

WATERCARE SERVICES LIMITED

AGENDA	BOARD MEETING	Tuesday, 31 July 2018 at 10am	
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 29 May 2018	Board Minutes 29 May 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
5 For approval			
5.1 Update to 2018-21 SOI financials and 2018/19 Budget	M Bridge	For approval	Report
6 For information			
6.1 Organisation and Culture update - Ask Your Team	J Glennon	Receive presentation	Presentation
6.2 Compliance			
6.2.1 RMA Compliance	R Fisher	Receive report	Report
6.3 Capital Programme			
6.3.1 Infrastructure Dashboard	R Jaduram	Receive report	Report
7 Directors' Corporate Governance Items			
7.1 Board Planner	Chair	For noting	Report
7.2 Review Executive Management Disclosure of Interests	Chair	For noting	Report
7.3 Director Appointment Terms and Committee Membership	Chair	For noting	Report
8 General Business	Chair		
Date of next meeting			
Friday 31 August 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	29 May 2018
TIME	9am
STATUS	Public Session

	Present: M Devlin (Chair) J Hoare (Deputy Chair) N Crauford B Green C Harland Hon Dame A King D Thomas	In Attendance: R Jaduram (CE) B Monk R Chenery R Fisher S Webster J Simperingham S Morgan D Hawkins J Glennon E McBride M Bridge (from 9.30am) S Bird (departed at 9.35am) S Cunis (departed at 10am) P Drummond, of Watercare Harbour Clean-Up Trust, from 9.45am until 10.15am	Members of the Public: 2 members of the public from 9am - 9.15am
1.	<p>Apologies</p> <ul style="list-style-type: none"> - There were no apologies. - The Chair welcomed A Singleton (Chief Customer Officer) and S Morgan (Chief Operations Officer) to their first Board meeting. 		
2.	<p>Minutes of Previous Meetings</p> <p>The Board resolved that the minutes of the public section of the Board meeting held on 24 April 2018 be confirmed as true and correct.</p>		
3.	<p>Review Directors' Disclosure of Interests</p> <ul style="list-style-type: none"> - N Crauford, as a director of the Environmental Protection Authority, has been appointed to a decision making committee relating to OMV New Zealand Ltd's request for a marine discharge consent. - A King has been appointed Chair of the Establishment Board tasked with setting up the proposed Federation of Primary Health Aotearoa New Zealand. - B Green is providing consultancy advice to Trility (an Australian water infrastructure company) in relation to a project in the Bay of Plenty. 		

<p>Additional item</p>	<p>Public Deputations relating to the Statement of Intent (SOI)</p> <p>Directly after Items 1, 2 and 3, the Board received a submission from Sarah Thomson and Dr Grant Hewison on behalf of the Waitemata Low Carbon Network.</p> <ul style="list-style-type: none"> - The Network is a diverse community of residents, groups and businesses passionate about making low carbon living, working and playing part of the distinct identity of central Auckland. - Ms Thomson and Dr Hewison noted that Watercare is often on the front line whenever extreme weather events occur. Events such as the Tasman Tempest will become more frequent with climate change and will no longer be “one off events”. They were aware of the climate changes initiatives Watercare has underway and expressed the view Watercare was in position to provide leadership to the Council family. - Ms Thomson and Dr Hewison had reviewed the first draft of the SOI and the comments of the shareholder. They requested that the Board include climate change and other sustainability targets as performance measures in Watercare’s SOI. In particular, they requested the following performance measures: <ul style="list-style-type: none"> a. a clear pathway for the further reduction of greenhouse gas emissions; b. a timeframe for emissions from capital projects to be included into Watercare’s emissions reductions targets; and c. more comprehensive measures relating to climate change resilience and water quality. <p>The Chair thanked Ms Thomson and Dr Hewison for their time, and advised that Watercare would review the submission and respond.</p> <p>Ms Thomson and Dr Hewison departed the meeting at 9.15am.</p>
<p>4.</p>	<p>For Discussion</p> <p>4.1 Safety Moment</p> <ul style="list-style-type: none"> - The CE provided the Board with an example taken from an incident with another entity that demonstrated the importance of basic “housekeeping”. In times of emergency, key staff members must have up to date names and contact details of their key customers and stakeholders. These contact details should be pre-dialled into phones and also easily available online and in hard-copy. They should be regularly checked and updated so people are not scrambling in times of crisis. The CE said Watercare was reviewing its processes in light of the incident experienced by the other entity. - S Morgan, Chief Operations Officer, noted that the Strategic Transformation Programme (STP) will resolve a number of these issues. The aim is to have an emergency contact system whereby staff will be able to easily contact numerous people within a geographic ring-fence.
	<p>4.2 Health & Safety Report</p> <p>The report was taken as read. The CE responded to questions from the Board.</p> <ul style="list-style-type: none"> - In relation to point 3 (page 11), a contractor was lifting a heavy and awkwardly placed steel cover, which slipped and damaged an alum dosing pipe. This resulted in a pressurised release, spraying the alum mixture into the eye of the contractor. S Morgan explained that while the contractor was wearing correct Personal Protective Equipment (PPE), (namely, goggles and a face shield), the mixture sprayed up and then drifted downwards into the workers eye through a gap. Watercare is now reviewing the design of the steel covers to see if they can be re-engineered/re-designed.

- In relation to point 6 and the Telarc Audit (page 12), the CE noted that the formal report has not yet been received. However, Management expects the final report to be aligned with the positive feedback received at the closing meeting of the audit. At that meeting, the auditors noted that Watercare's openness had improved over the last three years.
- In relation to point 4 (page 11), an articulated dump truck's load was not balanced, causing the front of the truck to lift and the cab to fall on its side. The investigation revealed that there was "inadequate hazard identification". S Morgan confirmed to the Board that this particular contractor had subsequently been issued with a "Stop Work" notice, as they have now had three trucks tip over. The contractor is now working through its training processes. The Board requested an update on this issue by July 2018.
- It was noted that "inadequate hazard identification" is often the cause of near-misses. S Morgan explained that while there are always latent risks, staff is continually educated in safety and hazard identification processes. In particular, all Watercare staff have been provided with a "Take 5" booklet and are encouraged to "Take 5" each time they enter a worksite, or if they change tasks.

4.3 Chief Executive's Report

The report was taken as read. The CE responded to questions from the Board.

Scorecard (page 17)

- The CE noted he was concerned with the number of unplanned water shutdowns not restored within 5 hours (12 month rolling average). The score is 92%, against a target of 95% or higher. Management is working with operational staff to determine how to reduce the time taken, and whether it is possible to apply "band aids" to jobs that will take more than 5 hours. As the score is a 12 month rolling average, it may take some time for the performance score to rise again.

Cybersecurity (Point 3, page 19)

- In response to questioning from the Board, R Chenery, Chief Digital Officer, explained that the Watercare app, which is currently under development, will be designed and developed in accordance with standards that will ensure that the personal details of customers are not at risk of exposure through security breaches such as that recently experienced by Vector.

Value for Money review – Communications (Point 11, page 23)

- In response to a question from the Board, D Hawkins, Chief Corporate Affairs Officer, confirmed that the media monitoring contract with Isentia will be based on the Council Group-agreed charges, which will provide Watercare with the same level of service, at a better rate.

Procurement (Point 12, page 23-24)

- In response to questioning from the Board, S Bird, Procurement Manager, noted that the Council Group source procurement in relation to PPE and uniforms, and the travel agreement with Air New Zealand, had all resulted in price benefits flowing to Watercare.

Auckland's Waters (Point 13, page 24)

- The Chair reported that she attended the first meeting of the Auckland's Waters Governance group and the timelines for delivery are extremely tight.
- Once available, Management will provide the Board with a copy of the Auckland's Waters report, which outlines the scope, budget and timeframes of the Auckland's Waters Strategy, and seeks approval for the strategy's budget and forward plan. This report is being tabled at the Environment and Community Committee on 12 June.

Southwest Sub-Regional Wastewater Servicing Project (Point 17, page 25)

- The Company Secretary updated the Board by reporting that the mediation has reached a conclusion, and all substantive appeal points have been addressed by updated consent conditions. As a result, the appeal has been withdrawn by The Manukau Harbour Restoration Society Incorporated and Mr Whyborn. This means Watercare's 35 year consent will proceed.

Huia Water Treatment Replacement Plant Designation (Point 18, page 25)

- The Company Secretary reported that the High Court heard the appeal from the Titirangi Protection Group and others in early May. The Judge issued a decision three working days later, refusing the appeal. The Titirangi Protection Group has subsequently confirmed that they will not be lodging any further appeals with the Court of Appeal. This means that Watercare's designation will be confirmed.

Improved Weather Forecasting – Niwa's super computer (page 26)

- S Morgan noted that Niwa are working with Watercare on the Manukau Hydrodynamic Model. The Cray supercomputer will be used on this project.

4.4 Board Committee Updates**STP Committee Update**

Committee Chair, A King, provided an update on the Committee meeting held by teleconference on 28 May 2018.

- The programme continues to progress as planned. Release 1 is now complete and Release 2 has commenced. New software was introduced to a small group of users during Release 1 so that the users can test and provide feedback on the solution which will then be refined through future releases.
- The STP team continues to share learnings with other external organisations who are at various stages of their own transformation journeys.
- Frances Valintine, Chair of the Government's Digital Advisory Panel, recently visited Watercare to meet with the Executive Team and learn about Watercare's transformation journey. Ms Valintine complimented Watercare on the commitment to transforming the business and the customer experience.

Audit and Risk Update

Committee Chair, J Hoare, updated the Board on the Committee meeting held on 17 May 2018.

- The Committee received updates on the internal audit programme, the year end audit plan, Centralised Treasury, and considered the Committee Charter and Delegations Policy.

AMP & Major Capex Committee Update

Committee Chair, N Crauford updated the Board on the Committee meeting held on 7 May 2018.

- This year's AMP is going to be more customer focussed.
- The Committee has requested a list of all major capital expenditure projects, of \$100m plus, including those suitable to be funded via a Special Purpose Vehicle (SPV).
- The Committee also received an update on the Central Interceptor (CI) project, which is in an interactive phase with the four consortia.
- An expert advisor is being approached to join the Committee.

	<p>4.5 Low Emissions Economy Report</p> <p>The report was taken as read.</p> <ul style="list-style-type: none"> - The CE noted that Minister Shaw is planning to release Zero Carbon legislation in late 2018, which will include targets for New Zealand. Watercare expects to be able to accommodate these targets. However, before endorsing an emissions trading scheme, and the inclusion of wastewater treatment plants into the scheme, Management needs to do further work in this area, including obtaining further information, as well as feedback from other industry stakeholders, such as Water NZ and other wastewater utility operators. Accordingly, whilst Management subscribe to the intent of the report, Watercare’s submission will be that wastewater treatment plants should not be included within the scheme. - The Board received the report and supported Management’s position. <p>4.6 Major Storm Event – 10 April 2018</p> <p>S Morgan spoke to the report and also provided the Board with a flyer illustrating the event (attached). In the business, the event is being referred to as “The Big Wind”.</p> <ul style="list-style-type: none"> - One of the issues that arose during the event concerned staff who had power outages at home, who could not charge their phones. Management is now looking at solutions to this issue. - S Morgan noted there had been an attitudinal shift with staff from different parts of the business offering to assist operations. <p>The Board requested that:</p> <ul style="list-style-type: none"> - An update on The Big Wind event be included in the upcoming Board/Councillor workshop on 21 June; - That the flyer be uploaded to the corporate website; and - That Management speak with Fire and Emergency, who may be able to assist Watercare to utilise an alternative communication network in emergency situations. <p>The Board also wished to thank M Bourne for his efforts over the last five months as Acting Chief Operations Officer, including his good work during “The Big Wind”.</p>
5.	<p>Approvals</p> <p>5.1 Statement of Intent</p> <p>J Simperingham, Governance and Change Manager, spoke to the paper.</p> <p>The paper was taken as read. The Board and Management then had a general discussion regarding the draft SOI and the draft covering letter to the Mayor. The discussion covered the following points:</p> <ul style="list-style-type: none"> - J Simperingham noted that while the draft SOI already included commitments around climate change mitigation and adaptation, there were no specific performance measures. - The Board considered whether the draft SOI should include any further changes in light of the submission received from Ms Thomson and Dr Hewison on behalf of the Waitemata Low Carbon Network. - Watercare is taking a leadership position in this area, and already has a number of actions, initiatives and commitments underway, which should be reflected in the draft SOI. - It was noted that Auckland Council has not yet finalised its measures around climate change and the Government will introduce Zero Carbon legislation in late 2018, which will include targets. Watercare will want to ensure that any performance measures, at the very least align with, or else improve on, Auckland

Council's targets. In the meantime, Watercare is to work towards determining what measures would be meaningful and continue to demonstrate Watercare's leadership capabilities in this area.

- In relation to the NPS score, the draft SOI indicates that the target for this score will continue to rise year on year (2018/19 target is 30, 2019/20 is 33, and 2020/21 is 36). C Harland noted that for many utilities, the NPS score was negative. The CE and A Singleton explained that with the adoption of STP, and other initiatives underway at Watercare, the future targets should be achievable.
- Page 89 of the draft SOI notes that "Watercare will require Veolia to ensure it is providing the necessary water and wastewater infrastructure to meet growth". The Board requested that this be amended to read "Watercare will require Veolia, *within the terms of the contract*, to ensure it is providing the necessary water and wastewater infrastructure to meet growth".

The Board **resolved**:

- to approve the draft SOI, subject to it incorporating further amendments relating to climate change and the amendments around the Veolia contract, as discussed at the Board meeting;
- that the covering letter to the Mayor should be amended accordingly; and
- that final sign off of the SOI and covering letter to the Mayor be delegated to the Chair of the Board.

5.2 Policy and Charter Approvals

5.2.1 Board Delegations to the Chief Executive Policy – Annual Review

The report was taken as read.

- Two corrections were noted. First, the policy should next be reviewed in May 2019 (rather than 2018) and the Authority to approve sale/lease of land and buildings should be amended to add in the word "not" as follows "up to \$3m **not** within budget or approved under the Asset Management Plan".

The Board **resolved** to approve the Board Delegations to the Chief Executive Policy, as appended as Appendix B, as recommended by the Audit and Risk Committee, subject to the discussed corrections being made.

5.2.2 Audit and Risk Committee Charter

The report was taken as read.

The Board **resolved** to approve the Audit and Risk Committee Charter, as appended as Appendix B.

5.2.3 Good Employer Policy

The report was taken as read.

The Board **resolved** to approve the Good Employer Policy, as appended as Appendix A.

5.2.4 Sensitive Expenditure Policy

The report was taken as read.

- C Harland, Committee Chair of the PRAC Committee, noted that the policy required two changes, one minor, and the second that pre-approvals for business travel expenditure outside of New Zealand and Australia shall be pre-approved by the Chair for the Chief Executive, rather than the full Board.

