WATERCARE SERVICES LIMITED

AGENDA	BOARD MEETING Wednesday 28 November 2018			
Venue	Watercare Services Limited, Level 3, 73 Remuera Road, Newmarket			
Time	9.30am			

Open Public Meeting

Item		Spokesperson	Action sought at governance meeting	Supporting Material		
1	Apologies	Chair	Record apologies			
2	Minutes of Meeting	Chair	Approve Board Meeting Minutes 30 October 2018	Board Minutes 30 October 2018		
3	Disclosure of Directors' Interests	Chair	For noting	Report		
4	For discussion					
4.1	Safety Moment	All	For sharing	Nil		
4.2	Chief Executive's Report	R Jaduram	For discussion	Report		
4.3	Board Committee Updates	Committee Chairs	For discussion	Nil		
4.4	Accountability Policy & Auckland Plan 2050 Update	Auckland Council	For discussion	Presentation		
4.5	Auckland's Waters Update	Andrew Chin - Auckland Council	For discussion	Presentation		
5	For approval					
5.1	PRAC Charter	E McBride	For information	Report		
6	Directors' Corporate Governance Items					
6.1	Board Planner	Chair	For noting	Report		
6.2	Disclosure of Senior Executives' Interests	Chair	For noting	Report		
6.3	Directors' Appointment Terms and Committee Memberships	Chair	For noting	Report		
7	General Business	Chair	For discussion	Nil		
Date	e of next meeting	Tuesday, January 2	9 2019			
Ven			, 73 Remuera Road, Newmarket			

MINUTES DRAFT

SUBJECT WATERCARE SERVICES BOARD MEETING

VENUE Watercare Services Limited, 73 Remuera Road, Remuera, Auckland

DATE 30 October 2018

TIME 8.30am

STATUS Public Session

	Present: M Devlin (Chair) N Crauford B Green C Harland Hon Dame A King D Thomas	In Attendance: R Jaduram (CE) J Glennon S Webster S Morgan A Singleton M Bridge E McBride B Struthers until end of 4.3 C Thurston until end of 5.2		
1.	to the Chair ahead of the mee		eputy Chair had provided feedback sent their apologies.	
2.	Minutes of Previous Meeting The Board resolved that the r September 2018 be confirme	minutes of the public section o	f the Board meeting held on 26	
3.	 Review Disclosure of Directors' Interests M Devlin is now the Chair of the Port of Lyttleton Port Company Limited. B Green is no longer a director of Bay Dairy Limited. B Green requested the following be added to his disclosure of interests, namely, Runanga Manukau Institute of Technology - Te Whaklakitenga o Waikato representative. N Crauford's work with the EPA decision making committee relating to OMV's application for a discharge consent has been completed. This item can be removed from the list of interests. D Thomas declared his conflict of interest given his position in the Fletcher Group. The Fletcher Group is a member of one of the four consortia bidding for the Central Interceptor (CI). Over the coming months, there will be confidential, commercially sensitive information that will be brought to the attention of the Board, which is unlikely to be shared with all four consortia. D Thomas is not to receive any sensitive information that would cause a conflict of interest and will excuse himself from the meeting for any agenda item that concerns such sensitive information. 			

4. For Discussion

4.1 Safety Moment

B Struthers, Head of Health and Safety, provided a safety moment.

- The near miss last month at Rosedale wastewater treatment plant has revealed that each wastewater treatment plant has adopted its own process for clearing debris from screw conveyors.
- This has demonstrated a need to Management that there is an opportunity to obtain consistency in process across the individual sites for this process. However, it has also demonstrated that our people are passionate about finding solutions and ensuring our service provision is not compromised.
- The near miss has provided the business with a useful learning experience, and a consistent solution will be implemented across all sites.
- Management confirmed that whilst a long term solution is being addressed, the risk is being managed and mitigated.

4.2 Chief Executive's Report

Management responded to questioning from the Board.

Health and Safety (Boardbooks pages 13-21)

- Worksafe recently released a Quarterly Report on safety performance in New Zealand, which highlights a high number of fatalities in the construction industry. For the November 2018 meeting, Management will provide an update on this report, and the learnings we can draw from it.
- The laboratory technician with shoulder pain had a repetitive strain injury. This has been identified early and is being managed appropriately.
- A serviceman who pricked his thumb was wearing "cut resistant" gloves. However, this did
 not protect him from being injured. We are investigating whether alternative gloves could
 be used.
- Following the near-miss at Rosedale wastewater treatment plant, we are investigating the interlocks and e-stops at all operational sites.
- For the ACC Partnership Review, Management is considering including Waikato District Council (WDC) negotiations into their assessment.
- In September 2018, Worksafe conducted a site visit to the Ardmore water treatment plant, as part of the review of the Safety Case of our Major Hazard Facility. We are working with Worksafe to ensure the Safety Case will be accepted. This is likely to be the largest Safety Case that Worksafe have completed. The Safety Case will be completed in 3-4 months, but may have some "provisos" associated with it. Usually, Worksafe does not accept Safety Cases with provisos. However, in this instance, it may do so, as we will need additional time to source new equipment..
- Our Synergi software system was installed in 2014. We bypassed the second version.
 However, the third version is quite different, so the business is reviewing the need to upgrade to this version.

SOI Measures (Pages 22-25 of Boardbooks)

 At the February 2019 meeting, Management will provide a detailed update on Bulk Supply Points and the non-revenue water strategy.

Financials (Page 28)

• At the November 2018 Meeting, Management will provide a detailed update into planned and unplanned maintenance.

Awards won by our people and projects in August and September (page 51 of Boardbooks)

• The Board congratulated all award winners. A morning tea will be held in the New Year to celebrate and acknowledge these award winners.

Customer service (page 35-39 of Boardbooks)

- The drop in customer satisfaction in January 2018 is the result of a combination of factors. We do less sampling in January, and do more collections, so a dip in the score is typical at this time of year.
- Our NPS questions are under review. As we are a monopoly provider, the question "would you recommend Watercare to others?" is not appropriate. The question was recently changed to "would you speak highly of Watercare?" However, this question has also raised some issues as customers have told us they simply do not talk about their water utility provider. We are therefore investigating alternative questions that would provide a meaningful measure.
- Our automated payments graph will be updated next month. It will continue to show direct
 debits, but it will also show other automated payments. The 45% target was set as this is
 the performance Auckland Council is currently achieving. It is therefore a realistic, yet
 aspirational, target as water charges are frequent (12 times per year) and vary from invoice
 to invoice. In comparison, rates are only 4 times per year and the amount is fixed which
 makes automated payments easier for customers.
- Our customer team is reviewing the need to introduce "smooth pay", so customers pay a
 certain amount each month, with a top-up/balancing payment, if necessary, every 6
 months.
- Last week, BNZ alerted our billing team to a suspicious activity related to a Watercare account. A bot, traced back to an ISP address in South America, attempted to pay a small amount of money against one Watercare account, 8,500 times. The bot was successful 8 times, and in total, paid approximately \$50 towards this Watercare account. BNZ noticed the suspicious activity and advised us that the fraudster in South America was testing a stolen credit card by making a number of very small payments, via bot, to see if the card works. Once they receive confirmation the stolen card works, they then use it for larger purchases. We have now introduced a policy where customers have only three attempts to pay a bill, after which, the system will not accept further payments. We are also investigating installing a further layer of questioning only a human could answer, before a payment is processed. The Watercare customer affected has been contacted and assured that their privacy was not breached.
- The Board commended the team on the MSN opening in October. The facility opens up a
 number of opportunities to our people, as well as trainees and workers from other utility
 providers. MSN staff are enjoying the facility; it means trainees complete their training
 faster, are productive quicker and have the added benefit of moving up the pay-scale faster.

- Management reported that they had received two letters regarding our MSN workers.
 - Two MSN workers in the field come across an AIM worker who had collapsed. Our MSN workers sheltered the collapsed worker from the rain, called emergency services and stayed with the worker to ensure he was safe until emergency services arrived. AIM's facility manager wrote to express how impressed she was with Watercare's MSN staff members and their behaviour.
 - We also received a letter from a member of the public, whose son had fallen off a bike.
 Two of our MSN workers had witnessed the accident and used their first aid kit to attend to the injured child.

WUCAT Round table

• The Board commended the WUCAT team for the round table initiative.

Auckland's Waters

 Andrew Chin from Auckland's Waters will present an update to Board at the November 2018 board meeting.

s17A Three Waters Review

- The s17A review recommended that Watercare and Healthy Waters explore some stormwater services being provided by Watercare.
- Martin Jenkins has now completed a report on this matter and Management will provide the Board with an update in November 2018.

People, Capability and Learning (page 33)

- The percentage of voluntary leavers target is now 15% (up from 12%).
- The target has been raised but remains 3% below the national rate of attrition (18%).
- Watercare's score remains below target, but is still a challenging target in the current tight labour market.

4.3 Board Committee Updates

Strategic Transformation Programme Committee

The next meeting will be held in late November 2018.

PRAC Committee

The next meeting is later today.

Audit and Risk Committee

The next meeting is scheduled for late November 2018.

AMP & Major Capex Committee

The next meeting is scheduled for 9 November 2018.

5. For Information

5.1 Our Performance Under the 2017/2018 Statement of Intent

This item was presented after item 5.2, and after the two members of the public had left.

- E McBride, Governance Manager, provided the Board with a presentation on Watercare's performance under SOI.
- A copy of the presentation will be uploaded to the Watercare website as it provides a useful summary of the Annual Report 2018.

