned maintenance costs, chemical costs and other operating costs. These have been partially offset by unfavourable unplanned maintenance costs, energy costs and net labour due to beneath budget labour capitalisation/recoveries.
- Net contribution is \$25m favourable to budget principally due to favourable variances for revenue, controllable costs and depreciation.
- Net surplus after tax year to date is \$50.5m, a favourable variance to budget of \$10.9m primarily due to the favourable net contribution of \$25m.

Full Year Forecast

- Full year revenue is forecast at \$644.6m, favourable to budget by \$27.1m, largely due to expected higher than budgeted water and wastewater revenues of \$7.1m, IGC revenue \$10.6m and vested asset revenue \$8.0m.
- Forecast water and wastewater revenues assume an on budget position for the remaining months of the year. Forecast IGC revenue reflects an expected \$10.6m of additional revenue from Veolia and an on budget position for other IGC revenue.
- Controllable costs are expected to be unfavourable to budget \$0.2m (a favourable improvement of \$0.2m from the previous month forecast) with unfavourable variances for unplanned maintenance, professional services, energy and net labour due to lower labour capitalisation.

Financial Position

\$million	Actual Mar-18	Actual Apr-18	Monthly Movement	Budget Apr-18	Var from Budget
Non Current Assets	8,947.2	8,962.6	15.4	8,952.2	10.4
Current Assets	90.2	89.9	(0.3)	82.5	7.4
Total Assets	9,037.4	9,052.5	15.1	9,034.7	17.8
Other Liabilities	340.2	322.4	(17.8)	313.3	9.1
Deferred Tax Liability	1,087.9	1,095.3	7.4	1,073.7	21.6
Borrowings - Short Term	361.4	388.1	26.7	356.5	31.6
Borrowings - Long Term	1,257.9	1,237.9	(20.0)	1,312.4	(74.5)
Shareholders Funds	5,990.0	6,008.8	18.8	5,978.8	30.0
Total Liabilities and Shareholders Funds	9,037.4	9,052.5	15.1	9,034.7	17.8

The major movements in the Statement of Financial Position as at 30 April 2018 compared with 31 March 2018 were the downward movement on other liabilities due to the revaluation of derivative financial instruments, an increase in borrowings and the impact of capital expenditure on non current assets.

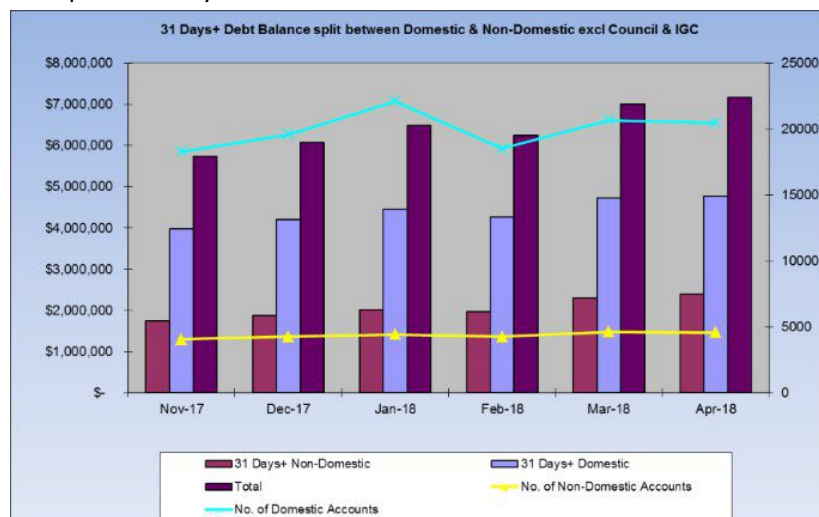
Compared with budget the material variances were in part in respect of a different opening position than assumed when the budget was set including higher retained earnings, higher property plant and equipment, higher deferred tax liability and a lower level of debt than anticipated. Net debt at \$1,626m was \$42.9m below budget.

Forecast year end debt is now \$1,611m compared with the budgeted \$1,682m. This saving primarily reflects:

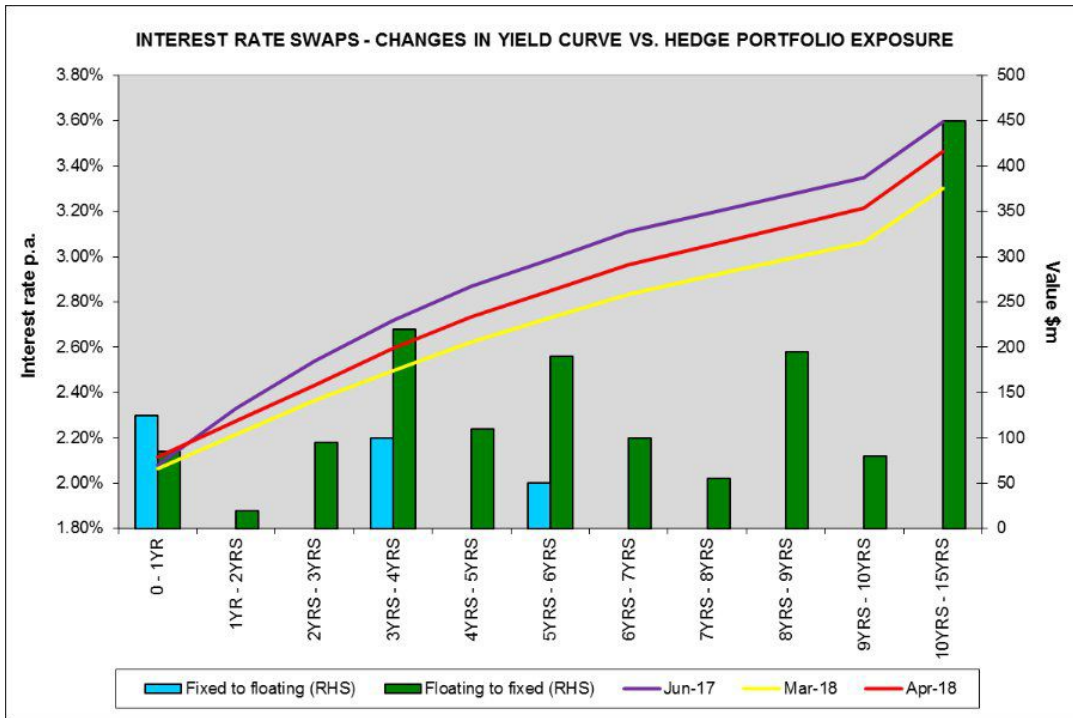
- lower debt at 1 July 2017 than expected at the time the budget was set - \$9m
- above budgeted cash from revenues - \$20m
- beneath budget cash spend on capex - \$33m
- unbudgeted land disposals \$10m.

Aged Receivables

The 31 days+ debt balance at the end of April was \$7.2m, \$0.15m higher than March 2018. The split of 31 days+ receivables between residential and non-residential is shown below:



Treasury



As expected, and notified to and noted by the Board at previous meetings, Watercare was in breach of the liquidity risk management parameter (Treasury Policy section 3.2) as at the end of April. The liquidity risk management parameter stipulates that “Watercare will maintain available capacity under its committed facilities to at least cover its total projected debt requirements for the next six month period”. The out-of-policy position arose once we moved within six months of the \$125 million 26/10/18 medium-term note (MTN) maturity date.

Due to the impending integration of Watercare’s treasury function with Auckland Council, there was no need to put new committed facilities in place to address this situation, so the out-of-policy position will remain in place for the remainder of FY 2017/18. Note that the breach is purely technical in nature (i.e. does not pose immediate risk), as the MTNs mature after Auckland Council assumes Watercare’s treasury functionality.

Interest Analysis Smillion	Current Month			Year to date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	7.0	7.2	0.2	67.8	67.4	(0.4)	82.9	82.0	(0.9)
Capitalised Interest	0.7	0.7	-	9.9	10.9	1.0	11.6	12.6	1.0
Gross Interest	7.7	7.9	0.2	77.7	78.3	0.6	94.5	94.6	0.1
Less Interest Income	-	-	-	0.0	-	(0.0)	0.0	0.0	0.0
Net Interest	7.7	7.9	0.2	77.7	78.3	0.6	94.5	94.6	0.1

For the month of April gross interest was \$0.2m favourable to budget while capitalised interest was on budget. For the full year forecast gross interest is \$0.1m favourable to budget.

Capital Expenditure

Summary Capital Expenditure (Millions)	Apr-18			Year to Date			Full Year			
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var	Previous Forecast
Wastewater Projects										
Strategy & Planning	0.3	3.2	2.9	3.1	13.4	10.4	4.4	18.9	14.5	4.7
Infrastructure Delivery (excl Labs/MS)	12.0	12.9	0.9	112.7	122.7	10.1	138.5	153.5	15.0	142.3
Service Delivery	3.1	3.5	0.5	30.4	29.7	(0.6)	36.4	34.8	(1.6)	37.7
Wastewater Projects Capitalised Interest	0.6	0.5	(0.1)	8.0	8.8	0.8	9.2	10.0	0.8	9.1
Water Projects										
Strategy & Planning	0.3	0.9	0.5	2.3	8.0	5.6	4.2	10.2	6.0	4.4
Infrastructure Delivery (excl Labs/MS)	6.0	4.6	(1.4)	41.3	44.5	3.2	52.1	51.7	(0.4)	53.7
Service Delivery	4.5	4.1	(0.4)	40.3	40.3	0.1	49.1	48.9	(0.2)	49.4
Water Projects Capitalised Interest	0.1	0.2	0.1	1.9	2.1	0.2	2.4	2.6	0.2	2.6
Retail	1.1	0.9	(0.2)	10.8	10.1	(0.7)	14.5	12.3	(2.2)	14.2
Information Services	0.5	0.4	(0.1)	3.3	6.7	3.5	4.7	7.6	2.9	5.1
Other Projects	1.5	3.2	1.7	13.9	14.5	0.6	22.1	20.7	(1.4)	21.4
TOTAL	29.8	34.3	4.4	267.8	300.9	33.0	337.4	371.1	33.7	344.4
Includes Capitalised Interest of:										
Water Projects Capitalised Interest	0.1	0.2	0.1	1.9	2.1	0.2	2.4	2.6	0.2	2.5
Wastewater Projects Capitalised Interest	0.6	0.5	(0.1)	8.0	8.8	0.8	9.2	10.0	0.8	9.0
Total Capitalised Interest	0.7	0.7	0.0	9.9	10.9	1.0	11.6	12.6	1.0	11.5

The full year forecast at \$337.4m is \$33.7m below budget primarily due to:

- Consenting delays or purchase deferrals (\$12.0m) on Waitakere North Western strategy, Huia Water Treatment Plant, Huia and Nihotupu No. 1 Replacement Stage 2, Helensville WWTP improvements and Mangere Wastewater Strategic Model Area;
- Procurement deferrals to gain bundling and cost efficiencies (\$18.1m) on the Snells Algies WWTP Outfall, Local SCADA Networks, three package waste water treatment plants and Mangere Digester Electrical Upgrades;
- Clevedon Water and Wastewater servicing deferred to FY19 start as a result of developer delays (\$2.4m);
- Orewa No.1 Watermain replacement (\$1.7m) has been deferred to future years to align with growth requirements;
- Redoubt Road Reservoir Expansion, (\$1.2m), design occurring in FY19; and
- Forecast reduction resulting from reprioritisation of works and design/construction delays at Ardmore, Waikato 175MLD, Glendowie Branch Sewer, Rosedale WWTP and Snells Wastewater Upgrades, Control Network Security, North Shore Trunk Sewer 8, Pukekohe East Reservoir and the Albany Pinehill Watermain and Reservoir projects (\$41.5m).

These have been partially offset by higher spend on a Hunua 4 Section 11 land purchase and advanced works (\$4.0m), the acceleration of the Army Bay WWTP Outfall (\$16.3m), a revised forecast for the Strategic Transformation Programme, STP, (\$3.8m), Wynyard Quarter Wastewater Pumping Station (\$4.0m), upgrades to the Warkworth Water Network (\$10.8m) and advancement of the Water Pipeline renewal program (\$7.8m).

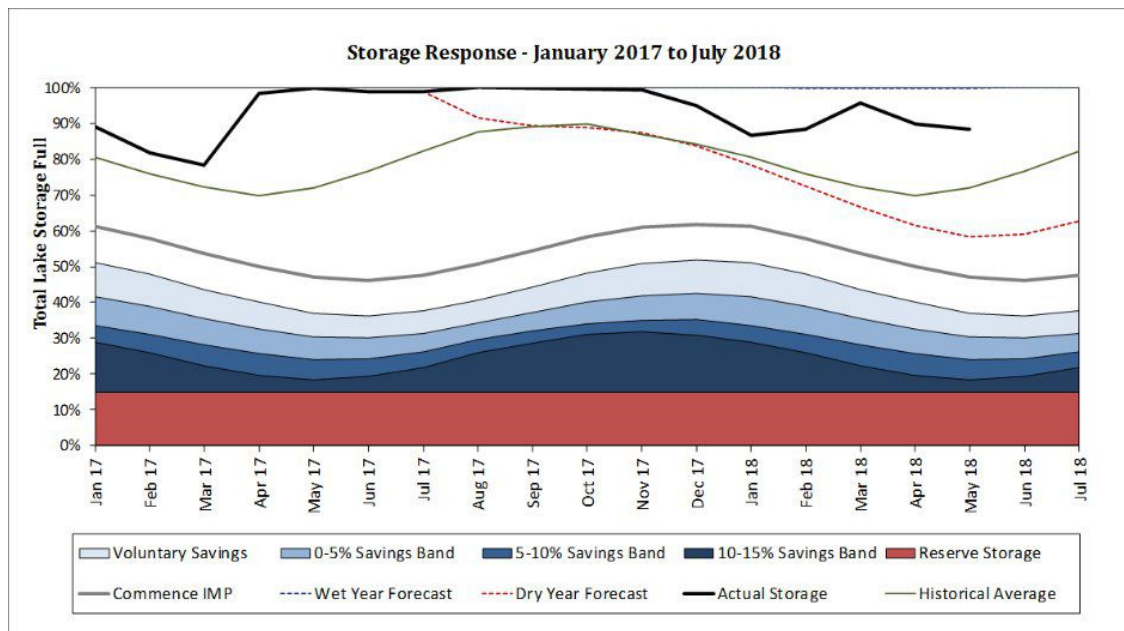
The infrastructure capital programme has delivered year to date \$215m against a budget of \$242m. The year-end forecast is \$306m against a budget of \$337m.

A Capital Expenditure Dashboard Report of all capital expenditure projects over \$15 million is shown in Item 6.2 of the public Board pack.

22. SERVICE DELIVERY

Rainfall for the month was above average for all areas across Auckland. Waitakere Ranges was 218% of average and the Hunua Ranges was 136% of average. Franklin and Rodney recorded 159% and 196% of average respectively.

Metropolitan total system storage ended April at 88.47%, down from 89.72%. Overall above average rainfall this month means storage is well above the historical average (69.9%) and is tracking above the normal storage response.



Water use in the first quarter of 2018, continued to be extremely high due to the hot weather. In December 2017, January and March 2018, water use repeatedly surpassed a record breaking 13,000,000 m³/month. April was again a month with extremely high water use, 10% above the same time last year. This is due to the weather being exceptionally hot during that month.

The target of 95% or greater for restoration within 5 hours of unplanned shutdowns, was exceeded in April (92%). This is due to the longer summer peak and an increased number of mains breaks, and there have been complex water main breaks, which have resulted in more shutdowns lasting longer. Workshops were held with the maintenance contractors to identify methods to reduce the length of unplanned outages. An immediate action already implemented is to escalate the incident to the Duty Network Engineer earlier to allow the Network Engineer to intervene earlier to assess alternative options that may reduce the impact on customers.

23. CENTRAL INTERCEPTOR UPDATE

Watercare is continuing its current procurement and delivery plan for the Central Interceptor. The project is meeting its timeframes, with the release of the Request for Proposal document to the four consortia occurring on 10 May 2018.

The Central Interceptor Executive Programme Director's April 2018 update to the Chief Executive is appended as **Appendix G**.

24. COMMUNICATIONS UPDATE

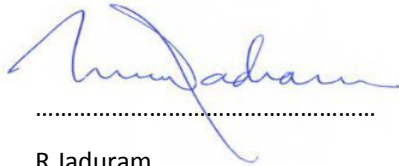
A snapshot of recent and planned communications activity and stakeholder engagement is appended as **Appendix H**.

25. INFRASTRUCTURE PROJECT UPDATES

Appended as **Appendix I** is a summary of significant infrastructure projects.

26. DOCUMENTS EXECUTED AND CONTRACTS AWARDED IN ACCORDANCE WITH THE DELEGATED AUTHORITY PROVIDED TO THE CHIEF EXECUTIVE BY THE BOARD

Appended as **Appendix J** is a summary of the documents executed and contracts awarded over \$100,000, as well as capital expenditure below \$15m, approved in accordance with the delegated authority provided to the CE by the Board.



.....
R Jaduram
CHIEF EXECUTIVE

WATERCARE SERVICES LIMITED

Apr-18

Key Financial Indicators

Financial performance	YTD	Page Ref
Total Revenue	●	A1
Operating Costs	●	A1
Interest expense	●	A1
Depreciation	●	A1
Net Contribution	●	A1
Financial position		
Net Borrowings	●	A4
Cashflow		
Operating cashflow	●	A2
Investing cashflow	●	A2
Treasury policy	Compliance	Page Ref
Committed facilities (liquidity risk)	●	A5
Fixed interest rate risk	●	A5
Credit risk	●	A6
Funding risk	●	A6, A7
Foreign exchange risk	●	A7

Key to Financial performance, Financial position and cashflow measures

- Favourable variance - actual result on or above budget for total revenue, net contribution, operating cash flow and actual result below budget for operating expenses, interest, depreciation, net borrowings and operating and investing cash flow
- Unfavourable variance - actual result below budget for total revenue, net contribution, operating cash flow and actual result above budget for operating expenses, interest, depreciation, net borrowings and operating and investing cash flow

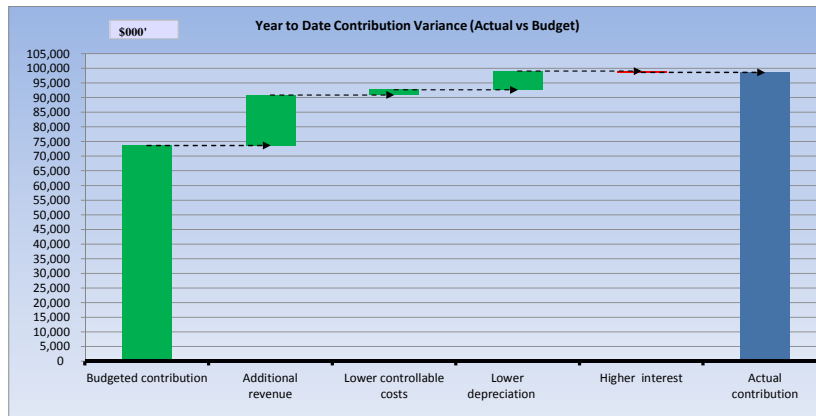
● **Interest expense** - interest expense was \$453k unfavourable to budget mainly due to lower capitalised interest than expected.

Key to Treasury policy compliance

- Full compliance
- Non compliance

WATERCARE SERVICES LIMITED												Apr-18	
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE												(\$000's)	
	Current Month				Year to Date				Full Year		Full Year		
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result	
Wastewater revenue	27,753	27,017	736	✓	278,008	274,649	3,360	✓	332,288	328,928	3,360	✓	
Water revenue	13,052	12,559	493	✓	132,247	128,504	3,743	✓	157,241	153,499	3,742	✓	
Infrastructure growth charge revenue	8,448	5,832	2,616	✓	68,330	67,549	780	✓	97,067	86,487	10,580	✓	
Other revenue	1,960	1,898	62	✓	24,208	22,834	1,375	✓	29,996	28,541	1,455	✓	
Revenue from exchange transactions	51,212	47,305	3,907	✓	502,792	493,536	9,257	✓	616,593	597,455	19,137	✓	
Vested assets revenue	3,909	1,667	2,242	✓	24,654	16,667	7,988	✓	27,988	20,000	7,988	✓	
Revenue from non-exchange transactions	3,909	1,667	2,242	✓	24,654	16,667	7,988	✓	27,988	20,000	7,988	✓	
Total revenue	55,121	48,972	6,149	✓	527,447	510,202	17,244	✓	644,581	617,455	27,125	✓	
Labour	6,712	7,142	430	✓	69,061	70,009	947	✓	83,057	84,284	1,227	✓	
Contract labour	82	80	(2)	✗	1,617	709	(908)	✗	2,035	865	(1,170)	✗	
Oncosis	313	315	2	✓	2,938	3,126	188	✓	3,548	3,755	207	✓	
Labour recoveries	(3,331)	(3,539)	(208)	✗	(32,145)	(33,589)	(1,444)	✗	(39,499)	(40,746)	(1,247)	✗	
Net labour	3,775	3,998	223	✓	41,472	40,254	(1,217)	✗	49,141	48,158	(983)	✗	
Materials & cost of sales	165	189	24	✓	1,848	1,729	(119)	✗	2,225	2,094	(131)	✗	
Planned maintenance	1,031	1,575	544	✓	12,599	16,605	4,005	✓	15,322	18,905	3,582	✓	
Unplanned maintenance	3,991	2,869	(1,122)	✗	33,109	28,822	(4,287)	✗	39,395	34,525	(4,870)	✗	
Asset operating costs - chemicals	1,107	1,034	(73)	✗	9,503	10,231	727	✓	11,467	12,222	754	✓	
Asset operating costs - energy	1,368	1,491	124	✓	14,562	14,298	(264)	✗	17,743	17,545	(198)	✗	
Operating costs - other	3,389	3,289	(100)	✗	32,359	34,479	2,120	✓	39,522	41,036	1,515	✓	
Depreciation and amortisation	18,107	20,006	1,899	✓	183,203	189,603	6,400	✓	225,475	230,000	4,525	✓	
Asset operating costs	28,993	30,265	1,271	✓	285,336	294,037	8,702	✓	348,924	354,231	5,308	✓	
Communications	73	130	57	✓	909	1,302	393	✓	1,131	1,563	431	✓	
Professional services	920	852	(68)	✗	8,878	9,146	268	✓	10,784	10,685	(99)	✗	
Interest	6,989	7,233	244	✓	67,818	67,365	(453)	✗	82,902	81,963	(938)	✗	
General overheads	2,175	2,233	57	✓	22,458	22,605	147	✓	27,089	26,860	(230)	✗	
Overheads	10,157	10,448	290	✓	100,063	100,418	355	✓	121,906	121,071	(836)	✗	
Total expenses	43,090	44,899	1,808	✓	428,718	436,439	7,721	✓	522,196	525,554	3,358	✓	
Total contribution/(loss)	12,031	4,073	7,958	✓	98,729	73,764	24,966	✓	122,386	91,902	30,483	✓	
(Gain)/loss on disposal of fixed assets and other costs	797	667	(130)	✗	10,149	6,667	(3,483)	✗	1,188	8,000	6,812	✓	
(Gain)/loss on revaluation of financial instruments	(15,107)	-	15,107	✓	3,008	-	(3,008)	✗	3,008	-	(3,008)	✗	
Non operating costs/(revenue)	(14,311)	667	14,977	✓	13,157	6,667	(6,490)	✗	4,195	8,000	3,805	✓	
Net surplus/(deficit) before tax	26,342	3,406	22,936	✓	85,572	67,097	18,475	✓	118,190	83,902	34,288	✓	
Income Tax Expense/(benefit)	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred tax	7,454	1,205	(6,248)	✗	34,976	27,399	(7,577)	✗	47,290	35,591	11,700	✓	
Net surplus/(deficit) after tax	18,888	2,201	16,687	✓	50,596	39,698	10,899	✓	70,900	48,311	22,588	✓	

Key: Financial performance result
 ✓ Favourable variance - actual income on or above budget and actual expenditure on or below budget
 ✗ Unfavourable variance - actual income below budget and actual expenditure above budget



WATERCARE SERVICES LIMITED												Apr-18	
STATEMENT OF CASH FLOWS												(\$000's)	
NZ \$000s	Current Month				Year To Date				Full Year				
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result	
Operating Cash flow:													
Operating Revenue	49,287	50,460	(1,173)	✘	497,534	492,324	5,211	✔	615,382	595,509	19,873	✔	
Operating Costs	(16,021)	(17,659)	1,639	✔	(180,009)	(179,597)	(412)	✘	(215,680)	(213,591)	(2,089)	✘	
Interest Paid	(6,976)	(7,387)	411	✔	(67,050)	(66,584)	(466)	✘	(82,954)	(81,963)	(991)	✘	
OPERATING CASH FLOW	26,290	25,413	877	✔	250,475	246,143	4,332	✔	316,749	299,955	16,794	✔	
Investing Cash flow:													
Capital Expenditure	(32,629)	(34,090)	1,461	✔	(262,646)	(290,337)	27,691	✔	(322,553)	(356,328)	33,775	✔	
Other Investments	-	-	-	↔	-	-	-	↔	10,281	-	10,281	✔	
Capitalised Interest	(702)	(739)	37	✔	(9,944)	(10,924)	980	✔	(11,634)	(12,572)	938	✔	
INVESTING CASH FLOW	(33,331)	(34,830)	1,499	✔	(272,590)	(301,261)	28,671	✔	(323,905)	(368,900)	44,995	✔	
Financing Cash flow:													
Bonds/Term Debt Issued/(Repaid)	-	-	-	✔	-	-	-	✔	-	-	-	✔	
Short Term Advances/(Repaid)	6,000	6,000	-	✔	1,500	1,500	-	✔	1,500	1,500	-	✔	
Commercial Paper Issued/(Repaid)	(49,771)	(49,771)	-	✔	(49,700)	(49,700)	-	✔	(49,700)	(49,700)	-	✔	
Auckland Council Borrowings/(Repaid)	49,878	53,187	(3,309)	✔	69,408	103,318	(33,910)	✔	54,983	117,145	(62,162)	✔	
FINANCING CASH FLOW	6,107	9,416	(3,309)	✘	21,208	55,118	(33,910)	✘	6,783	68,945	(62,162)	✘	
Net Increase (Decrease) in Cash and Cash Equivalents	(934)	-	(934)	✘	(907)	-	(907)	✘	(373)	-	(373)	✘	
Opening Cash Balance/(Overdraft)	400	-	400	✔	373	-	373	✔	373	-	373	✔	
Ending Cash Balance/(Overdraft)	(534)	-	(534)	✘	(534)	-	(534)	✘	-	-	-	✔	

Key: Financial performance result
 ✔ Favourable variance - actual income above budget or actual expenditure below budget
 ✘ Unfavourable variance - actual income below budget or actual expenditure above budget

Reconciliation Operating Cashflow (\$000's)					
	Current Month		Year To Date		
	Actual	Budget	Actual	Budget	Variance
Net Surplus (Deficit) After Tax	18,888	2,201	50,596	39,698	10,899
Add back non cash items:					
Depreciation and amortisation	18,107	20,006	183,203	189,603	(6,400)
Financial instruments revaluation	(15,107)	-	3,008	-	3,008
Vested assets revenue	(333)	(366)	(3,285)	(3,607)	323
Other non-operating exp/(inc)	797	667	10,149	6,667	3,483
Income Tax Expense/(Benefit)	7,454	1,205	34,976	27,399	7,577
Movements in Working Capital	(3,515)	1,700	(28,173)	(13,616)	(14,557)
OPERATING CASH FLOW	26,290	25,413	250,475	246,143	4,332

YTD Operating Revenue - Cash Flow

Operating revenue cash inflows are ahead of budget primarily due to higher than budgeted water and wastewater revenues.

YTD Operating Costs - Cash Flow

Operating costs cash flows are unfavourable to budget primarily due to the timing of payment runs and balance sheet accruals against budget.

YTD Total Interest (including CAPI) - Cash Flow

YTD interest cash flow is slightly under budget due to lower capitalised.

YTD Capital Expenditure - Cash Flow

Cash flows from capital expenditure is behind budget in line with Capex being under budget.

YTD Financing - Cash Flow

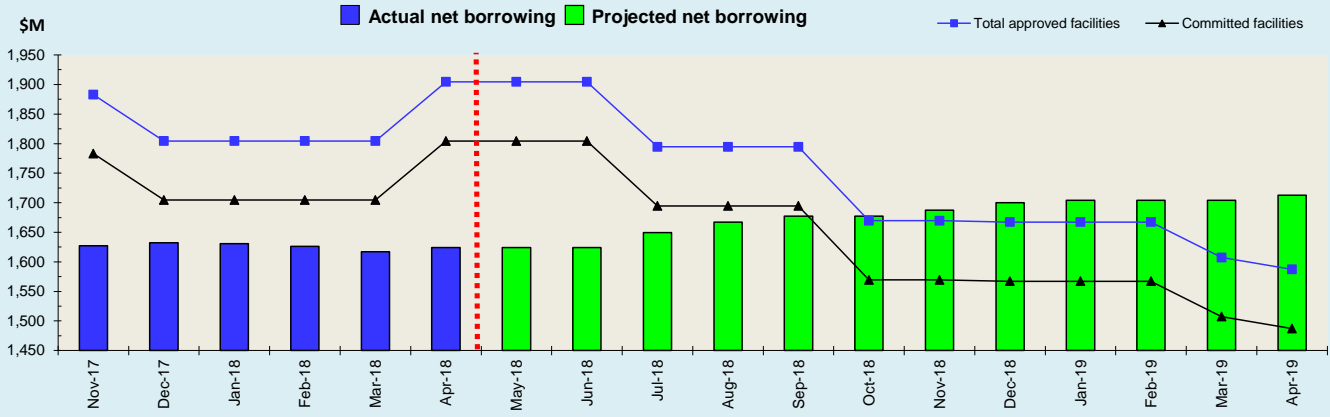
Financing cash flow is below budget due to lower borrowing resulting from lower capital expenditure.