The Board **resolved** to approve the Sensitive Expenditure Policy, as appended as Appendix A, subject to the discussed amendments being made.

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>Watercare has been issued with a “Letter of Direction” from the Waikato Regional Council pertaining to its partial compliance with existing resource consents for the Waikato WTP. The Company Secretary explained that a “Letter of Direction” is the lowest level of enforcement action available to Councils under the RMA.</p> <p>6.2 Capital Programme</p> <p>6.2.1 Infrastructure Dashboard</p> <p>The Board noted the report.</p>
7.	<p>Presentations</p> <p>7.1 Watercare Harbour Clean-Up Trust</p> <p>P Drummond, Chair of the Trust, presented to the Board.</p> <p>P Drummond presented a video detailing the charitable Trust’s clean-up activities in the Manukau and Waitemata Harbours. He then spoke to a PowerPoint presentation (copy attached), further explaining the Trust’s activities.</p> <p>Following the video and presentations, P Drummond took questions from the Board. He explained:</p> <ul style="list-style-type: none"> - The Trust does not have any difficulty attracting volunteers; many come from large corporates, who spend a day cleaning an area of the coastline. - The Trust is not requesting any additional funding from Watercare. However, it does wish to encourage Watercare and the Mayor/Council to promote the Trust’s activities more. - D Hawkins noted that any promotion needs to be carefully done to ensure customers understand that Watercare is helping to clean up litter found in the harbour and on the shorelines, although Watercare is not responsible for it.
8.	<p>Directors’ Corporate Governance Items</p> <p>8.1 Board Planner</p> <p>The Board noted the planner.</p> <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>

9.	<p>General Business</p> <ul style="list-style-type: none"> - E McBride, Governance Manager, noted that the Chair and C Harland will be attending the Mayor’s official opening of the Mangere Biological Nutrient Removal (BNR) facility on 1 June 2018. - E McBride noted that at 10.45am, experts from Simpson Grierson would provide the Board and Senior Management with a detailed update on their obligations as Officers under health and safety laws, as well as a review of recent developments and trends in the application of health and safety laws. - The Board also congratulated the STP and Procurement team, who won the “Successful Procurement Change of the Year” award at the New Zealand Procurement Excellence Awards last week.
	The meeting closed at 10.45am.

CERTIFIED AS A TRUE AND CORRECT RECORD

Margaret Devlin
Chair

Report to the Board of Watercare Services Limited

Subject: Directors' Disclosure of Interests

Date: 24 July 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.

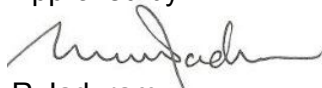
Director	Interest
Margaret Devlin	<ul style="list-style-type: none"> – Chair, Harrison Grierson Limited – Director, Meteorological Services of NZ Limited – Director, Waikato Regional Airport – Chair, Titanium Park (wholly owned subsidiary of Waikato Regional Airport) – Director, IT Partners Group – Director, 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 (EPA) – Member of EPA decision making committee relating to marine discharge consents – 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. – Consultant to Trility (Australian water infrastructure company).
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 – Chair of Federation of Primary Health Aotearoa New Zealand's Establishment Board.

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 – June 2018

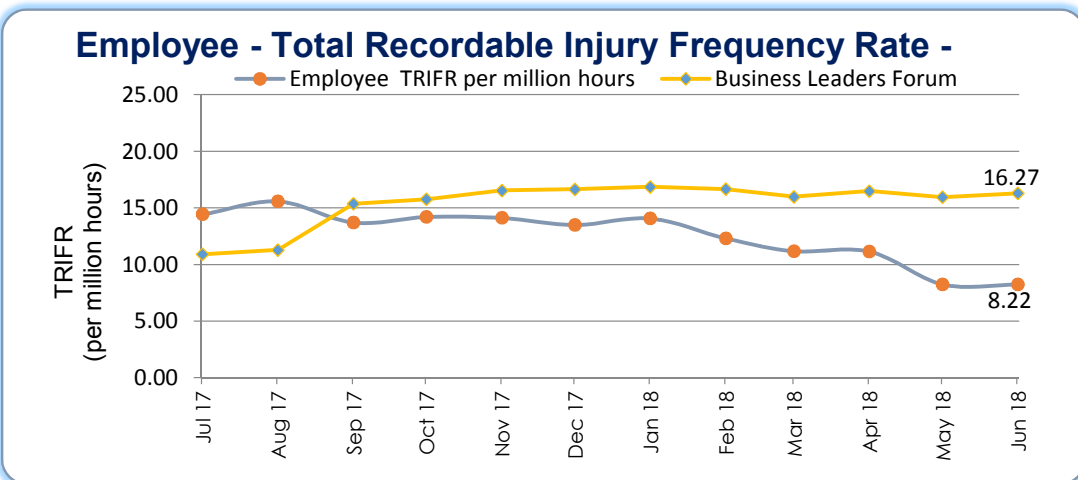
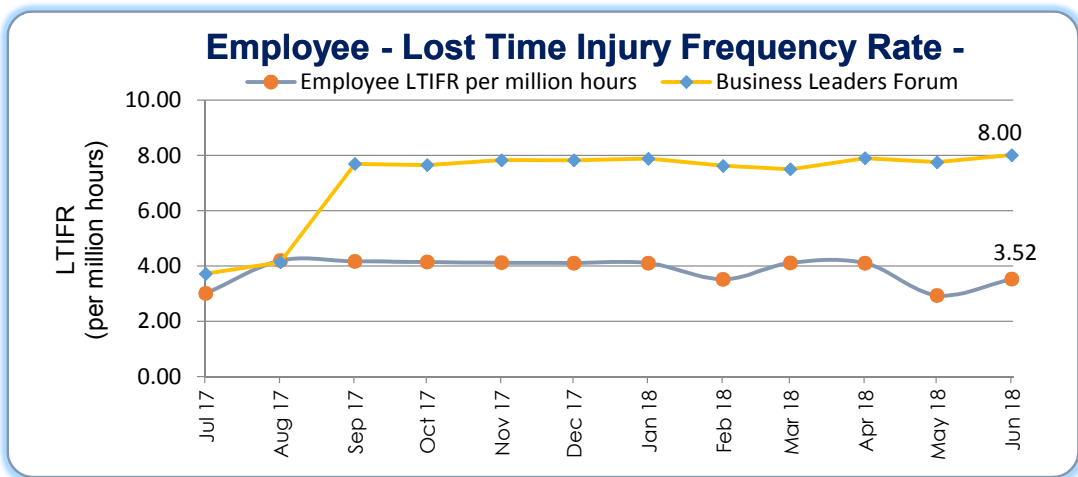
Date: 24 July 2018

1. LAG INDICATORS

There was one Lost Time Injury (LTI) involving a Watercare employee in June.

As a result, the rolling 12 month Lost Time Injury Frequency Rate (LTIFR) for employees is 3.52 per million hours, remaining below the Statement of Intent target of ≤ 5 .

The rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) is 8.22 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

A MSO worker slipped on a puddle of thread cutting lubricant in the workshop, resulting in a sprained neck and shoulder, and some abdominal bruising. He was unfit for a period of two days. The fluid spilled from a portable machine that was not in use at the time and inappropriately stored. The machine was moved to a more suitable storage area and the remaining fluid drained. Staff were informed of the incident and reminded to ensure correct storage of equipment and to clean up any spillage immediately.

3. CONTRACTOR WORKER INJURIES

A meter reader slipped in some dense vegetation and grazed his leg on a rock. This subsequently resulted in an infection which led to hospitalisation several days later. While the investigation is ongoing, it has revealed that the worker was not wearing long-long attire. While this is not a new hazard for meter readers, the event was discussed with the work teams, and they were reminded of the required dress code and to remain aware when entering properties with overgrown vegetation.

A worker received a cut to his thumb while using a Stanley knife. Medical treatment included one suture to close the wound and he was placed on light duties for five days. He was wearing safety gloves at the time, but had not retracted the knife blade. This incident was discussed with the workforce, highlighting the need to retract the knife blade immediately after use and not to hold the knife whilst undertaking a task that requires both hands.

4. SIGNIFICANT INCIDENTS/HAZARDS/NEAR MISSES

There were no significant events recorded for the month of June.

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. HEALTH AND SAFETY ANNUAL PLAN REVIEW

Consultation with people managers from various areas of the business was conducted on 5th July. The input received was incorporated into the draft plan and presentation to the executive for their review and input is anticipated for mid July. The final approved plan will be uploaded to OurPlace and the update communicated across the business.

7. INDEPENDENT AUDIT REVIEWS

The audit scheduled for the Ardmore Water Treatment Plant during June did not go ahead as it was incorporated into the Telarc revalidation audit in May. The audit schedule for the 2018/2019 period is being prepared and will be released with the revised Health and Safety Annual Plan.

8. HEALTH AND SAFETY TRAINING

The next in-house health and safety training workshop for Contractor Management has been rescheduled from 13th June to 11th July at the Warkworth WWTP. 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.

9. ACC PARTNERSHIP REVIEW

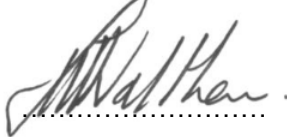
Watercare currently holds a Tertiary certification in the ACC WSMP (Workplace Safety Management Practices) programme which qualifies us for a 20% discount on our ACC levies. While ACC has announced that WSMP was discontinued on 1 April 2017, and though our certification will not be renewed, it will be valid until 31 December 2018 – after this date we will no longer qualify for the discount we currently get off our levies. ACC has recommended that Watercare consider the option to move from our existing cover and register for the Accredited Employer Programme which they recommend for larger organisations such as ourselves and allows companies to self-manage employee workplace injuries, but requires companies to meet the costs imposed by those injuries. The level of risk/cost accepted by companies is variable – essentially the more risk/cost accepted, the lower the ACC levy that we will pay.

Application to register for the Accredited Employer Programme will be subject to Watercare undergoing an independent accreditation audit aligned to the AS/NZS4801 standard among other criteria required by ACC. Responsibility for employee workplace injuries prior to signing up to the Accredited Employer Programme will remain with ACC. We are currently assessing option suitability and the level of Watercare participation in the Accredited Employer Programme.

10. RECOMMENDATION

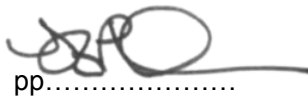
That the Board receives this report.

Prepared by:



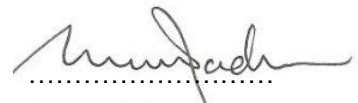
S Walthew
Health and Safety Manager

Reviewed by:


pp.....

J Glennon
Chief People Officer

Approved by:



R Jaduram
Chief Executive

Appendix A

Inspections – Targets were set with business units for Health and Safety Inspections. 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	0	1	6	6	100
Retail	20	17	18	15	22	12	19	31	25	46	39	35	299	130	230
Infrastructure Delivery															
Construction Delivery	13	13	13	27	23	23	18	24	25	16	23	24	242	230	105
Laboratory Services	9	13	15	10	6	10	11	8	11	6	12	14	125	104	120
MSN	30	40	47	60	46	30	35	33	17	24	12	34	408	180	227
Total	52	66	75	97	75	63	64	65	53	46	47	72	775	514	151
Operations															
Networks	12	10	13	10	9	2	31	28	27	19	30	17	208	150	139
Asset Protection & Engineering Performance	4	5	7	5	5	2	2	2	3	2	5	7	49	40	123
Water Supply	19	30	27	23	22	23	29	29	11	11	11	5	240	192	125
Wastewater	21	20	21	25	30	14	18	23	19	19	24	26	260	232	112
MSO	10	14	4	16	16	4	6	18	12	13	13	32	158	138	114
Total	66	79	72	79	82	45	86	100	72	64	83	87	915	752	122
Watercare Total	138	162	165	192	180	121	169	196	152	156	169	195	1995	1414	141

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 May 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.

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								
April	6479	3	10	1	0	2	59	91
May	1089	0	1	2	0	3	16	18
June	6270	3	7	0	3	4	41	129
Albany-Pinehill Watermain								
April	7430	1	0	0	3	3	0	61
May	5220	2	0	0	0	9	0	87
June	8052	2	0	0	0	6	0	66
Rosedale Expansion Project								
June	1785	2	3	0	0	1	0	15
Army Bay WWTP Outfall Upgrade								
April	14780	0	4	104	2	101	4	55
May	18432	0	4	104	5	99	1	65
June	7788	0	4	72	7	69	0	77
Sub-Total of above projects – June								
	23895	7	14	72	10	80	41	287
All projects – June								
	48661	16	88	123	10	136	74	387

HEALTH AND SAFETY QUARTERLY REPORT:

April to June 2018

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HEALTH AND SAFETY QUARTERLY REPORT: April to June 2018

4.2

1. Progress Against Plan

Watercare's 2017-2018 health and safety plan included a number of programmes to reduce operational risks, develop leadership and management capability, and to develop and implement a company-wide health and safety system. These programmes were effectively executed, with some still ongoing to support growth and positive health and safety behaviours across Watercare. The programmes that are ongoing will be included in the revised plan for the 2018-2019 period. Below is a final update on progress against the 2017-2018 health and safety plan.