5.2 Public Deputations

Sarah Thomson and Grant Hewison from the Waitemata Low Carbon Network (the Network) presented to the Board. They raised the following key points:

- The Intergovernmental Panel on Climate Change recently released a special report calling for "rapid and far-reaching transition" to combat climate change and keep global warning down to a rise of only 1.5°C, rather than a rise of up to 2°C or 3°C.
- Mr Hewison urged Watercare to play a part in helping to reduce global emissions.
- The Network was pleased to see that Watercare had signed up to the Climate Leaders Coalition to measure greenhouse gases and set emissions reductions targets.
- In relation to greenhouse gas emission reporting, they would like to see Watercare target a global rise in temperature of 1.5°C.
- The Network was disappointed by the 6% reduction in greenhouse gas emission from 2017 emissions. The Network consider, when this figure is analysed closely, that it is not a real reduction. This was due to the fact that Watercare's greenhouse gas emissions were higher than normal in 2017. Therefore, by their assessment, the 6% reduction in fact returned Watercare's greenhouse emissions to a "business as usual" position. The Network asked Watercare to provide further detail around its 2018 greenhouse gas emissions.
- The Chair advised Ms Thomson and Mr Hewison that she has asked Management to provide a detailed response to the Board by November, and this will be shared with them.
- In relation to the Emissions Trading Scheme (ETS), the Network was disappointed that Watercare's submission to the Productivity Commission stated that wastewater plants should not be part of the ETS at this stage. The Network challenged Watercare to emulate the leadership position taken by the Queenstown Lakes District Council (QLDC). QLDC was generally supportive of an introduction of wastewater emissions to the ETS. QLDC agreed that with even with technology available today, there are investment options available to some wastewater treatment schemes that would reduce emissions while still meeting effluent discharge requirements. QLDC also noted that while there is uncertainty in emission estimation, this should not be an impediment to considering a staged introduction of wastewater emissions into the ETS.
- The Chair thanked Ms Thomson and Mr Hewison for their presentation and noted they would be provided with a written response to their presentation in due course.

Ms Thomson and Mr Hewison departed the meeting at the end of this item.

The Board then returned to item 5.1 (above), before moving onto item 5.3.

5.3 Strategic Business Plan Update

J Glennon spoke to the presentation. Key points included the following

 E-billing adoption is currently around 300 customers per day, up from 100 customers per day. Management is satisfied with the numbers and the positive trend.

- In November 2018, the Board will be presented the results of the first Employee NPS survey.
- We are currently running staff roadshows focussing on resilience. Feedback from staff has been very positive and they have enjoyed learning more from our providers, such as Southern Cross, BNZ and AON, who provide health, life and income protection insurance to our staff.
- In November 2018, Management will be presenting the Board with a contractor integrated partnering strategy for the delivery of our infrastructure capital. This has been driven by the goal to drive improved Health and Safety results, reduce TOTEX, reduce carbon usage and provide the industry with the ability to invest in people and new ways of working. The strategy is bold and disruptive in a positive way. The planned commencement date is 1 June 2019.
- The Board were pleased to learn more about the solar schemes underway in Pukekohe and Wellsford. The installations are the 3rd and 4th largest in New Zealand. Watercare has a list of other sites that may be suitable for solar installations. The Board requested that Management not just consider the economics of solar installation, but also the other benefits solar may provide when deciding whether to install on a particular site (i.e. also consider the benefits of increased resilience and better environmental outcomes that solar may provide). Tours of the new solar facilities will be undertaken in due course.
- Hyundai recently allocated two new Kona EVs to Watercare. There are only 12 in the country, but Hyundai allocated two to the Watercare fleet, as they recognised our leadership in this area.
- The Branding Strategy is being rolled out to our employees. We are currently updating Watercare's LinkedIn profile. Senior Manager's profiles will also be created or updated, with links to Watercare stories.

6. Directors' Corporate Governance Items

6.1 Board Planner

The report was noted.

- There is no Board meeting in December 2018.
- Management will, however, provide a confidential CE's report and Financial Report to the Board.
- There will be a Board dinner on 27 November 2018.

6.2 Review Executive Management Disclosure of Interests

The report was noted.

6.3 Director Appointment Terms and Committee Memberships

The report was noted.

- The Chair is continuing to discuss the October 2019 issue with Council, when five directors' terms all end on the same date.
- A paper will be presented to the Appointments, Performance Review and Value for Money Committee on 1 December 2018 setting out the options for addressing the rotation.

7.	General Business
	Nil.
	The meeting closed at 10.15am

CERTIFIED AS A TRUE AND CORRECT RECORD

Margaret Devlin **Chair**



Report to the Board of Watercare Services Limited

Prepared for the 28 November 2018 Board meeting

Disclosure of Directors' interests

Purpose			Team					
Information Discussion Approval Prep		Prepared	Prepared Re		nended	Submitted		
▽			E McBrid Governar Manager	nce	R Fishe Compai	r ny Secretary	M Bridge Acting Chief Executive	
Intellectual capit	al People and culture	Community and stakeholder relationships		Financial cap resources	oital & Natural environment		Assets and Infrastructure	
	2	•						

1. Purpose and context

s140 Companies Act 1993 requires all companies to keep an Interests Register, which must be disclosed to the Board of the company.

2. The details

Watercare Services Limited's Directors' Interests Register is set out below.

Director	Interest
Margaret Devlin	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
	Councillor, The University of Waikato Council
	 Member, Audit and Risk Committee of The University of Waikato
	Director and Chair, Lyttleton Port Company Limited
	Director, Infrastructure New Zealand
	Chartered Fellow, Institute of Directors
	Member, Institute of Directors, Waikato Branch Committee
	Member, National Infrastructure Advisory Board
Catherine Harland	Director, McHar Investments Limited
	Director, Interface Partners Limited
	Trustee, One Tree Hill Jubilee Educational Trust
	Member, Auckland Regional Amenities Funding Board
	Member, Urban Planning Pillar Critical Friends

Director	Interest
Julia Hoare	 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	 Director, Environmental Protection Authority (EPA) Member of Electoral Authority, Cooperative Bank Limited Specialist Advisor, WorleyParsons New Zealand Limited 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	 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, Winstone Wallboards Limited
Brendon Green	 Director, Kaitiaki Advisory Limited Director, Tainui Kawhia Incorporation Director, Peak2Peak 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) Runanga Manukau Institute of Technology - Te Whakakitenga o Waikato representative
Hon Dame Annette King	 Chair, Life Flight Trust Wellington. Interim Chair, Earthquake Commission (EQC)



Report to the Board of Watercare Services Limited

Prepared for the 28 November 2018 Board meeting

Chief Executive's report for October 2018

HIGHLIGHTS AND LOWLIGHTS

1. Health and Safety:

- There was one Lost Time Injury (LTI) involving a Watercare employee in October arising from treatment for an injury incurred in September 2018.
- There were three contractor injuries this month, resulting in an LTI and a Medical Treatment Injury (MTI).
- A significant near miss occurred when an 11kV cable duct was damaged during site work. Another near-miss involved a capped gas main that was damaged during work on a watermain, requiring emergency services on site.
- The Ardmore water treatment safety case received an initial rejection from WorkSafe. A working group is working on detailed plans to address the reasons for the rejection, and we will re-submit an amended safety case by 1 March 2019.
- We are robustly challenging data provided in an attempt to improve reported information.
- 2. SOI measures: Four SOI measures are not being met the real water loss, NPS, water consumption and wet weather overflows. The water consumption measure is trending back in the right direction after a long, hot summer. To address real water loss, we are working to re-establish district metered zones, which will allow us to monitor flows in smaller zones, allowing us to identify high leakage areas more easily.

3. Financial Summary

- October 2018 revenue was \$0.9m favourable to budget, with new developments and water and wastewater revenue making up the majority of this variance.
- Controllable costs were \$1.0m unfavourable to budget, primarily due to higher than budgeted unplanned maintenance.
- The Balance Sheet and Profit and Loss Statement is appended as **Appendix A.**

4. People, Capability and Learning:

- In October 2018, we launched our Employer Net Promoter Score (e-NPS).
- We held our bi-annual, organisation wide expo, which had a "resilience" theme.
- We have launched two projects to digitise people processes, namely a learning management system, as well as our Service Now process.
- We are reviewing the ways we work, from a behavioural, physical and digital perspective, in order to optimise our working environment.

• We have a new Head of Digital Delivery and a new Head of Data and Analytics. We are currently recruiting for a new Head of Construction.

5. Customer service:

- Complaint resolution was 98.7% in October 2018. This remains above our 95% target.
- The Customer satisfaction score was 83.5%. The rolling 12-month average remains above target, with an average score of 82.9%, against a target of 80%. The rolling 12 month average NPS was 29, against a target of >30.
- 45% of customers now receive their bills by email (up 1% from last month).
- On 17 October 2018, we officially opened the MSN training facility at Mangere. This award winning facility is boosting the skills and confidence of new recruits who will work on our water and wastewater networks, and deal with our customers in the field.

6. Community and stakeholder relationships:

- In October 2018, we held a site blessing at the Pukekohe East Reservoir project. Management also attended a relationship meeting with Waikato-Tainui at Ngaruawahia.
- We worked with Orakei Local Board Chair, Kit Parkinson, and Councillor Desley Simpson, regarding a complex wastewater and stormwater issue in Purewa, and produced a special community newsletter, "Meadowbank Matters" reminding people how about how to care for their drains.
- We hosted another successful Developers' Forum in October 2018 the Hon Minister Shane Jones was our guest speaker. Minister Jones spoke about the Treasury's new Interim Infrastructure Transactions Unit.
- We continued discussions with the Waikato District Council regarding Watercare entering a commercial arrangement to provide water, wastewater and stormwater services in the District.
- In October, we were visited by counterparts from the water and wastewater operators in Denmark and the USA.
- Council Officers will also be at attending to update the Board on the Auckland Plan 2050, as well as the Long Term Plan's Accountability Policy.
- As widely reported in the news, Crown Infrastructure Partners (CIP) is facilitating the financing of infrastructure to support Fulton Hogan's Milldale development in Wainui.