		WATERCARE SERVICES LIMITED						Apr-18	
		STATEMENT OF FINANCIAL POSITION						(\$000's)	
June 2017	Mar 2018		April			June 2018			
			Actual	Budget	Variance	Forecast	Budget	Variance	
		Current assets							
373	400	Cash and cash equivalents	-	-	-	-	-	-	
47,293	48,886	Trade and other receivables from exchange transactions	48,415	47,104	1,311	48,104	48,104	-	
19,405	23,126	Unbilled revenue accrual	24,097	19,750	4,347	20,360	19,485	875	
2,237	3,480	Prepaid expenses	2,574	2,855	(281)	2,251	2,855	(604)	
8,934	9,617	Inventories	10,512	7,170	3,342	10,394	7,131	3,263	
4,207	4,727	Derivative financial instruments	4,286	5,634	(1,348)	4,286	5,634	(1,348)	
82,449	90,235	Total current assets	89,883	82,514	7,369	85,395	83,210	2,185	
		Non-current assets							
8,746,296	9,044,189	Property, plant and equipment	9,092,152	9,023,350	68,802	9,426,605	9,361,358	65,247	
473,328	415,198	Construction/work-in-progress	399,092	477,570	(78,478)	402,375	480,954	(78,579)	
(442,750)	(596,769)	Provision for depreciation	(612,962)	(633,606)	20,644	(246,564)	(265,981)	19,417	
8,776,874	8,862,617	Total property, plant and equipment	8,878,282	8,867,314	10,968	9,582,416	9,576,332	6,084	
45,564	43,777	Intangible assets	43,307	46,046	(2,739)	46,268	46,315	(47)	
23,641	23,222	Prepaid expenses	23,177	22,796	381	23,103	22,796	307	
8,443	11,076	Inventories	11,543	8,515	3,028	11,543	8,515	3,028	
8,227	6,479	Derivative financial instruments	6,246	7,485	(1,239)	6,246	7,485	(1,239)	
8,862,749	8,947,171	Total non-current assets	8,962,554	8,952,156	10,398	9,669,575	9,661,444	8,131	
8,945,198	9,037,407	Total assets	9,052,437	9,034,670	17,767	9,754,970	9,744,654	10,316	
		Current liabilities							
-	-	Bank Overdraft	534	-	534	-	-	-	
149,236	149,307	Commercial paper	99,536	149,234	(49,698)	99,536	149,234	(49,698)	
-	23,500	Bank revolving credit facility	29,500	-	29,500	29,500	-	29,500	
-	75,000	Bonds (26/10/18)	75,000	75,000	-	75,000	75,000	-	
292	50,172	Bonds	50,151	50,364	(213)	50,151	50,365	(214)	
80,839	63,426	Auckland council loan	133,335	81,871	51,464	133,335	80,920	52,415	
230,368	361,405	Total debt current	388,056	356,469	31,587	387,522	355,519	32,003	
14,035	15,956	Trade and other payables for exchange transactions	14,676	13,893	783	14,403	16,393	(1,990)	
11,501	12,506	Interest accrued	11,561	10,726	835	10,741	10,726	15	
57,446	59,225	Other accrued expenses	59,621	54,386	5,235	65,396	54,386	11,010	
7,844	7,701	Provision for staff benefits	7,440	7,593	(153)	7,440	7,593	(153)	
881	60	Other provisions	60	166	(106)	60	166	(106)	
38,618	38,819	Derivative financial instruments	37,459	37,536	(77)	37,459	37,536	(77)	
360,693	495,672	Total current liabilities	518,873	480,769	38,104	523,020	482,319	40,701	
		Non-current liabilities							
75,000	-	Bonds (26/10/18)	-	-	-	-	-	-	
50,097	-	Bonds (26/10/18)	-	-	-	-	-	-	
28,000	-	Bank revolving credit facility	-	-	-	-	-	-	
1,220,976	1,257,919	Auckland council loan	1,237,888	1,312,439	(74,551)	1,223,423	1,326,266	(102,843)	
1,374,073	1,257,919	Total debt non-current	1,237,888	1,312,439	(74,551)	1,223,423	1,326,266	(102,843)	
14,902	12,449	Other accrued expenses	12,389	14,301	(1,912)	14,902	14,301	601	
5,270	5,453	Other Provisions	5,453	3,619	1,834	5,453	3,619	1,834	
1,744	1,473	Provision for staff benefits	1,473	1,304	169	1,473	1,304	169	
169,900	186,586	Derivative financial instruments	172,165	169,734	2,431	172,165	169,734	2,431	
1,060,363	1,087,895	Deferred tax liability	1,095,348	1,073,737	21,611	1,297,424	1,271,773	25,651	
2,626,253	2,551,775	Total non-current liabilities	2,524,716	2,575,134	(50,418)	2,714,840	2,786,997	(72,157)	
2,986,946	3,047,447	Total liabilities	3,043,589	3,055,903	(12,314)	3,237,860	3,269,316	(31,456)	
		Equity							
260,693	260,693	Issued capital	260,693	260,693	-	260,693	260,693	-	
1,830,195	1,836,060	Revaluation reserve	1,835,772	1,837,356	(1,584)	2,323,730	2,325,314	(1,584)	
3,742,688	3,861,499	Retained earnings	3,861,787	3,841,020	20,767	3,861,787	3,841,020	20,767	
124,676	31,708	Current year earnings after tax	50,596	39,698	10,898	70,900	48,311	22,589	
5,958,252	5,989,960	Total equity	6,008,848	5,978,767	30,081	6,517,110	6,475,338	41,772	
8,945,198	9,037,407	Total equity and liabilities	9,052,437	9,034,670	17,767	9,754,970	9,744,654	10,316	

TREASURY RISKS AND INTEREST RATE PERFORMANCE

Apr-18

4.3



Interest rates

	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	4.85%	3.89%	4.85%
Weighted averages (incl. fees and margins)	5.98%	N/A	5.98%

Debt (\$m)

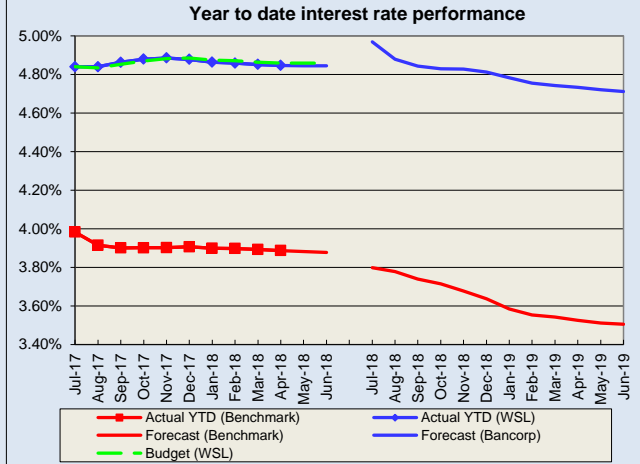
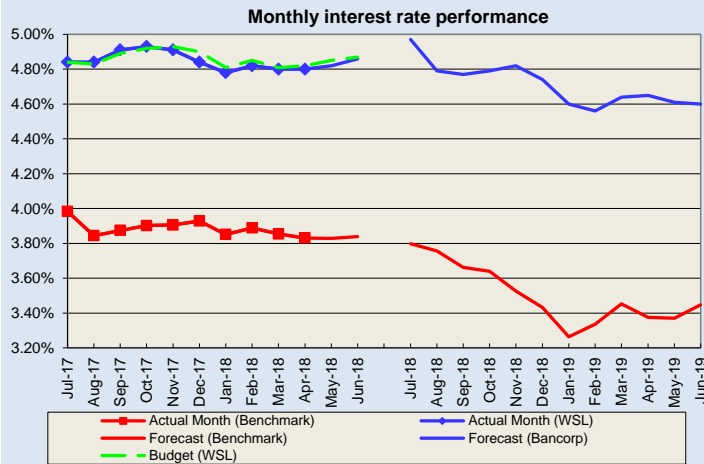
	Actual	Budget	Variance
Short-term borrowings	387.5	356.5	31.0
Long-term borrowings	1,237.9	1,312.4	(74.5)
Total gross debt	1,625.4	1,668.9	(43.5)
Bank overdraft / (cash & deposits)	0.5	-	0.5
Total net borrowing	1,625.9	1,668.9	(43.0)

Committed facilities

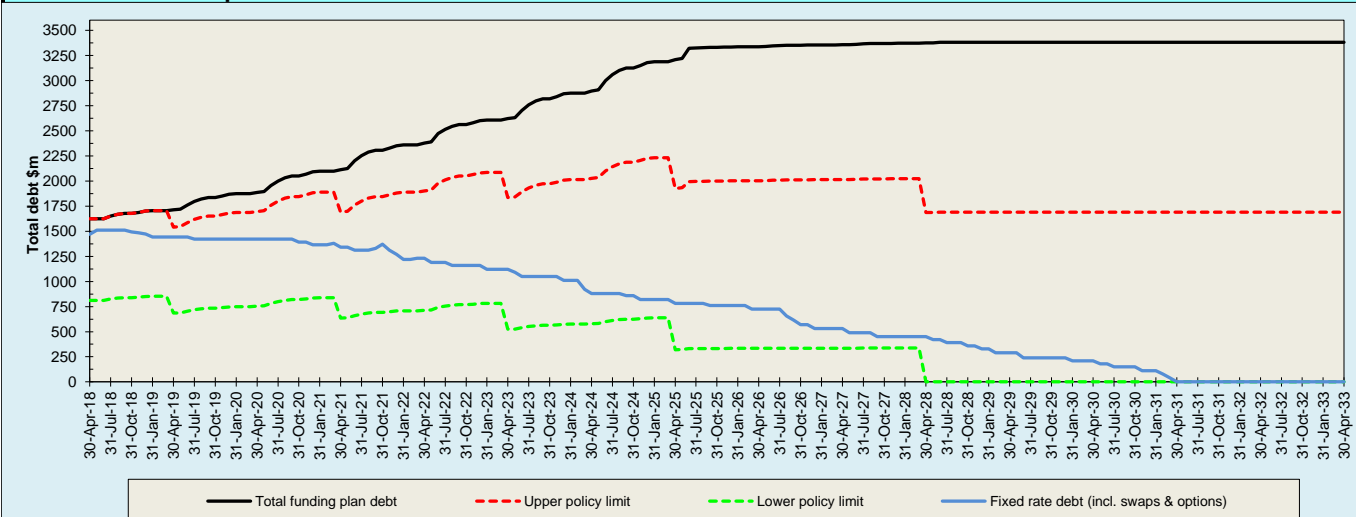
- Westpac Revolving Credit facility	\$60 million
- Medium term notes	\$125 million
- Auckland Council CP Standby facility	\$150 million
- Auckland Council loans	\$1,469 million
Total committed facilities as at 30 April	\$1,804 million

Additional approved facilities

- Approved CP issuance, over and above CP Standby facility	\$100 million
Total approved facilities as at 30 April	\$1,904 million



Forecast total debt profile



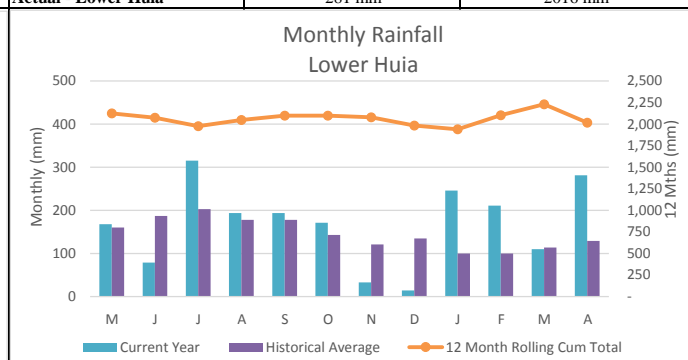
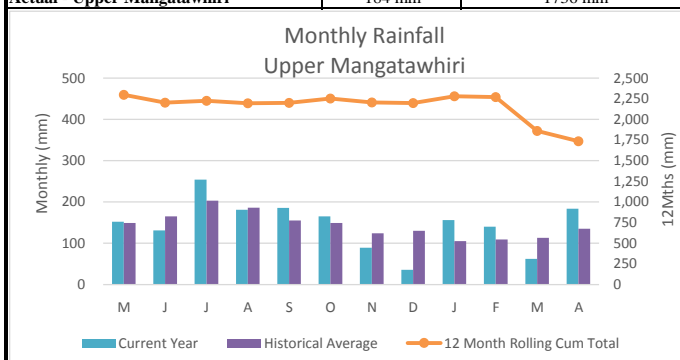
COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & COVENANT COMPLIANCE							Apr-18	
Counterparty exposures		S&P credit rating Short / long term	Face value \$000	Credit exposures \$000	Limit \$000	Limit OK / exceeded		
Obligations of registered banks								
ANZ Bank	A1+ / AA-	580,000	208	100,000	Limit OK	✓		
Bank of New Zealand	A1+ / AA-	615,000	12,640	100,000	Limit OK	✓		
Commonwealth Bank of Australia	A1+ / AA-	40,000	122	100,000	Limit OK	✓		
Kiwibank	A1 / A	75,000	1,535	50,000	Limit OK	✓		
Westpac Institutional Bank	A1+ / AA-	565,000	0	100,000	Limit OK	✓		
		1,875,000	14,505					
<i>Note: Credit exposures are the aggregate of direct exposures, 10% of the 'face' value of forward foreign exchange contracts, 15% of the 'face' value of electricity hedging contracts, and the sum of the MTM value of interest rate derivative contracts plus a 3% 'risk' factor (if this produces a positive value).</i>								
Debt concentration		\$000						
Committed debt facilities	Maturity	0-12 months	12-24 months	24-36 months	36-48 months	48-60 months	> 60 months	Total
Westpac Revolving Credit facility	2/07/18	60,000						60,000
Medium-term notes	26/10/18	125,000						125,000
Auckland Council CP Standby facility	30/06/20			150,000				150,000
Auckland Council loans	Various	132,243	200,000	2,243	135,000	150,000	850,000	1,469,486
Total committed debt facilities		317,243	200,000	152,243	135,000	150,000	850,000	1,804,486
Treasury policy - total committed debt facilities		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000		
Treasury policy compliance		✓	✓	✓	✓	✓		
Approved CP issuance, over and above CP Standby							100,000	100,000
Total committed and approved debt facilities		317,243	200,000	152,243	135,000	150,000	950,000	1,904,486
Drawn bank facilities	Maturity	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	> 30 months	Total
Westpac Revolving Credit facility (\$60m)	2/07/18	29,500						29,500
		29,500	0	0	0	0	0	29,500
Treasury policy for drawn bank facilities		<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	
Treasury policy compliance		✓	✓	✓	✓	✓	✓	
Other facilities								
BNZ overdraft	On demand	2,000						2,000
		2,000	0	0	0	0	0	2,000
Counterparty exposure in relation to borrowing facilities		ANZ	BNZ	CBA	Kiwibank	Westpac		
Revolving credit facility						60,000		
		0	0	0	0	60,000		
Treasury policy		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000		
Treasury policy compliance		✓	✓	✓	✓	✓		
Compliance with financial covenants and ratios under the Negative Pledge Deed and Guarantee Facility Deed								
Covenant / ratio	Benchmark/target measure			Outcome		Compliance		
Security interests / total tangible assets - maximum	5%			0.00%		✓		
Total liabilities / total tangible assets - maximum	60%			33.78%		✓		
Total liabilities (including contingent) / total tangible assets - maximum	65%			33.78%		✓		
Shareholders funds - minimum (\$000)	500,000			6,008,848		✓		
EBITDA : funding costs ratio - minimum	1.75			4.79		✓		
Funds from operations : interest cover ratio - minimum	2.00			4.18		✓		
Total tangible assets of borrowing group / total tangible assets - minimum	90%			100.00%		✓		
Loans, guarantees etc to related companies / total tangible assets - maximum	5%			0.00%		✓		
External debt maturing in less than 5 years - minimum	50%			100.00%		✓		
								Page A6

FOREIGN EXCHANGE, COMMERCIAL PAPER & ELECTRICITY HEDGING							Apr-18												
Foreign currency exposures (NZ\$000) including hedging for chemical purchases								Total											
Total exposure to be hedged								0.0											
Foreign exchange hedging								0.0											
Percentage cover								100%											
Treasury policy								100%											
Treasury policy compliance								✓											
Hedging for chemical purchases (US\$000)					Sep-18	Mar-19	Sep-19	Mar-20	Total										
Chemicals forward foreign exchange hedging									0										
Treasury policy									<= 5,000										
Treasury policy compliance									✓										
Commercial paper maturities																			
Issue #	\$000	BKBM	Interest rate	Bid cover (x)	Term (days)	Maturity date													
313	50,000	1.920%	1.910%	2.24	88	18-May-18													
314	50,000	1.895%	1.890%	3.08	91	11-Jun-18													
	100,000		1.900%																
<i>Note: BKBM is the banks' mid-rate for bank bills of a similar term on the CP issue date.</i>																			
					May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Beyond Oct-18	Total							
Outstanding CP				50,000	50,000	0	0	0	0	0	0	100,000							
Uncommitted short-term debt												0							
				50,000	50,000	0	0	0	0	0	0	100,000							
Treasury policy for maximum amount of CP outstanding											<= 250,000								
Treasury policy compliance											✓								
Undrawn committed standby facilities																			
	1 month	1-2 months	2-3 months	3-4 months	4-5 months	5-6 months	> 6 months												
Undrawn committed standby facility - CP facility												150,000	150,000	150,000	150,000	150,000	150,000	150,000	
50% of CP and other short-term debt repayable within 60 days												50,000	25,000	0	0	0	0		
Treasury policy: Undrawn standby facilities >= 50% of outstanding CP and other uncommitted short-term debt repayable within 60 days												✓	✓	✓	✓	✓	✓		
Treasury policy compliance												✓	✓	✓	✓	✓	✓		
Electricity hedging (NZ\$000)												0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	30-36 months	36-42 months	42-48 months
Contract maturity																			
Contract length																			
Total value of outstanding contracts												0							
Treasury policy for maximum value of outstanding contracts												<= 10,000							
Treasury policy compliance												✓							
											Page A7								

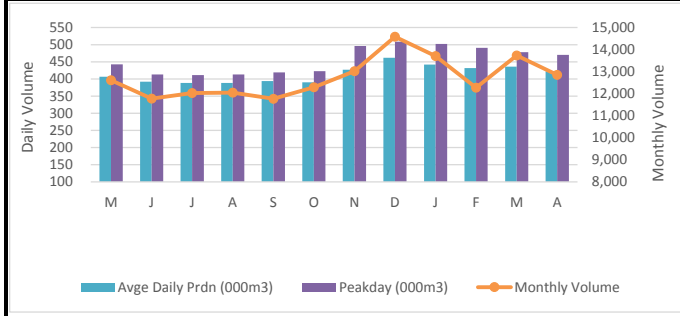
Management Report **WATERCARE SERVICES LIMITED**
Monthly Statistics Update **Apr-18**

Rainfall

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
Actual - Upper Mangatawhiri	184 mm	1736 mm	Actual - Lower Huia	281 mm	2016 mm



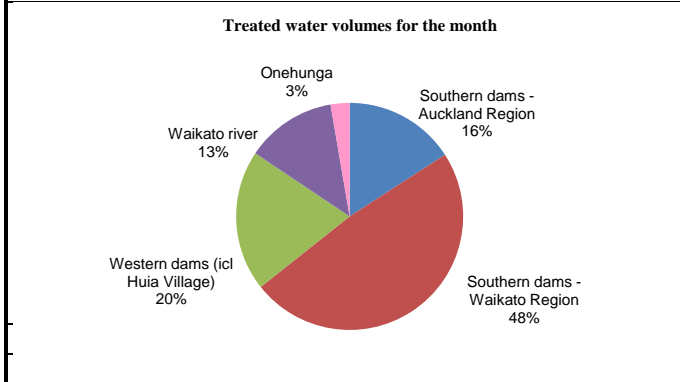
Water Production - Total Supply



Treated water volumes (000m ³)	Current Month	12 Month Rolling Ave
Monthly Volume	12,855	12,724
- Metro	12,648	12,533
- Non-metro	208 ¹	191
Average Daily Production	422	418
Peak Day	470	509 ²

1. Non-metro plants are:
Wellsford, Warkworth, Snells/Algies, Helensville, Muriwai, Huia Village, Cornwall Road, Victoria Road, Waiuku, Bombay.

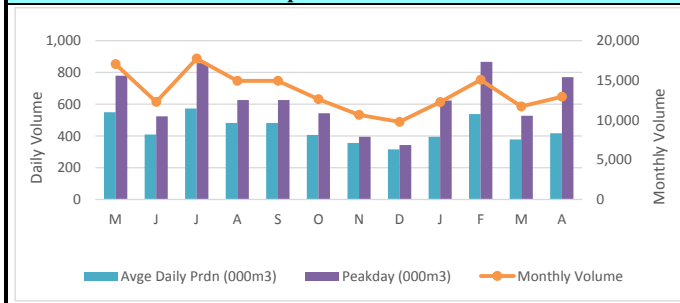
2. Max peak day in past 12 months



Treated water volumes (000m ³)	Current Month		Year to Date			
	Actual	%	Budget	Actual	%	Budget
Southern dams - Auckland Region	2,007	16%	2,086	19,639	15%	21,378
Southern dams - Waikato Region	6,129	48%	4,655	62,521	49%	51,425
Western dams	2,537	20%	2,558	23,175	18%	27,339
Waikato river	1,634	13%	3,090	17,362	14%	22,155
Onehunga aquifer	341	3%	428	3,474	3%	3,980
Rodney	130	1.0%	135	1,238	1.0%	1,270
Franklin	77	0.6%	76	771	0.6%	722
Total	12,855	100%	13,027	128,179	100%	128,269

Lake levels at month end was 88.3%

Wastewater Treatment - Metropolitan Treatment



	Current Month	12 Month Rolling Ave
Monthly Volume (000m³)	12,929	13,495
Average Daily Production	417	442
Peak Day	770	867 ²

2. Max peak day in past 12 months

Appendix C – Public Chief Executive's Report

Local Board Interaction (As at 10 May 2018)

Local Board	Chair	Deputy Chair	Mar 2018	April 2018	May 2018
Albert - Eden	Peter Haynes	Glenda Fryer			
Devonport - Takapuna	Grant Gillon (26 October 2016 to 22 April 2018) George Wood (23 April 2018 to the end of the 2016-2019 political term)	George Wood (26 October 2016 to 22 April 2018) Grant Gillon (23 April 2018 to the end of the 2016-2019 political term)	Information provided on the regional network discharge consent in response to a local board meeting resolution DT/2018/17 (1 March). Response to Milford Residents and Ratepayers over water leak – copied to Local Board (7 March). Notification of CI Contractor Short List (8 March). Update on Castor bay wastewater issues (27 March).	Response to an escalation about lack of reinstatement by 1 Victoria St, Devonport (14 April).	Presented at workshop with Healthy Waters on Takapuna wastewater issues (1 May)
Franklin	Angela Fulljames	Andy Baker	Notification of CI Contractor Short List (8 March). Responded to escalated question regarding Clevedon servicing agreements (12 March). Local Board workshop briefing on Clevedon servicing and chlorine storage at Ardmore (13 March). Follow up enquiry regarding wastewater works for Red Hill school (14 March).	Information on Safeswim shared with Alan Cole (5 April). Shared media release for Clevedon Wastewater Servicing (16 April).	Update on Inflow and infiltration investigations at Clarks Beach (5 May)
Great Barrier	Izzy Fordham	Luke Coles			
Henderson - Massey	Shane Henderson	Peter Chan	Notification of CI Contractor Short List (8 March)		Local Board workshop with Community Facilities regarding Landowner Approval for the Lawsons Creek Branch Sewer Duplication project (8 May). Update on installation of odour treatment facility in Massey (9 May)
Hibiscus and Bays	Julia Parfitt	Janet Fitzgerald	Mildale Wastewater Pipe Tunnel presentation of the project by Fulton Hogan including an explanation of the construction process and timeline (1 March). Notification of CI Contractor Short List (8 March). Received information on seawall erosion at Campbell's Bay beach and risk to infrastructure (12 March).	Notice of media item on the tunnel boring machine 'Blanche' at Army Bay (4 April). Response to escalation regarding Watercare response to vehicle Parking in Wade River Road (5 April). Local Board Landowner approval for the Mairangi Bay Pump Station (18 April). Response to escalation regarding overflows at Titan Pl, Silverdale (20 April).	
Howick	David Collings	Katrina Bungard	Notification of CI Contractor Short List (8 March)		Presented at Otara Waterway and Lake Trust on the Otara wastewater upgrade project, Board members present (3 May)
Kaipatiki	Danielle Grant (2 Nov 2016 to 28 Feb 2018) John Gillon (1 March 2018 to the end of the	John Gillon (2 Nov 2016 to 28 Feb 2018) Danielle Grant (1 March 2018 to the end	Notification of CI Contractor Short List (8 March)	Notification of temporary closure to View Rd as part of Wairau Wastewater Upgrades (30 April).	

Appendix C – Public Chief Executive's Report

Local Board	Chair	Deputy Chair	Mar 2018	April 2018	May 2018
	2016-2019 political term)	of the 2016-2019 political term)			
Mangere - Otahuhu	Lydia Sosene	Walter Togiama	Notice to Local Board and Councillors regarding water supply for fire fighting the blaze at Simms Pacific Metals in Otahuhu (7 March). Notification of CI Contractor Short List (8 March)		
Manurewa	Angela Dalton	Rangi McLean	Notification of CI Contractor Short List (8 March)	Response to escalation regarding a water leak in Alfriston Rd (16 April).	
Maungakiekie - Tamaki	Josephine Bartley - until 22 April 2018, to be replaced by Chris Makoare on 23 April 2018.	Don Allan - until 29 October 2017. Debbie Burrows - 30 October 2017 to 28 October 2018. Bernie Driver – 29 October 2018 until end of the term.	Notification of CI Contractor Short List (8 March). Notification of Inflow inspections for drainage defects in Omaru Creek catchment (19 March)		
Orakei	Colin Davis - After 18 months Kit Parkinson will Chair.	Kit Parkinson - After 18 months Carmel Claridge will be Deputy Chair	Notification of CI Contractor Short List (8 March)		Discussion with Chair regarding signage for historic remnant of Hobson pipeline at Ngapipi Reserve (5 May)
Otara - Papatoetoe	Lotu Fuli	Ross Robertson	Notification of CI Contractor Short List (8 March)		Presented at Otara Waterway and Lake Trust on the Otara wastewater upgrade project, Board Members present (3 May)
Papakura	Brent Catchpole	Felicity Auva'a	Notification of CI Contractor Short List (8 March)		
Puketapapa	Harry Doig	Julie Fairey	Notification of CI Contractor Short List (8 March)		
Rodney	Beth Houlbrooke	Phelan Pirrie	Mildale Wastewater Pipe Tunnel presentation of the project by Fulton Hogan including an explanation of the construction process and timeline (1 March). Notification of CI Contractor Short List (8 March). Response to Local Board question on Warkworth Snells Wastewater Pipeline Pump Stations (8 March). Response to questions arising as part of Local Board's community consultation around the Long Term Plan (23 March).	Notice of media article on Warkworth Water Treatment Plant progress (5 April). Notice of media article on Army Bay drilling machine 'Blanche' (5 April). Response to customer complaint on fixed wastewater charge (5 April). Watercare joined Auckland Council and the Local Board for Warkworth structure plan community consultation (12 April). Media item and video on Warkworth water treatment plant (30 April). Local Board update on rural water and wastewater servicing (26 April).	Shared media article and YouTube video on the Warkworth Water Treatment Plant (2 May)
Upper Harbour	Lisa Whyte (31 October 2016 to 1 June 2018) Margaret Miles (2 June	Margaret Miles 31 October 2016 to 1 June 2018) Lisa	Notification of CI Contractor Short List (8 March). Meeting with the chair and deputy		

Appendix C – Public Chief Executive's Report

Local Board	Chair	Deputy Chair	Mar 2018	April 2018	May 2018
	2018 to the end of the 2016-2019 political term)	Whyte (2 June to the end of the 2016-2019 political term)	chair and parks regarding the walkway in Centorian Reserve (9 March)		
Waiheke	Paul Walden (26 October 2016 to Sunday, 22 April 2018) Cath Handley (23 April 2018 to the end of the 2016-2019 political term)	Cath Handley (26 October 2016 to Sunday, 22 April 2018) Paul Walden (23 April 2018 to the end of the 2016-2019 political term)	Notification of CI Contractor Short List (8 March)		
Waitakere Ranges	Greg Presland	Saffron Toms	Updates on Huia Water Treatment Plant Replacement drop in sessions at Lopdell House Titirangi (2, 7 March). Notification of CI Contractor Short List (8 March). Invitation to Lower Huia Dam visit as part of World Water Day (12 May). Response to escalated complaint regarding Watercare works in Harold Moody Reserve and the local Tennis Club (20 March).	Shared Radio NZ interview about Headworks Manager who works on Watercare dams (5 April).	
Waitemata	Pippa Coom	Shale Chambers	Notification of geotechnical works in Grey Lynn (2 March). Notification of CI Contractor Short List (8 March)		
Whau	Tracey Mulholland	Susan Zhu	Notification of CI Contractor Short List (8 March)		
Manukau Harbour Forum					

Office of Hon Nanaia Mahuta

MP for Hauraki-Waikato

Minister for Māori Development

Minister of Local Government

Associate Minister for the Environment



4.3

27 April 2018

Via email

Tēnā koe

I am writing to confirm that the Government will this year undertake a broad-ranging review of the way wastewater, stormwater and drinking water are managed in New Zealand.

This recognises that the Local Government sector is facing variable service delivery challenges and significant cost pressures related to ageing waters infrastructure.

In coming months, the review, led by the Department of Internal Affairs, will work with Councils, industry sector groups and others to assess and scope options of key issues, including costs, relating to better management of water services infrastructure.

We need to deal more effectively with the pressing issues confronting waters infrastructure but with a strategic approach in mind. The Government is committed to confronting the scope of this challenge as we seek to protect the health of people and the environment, and to support a strong economy. That is especially so in the face of challenges like climate change, declining populations in rural areas and increasing funding and financing pressures on small communities.

As forecast capex shows, costs of upgrading infrastructure are challenging. Developing the right solutions will require strong co-operation from the likes of Councils, iwi, business and central Government to ensure we best manage the risks, opportunities and costs. The Government is taking a lead but the solutions lie with all of us.

The review will include looking at what structures and entities are best suited for three waters provision. I am also mindful that the core principle of public ownership of these services will underpin considerations that will result from this review.

The review will also look at whether the existing regulatory framework for the three waters is appropriate and fit for purpose.

I look forward to working closely with you all on this important review. Please feel free to contact Allan Prangnell, Director, Central/Local Government Partnerships, at the Department of Internal Affairs (allan.prangnell@dia.govt.nz) if you have any queries relating to the process for the review.

Nāku noa, nā

A handwritten signature in black ink, appearing to read 'N. Mahuta'.

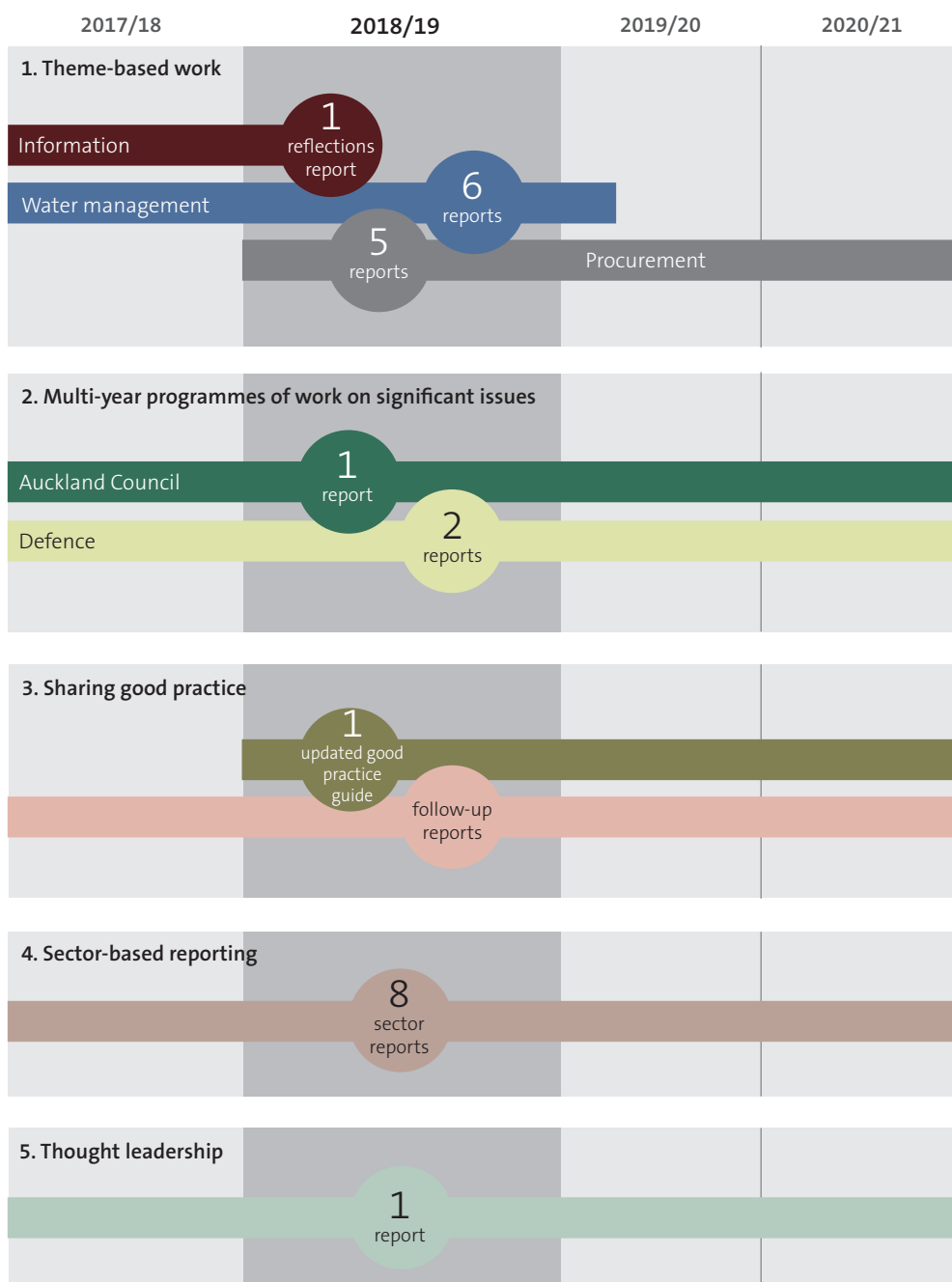
Hon Nanaia Mahuta

Minister of Local Government

Appendix 2

Our multi-year work programme

The work we propose to complete in 2018/19 in the context of our multi-year work programme is shown in this Appendix.