<p><u>Strategic Objective 1</u></p> <p>To enhance Safety Leadership Capabilities among officers and Managers to enable the promotion of a proactive health and safety culture.</p>	<p>● <u>Programme 1: Develop an organisational culture that supports industry-best health and safety performance</u></p> <p>A further corporate programme to supplement training previously delivered to executives and managers is being explored to accommodate the recent organisational structure changes, to ensure all appointed Chief Officers are informed and aware of their proactive health and safety responsibilities.</p> <p>Training workshops for managers on key strands from the Health and Safety Toolkit content is ongoing with positive feedback from attendees.</p> <p>The Contractor Management training commenced in April and is anticipated to be ongoing until September.</p> <p>As previously mentioned, all these modules will be tied back into the frameworks delivered in the recent EMA training workshops, with the aim of embedding Watercare expectations and best practice behaviours across our operations and projects.</p>
<p><u>Strategic Objective 2</u></p> <p>To manage our operations to reduce the risk of injury with a focus on serious or fatal injuries.</p>	<p>● <u>Programme 1: Improvement of process safety management</u></p> <p>The safety case for our Major Hazard Facility at the Ardmore Water Treatment Plant was submitted to the High Hazards Unit at WorkSafe on 4 April 2018. WorkSafe will provide formal feedback following their review of the safety case.</p> <p><u>Programme 2: Reducing Risks from other critical hazards</u></p> <p>The revised Permit To Work system trial was conducted at the Ardmore Water Treatment Plant, MSO and Wastewater Transmission. Feedback has been incorporated and documentation has been finalised. Training workshops prior to rollout to commence in July for Rosedale, Water Transmission and Northern Water Supply.</p> <p>The existing Confined Space key requirement is still being used across the business in the meantime.</p>

July 2018

HEALTH AND SAFETY QUARTERLY REPORT: April to June 2018

	<p>The development of the remaining key requirements as outlined in the Health and Safety Plan objectives and programmes for 2017/2018 is being addressed. Some of these may be guidance/fact sheets rather than Key Requirements.</p> <p>The subjects to be addressed are as follows;</p> <ul style="list-style-type: none"> • <u>Exposure to biological hazards</u>; This guidance sheet has been finalised and ready for implementation. • <u>Exposure to dust</u>; This is being incorporated into the Hazardous Substances Key Requirement. • <u>Exposure to adverse weather conditions</u>; A guidance document is in draft. • <u>Exposure to uncontrolled animals</u>; A guidance document is being drafted. <p>Ongoing independent audit reviews are being conducted as set out in the audit schedule appended to the annual plan, focusing on;</p> <ul style="list-style-type: none"> • Working in confined spaces: • Working at height: • Working on or around water bodies: • Working in excavations: and • Working around suspended loads. <p>The audit reviews conducted:</p> <ul style="list-style-type: none"> • May - Telarc revalidation <p>The audit scheduled for the Ardmore Water Treatment Plant during June did not go ahead as it was incorporated into the Telarc revalidation audit in May.</p>
<p><u>Strategic Objective 3</u></p> <p>To engage with our workers through programmes that reduce health and safety risks and support their physical and psychological health.</p>	<p>● <u>Programme 1: Reducing safety risks arising from impairment from Fatigue, Drugs and Alcohol</u></p> <p>As previously reported, management continue to focus on fatigue management to reduce risks from impairment arising from fatigue. With wage earners being well managed and controlled, managers are working toward an alternative approach to manage the effects of possible fatigue impairment with the salaried workforce.</p> <p>The Drug and Alcohol Policy has been implemented across the business as part of Watercare’s commitment to providing a safe and healthy workplace. Random testing of workers commenced in May and continues monthly.</p> <p>Since engaging the services of an Occupational Health and Wellbeing specialist we have undertaken a review of our system for collecting and analysing workplace health</p>

HEALTH AND SAFETY QUARTERLY REPORT: April to June 2018

	<p>data, and an action plan has been developed. The process involved an assessment of the associated worker exposures (physical, chemical, biological ergonomic, psychological) to ensure that pre-employment medicals, health monitoring and exit medical procedures address those risks. Additional deliverables will include a risk matrix review, a formal strategy and plan, including appropriate lead and lag metrics.</p> <p>The wellbeing committee has been formed and work is underway to determine areas of critical focus for the Wellbeing program. This is to ensure that the programme operates sustainably to reduce occupational health and lifestyle impairment risks, and to improve physical and emotional health. Our Wellbeing program will include information delivery, as well as a calendar of events and activities targeting relevant health and lifestyle issues.</p>
<p><u>Strategic Objective 4</u> To implement and further improve systems and resources that enable continual improvement of health and safety performance by enabling leaders, managers and workers to effectively meet their health and safety responsibilities.</p>	<p>● <u>Programme 1: Integrate Health and Safety Responsibilities into the roles of operational staff</u> Existing staff contracts to remain unchanged at present. There are however elements of the Health and Safety Toolkit, and other procedures that guide and prescribe health and safety requirements for identified risks.</p> <p><u>Programme 2: Complete and fully implement the Health and Safety Management System</u> The revised Permit To Work system has been finalised. A combined total of 126 staff have undergone Permit Issuer and Permit Receiver training during the trials. Training workshops prior to rollout to commence in July as mentioned earlier in this report. The review of hazard registers has been incorporated into the STP workstream. Health and Safety are providing input to support the work done in this space. In the meantime business units will still continue to maintain their hazard registers. System configuration is required for Synergi Life following recent organisational structure changes, which is being addressed with both our IS team as well as the supplier. The outcome of this work piece will ensure adequate management of data and proper notification and escalation of incidents logged, and improved reporting outcomes.</p>

HEALTH AND SAFETY QUARTERLY REPORT: April to June 2018**2. Assurance****4.2**

All audits scheduled as part of our annual audit plan have been undertaken, with reviews and close outs conducted for each.

The Watercare Major Hazard Facility Safety Case for the Ardmore Water Treatment Plant was submitted to WorkSafe on 4 April 2018 and we are awaiting formal feedback from the regulator.

The Telarc revalidation assessment was conducted 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

Watercare retained its certification with only minor non-conformances raised. These audit findings were addressed and closed out by the relevant teams, and communicated to the senior management team and the board.

3. Significant Incidents, Near Misses, Hazards

The following significant events were recorded and closed out in monthly reports during the 4th quarter.

April-18	Puketutu Island	An articulated dump truck (ADT) cab fell onto its side when concrete became stuck in the tailgate, causing a load imbalance
	Cockle Bay Pipe Bridge Replacement	A worker was found not following the correct procedure when cutting pipe, exposing himself and others to the risk of hazardous dust inhalation
May-18	Army Bay WWTP	Cable slip occurred while two workers inside a work-box were being lifted from a shaft excavation, resulting in two sudden drops of approximately 0.5 metre each
	Wairau Road Project	A worker was struck in the chest by a steel prop that slipped, and sustained minor bruising
	Puketutu Island	An ADT load bin flipped over whilst tipping spoil material - a spotter was not present
June-18	There were no significant events recorded in June.	

Incidents involving members of the public

There have not been any incidents involving members of the public recorded during this quarter.

July 2018

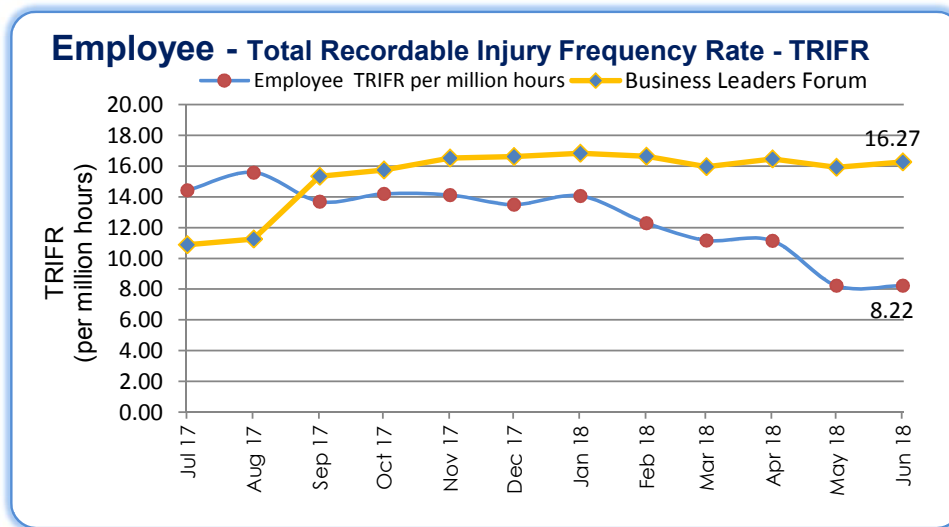
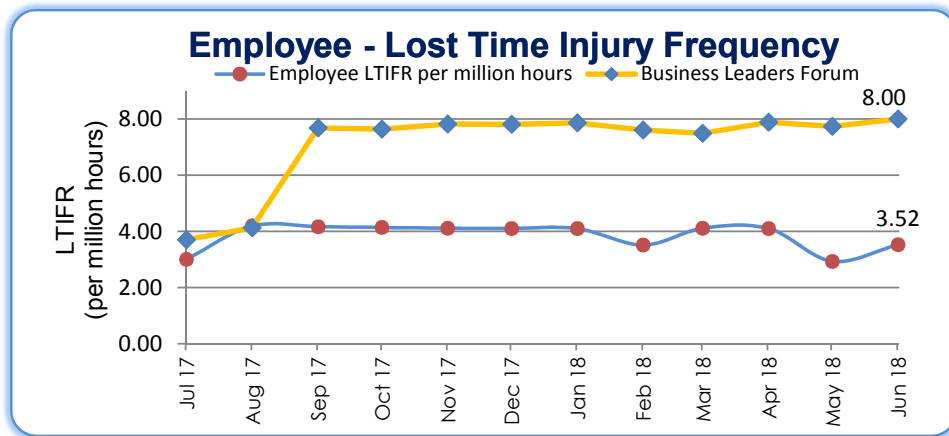
HEALTH AND SAFETY QUARTERLY REPORT: April to June 2018

4. Statistics

Lag Indicators

The rolling 12 month Lost Time Injury Frequency Rate (LTIFR) as at the end of June is 3.52 per million hours, remaining below the Statement of Intent target of ≤5.

The rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) has shown a decrease in the fourth quarter to 8.22 per million hours as at the end of June, also remaining below the SOI target of ≤20.



While the LTIFR has reduced over the last quarter it has remained quite stable through the 2017/18 year. Not such the same with the TRIFR which has shown improvements over each quarter culminating in a significant annual reduction in recordable injuries.

The injuries that were sustained by Watercare workers over the past twelve months have been of a relatively low severity with the vast majority being minor soft tissue sprains/strains.

HEALTH AND SAFETY QUARTERLY REPORT: April to June 2018

4.2

Watercare Injuries

Month	Medical Treatment Injury (MTI)	Lost Time Injury (LTI)	Total Recordable Injuries (MTI+LTI)
April-18	0	0	0
May-18	1	0	1
June-18	0	1	1
4th Quarter Total	1	1	2
Total YTD	4	6	10

Contractor Injuries

Month	Medical Treatment Injury (MTI)	Lost Time Injury (LTI)	Total Recordable Injuries (MTI+LTI)
April-18	1	2	3
May-18	0	0	0
June-18	1	1	2
4th Quarter Total (Contractors)	2	3	5
Total YTD	5	12	17

July 2018

HEALTH AND SAFETY QUARTERLY REPORT: April to June 2018

Lead Indicators

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	0	1	6	6	100
Retail	20	17	18	15	22	12	19	31	25	46	39	35	299	130	230
Infrastructure Delivery															
Construction Delivery	13	13	13	27	23	23	18	24	25	16	23	24	242	230	105
Laboratory Services	9	13	15	10	6	10	11	8	11	6	12	14	125	104	120
MSN	30	40	47	60	46	30	35	33	17	24	12	34	408	180	227
Total	52	66	75	97	75	63	64	65	53	46	47	72	775	514	151
Service Delivery															
Networks	12	10	13	10	9	2	31	28	27	19	30	17	208	150	139
Asset Protection & Engineering Performance	4	5	7	5	5	2	2	2	3	2	5	7	49	40	123
Water Supply	19	30	27	23	22	23	29	29	11	11	11	5	240	192	125
Wastewater	21	20	21	25	30	14	18	23	19	19	24	26	260	232	112
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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).

July 2018

HEALTH AND SAFETY QUARTERLY REPORT: April to June 2018**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.

2017 / 2018	Hours Worked	Audits	Inspections	Hazards Identified	Corrective Actions Raised	Corrective Actions completed	Safe Behaviour Observation	Safety Meetings held
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Report to the Board of Watercare Services Limited

Subject: Chief Executive Report – June 2018

Date: 24 July 2018

HEALTH AND SAFETY

1. HEALTH AND SAFETY SNAPSHOT

There was one Lost Time Injury (LTI) involving a Watercare employee during June 2018. A MSO worker slipped on a puddle of thread cutting lubricant in the workshop, resulting in a sprained neck and shoulder, and some abdominal bruising. He was unfit for a period of two days. Full details of the incident are set out in the Health & Safety report.

The rolling 12 month Lost Time Injury Frequency Rate (LTIFR) for employees is 3.52 per million hours, remaining below the Statement of Intent target of ≤ 5 .

The rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) is 8.22 per million hours, and remains below the Statement of Intent target of ≤ 20 .

2. ACCIDENT COMPENSATION CORPORATION (ACC) – CHANGE IN LEVIES

Watercare holds a Tertiary certification in the ACC Workplace Safety Management Practices (WSMP) programme. This qualifies us for a 20 per cent discount on our ACC levies.

ACC discontinued WSMP on 1 April 2017. Our certification remains valid until 31 December 2018 but cannot be renewed.

ACC has recommended that we now register for the Accredited Employer Programme (AEP). This is for larger organisations. The AEP:

- allows companies to self-manage employee workplace injuries
- requires companies to meet the costs imposed by those injuries.

If we move to an AEP, then:

- Responsibility for employee workplace injuries prior to signing up to the AEP will remain with ACC
- We will need to undergo an independent accreditation audit aligned to the AS/NZS4801 standard, as well as other criteria required by ACC.

We are currently assessing whether Watercare should register for the AEP and the level of risk/cost that we should bear. Accepting a higher level of risk/cost, will result in a lower ACC levy.

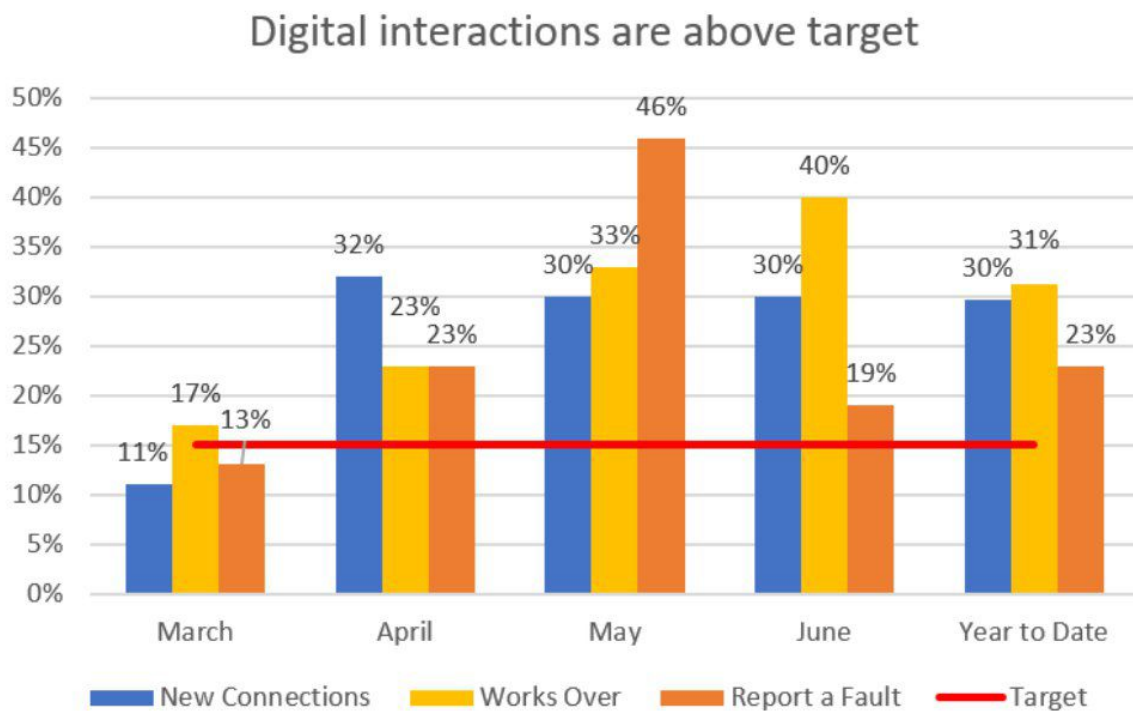
STRATEGIC OBJECTIVES

3. 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.