7. Natural Environment update:

- The Auditor General visited our Ardmore water treatment plant as part of their fresh water quality and supplies review.
- Andrew Chin, from Auckland Council's Healthy Waters will be attending the Board meeting to update the Board on the Auckland's Waters Strategy.
- In October, a number of our people attended the 10th Australia-New Zealand Climate Change and Business Conference in Auckland.
- **8. Resource Management Act compliance:** There were no non-compliant Category 3 or 4 consents in October 2018.

9. Digital update: Our Strategic Transformation Programme has entered Release 4 of 6 after achieving the goals set for Release 3.

10. Assets, infrastructure and sustainability:

- The Central Interceptor remains on schedule. We are assessing the four tenders and we will make a recommendation to the Board in November 2018. Work will commence in mid-2019.
- Our Mangere Biological Nutrient Facility (BNR) Facility and BNR Project Manager, Sven Harlos, won awards at the 2018 Project Excellence Awards.
- Following the 1080 drops in the Hunua Ranges in September 2018, all water samples taken from our water supply reservoirs showed no trace of 1080.

MARKET ACTIVITY

• In October, HRV (owned by Vector) was fined \$400,000 after pleading guilty to making unsubstantiated claims about the benefits of its water filters and for making misleading claims about the quality of New Zealand's home water supply.

FUTURE OUTLOOK

Upcoming Board meetings

- The final Watercare Board meeting for 2018 will be on 28 November 2018.
- The first Board meeting for 2019 is on 29 January 2019.

Infrastructure being "handed" to Watercare

- We are finalising commercial arrangements with Vector and Mercury for the "handover" of water infrastructure in Broadway Park in Newmarket. Approximately 300 customers will become Watercare customers in early 2019.
- We are currently working with Paremoremo Prison (Department of Corrections) to "handover" infrastructure that connects via a syphon to our infrastructure. This will enable further development to occur in the area; an area where Te Kawerau ā Maki may develop housing through land acquired by treaty settlement.

Government reform

- On 20 November 2018, the Hon Minister Nanaia Mahuta made an announcement regarding reforms to the water industry. The government is now in a period of consultation. However, we understand that water assets will remain in public ownership.
- Announcements on infrastructure reform involving the Infrastructure Transactions Unit and Urban Development Agency are expected in November 2018.

Marlon Bridge

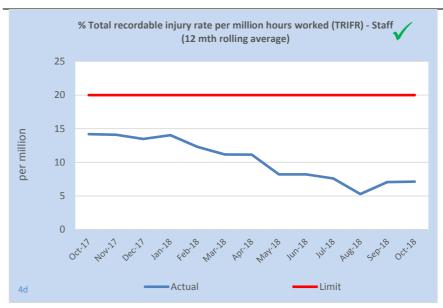
Acting Chief Executive

of Fardye

1. HEALTH & SAFETY UPDATE







ONE WATERCARE WORKER INJURY IN OCTOBER 2018

- In September 2018, a Laboratory Technician experienced shoulder pain, which she mentioned to her GP at a routine appointment. The GP recommended an ultrasound and a subsequent cortisone injection was administered. Due to the pain caused by the injection, the worker was declared unfit for work for two days during October 2018.
- As reported in last month's CE's report, occupational injury prevention training was arranged for all laboratory staff with 60 employees attending a two-hour session in November 2018. Modifications have also been implemented to the analyser the technician was working on to reduce manual handling exposure.

THREE CONTRACTOR WORKER INJURIES IN OCTOBER 2018

- A cleaner caught her foot in flax overhanging a pathway. She
 fell onto both knees, causing abrasion and bruising. Due to an
 existing medical condition, the doctor prohibited the worker
 from working on a wastewater site for two days. The
 vegetation was subsequently cut back around all pathways
 onsite. We also reviewed the garden maintenance
 inspection regime and increased the frequency of inspections.
- A meter reader's finger was punctured by an injection needle when clearing leaf litter and debris from a meter box. The meter reader had a hospital check and underwent testing. Follow-up testing will occur in six months' time. The contractor took some time to report this injury this to Watercare. We are seeking advice from Synergi on deploying Synergi Live app for contractors to use on their handheld devices to enable early reporting and support when injuries occur. We have recommended to our contractors that meter readers carry gloves. We have also met with our PPE supplier to review cut and puncture-proof gloves.
- A meter reader suffered a dog bite, whilst reading a meter.
 PPE (clothing) protected the worker from significant injury. We will relocate the meter.

THERE WERE TWO SIGNIFICANT INCIDENTS/HAZARDS/NEAR MISSES IN OCTOBER 2018

- 11kv cable cladding was damaged whilst excavating for the piling platform at the
 Glendowie sewer upgrade project. The 11kv service route was retraced and fully
 demarcated. Following repair to the damaged 11kv cable, the service remained
 de-energised while works adjacent to the service were undertaken. The
 contractor will be working more closely with Vector in the project planning
 phase to identify and implement preventative actions when working around
 buried services.
- During repair to a burst water main on 30 October 2018, the contractor repair crew damaged a capped gas service line. Fire, Police and Vector attended to manage the site whilst emergency repairs were completed. The initial report was inadequate so Management and MSN representatives have requested an investigation and will meet the contractor team on 19 November 2019 to obtain a full report.

FOLLOW UP FROM SEPTEMBER 2018 NEAR-MISSES

- Following the near-miss at Rosedale wastewater treatment plant, machinery, interlocks and safety mechanisms have been independently audited. Inspections have been completed and we await the independent report.
- Our M\u00e4ngere Operations Team are currently monitoring and logging blockages in the screen room to provide further data for screen and screw conveyor improvement projects.

ACC PARTNERSHIP REVIEW

- Following consultation with the Executive Team, we are reviewing proposals from two Third Party Administrators.
- A final decision will be made before Christmas on whether to adopt the ACC Partnership Programme.

H&S TEAM REVIEW

- The Health and Safety team is reviewing how to improve the engagement and delivery of Health, Safety and Wellness within Watercare.
- This review will be complete by the end of November 2018.

ARDMORE WATER TREATMENT PLANT SAFETY CASE

- WorkSafe has provided us with formal feedback on the Safety Case submission for Ardmore water treatment plant.
- The Safety Case received an initial rejection.
 However, this was not unexpected because this is a new process for WorkSafe.
- We now have an opportunity to re-submit an amended safety case for assessment by 1 March 2019.
- WorkSafe will then make a final decision on whether to reject or accept the safety case.
- A working group is now working on detailed plans for the areas that require improvement, including a scrubber, extending the risk assessment and consulting more widely with workers.

HEALTH AND SAFETY TRAINING

- A pilot 'Basic Hazard and Risk Management' and Permit to Work training package was trialled at Ardmore water treatment plant. MSO also participated.
- The pilot identified areas for clarification. We are reviewing the pilot with senior members of Operations Team before it is rolled out to the wider organisation.

WORKSAFE'S QUARTERLY REPORT – LEARNINGS

- WorkSafe's report compares the actual rate of fatalities in New Zealand workplaces against a three year average target rate of 3.0 fatalities per 1000,000 FTEs to be achieved by 2020. The target rate was set by Government in 2016 as part of the Working Safer blueprint for health and safety at work and is a 25% reduction in fatality rate by 2020 based on a baseline of 2008 2010. The actual rate reported in the 30 June 2018 quarterly report was 2.1 and is an average rate for the three year period of 2014 2017. This rate is below the target set but remains higher than the United Kingdom's adjusted fatality rate of 0.9.
- The report also details the year to date number of fatalities by sector over the July 2017 –
 May 2018 period. This indicates that the construction sector had 6 fatalities over this
 period. Agriculture also had 6 and the Utilities (Electricity, Gas, Water and Wastewater)
 had 4. This data is raw numbers and is not a rate based of the number of FTEs in each
 sector. We have asked WorkSafe for FTE data by sector but they did not have this
 information.
- While the only acceptable number of fatalities is zero, the progress by industry towards the target of 3.0 is a step forward for New Zealand. We remain behind the United Kingdom, therefore New Zealand industry must continue to strive to improve. We will work with WorkSafe to gain a better understanding of the performance of the sectors that we have influence over. This information reinforces our desire to keep our people, and our service providers' people, safe at all times.

INSPECTIONS

- Many business units are ahead of an expected inspection completion rate of 33%.
- Watercare House's Health and Safety Committee are working to bring inspections up to date.
- 'Number of inspections' as a measure is not particularly rich data. The Health and Safety team is currently reviewing lead indicators and is working to extract data from Synergi and create report options.

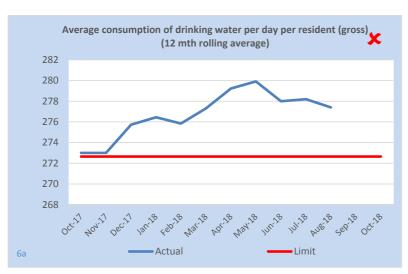
Business Unit	Oct-18	Total	Target for 2018-19	% Complete	YTD progress
Watercare House	0	0	6	0	
Customer					
Laboratories	6	30	110	27	
MSN	39	147	180	82	
Total	45	177	284	62	
Infrastructure Delivery					
Construction	17	73	230	32	
Developer Services	17	104	130	80	
Total	34	177	360	49	
Operations					
Asset Efficiency	2	6	20	30	
Maintenance Delivery	10	72	138	52	
Production	16	80	324	25	
Service Delivery	24	96	250	38	
Water Value	3	12	20	60	
Total	55	266	752	35	
Watercare Total	134	620	1402	44	

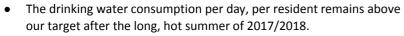
CONTRACTOR LEAD INDICATOR STATISTICS

- The table shows contractor statistics for the last three months on four construction project sites.
- The final row shows October 2018 lead indicators for all contractors.
- Investigation into the methodology for collecting and analysing this data suggests inconsistency in understanding of the information requirements, processes and definitions used between sites and contractors. As an example, one contractor does not differentiate between audits and inspections and another site has a KPI requirement for hazard cards to be raised by each worker.
- There is a clear discrepancy between the number of hazards identified (51), corrective actions raised (6) and those completed (45). Early investigations suggest corrective actions are not being recorded correctly. Further investigation is required.
- Clarification will enable us to educate and set clear expectations with contractors and project managers for the year ahead.