	Work we have completed (italicised) or will complete in 2017/18	Work we propose to complete in 2018/19	Work we propose for 2019/20	Work we propose for 2020/21
1. Theme-based work	Investment and asset management	<ul style="list-style-type: none"> Ministry of Justice: Modernising court services Managing the school property portfolio Reflections from our audits: Investment and asset management 	<ul style="list-style-type: none"> Reflections report on <i>Information</i> 	
	Information	<ul style="list-style-type: none"> Using information to improve social housing services Getting the right information to effectively manage public assets: Lessons from local authorities Ministry of Health: Supporting the implementation of patient portals Infrastructure as a Service: Are the benefits being achieved? How the Overseas Investment Office uses information Digital services and access to information and services How secure is data in the public sector? Using data to improve public services 	<ul style="list-style-type: none"> Progress on freshwater quality management since 2011 Effectiveness of processes for considering marine reserve proposals Marine spatial planning for the Hauraki Gulf Management of stormwater networks to reduce the effect of flooding Optimising the demand for and the supply of drinking water Clean-up of significant water bodies 	<ul style="list-style-type: none"> Reflections report on <i>Water management</i> Procurement workforce capacity and capability (local government) GCDO's ICT procurement functional leadership Procurement of assets to support effective healthcare PPPs – how effective are they?¹ How well does the NZTIA's procurement model manage long-term procurement risks to ensure future value and sustainable procurement?
	Water management	<ul style="list-style-type: none"> Introducing our work programme – <i>Water management</i> Monitoring how water is used for irrigation 	<ul style="list-style-type: none"> MBIE's procurement foundation report MBIE's procurement functional leadership: Driving efficiencies and improving services and service delivery MBIE's functional leadership: Developing procurement workforce expertise and capability in central government Panels of suppliers Management of MBIE's grant programmes 	<ul style="list-style-type: none"> Effectiveness of panels of suppliers How services are procured in a local community to meet that community's needs Managing smaller contracts (less than \$0.5 million) Reflections report on <i>Procurement</i>
	Procurement		<ul style="list-style-type: none"> Programme of work examining how well the public sector achieves better outcomes for New Zealanders (topics are indicative only): reduced inequalities in social outcomes between demographic groups reduction in poverty and the diseases of poverty improved resilience of infrastructure to natural hazards 	<ul style="list-style-type: none"> Programme of work examining how well the public sector achieves better outcomes for New Zealanders (topics are indicative only): effectiveness of Whānau Ora² increased sustainability of natural resources a report based on outcomes at a community level
2. Multi-year programmes of work on significant issues	Well-being of New Zealanders			
		<ul style="list-style-type: none"> Auckland Council: Working to provide customer-centred services online Inland Revenue Department: Procurement for the Business Transformation programme Response of the New Zealand Police to the Commission of Inquiry into Police Conduct: Final monitoring report Commentary on He Tirohanga Mokopuna: 2016 Statement on the Long-Term Fiscal Position 	<ul style="list-style-type: none"> Auckland Council review of service performance (topic to be determined) Auckland City Rail Link⁴ Effectiveness of procurement of a major defence capability (topic to be determined)⁵ 	<ul style="list-style-type: none"> Auckland Council review of service performance (topic to be determined) Tamaki Redevelopment Agency's⁴ Defence (topic to be determined) Inland Revenue Department: Benefits from the Business Transformation programme Monitoring the response to the Havelock North inquiry⁵ Update <i>Procurement guidance for public entities</i>⁴
3. Sharing good practice		<ul style="list-style-type: none"> Update <i>Severance payments: A guide for the public sector</i> Insuring public assets follow-up Reporting on the progress of public entities in implementing the Auditor-General's recommendations from previous reports (programme of follow-up work to be determined) 	<ul style="list-style-type: none"> Update <i>Managing conflicts of interest: Guidance for public entities</i> Reporting on the progress of public entities in implementing the Auditor-General's recommendations from previous reports (programme of follow-up work to be determined) Analysis of fraud trends in the public sector 	<ul style="list-style-type: none"> Reporting on the progress of public entities in implementing the Auditor-General's recommendations from previous reports (programme of follow-up work to be determined)
		<ul style="list-style-type: none"> Central government: Results of the 2016/17 audits Summary of results of the 2016/17 central government audits for chief executives Local government: Results of the 2016/17 audits Results of the 2016 school audits Results of the 2016 audits of tertiary education institutions Key matters arising from the 2016/17 audits of district health boards Health sector: Results of the 2016/17 audits Ports sector: Results of the 2016/17 audits 	<ul style="list-style-type: none"> Central government: Results of 2018/19 audits Summary of results of the 2018/19 central government audits for chief executives Local government: Results of the 2018/19 audits Results of the 2018 school audits Results of the 2018 audits of tertiary education institutions Results of the 2018/19 district health board audits 	<ul style="list-style-type: none"> Central government: Results of the 2019/20 audits Summary of results of the 2019/20 central government audits for chief executives Local government: Results of the 2019/20 audits Results of the 2019 school audits Results of the 2019 audits of tertiary education institutions Results of the 2019/20 district health board audits
4. Sector-based reporting		<ul style="list-style-type: none"> Influencing improvements in the public sector accountability system: Planning and liaison with central agencies 	<ul style="list-style-type: none"> Influencing improvements in the public sector accountability system: (topic to be determined) 	<ul style="list-style-type: none"> Influencing improvements in the public sector accountability system: (topic to be determined)
		<ul style="list-style-type: none"> Update <i>Severance payments: A guide for the public sector</i> Insuring public assets follow-up Reporting on the progress of public entities in implementing the Auditor-General's recommendations from previous reports (programme of follow-up work to be determined) 	<ul style="list-style-type: none"> Update <i>Managing conflicts of interest: Guidance for public entities</i> Reporting on the progress of public entities in implementing the Auditor-General's recommendations from previous reports (programme of follow-up work to be determined) Analysis of fraud trends in the public sector 	<ul style="list-style-type: none"> Reporting on the progress of public entities in implementing the Auditor-General's recommendations from previous reports (programme of follow-up work to be determined)
5. Thought leadership		<ul style="list-style-type: none"> Central government: Results of the 2016/17 audits Summary of results of the 2016/17 central government audits for chief executives Local government: Results of the 2016/17 audits Results of the 2016 school audits Results of the 2016 audits of tertiary education institutions Key matters arising from the 2016/17 audits of district health boards Health sector: Results of the 2016/17 audits Ports sector: Results of the 2016/17 audits 	<ul style="list-style-type: none"> Central government: Results of 2018/19 audits Summary of results of the 2018/19 central government audits for chief executives Local government: Results of the 2018/19 audits Results of the 2018 school audits Results of the 2018 audits of tertiary education institutions Results of the 2018/19 district health board audits 	<ul style="list-style-type: none"> Central government: Results of the 2019/20 audits Summary of results of the 2019/20 central government audits for chief executives Local government: Results of the 2019/20 audits Results of the 2019 school audits Results of the 2019 audits of tertiary education institutions Results of the 2019/20 district health board audits
		<ul style="list-style-type: none"> Influencing improvements in the public sector accountability system: Planning and liaison with central agencies 	<ul style="list-style-type: none"> Influencing improvements in the public sector accountability system: (topic to be determined) 	<ul style="list-style-type: none"> Influencing improvements in the public sector accountability system: (topic to be determined)

¹ Possible multi-year programme of audits. ² Pending outcome of the Treasury's review. ³ Pending invitation to carry out this work. ⁴ Also part of our work on the Procurement theme. ⁵ Pending invitation to carry out this work.

AGENDA

Water Summit 2018

Wednesday 30 and Thursday 31 May 2018

MAC's Function Centre, Taranaki St, Wellington

Day one

Time	Agenda Items	Speaker
Coffee 10.00 - 10.30am		
10.30 – 10.40am	Welcome and introduction	Dave Cull, President, LGNZ
10.40 – 11.00am	Address by Minister of Local Government	Hon Nanaia Mahuta
11.00 – 11.30am	The Havelock North Inquiry recommendations and scene setting	Hon Lyn Stevens QC, Chair, Havelock North Drinking Water Inquiry
11.30 – 11.45am	Q&A	
11.45 - 12.30pm	Regulatory approaches <ul style="list-style-type: none"> Regulatory arrangements for drinking water in UK and Europe 	Marcus Rink, Chief Inspector for Water Supplies with the Department for Environment, Food and Rural Affairs (United Kingdom)
Lunch 12.30 - 1.15pm		
1.15 – 1.20pm	Entities for Three Waters Delivery <ul style="list-style-type: none"> Introduction 	Dukessa Blackburn Huettner, President, Water NZ
1.20 – 2.00pm	Funding pressures for three waters infrastructure	Helen Wyn, Deputy Chief Executive Central/Local Government Partnerships Malcolm Alexander, Chief Executive, LGNZ
2.00 – 2.20pm	The Wellington Water Model	Colin Crampton, Chief Executive, Wellington Water
2.20 – 2.40pm	The Watercare Model	Raveen Jaduram, Chief Executive, Watercare
2.40 – 3.00pm	Tasmanian Water Model	Mike Brewster, Chief Executive, TasWater Tasmania, (Australia)
Afternoon Tea 3.00 - 3.30pm		
3.30 – 4.00pm	Economic regulation <ul style="list-style-type: none"> Learnings from other sectors and application to the water sector 	Anton Murashev, Managing Director, Castalia
4.00 – 5.00pm	Panel Session	Malcolm Alexander (Chair), Marcus Rink, Colin Crampton, Raveen Jaduram, Mike Brewster and Anton Murashev
Drinks break out		

AGENDA

Day two

Time	Agenda Items	Speaker
Coffee 8.30 - 9.00am		
9.00 – 9.30am	Welcome to day two <ul style="list-style-type: none"> Focus on freshwater management 	Doug Leeder, Chair, Regional Sector
9.30 – 10.15am	Getting the water quality outcomes we want – freshwater management – sharing good practice and looking to the future <ul style="list-style-type: none"> Getting the balance right between regulation and non-regulatory approaches Community-led freshwater reform: a tale of two catchments 	Alan Livingston, Chairperson, Waikato Regional Council James Palmer, Chief Executive, Hawke’s Bay Regional Council
Morning tea 10.15 - 10.45am		
10.45 – 11.15am	Getting the water quality outcomes we want – drinking water <ul style="list-style-type: none"> Drinking water and health outcomes 	Jim Graham, Principal Advisor Water Quality, Water New Zealand
11.15 – 12.00pm	OAG’s thoughts on freshwater challenges <ul style="list-style-type: none"> Based on our work on monitoring how water is used for irrigation, and managing impacts to freshwater quality 	Gary Emery, Manager, Office of the Auditor General
Lunch 12.00 - 12.45pm		
12.45 – 1.30pm	Priorities for freshwater reform <ul style="list-style-type: none"> The Government’s priorities for freshwater management 	MfE Panel – Cheryl Barnes, Deputy Secretary Water, Ministry for the Environment with Vaughan Payne, James Palmer and Doug Leeder
1.30 – 2.00pm	Allocation <ul style="list-style-type: none"> Learnings from overseas 	Kieran Murray, Managing Director, Sapere
2.00 – 2.30pm	Q&A and wrap up	

Report to the Chief Executive of Watercare Services Limited

Subject: Central Interceptor Programme of Works

Date: 22 May 2018

1. PROJECT SUMMARY

The Central Interceptor (CI) is required for the provision of the necessary wastewater transmission infrastructure to:

- Enable growth in the CBD, eastern suburbs and the southern areas of the Mangere Wastewater Treatment Plant catchment;
- Meet regulatory compliance; and
- Provide resilience to the Hillsborough Tunnel and the Manukau Siphon.

The proposed Grey Lynn Tunnel will commence where the CI terminates at Western Springs and continue to Tawariki Street in Grey Lynn (approximately 1.6km). This work is part of the Western Isthmus Water Quality Improvement Programme being undertaken in conjunction with Auckland Council (AC) which will achieve long term improvements in regional water quality.

2. HEALTH AND SAFETY

No health and safety issues to report. All works being undertaken at this time are non-construction activities.

3. PROGRESS REPORT

3.1 People

The leadership and project management staff are currently being recruited. The process overlaps the 3rd Tier structural changes underway as part of the Target Operating Model initiative.

3.2 Approvals

Work continues on securing the very few remaining third party approvals, with no foreseen issues at this time that will result in an impact on programme.

To maximise our sustainability and cost optimisation initiatives, Watercare has identified the potential use of its odour buffer land at Ascot Road to dry the CI tunnel spoil, prior to reusing the spoil as cleanfill at Puketutu Island. This will reduce the amount of imported cleanfill required for the biosolids rehabilitation facility at Puketutu. The necessary consent applications for this to occur are being prepared.

3.3 Design

The detailed design of the CI Main tunnel, Mangere Pump Station and associated link sewers have been completed.

Preliminary Design and Assessment of Environmental Effects for the Grey Lynn Tunnel are being progressed. This is expected to be completed by the end of October 2018, following which applications for the required consents under the RMA will be made in November 2018. It is envisaged that the consents will not be in place before the Main Works Contract is signed in early 2019.

3.4 Procurement

Four shortlisted consortia were selected in March 2018:

- CPB Contractors
- Ghella-Abergeldie Harker Joint Venture
- Pacific Networks, comprising McConnell Dowell, Fletcher Construction and Obayashi
- VINCI Joint Venture, comprising VINCI Construction Grands Projets, HEB Construction and Solentache Bachy.

The Request For Proposal was issued on 10 May 2018 as per the original programme, with an 18 week interactive tender period. In keeping to the original programme, the market continues to gain trust and confidence in Watercare's commitment to its capital works programme, of which the CI is the most significant piece of work.



Representatives of the four consortia and Project Team at the Collection of the RFP

The interactive RFP process allows the consortia to have access to Watercare and its advisors and to seek clarification on their proposals, so that we obtain a robust and complete submission and clarity of what is required. It commences with a briefing and site visits, followed by four individual interactive sessions with each of the parties. Key issues raised by the consortia will be raised by Management with the Board.

The proposals are due at 3pm on 14 September 2018. On receipt, evaluation of the proposals will commence.

The proposals sought from the consortia are wide ranging in the information to be provided. It includes the cost of the works, the methodology that will be used for construction and the capability of the organisation to deliver the project safely, to programme, meeting the functional and quality specifications and within the agreed contract value.

There is an opportunity to undertake the main tunnel works utilising two, rather than one, Tunnel Boring Machines. This option would deliver the project in a shorter timeframe. This may be an attractive option, especially if the Grey Lynn Tunnel were included. However, there are numerous variables, which could mean that the four proposals are likely to vary from each other.

3.5 Construction

Nil to report. Construction remains expected to commence in April 2019.

4. RISK

A project risk register is being maintained. It is constantly reviewed based on any new information made available. The current procurement risk profile is attached at **Appendix A**.

5. CUSTOMER AND STAKEHOLDER ENGAGEMENT

The successful consortia will be required to ensure all stakeholder activities are undertaken in accordance with Watercare's general stakeholder engagement intent, which is to ensure community impacts of the CI project are appropriately managed. The consortia will be required to regularly report on stakeholder engagement and proactively communicate any helpful information through appropriate channels. They will also be required to respond to concerns, complaints and escalations from community stakeholders. Watercare will monitor the community's perception of the project throughout the construction period.

6. PROGRAMME

Programme Milestone	Timing	Status
Complete EOI, Detailed Design and issue RFP		Complete
Contract Works Insurance <ul style="list-style-type: none"> Briefing to markets June 18 Issue of Tender July 18 Review of Submissions Oct 18 	Feb 19	In Progress
Interactive Tender Process by Watercare and its Advisors to monitor and review solutions being proposed by Consortia <ul style="list-style-type: none"> Technical workstream Commercial workstream 	Sept 18	In Progress
Recruitment of Leadership Roles	Sept 18	In Progress
Stakeholder Engagement <ul style="list-style-type: none"> Project website Environmental Remediation Plan 	Apr 19	In Progress
Early works at Mangere WWTP <ul style="list-style-type: none"> Ascot Road Drying Area WWTP Traffic Management Plan Establish Site Area 	Apr 19	In Progress
AMP and Major Capex Committee Presentation – Tender Process & Progress	Aug 18	
Submission of RFPs	14 Sept 18	
Tender Evaluation by Watercare and its Advisors <ul style="list-style-type: none"> Technical Commercial 	Nov 18	
Preliminary Design and AEE for Grey Lynn Tunnel	Oct 18	In Progress
Lodge Consent Application for Grey Lynn Tunnel	Nov 18	
AMP and Major Capex Committee Presentation – Tender Evaluation Progress	Nov 18	
Identify Preferred Consortia for Main Works	Early Dec 18	
Board Approval to award Contract	End Jan 19	
Execute Contract Agreement with Consortia	Early Feb 19	
Commence Physical Works	Apr 19	
Construction complete	Late 2025	
CI Main Works into service	Early 2026	

7. COST SUMMARY

Stage	Approved (\$M)	Expenditure to date* (\$M)	Forecast (\$M)
Stage 1A & B - Planning and Consenting	20.85	20.85	20.85
Stage 1C - Property Purchase and Easement	9.60	8.51	9.60
Stage 1D - Detailed Design and Construction Tendering	30.43	28.00	30.43
Stage 2 - Construction, Supervision and Commissioning	1,073.00	0.00	1,073.00
Stage 2 -Risk Allowance	47.00	0.00	47.00
CENTRAL INTERCEPTOR TOTAL	1,180.88	57.36	1,180.88
Grey Lynn Wastewater Tunnel Planning and Consenting	2.60	0.00	2.60
PROGRAMME TOTAL	1,183.48	57.36	1,183.48

* To end of April 2018.

Detailed information on costs are set out in **Appendix B**.

Prepared by:



Shayne Cunis

**Executive Programme Director
Central Interceptor**

Appendix A – Risk

The four stages of the project are:

1. Procurement

This phase includes all aspects up to the point the contract is signed. The Risk Heatmap and controls are presented in this report.

2. Construction

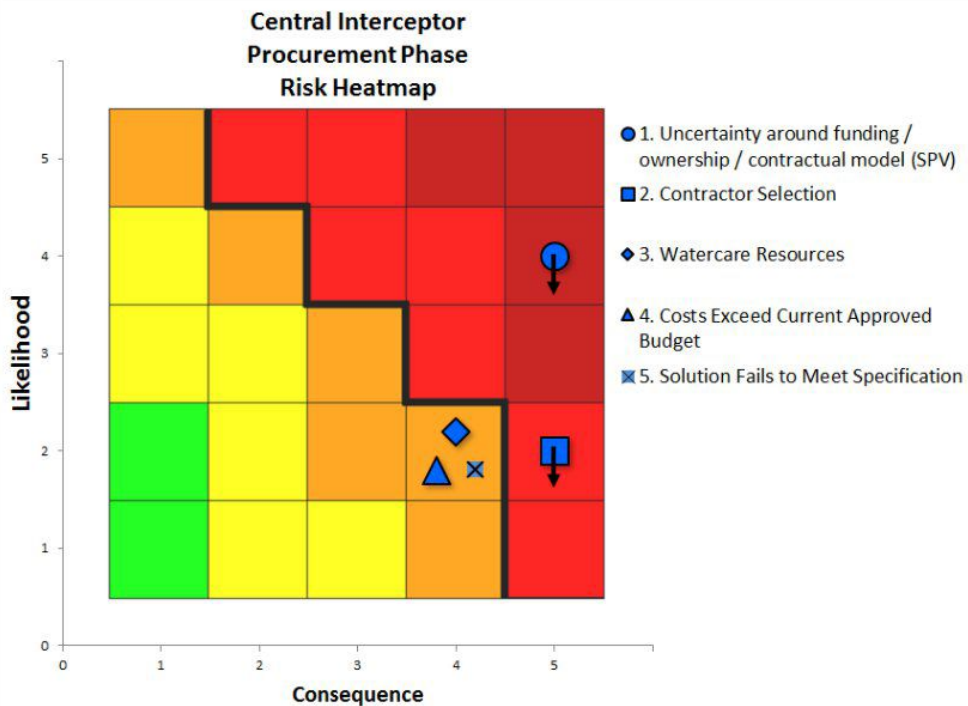
A strategic risk review will be completed with the successful consortia, prior to construction commencing, to ensure the residual risk associated with tunneling and associated underground works have been appropriately identified, are being minimised and controls are in place. It is proposed to use an international expert in this field, coupled with local industry experts. This is a similar approach taken by NZTA prior to commencing Waterview Tunnel, to provide assurance that the project risks have the necessary controls in place to limit the risk exposure to the Client.

3. Commissioning

Risk reviews to be completed once a detailed commissioning strategy is confirmed.

4. Operation

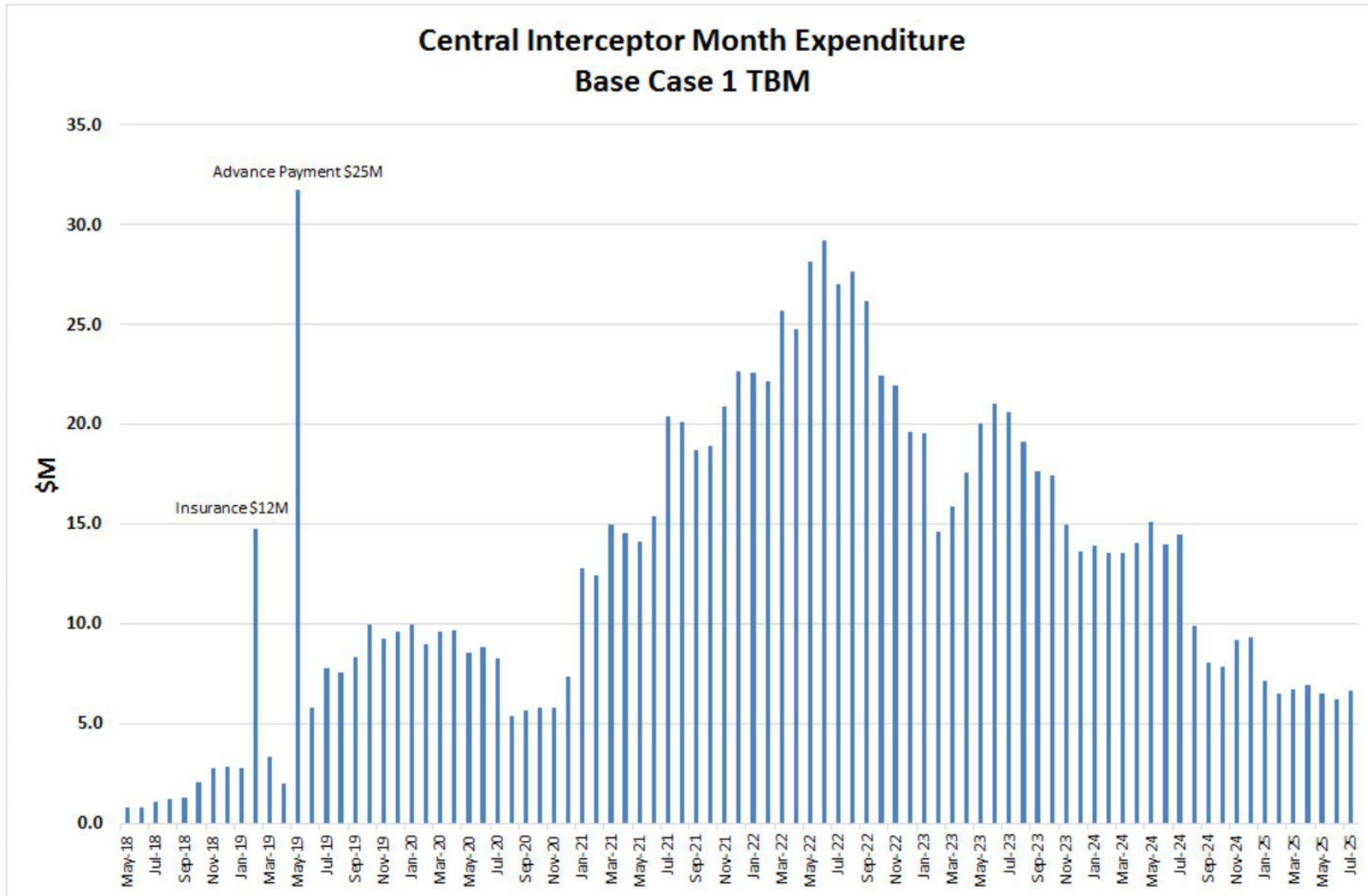
This will be incorporated into the Operations Risk Register.

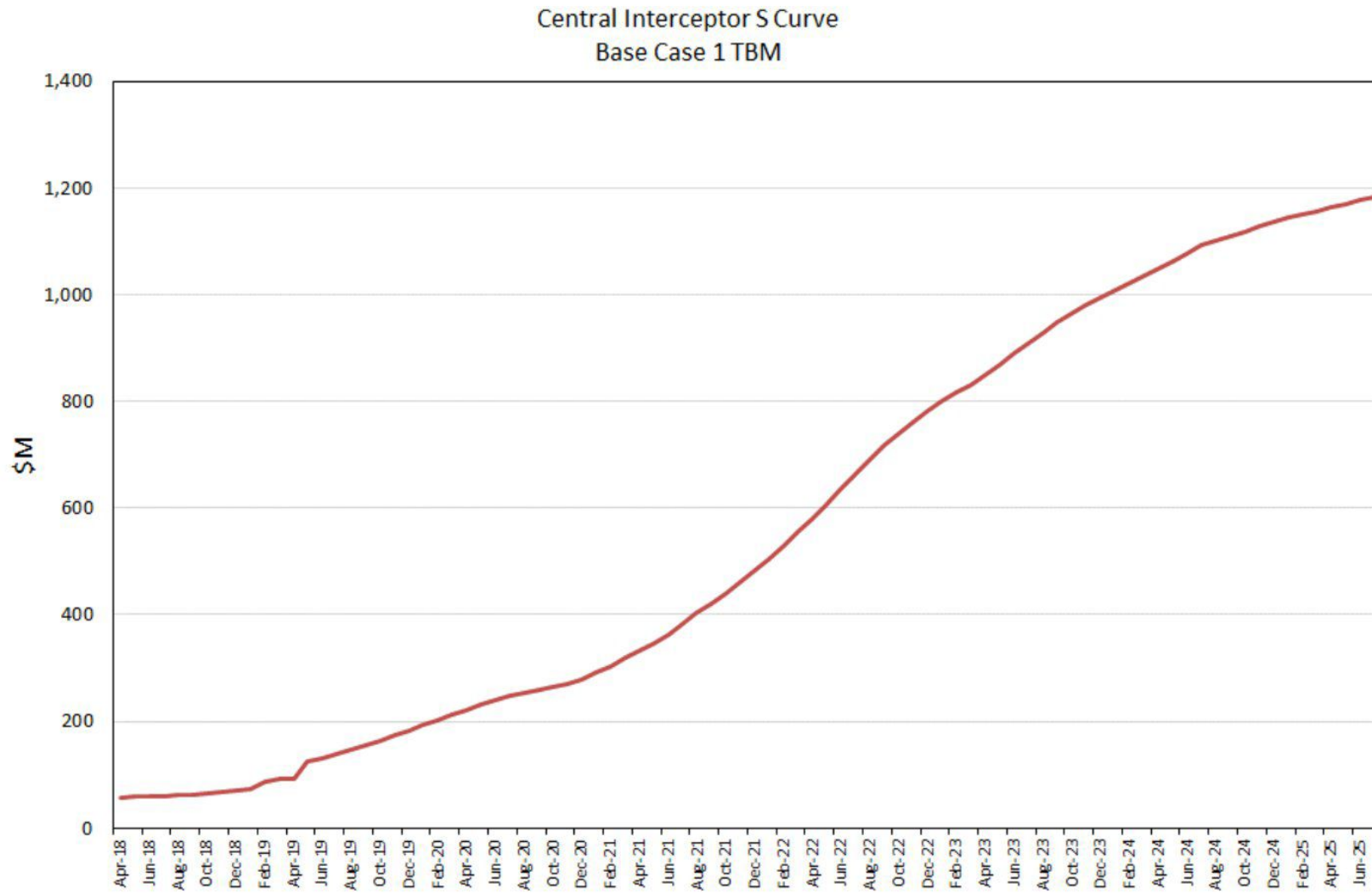


Risk Description	Risk Reduction Actions
<p>Uncertainty around funding / ownership / contractual model (SPV)</p> <p>The creation of a SPV to deliver the works may result in project delays, significant cost increases, withdrawal of parties, inability to attract project resources and reputational damage</p>	<p>Identifying issues associated with the creation of an SPV and how the project will be delivered, and how the resulting assets will be operated and maintained, such that an informed decision can be made.</p> <p>Achieved milestone of issuing RFP in May.</p>
<p>Contractor Selection</p> <p>Consortia does not have resources or financial capability to deliver the project to the contractual requirements</p>	<p>Shortlist of 4 consortia selected. This mitigates the risk of withdrawal of a party.</p> <p>A minimum of two consortia on the shortlist are not involved in Central Rail Loop Limited C3 contract, which has been further delayed.</p> <p>All have re-confirmed commitment to the project. Contract as a Build only is considered lower risk to the market. The adherence to programme has given confidence to the contractors.</p> <p>Watercare is a mature client, with an established track record of delivering projects in a cooperative manner. RFP requires key project resources to be confirmed for the project.</p> <p>Final selection is not based solely on price, but will also include a financial review of the contractors and their track record of delivery at this level of project.</p>
<p>Costs Exceed Current Approved Budget</p> <p>Tendered price exceeds current approved budget due to constraints on construction market.</p>	<p>High level of competition on this project due to selection of contractors.</p> <p>Project is considered low risk, when compared to level of potential return to contractors.</p> <p>Risk of delay is low, so contractors will price with certainty.</p> <p>The weakening of NZD may impact on supply of major items such as TBM, specialised equipment.</p>
<p>Watercare Resources</p> <p>Watercare cannot attract suitable client resources to deliver the project successfully.</p>	<p>Dedicated Business Unit created for project delivery.</p> <p>Structure confirmed with Chief Executive, recruitment of key leadership roles in progress.</p>
<p>Solution Fails to Meet Specification</p> <p>Tunnel lining system and/ or concrete mix cannot demonstrate it will achieve functional or reliability specification</p>	<p>Design complete. Consortia are to confirm designs for Tunnel Lining and concrete mix design, and provide case studies where it has been applied in a similar application.</p>

Appendix B - Project Financial Information

Stage	Approved (\$M)	Cost April 2018 (\$M)	May18 (\$M)	Jun18 (\$M)	Jul18 (\$M)	Aug18 (\$M)	Sep18 (\$M)	Oct18 (\$M)	Nov18 (\$M)	Dec18 (\$M)	Jan19 (\$M)	Feb19 (\$M)	Mar19 (\$M)	Apr19 (\$M)	May19 (\$M)	Jun19 (\$M)	Total Outturn Forecast (\$M)
CI - Stage 1A & B Planning and Consenting	20.85	20.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.85
CI - Stage 1C Property Purchase and Easement	9.60	8.51	0.20	0.20	0.20	0.20	0.20	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.60
CI - Stage 1D Detailed Design and Construction Tendering	30.43	28.00	0.40	0.40	0.40	0.40	0.40	0.40	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.43
CI - Stage 2 Construction, Supervision and Commissioning	1,073.00	0.00	0.00	0.00	0.28	0.28	0.38	1.25	2.45	2.50	2.45	14.45	2.99	1.70	31.48	5.60	1,073.00
CI Stage 2 Risk Allowance	47.00	0.00	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	47.00
CI TOTAL	1,180.88	57.36	0.60	0.60	0.88	1.03	1.13	1.89	2.63	2.65	2.60	14.6	3.14	1.85	31.63	5.75	1,180.88
Grey Lynn Wastewater Tunnel Planning and Consenting	2.60	0.00	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	2.60	2.60	2.60	2.60
PROGRAMME TOTAL	1,183.48	57.36	0.80	0.80	1.08	1.23	1.33	2.09	2.83	2.85	2.80	14.80	3.34	4.45	34.23	8.35	1,183.48





Monthly snapshot of communications and stakeholder engagement

Delivered

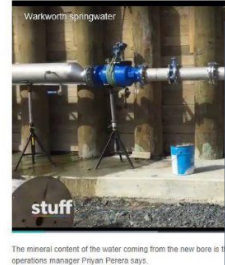
April media highlights include an in-depth feature in the NZ Herald on future-proofing Auckland's water and wastewater services; coverage of the completion of new Warkworth Water Treatment Plant in Stuff and Local Matters. We also produced and released a new video for graduate recruitment, featuring our water supply staff.

Media



Ask Auckland: Long-time water project nearly finished in Warkworth

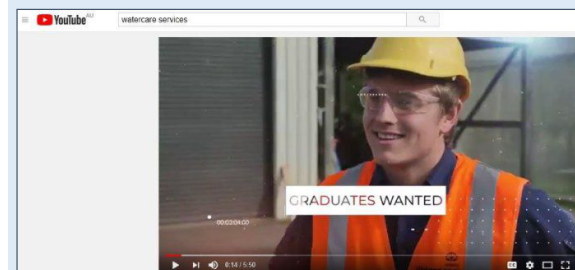
JAY BOREHAM
Last updated 14:24, May 7, 2018



New future-proof water plant set for summer



Warkworth's water supply will be switching from the Mairangi River to underground aquifers by the end of the year.