Digital update of self-service options

Customer update of the enhanced self-service options, introduced in late March 2018, continue to strong. This is summarised in the table below:



July ebilling campaign

An ebill campaign is currently underway to increase the number of customers receiving their bills electronically. At present, around 41% of customers receive their bills electronically. The aim is to increase that percentage to over 50%. Substitution from paper to electronic invoices provides savings through avoidance of paper and postage costs.

4. DIGITAL DAY

Watercare held its first Digital Day on 11 July 2018 in the Hub. The purpose of the day was to educate and inspire Watercare staff to the possibilities of new and emerging technology. We had four keynote speakers:

- Frances Valintine (Founder of Tech Futures Lab) covered the future of work and innovation.
- Shane Morgan, Chief Operations Officer, spoke about the history of the water sector, the future direction of the industry and some of the challenges Watercare will be facing in the coming years.
- Justin Flitter (Founder of New Zealand AI) spoke on AI, automation and its impact on the future of work.
- Josh Comrie (CEO of Ambit) spoke about the chatbot his company is developing for Watercare, to help with the on-boarding of new employees.

Interactive experiences ran all day, and included virtual reality, augmented reality, drones, robotics, chatbots, 3D printing and more. 28 vendors attended the event, showing 38 different technologies. The vendors were grateful for the opportunity to showcase the art of the possible to Watercare. Control room tours also ran throughout the day.

5. PEOPLE AND CAPABILITIES

The Company Secretary and Jason Glennon, Chief People Officer, are considering what learnings there may be for Watercare arising of the recent Report by Dame Margaret Bazley. Watercare does not have the “work-hard, play hard” culture of the law firm the subject of the Report. However, the opportunity will be taken to review our policies, systems and processes to ensure we are protecting our staff.

CUSTOMER FOCUS

6. STRATEGIC TRANSFORMATION PROGRAMME (STP) UPDATE

The discovery phase of the Strategic Transformation Programme continues as planned. The second three month release cycle (Release 2) will finish on 25 July.

We are making good progress across the development of core capability sets, including:

- a more efficient consumption/usage review and exception handling process within billing
- developer collaboration and new connections improvements
- full work order management system and an improved asset hierarchy
- continued project management effectiveness
- access of additional internal and external sourced data sets, covering both demand and supply side, improving accuracy of forecasting.

7. CUSTOMER SATISFACTION

In June 2018, the customer satisfaction score was 83.0%. The rolling 12 month average score of 82.4% remains above the target of 80%. Complaint resolution was 98.6% for June 2018. The rolling 12 month average is 98.2%, remaining above the target of 95%.

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

From 1 July 2018, the NPS question changes from “How likely is it that you would recommend Watercare to your friends or family” to “How likely is it that you would speak highly of Watercare to your friends and family”. This is because many customers felt they could not answer a “recommend” question appropriately when there are no alternative water companies in Auckland. The new question has the same wording which WSAA uses in its customer perceptions survey.

8. MISLEADING CLAIMS AROUND WATER FILTERS

Vector's HRV Clean Water Limited (HCW) has pleaded guilty to 11 charges of unsubstantiated or misleading claims about the benefits of its water filters.

The Commerce Commission laid charges under the Fair Trading Act for statements made by HRV between 2014 and 2017 in advertising, promotions and on its website. The Commission found HRV's claims about HRV's water-softening properties and the filter's ability to reduce skin conditions such as eczema and dermatitis were unfounded. HRV also misled consumers about the levels of chemicals and additives in New Zealand's domestic water supply, in order to persuade customers to buy HRV water filters.

HRV will be sentenced in September 2018.

9. CELEBRATING THE OPENING OF THREE NEW INFRASTRUCTURE PROJECTS

In June, we celebrated the formal opening and completion of three major projects.

- Mangere's Biological Nutrient Removal (BNR) facility, which was opened by the Mayor
- Takapuna's Fred Thomas Drive wastewater facility, which was also opened by the Mayor
- Glen Eden's wastewater upgrade, which was celebrated with a sausage sizzle for the community. Catherine Harland attended the event, along with Councillor Linda Cooper and Local Board Member Sandra Coney.

10. WATER UTILITY CONSUMER ASSISTANCE TRUST (WUCAT) AND WATER RESTRICTIONS

An update on WUCAT and current water restrictions is appended as **Appendix A**.

SHAREHOLDER AND STAKEHOLDERS

11. ARMY BAY WASTEWATER TREATMENT PLANT DISCHARGE CONSENT PROJECT

The existing Army Bay wastewater treatment plant discharge consent will expire in 2021. This is an important plant that is due to be upgraded. A replacement resource consent will be sought early to ensure our investment in the upgrade aligns with the new consent requirements.

The process is running ahead of schedule. Since our first public open days held in March 2018, our team of experts has undertaken a series of workshops and site visits to assess potential discharge options. Specialist and expert assessments have helped to narrow down viable options for the consent application.

A “Best Practicable Option” (BPO) workshop was held in early June 2018, involving mana whenua, internal stakeholders, legal consultants, planners, and the technical experts. A consensus on the long-term BPO has been reached.

A further public open day was held in mid-June to test the BPO. There was also a site visit by Local Board members and a Councillor. They showed genuine interest in the project and were impressed with our consultation with Iwi throughout the project to improve understanding around the various options.

We are currently preparing the Assessment of Environmental Effects and the proposed consent option will be chosen in late July.

The success of this process, to date, is predominantly due to:

- Selecting a highly experienced project team
- Having mana whenua as a key contributor to the decision making process from the start of the project
- Early engagement with key stakeholders and the general public
- Early engagement with Councillors and Local Board members.

12. WORKING WITH AUCKLAND COUNCIL IN GLEN INNES

Watercare, together with Auckland Council (Healthy Waters and Council’s Compliance Teams) are testing the pipes of 900 residential properties in parts of the Glen Innes area for illegal stormwater connections. This is part of a new Auckland-wide campaign to reduce wet-weather overflows. The tests investigate damaged pipes, surface runoff, incorrect stormwater and wastewater connections and non-compliant gully traps.

Around 300 homes have been tested to date, with faults found at 15 houses. Auckland Council will now work with these residents to ensure these faults are fixed. Once the area is compliant, the amount of stormwater entering and overwhelming the wastewater network will be minimised. This will result in fewer overflows to streams and beaches, including nearby Omaru Creek.

Stormwater from a single house can displace the equivalent wastewater from more than 40 households, so removing even a few non-compliant connections can make a real difference.

Also in Glen Innes, Watercare is undertaking a \$38m project to build a new large wastewater pipe along Taniwha Street and Elstree Ave leading to a pump station in Maybury Reserve. The current pump station will be demolished. The project is due to be completed in 2020. The site was blessed by local Iwi in late June, prior to construction starting. The new pipe will provide capacity for future

population growth in the area, which will have higher density. The pipe will also provide storage, which will help reduce wet weather wastewater overflows.

13. INTERACTION WITH LOCAL BOARDS DURING JUNE 2018

- Local Boards received notification of the water and wastewater charges to take effect from 1 July.
- The Mayor and representatives of the Takapuna Devonport Local Board joined a celebration to officially open the Fred Thomas Drive wastewater pump station.
- The Chair of the Maungakiekie Tamaki Local Board joined Watercare, Healthy Waters and Auckland Council compliance staff to observe Inflow and Infiltration smoke testing and inspections in Glen Innes. The work, aimed at keeping stormwater out of the wastewater networks, also helps to reduce overflows.
- The Local Board chair also joined Watercare and the contractor for a dawn blessing of the Glen Innes wastewater upgrade project.
- A workshop was held with Rodney Local Board regarding landowner approvals for wastewater upgrades associated with the Warkworth, Snells, Algies upgrades. Watercare also joined Veolia for a general briefing to the Papakura Local Board.
- Representatives of the Hibiscus and Bays Local Board visited the Army Bay Wastewater Treatment Plant where a tunnel boring operation is underway to install a new outfall pipe. At the same time, Local Board members were briefed on the Whangaparaoa and surrounding area wastewater servicing project.
- The Manukau Harbour Forum was briefed on progress with the Harbour Hydrodynamic Model as part of their monthly meeting. Development staff from Watercare also supported local Franklin Local Board members at a public meeting on servicing growth at Whitford.

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

14. WAIKATO DISTRICT COUNCIL (WDC) – DELIVERY OF THREE WATERS MANAGEMENT

On 27 June 2018, WDC adopted its Long Term Plan. This included the recommendation to create a Waters Governance Board. This will have the delegation of WDC to manage the provision of the three waters across the Waikato District. The Plan also included the recommendation that the Waters Governance Board seek the agreement of Watercare to provide the operational management of the three water functions on a commercial basis.

At this stage, we do not have a detailed understanding of the scope of the services proposed by WDC, nor the commercial terms. Watercare expects that these will be developed over the coming months. Any decision to enter into a commercial contract will be provided to the Watercare board for approval. Council will be kept informed.

Attached as **Appendix C** is a letter sent by Watercare's CE to the Mayor and Councillors in early July providing them with an update on this issue.

15. TRADE WASTE BYLAW REVIEW

The review of the Trade Waste Bylaw is making good progress and is on schedule.

In early July 2018, the Auckland Council Regulatory Committee agreed to amend the current Bylaw to better manage trade waste issues. This will involve incorporating improvements around fats, oils and grease as well as clarifications around the definitions and removal of redundant clauses.

A draft of the amended Bylaw is now being finalised so that public consultation can begin. In the meantime, the Governing Body will appoint a Hearings Panel to consider public submissions. During this consultation period, a Board Member (or appointee from Management) could sit as a representative on the Hearings Panel with Council Members. This would enable Watercare to provide input into the final decision report that will go to the Council Governing Body for approval.

Statutory Consultation must be completed by 30 May 2019, with the new Bylaw coming into force after that.

16. S17A VALUE FOR MONEY UPDATES***Procurement***

The s17A Procurement review report was endorsed by the Appointments, Performance Review and Value for Money (APRVFM) Committee on 7 June 2018. Watercare's procurement department is now working with their counterparts at Auckland Council and AT to determine how the report's recommendations will be implemented.

Three Waters

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

A joint report, outlining a programme of savings, was tabled at the APRVFM Committee meeting on 7 June 2018. The Committee noted the report and the good progress made by Watercare and Healthy Waters to date.

Work is continuing to evaluate the possible outsourcing of stormwater operations and maintenance, with a report due to be presented to the APRVFM Committee in December 2018.

Communications

Auckland Council and the CCOs have an agreed framework to guide Council Group communications and engagement collaboration. Watercare's Communications team continues to regularly meet with the Council family and finalised a Group Communications Strategy in early July.

Customer Service and Information and Communication Technology

The s17A reviews into "Customer Service" and "Information and Communication Technology" (ICT) are both underway. We have provided the Value for Money team with the data they requested and will continue to work with them. Final recommendations are expected in August/September 2018.

Group Finance Services

Work on the s17A review into “Group finance service” will get underway soon. We are reviewing the terms of reference and will work with the Value for Money team. At this stage, it appears the review will cover:

- financial transactions
- business support including financial, accounting and commercial activities
- technical accounting
- treasury
- reporting
- capital planning
- tax and revenue management
- financial planning
- budgeting.

The review does not cover information and communications technology/digital systems to enable financial and payroll services, and other systems that are covered by the ICT review.

Final recommendations on the Group financial services review are due in early December 2018.

17. HEALTH (DRINKING WATER) AMENDMENT BILL

In early July, the Ministry of Health introduced the Health (Drinking Water) Amendment Bill to Parliament. The proposed amendments are an interim step that will allow for faster implementation of the major reforms that will result from the changes recommended by the Havelock North Inquiry.

The key change proposed by the Bill is the removal of the requirement for a minimum three year consultation and notification period for changes to drinking water standards. However, the Act will still require the Minister to ensure adequate consultation with stakeholders including local authorities before any changes are made.

The Bill requires water suppliers to implement approved water safety plans in accordance with an agreed timetable and streamline the process for appointing Drinking-water Assessors.

In the meantime, the Ministry of Health has said, via press release, that Cabinet has directed further work on the Government’s response to the Havelock North inquiry’s recommendations, including its substantive findings that:

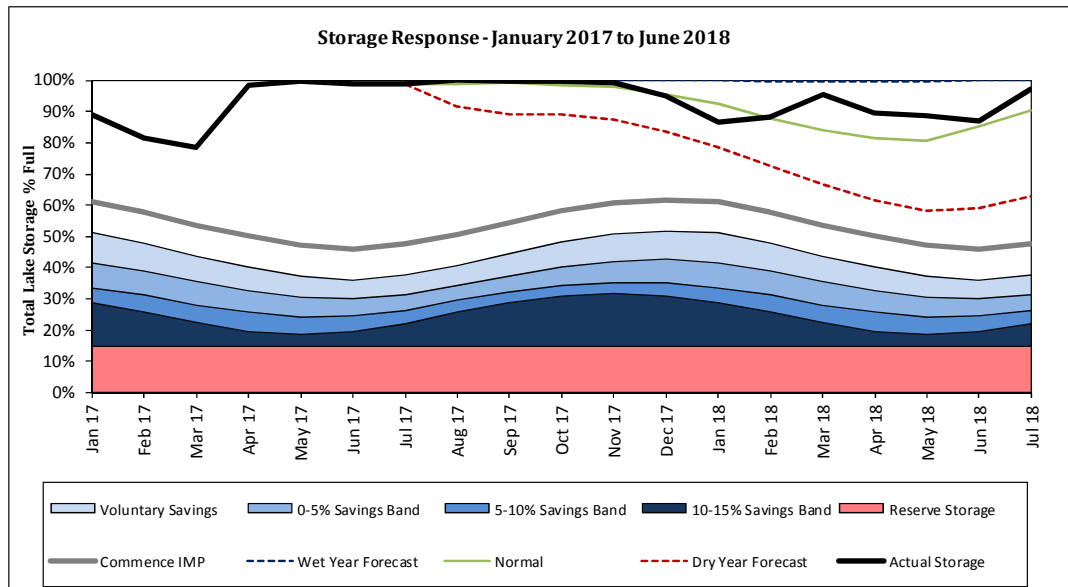
- Require water supplies to be treated, including with a residual disinfectant in the reticulation
- Make compliance with the Drinking Water Standards mandatory
- Establish a dedicated drinking-water regulator
- Create aggregated, dedicated water suppliers.

BUSINESS UPDATE

18. SERVICE DELIVERY

Rainfall for the month was above average for all areas across Auckland. Waitakere Ranges was 138% of average and the Hunua Ranges was 153% of average. Franklin and Rodney recorded 136% and 174% of average respectively.

Metropolitan total system storage ended June at 97.15%, up from 88.77%. Storage is above the historical average of 82.3% due to above average rainfall for the year to date.