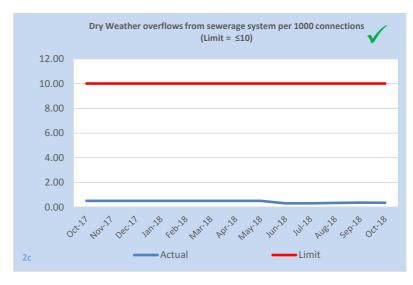
2018	Hours Worked	Audits	Inspections	Hazards Identified	Corrective Actions – Raised	Corrective Actions - Completed	Safe Behaviour	Safety Meetings held
North Shore Trunk Sewer 8	Upgrade							
August	5,900	4	8	0	1	1	45	96
September	4,389	3	9	0	1	1	42	60
October	3,392	5	10	0	6	5	48	46
Albany-Pinehill Watermain								
August	5,348	2	2	19	0	9	6	70
September	7,986	3	2	15	0	2	2	42
October	3,983	2	0	7	0	2	0	33
Rosedale Expansion Project								
August	1,755	5	7	0	0	3	8	26
September	2,820	1	15	20	0	5	20	25
October	1,992	2	35	5	0	0	22	22
Army Bay WWTP Outfall Up	grade							
August	17,316	0	4	32	0	38	4	83
September	12,000	0	4	44	0	44	4	62
October	9,480	0	2	18	0	18	2	38
Sub-Total of above projects – October	18,847	9	47	30	6	25	72	139
All projects - October	46,541	15	73	51	6	45	95	337

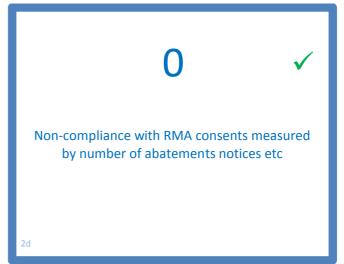
2. SOI MEASURES – 2017-2018 - Natural environment





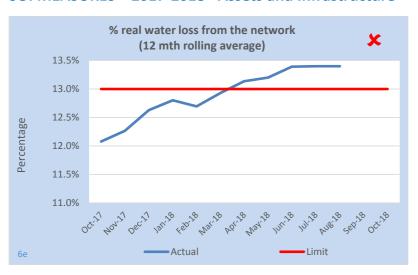
- However, it is finally starting to trend down in the correct direction.
- Consumption increased by 5% from late spring to early autumn during the 2017/18 year compared to the same period in 2016/17.
- This measure is a 12-month rolling average. The highest ever use during the previous summer will continue to affect the results for a further six months.
- We are escalating programmes in our Water Efficiency Strategy to increase Auckland's water efficiency.







SOI MEASURES – 2017-2018 - Assets and Infrastructure



- We have recently identified that some of our Bulk Supply Point (BSP) meters may be overstating supply, resulting in a higher real loss figure.
- As BSP flows and production values were reported for the year-end, the supply correction will be included from July 2018 onwards. The correction may result in a reduction in the real loss percentage.
- A dedicated team has been established to analyse the data provided by the BSPs, to ensure this data is correct.
- Work is underway to re-establish the District Metered Areas in Waitakere; this would allow us to monitor flows in smaller zones, thereby allowing us to identify areas of high leakage more easily.

100% ✓

Compliance with Part 4 of the Drinking Water Standards (bacterial)

100%

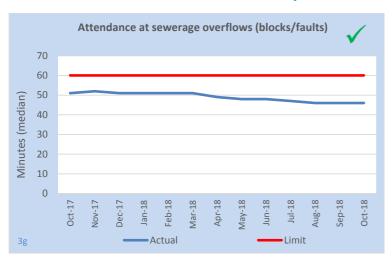


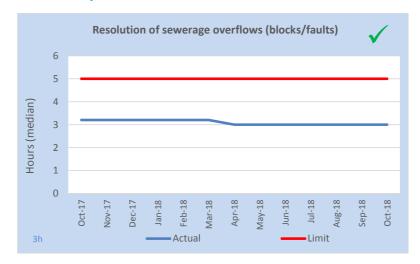
Compliance with Part 5 of the Drinking Water Standards (protozoal)

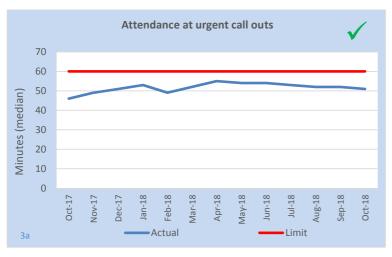
11

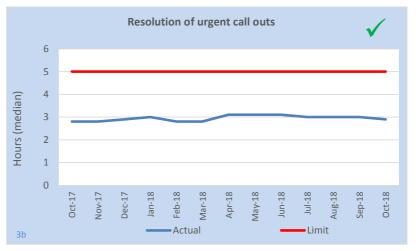


SOI MEASURES – 2017-2018 - Community and Stakeholder relationships



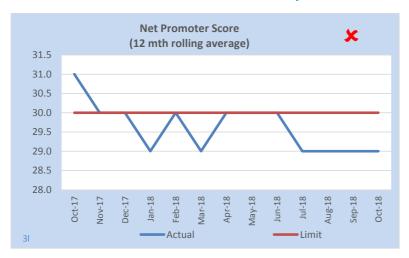


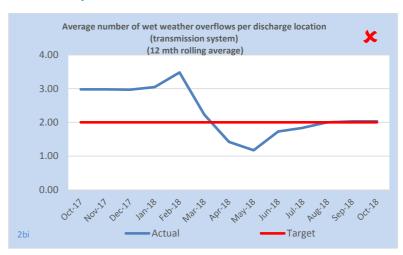


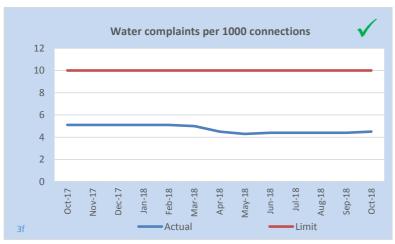


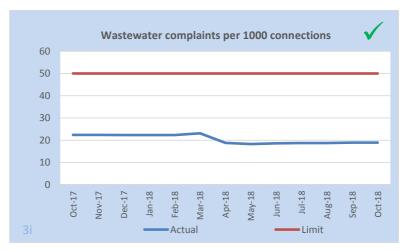


SOI MEASURES - 2017-2018 - Community and Stakeholder relationships continued





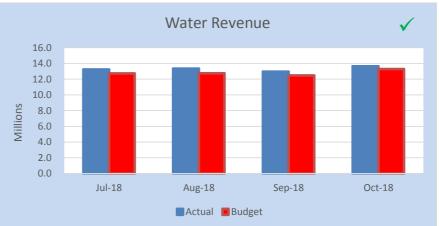


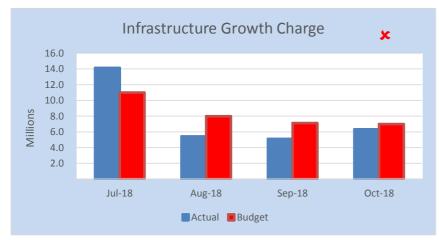


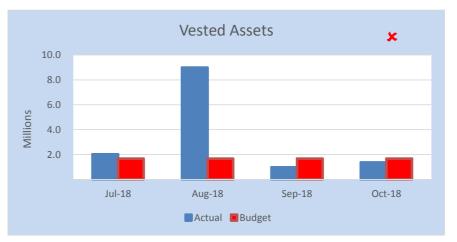
3. FINANCIAL SUMMARY ^(\$)

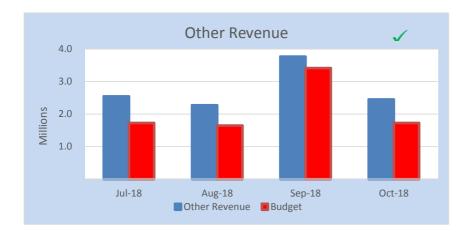
REVENUE











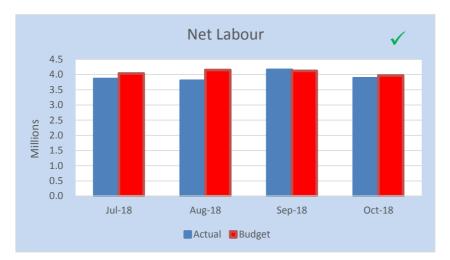
Revenue for the month of \$53.7m was \$0.9m favourable to budget

- Wastewater revenue of \$29.9m was \$0.8m favourable to budget.
- Water revenue of \$13.6m was \$0.3m favourable to budget.
- Water volumes were at an average of 426 mld, 3.44% higher than budget.
- IGC revenue of \$6.3m was \$0.6m unfavourable to budget. Position expected to reverse in the coming months.
- Vested asset revenue of \$1.4m was \$0.3m unfavourable to budget.
- Other revenue of \$2.5m was \$0.7m favourable to budget.