Internally, we published and distributed the second quarter's staff newsletter, Yoursource, to staff across all sites. On the intranet, we promoted the stakeholder engagement for Albany-Pinehill Watermain project, the collaboration of various teams to carry out the flushing of the Hunua 2 Watermain and the AskYourTeam staff engagement survey.

Staff



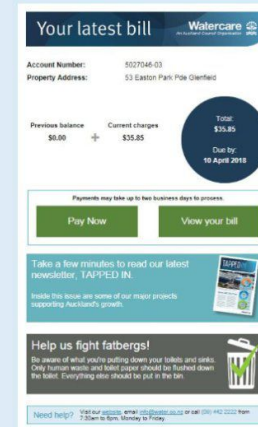
Phenomenal feedback from community disrupted by watermain project

03/05/2018

We live at 51 Spencer Rd, Pinehill opposite The side entry to the Pinehill School. During The school holidays 500mm dia steel watermain were laid past our residence. This was a major undertaking involving heavy machinery. We wish to register our satisfaction with how efficient your contractors were undertaking this work. They provided access at all times, delivered our mail, also taking our rubbish to where it could be collected.

Teamwork makes Hunua 2 watermain flushing seamless

17/04/2018



Customers

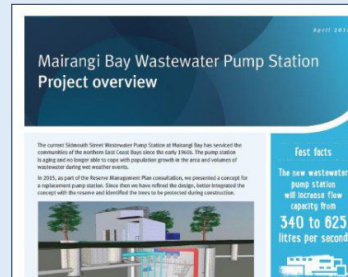
We worked with the billing team and surveyed 1000 customers to update the ebill so it provides all relevant information at a glance and to drive a payment (ideally to direct debit, bank payments and recurring credit cards respectively).

Stakeholders



We organised a tour of the new Warkworth Water Treatment Plant for Rodney Local Board chairwoman Beth Houlbrooke, ahead of the commissioning of the plant.

In progress



We are engaging with local residents about the proposed works for the development of a new pump station in Mairangi Bay.

We are developing a social media strategy tailored for the needs of our business. As part of this, we attended a discovery workshop with teams across the business to provide inputs to the strategy, which we expect to have finalised by the end of May.



April 2018 – Update on Significant infrastructure projects.

Project	Update
North Harbour Watermain Duplication – GBWD and Northern Interceptor Stage 1.	These projects have been combined for procurement and delivery efficiency. The RFT went to market in March 2018, tender close late May 2018 with contract award in August 2018. Target completion is scheduled for December 2020 (on target), at a forecast cost of \$161m (within budget). These are the first stages of the entire North Harbour Watermain and Northern Interceptor Projects.
Hunua 4 Section 11	A design and construct contract. Design is complete and submitted to Watercare for review. Drilling to commence in August 2018. Completion is forecast for June 2020 (ahead of budgeted completion by 6 months), at a forecast of \$69m (within budget).
Mangere Waste Water Treatment Plant Solid Stream Upgrade	The project is 80% complete. The final construction package was awarded in December 2017. Project completion is June 2020 (on target) and the forecast cost to complete is on budget.
Glendowie Branch Sewer Upgrade	Construction tenders have closed. Construction contract documents have been issued to the contractor for signing. Project completion is June 2020 (on target) and the forecast cost to complete is on budget.
Army Bay Wastewater Treatment Plant Outfall Upgrade	Design is complete for this design build project. The TBM is assembled and drilling has commenced. Forecast cost and time to complete are on target and budget.

Execution of documents, capex approvals below \$15m, and opex/capex contracts over \$100,000, in accordance with the delegated authority provided to the CE by the Board - April 2018

In April 2018, Watercare processed the following twelve documents, executed with the delegated authority provided to the Chief Executive by the Board in relation to deeds, instruments and other documents:

- Two agreements to create easements in favour of Watercare over private land
- One IGC agreement with a land developer
- Two acquisitions of land by Watercare
- Three section 181 Local Government Act notices for Watercare to construct infrastructure over private land
- One compensation certificate registered on private land in favour of Watercare
- One disposal of land by Watercare
- Two encumbrance certificates registered on private land in favour of Watercare

Capex approvals below \$15m, approved by the CE in accordance with his delegated authority

There were six capex approvals totaling \$42.327m signed in accordance with the delegated authority provided to the Chief Executive by the Board in relation to capex approvals below a threshold of \$15m.

Summary of Capital Projects approved by Chief Executive – April 2018		
C-13006	Wastewater Transmission Asset Renewals Programme -Pump Station Internal Cast Iron (CI) Pipework, Pumps and Other Equipment Replacement	\$13,500,000
C-13007	Wastewater Transmission Asset Renewals Programme - BioFilter Media Replacement	\$1,800,000
C-13008	Wastewater Transmission Asset Renewals Programme - Concrete Lined Steel Rising Mains and Fittings	\$15,000,000
C-13009	Wastewater Transmission Asset Renewals Programme - Rehabilitation of Concrete Gravity Sewers and Pipe Bridges	\$9,100,000
C-13014	Data Hub - Enablement	\$2,900,000
C-13057	Billing Vehicle	\$27,000

Opex/Capex over \$100,000

There were a number of contracts over \$100,000 approved during April 2018, in accordance with the delegated authority provided to the Chief Executive by the Board in relation to Capex and Opex contract approvals, namely:

Contract Description	Supplier
Redoubt Road Reservoir Complex Upgrade - Principal Advisor	Beca Limited
Lower Huia Pump Station Power Factor Correction and Soft-Starter Replacements	Northern Electrical Services Limited
Preliminary and Detailed Design for Orewa No. 1 Watermain Renewal	GHD NZ Limited
Lawsons Creek Branch Sewer Duplication - Early Works	Pipeline & Civil Limited
Microsoft Enterprise Service - Service Work Order	Microsoft New Zealand Limited
Software Subscription And Support	Dimension Data New Zealand Limited

Report to the Board of Watercare Services Limited

Subject: Submission to NZPC's *Low-emissions economy: Draft report*

Date 22 May 2018

1. PURPOSE

The purpose of this paper is to inform Watercare's Board of the New Zealand Productivity Commission *Low-emissions economy: Draft report*, which is currently open for public submissions. Watercare will make a submission supporting the general thrust and responding specifically to a question that relates to emissions from wastewater treatment plants. Watercare's position is to support initiatives towards emission reductions but at this stage to keep wastewater treatment plants out of the Emissions Trading Scheme for the reasons set out in this paper.

2. BACKGROUND

New Zealand is a signatory to the UN Sustainable Development Goals and to the 2015 Paris climate agreement. In May 2017, the previous Government asked the NZPC to identify how New Zealand could maximise the opportunities and minimise the costs and risks of transitioning to a lower net emissions economy.

In August 2017, the NZPC produced an *Issues Paper*, which was open for submissions. Watercare, together with Auckland Council, made a joint submission on the *Issues Paper*. On 22 August 2018, after considering the *Issues Paper* and the submissions made, the NZPC released its *Low-emissions economy: Draft report* (the 'Draft Report'). Public Submissions are due by 8 June 2018. The NZPC's final report is expected by August 2018.

3. OVERVIEW OF THE NZPC'S DRAFT REPORT

In early 2018, Hon James Shaw asked the NZPC to include in its analysis the target of achieving net-zero emissions by 2050. NZPC's modelling indicates that New Zealand can achieve low greenhouse gas (GHG) emissions by 2050 via:

- large-scale new forestry plantation;
- the electrification of transport; and
- changes to the structure and methods of agricultural production.

The draft report is comprehensive, running to 469 pages, and its conclusions are stark. It highlights the requirement for both a fundamental reduction in high emissions and improving energy efficiency across production and consumption, outlining a number of key recommendations. The focus is on emission pricing, innovation and investment, and laws and institutions. It sets out why inaction cannot be justified (despite New Zealand's small size).

The key message in the Draft Report is that an effective system of emissions pricing, that could be included in the New Zealand Emissions Trading Scheme (NZETS), should form the centrepiece of a strategy to reduce emissions by creating a price signal to drive innovation.

The NZETS currently in place has a price on GHG emissions of \$21 per tonne of CO₂e¹. The NZETS only partially covers sectors of the New Zealand economy.

The NZPC's modelling indicates that for New Zealand to reach the target of net zero emissions by 2050, significant increases in the price for GHG emissions are required. Their assessment is if there is a New Zealand wide rapid technology change, prices would need to rise to \$157 a tonne of CO₂e by 2050, compared to a rise to \$250 a tonne of CO₂e if there is not rapid technological change.

The NZPC Draft report has 11 specific questions that it is seeking feedback on. There is one specific question that relates directly to Watercare's core business:

Q14.1 - Should the New Zealand Emissions Trading Scheme be extended to cover wastewater treatment plants?

4. NEW ZEALAND'S SITUATION

The Productivity Commission has assessed emissions from New Zealand's wastewater treatment plants at 0.45% of the total New Zealand emissions.

Water New Zealand has requested feedback from its membership on the specific question. Although this exercise is not yet completed, indications are that there will not be support for including wastewater treatment plants in the ETS at this stage.

Overseas ETSs do not include emissions from wastewater treatment plants. There remain a number of significant unknowns regarding the implications of including wastewater treatment in the NZETS. The overall impacts of the NZETS that could result from the recommendations made by the NZPC have yet to be determined. Therefore, there is a high level of uncertainty for Watercare if it chose to be included in any trading scheme and not enough information in the Draft report to make such a recommendation.

5. THE WATERCARE SITUATION

Our calculations are that Watercare's wastewater treatment plants produce 0.03%² of the New Zealand net emissions.

Based on the full emissions generated by wastewater treatment plants (electricity and biosolids included), the cost of carbon to Watercare could range from \$300,000 p.a. in 2020 (at the current cost of \$21/tCO₂e) to \$1,600,000 p.a. in 2050 (at \$250/tCO₂e, taking into account 30% reduction in emissions from the current energy neutrality initiatives and the potential implementation of thermal hydrolysis at the Mangere plant). This ignores further emission reduction actions.

For some time now, Watercare has had an objective to be at the forefront of climate change action in New Zealand. In particular:

¹ CO₂e– Carbon dioxide equivalent. This uses carbon dioxide as the base for comparisons.

² 0.03% = Watercare WWTP CO₂e annual emissions(14,700 tonnes)/Net New Zealand emissions (56,372,000 tonnes in 2015)

- Watercare’s “Climate Change Adaptation and Mitigation Strategy” is currently being drafted in accordance with our Fully Sustainable strategic priority and United Nations Sustainable Development Goal 13 ‘Climate action’;
- Watercare increasingly views its “wastewater treatment plants” as “resource recovery centres”;
- Watercare has included Net Zero 2050 in the company’s Energy policy and has steps in place to achieve this target (e.g. energy neutrality at Mangere and Rosedale);
- Watercare is already performing well in terms of emissions per capita compared with the country average;
- Watercare’s wastewater energy neutrality programme is already in the implementation phase; and,
- Watercare is a signatory to the Climate change statement from a group of business leaders representing 50% of New Zealand’s business generated emissions and coordinated by the Sustainable Business Council, and will be released in June 2018.

The re-vegetation project in the Hunua ranges could generate ETS credits. If the NZETS allowed their use, it may be financially beneficial for Watercare to be included in the NZETS.

6. CONCLUSION

Management agrees that action in the reduction of emissions is not only justified, but needs accelerated programmes and initiatives.

Therefore, Management supports the general approach and theme of the Draft report and the pursuit of reduced greenhouse gas emissions. Given the uncertainty, it is too early to state that wastewater treatment should be included in the ETS. Watercare will continue to research global development in this area, and progress towards Net Zero 2050 as stated in its Energy Policy. Watercare will carry on working collaboratively to contribute to emission reductions in the industry, and assist Auckland Council in the development of AC’s Auckland Climate Action Plan.

7. RECOMMENDATION

It is recommended that the Board receives this report.

Prepared by

Roseline Klein
**Sustainability
Manager**

Prepared by

Mark Bishop
**Senior Policy
Planner**

Recommended by:

Steve Webster
**Chief Infrastructure
Officer**

Approved by:

Raveen Jaduram
Chief Executive

Report to the Board of Watercare Services Limited

Subject: Storm and Power Outage Impact April 2018

Date: 22 May 2018

1. PURPOSE

During the early April 2018 major storm event, there was a loss of power to a significant number of Watercare installations. This paper outlines to the Board the measures undertaken by Management to ensure customers continued to receive 'Aa' grade water and overflows of wastewater were limited in number and volume despite the power outages.

2. BACKGROUND

Auckland experienced extremely high winds which caused significant outages on the Vector and Counties Power networks. This affected thousands of homes and businesses throughout Auckland, including a large number of Watercare water and wastewater treatment facilities, including pump stations and treatment plants.

3. TIMELINE

DATE	EVENT
Monday 9 April	<ul style="list-style-type: none"> • Due to the adverse weather forecast, a response plan was prepared. • This included identification of potentially effected sites, checks around facilities for loose items, contact with generator suppliers to put them on standby and pre-order of equipment, early stand-down of on-call staff so they were rested ahead of the potential event and preparation of increased staffing of critical facilities.
Tuesday 10 April	<ul style="list-style-type: none"> • Significant operational issues had been caused such that an incident declaration was made by the Acting Chief Operations Officer, Mark Bourne at 2244hrs. • At that stage only Ardmore, Huia and Waitakere water treatment plants were operational. • All other water treatment plants had lost power. • Army Bay, Helensville, Pukekohe and Denehurst WWTP all lost power. • Power was also lost to 15 transmission wastewater pump stations and 20 water transmission pump stations and reservoirs.
Wednesday 11/Thursday 12 April	<ul style="list-style-type: none"> • On 11 April, one of the incoming power feeds to Ardmore WTP faulted, resulting in the plant being run on generator until 12 April. • Waitakere WTP was also operating on a generator. • Power had been restored at Waiuku, Warkworth and Waikato WTPs. • Rosedale WWTP also lost power on 11 April. • Mangere WWTP experienced a power supply spike and the plant suffered a micro-outage. • There were 12 transmission pump stations without power.

DATE	EVENT
Wednesday 11/Thursday 12 April	<ul style="list-style-type: none"> Generators were operating at seven sites. Power was out to over 70 local pump stations and power had been lost to Clarks Beach and Kingseat WWTPs. Management deployed further generators and tankers were put on standby. UPS batteries started failing, making communications more difficult with outlying sites and staff had to manually check reservoir levels. On 11 April, a significant operational risk occurred at Mangere WWTP, which meant staff worked through the night to repair a screenings conveyor that had become overloaded with leaf debris. Most of the northern WTPs were operating on generators. The situation stabilised over the night of Thursday, 12 April
Friday 13 April	<ul style="list-style-type: none"> Muriwai WTP, Waitakere WTP and Pukekohe WWTP were still operating on generators. All other treatment plants were operating on mains power. There were still around 20 local network pump stations without power and these were being managed by rotational generators and vacuum loaders. No overflows were occurring. The incident was formally closed at noon, Friday, 13 April.

Mark Bourne, as the Incident Controller and Acting Chief Operations Officer, issued numerous bulletins to Management. The Chief Executive kept the Directors of the Board informed as well as the situation could have resulted in major water supply and outages across Auckland. The Mayor's office was also advised.

A summary of the impact of the power loss is provided on the following table:

Facility Type	No. without mains power	Number on generator	Number on vacuum loader	Number on battery for communications	Customer impact
Water Treatment Plant	15	8	NA	NA	Nil. Water supply maintained by generator, alternate supply or treated water storage.
Raw Water Pump Station	5	4	NA	NA	Nil. Raw water supply maintained to water treatment plants by generator or alternate supply.
Treated Water Pump Station	10	7	NA	NA	Nil. Water supply maintained by generator or tanker supply.
Treated Water Reservoir	8	2	NA	6	Minor treated water overflow at one location when communications lost.
Wastewater Treatment Plant	7	3	NA	NA	Nil. Compliance maintained at all sites due to use of generators and on-site storage.
Wastewater Pump Station	130	49	60	NA	Overflows occurred at 25 pump stations for between 10 minutes and 5 hours 55 minutes whilst generators or vacuum loaders were arranged. Storage was used at balance of sites to contain flow.
Total	175	73	60	6	

The additional cost of responding to this weather event was \$480K, which covered generator hire, fuel costs and increased labour and overtime expenses.

4. LEARNINGS

Despite the scale of the power loss, Watercare was able to maintain service to customers due to the resilience of the water and wastewater systems, the contingency plans in place and the capability and experience of staff. However, there are a number of learnings from the incident that require further consideration.

Permanent on-site generators.

All major water and wastewater treatment plants (except for Waikato Water Treatment plant) have permanent on-site generators. A review will be undertaken to assess the appropriateness of providing these at other treatment plants and critical pump stations rather than require the dispatch and installation of hire mobile generators.

Alternate power supply to Waikato Water Treatment Plant

An investigation will be carried out to determine a viable alternate power supply to the plant.

Back-up batteries at key communication hubs

Watercare maintains a number of critical operational data hubs distributed around the region. These provide information on reservoir levels and store and transmit data that provides information for systems control. Back-up batteries provide continued communication and information during loss of mains power. Due to the length of the power outage the batteries ran flat and had to be replaced. This task, although mundane, was necessary and necessitated resource to travel distances and away from other important tasks. A review will consider installation of solar charging at these sites to allow resilience to the data monitoring function.

Private systems

Whilst Watercare was able to quickly respond to maintain operational status of its plant, a number of private systems were adversely affected for the duration of the power outage. These included premises with private wastewater pump stations and low pressure wastewater systems. While many of these affected properties are not Watercare customers, information material will be developed and shared with Council Civil Defence group who provided assistance to this group.

Communication systems

Mobile telephones are the main form of communication between staff and contractors. An extended power outage can cause coverage issues as cell tower sites go off line. Radio Telephones (R/T) are available to operational staff and core maintenance contractors. An exercise will be undertaken to confirm the coverage and scalability of the current R/T system for widespread and large volume interactions.

Industry debrief

A debriefing will be sought with Vector, Counties Power and other lifeline utilities to see what regional improvements can be made to respond to future events.

5. CONCLUSION

There was significant adverse media comment and public criticism of Vector in relation to poor communications and the time taken to effect responses. Vector staff co-ordinated with Watercare staff in determining the priority that they needed to place on the massive repair programme that they needed to take.

The only adverse comments received by Watercare were from some residents complaining about the noise of generators, which were required to keep essential services functioning.

All of Watercare's customers continued to receive 'Aa' graded water at all times. The number and volume of wastewater overflows were significantly reduced by the use of stand-by generators at pumping stations and use of sucker trucks to transport wastewater from non-operational stations. Generally the public were unaware of the efforts made on their behalf to keep services functioning.

Mark Bourne led the Operations team extremely well, including Priyan Perera, Shane Morgan and Simon Porter. David Hawkins led the Communications team who were on standby at all times in the event communications with customers were required. All staff involved with the operations and customer service performed diligently and without exposure to undue fatigue.

6. RECOMMENDATION

It is recommended that this report be received.

Report prepared for submission by:



Raveen Jaduram
Chief Executive

Report to the Board of Watercare Services Limited

Subject: Auckland Council Feedback on Draft Statement of Intent 2018/21

Date: 22 May 2018

1. INTRODUCTION

Watercare is required, under Section 64 of the Local Government Act 2002 (the Act), to produce a Statement of Intent (SOI) for a period of three years, the purpose of which is to provide:

- A public statement of its activities, intentions and objectives;
- An opportunity for the shareholder to influence the direction of the organisation; and
- An accountability basis of the directors for the shareholder.

Schedule 8 of the Act sets out the required contents of the SOI and requires that a draft is to be presented to the shareholder by 1 March each year.

Not only does the SOI set out the intended strategic direction for Watercare, but some of the operational performance measures in the SOI form part of the performance measures that are included in Auckland Council's long term plan (LTP).

The SOI and associated performance measures and the annual performance reporting are all subject to audit by the Auditor General.

2. TIMETABLE FOR COMPLETION

The SOI process begins with the Mayor's Letter of Expectation. Watercare received a draft of the Letter of Expectation in December 2017. A final version of the Letter of Expectation was received in January 2018.

Following receipt of the Mayor's Letter of Expectation, a draft 2018/21 SOI was prepared, approved by the Board and submitted to Auckland Council on 1 March 2018.

Watercare received draft feedback from Council staff, and this feedback was distributed to the Board in the April Board pack.

Watercare has now received the final and formal feedback from Auckland Council on the draft 2018/21 SOI and is required to provide an opportunity for the public to comment on the amended document at the public board meeting on 29 May 2018. Following that, the document is to be approved by the Board for submission to Auckland Council by 30 June 2018.

The approved SOI will then be formally adopted by Auckland Council in August 2018.

3. SHAREHOLDER COMMENTS

The Mayor wrote to the Chair on 2 May 2018 setting out in considerable detail the shareholder's comments on the draft SOI. A copy of the letter is appended as **Appendix 1**. It is acknowledged that in some cases the shareholder's comments are generic to all CCO's and not specific or relevant to Watercare.

Watercare has considered the shareholder's comments and Watercare's proposed responses are detailed in the table below. An amended version of the draft 2018/21 Statement of Intent is appended as **Appendix 2**. This version incorporates the proposed amendments set out in the table below, minor editorial changes and an updated target for the performance measure "median response time for attendance for non-urgent call-outs: from the time that Watercare receives notification to the time that

service personnel reach the site”. The new target is now 5 days or less, instead of 3 days or less (see page 23). This is based on the recommendation from an independent network efficiency review to drive cost savings by extending the on-site time on jobs with less urgency and low customer impact.

	General Shareholder Comments	Proposed Watercare Response:
	Ensure that:	
1	The SOI is fully consistent with the Long-term Plan 2018-2028, including all financial and non-financial information, performance measures and targets.	Requirement met – no action required.
2	The SOI includes financial information for 2017/2018, and the three subsequent years.	Requirement met – no action required.
3	The legislative requirements are met and that all financial and non-financial information is well aligned between these documents as they are finalised.	Requirement met – no action required.
4	<p>The final SOI discusses how Watercare will implement the final version of the Auckland Plan 2050, including the Development Strategy, relevant performance measures, and any associated guidance.</p> <p>Of particular relevance is how Watercare intends to help Auckland achieve the Plan's objectives of adapting to a changing water future, ensuring Auckland's infrastructure is future-proofed and using growth and development to protect and enhance Auckland's environment.</p>	<p>Insert additional wording on page 2, the Chair's message, as follows (additions in red):</p> <p>- The Company will build on that strong foundation with a series of planned upgrades and replacements for our water supply network over the next three years. This will help Auckland achieve the Auckland Plan's objective of adapting to a changing water future.</p> <p>- Enabling growth sustainably: As always, Watercare's challenge is to meet the demands of the growth occurring in, and planned for, Auckland without compromising quality, efficiency and the environment. Our asset management strategy details the \$5.7 billion in projects that have been planned and sequenced for the next 10 years to ensure the water and wastewater network continues to have sufficient capacity and resilience to meet growing demand. Watercare's long term planning focuses on sustainable design which takes into account a number of factors including the impact of climate change and mitigating the effects of our operations on the environment.</p> <p>-----</p> <p>Remove all content on page 6 which referred to the Auckland Plan 2015, and replace it with content that addresses the Auckland Plan 2050. See the new page at page 6 of Appendix 2.</p>
5	<p>The final SOI includes:</p> <p>i. A statement about its role in participating and implementing the findings of the current Treaty Audit.</p> <p>ii. The refined priorities of Te Toa Takitini, the specific project/ programme contributions that CCOs agree to make and any related performance measures. These should be reported on through the CCO quarterly reports.</p>	<p>Insert the following wording in column two on page 15:</p> <p>“Committing to participate and implement the findings of the current Treaty Audit.”</p> <p>Replace the third paragraph in column two on page 15 with the following wording:</p> <p>“Committing to the refined priorities of Te Toa Takitini, the specific project/programme contributions and any related performance measures. These are reported on through Watercare's quarterly reports.”</p>

6	The final SOI includes an appropriate commitment to optimise efficiency and value, remove unnecessary duplication and different approaches to core systems and business processes, to pursue shared back-office delivery where appropriate and to better align our respective investment.	<p>Insert the following wording at the end of column 2 on page 20:</p> <p>“Watercare commits to optimise efficiency and value, and remove unnecessary duplication. Watercare has, and will continue to, consider alternative operating models to optimise investment and leverage capability across the Council Group.”</p> <p><i>Please note that the context for this proposed Watercare response is set out in the draft letter to the Mayor appended as Appendix 3.</i></p>
Specific Shareholder Comments		Proposed Watercare Response:
7	I would like to see the final SOI reflect a more collaborative approach to working with and sharing information with the council. While Watercare is responsible for preparing its own asset management and capital planning, the recommendations from the Section 17 A 'value for money' review made it clear that closer integration will be needed if Auckland is to address its infrastructure challenges.	<p>Insert a new paragraph numbered 1 on page 8:</p> <p>“Watercare commits to continuing to work collaboratively and sharing information with Council.”</p> <p>-----</p> <p>Addition on page 19 in red below:</p> <p>“Our Asset Management Plan defines Watercare’s best engineering and business judgment of the capital investment required to maintain the integrity of our infrastructure base over a 20-year period.</p> <p>It helps us to decide what, where, how, when and how much we invest to build and maintain our water and wastewater assets.</p> <p>Watercare will continue to collaborate with Council and other Council CCOs to closer integrate its planning to assist in addressing infrastructure challenges for Auckland.”</p>
8	I understand that Watercare staff are collaborating with the Healthy Waters department and Auckland Transport to develop the three waters recommendations into more concrete proposals. These will be presented to the Finance and Performance Committee for decisions in June (including capital and operational planning) and October this year (the three waters operating model), and I look forward to seeing the details reflected in the final SOI.	<p>Insert a new paragraph on page 8, now numbered 3 as follows:</p> <p>“3.In particular, Watercare will continue to collaborate with Healthy Waters and Auckland Transport to develop the three waters recommendations into more concrete proposals.”</p>
9	I acknowledge the work that Watercare is doing with Veolia Water to agree an approach to providing infrastructure for growth in Papakura which is consistent with the rest of Auckland. In the final SOI, you should provide a timeframe for when you expect to conclude that agreement.	<p>To clarify the situation, we recommend replacing the following paragraph which is set out at the top of page 11 in the second column (last paragraph):</p> <p>“Watercare and Veolia Water (which supplies water to Papakura) are working towards an approach to managing growth which would see an alignment between the Veolia-operated area and the rest of Auckland. It is expected this will provide consistency for those developers operating within the Veolia-operated area.”</p> <p>With the following wording:</p>

		<p>“Veolia Water in Papakura, like Watercare throughout the rest of Auckland, responds to growth areas identified by Auckland Council. Accordingly, Watercare will require Veolia Water to ensure it is providing the necessary water and wastewater infrastructure to meet growth.”</p> <p><i>Please note that the context for this proposed Watercare response is set out in the draft letter to the Mayor appended as Appendix 3.</i></p>
10	<p>While I appreciate that some of the previous performance measures which have been removed from the draft SOI are not appropriate or are too operational, the remaining measures (the Department of Internal Affairs (DIA) mandatory non-financial performance measures) are not enough for the council to provide effective oversight of Watercare's performance. Watercare should work with the council to refine its performance measures for the statement of intent and ensure that these support the Long-term Plan and proposed Auckland Plan 2050 performance measures.</p> <p><i>(Council staff have indicated that the Mayor and Councillors would like to see the customer service satisfaction metric and the resolution of complaints included in the SOI).</i></p>	<p>Insert the following wording on page 17 in the second column at the end of the second paragraph:</p> <p>“Watercare will, with Auckland Council, identify additional effective, appropriate and meaningful measures that will arise from the Government’s review of three waters in New Zealand.”</p> <hr/> <p>Add one new performance measure which covers off customer satisfaction, being the Net Promoter Score. The target is a positive score, given the fact that utility companies tend to receive a negative score. However, Watercare will strive to achieve a score of at least 30. Please see page 23 of Appendix 2 where this performance measure has been included.</p> <p><i>Please note that the context for the above proposed Watercare response is set out in the draft letter to the Mayor appended as Appendix 3.</i></p>
11	<p>Thank you for your response of 15 March in response to the further letter I sent on ensuring Watercare is planning adequately for climate change. Watercare's planned Climate Change and Mitigation Strategy will be a critical tool to ensure that Auckland reduces emissions and is resilient to the effects of climate change. It will require Watercare to thoroughly look at its long term business model, operational and strategic risks and vulnerabilities, planning and assumptions. It should also be consistent with the council's own policy positions on climate change mitigation and resilience, as expressed in the Auckland Climate Action Plan, currently under development. I look forward to seeing this reflected in the final SOI.</p>	<p>Insert a new paragraph (numbered 5) on page 8:</p> <p>“5. Climate change impacts, now and in the future, are already a key consideration in Watercare’s planning process. Watercare's Climate Change Mitigation and Adaption Strategy will be a critical tool to ensure that Watercare contributes to Auckland reducing emissions and is resilient to the effects of climate change. Watercare will thoroughly look at its long term business model, operational and strategic risks and vulnerabilities, planning and assumptions. Once Auckland Council has developed its policy position on climate change mitigation and resilience, and produced the Auckland Climate Action Plan, Watercare will check its own Climate Change Mitigation and Adaption Strategy against the newly developed Council policy position for consistency.”</p>

4. FINANCIAL PROJECTIONS

At the 24 April 2018 Board meeting, the Board approved revised financial projections for input to the Auckland Council’s 2018/2028 LTP process and inclusion of the relevant three year revised financial projections in the 2018/21 SOI, subject to final approval of the SOI before 30 June 2018. The approved financial projections are included in the new version of the 2018/21 SOI appended at Appendix 2, and assume annual price increases of 2.5% for the water tariff, 3.3% for the wastewater tariff and 3.0% for metropolitan IGCs.

5. DRAFT LETTER TO THE MAYOR

Appended as Appendix 3 is a draft letter to the Mayor which will be sent with the SOI 2018/21.

6. RECOMMENDATION

It is recommended that:

- The proposed response to the shareholders comments and the related proposed additions or amendments be approved;
- The Board approves the submission of the amended SOI to Auckland Council by the deadline of 30 June 2018 subject to formal approval of price increases as per Item 5.1 of the Confidential agenda of the 29 May 2018 Board meeting; and
- The Board approves the letter to the Mayor to be sent with the SOI.

Report prepared by:



J Simperingham
Governance Manager

Recommended by:



R Fisher
Company Secretary

Approved for submission by:



R Jaduram
Chief Executive



2 May 2018

Margaret Devlin
Chair
Watercare Services Limited

BY EMAIL

Tēnā koe Margaret

Shareholder comments on Watercare Services Limited's draft Statement of Intent 2018-2021

The Finance and Performance Committee considered Watercare Services Limited's (Watercare's) draft Statement of Intent 2018 - 2021 (SOI) at its 17 April meeting.

At the meeting, the Committee resolved to make a number of general comments that relate to each CCO and some comments that are specific to Watercare.

Staff from Watercare should work with council staff to ensure that these comments and any minor editorial changes are reflected in your final SOI.

General shareholder comments

As you know, the final SOI must reflect the decisions made as part of the council's Long-term Plan 2018 - 2028 and meet statutory requirements. You should ensure that the SOI:

- Is fully consistent with the Long-term Plan 2018 – 2028, including all financial and non-financial information, performance measures and targets.
- Includes financial information for 2017/18, and the three subsequent years.

We expect that your staff will work with council staff to ensure that the legislative requirements are met and that all financial and non-financial information is well aligned between these documents as they are finalised.

In addition, you should ensure that:

1. **The Auckland Plan:** The final SOI discusses how Watercare will implement the final version of the Auckland Plan 2050, including the Development Strategy, relevant performance measures, and any associated guidance.

Of particular relevance is how Watercare intends to help Auckland achieve the Plan's objectives of adapting to a changing water future, ensuring Auckland's infrastructure is future-proofed and using growth and development to protect and enhance Auckland's environment.

2. **Māori outcomes:** The final SOI includes:
 - i. A statement about its role in participating and implementing the findings of the current Treaty Audit.

- ii. The refined priorities of Te Toa Takitini, the specific project / programme contributions that CCOs agree to make and any related performance measures. These should be reported on through the CCO quarterly reports.
3. **Shared services:** The final SOI includes an appropriate commitment to optimise efficiency and value, remove unnecessary duplication and different approaches to core systems and business processes, to pursue shared back-office delivery where appropriate and to better align our respective investment

Specific shareholder comments

I would like to see the final SOI reflect a more collaborative approach to working with and sharing information with the council. While Watercare is responsible for preparing its own asset management and capital planning, the recommendations from the Section 17A 'value for money' review made it clear that closer integration will be needed if Auckland is to address its infrastructure challenges.