June 2018 highlights included:

- Watercare has been provided with confirmation from the Auckland Regional Public Health Service of continuation of the “A grade” (being the highest grade possible) for all network zones.
- A burst watermain flooded a Titirangi property on 7 June 2018. The watermain was immediately repaired and will shortly be replaced. Watercare assisted the customer by:
 - arranging alternative accommodation
 - providing dehumidifiers to assist the drying process
 - contacting the customer’s insurance company to speed up the claim process.
- A number of Hunua Forest Native Regeneration Activities are underway including seed collection, and preparing 40 hectares for aerial seed sowing and planting of 140,000 trees.
- Fulton Hogan has been given possession of part of the Rosedale wastewater treatment plant site for the Liquid Stream upgrade project.

19. INTEGRATED REPORTING AND INTEGRATED THINKING

Our Integrated Reporting <IR> journey is a two-stage process.

The first phase will see our 2018 Annual Report meeting <IR> principles for the first time. This is a significant milestone on our journey towards integrated thinking. The report is intended to be an exemplar, which will weave integrated thinking into our reporting and set the tone for the work we need to do in the year ahead.

The second phase of our <IR> journey will see integrated thinking become “BAU”. Key benefits of integrated thinking will see silos broken down across the business, leading to improved communication and decision making. The second phase is already underway. In particular:

- The Target Operating Model (TOM) has been driving the education of our people, and in particular our people leaders. The Executive team has received full details of the <IR> project. Next, our people leaders will receive detailed briefings on integrated thinking so they adopt integrated thinking into their decision making. They will lead their teams by example.
- Staff have the opportunity to learn more about what our stakeholders see as “material issues”, being the 23 material issues which formed our <IR> value creation model and which also forms the backbone of our first <IR> Annual Report. The <IR> project team led presentations on integrated thinking, which were open to all staff. Attendance and interest has been high and we plan to hold more presentations over the coming months.
- In August/September, staff will be walked through our new <IR> 2018 Annual Report. Staff will clearly see how we are using integrated reporting and thinking to improve communication and create value.
- From August 2018, the Chief Executive’s report to the Board will be overhauled to align with the <IR> capitals and demonstrate integrated thinking.
- By year end, all other Board reports will be aligned with the <IR> capitals and also demonstrate integrated thinking.
- The Board will start seeing integrated thinking applied to business cases as the year progresses. We will apply integrated thinking to business cases at all levels, not just those that go to the Board.
- Over time, the <IR> capitals and integrated thinking will be evident in other key documents throughout the organisation (e.g as Policies and Strategy documents are updated), so the capitals and integrated thinking become “part of our DNA”.

20. CENTRAL INTERCEPTOR UPDATE

The interactive tender process for the Central Interceptor is continuing, following the release of the Request for Proposal to the four consortia on 10 May 2018. The interactive sessions have been valuable for Watercare as they have provided an indication of how the contractors think they will deliver the works. They also provide the contractors with clarity around issues they have identified, so they can submit an offer that provides the best outcomes for Watercare.

The four contractors’ proposals are due on 14 September 2018.

The Central Interceptor Executive Programme Director’s June 2018 update to the Chief Executive is appended as **Appendix D**.

21. ARBOR DAY TREE PLANTING ON 5 JUNE

Mayor Goff, Forestry Minister Shane Jones and the Chief Executive celebrated Arbor Day by planting three Pohutukawa trees at the Mangere wastewater treatment plant. During the construction of the BNR, we have done extensive landscaping and planted 100,000 plants to complement the facility.

The planting contributed to the Mayor’s “Million Trees: programme” to green Auckland over the three years, as well as the Government’s goal to plant one billion trees in the 10 years to 2027.

22. GIRLS WITH HIGH VIZ DAY

In late June, Mangere wastewater treatment plant hosted a group of high school girls from across Auckland for this year's Girls with Hi-Vis career day. The girls had an opportunity to talk with a number of women working at Watercare in "Hi-Viz" roles such as project engineering, water treatment management, and network management. The girls learnt more about the opportunities available to them at Watercare and also enjoyed a tour of the Mangere wastewater treatment plant.

23. WATERCARE RECOGNISED AT VARIOUS AWARD CEREMONIES IN JUNE

Public Relations Institute of New Zealand Awards

Watercare's Communications and Stakeholder Engagement team was recognised at the PRINZ Awards 2018 in Hamilton in late May. Watercare won the award for "Best short term campaign" for the "Save 20" campaign that ran during the March 2017 Tasman Tempest. In June, PRINZ sent the CE a letter of congratulations. A copy is appended as **Appendix E**.

In winning the award, the Judges noted "crisis communications in these circumstances are always challenging, but this project showed its authors and implementers knew what they were doing. This was an outstanding project, clearly defined, that scored very highly for the judges. The messaging was concise and clear, the strategy was spot on, and the implementation and results were fantastic. Well done."

Australasian Reporting Awards

Watercare's 2017 Annual Report won its thirteenth consecutive Gold Award as well as the award for Best Sustainability Report in the Public Sector (for the third year in a row) in June. A Gold Award is the highest recognition for excellence in reporting, given to those companies meeting best practice reporting requirements. The Sustainability Award was won because of the transparency and integrity of our non-financial reporting. Watercare's report is one of the few in Australasia to be externally audited.

Civil Contractors New Zealand (CCNZ) Excellence Awards

In late June, three of our construction projects won awards at the CCNZ Awards.

- The Wairau Rd rising wastewater main project, carried out by March Cato, won the medium category for projects costing more than \$5 million.
- The Waikato Water Treatment Plant expansion, which increased its production capacity from 150 million litres of water a day to 175 million litres of water a day, won the Large Category award for projects costing less than \$20m. This project was carried out by Brian Perry Civil.
- The Biological Nutrient Removal (BNR) facility at the Māngere wastewater treatment plant won the Large Category award for projects costing more than \$20m. This was a McConnell Dowell-HEB joint venture.

Last year's emergency stabilisation work on a slip under part of the Huia aqueduct, and the recently completed Glen Eden wastewater storage tank, were also finalists in the CCNZ awards.

Institute of Public Works Engineering Australasia Excellence Awards (IPWEA)

The BNR Facility won the award for Best Public Works (more than \$5m) at the IPWEA Awards.

24. COMMUNICATIONS UPDATE

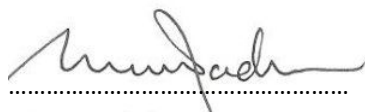
A snapshot of recent and planned communications activity and stakeholder engagement is appended as **Appendix F**.

25. INFRASTRUCTURE PROJECT UPDATES

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

26. DISCLOSURE OF DOCUMENTS EXECUTED AND CONTRACTS AWARDED, AND CAPITAL EXPENDITURE BELOW \$15M, APPROVED IN ACCORDANCE WITH THE DELEGATED AUTHORITY PROVIDED TO THE CE

Appended as **Appendix H** 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

UPDATE ON WATER UTILITY CONSUMER ASSISTANCE TRUST (WUCAT) AND WATER RESTRICTIONS AS AT 30 JUNE 2018

Background

When the Trust approves hardship relief, it enters into an understanding with the customer as to how the customer will “earn” the relief. The usual agreement involves the customer agreeing to pay their monthly bill for (say) six months, at the end of which all outstanding debt or arrears are written-off. Most customers satisfy their obligation. However, some do not meet their obligations and therefore no write-off occurs.

Overall summary

WUCAT Summary		
Financial year	Trust approved applications (includes WSL additional write offs)	\$000's
Jun-12	33	\$ 29
Jun-13	172	\$ 196
Jun-14	123	\$ 114
Jun-15	150	\$ 149
Jun-16	118	\$ 90
Jun-17	115	\$ 97
(YTD) Jun-18	131	\$ 121
Total	842	\$ 797

Summary of WUCAT Arrangement Approvals			
No. of Arrangements Entered Into	No. of Arrangements Fully Satisfied	No. of Arrangements Still Being Met	No. of Arrangements Lapsed Unfulfilled
842	646	91	105

Amount of Relief Approved \$	Amount of Relief Fully Earned \$	Relief Yet to be Fully Earned \$	Relief Voided due to Lapsed Unfulfilled Arrangement \$
\$797k	\$627k	\$99k	\$71k

Summary of last three months

24 applicants successfully completed the budget process over the last three months and had \$16k of hardship relief approved by the Trust.

WUCAT Summary last 3 meetings		
Month	Trust approved applications	\$000's
Apr-18	11	\$ 8
May-18	8	\$ 7
Jun-18	5	\$ 1
Total	24	\$ 16

WATER RESTRICTIONS AS AT 30 JUNE

One water restriction was performed in June 2018. The table below summarises the restrictions carried out by Watercare.

Restriction Summary Year-ending	Non-Domestic		Domestic		Total	
	Restriction	De-restriction	Restriction	De-restriction	Restriction	De-restriction
30-Jun-12	1		5		6	0
30-Jun-13	13	11	6	4	19	15
30-Jun-14	20	20	17	14	37	34
30-Jun-15	31	30	53	39	84	69
30-Jun-16	8	9	16	17	24	26
30-Jun-17	15	11	19	13	34	24
(YTD) 30-Jun-18	17	8	49	27	66	35
Total	105	89	165	114	270	203
Restrictions currently	16		51		67	

The following restrictions remain in place. Communications are ongoing with all customers.

- 11 domestic restrictions remain in place on vacant properties. If the properties are tenanted in future, a resolution will be required.
- 40 domestic restrictions remain in place on occupied properties.
- 16 non-domestic properties remain restricted at the end of June.

Appendix B - Local Board Interaction (As at 16 July 2018)

Local Board	Chair	Deputy Chair	May 2018	June 18	July 2018
Albert - Eden	Peter Haynes	Glenda Fryer	Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May). Information on Central Interceptor and landscape plans (23 May).	Notice of annual price increase including advance notice of press release (6 June). Briefing to the Local Board on CI progress and mitigation (13 June)	
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)	Presented at workshop with Healthy Waters on Takapuna wastewater issues (1 May). Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May). Information on Takapuna to Milford pipeline and public access (11 May)	Notice of annual price increase including advance notice of press release (6 June) Response to a query about a watermain renewal in Eversleigh Rd, Hauraki Corner and future road realignments (7 June). Information provided on the Watercare assets on Mt Victoria and the Maunga Authority (28 June). Official opening of the Fred Thomas Wastewater Pump Station (29 June).	Shared YouTube video of Fred Thomas pump station official opening (3 July).
Franklin	Angela Fulljames	Andy Baker	Update on Inflow and infiltration investigations at Clarks Beach (5 May). Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May). Meeting with Malcolm Bell and local resident in Clevedon regarding reservoir development (21 May).	Notice of annual price increase including advance notice of press release (6 June). Liaison with Deputy Chair regarding constituent questions on new connection (15 June). Ilze Gotelli Commercial and Developments Manager supported local board members at a meeting on Whitford wastewater servicing (14 June). Feedback received on region wide tree consent (27 June).	Notice of Resource Consent being granted for the South West wastewater servicing as well as notice of the new sub-regional IGC (2 July). Information in response to question on IGC charges (11 July).
Great Barrier	Izzy Fordham	Luke Coles			
Henderson - Massey	Shane Henderson	Peter Chan	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). Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May).	Notice of annual price increase including advance notice of press release (6 June).	
Hibiscus and Bays	Julia Parfitt	Janet Fitzgerald	Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May). Response to an escalation about reinstatement works in Browns Bay (22 May). Notice of response to water leaks in Mairangi Bay reserve (22 May).	Notice of annual price increase including advance notice of press release (6 June). Site visit to Army Bay wastewater pipeline tunnelling project (8 June). Site visit to Army Bay treatment plant and briefing on Whangaparoa and surrounding areas wastewater servicing (8 June). Notice of Media article on 'Blanche' the TBM at Army Bay including video (25 June)	Shared photo of Army Bay outfall project and responded to questions (5 July).

Local Board	Chair	Deputy Chair	May 2018	June 18	July 2018
Howick	David Collings	Katrina Bungard	Presented at Otara Waterway and Lake Trust on the Otara wastewater upgrade project, Board members present (3 May). Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May)	Notice of annual price increase including advance notice of press release (6 June)	
Kaipatiki	Danielle Grant (2 Nov 2016 to 28 Feb 2018) John Gillon (1 March 2018 to the end of the 2016-2019 political term)	John Gillon (2 Nov 2016 to 28 Feb 2018) Danielle Grant (1 March 2018 to the end of the 2016-2019 political term)	Information shared on Watercare works in Chelsea in response to Kauri Dieback (11 May). Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May). Response to an escalation about overflows at Lynn Reserve, Bayview (30 May).	Notice of annual price increase including advance notice of press release (6 June)	
Mangere - Otahuhu	Lydia Sosene	Walter Togiama	Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May).	Opening of the BNR facility at the Mangere Wastewater Treatment Plant (1 June). Notice of annual price increase including advance notice of press release (6 June)	
Manurewa	Angela Dalton	Rangi McLean	Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May). Provide information on progress with playground development and water connection (21 May).	Notice of annual price increase including advance notice of press release (6 June). Notice of annual price increase including advance notice of press release (6 June)	
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.	Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May) Response to an escalation about pipe installation in Glen Innes with no communication – related to TRC not Watercare (17 May). Notice of works in Mabury Reserve including design of pump station (24 May).	Notice of annual price increase including advance notice of press release (6 June). Site blessing for start of Glen Innes wastewater upgrades (11 June). Site visit with Local Board and Councillor representation along with Healthy Waters and Council compliance staff to see inflow and infiltration investigations underway (18 June).	
Orakei	Colin Davis - After 18 months Kit Parkinson will Chair.	Kit Parkinson - After 18 months Carmel Claridge will be Deputy Chair	Discussion with Chair regarding signage for historic remnant of Hobson pipeline at Ngapipi Reserve (5 May). Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May).	Notice of annual price increase including advance notice of press release (6 June). Site visit to pump station on John Rymer Place regarding public access (20 June). Completion of sign for historic Hobson Bay pipeline at Ngapipi Reserve (21 June). Response to escalated customer complaint on wastewater exemptions for vacant lots (29 June).	
Otara - Papatoetoe	Lotu Fuli	Ross Robertson	Presented at Otara Waterway and Lake Trust on the Otara wastewater upgrade project, Board Members present (3 May). Your Source staff newsletter, Tapped In and	Notice of annual price increase including advance notice of press release (6 June). Update on Otara network efficiency improvements (13 June).	