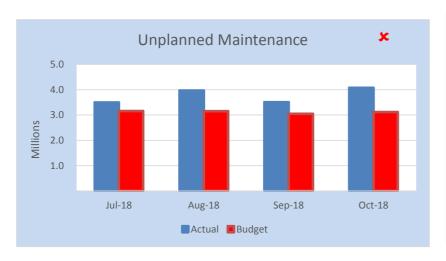
YTD Revenue of \$225.7m is \$13.3m favourable to budget

- Wastewater revenue of \$117.2m is \$4.3m favourable to budget.
- Water revenue of \$53.1m is \$1.9m favourable to budget.
- IGC revenue of \$31.0m is \$2.1m unfavourable to budget. Position expected to reverse in the coming months.
- Vested asset revenue of \$13.5m was \$6.8m favourable to budget.
- Other revenue of \$10.9m was \$2.4m favourable to budget.

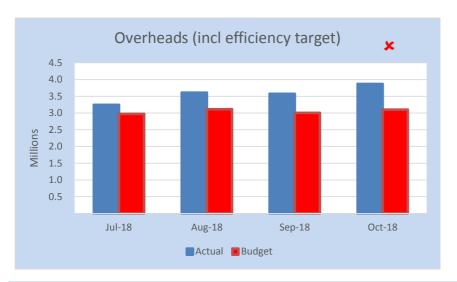
CONTROLLABLE COSTS











Controllable costs for the month of \$19.1m was \$1.0m unfavourable to budget (including efficiency target).

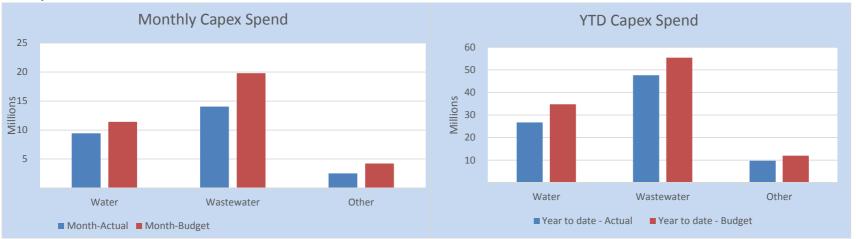
- Net labour of \$3.9m was \$0.1m favourable to budget.
- Planned Maintenance costs of \$1.2m were \$0.5m favourable to budget:
 - > Critical major assets of \$1.0m were \$0.5m favourable to budget due to the unavailability of internal and Maintenance Delivery resources (majority of work done by 3rd party suppliers). Some work being held off while Asset Efficiency & Major Maintenance team established.
 - > Retail assets of \$0.2m was on budget.
- Unplanned Maintenance costs of \$4.1m were \$1.0m unfavourable to budget:
 - > Critical major assets of \$1.0m was \$0.2m unfavourable to budget
 - > Retail assets of \$3.1m were \$0.8m unfavourable to budget (See YTD for further comment)
- Other operating costs of \$6.0m were \$0.1m favourable to budget.
- Overheads of \$3.9m were \$0.1m favourable to budget (excluding efficiency target).
- October controllable costs include a budgeted efficiency target of \$0.7m.

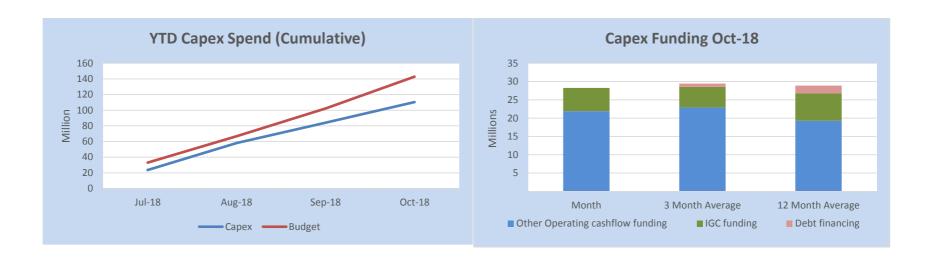
YTD Controllable Costs of \$73.6m was unfavourable to budget by \$1.1m (including the efficiency target)

- Net Labour of \$15.7m is \$0.6m favourable to budget.
- Planned Maintenance of \$5.2m is \$1.2m favourable to budget:

- > Critical major assets of \$4.0m were \$1.2m favourable to budget (refer to October month comments above).
- Retail assets of \$1.2m were on budget.
- Unplanned Maintenance of \$15.0m is \$2.6m unfavourable to budget:
 - > Critical major assets of \$3.9m were \$0.7m unfavourable to budget. Although production unplanned maintenance is in line with same time last year, YTD unplanned maintenance is \$0.3m over in Mangere. This is due more to the age of infrastructure rather than missed planned maintenance activities. Remaining overspend is mainly in South Regional WWTP's, Ardmore and Water transmission related (Lake Road).
 - Retail assets of \$11.1m were \$1.9m unfavourable to budget. This is up \$1.9m from LY YTD, a 21% increase in cost and no increase in job volume. Other factors include a \$0.4m catch up on Water reinstatement jobs from previous FY, and an estimated 17% increase in price to complete reinstatement jobs. Suppliers initially advised that costs would be going up this year for things like labour, concrete & traffic management (circa 8%) but management chose to hold budget costs in line with last year as 2018 had already shown a large price increase. However, actual price increases are higher than originally advised by suppliers especially in the central area. An investigation is underway to understand why prices have moved so significantly.
- Other Operating Costs of \$23.4m are \$1.8m favourable to budget.
- Overheads of \$14.3m are \$0.4m favourable to budget.
- October YTD controllable costs include a budgeted efficiency target of \$2.5m which needs to be factored in.

CAPEX/DEBT





Capital expenditure

• October capital expenditure of \$26m was \$14m below budget. YTD capital expenditure of \$110m is \$32m below budget.

Capex funding

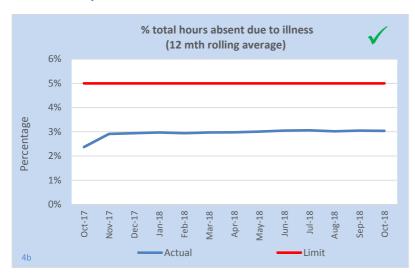
• October's cashflow from operating activities (\$28.6m) was more than adequate to cover the month's capital expenditure requirement (\$28.3m). This was due to the collection of higher water and wastewater revenue against budget as well as lower capital expenditure against budget for the month.

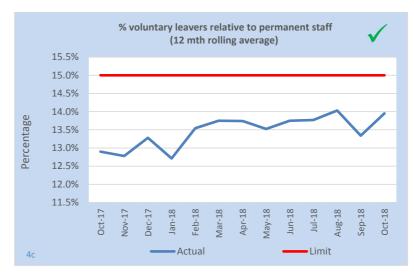
Debt

- Watercare debt/asset ratio: 16% (16%: September 18)
- Total debt balance as at the end of October: \$1,626m, an increase of \$6.0m from September.
 - > This is primarily driven by the monthly capitalisation of Auckland Council interest to debt: \$6.6m (non-cash) offset by a net repayment of Council borrowings of \$0.6m (cash).



4. PEOPLE, CAPABILITY AND LEARNING





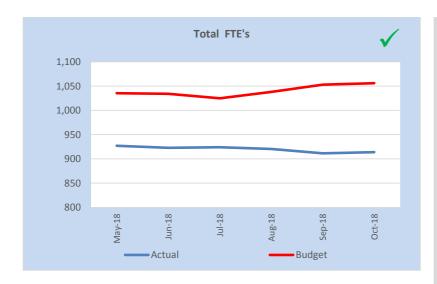
EMPLOYEE NET PROMOTER SCORE INTRODUCED

- In November 2018 we launched an Employee Net Promoter Score (e-NPS).
- We have been using NPS to measure our customer satisfaction for some time now.
- We will now use the e-NPS to get real-time feedback on our employee experiences.
- We will run the surveys every three months and will be regularly sharing the results and actions taken via the leadership group.

STAFF RESILIENCE EXPO

- In October/November 2018 we held our bi-annual company wide expo.
- Spanning 3 weeks, the expo roadshow visited eight sites and engaged with over 600 people on 15 different topics and projects.
- The theme was resilience, including personal, physical, organisational and cultural resilience.
- The expo provided a great opportunity for us to engage with our people on a wide range of projects across the company as well as an opportunity for our leadership team to share their own resilience stories.

PEOPLE, CAPABILITY AND LEARNING continued



DIGITISED LEARNING

- We have launched two key projects regarding the digitisation of our people processes:
 - The implementation of a Learning Management System. This system will manage and track the learning, development and training needs of our people.
 - Automation of a number of transactional people related processes, including on-boarding of new staff and recruitment.
- Both projects will continue through to the end of FY19.

NEW APPOINTMENTS

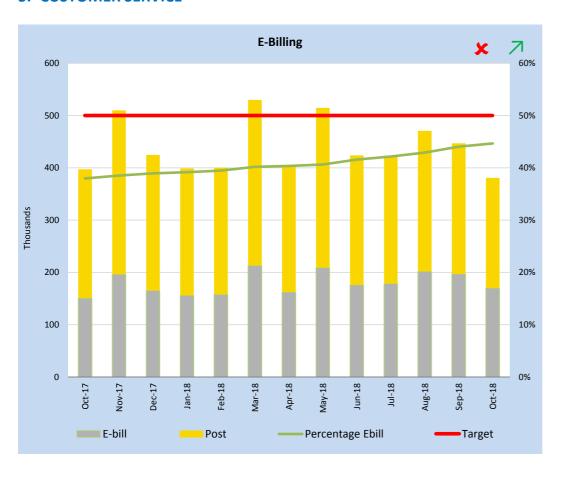
- Key changes to our leadership group were the appointment of a new Head of Digital Delivery, and a new Head of Data and Analytics.
- Recruitment continues to appoint a new Head of Construction, after a the current Head of Construction, Tim Munro, retires in November 2018.