I understand that Watercare staff are collaborating with the Healthy Waters department and Auckland Transport to develop the three waters recommendations into more concrete proposals. These will be presented to the Finance and Performance Committee for decisions in June (including capital and operational planning) and October this year (the three waters operating model), and I look forward to seeing the details reflected in the final SOI.

I acknowledge the work that Watercare is doing with Veolia Water to agree an approach to providing infrastructure for growth in Papakura which is consistent with the rest of Auckland. In the final SOI, you should provide a timeframe for when you expect to conclude that agreement.

While I appreciate that some of the previous performance measures which have been removed from the draft SOI are not appropriate or are too operational, the remaining measures (the Department of Internal Affairs (DIA) mandatory non-financial performance measures) are not enough for the council to provide effective oversight of Watercare's performance. Watercare should work with the council to refine its performance measures for the statement of intent and ensure that these support the Long-term Plan and proposed Auckland Plan 2050 performance measures.

Thank you for your response of 15 March in response to the further letter I sent on ensuring Watercare is planning adequately for climate change. Watercare's planned Climate Change and Mitigation Strategy will be a critical tool to ensure that Auckland reduces emissions and is resilient to the effects of climate change. It will require Watercare to thoroughly look at its long term business model, operational and strategic risks and vulnerabilities, planning and assumptions. It should also be consistent with the council's own policy positions on climate change mitigation and resilience, as expressed in the Auckland Climate Action Plan, currently under development. I look forward to seeing this reflected in the final SOI.

I look forward to receiving the final SOI by 30 June 2018.

Yours sincerely



Phil Goff
MAYOR OF AUCKLAND

Copy to:

Deputy Mayor Bill Cashmore
Councillor Ross Clow, Chair, Finance and Performance Committee
Councillor Penny Hulse, Chair, Environment and Community Committee
Councillor Chris Darby, Chair, Planning Committee
Stephen Town, Chief Executive, Auckland Council
Raveen Jaduram, Chief Executive, Watercare Services Limited

Statement of Intent 2018 to 2021



He mihi

Tuia te rangi e tū nei, tuia te papa e takoto nei.

Kia tau iho te korowai atawhai o te wāhi ngaro ki runga i a tātou katoa.

E ngā maunga whakahī, e ngā wai tākunukunu, e ngā tōpūtanga tāngata nui rawa o Tāmaki Makaurau, Tāmaki herenga waka, tēnā rā koutou katoa.

E manakohia kia piki ake o ā tātou mahi ngātahi āmuri ake nei. Anei rā te tāuaki hei tātaki i aua manako, heoi anō, inā kē te nui o ngā mahi hei kawae ake e eke ai tō mātou wawata.

Unite thus the heavens above, unite thus the land beneath us; we acknowledge the cloak of grief, those whom have passed on, and we acknowledge their influence upon us.

To thy mountains, thy cool sequential waters, the many ethnicities and peoples throughout Tāmaki Makaurau, warm and heartfelt greetings to you all.

We come together to seek a new way forward, united in our shared responsibilities, and committed to achieving. Clearly, much is yet to be done if we are to give credence to our vision.

Contents

01	He mihi	13	INSIGHT: Collaborative consenting process delivers value for community
02	Message from the Chair	15	Engaging with our communities
03	Purpose of Statement of Intent	16	INSIGHT: Managing water sources sustainably
04	Who we are	17	Managing and measuring our performance
05	How we operate	18	INSIGHT: Transforming our organisation
05	Where we operate	19	Driving efficient, transparent and stable financial management
06	Working together to achieve the vision for Auckland	21	Appendix A Detailed capital expenditure list
08	Working together with the Council group	22	Appendix B Our legislative framework
09	INSIGHT: Setting an example for water quality	23	Appendix C Our performance measures
11	Enabling growth		

Message from the Chair

Watercare Services Limited (Watercare) continues to provide its core services – water supply and wastewater treatment and disposal – whilst at the same time taking significant steps to realign its culture and improve organisational agility to respond to the changing external environment and evolving customer expectations.

Strategic Transformation Programme

Customer expectations are being shaped by a desire for convenience and the ability to self-serve – simply put, Watercare’s systems and processes can greatly be improved to help us better meet those customers’ needs, both now and in the future.

Technology and innovation have an enormous role to play in the Company’s evolution.

As part of Watercare’s Strategic Transformation Programme, technology upgrades will streamline back-office processes, centralise information management to maintain the quality of data and assist company-wide access to that data. This will create opportunities for greater engagement with customers and with that an enhanced customer service experience.

Safe and reliable, 24 x 7

We take pride in the quality and resiliency of our water supply and adhere to the six fundamental principles of drinking water safety for New Zealand identified by the Havelock North Drinking Water Inquiry Report. The six principles are: a high standard of care must be embraced, protection of source water is of paramount importance, maintain multiple barriers against contamination, change precedes contamination, suppliers must own the safety of drinking water and apply a preventive risk management approach.

The resilience of Watercare’s water supply system was demonstrated during last year’s extreme cyclonic event. The Company will build on that strong foundation with a series of planned upgrades and replacements for our water supply network over the next three years. This will help Auckland achieve the Auckland Plan’s objective of adapting to a changing water future.

Enabling growth sustainably

Watercare’s challenge is to meet the demands of the growth occurring in, and planned for, Auckland without compromising quality, efficiency and the environment. Our asset management strategy details the \$5.7 billion in projects that have been planned and sequenced for the next 10 years to ensure the water and wastewater network continues to have sufficient capacity and resilience to meet growing demand. Watercare’s long term planning focuses on sustainable design which takes into account a number of factors including the impact of climate change and mitigating the effects of our operations on the environment.

Working with Auckland Council

As Auckland’s water and wastewater services provider, Watercare continues to work closely with Auckland Council to ensure that the city’s vision is achieved. Our Board welcomes the opportunity to work collaboratively with the Mayor and Councillors to develop joint strategies and policies which achieve efficiencies and provide greater benefit to our customers and the ratepayers of Auckland. We look forward to further joint initiatives this year.

This Statement of Intent (SOI) sets out Watercare’s response to the Mayor’s Letter of Expectation, our obligations and how we intend to fulfil our mission to provide safe, reliable and efficient water and wastewater services to all of Auckland. The SOI highlights the various initiatives that we are collaborating on with the Council group and reaffirms our continued commitment to working with Council and other infrastructure providers to enable the region’s sustainable growth and development.

MARGARET DEVLIN

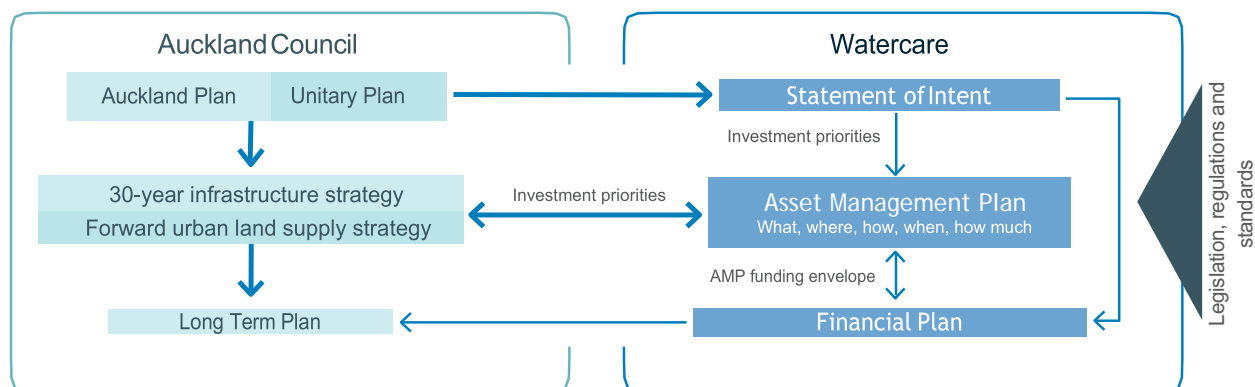
Chair

Purpose of Statement of Intent

In accordance with Schedule 8 of the Local Government Act 2002, our annual SOI publicly states the activities and intentions of Watercare for the next three years, together with the objectives and outcomes which will be delivered.

Our SOI provides an opportunity for our Shareholder to influence the direction of the Company and provides a basis for the accountability of Directors for performance of the organisation.

5.1



See *Our Legislative Framework* in Appendix B (page 22) for more information on our legal responsibilities.

Wastewater flowing through the new reactors at the Mangere Wastewater Treatment Plant extension



Who we are

Our vision

Trusted by our communities for exceptional performance every day.

Better tomorrow than we are today | Pai ake apōpō atu i tēnei rā

Our mission

Reliable, safe and efficient water and wastewater services.

Watercare is a lifeline utility that provides essential services to Auckland. Our mission – to deliver reliable, safe and efficient water supply and wastewater services – is critical to the economic, social and environmental health and wellbeing of our communities.

Watercare is a council-controlled organisation (CCO), wholly owned by Auckland Council.

To deliver our vision and mission, we have prioritised four strategic areas of focus.

Customer focus: To fulfil our vision of providing exceptional service, we strive to understand our customers and stakeholders and engage with them in a meaningful way.

Business excellence: For Watercare, the drivers underpinning business excellence are the recruitment and retention of the right people, ensuring their health and well-being, and the implementation of smart processes and fit-for-purpose technology.

Financial responsibility: Every dollar Watercare spends has an impact on the price our customers pay for services. We are obliged to be an efficient, minimum-cost provider with due consideration for long-term asset investment.

Fully sustainable: Watercare's business is intrinsically linked to the natural environment and significantly impacts the communities in which we operate. Integrating sustainability into everything we do is key to our role as a trusted community and Iwi partner.



Our strategic priorities

Customer focus

- We understand our customers' needs and deliver value
- We consistently provide exceptional products and service
- We are trusted by our customers who understand our purpose and value our service

Business excellence

- We have a safe and engaged team
- We are a commercially savvy business
- We are responsible stewards of our assets
- We continually strive for process excellence

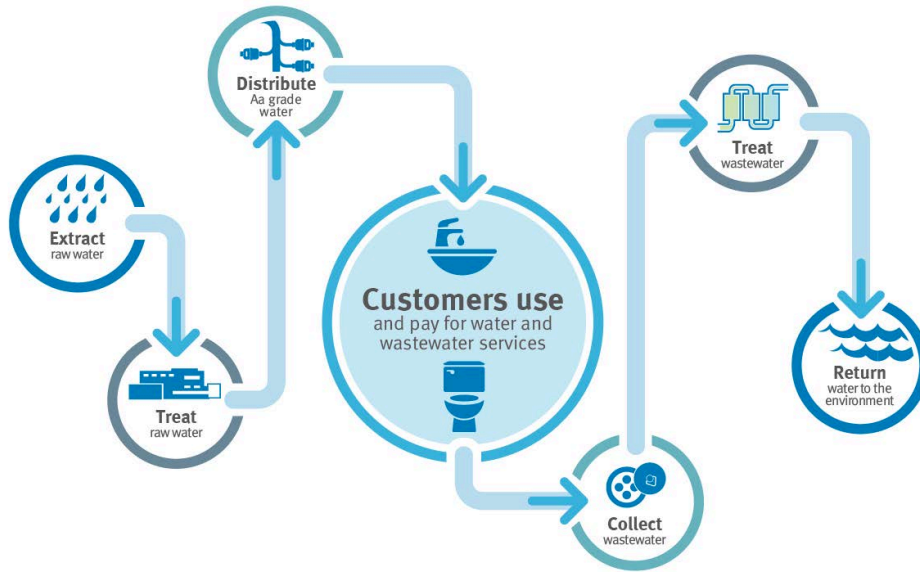
Financial responsibility

- We are a minimum-cost service provider
- We are financially stable over the long term

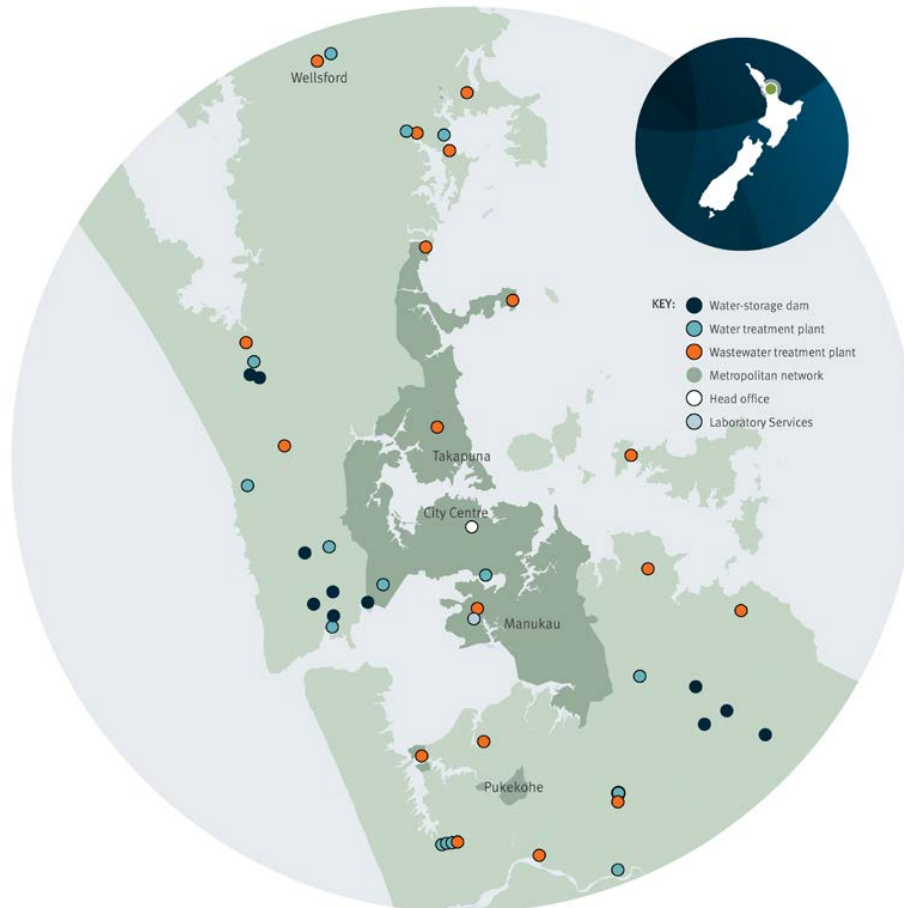
Fully sustainable

- We are a socially responsible business
- We protect and enhance our natural environment
- We meet all our legal and regulatory obligations

How we operate









Where we operate



Working together to achieve the vision for Auckland

Our Company is fully committed to working with the Auckland Council Group to implement the final version of the Auckland Plan 2050, including the Development Strategy, relevant performance measures and any associated guidance. The table below sets out the Auckland Plan outcomes, and how Watercare contributes to these outcomes.

5.1

Auckland Plan Outcomes	Degree of contribution	How Watercare contributes
Māori identity and wellbeing  Investing more in youth to help advance Māori well-being	Primary	<ul style="list-style-type: none"> • By actively fostering and maintaining relationships with local Māori. See page 15 for information on the Mana Whenua Kaitiaki Forum • By providing technical advice related to water supply and septic tanks in marae • By providing scholarships for Māori • By integrating Māori identifiers including a focus on te reo Māori
Homes and places  Ensuring healthy, affordable housing for all Aucklanders	Primary	<ul style="list-style-type: none"> • By enabling growth through the timely delivery of infrastructure in areas identified by Council for growth • By investing in critical water and wastewater infrastructure and shaping Auckland • By reliably delivering high-quality 'Aa'* grade water to all customers • By ensuring customers experiencing financial hardship can access support through the Watercare-funded Water Utility Consumer Assistance Trust
Environment and cultural heritage  Using growth as an opportunity to protect and enhance our environment	Primary	<ul style="list-style-type: none"> • By working with Auckland Council on the Three Waters Strategy in order to achieve the Auckland Plan 2050's objectives of adapting to a changing water future • By planning and providing resilient infrastructure that is adaptive to future changes including climate change • By collecting and treating wastewater effectively, and managing the effects on receiving environments • By actively promoting water- efficient behaviours to consumers • By working to reduce water demand through operational improvements
Belonging and participation  Ensuring Auckland is inclusive and that all Aucklanders can participate fully	Secondary	<ul style="list-style-type: none"> • By reliably delivering 'Aa' grade water to all customers
Transport and access  Improving transport choices so we can move easily around Auckland	Secondary	<ul style="list-style-type: none"> • By ensuring Watercare works with Auckland Transport and other utilities to align infrastructure projects wherever possible, to minimise effects on traffic
Opportunity and prosperity  Equipping people for future jobs	Secondary	<ul style="list-style-type: none"> • By providing a pipeline of employment opportunities • By building a resilient workforce in the water and wastewater industry

* The Ministry of Health checks many different aspects of the water before it is given a two-letter grading. The first letter represents the quality of the water leaving the treatment plants. The second letter represents the quality of water received at homes and businesses. An 'Aa' grade means the drinking water is of a high quality.

Mt Eden resident Jean-Luc Batcheldor enjoys a glass of 'Aa'-graded drinking water



5.1

Working together with the Council group

5.1

1. Watercare commits to continuing to work collaboratively and sharing information with Council.
2. The Company continues to support the 'value for money' reviews being undertaken by Council as required by s17A of the Local Government Act 2002. The Company continues to actively participate in a timely manner with the reviews, and supports the objectives of the reviews. Watercare will implement recommendations from the reviews as appropriate to Watercare. In addition, Watercare is committed to participating in all future reviews.
3. In particular, Watercare will continue to collaborate with Healthy Waters and Auckland Transport to develop the three waters recommendations into more concrete proposals.
4. The Company continues to be supportive of, and to collaborate with Council on, the optimal solution for the Western Isthmus Water Quality Improvement Programme including work to progress funding and governance arrangements (including consideration of a new financial entity) through the development of the 10 year plan.
5. Climate change impacts, now and in the future, are already a key consideration in Watercare's planning process. Watercare's Climate Change Mitigation and Adaption Strategy will be a critical tool to ensure that Watercare contributes to Auckland reducing emissions and is resilient to the effects of climate change. Watercare will thoroughly look at its long term business model, operational and strategic risks and vulnerabilities, planning and assumptions. Once Auckland Council has developed its policy position on climate change mitigation and resilience, and produced the Auckland Climate Action Plan, Watercare will check its own Climate Change Mitigation and Adaption Strategy against the newly developed Council policy position for consistency.
6. Watercare continues to prioritise positive and proactive dialogue with the community on all significant projects, including the Western Isthmus Water Quality Improvement Programme.
7. The Company supports the exploration of alternative funding for new infrastructure. In particular, it notes and supports the Council's request to explore alternative options for funding of the Central Interceptor. It is recognised that Watercare is the appropriate agency to deliver the Central Interceptor project. The Central Interceptor is included in Watercare's funding requirements and reflected in our price path. However, any off-balance-sheet funding will assist Council by creating headroom for other projects.
8. Watercare will continue to actively participate in group procurement activities. In the first half of 2017/18 this has included the procurement of electricity, personal safety equipment and uniforms, along with a number of technology initiatives. In addition, Watercare has been participating in the group sustainable procurement centre of excellence and adopting the group benefit reporting methodology.
9. In 2017, Watercare acquired the forestry rights over Council-owned land in the Hunua Ranges, in the catchment of the water storage reservoirs. Watercare is working closely with Council officers on plans to progressively rehabilitate approximately 2,000 hectares of land back to native forest over a two to three decade programme. A forest management plan is being developed and regeneration trials are being undertaken.
10. The Company continues to regularly participate in the Council's Consenting Made Easy programme.
11. Watercare has engaged NIWA to deliver a hydrodynamic and water quality model for the Manukau Harbour. This is a large research programme and will provide one of the first 3D models of this kind worldwide. The final model will be delivered at the end of 2019. Watercare has designed this work with collaboration in mind, giving co-ownership of the models to the Council. The project management involves Watercare, Healthy Waters, Iwi and RIMU.

All partners are very satisfied with this united approach. The solid relationship established due to the collaborative work is now enabling further discussions on improving the quality and efficiency of environmental monitoring in the Manukau Harbour.
12. The Company will continue to collaborate with Auckland Council on submissions relating to bills, policy statements, regional plans and similar documents and consult with the Council before making its own submissions in cases where Watercare has a specialist need to submit. Recent examples are:
 - Joint submission to the Government's Urban Development Authorities – Discussion Document
 - Submissions to the Board of Enquiry for NZTA's Northern Corridor Improvements project and East-West link
 - Submission to Waikato's Draft Future Proof Strategy – Planning for Growth
 - Joint submission to the New Zealand Productivity Commission's Low emissions economy – Issues paper
 - Feedback to Waikato District Council's draft district plan.
13. Watercare will continue to collaborate with Local Boards in the manner set out on page 15 of this document.
14. The Company will actively support the desired outcomes of the Safeswim monitoring programme when making infrastructure investment decisions, and work with Council to achieve the outcomes of this programme.
15. Watercare will participate in a collaborative process with the Council group to update its strategic planning and meet requirements of the national policy statements on urban development capacity and freshwater management. Watercare will reflect agreed changes in its own strategic planning and Asset Management Plan. Strategies and plans to be reviewed include:
 - Refresh of the Auckland Plan
 - Update of the 30-year Infrastructure Strategy
 - Development of Auckland's Three Waters Strategic Plan
 - Development of watershed plans
16. The Company will continue to notify Council of any substantive changes made to Watercare's Asset Management Plan outside of the annual updates provided.
17. Watercare continues to work with Council and the other CCOs to maximise the savings and benefits in relation to its combined insurance programme.

INSIGHT: Setting an example for water quality

The contamination of Havelock North's drinking water supply in 2016, which caused gastric illness in around 5,500 residents and contributed to three deaths, prompted a Government Inquiry.

In December 2017, the inquiry report identified six principles fundamental to safe drinking water management in New Zealand. The report recommended these principles be circulated to the industry and used to inform all reforms, and drinking water operations.

The six principles are: 1) Embrace a high standard of care 2) Protect source water 3) Maintain multiple barriers against contamination 4) Change precedes contamination 5) Suppliers must own the safety of drinking water 6) Apply a preventive risk management approach.

At Watercare, we adhere to the six principles of drinking water safety, and these principles are embedded into our systems, processes and behaviours. We take our responsibility to provide a safe and reliable supply of water to Auckland seriously. Every day, we work hard to deliver 'Aa'-graded drinking water to 1.5 million people throughout Auckland.

We collect Auckland's drinking water from a number of water sources throughout the region, including dams, rivers and underground aquifers. Because there is a wide variety of sources, a broad range of water treatment processes need to be used. For example, water from the dams in the Waitakere Ranges is sourced from catchment areas that are protected from farming and industry and largely comprise native bush.

The catchment in the Hunua Ranges is also largely protected. In 2017, Watercare acquired the forestry rights to a 1,900-hectare commercial pine forest in the Hunua Ranges. We plan to progressively rehabilitate the land to native forest to further protect the water supply catchment areas from siltation.

The water from the Waitakere and Hunua dams is of a high quality naturally, so it requires less complex treatment for it to meet the Ministry of Health's Drinking Water Standards for New Zealand. Water from the Waikato River, however, travels through a number of different environments on its journey to the water treatment plant at Tuakau, so the raw water from the river must go through additional treatment processes.

We operate 15 water treatment plants that treat the drinking water supplied to the Auckland region. Each plant is designed to deal with the characteristics of its particular sources of raw water. Typically, we use a combination of screening, coagulation, clarification, filtration and chlorine disinfection to treat and supply Auckland homes and businesses with high quality, safe and reliable water.

We constantly monitor the water as it goes through the treatment process. On average, we carry out 250 tests each day at various stages of the process, from raw water right through to treated water. In addition, our automated computer network analyses the water quality at our treatment plants 24 hours a day.

We also have a number of safety measures in place, including a detailed emergency management plan, to protect the water network if our monitoring finds anything unusual. Our integrated supply network means we can utilise a different water source to meet demand, as we did during the extreme weather event in 2017 and during the recent summer months.

The end result of our 'source to tap' approach is the high-quality 'Aa'-graded drinking water delivered to 1.5 million people throughout Auckland, every day regardless of source.



Process technician Scott Llewelyn at the Waikato Water Treatment Plant

Enabling growth

We acknowledge that when planning for growth, size and location matter. Watercare has been working closely with the Council group to identify areas where there is sufficient capacity to support growth in the short term. We have also been aligning the planning of new or upgraded infrastructure to meet Council's spatial development priorities and give effect to the Long Term Plan and Council's Future Urban Land Supply Strategy (FULSS).

Linear infrastructure, such as water and wastewater pipes, can have long lead times for construction. Out of sequence development requires interim or temporary service provision, which generally leads to inefficient provision of the services and increased costs for the community, most of which do not benefit from individual development.

The alignment of service provision with the FULSS, and vice versa, allows Watercare to plan, consent and construct bulk services efficiently to enable Council's growth requirements.

That means our infrastructure will enable growth in the areas identified for development by Council.

We also ensure our decision making is influenced by Council's local place making and urban regeneration priorities. To this end, Watercare acknowledges the Council's request for the CCOs to actively participate in the integrated governance of urban regeneration priority areas, and is committed to work with Council in this regard.

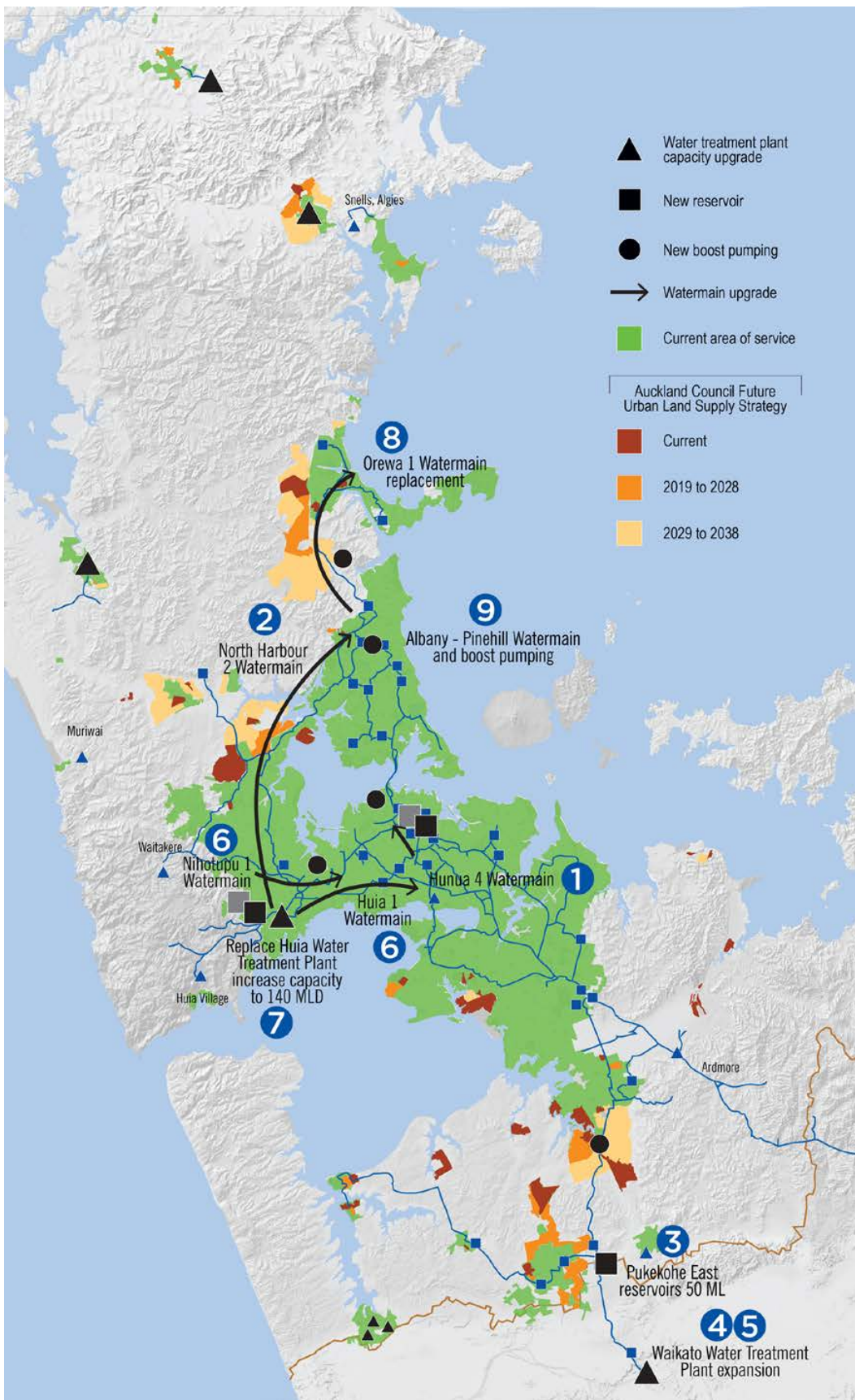
Veolia Water in Papakura, like Watercare throughout the rest of Auckland, responds to growth areas identified by Auckland Council. Accordingly, Watercare will require Veolia Water to ensure it is providing the necessary water and wastewater infrastructure to meet growth.

5.1

Summary of key water projects

	Major water projects	Description	Work to be carried out over the next three years
1	Hunua 4 Watermain	Construction of the last section of a 32-kilometre-long watermain that will run from Manukau to central Auckland	The contract has been let for construction from Market Road to the Khyber Pass Reservoir. Ninety per cent of the construction will be tunnelled, thereby avoiding significant congestion down Manukau Road and through to the Khyber Pass Reservoir. Completion due December 2020.
2	North Harbour Watermain Duplication	Construction of the North Harbour no.2 watermain which will run for 33 kilometres from Titirangi to Albany	Duplication of the watermain over Upper Waitemata Harbour to be completed in 2020. The section from Upper Harbour to Albany to be constructed over the next three years, with the remainder to be completed progressively by 2026.
3	Pukekohe East Reservoirs	Construction of two additional water storage reservoirs to maintain security of supply and cater for growth	Consent has been granted. Design and construction of the first reservoir to progress with completion in June 2021.
4	Waikato Water Treatment Plant Expansion 1	Expansion of the capacity of the existing water treatment plant to cater for additional demand arising from growth	Increase of maximum water treatment plant production capacity from 150 MLD to 175 MLD to be completed by December 2018. Chemical systems capacity upgrades to be completed by December 2019.
5	Waikato Water Treatment Plant Expansion 2	Provision of additional water abstraction, treatment and conveyance capacity from the Waikato River to cater for additional demand arising from growth	Consent for an additional take from the Waikato River filed with Waikato Regional Council in December 2013. The application is in a queue awaiting public notification. Based on feedback from Waikato Regional Council, the notification is not expected until late 2018.
6	Nihotupu No.1 and Huia No. 1 Watermains replacement	Replacement of two critical watermains which are nearing the end of their design lives	Construction to commence in 2018 and expected to be completed by December 2021.
7	Huia Water Treatment Plant Upgrade	Replacement of the Huia Water Treatment Plant which is reaching the end of its design life and the provision of improved treatment processes which will maintain supply and improve levels of service	Consent process to be completed and detailed design commenced during this period.
8	Orewa No.1 Watermain Replacement	Completion of a seven kilometre-long bypass of the most vulnerable section of this aged watermain that runs between Silverdale and North Orewa	The northern 4.3 kilometres of this watermain will be constructed in the next two years, through the Millwater development, across Orewa River, and connect to Maire Road Reservoir. The final 0.3 kilometres from Silverdale to the Millwater development will also be constructed in the next two years.
9	Albany Pinehill Watermain and Pump Station	Construction of a watermain from the Albany Reservoirs to the Pinehill Reservoir to meet increased growth and to improve the resilience of the supply to the area of the North Shore supplied from the Pinehill Reservoir. The project also delivers a replacement chlorine booster to treat the inflow to the reservoirs.	Completion of the Pinehill Watermain, Albany Pinehill Water Pump Station and the replacement chlorine booster at the Albany Reservoir Complex is due in 2019.