Local Board	Chair	Deputy Chair	May 2018	June 18	July 2018
			website updates shared with Local Board members (9 May).		
Papakura	Brent Catchpole	Felicity Auva'a	Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May)	Local Board briefing in support of Veolia (6 June). Notice of annual price increase including advance notice of press release (6 June)	
Puketapapa	Harry Doig	Julie Fairey	Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May)	Notice of annual price increase including advance notice of press release (6 June)	
Rodney	Beth Houlbrooke	Phelan Pirrie	Shared media article and YouTube video on the Warkworth Water Treatment Plant (2 May). Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May)	Notice of annual price increase including advance notice of press release (6 June) Update on query from Colin Smith about wastewater network performance in Wellsford and wet weather overflows (21 June). Notice of Media article on 'Blanche' the TBM at Army Bay including video (25 June). Local Board workshop on new pump station and pipeline in Lucy Moore Memorial Reserve (28 June). Response to escalation from oyster growers in the Mahurangi about wastewater overflows (28 June). Public workshops on Warkworth Structure Plan – Attended by Local Board, Council and CCO's (28, 30 June).	Notice of the new sub-regional IGC (2 July). Simon Porter met Colin Smith at Wellsford regarding works in response to overflow event (11 July).
Upper Harbour	Lisa Whyte (31 October 2016 to 1 June 2018) Margaret Miles (2 June 2018 to the end of the 2016-2019 political term)	Margaret Miles 31 October 2016 to 1 June 2018) Lisa Whyte (2 June to the end of the 2016-2019 political term)	Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May)	Notice of annual price increase including advance notice of press release (6 June). Local Board workshop on East Coast Bays Link Sewer (14 June).	
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)	Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May)	Notice of annual price increase including advance notice of press release (6 June). Local Board briefing on East Coast Bays Link Sewer project (14 June).	
Waitakere Ranges	Greg Presland	Saffron Toms	Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May). Meeting with local TeHenga community including Steve Tollestrup from the local board about catchment issues (15 May).	Notice of annual price increase including advance notice of press release (6 June). Thank you BBQ for sports clubs at Harold Moody Reserve (9 June).	Local Board workshop briefing on the Huia Water Treatment Plant Replacement project (5 July)
Waitemata	Pippa Coom	Shale Chambers	Your Source staff newsletter, Tapped In and website updates shared with Local Board	Notice of annual price increase including advance notice of press release (6 June)	

Local Board	Chair	Deputy Chair	May 2018	June 18	July 2018
			members (9 May). Video on Wynyard Quarter pump station development shared with local board (22 May).		
Whau	Tracey Mulholland	Susan Zhu	Your Source staff newsletter, Tapped In and website updates shared with Local Board members (9 May)	Notice of annual price increase including advance notice of press release (6 June)	
Manukau Harbour Forum			Site visit to Mangere organised for 20 July organised (22 May)	Manukau Harbour Hydrodynamic Model update (15 June). Site visit to Mangere organised for 20 July organised (22 May).	

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11 July 2018

Dear Councillor

Waikato District Council – Delivery of Three Waters Management**Introduction**

As you may be aware, Waikato District Council (“WDC”) has been reviewing options for delivering its three waters functions. On 21 June 2018, I briefed Councillors at the Watercare/Council Governing Body workshop.

On 27 June 2018, WDC adopted its Long Term Plan. This included the recommendation to create a Waters Governance Board which had the delegation of WDC to manage the provision of the three waters across the Waikato District. It also included the recommendation that the Waters Governance Board seek the agreement of Watercare to provide the operational management of the three water functions on a commercial basis.

Watercare already has assets in the Waikato District and Region

Watercare owns and operates its Waikato River Water Supply Treatment facilities and the Pukekohe Wastewater Treatment Plant, both of which are located in the Waikato District. The Hunua storage lakes are located within the area of Waikato Regional Council. Watercare extracts raw water for Auckland from the Waikato River and discharges treated wastewater to the River. Watercare, therefore, has a close relationship with the Waikato District Council, Waikato Regional Council and Waikato Tainui.

Watercare already operates in Waikato District

Since the 2010 Auckland Amalgamation, Watercare has provided bulk water and wastewater services to the towns of Tuakau and Pokeno in the north of the Waikato District under a Supply Agreement. (WDC has, on a number of occasions, asked our expert staff to provide information to help WDC consider how it should deliver additional water services in the Waikato District. This included the development of a business case for a sub-regional CCO between WDC, Hamilton City Council and Waipa District Council during 2014/15).

Reasons why WDC want Watercare to provide services

WDC is seeking to outsource operational management of the Three Water functions to Watercare because:

- access to Watercare’s technical capability (inherent in its people, systems and process) will improve the quality of service delivery to WDC ratepayers; and
- WDC will be able to leverage Watercare’s scale to obtain improved procurement outcomes. This should result in more efficient service delivery, which will free up funds for WDC to invest in higher quality infrastructure and services.

The proposed timeline

WDC wishes to have the operational management contract concluded over the next 12 months with a 1 July 2019 commencement date. Once it has established the Waters Governance Board, the WDC will enter into discussions with Watercare on the commercial terms for the delivery of those services.

Watercare continues to put Auckland first

Watercare and WDC have an established set of principles which govern the existing contractual relationship, which will continue to apply. These are:

- the need to ensure there is no cross subsidisation between Auckland and Waikato customers;
- Watercare's primary purpose remains that it must always meet its obligations to Auckland.

Any decision to provide services will be made by Watercare Board

At this stage, we do not have a detailed understanding of the scope of the services proposed by WDC, nor the commercial terms. Watercare expects that these will be developed over the coming months. Any decision to enter into a commercial contract will be subject to the approval of the Watercare Board of Directors. The Board of Watercare will ensure that Auckland Council is informed, prior to any such decision being taken.

Yours sincerely



Raveen Jaduram
Chief Executive

Report to the Chief Executive of Watercare Services Limited

Subject: Central Interceptor Update

Date: 24 July 2018

1. PURPOSE

This report includes:

- a progress report on the Central Interceptor (CI) project for the period up to 30 June 2018 (**attached**)
- learnings from my visit to the Inner Doha Re-Sewerage Implementation Strategy (IDRIS) in Qatar and the Thames Tideway Tunnel in London
- an update on insurance.

2. LEARNINGS FROM VISIT TO QATAR AND LONDON

In June 2018, I visited the IDRIS in Qatar and the Thames Tideway Tunnel in London. I also visited insurance providers.

The Qatar and London projects both have a high degree of similarity to the CI. Therefore, they provided a number of learnings for Watercare.

Key findings from the visits included:

- Achieving a Zero Harm outcome for these types of complex projects is achievable. It should be the minimum expectation of all those involved. This expectation needs to be part of the contractor selection, and on all those who work on the project.
- Embedding a positive health and safety culture needs to be significantly developed before the contract is awarded.
- The level of induction required at all levels of the project is significant. However this is essential to ensure everyone is part of a positive health and safety culture.
- High performing teams will have an internal drive to constantly improve performance. They are not satisfied simply with meeting a prescribed target. They do not need to be told to achieve a higher level of outcome.
- The critical success factors in achieving positive health and safety outcomes are:
 - the people
 - the need to foster an environment of excellence
 - holding people to account.
- The use of technology can enhance positive health and safety outcomes and achieve efficiencies in delivery.

- Stakeholder engagement should not be underestimated. Engaged stakeholders, especially in congested areas, can help achieve positive public health and safety outcomes around heavy civil construction projects.

Thames Tideway's approach to safety

The overarching focus on the London project is to resolve issues in a positive environment.

Below is a safety card used on Thames Tideway project. The key messages are highlighted in the speech bubbles.



Safety Card, Thames Tideway

Bronwyn Struthers has been appointed as the Health and Safety Manager. Bronwyn is a senior organisational development and health and safety manager with over 15 years' experience driving strategy across HR, OD and H&S functions for organisations with over 40,000 staff throughout both New Zealand and Australia. She comes to us from Bunnings where she was the HR manager. Prior to that she was the People and Product Manager at ERGT Australia, where she created training programmes within the oil and gas sector.

I am confident that we will develop a positive health and safety culture for Watercare on this project. This should provide benefits to both Watercare and the wider industry.

3. INSURANCE

The tender for the provision of Contract Works and Public Liability Insurance has gone to the market.

To support this process, briefings to the European, Australian and New Zealand markets were held in June. There is a strong interest across all these markets to provide the insurance services, with proposals due to AON in October 2018.

4. RECOMMENDATION

That you receive this report.

Prepared and recommended by:



Shayne Cunis

**Executive Programme Director
Central Interceptor**

Central Interceptor Progress Report

30 June 2018

1. HEALTH AND SAFETY

There are no health and safety issues to report on any of the physical works being undertaken associated with the project. In particular, this includes geotechnical investigations associated with Grey Lynn Tunnel.

Routine safety audits are being completed.

We are continuing to work with the High Hazards unit of Worksafe to obtain clarity around Worksafe's expectations for both Watercare and the successful contractor.

2. PROGRESS REPORT

2.1 People

The recruitment for leadership and project management staff continues.

- A recruitment video is on You Tube and showcases the significance of the CI project and the attractiveness of Auckland as a place to live. This is to support the wider global recruitment process.
- A number of experienced offshore candidates have expressed interest in a number of the key leadership roles.
- We have identified potential candidates for the Watercare representative on the Dispute Review Board. All are experts in the field of tunnelling and risk management. Although they are all based in the UK, they have all had experience on recent tunnelling projects in Auckland.

2.2 Approvals

Work continues on securing the very few remaining third party approvals. There are no foreseen issues at this time that will impact on programme.

We plan to use the odour buffer land at Mangere WWTP to dry tunnel spoil. This will then be reused as cleanfill at Puketutu Island. This will reduce the amount of imported cleanfill required for the biosolids rehabilitation facility at Puketutu. Consents will be lodged shortly for depositing the spoil at Mangere.

2.3 Design

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

The Preliminary Design and Assessment of Environmental Effects for the Grey Lynn Tunnel should be complete by late October 2018. Applications for the RMA consents will be made in November 2018.

These consents will not be in place before the Main Works Contract is awarded (early 2019). However, they will be available when the Employer's Option needs to be instructed to the Contractor (end of 2020). This will enable us to take advantage of fixed pricing.

2.4 Early works

A number of early works are being completed at Mangere WWTP prior to contract award to:

- reduce risk to WWTP operation associated with CI construction activities; and
- provide a safer and cleaner work area for the CI contractor.

2.5 Procurement

Interactive tender period

- As at 30 June 2018, there are 10 weeks remaining in the interactive tender period.
- Three of the four rounds of interactive meetings have been completed.
- All tenderers are highly engaged in the process and each have identified unique solutions. They believe this will provide them with the competitive advantage in winning this contract.
- The Project Team is constantly reviewing alternate solutions to determine if they are acceptable and can be built into the tenderer's base case offer.
- A number of the proposed alternatives relate to completing the work with reduced Health and Safety risks.
- The tenderers have told us they have taken great confidence from our commitment to meeting our programme. The interactive process is providing the necessary guidance they need in order to provide their best possible offers to Watercare.
- All tenderers are comfortable with the deadline for tender submission and no requests for extensions of time are expected.

Insurance

The tender for the provision of Contract Works and Public Liability Insurance has gone to the market. To support this process, briefings to the European, Australian and New Zealand markets were held in June. There is a strong interest across all these markets to provide the insurance services, with proposals due to AON in October 2018.

2.6 Construction

Nil to report. Construction is expected to commence in April 2019 as programmed.

3. RISK

A project risk register is being maintained. It is constantly reviewed based on any new information made available.

4. CUSTOMER AND STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an important part of the project. Significant work is already underway in the following areas:

- Project communications, messaging and branding. This includes the development of a dedicated website to provide a one stop shop for all information relating to the project.
- Environmental mitigation measures that will enhance the natural environment. These will also meet Local Board, iwi, stakeholder and consent requirements at the minimum cost to Watercare.
- Involvement with the Kaitiaki Manager's Forum to ensure that Iwi are involved in the review of contractor selection to ensure an efficient process is in place to address cultural and heritage issues that may arise from the construction activities on surface sites.
- Development of concepts for a visitor's centre where the public can engage with the project, and the wider operations of Watercare.

5. 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	Complete Complete 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 RMA consent • 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

Programme Milestone	Timing	Status
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	

6. 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	8.57	9.60
Stage 1D - Detailed Design and Construction Tendering	30.43	28.30	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	57.72	1,180.88
Grey Lynn Wastewater Tunnel Planning and Consenting	2.60	0.07	2.60
PROGRAMME TOTAL	1,183.48	57.79	1,183.48

* To end of June 2018.

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

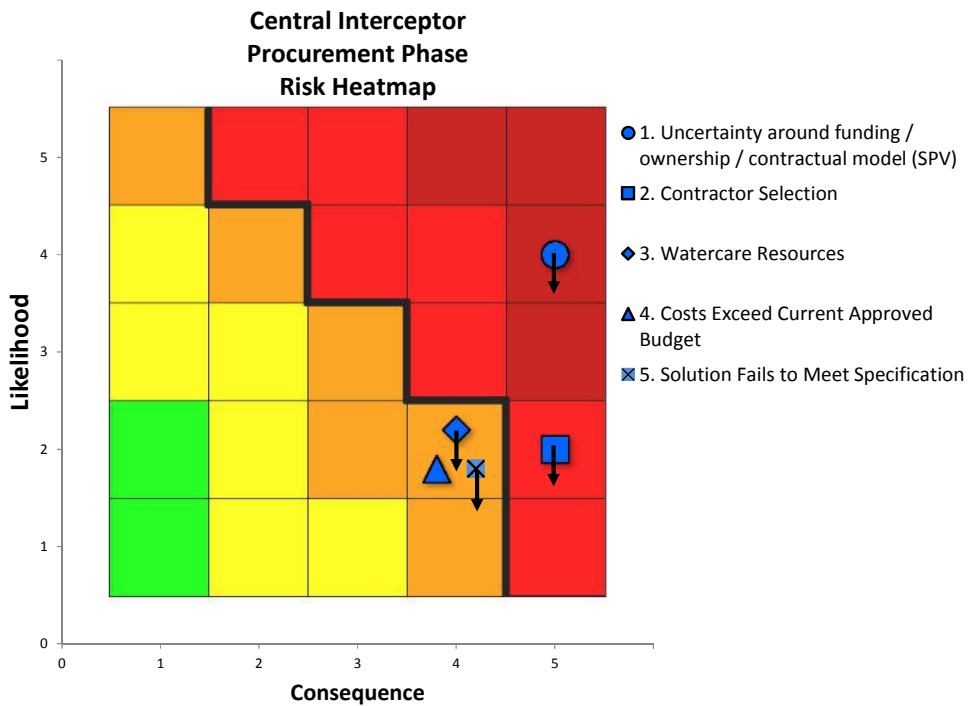
A strategic risk review will be completed with the successful consortia, prior to construction commencing. This will ensure the residual risk associated with tunneling and associated underground works have been appropriately identified, minimised and controls are in place. It is proposed to use an international expert in this field, coupled with local industry experts. This is a similar approach taken by NZTA prior to commencing Waterview Tunnel. This provides 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 tenderers, 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>Tenders close in September 2018. After this time, any change to contract model would be a mutual negotiation.</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>Two consortia are on the shortlist for the City Rail Link Limited C3 contract. The CRL tender process has been delayed and is now commencing on 1 September 2018, moving through until 1 March 2019.</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>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>Recruitment of key leadership roles continues, with a number of roles filled.</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 E



4.3

Raveen Jaduram
Chief Executive
Watercare Services Limited
Private Bag 92521
Wellesley Street
Auckland 1141

5 July 2018

Dear Raveen,

Please accept my congratulations to Rachel Hughes, David Hawkins, Gemma Bridge, Janie Smith, Maxine Clayton, Melanie Verran, and Ramari Young for being PRINZ Award winners for 'Uniting Aucklanders to save 20 in a time of crisis'.