WAYS OF WORKING (WOW)

- Our WOW project will optimise our working environment. The project considers behaviours, physical environment and digital tools to enable people to do their best work.
- Data collection has begun through an employee wide survey. This will compliment a utilisation data study to assess the needs of our people.
- Information gathered through these methods will inform our Ways of Working strategy.
- Workshops and business unit interviews will also take place to compliment the above study and survey.
- The WOW strategy is scheduled to be presented in early January 2019, after which the strategy will be implemented.



5. CUSTOMER SERVICE

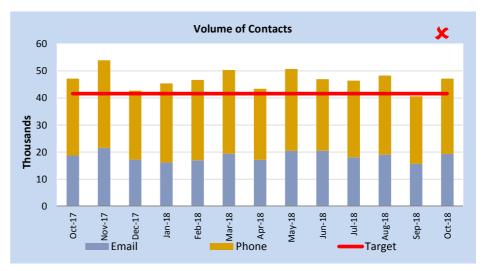


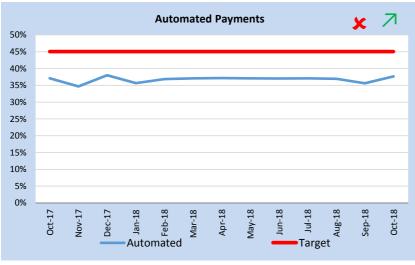
e-BILLING CAMPAIGN

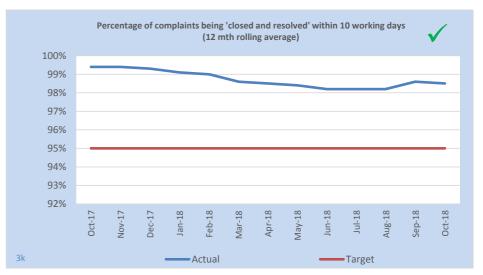
- The e-billing campaign is making good progress, with adopting of e-Billing by customers trending upwards by 1% (from 44% to 45%) in October 2018.
- The graph represents volume by month based on weekly production batches. November 2017 was a 5-week month where the production batch for the first week included 30 and 31 October and the last week included 1 December. Therefore, we sent more bills in November than we did in October or December.

CUSTOMER SERVICE continued

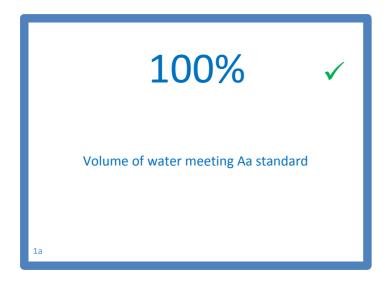


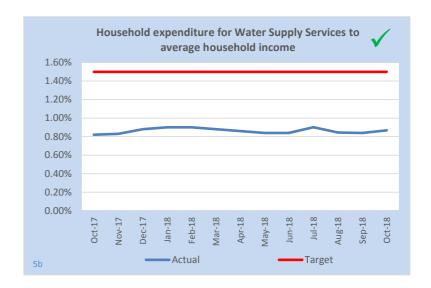






CUSTOMER SERVICE continued





MĀNGERE'S MSN TRAINING FACILITY OFFICIALLY OPENED

- On 17 October 2018, Watercare officially opened its award-winning training centre in Mangere.
- The facility includes a live water reticulation network, a mini wastewater network, as well as a residential façade and typical streetscape where new recruits can master and role-play the core skills of the job.
- The new facility demonstrates our commitment to the health and safety of our staff, as well as our goal to improve customer service.
- New staff who emerge from the training programme are demonstrating confidence and competence, and are becoming productive members of the team far earlier than under the old model of "on the job" training.
- The training centre was the recipient of the Veolia Health and Safety Innovation Award at the Water New Zealand Awards last month.



6. COMMUNITY AND STAKEHOLDER RELATIONSHIPS UPDATE

MĀORI ENGAGEMENT IN OCTOBER 2018

- Our Poutiaki, Tikanga Māori /Principal Advisor, continues to work closely with our Central Interceptor team, as well as the Mana Whenua Forum Technical Advisor, Heta Hudson and Mana Whenua Representatives Hero Potini and Tracy Davis.
- In October, there was a site blessing at Pukekohe East Water Reservoir Project site.
- The Mana Whenua managers' kaitiaki forum hui met during the month.
- Management attended a relationship meeting with Waikato-Tainui at Hopuhopu, Ngaruawahia.
- Management also met with Tauranganui Marae Chair, Patience
 Te Ao at Tauranganui Marae, Port Waikato to discuss wastewater
 issues. They also met with Ngāti Tamaoho Chair, Dennis
 Kirkwood regarding wastewater issues at Whātāpaka Marae,
 Karaka.

LOCAL BOARD ENGAGEMENT

- Watercare maintained liaison with Kit Parkinson, Orakei Local Board Chair and
 Councillor Desley Simpson regarding a complex wastewater and stormwater
 network issue in Purewa. The elected members were very supportive and took
 time to understand the issues. The work culminated in a photo opportunity and
 the production of a community newsletter 'Meadowbank Matters' reminding
 people about how to care for their drains. The newsletter assisted Auckland
 Council's Healthy Waters share information on local network inspections over
 the summer. This work aims to reduce stormwater entering the wastewater
 network creating extra capacity for growth.
- Local Board escalations and requests on a range of water and wastewater issues continue to be responded to in a timely manner. This included updates on a treated wastewater main break at Snells Beach which flowed to the Mahurangi Harbour.
- A number of interesting social media postings have been shared with local boards so they may share these stories via their own social media.

AUCKLAND PLAN 2050 / LONG TERM PLAN'S ACCOUNTABILITY POLICY

- Auckland Council officers will attend the November Board meeting to brief the Board and Senior Executives on the Auckland Plan 2050, including the Council's implementation programme, strategy alignment review and the principles for strategy development.
- The Council officers will also update the Board on the Accountability Policy, which forms part of the Long Term Plan.

COMMUNITY AND STAKEHOLDER RELATIONSHIPS UPDATE continued

DEVELOPERS' FORUM 2018

- On 28 October 2018, Watercare hosted its third annual key accounts Developers' Forum at Newmarket.
- Around 50 people attended from the development community.
- Our special guest was the Hon Minister Shane Jones, spoke about the Government's proposal to support infrastructure delivery in New Zealand (see next box for more detail). He also discussed the government's proposal to form an Urban Development Authority.
- We also received short presentations from two developers – Stephen Hughes from Drury South Limited (Stevensons), and Charles Ma from Auranga, who are working with Watercare to service the Drury area.

TREASURY'S INTERIM INFRASTRUCTURE TRANSACTIONS UNIT (ITU) ESTABLISHED

On 1 November 2018, Treasury established the Interim Infrastructure Transactions Unit (ITU). The ITU will be in place until a new Infrastructure body is formally established in mid-late 2019.

The ITU (and the body once established) will have strong links to the infrastructure strategy and planning functions within the Treasury's National Infrastructure Unit. The ITU will initially focus on the following areas:

- Infrastructure market and procurement pipeline: Act as a 'shop front' for the market and publish a pipeline of infrastructure projects.
- Best practice guidance: Provide best practice guidance on infrastructure procurement and delivery, including standardised procurement processes and documentation for major infrastructure projects.
- Procurement and delivery support: This would involve supporting agencies in the preparation of business cases for major infrastructure projects and with project delivery, including through the provision of embedded commercial and procurement expertise.
- The New Zealand Public Private Partnership Programme.

We will monitor the ITU's activities and what it means for Watercare's operations in the water and wastewater infrastructure areas.

COMMUNITY AND STAKEHOLDER RELATIONSHIPS UPDATE continued

WAIKATO DISTRICT COUNCIL

- Waikato District Council (WDC) would like
 Watercare to deliver its water, wastewater and stormwater services.
- WDC hopes that by working with Watercare, it will benefit both financially and non-financially – through Watercare's greater buying power as well as our depth of experience.
- Watercare and WDC are continuing to work together to understand the scope of the partnership and what type of commercial arrangement we should agree to.

INTERNATIONAL RELATIONSHIPS

- Over the last year, we have had around 12 international water utilities visit Watercare.
- Our counterparts are keen to learn more about our business, operations, our new technologies, as well as our strategic transformation programme.
- Visits also provide our people with networking and learning opportunities.
- Recently we met with Claus Homann, COO of Aarhus Vand A/S of Denmark. He is also a
 Board member of the Water Environment Federation, a not-for-profit technical and
 educational organisation of 35,000 individual members and 75 affiliated Member
 Associations representing water quality professionals around the world. Mr Homann shared
 Aarhus Vand's experiences with Energy Efficiency, as their wastewater treatment plants are
 energy neutral.
- We also hosted Dr Charles Bott, CTO of Hampton Roads Sanitation District of Virginia, USA.
 Dr Bott provided our people with a presentation on the District's \$1billion wastewater reuse project, which involves building sustainable water infrastructure. He also shared his experiences with land subsidence, as this is a major issue in his District, and throughout the USA.