Map of key water projects



Summary of key wastewater projects

	Major wastewater projects	Description	Work to be carried out over the next three years
1	Central Interceptor	Construction of a new wastewater conveyance and storage pipeline to service central Auckland as well as the isthmus, east and south	Design is complete. Procurement is in progress with the contract to be let in early 2019. Construction is planned to commence in 2019 and be completed by December 2025.
2	Northern Interceptor: Hobsonville to Rosedale Phase	Construction of a new wastewater pipeline which will divert flows from Mangere Wastewater Treatment Plant to Rosedale Wastewater Treatment Plant	Construction to be tendered and delivered. Project to be completed by December 2020.
3	Northern Interceptor: Westgate to Hobsonville Phase	Construction of the second stage of the Northern Interceptor to divert wastewater flows from Swanson, Massey and Glen Eden catchments to the Rosedale Wastewater Treatment Plant. This project is dependent on the delivery of the Northern Interceptor from Hobsonville to Rosedale	Obtaining the necessary consents and land owner approvals during this period with completion due by 2025.
4	Rosedale Wastewater Treatment Plant Upgrade	Provision of additional treatment capacity to cater for population growth on the North Shore and treat diverted wastewater flows from West Auckland, which are currently served by the Mangere Wastewater Treatment Plant	Design and construction to be completed by December 2019.
5	Pukekohe Wastewater Treatment Plant Upgrade	Construction of additional trunk network and treatment capacity to cater for population growth in the Pukekohe Wastewater Treatment Plant catchment	Application for discharge to Waikato River has been granted. Enabling works will commence in early 2018. Design and construction to be completed in line with growth expectations with Stage 1 commissioned in 2019.
6	Mangere Wastewater Treatment Plant Biological Nutrient Removal	Provision of additional biological nutrient removal capacity to cater for projected growth in population	The new BNR plant is treating wastewater now. It will be complete and commissioned by December 2018.
7	Puketutu Island	Rehabilitation of Puketutu Island using treated biosolids from the adjacent Mangere Wastewater Treatment Plant	Continue the monofill operation to rehabilitate Puketutu Island.
8	Warkworth-Snells-Algies Wastewater Services	Construction of a new wastewater treatment plant, new wastewater pipeline, pump stations and ocean outfall at Snells Beach	Consents have been obtained. Design and construction to progress with completion by June 2020.
9	South West Wastewater Servicing	Construction of a new wastewater treatment plant at Waiuku, new wastewater pipeline, pump stations and harbour outfall at Clarks Beach	Consent has been obtained. Currently subject to an appeal to the Environment Court. Mediation underway.

INSIGHT: Collaborative consenting process delivers value for community

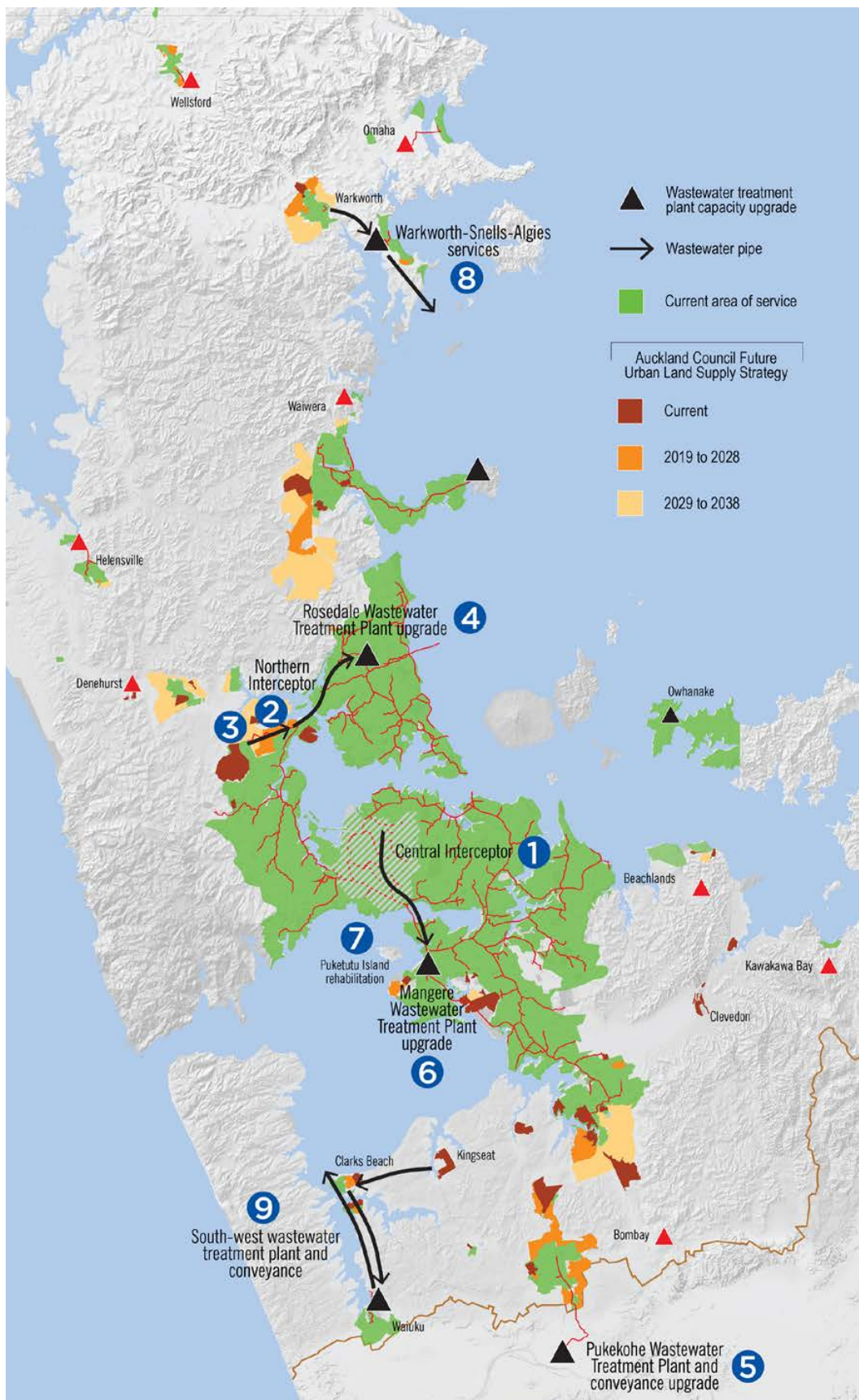
In October 2017, Watercare received a 35-year consent to upgrade the Pukekohe Wastewater Treatment Plant that services the rapidly growing population of southern Auckland and north Waikato. Initially, mana whenua and the local community raised concerns about discharge of treated wastewater into the local tributary of the Waikato River.

With a collaborative approach and focused consultation, we devised solutions to address the concerns raised by the community, particularly mana whenua. These included adjusting the design of the wastewater scheme to enable the production of higher quality treated wastewater that would meet contact recreational standards, improve the quality of the receiving environment, native planting of a one-hectare area along the tributary, and increased processing capacity in the plant to cater for growth.

The plant will now undergo a \$60 million upgrade over the next four years. Stage one includes enabling works and the construction of a new activated sludge reactor with membrane bioreactors and a new UV facility. Stage two will convert the old sequential batch reactors to activated sludge reactors. The project is expected to increase processing capacity from 2019, and be completed in 2021.

This people-focused, partnership approach to consenting has resulted in effective long-term outcomes for Pukekohe, along with the local community actively advocating for the project.

Map of key wastewater projects



Engaging with our communities

Watercare provides lifeline services to Auckland. Our water and wastewater services are critical to the economic, social and environmental health and wellbeing of our communities. Recognising this, we engage with our stakeholders through a wide range of forums. We will continue to align our branding, signage and marketing collateral to the Council group's brand guidelines as appropriate and where cost effective.

Customers

We engage by:

- Making information available via a number of channels and in different ways, including written, face-to-face and digital
- Consulting with customers on topics that affect them to ensure their needs are understood and considered
- Holding forums for developers to inform them of our plans for infrastructure development
- Collecting feedback through various channels including from our customer feedback system and through our regular customer experience surveys
- Analysing feedback from our customers and using it to drive business improvements, and to look at what we can do better or differently to reduce issues and complaints
- Conducting annual customer focus groups on specific issues.

Tangata whenua (Māori)

We engage by:

- Promoting and supporting mana whenua relationships. From 1 July 2016 the Mana Whenua Kaitiaki Forum (MWKF) expanded its role to integrated decision-making on matters significant to Māori across the Auckland Council Group. Watercare maintains its relationship at an operational level with MWKF through quarterly meetings with the Mana Whenua Kaitiaki Managers' Group – Water Sector – and will expand this sector's work by facilitating group meetings with other stakeholders working in this area. Watercare will work with Auckland Council to optimise the governance fora for engaging with mana whenua across the Council group
- Developing, working and maintaining relationships with mana whenua affected by Watercare operations and initiatives
- Increasing the understanding of Māori values and cultural impact throughout Watercare
- Providing technical advice related to water supply and septic tanks
- Awarding scholarships to Māori
- Supporting Auckland Council's work on development of a te reo policy in 2018-19
- Making efforts to strengthen the relationship with Waikato Tainui by working with their representatives and executive management team. The relationship commenced when Watercare first applied to take water from the Waikato River to assist in meeting Auckland's need for water.

With the projected growth for Auckland, a second application to take water has been lodged. Watercare is working closely with Waikato Tainui to ensure that the health and wellbeing of the Waikato River is not adversely affected

- Completing a Māori Responsiveness Plan in 2017/18
- Watercare meets bi-monthly with representatives of the 19 mandated mana whenua entities
- Committing to the refined priorities of Te Toa Takitini, the specific project/programme contributions and any related performance measures. These are reported on through Watercare's quarterly reports.
- Committing to participate and implement the findings of the current Treaty Audit.

Local residents and community groups that neighbour our worksites

We engage by:

- Using a variety of channels to ensure there are no surprises regarding potentially disruptive works. Information is communicated via various channels, including: flyers, newsletters, door-to-door communication, advertisements, signage, radio broadcasts, local resident and business association information meetings, community open days and direct mail
- Providing opportunities for the community to input into decision-making during the planning of new infrastructure with a view to minimising delays in statutory approval processes under the Resource Management Act 1991.

Local Boards

We engage by:

- Building enduring relationships with Local Board Chairs and representatives by providing timely and accurate responses to their information needs
- Sharing information on Watercare-related matters including infrastructure planning and construction projects in the interests of no surprises
- Collaborating with Healthy Waters to share information and promote the Western Isthmus Water Quality Improvement Programme
- Using innovative new ways to help share information via Local Board community networks. Some Local Boards have featured in short information videos uploaded to YouTube channel, which can also be shared via the Local Board Facebook pages
- Working with Local Boards to promote the inflow and infiltration programme aimed at removing stormwater from the local wastewater network. Local Boards in problem areas are helping to promote the programme including smoke testing, which can help identify and resolve private drainage issues, thereby reducing potential for wet weather overflows
- Collaborating with Local Boards and the community to gather input into future projects such as the Huia Water Treatment Plant, consent renewals for the Army Bay Wastewater Treatment Plant and planning for the Western Isthmus Water Quality Improvement Programme.

Infrastructure providers

We engage by:

- Participating in the Auckland Infrastructure and Procurement Group forums and working groups
- Continuing to work closely at technical and managerial levels with Auckland Transport, the Auckland Motorway Alliance, New Zealand Transport Authority (NZTA) and other infrastructure providers to plan and deliver complex infrastructure solutions in the road and motorway corridors
- Co-ordinating planned major works with Auckland Transport teams to ensure 'best for Auckland' outcomes
- Working closely with industry experts and attending regular sessions with Civil Contractors New Zealand and the Association of Consulting Engineers New Zealand to ensure safe, practicable and sustainable outcomes
- Recognising the importance of integrated planning to achieve the efficiencies expected and envisioned by Auckland Council, Watercare continues to be committed to working closely with Auckland Council and Healthy Waters on the Three Waters review
- Collaborating with the Council group on the Western Isthmus Water Quality Improvement Programme.

INSIGHT: Managing water sources sustainably

Over the next 30 years, the population that is serviced by Auckland's water system is expected to increase by 700,000, based on Auckland Council's medium growth projection. This will create significant additional demand for water – and that means investment will be needed for new water sources, water treatment capacity and networks. As Auckland's water and wastewater services provider, Watercare plans upgrades and additional infrastructure to meet this increased demand while we continue to work on reducing water demand through our water efficiency programme.

In 2008, Watercare collaborated with the former local councils of Auckland on the Three Waters Strategic Plan. This set a target to reduce Auckland's gross per capita consumption by 15 per cent by 2025 compared with 2004 with the aim of deferring the next water source required for Auckland by 10 years. Through a combination of customer outreach programmes, metering, volumetric charging for water and wastewater and network loss management, Auckland has succeeded in pushing out the need for the next water source by five years. The water efficiency gains targeted from 2017 to 2025 will enable us to defer by another five years. Deferring the next water source puts less pressure on Auckland's waterways and saves \$92 million in interest cost associated with additional infrastructure. This is true environmental and social sustainability, where we are contributing to a healthy natural environment and a more affordable Auckland.

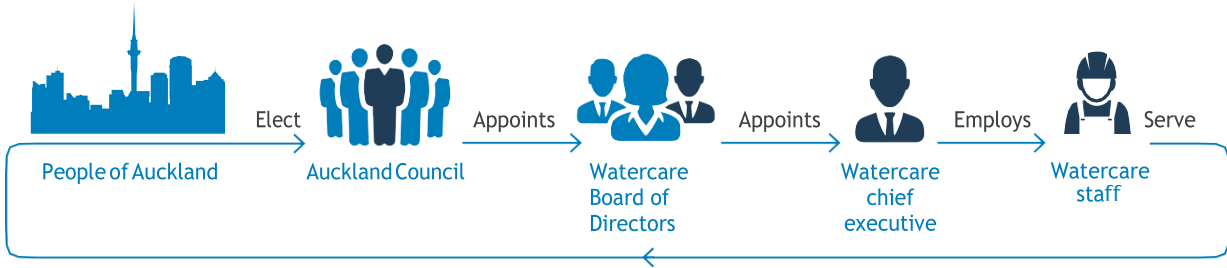
The 2017-2020 Water Efficiency Strategy identifies new initiatives such as retrofitting old showerheads with more water-efficient ones and water efficiency schemes for new housing developments, as well as continuing our existing programmes. We will establish strong partnerships, driven by the principle of resource efficiency, with the Council, the community and organisations. We are committed to leading by example and have strengthened our efforts to reduce water losses in our distribution network.

The water efficiency programme will focus on four streams of work: municipal, residential, non-residential and water losses, to achieve a total water efficiency gain of 21 million litres per day by 2025. The detailed Auckland water efficiency strategy document is available on Watercare's website, www.watercare.co.nz/About-us/Reports-and-publications.



Mt Albert resident Prashant Patel participates in a water audit to learn how to reduce water use

Managing and measuring our performance



Watercare’s Board is ultimately responsible for all decision-making by the Company. The Directors and the Management team are committed to ensuring the Company applies best-practice governance policies and procedures. As at 1 March 2018, there are four subcommittees being 1) Audit and Risk, 2) People, Remuneration and Appointments, 3) a subcommittee to oversee the Strategic Transformation Programme, and 4) a subcommittee to oversee the Central Interceptor and all major capex projects.

Watercare ensures we fulfil the public meetings stipulation of the Local Government (Auckland Council) Act 2009 which requires Auckland Council CCOs to hold two public meetings a year and the timing for these is set out below. Dates and times are publicly notified in advance with agendas and minutes made available on our website.

Watercare works diligently to meet our legal obligations and act in accordance with the CCO governance manual, which sits alongside this SOI and forms part of the annual binding agreement between Council and Watercare.

We are committed to participating in the design and implementation of group-wide policies. Watercare is also supportive of the development of Council group foundation principles and standards (where required). Watercare is currently working with Council in relation to the sensitive expenditure policy.

Watercare is also committed to working collaboratively in relation to ‘out of sequence’ future urban development.

See *Our Legislative Framework* in Appendix B (page 22) for more information on our legal responsibilities.

Date	Purpose	Form of public notification
29 May 2018	Consider Shareholder comments on draft SOI	Public notice
30 October 2018	Consider performance against SOI targets	Public notice
May 2019	Consider Shareholder comments on draft SOI	Public notice

Managing risk

We have an established risk management policy and framework, which follows the guidance of the ISO 3100 risk management standard. Risks are identified and evaluated using likelihood and consequence scores and ranked. The highest-ranked and significant emerging risks are regularly reviewed by senior Management and the Board via Management and Board-level reporting.

As part of the risk management framework, Watercare Management have a Risk Management Steering Committee to monitor emerging risk and risk-mitigating actions and strategies.

The Internal Audit function produces an annual plan that is approved by our Audit and Risk Committee with quarterly reporting by Management against the plan to the committee. The Audit and Risk Committee maintains oversight of progress and must be satisfied that recommendations arising from Internal Audit’s work are fully addressed by Management.

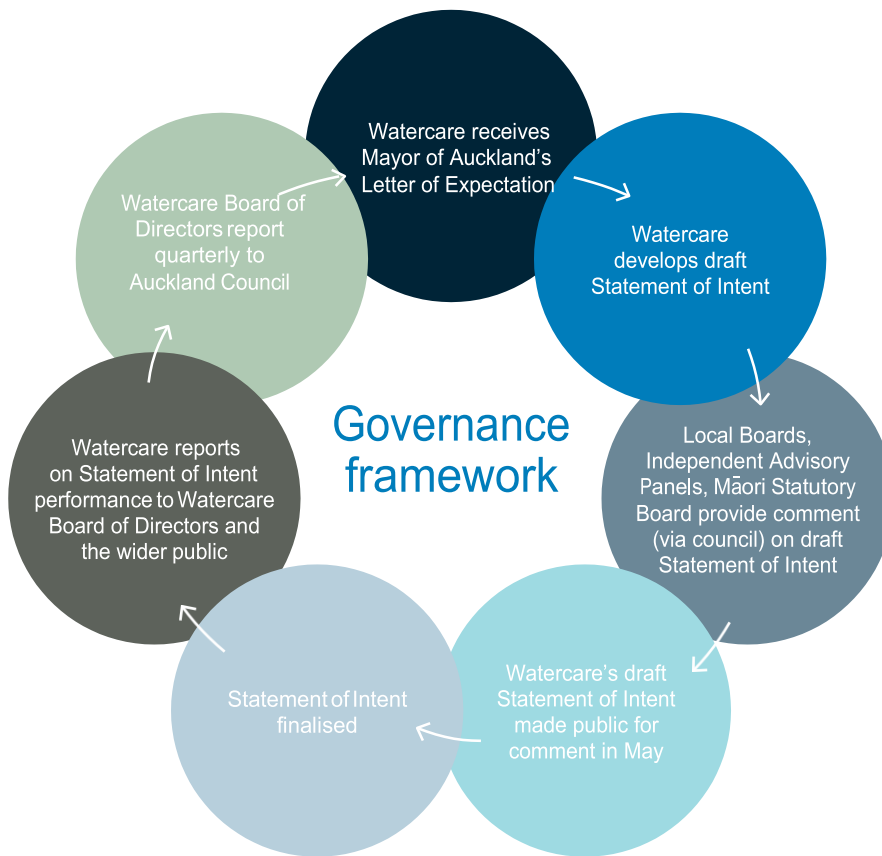
Watercare also provides a quarterly report outlining Watercare’s risk management framework, approach, processes and an overview of the top risks with associated mitigation actions to the Council’s Audit and Risk Committee. A detailed assessment of the current risk position for two key risks that are likely to be front of mind to Councillors is also included in these reports.

Measuring our performance

We have an agreed set of performance measures and targets which form the basis for accountability to delivering on Council’s strategic direction, priorities and targets. These are reported on a quarterly basis in accordance with the CCO governance manual.

The measures and targets include the Department of Internal Affairs-mandated measures and those that were agreed with Council as part of the Long Term Plan 2015–2025. Our performance measures are included in the Appendix C (pages 23 and 24). Watercare will, with Auckland Council, identify additional effective, appropriate and meaningful measures that will arise from the Government’s review of three waters in New Zealand.

Watercare is committed to contributing to the development of new metrics and indicators which will measure our impact and align with the refreshed Auckland Plan and the Long Term Plan 2018–2028.



INSIGHT: Transforming our organisation

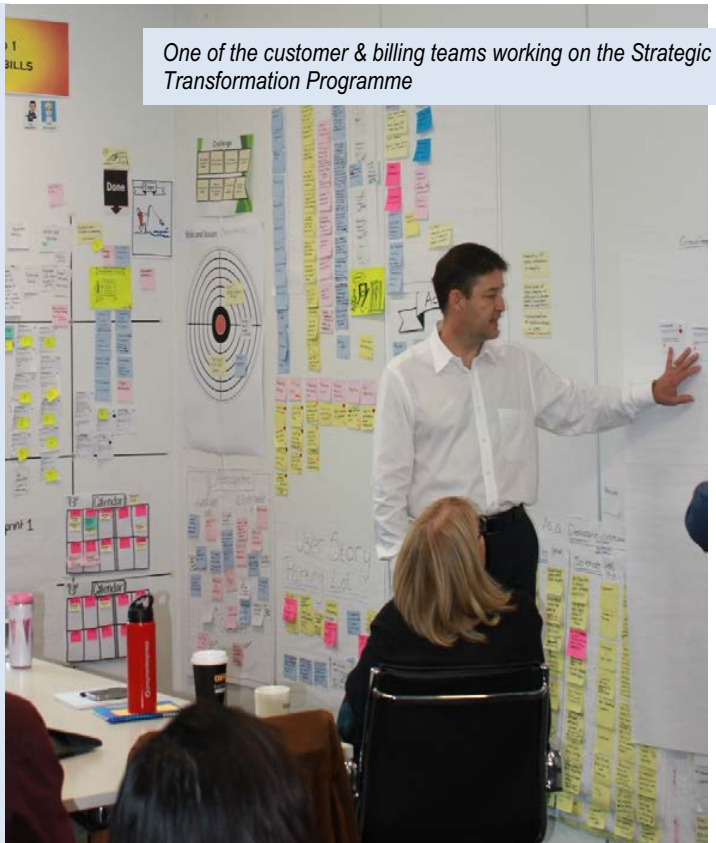
In 2017, we took the first steps towards changing the way Watercare does business.

To meet the changing expectations of our customers and stakeholders, and the changing environment in which we operate, we have embarked upon a Strategic Transformation Programme that will enable us to adjust to these changes and achieve our strategy and vision.

Ultimately, we want to make it easier for our customers and stakeholders to interact with us, and for them to be able to self-serve where they choose.

To do that, we are addressing the limitations of our ageing back-end systems, improving efficiency and productivity across the business, and providing greater business flexibility by implementing technology platforms capable of supporting different options in the future. We are also investing in our people, with a particular focus on strengthening leadership capability.

While our current organisational structure has served us well and we continue to deliver excellent water and wastewater services, further capability alignment is needed. We want to eliminate pain points for our customers and ourselves, streamline the way we operate, reduce effort and duplication, and align our organisation to enable us to be more efficient and effective.



One of the customer & billing teams working on the Strategic Transformation Programme

Driving efficient, transparent and stable financial management

We understand and appreciate that our customers expect us to be financially responsible as every dollar we spend has an impact on the price they pay for water and wastewater services.

Watercare funds all of its operating costs and capital projects through water and wastewater service charges, infrastructure growth charges and borrowings. That means we self-fund what we deliver and do not receive rates money from Auckland Council. Our financial position enables us to fulfil the \$5.7 billion commitment we have made to the Auckland community in our Asset Management Plan. Watercare's funding envelope has been aligned for the provision of service identified in the FULSS.

Our financial management is underpinned by robust plans and policies, supported by a comprehensive risk and audit programme.

To be financially stable over the long term, we take the following into consideration when managing our capital investment programme: risk, future demand, debt levels, interest costs and inter-generational equity.

Our Asset Management Plan defines Watercare's best

engineering and business judgment of the capital investment required to maintain the integrity of our infrastructure base over a 20-year period.

It helps us to decide what, where, how, when and how much we invest to build and maintain our water and wastewater assets.

Watercare will continue to collaborate with Council and other Council CCOs to closer integrate its planning to assist in addressing infrastructure challenges for Auckland.

We have implemented efficiency initiatives across major areas of expenditure, including a network efficiency programme and a capital delivery optimisation programme.

The network efficiency programme is focused on reducing the cost of operating and maintaining our retail network while maintaining the appropriate level of service.

The capital delivery optimisation programme includes the introduction of a revised capital projects delivery business model and a target to deliver five per cent savings in capital spend.

The following summary of financials supports the delivery of the strategic objectives and performance targets for Watercare.

Operating budget

Operating budgets (\$million)	Forecast 2017/18	Projection 2018/19	Projection 2019/20	Projection 2020/21
Revenue	510.9	535.3	560.9	585.1
Fees and charges	485.2	507.2	531.3	554.3
Grants and subsidies	-	-	-	-
Other revenue	25.7	28.1	29.6	30.8
Direct expenditure	213.5	218.9	227.1	234.5
Employee benefits	73.7	75.2	77.9	80.5
Grants, contributions, sponsorship	0.6	0.6	0.6	0.7
Other expenditure	139.2	143.1	148.6	153.3
Net direct expenditure (income)	(297.4)	(316.4)	(333.8)	(350.6)
Funding from Auckland Council	-	-	-	-
Revenue from vested assets	(20.0)	(20.0)	(20.8)	(21.5)
Other non-operating income	-	-	-	-
Net finance expense	81.6	78.4	81.5	85.6
Depreciation and amortisation	229.9	252.4	255.9	259.7
Net losses (gains)	(5.0)	(188.0)	8.0	8.0
Income tax	36.7	38.7	44.1	48.1
NET EXPENDITURE (INCOME)	25.8	(155.5)	34.9	29.3

Net direct expenditure by area

Expenditure (\$million)	Forecast 2017/18	Projection 2018/19	Projection 2019/20	Projection 2020/21
Net direct expenditure (income)	(297.4)	(316.4)	(333.8)	(350.6)
Wastewater Service	(215.4)	(229.2)	(242.3)	(255.1)
Water Supply	(82.0)	(87.2)	(91.5)	(95.5)

Our commitment

Watercare supports the Council's drive for greater transparency in budgeting and reporting and is committed to:

- continuing to work with Council to align its capital investment programme with Council's 10 year budget
- benchmarking frontline and back-office expenditure, including regularly publishing results on the Company's website
- exploring alternative operating revenue streams wherever possible
- communicating clearly and in plain-English with all of our customers and stakeholders.

Watercare recognises the challenges the Council faces in relation to funding, and commits to continuing to work with Council in this regard.

Watercare commits to optimise efficiency and value, and remove unnecessary duplication. Watercare also commits to consider, where appropriate, different approaches to core systems and business processes, shared back-office delivery and alignment with the Council Group's investment.

Capital expenditure

For detailed capital expenditure list, please refer to Appendix A

Expenditure (\$million)	Forecast 2017/18	Projection 2018/19	Projection 2019/20	Projection 2020/21
Total capital expenditure excluding capitalised interest	336.4	474.1	532.7	595.2
Capitalised interest	12.0	12.5	19.3	27.9
Total capital expenditure including capitalised interest	348.4	486.6	552.0	623.1
Sources of capital funding				
Infrastructure growth charge	94.5	95.8	101.1	103.3
Debt	38.1	152.8	198.6	254.8
Asset sales	-	-	-	-
Operating surplus (Net direct income less finance expense)	215.8	238.0	252.3	265.0

Specific expenditure towards Māori outcomes

Initiatives (\$thousand)	Forecast 2017/18	Projection 2018/19	Projection 2019/20	Projection 2020/21
Iwi engagement on Watercare projects	1,190	1,240	1,290	1,320

Other financial information

Current value of assets	The current value of Watercare's assets as 30 June 2017 was \$8.9 billion based on the net asset value of the Watercare group as disclosed in the audited financial statements.			
Accounting policies	Watercare's accounting policies are consistent with those of the Auckland Council group policies with nominated exceptions (e.g. interest capitalisation).			
Financial reporting	Watercare's financial reporting to Auckland Council will be in accordance with the requirements of the CCO Governance Manual.			
	Forecast 2017/18	Projection 2018/19	Projection 2019/20	Projection 2020/21
Asset sales (\$million)	-	-	-	-
Shareholder equity ratio	67%	68%	66%	65%

Appendix A

Detailed capital expenditure list

Expenditure (\$million)	Forecast 2017/18	Projection 2018/19	Projection 2019/20	Projection 2020/21
Capital Expenditure (excluding capitalised interest)	336.4	474.1	532.7	595.2
Wastewater				
Central Interceptor	5.4	34.2	91.7	251.6
Collection System	68.2	70.6	37.9	36.2
North East Sub-regional Wastewater Servicing	6.1	31.0	54.1	44.7
Northern Interceptor	3.7	32.3	58.3	31.4
Other projects < \$250k	0.0	0.0	0.0	0.0
Shared Services Plant & Equip	8.2	7.6	7.1	3.0
Shared Services Process Improvement	13.5	23.1	8.2	3.8
Southern Interceptor Augmentation	4.3	1.7	5.3	6.3
South-West Wastewater Servicing	0.3	4.3	10.3	50.9
Wastewater ECS	3.8	5.4	3.5	1.4
Wastewater Treatment	96.1	104.9	75.1	47.1
Western Isthmus Programme	-	-	12.9	16.7
WWTP Regulatory Compliance	2.4	0.4	1.7	1.4
Capex efficiency	-	(15.8)	(18.3)	(24.7)
Water supply				
Dam Rehabilitation	0.3	0.7	0.7	0.7
Huia Water Treatment Plant Upgrades	1.3	-	-	5.6
Hunua No. 4 Water Supply Scheme	7.3	31.0	31.1	-
North Harbour 2 Watermain	3.8	6.0	17.2	20.3
Other projects < \$250k	0.1	-	-	-
Shared Services Plant & Equip	5.3	3.9	3.6	1.5
Shared Services Process Improvement	6.9	11.9	4.2	2.0
Treated Water Network	63.1	93.9	114.3	91.0
Waikato WTP Augmentation	8.1	12.6	-	-
Water ECS	1.4	1.0	0.9	0.9
Water Source and Headworks	-	0.5	2.2	4.6
Water Sources Regulatory Compliance	0.5	0.3	0.5	0.5
Water Treatment Plant	26.2	21.8	19.9	5.1
Water Treatment Plant Regulatory Compliance	-	-	-	-
Capex efficiency	-	(9.2)	(9.7)	(6.6)

5.1

Appendix B

Our legislative framework

Watercare is a limited liability company registered under the Companies Act 1993, and a local government organisation under the Local Government Act 2002. Watercare is subject to regulation governing planning, health and environmental matters.

We became a substantive council-controlled organisation (CCO) on 1 July 2012.

The principal regulators include Auckland Council, Waikato Regional Council and the Ministry of Health. We provide these and other regulatory bodies with information on the impacts of existing policy and regulation on our activities. We also contribute and respond to the development of relevant statutory and regulatory changes affecting water, wastewater and the lifeline utility sector.

The legislative framework enabling and governing our operations as the provider of water and wastewater services in Auckland is found largely in six Acts and amendments:

- Local Government Act 2002
- Local Government (Tāmaki Makaurau Reorganisation) Act 2009
- Local Government (Auckland Council) Act 2009
- Local Government (Auckland Transitional Provisions) Act 2010
- Companies Act 1993
- Health Act 1956 and the Health (Drinking-Water) Amendment Act 2007

Our obligations to deliver water and wastewater services for Auckland are established under Part 5, Section 57(1), of the Local Government (Auckland Council) Act 2009, which stipulates that an Auckland water organisation:

- Must manage its operations efficiently with a view to keeping the overall costs of water supply and wastewater services to its customers (collectively) at the minimum levels, consistent with the effective conduct of its undertakings and the maintenance of the long-term integrity of its assets
- Must not pay any dividend or distribute any surplus in any way, directly or indirectly, to any owner or shareholder
- Is not required to comply with Section 68(b) of the Local Government Act 2002 (avoiding the requirement to pay a dividend)
- Must have regard for public safety (for example, the safety of children in urban areas) in relation to its structures.



Also under the legislative framework:

- We must give effect to the relevant aspects of the Council's Long Term Plan, act consistently with other specified plans and strategies of the Council and ensure compliance at all times with Section 57, Section 58 of the Local Government (Auckland Council) Act 2009
- At least two Board meetings a year are required to be held in public: one before 30 June to consider the Council's comments on the draft Statement of Intent (SOI) for the upcoming financial year, and one after 1 July to consider our performance under the SOI for the previous financial year
- Our financial statements, the SOI and specified long-term plans must be audited by the Auditor-General, or by an auditor acting on behalf of the Auditor-General.

The Auditor-General is the auditor of Watercare's financial statements. The Auditor-General has appointed Andrew Burgess, using the staff and resources of Deloitte to undertake the external audit work on behalf of the Auditor-General, in accordance with the Auditor-General's Audit Standards, which incorporate New Zealand Auditing Standards. Deloitte must satisfy the independence requirements of the Auditor-General and External Reporting Board.