This is the 44th year we have hosted the country's largest dedicated public relations and communication management awards to celebrate industry excellence. The regard in which the industry holds these awards is evidenced not only by the number of entries but also by the increasing calibre of entries we receive each year; this year we had 29 finalists out of 87 entries competing for excellence.

I congratulate all entrants for their bravery in entering their work to be judged by their senior peers. Your organisation should be proud of the hard work and dedication this team has shown and the success of this campaign.

Below is the quote from Judges:

"Crisis communications in these circumstances are always challenging, but this project showed its authors and implementers knew what they were doing. This was an outstanding project, clearly defined, that scored very highly for the judges. The messaging was concise and clear, the strategy was spot on, and the implementation and results were fantastic. Well done."

This achievement reflects not only on Watercare Services' dedication to best practice communication but also on the professional reputation of the PR industry.

Yours sincerely,

A handwritten signature in black ink that reads "Felicity Price". The signature is written in a cursive, flowing style.

Felicity Price
President, Public Relations Institute of New Zealand

Monthly snapshot of communications and stakeholder engagement

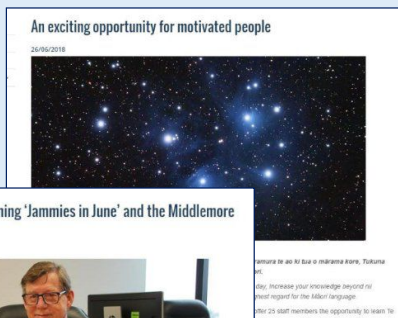
Media

Media highlights for the month include coverage of Mayor Phil Goff's opening of the Fred Thomas Drive Pump Station (Stuff, North Shore Times), Inflow and infiltration investigations in Glen Innes (Stuff) and head of production Peter Rogers' segment on the Project about wet-wipes and non-dispersibles.



Staff

Internally, some of things we promoted include the Te Reo training opportunity for staff offered in partnership with Te Wānanga o Aotearoa, the Digital Day, and Jammies in June fundraising for the Middlemore Foundation.



Recognition



Our 2017 Annual Report was recognised at the Australasian Reporting Awards in two categories: a gold award for excellence in reporting and best sustainability report in public sector. This is our 13th consecutive gold award and third consecutive sustainability reporting award.

Customers

We distributed the winter issue of Tapped-In to our customers, focusing on wastewater, now and into the future.



We also launched our e-bill campaign and competition to drive customers to sign up for e-bills. Increased e-billing will reduce cost of engagement and allow us to communicate efficiently with more customers.



Stakeholders

Highlights include: tree planting at Mangere by Minister Shane Jones for Arbor Day, the official opening of the Fred Thomas Drive pump station by Mayor Phil Goff, Drop-in sessions at Northcote Community Centre on our wastewater upgrades and open day held at Army Bay for engaging with the community on discharge consents.



June 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, tenders have been received. Contract award will be August 2018. Target completion is scheduled for December 2020 (on target). 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 construction to commence in September 2018. Completion is forecast for June 2020 (ahead of target).
Mangere Waste Water Treatment Plant Solids Stream Upgrade	The project is 85% complete. Project completion is September 2020 (on target).
Glendowie Branch Sewer Upgrade	The construction contract has been awarded and the contractor is establishing on site. Collaboration is underway with Healthy Waters regarding possible inclusion of new stormwater works in the Watercare contract, in order to minimise community disruption. Project completion is March 2020 (on target).
Army Bay Wastewater Treatment Plant Outfall Upgrade	Design is complete for this design build project. TBM drilling is continuing and successfully reached the second vertical shaft. The team achieved a record direct drive distance of 1496m, beating the previous international record of 1491m. Time to complete is on target.
Pukekohe East Reservoir	The contract has been signed. Completion is forecast for October 2020.

Execution of documents, and approval of opex/capex, in accordance with the delegated authority provided to the CE by the Board - June 2018

In June 2018, Watercare processed the following 16 documents, executed with the delegated authority provided to the Chief Executive by the Board in relation to deeds, instruments and other documents:

- Two renewal of leases over Watercare land
- One declaration that land is surplus to requirements
- One Section 18 Public Works Act notice served on a private landowner
- Four easement in favour of Watercare Services Limited
- One agreement for the purchase of land by Watercare
- One agreement for the sale of Watercare land
- One surrender of easement by Watercare
- One lease by Watercare over private land
- One vesting of land to Watercare
- One compensation Agreement in favour of Watercare Services Limited
- One partial removal of a caveat by Watercare in favour of a private owner
- One land transfer land tax statement

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

There were four Capex approvals totaling \$13.421m 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 – June 2018	
Warkworth Wells Water Treatment Plant- Change Request 1	\$3,700,000
Wynyard Quarter Pump Station & Rising Main	\$871,119
Waiwera to Hatfields Beach Pipeline	\$8,750,000
Warkworth Wells WTP/Warkworth Network Improvements - Change Request 1	\$100,000

Opex/Capex over \$100,000

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

Supplier	Contract Description
Transdiesel Limited	Long Reach Excavator - Puketutu Rehab Project
Gough Cat Power Systems	Front End Loader - Puketutu Rehab Project
Ergo Consulting Limited	Warkworth Wells Water Treatment Plant Commissioning & Final Documentation
Edwards Project Services Limited	Short Form Agreement For Consultants Engagement (Water and Wastewater Network construction)
Sensorie Holdings Limited	Independent Contractors Agreement (Corporate and Business Support)
Fulton Hogan Limited	Pukekohe East Reservoirs Project

Report to the Board of Watercare Services Limited

Subject: Update to 2018/21 SOI and 2018/19 Budget – For approval
Update to LTP water and wastewater capex disclosures – For note

Date: 24 July 2018

1. PURPOSE

This report has two purposes.

- To seek Board approval for an accounting treatment change which affects both the recently submitted 2018/21 Statement of Intent (SOI) and the recently approved 2018/19 Budget (Budget).
- To notify the Board of an addition to the water and wastewater capital expenditure disclosure section of the 2018/28 Long Term Plan (LTP).

2. SOI, BUDGET AND LTP AMENDMENTS

After submitting the SOI and inputs for the LTP as approved by the Board, Auckland Council (“Council”) has requested the following amendments.

2.1 Disclosure of derivative gain as equity in the SOI

At the 17 May 2018 Audit and Risk Committee meeting, we provided an update on the status of centralising the Watercare treasury function into Council. The update included the proposed accounting treatment for the novation of Watercare’s derivatives to the Council, which was to remove all derivative balances off the Watercare Balance Sheet and recognise a net fair value gain through the Profit and Loss in FY2018/19.

Council confirmed this proposed accounting treatment in their memo to Audit NZ (attached as Appendix 4 to the Audit and Risk Committee paper noted above). The memo was submitted to Audit NZ in March 2018 for comment and initial communications indicated there were no issues with the proposed accounting.

However, in June 2018, Audit NZ unexpectedly challenged the accounting treatment. Their new position was to recognise the transaction through equity as a capital contribution rather than a gain through the Profit and Loss (this was to be an expected \$196m gain to Watercare and loss to the Council). Council subsequently agreed to the change and required Watercare to adopt the Audit NZ position.

Accordingly, the gain to Watercare has now been excluded from the Operating Budget Statement in the SOI for 2018/19. Watercare submitted the amended SOI to Council on 6 July 2018 advising the change was subject to Watercare Board approval. The revised set of financial projections is attached as Appendix 1.

As a consequence of the SOI changing, the \$196m gain has also been removed from the Profit and Loss in the Budget and recognised directly into equity as a capital contribution.

2.2 Investment by Crown Infrastructure Partners, disclosure in the LTP

In the LTP adopted on 28 June 2018, Council added \$187m of capex (water \$55m, wastewater \$132m) to Watercare's submitted capex, to provide for investment by Crown Infrastructure Partners (CIP) over the 2018/28 period. This was done without knowledge or affirmation by Watercare. The disclosure only came to light after Council sought to update its website with a detailed capex list to support the water and wastewater totals in the LTP (including the CIP investment). This required disclosure of the project/programme items, already submitted by Watercare, plus the additional lines for the CIP investment.

Watercare has requested details of the assumed CIP capex. We have also requested that the additional \$187m of capex attributed to CIP be shown distinctly separate from Watercare capex values on the website.

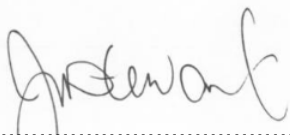
We have been advised that Council's intention with the disclosure was to show the complete investment picture to the public, including CIP (and City Rail Link), to demonstrate that these works are a method of creating more infrastructure without taking on more debt.

3. RECOMMENDATION

That the Board:

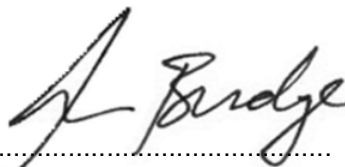
- approve the accounting treatment amendments to the SOI and the Budget; and
- notes the additional capex disclosure in the LTP.

Prepared by:



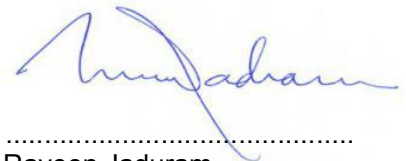
Julian Stewart
Financial Controller

Recommended by:



Marlon Bridge
Chief Financial Officer

Approved for submission by:



Raveen Jaduram
Chief Executive

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)	8.0	8.0	8.0
Income tax	36.7	38.1	44.1	48.1
NET EXPENDITURE (INCOME)	25.8	40.5	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)

Employee survey 2018

AskYourTeam Survey 2018
Insights and recommendations

Board meeting – 31 July 2018

Survey Administration

6.1

- Survey period:
 - Monday 23 April 2018 – Wednesday 2 May 2018
- Seven point scale: Strongly disagree to strongly agree
- 72% completion rate (670 employees)
- 55 assertions, including 14 custom assertions

What Was Measured

This year we measured 11 factors of business success, in comparison to 13 factors from last year. We found some of the statements from last year were irrelevant or didn't provide us the information we wanted to know. In total we asked 55 questions in comparison to 64 last year. The results are averaged to produce a final score.

6.1

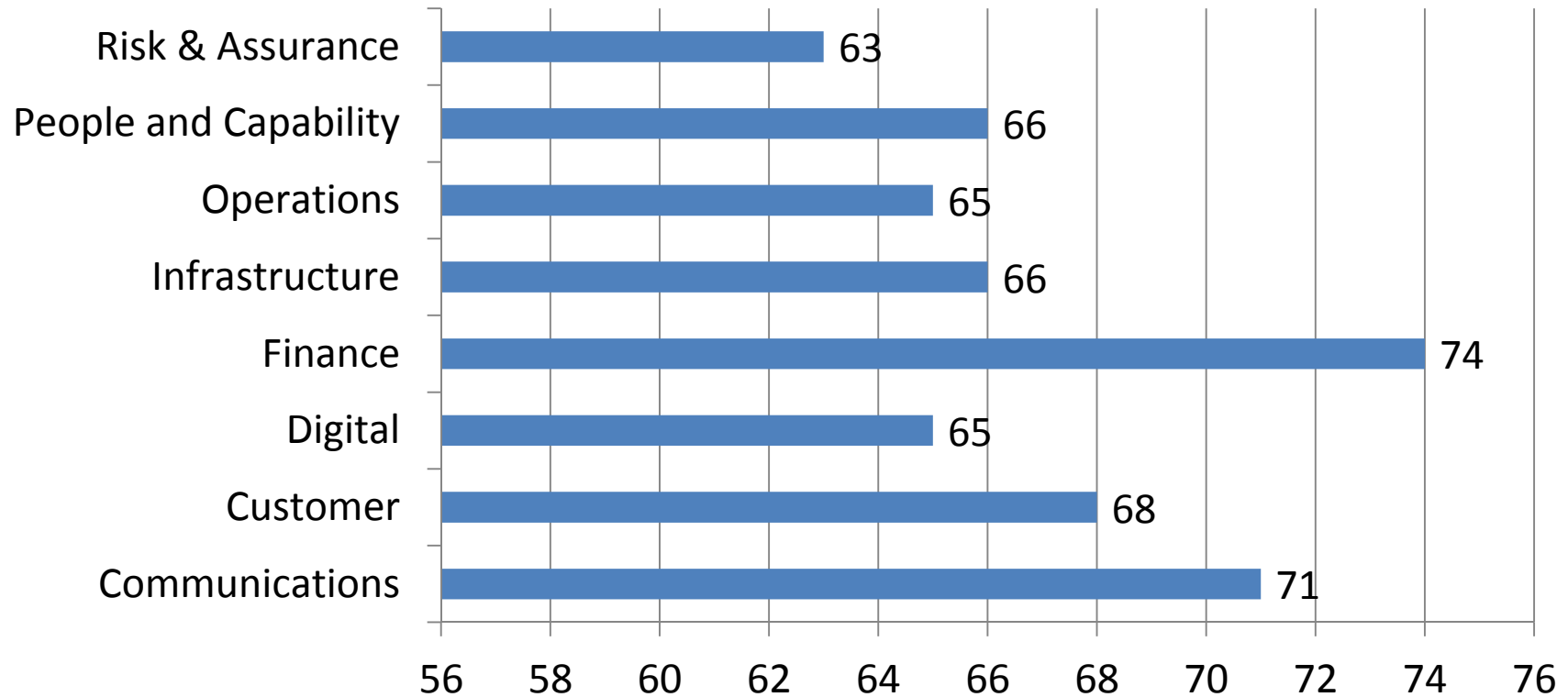
People	Leadership
	Culture
	Performance development
Continuous improvement	Strategy
	Project planning
	Implementation
Organisation	Internal communication
	Information
	Business process
	Organisational learning
Stakeholders	Customer focus

Our Results in comparison to last year

AskYourTeam Survey 2018		AskYourTeam Survey 2017	
Overall score: 67%		Overall score: 65%	
Participation: 72%	(670 staff)	Participation: 75%	(693 staff)
Success Factors	Average Score	Success Factors	Average Score
Leadership	74%	Leadership	67%
Culture	67%	Culture	67%
Performance Development	64%	Performance Development	62%
Strategy	67%	Strategy	68%
Project Planning	53%	Project Planning	60%
Implementation	62%	Implementation	62%
Review	N/A	Review	60%
Internal Communication	68%	Internal Communication	67%
Information	63%	Information	61%
Business Processes	76%	Business Processes	65%
Organisational Learning	58%	Organisational Learning	64%
Customer Focus	70%	Customer Focus	71%
Suppliers	N/A	Suppliers	64%
Engagement Score: 68%		Engagement Score: 65%	

6.1

Overall Score by Department



Watercare's Overall Score: 67%

6.1

Engagement results

What is Engagement?