MILLDALE DEVELOPMENT ARRANGEMENT BETWEEN CIP AND FULTON HOGAN LAND DEVELOPMENT

- On 13 November 2018, Minister Twyford and Mayor Goff jointly announced an infrastructure funding arrangement between CIP and Fulton Hogan Land Development Ltd (Fulton Hogan). Under the arrangement, CIP facilitates the financing of infrastructure to support Fulton Hogan's Milldale development at Wainui.
- While we are not privy to the final documentation, we understand the
 arrangement will fund \$91m of infrastructure, comprising \$84m of
 roading infrastructure and \$7m of wastewater infrastructure. The \$7m
 of wastewater infrastructure is Fulton Hogan's share of a 1.1km 1m
 diameter wastewater pipe connecting Milldale to Watercare's existing
 Orewa Pump Station.
- Under the CIP arrangement Watercare continues to fund its share of the pipeline. Similarly, Council must contribute funds for the roading infrastructure that provides wider public benefit (this will be funded from Council debt and recovered via development contributions and rates).
- The CIP has refinanced to ACC at a fixed rate over 30 years. The security for the financing is an encumbrance over the Fulton Hogan land, which requires the annual payment of an agreed amount per house for 30 years. This encumbrance will transfer to the ultimate homeowner. Auckland Council has agreed to collect this charge on behalf of ACC and will invoice the home owners on their rates bill. Council and CIP have committed that this charge will be referred to as an infrastructure charge with no link to water or wastewater.



- While Watercare participated in working groups with Council and CIP, Watercare was not party to this arrangement as there was no financial benefit to Watercare or its customers under the proposed CIP arrangement.
- We understand that CIP and other Government agencies are looking at how to evolve this model to include the ability for CIP to recoup the costs attributed to non-contracted parties, without requiring Council/Watercare to be involved. We will continue to monitor progress in this regard as this could result in real removal of debt from the Group balance sheet.



7. COMMUNITY AND STAKEHOLDER RELATIONSHIPS/NATURAL ENVIRONMENT UPDATE

OFFICE OF THE AUDITOR GENERAL'S WATER MANAGEMENT WORK

- In November 2018, the Auditor General and a delegation from his office,
 visited our Ardmore water treatment plant and met with key people
 from our business.
- The visit was part of the AG's review of fresh water quality and supplies nationally.

AUCKLAND'S WATERS

- Andrew Chin, Auckland Waters Portfolio Manager, will present to the Board at the November 2018 Board meeting.
- A discussion document will be available for public consultation in February 2019.

10TH AUSTRALIA – NEW ZEALAND CLIMATE CHANGE AND BUSINESS CONFERENCE, AUCKLAND

- Several members of Management, including the CE, Raveen Jadruam, attended the Environmental Defence Society's, Climate Change and Business Conference from 9 -10 October 2018.
- This is the largest climate change conference in New Zealand providing updates, solutions and leadership from both public and private sectors.
- The conference demonstrated that our position on climate change issues continues to keep pace with national and international trends.
- However, it also became clear that more needs to be done locally, nationally and internationally, and organisations are looking for guidance and direction. Business leaders are also calling for certainty over climate policy.
- Over the next 12 months, New Zealand will see the Zero Carbon Bill introduced and organisations, including Watercare, will be under scrutiny to have a plan. Chris Thurston, our Head of Sustainability is finalising our Climate Change Adaptation and Mitigation strategy in line with learnings from the conference.

COMMUNICATIONS SNAPSHOT



Enabling engaged communities and stakeholders

Media

Media highlights for the month include coverage about our Waikato Water Treatment Plant open day in the Franklin and Waikato Post. Our network improvements manager Anin Nama was interviewed on Radio New Zealand's Checkpoint about overflows into the waterways and how they are caused.





Enabling safe, happy and empowered teams

Staff

Internally, we organised our executive roadshow and expo for staff, where our people had the opportunity to hear from our leadership team and learn about the various initiatives and programmes we are involved in. It received excellent feedback (9/10 on a promoter scale).



We published our quarterly newsletter to all sites; promoted the new electric vehicles added to our fleet, profiled the career and retirement of head of construction Tim Munro and the eel and fish migration at our dams on our intranet.





Enabling customer trust and value

Customers

We published our summer Tapped-In focusing on the restoration and conservation of the Manukau Harbour and our Meadowbank Matters, focusing on overflows, was distributed to the community. We continued to promote our projects and engaged with stakeholders on Facebook.







Stakeholders

We engaged with councillor Desley Simpson and Orâkei local board chair Kit Parkinson to educate them on dryweather overflows in the area, using our fatberg model.

Planning is underway for the Pukekohe East Reservoirs community open day, scheduled for 21 November.



Watercare 9



8. RESOURCE MANAGEMENT ACT COMPLIANCE

October 2018	Compliance proceedings	0	Environmental incidents of significance	0
Summary	Category 4 non-compliant consents	0	Category 3 non-compliant consents	0

7 of our 482 active consents are technically non-compliant, but none are in Category 3 or 4

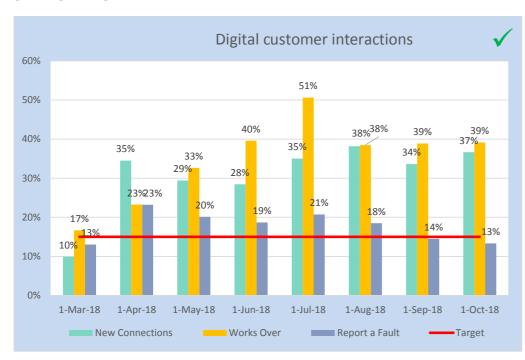
	May	Jun	Jul	Aug	Sep	Oct
Number of total active consents	485	483	479	483	484	482
Number of non-compliant consents ¹	9	10	15	10	9	7
Number of non-compliant category 3 conditions						
Non -compliance where the result will have or has the potential to have an adverse or significant adverse effect on the environment, or where there has been a repeat of a lower score non-compliance.	2	3	0	1	0	0
We would typically receive notification or have warning of a category 4 non-compliance well before we prepare this report.						
Number of non-compliant category 1 or 2 conditions Technical non-compliance with no more than minor potential or actual adverse effect to the environment. For example, reports provided after due date.	10	8	17	16	12	15

Notes: 1 – excludes trade waste consents

Non-compliant consents in Category 3 and 4 for October: There are no Category 3 or 4 non-compliances for the month of October.

12

9. DIGITAL UPDATE



DIGITAL INTERACTIONS

Year to date figures for FY19 are:

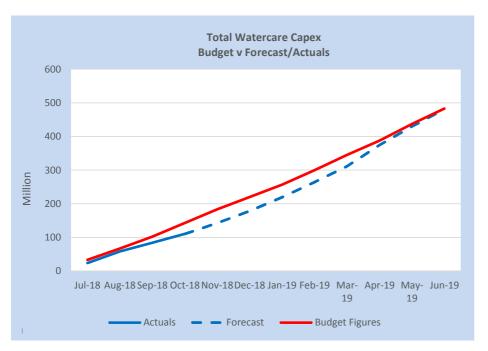
- New connections 36%
- Works over 42%
- Report a Fault 16%
- Overall average 19%

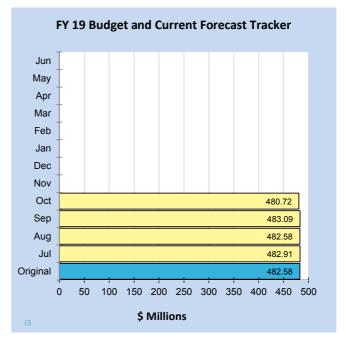
STRATEGIC TRANSFORMATION PROGRAMME (STP) UPDATE

- The fourth three-month release cycle (Release 4)
 commenced on 17 October 2018. The programme
 continues to make good progress across the development
 of our core capability sets working closely with customers
 and end-users. Release 4 goals include:
 - Continuing to build out the Minimal Viable Product (MVP) of the "usage to pay" with a focus on nondomestic accounts and payment receipt and reconciliation
 - Build out complex and other service types
 (disconnections, relocations) for connections and
 incorporate customer and user feedback into product
 development. Development of the contractor
 interface and functionality with Fulton Hogan
 - Develop the voice of the customer survey with closed loop case management on the new Watercare communication ecosystem
 - Work order scheduling, management, accurate cost management and enhanced planned maintenance processes against a robust and proven asset hierarchy
 - Continued development of the infrastructure project management capability and development of a product based design platform
 - Integrated hydraulic models and connected GIS network development. Continued development of demand analytics and insights

m

10. ASSETS AND INFRASTRUCTURE





CENTRAL INTERCEPTOR UPDATE

- The four contractors submitted their proposals, as planned, on 14 September 2018.
- The review panel (with guidance from external auditors) are evaluating the proposals and a recommendation on the preferred contractor will be made to the Board in November 2018.
- Construction is scheduled to start in mid-2019.

ASSETS AND INFRASTRUCTURE continued

TWO WINS AT THE 2018 PROJECT EXCELLENCE AWARDS

- The 2018 Project Excellence Awards recognise the best recent projects and people exemplifying excellence in project management execution within Auckland Council and its CCOs.
- Watercare's projects and people were finalists in a number of categories.
- Our M\u00e4ngere Biological Nutrient Removal (BNR) project won the Physical Works Award, and our BNR Project Manager, Sven Harlos, won the People Leader award.
- The winners will be recognised at the 2018 Project Excellence Awards celebration on 3 December 2018.

1080 DROP IN THE HUNUA RANGES

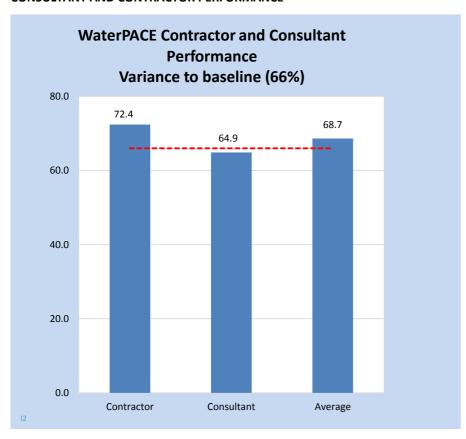
- As reported last month, Council conducted drops of 1080 in the Hunua Ranges in September 2018.
- We continued weekly sampling from our four reservoirs until 30 October 2018.
- The water samples taken in our water supply reservoirs before, during and after the Auckland Council Hunua 1080 operation did not detect any 1080.