Appendix C

Our performance measures

Link to Watercare's strategic priorities	Measure	2016/17 Actual	2017/18 Target	2018/19	2019/20	2020/21
	The extent to which Watercare's drinking water supply complies with Part 4 of the Drinking Water Standards New Zealand (bacteria compliance criteria)	100%	100%	100%	100%	100%
	The extent to which Watercare's drinking water supply complies with Part 5 of the Drinking Water Standards New Zealand (protozoal compliance criteria)	100%	100%	100%	100%	100%
	Median response time for attendance for urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site	41 mins	≤60 mins	≤60 mins	≤60 mins	≤60 mins
	Median response time for resolution of urgent calls-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	3 hours	≤5 hours	≤5 hours	≤5 hours	≤5 hours
	Median response time for attendance for non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site	1 day	≤3 days	≤5 days	≤5 days	≤5 days
	Median response time for resolution of non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	2 days	≤6 days	≤6 days	≤6 days	≤6 days
	The total number of complaints received by Watercare 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 f) Watercare's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system	6	≤10	≤10	≤10	≤10
	Net promoter score – strive to achieve a score >30	N/A	N/A	30	33	36
	The number of dry-weather overflows from Watercare's sewerage system, expressed per 1000 sewerage connections to that sewerage system	0.4	≤10	≤10	≤10	≤10
	Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance – from the time that Watercare receives notification to the time that service personnel reach the site	50 mins	≤60 mins	≤60 mins	≤60 mins	≤60 mins
	Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution – from the time that Watercare receives notification to the time that service personnel confirm resolution of the blockage or other fault	3 hours	≤5 hours	≤5 hours	≤5 hours	≤5 hours
	The total number of complaints received by Watercare about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) Watercare's response to issues with its sewerage system expressed per 1000 connections to the Watercare's sewerage system	24	≤50	≤50	≤50	≤50
	Average number of wet-weather overflows per engineered overflow point per discharge location in the transmission system	3.4*	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year
	Compliance with the Watercare's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by Watercare in relation to those resource consents	a) 0 b) 0 c) 0 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0
	The percentage of real water loss from Watercare's networked reticulation system	11.9%	≤13%	≤13%	≤13%	≤13%

	The average consumption of drinking water per day per resident	273	268 +/- 2.5%	266 +/- 2.5%	264 +/- 2.5%	262 +/- 2.5%
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**The overflows were impacted by the extreme weather events (Tasman Tempest) in March 2017.*

Watercare Services Limited

Registration Number: AK/519049

Registered office:

73 Remuera Road, Remuera, Auckland, 1050
Private Bag 92 521, Wellesley Street, Auckland 1141
Telephone: +64 9 539 7300
Facsimile: +64 9 539 7334
Email: communications@water.co.nz
Website: www.watercare.co.nz



Appendix 3 Watercare Services Limited

73 Remuera Road, Remuera
Auckland 1050, New Zealand
Private Bag 92521 Wellesley Street,
Auckland 1141, New Zealand

Telephone +64 9 539 7300

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www.watercare.co.nz

5.1

[date]

Mayor Phil Goff
Mayor of Auckland
Private Bag 92300
Wellesley Street
Auckland 1142

BY EMAIL

Dear Mayor Goff

Watercare's response to shareholder comments on draft Statement of Intent 2018/2021

On behalf of the Board of Watercare Services Limited (Watercare), I would like to thank you for your comments on our draft Statement of Intent 2018/2021 (SOI) set out in your letter of 2 May 2018 (your letter). Watercare appreciates receiving this feedback and working with Auckland Council to reflect this in the SOI. I would like to acknowledge the collaborative work that is being done between Watercare and Council officers, and the SOI process is an example of this.

In accordance with the Governance Manual for Substantive CCOs, I am pleased to **attach** a revised version of Watercare's SOI. This version of our SOI largely incorporates the shareholder comments.

In relation to areas of the shareholder comments that are not wholly incorporated in Watercare's revised SOI, I note the following:

1. I refer to paragraph numbered 3 under "General shareholder comments" on page 2 of your letter. Watercare agrees that efficiency and value, and removing unnecessary duplication, is key. In relation to removing different approaches to core systems and business processes, and pursuing shared back-office delivery where appropriate, Watercare understands that the s17A review process is a structured and independent review process with an aim to thoroughly consider this.

However, as has been demonstrated by the New Zealand Productivity Commission report from August 2015 titled "More effective social services", scale (e.g. shared services) "can dilute accountability and dampen the spread of innovation" (page 10). It is noted in the report that a "one-size-fits-all" approach has been ineffective, and is not sensible.

By way of an example, Watercare's payroll function was able to react quickly to the Holidays Act issue that arose. Current Watercare staff were able to be paid in a speedy timeframe (i.e. by March 2017), while other parts of the Council group have not yet remedied the issue.

Further, the outcome of some of the s17A reviews (for example the review of the Communication and Engagement function across the Auckland Council group) have not recommended pursuing shared delivery.

Watercare believes we should not lose sight of the fact that a lot of collaborative work has been, and is being done, across the Council group, and has resulted in improved productivity and efficiency. This has been demonstrated by work done by Watercare, Auckland Transport and Auckland Council on the Franklin Road project.

2. I refer to the specific shareholder comments, and the third paragraph in relation to Veolia Water. I note that we have not included a timeframe for an agreement with Veolia Water because there is no requirement to reach an agreement with Veolia Water. As set out in the SOI, Watercare will require Veolia Water to ensure it is providing the necessary water and wastewater infrastructure to meet growth.
3. I refer to the fourth paragraph under the heading “Specific shareholder comments” in relation to Watercare’s performance measures. Watercare acknowledges that your letter states that Watercare will work with Council to refine its performance measures. Given the Government’s announcement to review three waters in New Zealand, there is a great opportunity to identify effective and meaningful measures for Watercare. Based on this imminent review, it makes sense to reflect in our SOI that we will work with Auckland Council to identify appropriate measures in the future.

In addition to this commitment, Watercare has also included an additional measure in the SOI which is a customer service measure known as the “Net promoter score” (NPS). Watercare has included this customer service measure as it is a real time measure that provides constant feedback on Watercare’s customer service. It allows Watercare to continually monitor performance, and expand and enhance its services. Utility companies tend to have a negative NPS score, however, Watercare will strive to achieve a score of at least 30.

Council officers had indicated that a resolution of complaints measure could be included. Watercare’s previous SOI included the measure “percentage of complaints being ‘closed and resolved’ within 10 working days”. This measure has not been included because Watercare no longer self regulates customer complaints, and has provided its customers with a greater and independent voice by using an external regulator to assess customer complaints. Therefore, this measure is no longer a meaningful reflection of Watercare’s performance.

Please note that the new version of the SOI includes an updated target for the performance measure “median response time for attendance for non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site”. The new target is 5 days or less instead of 3 days or less. This is based on the recommendation from an independent network efficiency review to drive cost savings by extending the on-site time on jobs with less urgency and low customer impact.

I look forward to receiving your feedback on the SOI.

Yours sincerely

Margaret Devlin
Chair
Watercare Services Limited

Report to the Board of Watercare Services Limited

Subject: Board Delegations to the Chief Executive Policy – Annual Review

Date: 22 May 2018

1. INTRODUCTION

At the 17 May 2018 meeting of the Audit and Risk Committee, the Committee reviewed Management's recommended changes to the Board Delegations to the Chief Executive Policy.

The Audit and Risk Committee accepted Management's suggested changes and recommended the Charter be sent to the full Board for approval.

2. SUGGESTED CHANGES

Management recommended to the Committee that the following changes be made to the current Policy:

- the deletion of the words "the Chair of" under General Matters, as the Policy is approved by the Board; and
- the deletion of the reference to the Capital Projects Working Group, as that Committee has been dissolved.

Attached are:

- **Appendix A** – a marked up version of the Policy, including suggested changes; and
- **Appendix B** – a clean version of the Policy, with the suggested changes accepted.

3. RECOMMENDATION

That the Board approve the Board Delegations to the Chief Executive Policy, as appended as Appendix B, as recommended by the Audit and Risk Committee.

Report prepared by:



E McBride
Governance Manger

Report recommended by:



R Fisher
Company Secretary

Approved for submission by:



R Jaduram
Chief Executive

Board Delegations to the Chief Executive

This policy sets out the financial and non-financial delegations from the Board of Directors of Watercare Services Limited (Watercare) to the Chief Executive of Watercare. Delegations are a key element in effective governance and management of Watercare, and provide formal authority to the Chief Executive of Watercare to act on behalf of Watercare.

The purpose of this policy is to outline the delegations from the Board of Directors of Watercare to the Chief Executive of Watercare.

Application of Policy

This Board Delegations to the Chief Executive policy (**Policy**) covers the Chief Executive of Watercare, and any person that has been appointed as the “Acting Chief Executive” by the Chief Executive.

Objectives

The objective of this Policy is to ensure that delegations to the Chief Executive are appropriate so as to enable the Chief Executive to run the business in an efficient and effective manner.

Policy

The delegations from the Board of Directors of Watercare to the Chief Executive of Watercare are set out in Appendix 1.

Notification

The CE will report to the Board when the following delegations are exercised, namely:

- capital expenditure approvals under \$15m; and
- execution of agreements, deeds and other documents, including contracts awarded over \$100,000 in relation to Capital Expenditure and Operating Expenditure.

Authorities

Action	Action/Approval by
Exceptions or amendments to Policy	Board of Directors of Watercare

General Matters

This Policy has been approved by the ~~Chair of the~~ Board of Directors of Watercare and will next be reviewed in May 2018.

Signed:

Margaret Devlin, **Chair**

Date:

Appendix 1 – Board delegations to the Chief Executive

1. Financial Authority

Authority to:	Delegation to CEO
Spend budgeted operating expenditure	Unlimited within overall annual budget for the Company
Spend non-budgeted operating expenditure	As appropriate within the performance objectives of the Company and where included in the latest forecast reviewed by Board
Write-off bad debt or issue credit notes to settle claims	Unlimited within the overall annual budget for the Company – maximum of \$250,000 for any one adjustment
Issue credit notes for IGC customer account adjustments	maximum of \$1 million net for any one adjustment or group of related adjustment
Establish operating expenditure contracts	Unlimited within the overall annual budget for the Company
Approve capital expenditure	<ul style="list-style-type: none"> - Up to \$15 million for projects in budget or approved Asset Management Plan; and - Up to \$3 million for projects not in budget or approved Asset Management Plan
Approve sale/lease of land and buildings	<ul style="list-style-type: none"> - Up to \$15 million within budget or approved Asset Management Plan; and - Up to \$3 million within budget or approved Asset Management Plan
Asset disposal/write off/impairment (excluding land and buildings)	Up to \$1 million

2. Non-financial Authority

Authority to:	Delegation
Execute agreements, deeds, instruments and other documents	<ul style="list-style-type: none"> – For operating and capital expenditure within the delegated authority of the Chief Executive; – Unlimited for specific capital receipt or expenditure approved by the Capital Projects Working Group or the Board; – Unlimited for revenue receipt or operating expenditure which falls within a category for which prior approval has been given by the Board (notwithstanding that the contract or commitment might extend beyond the period covered by the approved budget); – The grant, receipt, protection or surrender of rights where the consideration falls within any one or more of the limits specified above.
Approve employment of additional permanent staff, making staff redundant	Unlimited within the overall annual budget for the Company. ¹

Authority to:	Delegation
Replace staff - same job, same grade and on standard contract and within budget	Unlimited within the overall annual budget for the Company. ¹
Select and employ permanent staff, within written approval and on standard contract	Unlimited within the overall annual budget for the Company. ¹
Employ temporary staff on the Watercare payroll	Unlimited within the overall annual budget for the Company
Increase salary or make other changes to benefits, including taking a company vehicle home	Unlimited within the overall annual budget for the Company
Increase wages or make other changes to benefits, including taking a company vehicle home	Unlimited within the overall annual budget for the Company
Use temporary contractors from employment agencies	Unlimited within the overall annual budget for the Company
Approve attendance at conferences and courses - (single day, single attendance, and within New Zealand) - Other	Unlimited within the overall annual budget for the Company Unlimited within the overall annual budget for the Company
Approve overseas travel for management and staff	Unlimited within the overall annual budget for the Company
Hire professional advisors/ consultants	Unlimited within the overall annual budget for the Company
Advertise	Unlimited within the overall annual budget for the Company
Issue media releases, press interviews, or comments	Unlimited
Designations, planning requests, objections, submissions to local, national or regional regulatory agencies	Unlimited
Court action	Unlimited

¹The People, Remuneration & Appointments Committee (PRAC) will participate (in conjunction with the Chief Executive) in the recruitment of his/her direct reports, including involvement by the Board Chair, PRAC Chair or relevant Board Member, in the final selection process and/or panel.

Board Delegations to the Chief Executive

This policy sets out the financial and non-financial delegations from the Board of Directors of Watercare Services Limited (Watercare) to the Chief Executive of Watercare. Delegations are a key element in effective governance and management of Watercare, and provide formal authority to the Chief Executive of Watercare to act on behalf of Watercare.

The purpose of this policy is to outline the delegations from the Board of Directors of Watercare to the Chief Executive of Watercare.

Application of Policy

This Board Delegations to the Chief Executive policy (**Policy**) covers the Chief Executive of Watercare, and any person that has been appointed as the “Acting Chief Executive” by the Chief Executive.

Objectives

The objective of this Policy is to ensure that delegations to the Chief Executive are appropriate so as to enable the Chief Executive to run the business in an efficient and effective manner.

Policy

The delegations from the Board of Directors of Watercare to the Chief Executive of Watercare are set out in Appendix 1.

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The CE will report to the Board when the following delegations are exercised, namely:

- capital expenditure approvals under \$15m; and
- execution of agreements, deeds and other documents, including contracts awarded over \$100,000 in relation to Capital Expenditure and Operating Expenditure.

Authorities

Action	Action/Approval by
Exceptions or amendments to Policy	Board of Directors of Watercare

General Matters

This Policy has been approved by the Board of Directors of Watercare and will next be reviewed in May 2018.

Signed:

Margaret Devlin, **Chair**

Date:

Appendix 1 – Board delegations to the Chief Executive

1. Financial Authority

Authority to:	Delegation to CEO
Spend budgeted operating expenditure	Unlimited within overall annual budget for the Company
Spend non-budgeted operating expenditure	As appropriate within the performance objectives of the Company and where included in the latest forecast reviewed by Board
Write-off bad debt or issue credit notes to settle claims	Unlimited within the overall annual budget for the Company – maximum of \$250,000 for any one adjustment
Issue credit notes for IGC customer account adjustments	maximum of \$1 million net for any one adjustment or group of related adjustment
Establish operating expenditure contracts	Unlimited within the overall annual budget for the Company
Approve capital expenditure	<ul style="list-style-type: none"> - Up to \$15 million for projects in budget or approved Asset Management Plan; and - Up to \$3 million for projects not in budget or approved Asset Management Plan
Approve sale/lease of land and buildings	<ul style="list-style-type: none"> - Up to \$15 million within budget or approved Asset Management Plan; and - Up to \$3 million within budget or approved Asset Management Plan
Asset disposal/write off/impairment (excluding land and buildings)	Up to \$1 million

2. Non-financial Authority

Authority to:	Delegation
Execute agreements, deeds, instruments and other documents	<ul style="list-style-type: none"> – For operating and capital expenditure within the delegated authority of the Chief Executive; – Unlimited for specific capital receipt or expenditure approved by the Board; – Unlimited for revenue receipt or operating expenditure which falls within a category for which prior approval has been given by the Board (notwithstanding that the contract or commitment might extend beyond the period covered by the approved budget); – The grant, receipt, protection or surrender of rights where the consideration falls within any one or more of the limits specified above.
Approve employment of additional permanent staff, making staff redundant	Unlimited within the overall annual budget for the Company. ¹

Authority to:	Delegation
Replace staff - same job, same grade and on standard contract and within budget	Unlimited within the overall annual budget for the Company. ¹
Select and employ permanent staff, within written approval and on standard contract	Unlimited within the overall annual budget for the Company. ¹
Employ temporary staff on the Watercare payroll	Unlimited within the overall annual budget for the Company
Increase salary or make other changes to benefits, including taking a company vehicle home	Unlimited within the overall annual budget for the Company
Increase wages or make other changes to benefits, including taking a company vehicle home	Unlimited within the overall annual budget for the Company
Use temporary contractors from employment agencies	Unlimited within the overall annual budget for the Company
Approve attendance at conferences and courses - (single day, single attendance, and within New Zealand) - Other	Unlimited within the overall annual budget for the Company Unlimited within the overall annual budget for the Company
Approve overseas travel for management and staff	Unlimited within the overall annual budget for the Company
Hire professional advisors/ consultants	Unlimited within the overall annual budget for the Company
Advertise	Unlimited within the overall annual budget for the Company
Issue media releases, press interviews, or comments	Unlimited
Designations, planning requests, objections, submissions to local, national or regional regulatory agencies	Unlimited
Court action	Unlimited

¹The People, Remuneration & Appointments Committee (PRAC) will participate (in conjunction with the Chief Executive) in the recruitment of his/her direct reports, including involvement by the Board Chair, PRAC Chair or relevant Board Member, in the final selection process and/or panel.

Report to the Board of Watercare Services Limited

Subject: Audit and Risk Committee Charter– Annual Review

Date: 22 May 2018

1. INTRODUCTION

At the 17 May 2018 meeting of the Audit and Risk Committee (ARC), the Committee reviewed Management’s recommended changes to the Audit and Risk Charter.

The ARC accepted Management’s suggested changes and requested two additional changes be made to the Charter before it was sent to the Board for approval.

2. SUGGESTED CHANGES

Management’s main recommended change included specifically mentioning the whistleblower service under the internal control responsibilities of the Committee. The remaining changes recommended by Management were stylistic.

The ARC requested that the following two changes be made before the Audit and Risk Committee Charter was sent to the Board for approval, namely:

- That the ARC not be responsible for oversight of Central Interceptor governance matters, as that is the responsibility of the full Board; and
- That the ARC Charter should note that the Committee Chair should be responsible for approving any additional audit work to be undertaken by the auditor appointed by the Auditor General, which is outside the terms of the its Auditor General role

Attached for the Board’s review are:

- **Appendix A** – a marked up version of the Charter, including all of the changes suggested by Management and the ARC.
- **Appendix B** – a clean version of the Charter, with the suggested changes accepted.

3. RECOMMENDATION

That the Board approve the Audit and Risk Committee Charter, as appended as Appendix B.

Report prepared by:



E McBride
Governance Manger

Report recommended by:



R Fisher
Company Secretary

Approved for submission by:



R Jaduram
Chief Executive

Audit and Risk Committee Charter

1. Purpose and Composition

The Audit and Risk Committee ('ARC') is a committee established by the Board of Directors of Watercare Services Limited ('Watercare').

The primary purpose of the ARC is to assist the Board of Directors of Watercare ('Board') to exercise due care, diligence and effective oversight of all matters relating to financial management and controls, financial accounting, risk management, internal and external audit functions and external reporting. –The ARC will:

- Serve as an independent, objective party to review information presented by senior management to Watercare's shareholder and key stakeholders;
- Determine the adequacy of Watercare's administrative, operating and accounting controls; and
- Act as a forum for the free and open exchange of views and information between the Board and its internal and external auditors.

The ARC shall be independent of management and comprise at least three directors. The ARC will be structured to ensure that, as a collective group, it has the qualifications, skills, experience and knowledge to fulfil its purpose and responsibilities.

At least one member of the ARC will have accounting expertise or a financial background. Any member of the ARC who does not have an accounting or financial background should be financially literate and conversant with risk management but may not represent themselves to be an expert in those fields simply by being a member of the ARC.

The Board shall appoint, remove or replace the members and Chair of the ARC ('Committee Chair'). The Chair of the Board of Directors may be a member of the ARC, but not the Committee Chair of the ARC.

2. Meetings

Meetings of the ARC are held not less than four times a year in months that align with the reporting and audit cycle and meet shareholder requirements.

Meetings of the ARC shall be held at the discretion of the Committee Chair at any time or if requested by any ARC member, the Board, the Chief Executive, the external auditor or the internal auditor.

A quorum shall be a majority of members.

Members may participate in, or conduct a meeting of the ARC through the use of any means of communication by which all members participating can hear each other during the meeting and participation by such means shall constitute presence in person at the meeting.

A resolution in writing, signed or assented to by more than half of the members of the ARC, is as valid and effective as if it had been passed at a meeting of the ARC duly convened and held. Any such resolution may consist of several documents (including transmissions by facsimile or email or other similar means of written communication) in like form, each signed or assented to by one or more members of the ARC.

The ARC will appoint an appropriate person to act as Committee Secretary ('Secretary') who will be a company employee or advisor as nominated by the ARC from time to time. –The Secretary, in conjunction with the ARC-Committee Chair shall be responsible for coordination of all ARC business including meeting scheduling, agendas, policy reviews, distribution of papers, minutes, and communication with the Board and management.

Minutes of each meeting shall be taken, circulated promptly in draft form to the Committee Chair, confirmed at the following meeting and signed thereafter by the Committee Chair as a correct record of proceedings of the meeting.

The ARC may have in attendance management (including the Chief Executive and the Chief Financial Officer) and such other persons including internal and external auditors, external experts and others it deems necessary to provide appropriate information, explanation or assistance.

From time to time the Committee Chair may request that the ARC meet without these persons present.

Directors who are not members of the ARC may attend meetings but may not vote.

3. Authority

The ARC is authorised by the Board to deal with matters as set out in the Responsibilities section of its Charter and provide oversight in five distinct areas:

- Committee Governance;
- Financial Management, Financial and Performance Reporting;
- Audit Functions;
- Internal Controls and Risk Management; and
- Such other responsibilities as the Board at any time considers appropriate.

While oversight of risk management is a responsibility that sits with the full Board (with quarterly risk reporting by management), the ARC is responsible for reviewing the risk management policy on a three-yearly basis (or more often as required) and undertaking more detailed reviews of specific risks as required.

The ARC is not responsible for the oversight of Health and Safety governance matters, nor oversight of Central Interceptor governance matters, as that responsibility sits with the full Board.

The ARC may:

- Make decisions (or submit recommendations for consideration by the Board) on matters where decision-making authority has been delegated to the ARC by the Board [see responsibilities in section 6]; and
- Submit recommendations to the Board on matters for which decision-making authority has not been delegated by the Board.

The ARC will not become involved in day-to-day operations, functions or decision-making by management or employees. The ARC is not responsible for conducting accounting or auditing reviews or procedures.

It is the responsibility of the Chief Executive to ensure that appropriate resources are applied to execute the internal audits reported to the ARC.

It is the responsibility of Senior Executives¹ to draw the Committee Chair and ARC's immediate attention to any material matter that relates to the financial condition of Watercare, any material breakdown in internal controls, any material event of fraud or malpractice, and any significant item of legislative non-compliance.

4. Access and Independent Advice

To fulfil its functions, duties and responsibilities the ARC is authorised by the Board to have all necessary access to, and seek any information it requires from, any employee, consultant or advisor to Watercare. –All employees are directed by the Board to cooperate with any request made by the ARC.

The ARC is authorised by the Board to have access to external and internal auditors without management present, to request additional information or explanations.

Individual members of the ARC are entitled at any time to access Watercare's Senior Executive to request additional information or explanations.

Members of Watercare's Senior Executive have an express right of direct access to the ARC-Committee Chair in relation to any matters of material concern that have been raised through normal management processes but have not been advised to the ARC.

The ARC is authorised by the Board to obtain, at the expense of Watercare, independent legal or professional advice it considers necessary to discharge its responsibilities.

5. Relationship with Auditors

The internal auditor reports to the ARC for the committee's reporting requirements and is a resource for the Chief Executive in regard to areas or activities the Chief Executive requires.

On a day-to-day basis the Chief Financial Officer is responsible for the relationship with external auditors and will inform the ARC of any material communication between the external auditors and management.

Senior Executives are responsible for the timely and accurate provision of information to external and internal auditors.

The external auditors and the internal auditor have direct access to the ARC-Committee Chair in respect of any issues considered appropriate.

Despite the existence of the ARC, both the external auditors and internal auditor have direct access to the full Board if required.

Watercare will not offer employment to employees or former employees of the audit firm appointed by the Controller and Auditor General to conduct the audit, within two years of them ceasing to be employed by that firm.

From time to time, the external auditor (appointed by the Auditor General), may be requested by the Company to undertake additional audit work, which is outside the terms of its Auditor General appointed role. In such situations, the Committee Chair will be responsible for approving any such additional audit work.

6. Responsibilities

The ARC shall provide assistance to the Board in fulfilling its responsibility to the shareholder, and other stakeholders, relating to accounting, internal controls, risk management, reporting practices and the quality and integrity of externally published financial and performance reports of Watercare. In carrying out these responsibilities, the ARC does not relieve the Board of its responsibilities and legal obligations.

¹ Executive Team and Senior Management Team

It is the responsibility of the ARC to maintain communication with the Board, the external auditor, the internal auditor, and Watercare's Senior Executive.

In carrying out its responsibilities, the ARC's policies and procedures should remain flexible, in order to best react to changing conditions and enable it to assure the Board and shareholder that the accounting and reporting practices of Watercare are of the highest quality and compliant with all applicable laws, regulations, standards and codes of practice.

The duties and responsibilities of ARC members are additional to those they have as a member of Watercare's Board.

In carrying out its responsibilities, the ARC will:

6.1 Committee Governance

- Establish and review the schedule of annual activities of the ARC.
- Ensure minutes and papers (including documents tabled at meetings) for all ARC meetings are provided to the Board. –The **Committee** Chair will report to the next Board meeting on the outcomes, findings and recommendations of the ARC meeting.
- Investigate any matter brought to its attention within the scope of its responsibilities, retaining independent legal or professional advice for this purpose if, in its judgment, that is appropriate.
- Unless identified in this charter or otherwise directed by the Board, the ARC will have no delegated authority in regard to its findings and recommendations.

6.2 Financial Management

- Assess the performance of financial management.
- Review accounting, financial management and treasury policies and recommend any changes to the Board for approval.
- Assess whether there are adequate controls over significant, unusual or complex transactions.
- Review compliance with statutory responsibilities that affect the financial statements, related policies and other requirements.
- Review compliance with contractual obligations and conditions of bank covenants in relation to financing arrangements.
- Oversee tax management and compliance.
- Review and report to the Board on the effectiveness of Watercare's insurance policies.
- Review and assess the propriety of all transactions between Watercare and related parties.
- Review policies and procedures for management expense accounts and other benefits, including use of Watercare assets and consider the results of any

relevant review by the auditors (external or internal).

6.3 Financial Reporting

- Review and recommend to the Board for approval, Watercare's half year and annual financial statements contained in reports to the shareholder. In carrying out the reviews, the ARC will consider:
 - a. All audit reports related to the financial statements;
 - b. All audit findings; and
 - c. All representations from internal audit and management.
- Review whether the financial statements and reports fairly reflect Watercare's financial position, comply with legislation and the applicable Public Benefit Entity accounting standards and whether they are adequate for shareholder needs. In carrying that out, the ARC will consider:
 - d. The significant estimates and judgements in the financial statements by enquiring of management about the process used in making material estimates and judgements and then enquire of the external auditors their conclusions on the reasonableness of management's estimates and judgements.
 - e. The degree of aggressiveness or conservatism of Watercare's accounting principles and underlying estimates.
 - f. How satisfied the external auditors are with the quality of management's adopted accounting principles, disclosure and financial reporting practices (including any changes in these areas), content of the financial statements and any other financial information to be presented to the shareholder.
 - g. Whether all taxation obligations have been adequately and appropriately discharged.
 - h. Any significant findings or disagreements between management and the external auditors.

6.4 Performance Reporting

- Review and recommend to the Board for approval, the non-financial performance measures contained in the annual report to the shareholder. –In carrying out the review, the ARC will satisfy itself as to the reasonableness of the information and consider:
 - a. Whether the statement of service performance fairly reflects Watercare's achievements for the year and whether they are adequate for shareholder needs.
 - b. The results of external assurance providers' work to confirm that Watercare has good systems to record service performance and other non-financial measures.

- c. Any recommendations made by external assurance providers on internal controls to ensure the completeness and accuracy of the non-financial performance measures.
- d. Any observations by the external auditors on the content of the statement of service performance.

6.5 Audit Functions

- Review any reports received from legal or regulatory bodies for matters that may have a material effect on Watercare's financial statements or related compliance policies.
- Review and consider the findings of any examinations of Watercare by regulatory bodies or government agencies.
- Monitor management's execution of recommendations highlighted within external and internal auditors reports.

External audit

(Note: The Auditor-General is the auditor of Watercare and is responsible for appointing the external auditor that carries out the work on her/his behalf).

- Meet with and approve the external auditor's terms of engagement, scope and timetable for the half year and annual audit, and the associated fees.
- Review the nature and scope of all relationships with and other non-audit services provided to Watercare by the external auditor in order to assess whether or not that has compromised the independence of the auditor.
- Provide an opportunity for the external auditors to meet ARC members without management present. Among the items to be discussed in these meetings are the adequacy of Watercare's internal controls, the external auditors' evaluation of Watercare's financial personnel, the quality and acceptability of Watercare's judgements in relation to accounting principles, the cooperation received by the external auditors and difficulties that arose during the course of the audit, the types of services provided and fees.
- Review the performance of the external auditors.
- Report the results of the half year and annual audits to the Board.

Internal audit

- Review the internal audit function of Watercare including the independence and authority of its reporting obligations, the proposed audit plan for the coming year and the coordination of such plan with the external auditors.
- Receive a summary of findings from completed internal audits and a progress report on the internal audit plan, with explanations for any deviations from the original plan.

- Ask management and the internal auditor for information on significant risks or exposures, effectiveness of risk controls and assess the steps management have taken to minimise these risks.
- Review and assess the internal auditor's activities and performance.

6.6 Internal Controls

- Review the adequacy and effectiveness of Watercare's internal control framework and structure, including information systems controls, security, conflicts of interest, the prevention and identification of fraud, and the role of internal and external auditors.
- Consider the adequacy of internal controls on major projects, that could have an affect on the way Watercare does business.
- Oversee any incidents of fraud, including disclosures made via the whistleblower service.
- Consider whether actions being taken by management are sufficient to remedy any significant failings or weaknesses in internal controls that are reported.
- Determine whether the failings or weaknesses indicate the need for more extensive monitoring or changes to the internal control framework and structure.
- Review the processes in place for continuously improving internal controls and recommend any changes to the Board for approval.
- Review the degree to which the work of the internal auditor provides assurance on the compliance with Board approved policies.
- Oversee legislative and organisational compliance initiatives.
- Oversee Watercare governance practices including development and review of policies and procedures (e.g. Corporate Governance Charter, Code of Conduct) and recommend any changes to the Board for approval.

6.7 Risk Management

(Note: As set out in section 3, responsibility for risk management oversight sits with the full Board, while policy and specific risk reviews may be assigned to the ARC).

- Review for Board approval, Watercare's risk management policy on a three-yearly basis (or more often as required) and undertake more detailed or rolling reviews of specific risks as required by the Board from time to time. In carrying out those tasks, the ARC will consider the effectiveness of the policy, the strategies employed and work undertaken by management and whether:
 - a. All material risks have been identified, taking an enterprise risk approach;

- b. Risks have been accurately analysed and evaluated;
- c. Key controls exist and are effective;
- d. Enterprise risks are being properly managed.
- e. An effective risk management culture is evident throughout Watercare.

6.8 Other Responsibilities

- Examine and report to the Board on any matters referred to the ARC by the Board.

7. Review of the Committee and Charter

The ARC will undertake, with management assistance, an annual review (or more often as conditions dictate) of its performance, purpose, responsibilities and Charter. It will advise the Board of the outcome of that review along with any recommended changes.

Any changes to the ARC Charter must be approved by the Board.

This Charter was reviewed by the Board in ~~March 201~~ May 2018.

Audit and Risk Committee Charter

1. Purpose and Composition

The Audit and Risk Committee ('ARC') is a committee established by the Board of Directors of Watercare Services Limited ('Watercare').

The primary purpose of the ARC is to assist the Board of Directors of Watercare ('Board') to exercise due care, diligence and effective oversight of all matters relating to financial management and controls, financial accounting, risk management, internal and external audit functions and external reporting. The ARC will:

- Serve as an independent, objective party to review information presented by senior management to Watercare's shareholder and key stakeholders;
- Determine the adequacy of Watercare's administrative, operating and accounting controls; and
- Act as a forum for the free and open exchange of views and information between the Board and its internal and external auditors.

The ARC shall be independent of management and comprise at least three directors. The ARC will be structured to ensure that, as a collective group, it has the qualifications, skills, experience and knowledge to fulfil its purpose and responsibilities.

At least one member of the ARC will have accounting expertise or a financial background. Any member of the ARC who does not have an accounting or financial background should be financially literate and conversant with risk management but may not represent themselves to be an expert in those fields simply by being a member of the ARC.

The Board shall appoint, remove or replace the members and Chair of the ARC ('Committee Chair'). The Chair of the Board of Directors may be a member of the ARC, but not the Committee Chair of the ARC.