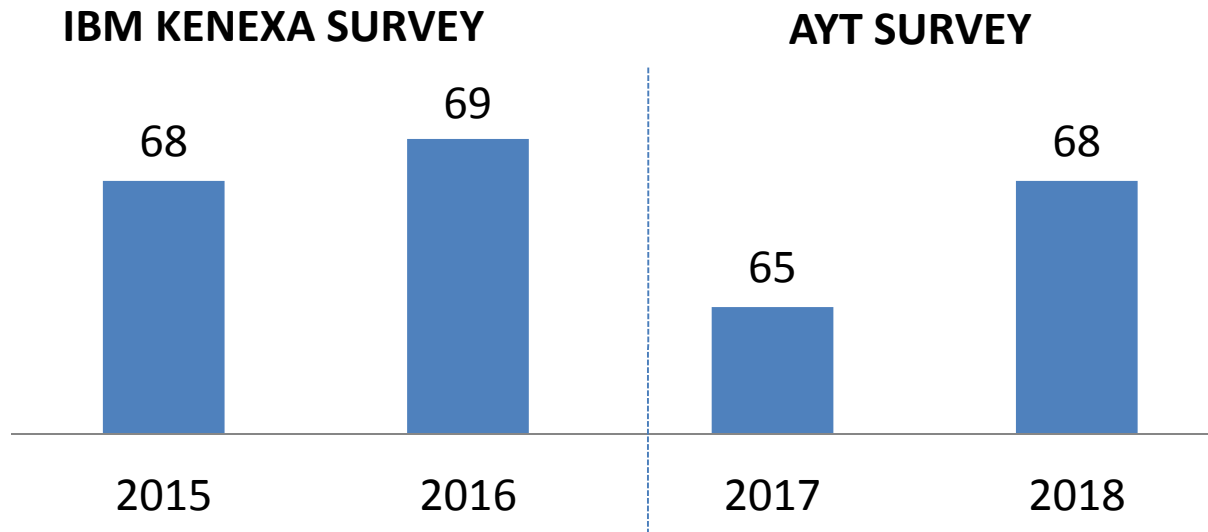
Engagement measures the level of connection, motivation and commitment a person feels for the place they work.

6.1

The Engagement score is the average of 21 of the assertions that align to 3 of the success factors below.

- Culture
- Leadership
- Performance Development

Overall Engagement Score



6.1

NOTE: The AYT engagement score is not directly comparable to Watercare engagement scores for previous years which were derived using the IBM Kenexa survey

Organisational Priority Areas

6.1

- ✓ Aligning remuneration to the market
- ✓ Identify ways to recognise our people in a way that's meaningful to them
- ✓ Communicating with our people how their work connects or transpires to other teams and their work
- ✓ Keep communicating the vision and key milestones – create a story that explains the length of time taken to carefully look at our structure and capabilities

Report to the Board of Watercare Services Limited

Subject: Resource Management Act (RMA) Compliance for June 2018 – For information

Date: 24 July 2018

6.2

1. PURPOSE

This report provides the Board with an update on Watercare's compliance with its RMA Consents.

2. NO COMPLIANCE PROCEEDINGS

There were no compliance proceedings in June.

3. NO MAJOR ENVIRONMENTAL INCIDENTS OR OTHER NON-COMPLIANCE MATTERS

There are no environmental incidents of any significance to report in June.

There continues to be considerable media and public comment on wastewater overflows during wet weather events. The majority of these overflows are from the combined network which stores both stormwater and wastewater. These are designed to occur at relief points so that the overflows do not occur on private property.

Overflows are authorised by the Network Discharge Consent. This requires a programme of upgrading of the network to ensure, over time, that overflow frequencies are reduced or a Best Practicable Option (BPO) is applied.

Watercare has many projects underway, to reduce overflow frequencies or apply a BPO, such as:

- Glen Innes storage pipe and pump station upgrade
- Wairau Road network upgrade
- Northcote wastewater upgrades.

Examples of works recently completed, which will reduce overflow frequencies include:

- Fred Thomas Drive Wastewater Pump Station
- Franklin Road stormwater separation and wastewater upgrades
- Glen Eden storage tank and network upgrades.

4. RESOURCE CONSENT COMPLIANCE SUMMARY

Auckland Council categorises compliance with Resource Consents into 4 Categories:

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

- Category 3 and 4 refer 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. These are reported to the Board via this report in Table 2 below. We would typically receive notification or have warning of a category 4 non-compliance well before we prepare this report.

Below are two tables summarising Watercare's compliance with its active Resource Consents as at the end of June 2018.

Table 1: Compliance Status of Active Consents*

	Jan	Feb	Mar	Apr	May	Jun
Number of total active consents	503	499	491	485	485	483
Number of non-compliant consents	22	8	11	11	9	10
Number of non-compliant category 3 conditions	4	3	2	2	2	3
Number of non-compliant category 1 or 2 conditions	8	8	12	10	8	10

* *Note: Excludes unimplemented consents.*

In June 2018, there were no non-compliant consents in Category 4. The number of non-compliance consents in total has more than halved since January 2018, from 22 down to 10.

Table 2: Non-compliant consents in Category 3 in June (self-assessed)

Facility or Project	Background & Reason for Non-Compliance	Explanation	Action & Target	Current Self-Assessed Council Compliance Rating
Water Treatment				
Huia WTP	Exceeded Aluminium limits	Additional sludge residue washed to stormwater due to increased sludge removal and heavy rainfall	Sludge area improvement works are underway	3
Wastewater Treatment				
Owhanake WWTP	Exceeded daily discharge volume	One off increase in wastewater inflow in dry weather	New MBR plant to be installed before summer 2019	3
(Waiheke)	Exceeded total suspended solids limits	Due to exhausted slag beds		3

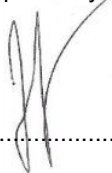
We have self-assessed the above consents as Category 3 because of a repeat of low score non-compliance.

There have been no adverse effects on the environment. Actions are underway to address the non-compliance at these two assets as noted above.

5. RECOMMENDATION

That this report be received.

Report prepared by:



.....
J Gaglione

Resource Consents Planner

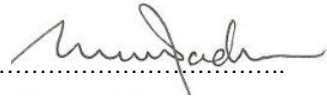
Recommended by:



.....
S Morgan

Chief Operations Officer

Approved for submission by:



.....
R Jaduram

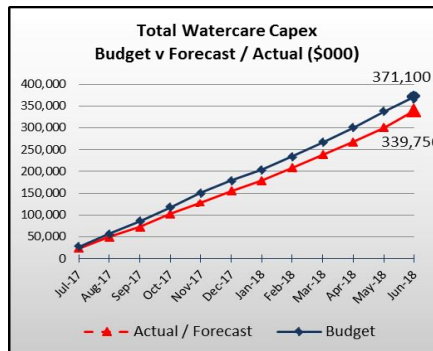
Chief Executive

WATERCARE PUBLIC REPORT CAPITAL EXPENDITURE



6.3

TOTAL WATERCARE EXPENDITURE	Year to Date		Annual Performance	
	Actual	Budget	Actual + Forecast	Budget
Strategy & Planning	8,151	33,493	8,151	33,493
Infrastructure Delivery	197,618	205,656	197,618	205,656
Service Delivery	87,412	84,949	87,412	84,949
Retail	14,051	12,322	14,051	12,322
Information Services	4,094	7,575	4,094	7,575
Other	16,948	14,533	16,948	14,533
Capitalised Interest	11,482	12,572	11,482	12,572
Watercare Total	339,756	371,100	339,756	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					
Orewa Number 1 Replacement Stg 3	15,463	63	1,800		
Albany Pinehill WM & PS	17,177	9,797	11,976		
North Harbour WM Duplication - GBWD	51,163	3,539	5,544		
Hunua 4 Section 11	69,329	6,840	3,110		
Huia 1 and Nihotupu 1 Replacement	133,069	1,252	1,840		
Redoubt Road Reservoir Expansion	42,900	089	1,318		
Ardmore WTP Treated Water Resilience	27,600	1,796	5,640		
Pukekohe East Reservoir	28,614	1,366	6,091		
Waikato 175MLD Expansion Stage Ultimate	32,850	5,939	13,050		
Wastewater Projects >\$15 Million					
Mangere WWTP BNR Capacity	143,250	8,424	7,357		
Mangere WWTP Solids Stream Upgrade	54,461	16,246	13,950		
Snells Algies WWTP Ocean Outfall	32,894	458	11,180		
Snells WWTP Upgrade	66,346	1,536	4,050		
Warkworth to Snells Transfer Pipeline	69,613	1,094	1,117		
Army Bay WWTP Outfall Upgrade	37,700	24,356	10,518		
Rosedale WWTP Expansion Project	62,300	3,020	11,400		
East Coast Bays Link Sewer Upgrade	29,200	2,018	600		
Wairau Wastewater Pump Station	21,400	591	1,910		
Northern Interceptor - Stage 1	108,000	4,819	4,626		
Central Interceptor	1,180,900	5,881	2,017		
Glendowie Branch Sewer Upgrade	36,082	962	6,650		
Clevedon Wastewater Servicing	20,119	296	1,400		
Pukekohe WWTP Upgrade	66,000	5,278	2,507		
Shared Services >\$15 Million					
Networks Controls Upgrade	18,820	1,391	220		
Capex Programme (Design / Execution)					
>\$15 Million	2,365,250	107,049	129,871		
>\$2 Million <\$15 Million	233,206	86,034	84,294		
<\$2 Million	28,035	6,919	8,614		
TOTAL	2,626,491	200,002	222,779		

Watercare Services Ltd
Financial Summary 2017-18
Report Period June 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

	July	August	September	October	November	December	January	February	March	April	May	June	July	August	September	October	November	December
Board	31-Jul	31-Aug	26-Sep	30-Oct Newmarket*	28-Nov	17 Dec (Teleconference)	29-Jan	26-Feb	28-Mar	30-Apr	28-May	25 June (NB - Strategy day on 24 June as well, with Board dinner)	29-Jul	30-Aug	24-Sep	30 Oct (with Board dinner on the 29th)	26-Nov	17 Dec (Teleconference)
Meetings																		
Audit and risk committee	31 Jul (before Board meeting)	17- Aug (10-12noon)			28-Nov (after Board meeting)		29-Jan (before Board Meeting)					27 May (3pm-5pm)	29 July (before Board meeting)	23 Aug (9-11am)		29 Oct (3-5pm)		
People, Remuneration and appointments committee		31 Aug (after Board Meeting)		30-Oct (after Board meeting)			29 Jan (after Board meeting)			30 Apr (after Board Meeting)		25 Jun (after Board Meeting)	Week starting 15 July - exact date TBC.	30 Aug (after Board Meeting)		29 Oct (1-3pm)		
STP Committee		30 Aug (5-6pm)																
AMP & Major Capex Committee		30 Aug (3-5pm)			9 Nov (10-12noon)													
Charter reviews	Corporate Governance Charter	PRAC charter							AMCC Terms of Reference	STP Terms of Reference	A&R Charter					PRAC charter		
Policy reviews	Enterprise Risk Policy				Our commitment to H&S Policy					2020 - Good Employer Policy	2020 - Sensitive Expenditure Policy 2020 - IGCs				Tax Risk Management Policy			Fraud Policy
Delegations											Annual review of board delegations to CE							
Quarterly risk reviews	Risk report			Risk report			Risk report			Risk report			Risk report					Risk report
Compliance	Statutory compliance			Statutory compliance			Statutory compliance			Statutory compliance			Statutory compliance					Statutory compliance
Governance																		
Shareholder interaction		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		Q3 quarterly report due TBA	Q3 briefing to F&P Committee TBA		Q4 quarterly report due TBA	Q4 briefing to F&P Committee TBA Auckland Council's A&R Committee Date TBC	Q1 quarterly report due TBA	Q1 briefing to F&P Committee TBA	
Site Visits	Site Visit to Inner City CI Sites - 31 July (after Board Meeting)		Site Visit (after Board Meeting)		Site Visit (after Board Meeting)			Site Visit (after Board Meeting)		Site Visit (after Board Meeting)			Site Visit (after Board Meeting)		Site Visit (after Board Meeting)	Date TBC		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			Apr-Jun 19 Report			Jul-Sept 19 Report		
Board Training & development											H&S Board Update							
Strategic planning												Strategy Workshop 24 June followed by Board Dinner						
Business strategy																		
Strategy updates	Human Capital: Ask your Team	Social and Relationship Capital	Manufactured Capital	Intellectual Capital	Manufactured Capital	Financial Capital	Natural Capital	Human Capital	Social and Relationship Capital	Manufactured Capital	Intellectual Capital	Financial Capital	Natural Capital	Human Capital	Social and Relationship Capital - includes <IR> Capitals	Manufactured Capital	Intellectual Capital	Financial Capital
Key finance and business decisions	Approve Auckland Council Reporting Pack <i>June financials in confidential</i>	a) approve 2017/18 accounts, b) delegate final sign off of 2017/18 Annual Report <i>July financials in confidential</i>	Update from WUCAT <i>August financials in confidential</i>	AMP		Draft Auckland Council Annual Plan - approve Watercare input*	Approve half year accounts	a) approve financials for Draft SOI including projected 19/20 price increases, b) approve long term financials for Auckland Council modelling Approval of CI Contract <i>December financials in confidential</i> <i>January financials in confidential</i>		Auckland Council to notify Watercare of Group Treasury Interest Rate by 30 April	Present plan for Year End to A&R Approve Insurance Proposal Auckland Council and Watercare to review Treasury interest rate by 31 May	Approval of 2019/20 Budget Mayor's Treasury Guarantee Letter due by 30 June	Approve Auckland Council Reporting Pack <i>June financials in confidential</i>	a) approve 2019/20 accounts, b) delegate final sign off of 2019/20 Annual Report <i>July financials in confidential</i>	Update from WUCAT <i>August financials in confidential</i>	AMP		Auckland Council Draft Annual Plan - approve Watercare input*
Statement of intent		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	Draft 2019-2022 SOI for Board's review	Approval of Draft 2019-2022 SOI		Present shareholder SOI feedback at public meeting. Public Deputations received.	Final 2019-2022 SOI approved and issued to shareholder		Final 2019/2022 SOI adopted by Auckland Council			2018/2019 SOI Results to be presented to Board at Public Meeting. Public Deputations received.		2020/21 Letter of Expectation to be received

7.1

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests – Executive Management – For Information

Date: 24 July 2018

Executive	Interest
Raveen Jaduram	Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust Steering Committee Member – Business Leaders' Health and Safety Forum Board Member – Committee for 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
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	Director – Die Weskusplek Pty Ltd (South Africa)
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 –
For information

Date: 24 July 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.

R Jaduram
Chief Executive