2. Meetings

Meetings of the ARC are held not less than four times a year in months that align with the reporting and audit cycle and meet shareholder requirements.

Meetings of the ARC shall be held at the discretion of the Committee Chair at any time or if requested by any ARC member, the Board, the Chief Executive, the external auditor or the internal auditor.

A quorum shall be a majority of members.

Members may participate in, or conduct a meeting of the ARC through the use of any means of communication by which all members participating can hear each other during the meeting and participation by such means shall constitute presence in person at the meeting.

A resolution in writing, signed or assented to by more than half of the members of the ARC, is as valid and effective as if it had been passed at a meeting of the ARC duly convened and held. Any such resolution may consist of several documents (including transmissions by facsimile or email or other similar means of written communication) in like form, each signed or assented to by one or more members of the ARC.

The ARC will appoint an appropriate person to act as Committee Secretary ('Secretary') who will be a company employee or advisor as nominated by the ARC from time to time. The Secretary, in conjunction with the Committee Chair shall be responsible for coordination of all ARC business including meeting scheduling, agendas, policy reviews, distribution of papers, minutes, and communication with the Board and management.

Minutes of each meeting shall be taken, circulated promptly in draft form to the Committee Chair, confirmed at the following meeting and signed thereafter by the Committee Chair as a correct record of proceedings of the meeting.

The ARC may have in attendance management (including the Chief Executive and the Chief Financial Officer) and such other persons including internal and external auditors, external experts and others it deems necessary to provide appropriate information, explanation or assistance.

From time to time the Committee Chair may request that the ARC meet without these persons present.

Directors who are not members of the ARC may attend meetings but may not vote.

3. Authority

The ARC is authorised by the Board to deal with matters as set out in the Responsibilities section of its Charter and provide oversight in five distinct areas:

- Committee Governance;
- Financial Management, Financial and Performance Reporting;
- Audit Functions;
- Internal Controls and Risk Management; and
- Such other responsibilities as the Board at any time considers appropriate.

While oversight of risk management is a responsibility that sits with the full Board (with quarterly risk reporting by management), the ARC is responsible for reviewing the risk management policy on a three-yearly basis (or more often as required) and undertaking more detailed reviews of specific risks as required.

The ARC is not responsible for the oversight of Health and Safety governance matters, nor oversight of Central Interceptor governance matters, as that responsibility sits with the full Board.

The ARC may:

- Make decisions (or submit recommendations for consideration by the Board) on matters where decision-making authority has been delegated to the ARC by the Board [see responsibilities in section 6]; and
- Submit recommendations to the Board on matters for which decision-making authority has not been delegated by the Board.

The ARC will not become involved in day-to-day operations, functions or decision-making by management or employees. The ARC is not responsible for conducting accounting or auditing reviews or procedures.

It is the responsibility of the Chief Executive to ensure that appropriate resources are applied to execute the internal audits reported to the ARC.

It is the responsibility of Senior Executives¹ to draw the Committee Chair and ARC's immediate attention to any material matter that relates to the financial condition of Watercare, any material breakdown in internal controls, any material event of fraud or malpractice, and any significant item of legislative non-compliance.

4. Access and Independent Advice

To fulfil its functions, duties and responsibilities the ARC is authorised by the Board to have all necessary access to, and seek any information it requires from, any employee, consultant or advisor to Watercare. All employees are directed by the Board to cooperate with any request made by the ARC.

The ARC is authorised by the Board to have access to external and internal auditors without management present, to request additional information or explanations.

Individual members of the ARC are entitled at any time to access Watercare's Senior Executive to request additional information or explanations.

Members of Watercare's Senior Executive have an express right of direct access to the Committee Chair in relation to any matters of material concern that have been raised through normal management processes but have not been advised to the ARC.

The ARC is authorised by the Board to obtain, at the expense of Watercare, independent legal or professional advice it considers necessary to discharge its responsibilities.

5. Relationship with Auditors

The internal auditor reports to the ARC for the committee's reporting requirements and is a resource for the Chief Executive in regard to areas or activities the Chief Executive requires.

On a day-to-day basis the Chief Financial Officer is responsible for the relationship with external auditors and will inform the ARC of any material communication between the external auditors and management.

Senior Executives are responsible for the timely and accurate provision of information to external and internal auditors.

The external auditors and the internal auditor have direct access to the Committee Chair in respect of any issues considered appropriate.

Despite the existence of the ARC, both the external auditors and internal auditor have direct access to the full Board if required.

Watercare will not offer employment to employees or former employees of the audit firm appointed by the Controller and Auditor General to conduct the audit, within two years of them ceasing to be employed by that firm.

From time to time, the external auditor (appointed by the Auditor General), may be requested by the Company to undertake additional audit work, which is outside the terms of its Auditor General appointed role. In such situations, the Committee Chair will be responsible for approving any such additional audit work.

6. Responsibilities

The ARC shall provide assistance to the Board in fulfilling its responsibility to the shareholder, and other stakeholders, relating to accounting, internal controls, risk management, reporting practices and the quality and integrity of externally published financial and performance reports of Watercare. In carrying out these responsibilities, the ARC does not relieve the Board of its responsibilities and legal obligations.

¹ Executive Team and Senior Management Team

It is the responsibility of the ARC to maintain communication with the Board, the external auditor, the internal auditor, and Watercare's Senior Executive.

In carrying out its responsibilities, the ARC's policies and procedures should remain flexible, in order to best react to changing conditions and enable it to assure the Board and shareholder that the accounting and reporting practices of Watercare are of the highest quality and compliant with all applicable laws, regulations, standards and codes of practice.

The duties and responsibilities of ARC members are additional to those they have as a member of Watercare's Board.

In carrying out its responsibilities, the ARC will:

6.1 Committee Governance

- Establish and review the schedule of annual activities of the ARC.
- Ensure minutes and papers (including documents tabled at meetings) for all ARC meetings are provided to the Board. The Committee Chair will report to the next Board meeting on the outcomes, findings and recommendations of the ARC meeting.
- Investigate any matter brought to its attention within the scope of its responsibilities, retaining independent legal or professional advice for this purpose if, in its judgment, that is appropriate.
- Unless identified in this charter or otherwise directed by the Board, the ARC will have no delegated authority in regard to its findings and recommendations.

6.2 Financial Management

- Assess the performance of financial management.
- Review accounting, financial management and treasury policies and recommend any changes to the Board for approval.
- Assess whether there are adequate controls over significant, unusual or complex transactions.
- Review compliance with statutory responsibilities that affect the financial statements, related policies and other requirements.
- Review compliance with contractual obligations and conditions of bank covenants in relation to financing arrangements.
- Oversee tax management and compliance.
- Review and report to the Board on the effectiveness of Watercare's insurance policies.
- Review and assess the propriety of all transactions between Watercare and related parties.
- Review policies and procedures for management expense accounts and other benefits, including use of Watercare assets and consider the results of any

relevant review by the auditors (external or internal).

6.3 Financial Reporting

- Review and recommend to the Board for approval, Watercare's half year and annual financial statements contained in reports to the shareholder. In carrying out the reviews, the ARC will consider:
 - a. All audit reports related to the financial statements;
 - b. All audit findings; and
 - c. All representations from internal audit and management.
- Review whether the financial statements and reports fairly reflect Watercare's financial position, comply with legislation and the applicable Public Benefit Entity accounting standards and whether they are adequate for shareholder needs. In carrying that out, the ARC will consider:
 - d. The significant estimates and judgements in the financial statements by enquiring of management about the process used in making material estimates and judgements and then enquire of the external auditors their conclusions on the reasonableness of management's estimates and judgements.
 - e. The degree of aggressiveness or conservatism of Watercare's accounting principles and underlying estimates.
 - f. How satisfied the external auditors are with the quality of management's adopted accounting principles, disclosure and financial reporting practices (including any changes in these areas), content of the financial statements and any other financial information to be presented to the shareholder.
 - g. Whether all taxation obligations have been adequately and appropriately discharged.
 - h. Any significant findings or disagreements between management and the external auditors.

6.4 Performance Reporting

- Review and recommend to the Board for approval, the non-financial performance measures contained in the annual report to the shareholder. In carrying out the review, the ARC will satisfy itself as to the reasonableness of the information and consider:
 - a. Whether the statement of service performance fairly reflects Watercare's achievements for the year and whether they are adequate for shareholder needs.
 - b. The results of external assurance providers' work to confirm that Watercare has good systems to record service performance and other non-financial measures.

- c. Any recommendations made by external assurance providers on internal controls to ensure the completeness and accuracy of the non-financial performance measures.
- d. Any observations by the external auditors on the content of the statement of service performance.

6.5 Audit Functions

- Review any reports received from legal or regulatory bodies for matters that may have a material effect on Watercare's financial statements or related compliance policies.
- Review and consider the findings of any examinations of Watercare by regulatory bodies or government agencies.
- Monitor management's execution of recommendations highlighted within external and internal auditors reports.

External audit

(Note: The Auditor-General is the auditor of Watercare and is responsible for appointing the external auditor that carries out the work on her/his behalf).

- Meet with and approve the external auditor's terms of engagement, scope and timetable for the half year and annual audit, and the associated fees.
- Review the nature and scope of all relationships with and other non-audit services provided to Watercare by the external auditor in order to assess whether or not that has compromised the independence of the auditor.
- Provide an opportunity for the external auditors to meet ARC members without management present. Among the items to be discussed in these meetings are the adequacy of Watercare's internal controls, the external auditors' evaluation of Watercare's financial personnel, the quality and acceptability of Watercare's judgements in relation to accounting principles, the cooperation received by the external auditors and difficulties that arose during the course of the audit, the types of services provided and fees.
- Review the performance of the external auditors.
- Report the results of the half year and annual audits to the Board.

Internal audit

- Review the internal audit function of Watercare including the independence and authority of its reporting obligations, the proposed audit plan for the coming year and the coordination of such plan with the external auditors.
- Receive a summary of findings from completed internal audits and a progress report on the internal audit plan, with explanations for any deviations from the original plan.

- Ask management and the internal auditor for information on significant risks or exposures, effectiveness of risk controls and assess the steps management have taken to minimise these risks.
- Review and assess the internal auditor's activities and performance.

6.6 Internal Controls

- Review the adequacy and effectiveness of Watercare's internal control framework and structure, including information systems controls, security, conflicts of interest, the prevention and identification of fraud, and the role of internal and external auditors.
- Consider the adequacy of internal controls on major projects, that could have an affect on the way Watercare does business.
- Oversee any incidents of fraud, including disclosures made via the whistleblower service.
- Consider whether actions being taken by management are sufficient to remedy any significant failings or weaknesses in internal controls that are reported.
- Determine whether the failings or weaknesses indicate the need for more extensive monitoring or changes to the internal control framework and structure.
- Review the processes in place for continuously improving internal controls and recommend any changes to the Board for approval.
- Review the degree to which the work of the internal auditor provides assurance on the compliance with Board approved policies.
- Oversee legislative and organisational compliance initiatives.
- Oversee Watercare governance practices including development and review of policies and procedures (e.g. Corporate Governance Charter, Code of Conduct) and recommend any changes to the Board for approval.

6.7 Risk Management

(Note: As set out in section 3, responsibility for risk management oversight sits with the full Board, while policy and specific risk reviews may be assigned to the ARC).

- Review for Board approval, Watercare's risk management policy on a three-yearly basis (or more often as required) and undertake more detailed or rolling reviews of specific risks as required by the Board from time to time. In carrying out those tasks, the ARC will consider the effectiveness of the policy, the strategies employed and work undertaken by management and whether:
 - a. All material risks have been identified, taking an enterprise risk approach;

- b. Risks have been accurately analysed and evaluated;
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- e. An effective risk management culture is evident throughout Watercare.

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7. Review of the Committee and Charter

The ARC will undertake, with management assistance, an annual review (or more often as conditions dictate) of its performance, purpose, responsibilities and Charter. It will advise the Board of the outcome of that review along with any recommended changes.

Any changes to the ARC Charter must be approved by the Board.

This Charter was reviewed by the Board in May 2018.

Report to the Board of Watercare Services Limited

Subject: Good Employer Policy

Date: 22 May 2018

1. INTRODUCTION

This paper seeks the Board's approval of the Good Employer Policy (the "Policy").

The People, Remuneration and Appointments Committee reviewed the draft Policy at the 24 April 2018 meeting and provided Management with some feedback on the draft. This feedback has now been incorporated into the draft Policy before the Board.

2. BACKGROUND TO THE POLICY

Watercare is required, under the Section 59 of the Local Government Act 2002 (the Act), to be a 'good employer'. The Act provides guidance as to what provisions would be expected to be within the personnel policies of a 'good employer', however, it does not expressly define the term.

Watercare is committed to the operation of human resources policies that comply with the principle of being a good employer. To this end, Management has undertaken to prepare a 'good employer' policy that explicitly defines how Watercare will act as a 'good employer'.

3. WATERCARE'S DRAFT POLICY

A copy of the draft Policy is appended as **Appendix A** for the Board's review.

The Policy is aligned to Watercare's strategic values, and in particular, the "One Team" strategic value, which enables us to ensure our policies, programmes and practices promote equity and fairness.

At its foundation, the policy includes six key principles, which underpin all aspects of an employee experience:

1. Fair treatment for all
2. Safe working conditions
3. Equal employment opportunities
4. Fair recruitment and selection
5. Fair remuneration and reward
6. Positive leadership and culture.

In the application of these six principles, it is intended that the company will formalise its approach in these six areas. Watercare wants to not only provide basic hygiene factors of a safe and healthy work environment, which is free of discrimination, but also drive a culture of transparency and inclusion, which celebrates diversity and ensures equity for all groups, including Maori, all genders and any person with a disability.

4. RECOMMENDATION

That the Board approve the Good Employer Policy, as appended as Appendix A.

Report recommended by:



J Glennon
Chief People Officer

Approved for submission by:



R Jaduram
Chief Executive

5.2



Good Employer Policy

Policy Number:	Introduction date:
Approved for issue by: Board	Last Revision:
Revision approved by: N/A	This revision date:
Application: All Staff	Issue Method: Intranet

Watercare's core values are "Respect" and "One Team" - this means that we work together and collaborate with others to deliver a co-ordinated and streamlined service. We embrace diversity, value each other's input, and look out for one another.

Watercare is committed to the operation of people policies that comply with the principle of being a good employer.

The purpose of this Policy is to ensure that Watercare not only meets our legal obligations as an employer under Section 59 of the Local Government Act 2002 (the Act), but that our policies, programmes and practices promote our values of equity and fairness.

Application of Policy

This Good Employer policy covers all employees (which includes staff members and contractors) who work for Watercare and its related companies (*including all divisions, business units and subsidiaries*).

Principles of a Good employer Policy

Watercare's Good Employer Policy and associated people policies and practices are based on the following principles:

Fair treatment for all

At all times we maintain a workplace that is free of discrimination whilst demonstrating zero-tolerance for all forms of bullying and harassment. We foster a positive climate in the workplace, which appreciates a diversity of background and individual contribution and encourages employees to develop their potential.

We provide clear expectations in regards to integrity, conduct, and concern for public interests. We provide clear performance expectations and transparency in assessment of performance and feedback opportunities.

Safe working conditions

We provide safe working conditions and take a proactive approach to employee

health, safety and well-being. We create an environment that supports and encourages employee participation in health, safety and the environment.

Equal employment opportunities

We provide an equitable approach to developing all employees. We ensure our processes and practices maximise the use of skills and strength of all employees whilst recognising the employment requirements of Māori, ethnic or minority groups, women and persons with disabilities.

Fair recruitment and selection

We maintain a high quality workforce through inclusive, attraction and impartial selection on the basis of job requirements and the ability of the individual to do the job. We ensure no bias or barriers exist to employ the best person for the job.

Fair remuneration and reward

We provide a remuneration framework that reflects the skills and experience required to attract employees. We ensure a remuneration system that is equitable, transparent and gender neutral providing equal access to job opportunities and conditions.

Positive leadership and culture

We provide a positive organisational culture of accountability and leadership with a clear vision and one where people are valued. We promote an engagement process with employees and their representatives providing opportunities to engage and participate in organisational decisions.

Watercare reserves the right to review, amend or add to this Policy at any time upon reasonable notice to its staff members.

This Policy has been approved by the Board in May 2018 and will next be reviewed in May 2020.

Report to the Board of Watercare Services Limited

Subject: Sensitive Expenditure Policy

Date: 22 May 2018

1. INTRODUCTION

This paper seeks the Board's approval of the Sensitive Expenditure Policy (the "Policy").

The People, Remuneration and Appointments Committee reviewed the draft Policy at the 24 April 2018 meeting. The Committee did not request any changes to this draft Policy.

2. BACKGROUND TO THE POLICY

Sensitive expenditure is classified as expenditure that could be perceived as providing benefit to an individual staff member that is additional to the business benefit. Travel, accommodation and hospitality expenditure are examples where such perceptions could arise for Watercare.

Under the draft Policy:

- Expenditures by Watercare Directors shall be made for business purposes only and be reviewed for correctness by the CFO and approved by the Chair. Expenses by the Chair shall be approved by the Chair of the Audit and Risk Committee.
- Expenses by the Chief Executive shall be reviewed for correctness by the CFO and be approved by the Chair.
- Approvals for business travel outside New Zealand and Australia shall be pre-approved by the Board for the CEO, and by the CEO for all staff. Similarly, significant expenditure on hospitality should be pre-approved.

3. WATERCARE'S DRAFT POLICY

A copy of the draft Policy is appended as **Appendix A** for the Board's review.

4. RECOMMENDATION

That the Board approve the Sensitive Expenditure Policy, as appended as Appendix A.

Approved for submission by:



R Jaduram
Chief Executive

Sensitive Expenditure Policy

Policy Number:	Introduction date:
Approved for issue by: Board	Last Revision:
Revision approved by: n/a	This revision date:
Application: All Staff	Issue Method: Intranet

1. Application of Policy

Watercare Services Limited is a public entity and therefore spends public money. All such expenditures must meet standards of probity that will withstand public scrutiny and enhance trust.

Sensitive expenditure is classified as expenditure that could be perceived as providing benefit to an individual staff member that is additional to the business benefit. Travel, accommodation and hospitality expenditure are examples where such perceptions could arise for Watercare.

2. Principles-based approach

Watercare takes a principles-based approach to sensitive expenditure, utilising the Good Practice Guide from the Auditor General, "Controlling sensitive expenditure: Guidelines for Public Entities".

Expenditure decisions made by Watercare officers and staff will:

- Have a justifiable business purpose; and
- Preserve impartiality; and
- Are moderate and conservative (based on circumstances); and
- Are made transparently; and
- Are appropriate in all respects.

Watercare policies and procedures issued by management shall ensure that principles are applied.

3. Directors and Chief Executive

3.1 Directors

Expenditures by directors of the Board of Watercare shall be made for business purposes only and be reviewed for correctness by the CFO and approved by the Chair. Expenses by the Chair shall be approved by the Chair of the Audit and Risk Committee.

3.2 CEO

Expenses by the Chief Executive shall be reviewed for correctness by the CFO and be approved by the Chair.

5.2

4. Pre-approvals

Approvals for business travel expenditure outside of New Zealand and Australia shall be pre-approved by the Board for the Chief Executive, and by the Chief Executive for all staff. Similarly, significant expenditure on hospitality should be pre-approved.

5. Supporting Documents

All claims shall be accompanied by supporting documents such as tax invoices, details of expenses and purpose.

6. Staff

The Chief Executive shall prepare, maintain and implement policies and procedures for all Watercare staff based on the principles and the Good Practice Guide outlined in section 2.

Watercare reserves the right to review, amend or add to this Policy at any time upon reasonable notice to its staff members.

This Policy has been approved by the Board on **DATE** and will next be reviewed on **DATE**

Watercare Services Limited

Subject: Resource Management Act (RMA) Compliance for April 2018

Date: 22 May 2018

1. COMPLIANCE PROCEEDINGS

There have been no compliance proceedings during the period.

2. MAJOR ENVIRONMENTAL INCIDENTS OR OTHER NON-COMPLIANCE MATTERS

There are no environmental incidents of any significance to report.

Watercare has been issued a 'Letter of Direction' from the Waikato Regional Council pertaining to its partial compliance with existing resource consents for the Waikato WTP. This letter relates to the Hydrofluorosilicic Acid (HFA) storage tank overflow event that occurred during July 2017, where multiple systems failures resulted in HFA being discharged to the off-specification pipeline and subsequently the Waikato River. A detailed Incident Cause Analysis Method (ICAM) Investigation was completed immediately following this event and a number of improvements/actions have been implemented to prevent similar events occurring in the future. Further improvements will be implemented during the delivery of the Waikato WTP Chemical Systems Upgrade.

There has been considerable media and public comment on wastewater overflows during and following significant rain events. These overflows are designed to occur and are authorised by the Network Discharge Consent, which requires a programme of upgrading of the network to ensure over time that overflows occur no more frequently than twice per year per location or Best Practicable Option (BPO) is applied.

Watercare has many projects underway and planned to meet this performance level. Examples of work completed are the Kohimarama and Glen Eden Storage Tanks; the separation of stormwater and wastewater systems at Franklin Road. Examples of work planned are the Western Isthmus Strategy and the Central Interceptor.

3. RESOURCE CONSENT COMPLIANCE SUMMARY

Table 1 shows the number of active consents, number of non-compliant consents and the number of non-compliant conditions by Auckland Council compliance rating (1 - 4), compared to the previous months.

Category 1 and 2 relates to a technical non-compliance with a no more than minor potential or actual adverse effect to the environment and are reported only to management to action.

Category 3 and 4 relates to a non-compliance where the result will have or has the potential to have an adverse or significant adverse effect on the environment, or where there has been a repeat of a lower score non-compliance.

Table 1: Compliance Status of Active Consents*

	Nov	Dec	Jan	Feb	Mar	Apr
Number of total active consents	505	503	503	499	491	485
Number of non-compliant consents	16	21	22	8	11	10
Number of non-compliant category 3 or 4 conditions	4	5	4	3	2	2
Number of non-compliant category 1 or 2 conditions	12	8	8	8	12	10

* Note: Excludes unimplemented consents.

Table 2 presents the consents that have conditions that are non-compliant with a self-assessed Council compliance rating of 3 or 4.

Table 2: Consents with self-assessed Category 3 and 4 Non-Compliant Conditions in Month

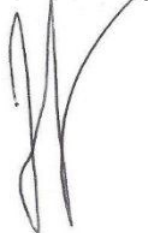
Facility or Project	Background & Reason for Non-Compliance	Explanation	Action & Target	Current Self-Assessed Council Compliance Rating
Wastewater Treatment				
Owhanake WWTP (Waiheke)	Exceeded Phosphorus and suspended solids limits	Due to exhausted slag beds	Plant to be upgraded	3
Kingseat WWTP (Franklin)	Exceeded 92%-ile of suspended solids	High test results in April 18 due to a blocked line	Review the maintenance programme of the plant. The plant is to be decommissioned when South West WWTP project is completed.	3

Each of the two consents above are category 3 because of a repeat of lower score non-compliance. There have been no adverse effects on the environment.

4. RECOMMENDATION

That this report be received.

Report prepared by:



J Gaglione
Resource Consents Planner

Recommended by:



M Bourne
Chief Operations Officer (Acting)

Approved for submission by:



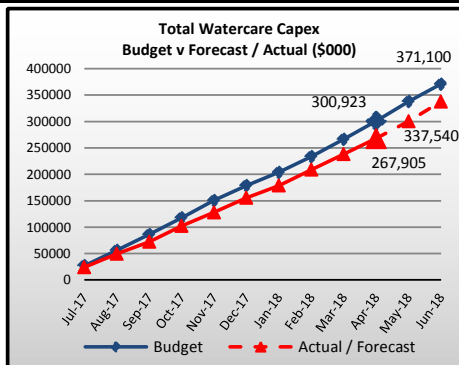
R Jaduram
Chief Executive

WATERCARE PUBLIC REPORT CAPITAL EXPENDITURE



6.2

TOTAL WATERCARE EXPENDITURE	Year to Date		Annual Performance	
	Actual	Budget	Actual + Forecast	Budget
Strategy & Planning	5,422	23,516	8,572	33,493
Infrastructure Delivery	155,657	168,481	193,089	206,951
Service Delivery	70,657	70,064	85,445	83,654
Retail	10,771	10,086	14,520	12,322
Information Services	3,256	6,735	4,664	7,575
Other	12,201	11,116	19,619	14,533
Capitalised Interest	9,942	10,924	11,632	12,572
Watercare Total	267,905	300,923	337,540	371,100



Project / Programme Infrastructure Related Projects (Phase: Design / Execution)	Project	Annual Performance		Project Status	
	Current Forecast	Forecast	Budget	Time	Cost
Water Projects >\$15 Million					
Albany Pinehill WM & PS	17,035	9,910	11,976		
North Harbour WM Duplication - GBWD	54,300	2,954	5,544		
Hunua 4 Section 11	69,404	7,108	3,110		
Huia 1 and Nihotupu 1 Replacement	133,256	1,402	1,840		
Ardmore WTP Treated Water Resilience	27,600	1,650	5,640		
Pukekohe East Reservoir	55,800	1,230	6,091		
Waikato 175MLD Expansion Stage Ultimate	31,505	6,333	13,050		
Wastewater Projects >\$15 Million					
Mangere WWTP BNR Capacity	143,057	7,952	7,357		
Mangere WWTP Solids Stream Upgrade	55,771	14,356	13,950		
Snells Algies WWTP Ocean Outfall	33,287	451	11,180		
Snells WWTP Upgrade	65,703	1,689	4,050		
Warkworth to Snells Transfer Pipeline	69,613	1,427	1,117		
Army Bay WWTP Outfall Upgrade	38,850	26,898	10,518		
Rosedale WWTP Expansion Project	62,445	2,228	11,400		
East Coast Bays Link Sewer Upgrade	29,200	212	600		
Wairau Wastewater Pump Station	21,391	353	1,910		
Northern Interceptor - Stage 1	108,000	4,304	4,626		
Central Interceptor	1,180,900	5,738	2,017		
Glendowie Branch Sewer Upgrade	36,269	1,129	6,650		
Clevedon Wastewater Servicing	20,119	255	1,400		
Pukekohe WWTP Upgrade	65,598	3,839	2,507		
Pukekohe Trunk Sewer Upgrade	44,542	6,555	8,328		
Shared Services >\$15 Million					
Networks Controls Upgrade	18,835	1,406	220		
Capex Programme (Design / Execution)					
>\$15 Million	2,382,480	109,380	135,081		
>\$2 Million <\$15 Million	242,653	87,624	85,059		
<\$2 Million	29,545	11,065	9,729		
TOTAL	2,654,679	208,069	229,869		

Watercare Services Ltd
Financial Summary 2017-18
Report Period April 2018
Infrastructure Related Projects: Strategy & Planning / Infrastructure Delivery / Service Delivery

Traffic light Key:
On target / No adverse Service Delivery impact
Short to medium term issues that may impact on outcomes or targets / Minor Service Delivery Impacts
Medium to long term issues that are impacting on outcomes or targets / Risk of significant Service Delivery Impact
Underspend on the project approval (-10%)

Board - Public Session - Directors' Corporate Governance Items

Board Planner 2018/2019													
	May	June	July	August	September	October	November	December	January	February	March	April	
Meetings	Board	29-May Newmarket*	No Board Meeting (Strategy workshop instead on 19 Jun)	31-Jul	31-Aug	26-Sep	30-Oct Newmarket*	28-Nov	17 Dec (Teleconference)	29-Jan	26-Feb	28-Mar	30-Apr
	Audit and risk committee	17-May		31 Jul (before Board meeting)	17- Aug (10-12noon)			28-Nov (after Board meeting)		29-Jan (before Board Meeting)			
	People Remuneration and appointments committee	29-May (after Board Meeting)	19-June (before Strategy workshop)		17-Aug (8-10am)		30-Oct (after Board meeting)						
	STP Committee	28-May											
	CI/Major Capex Committee	7-May						9-Nov					
Governance	Charter reviews	A&R Charter		Corporate Governance Charter			PRAC charter						
	Policy reviews	Infrastructure Growth Charges Policy					Treasury policy review (via A&R)	Our commitment to H&S Policy					
	Delegations	Annual review of board delegations to CE											
	Quarterly risk reviews			Risk report			Risk report		Risk report				Risk report
	Compliance			Statutory compliance			Statutory compliance		Statutory compliance				Statutory compliance
	Shareholder interaction	Q3 quarterly report due 18 May	Q3 briefing to F&P Committee 6 June (M Devlin) Governing Body/Board workshop 21 June		Q4 quarterly report due 31 August	Q4 briefing to F&P Committee 19 Sept (M Devlin) Auckland Council's A&R Committee Date TBC Governing Body/Board workshop 25 September	Q1 quarterly report due 26 Oct	Q1 briefing to F&P Committee 14 Nov (M Devlin)			Q2 quarterly report due TBA	Q2 briefing to F&P Committee TBA	
	Site Visits			Site Visit (after Board Meeting)		Site Visit (after Board Meeting)	Date TBC	Site Visit (after Board Meeting)			Site Visit (after Board Meeting)		Site Visit (after Board Meeting)
	H&S Quarterly report			Apr-Jun 18 Report			Jul-Sept 18 Report			Oct-Dec 18 Report			Jan-Mar 19 Report
	Board training & development	H&S Board Update											
	Business strategy	Strategic planning		Strategy Workshop 19 June									
Strategy updates			New Ventures	Demand Management Plan update (Theme: Value of Water)	Voice of the Customer (Theme: Technology, Innovation and Digital Transformation)	Options for large capital projects (Theme: Financing and Funding)	Faults and New Connections (Theme: Technology, Innovation and Digital Transformation)	Smart Infrastructure (Theme: Technology, Innovation and Digital Transformation)	Organisation and Culture	TBC	TBC	TBC	TBC
Business planning	Key finance and business decisions		Approval of 2018/19 Budget		a) approve 2017/18 accounts, b) delegate final sign off of 2017/18 Annual Report	Update from WUCAT	AMP		Auckland Council LTP - approve Watercare input	Approve half year accounts	a) approve financials for Draft SOI including projected 18/19 price increases, b) approve long term financials for Auckland Council modelling		
	Statement of intent	Present shareholder SOI feedback at public meeting. Public Deputations received.	Final 2018-2021 SOI issued to shareholder		Final 2018/2021 SOI adopted by Auckland Council		2017/2018 SOI Results to be presented to Board at Public Meeting. Public Deputations received.		2019/20 Letter of Expectation to be received		Approval of Draft 2019-2022 SOI		

* Statutory public Board > Timetable/Plan not yet available

^ Extraordinary Audit & Risk and Board Meeting to meet shareholder half year and annual report timeline

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests – Executive Management

Date: 22 May 2018

Executive	Interest
Raveen Jaduram	Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust Steering Committee Member – Business Leaders' Health and Safety Forum Chair – Centre for Infrastructure Research at University of Auckland Director – J N Jaduram Corporation Limited (Fiji)
Rob Fisher	Deputy Chair – Middlemore Foundation President – Auckland University Rugby Football Club Trustee – Watercare Harbour Clean Up Trust Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust Director – Hunua Forests Ltd
Brian Monk	Trustee – Watercare Harbour Clean Up Trust Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust Director – Hunua Forests Ltd
Steve Webster	Director – Howick Swimgym Limited
Marlon Bridge	Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust
Rebecca Chenery	Director – Chenery Consulting Services Limited
David Hawkins	Nil
Jason Glennon	Nil
Amanda Singleton	Nil
Shane Morgan	Nil

RECOMMENDATION

That the report be received.

Approved by:

R Jaduram
Chief Executive

Report to the Board of Watercare Services Limited

Subject: Watercare Director Appointment Terms and Committee Memberships

Date: 22 May 2018

Below is the end date of the current appointment term for the Watercare Board of Directors. Dates are current as at the date of this report.

Director	Original Appointment Date	End of Term
Margaret Devlin (Chair)	01 November 2016	31 October 2019
Julia Hoare (Deputy Chair)	01 November 2013	31 October 2019
Catherine Harland	21 April 2011	31 October 2019
Nicola Crauford	01 April 2014	31 October 2019
David Thomas	01 November 2014	31 October 2020
Brendon Green	01 November 2016	31 October 2019
The Hon Dame Annette King	01 November 2017	31 October 2020

Below is a summary of the Membership of the four Board Sub-Committees.

Director	Audit & Risk	People, Remuneration & Appointments	Strategic Transformation Programme	AMP & Major Capex
M Devlin	*	*		✓
J Hoare	Committee Chair			✓
C Harland		Committee Chair		✓
A King		✓	Committee Chair	
N Crauford			✓	Committee Chair
B Green	✓		✓	
D Thomas	✓	✓		

**Board Chair attends in ex-officio capacity*

RECOMMENDATION

That the report be received.

Approved by:



R Jaduram
Chief Executive