ASSETS AND INFRASTRUCTURE continued

Project / Programme	Project	Ann Perforr		Project Status	
(Phase: Design / Execution)	Current Forecast	Forecast	Budget	Time	Cos
Water Projects >\$15 Million					
Warkworth Wells WTP	20,125	2,391	1,550		
Orewa Number 1 Replacement Stg 3	14,470	1,407	3,700		
Albany Pinehill WM & PS	18,026	6,743	5,733		
North Harbour WM Duplication - GBWD	65,459	8,572	6,493		
Hunua 4 Section 11	72,304	17,051	28,955		
Huia 1 and Nihotupu 1 Replacement	116,180	10,621	16,241		
Huia WTP Upgrade	5,540	1,953	880	-	
Redoubt Road Reservor Expansion	47,900	972	970		
Ardmore WTP Treated Water Resilience	31,920	7,043	7,535		
Pukekohe East Reservoir	33,278	10,033	11,673		
Waikato 175MLD Expansion Stage Ultimate	32,850	5,168	9,250		
Wastewater Projects >\$15 Million					
Snells Algies WWTP Ocean Outfall	34,000	3,193	3,630		
Snells WWTP Upgrade	68,017	5,277	4,910		
Warkworth to Snells Transfer Pipeline	69,613	4,489	5,749		
Army Bay WWTP Outfall Upgrade	36,122	9,272	11,221		
Rosedale WWTP Expansion Project	62,500	13,479	13,480		T
East Coast Bays Link Sewer Upgrade	29,200	7,550	7,550		
Wairau Wastewater Pump Station	21,400	1,200	1,200		
Northern Interceptor - Stage 1	96,841	10.241	9,092		
Central Interceptor	1,180,900	27,016	32,780		
Glendowie Branch Sewer Upgrade	34,912	16,415	18,584		
Red Hills Wastewater Upgrade	18.260	7,759	7.000		
Mangere WWTP Solids Stream Upgrade	55,940	8.029	7,200		-
Puketutu Island Rehabilitation	64,626	18.876	23,600		
Puketutu Biosolids Facility Cell Wall	33,044	5.001	2,700	13	
Pukekohe WWTP Upgrade	104,982	24,194	17,613		
Otara Catchment WW Capacity Upgrades	29,000	1,975	600		
Clevedon Wastewater Servicing	16,731	3,167	3,890		
	attentimentoys2034076*		milimining (2005)		0.00
Capex Programme (Design / Execution		220,000	202 700		
>\$15 Million	2,414,140	239,086	263,780		
>\$2 Million <\$15 Million <\$2 Million	216,513 29,695	79,282 15,831	74,555 16,395		
NAT Fillion	2.660.348	334,198	354,730		
	2,000,340	JJ4, IJ0	334,130		

ASSETS AND INFRASTRUCTURE continued

CONSULTANT AND CONTRACTOR PERFORMANCE



WaterPace measures the performance of our contractors and consultants.

The baseline target for "good performance" is 60%.

Our contractors and consultants increased their average performance score from 68.6% to 68.7%, which is over the baseline target and well above our target for FY19 of 66%.

The scores are an average of the scores our Project Managers give the contractors/consultants in areas including:

- Project leadership
- Risk management
- Communication and responsiveness
- Customer focus
- Health and Safety relationships, management and compliance
- Administration, documentation and handling of variations

DELEGATED AUTHORITY OF THE CHIEF EXECUTIVE

In October 2018, Watercare processed 9 deeds, instruments and documents, executed with the delegated authority provided to the Chief Executive by the Board:

- Five easements in favour of Watercare
- An agreement to acquire land by Watercare
- A surrender of encumbrance over land to be vested as road
- A licence for a telecommunications operator over Watercare land
- An authority and instruction form and tax statement for the sale of land by Watercare

There were eight Capex and Opex contracts, over \$100,000, approved by the CE in accordance with the delegated authority provided to the Chief Executive by the Board:

- Microsoft Licencing (Dimension Data New Zealand Limited)
- Abandonment of 550mm CLS Mairangi Bay Rising Main (Kerry Drainage Limited)
- Solar PV And Battery Storage System (Infratec Ltd)
- Huia WTP Replacement Project: Resource Consent Application, OPW and AEE for full WTP and reservoir development (Tonkin & Taylor Limited)
- Central Wastewater Renewal 12 Sites (Pipeline & Civil Limited)
- Ardmore WTP UV Design and Build (The Fletcher Construction Company Limited)
- Supply and Installation of Solar PV (Mercury Solar Limited)
- Army Bay Wastewater Treatment Plant Discharge Consents (Auckland Council)

There were two Capex approvals totaling \$11.150m 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.

- Website enhancements \$700,000
- Huia No.2 Watermain critical works -\$10,450,000

WATERCARE SERVICES LIMITED STATEMENT OF FINANCIAL POSITION

Oct-18 (\$000's)

Sep 2018			Octobe	r
Actual		Actual	Budget	Variance
	Current assets			
89	Cash and cash equivalents	-	-	-
51,252	Trade and other receivables from exchange transactions	50,971	49,053	1,918
27,051	Unbilled revenue accrual	29,489	21,189	8,300
5,143	Prepaid expenses	4,617	1,953	2,664
17,158	Inventories Description:	17,397	12,677	4,720
100.694	Derivative financial instruments Total current assets	102,474	84.872	17,602
100,051	Non-current assets	102,171	01,072	17,002
9,547,277	Property, plant and equipment	9,563,194	9,725,897	(162,703
502,116	Construction/work-in-progress	511,978	434,115	77,863
(103,984)	Provision for depreciation	(123,634)	(502,991)	379,357
9,945,409	Total property, plant and equipment	9,951,537	9,657,021	294,516
42,060	Intangible assets	41,684	57,579	(15,895
23,599	Prepaid expenses	23,554	22,913	641
7,493	Inventories	8,344	12,009	(3,665
-	Derivative financial instruments	-	-	-
10,018,560	Total non-current assets	10,025,119	9,749,522	275,597
10,119,254	Total assets	10,127,592	9,834,394	293,198
	Current liabilities			
-	Bank Overdraft	996	-	996
75,000	Bank revolving credit facility Bonds (26/10/18)	_	-	-
50,021	Bonds	-	-	-
125,021	Auckland council loan Total debt current	996	647 647	(647 349
14,787	Trade and other payables for exchange transactions	14,338	19,519	(5,181
9,619	Interest accrued	6,893	10,975	(4,082
77,977	Other accrued expenses	76,737	63,072	13,665
7,383	Provision for staff benefits	7,498	8,139	(641)
2,197	Other provisions	2,202	660	1,542
-	Derivative financial instruments	-	-	-
236,984	Total current liabilities	108,663	103,012	5,651
	Non-current liabilities			
1,495,000	Auckland council loan	1,625,000	1,656,373	` '
1,495,000	Total debt non-current	1,625,000	1,656,373	(31,373
16,017	Other accrued expenses Other Provisions	15,957	14,109	1,848
5,577 1,700	Provision for staff benefits	5,577 1,700	6,245 1,473	(668 227
		1,700	1,473	221
1 275 274	Derivative financial instruments	1 277 457	1 200 065	
1,375,374	Deferred tax liability Total non-current liabilities	1,377,457	1,308,865	68,592
2,893,668		3,025,691	2,987,065	38,626
3,130,652	Total liabilities Equity	3,134,354	3,090,077	44,277
260,693	Issued capital	260,693	260,693	_
2,568,455	Revaluation reserve	2,567,872	2,337,581	230,291
	Retained earnings	4,137,767	4,129,088	8,679 9,951
4,137,185	Current year earnings after tay			
4,137,185 22,269 6,988,602	Current year earnings after tax Total equity	26,906 6,993,238	16,955 6,744,317	248,921

STATEMEN	WATERO T OF COMP					EXPENSI	<u> </u>	Oct-18 (\$000's
		Current Month Year to Date						
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result
Wastewater revenue	30,007	29,167	841	\	117,515	113,151	4,364	✓
Water revenue	13,625	13,283	342	✓	53,123	51,223	1,900	✓
Infrastructure growth charge revenue	6,333	6,992	(659)	*	31,006	33,088	(2,081)	*
Other revenue	2,376	1,658	718	✓	10,784	8,236	2,548	✓
Revenue from exchange transactions	52,342	51,099	1,242	✓	212,429	205,698	6,730	
Vested assets revenue	1,363	1,667	(303)	*	13,250	6,667	6,583	√
Revenue from non-exchange transactions	1,363	1,667	(303)	*	13,250	6,667	6,583	✓
Total revenue	53,705	52,766	939	✓	225,678	212,365	13,313	✓
Labour	6,877	7.795	918	1	27.596	31,398	3.803	√
Contract labour	304	138	(166)	*	1.065	643	(422)	×
Oncosts	304	336	32	7	1,152	1.334	183	7
Labour recoveries	(3,606)	(4,298)	(693)	*	(14,130)	(17,103)	(2,973)	<u>,</u>
Net labour	3,880	3,970	91	✓	15,683	16,273	591	<u>√</u>
						·		
Anterials & cost of sales	243	187	(56)	×	861	736	(125)	×
Planned maintenance	1,254	1,763	509	✓	5,182	6,433	1,251	✓
Jnplanned maintenance	4,078	3,116	(962)	*	15,046	12,475	(2,571)	3C
Asset operating costs - chemicals	938	892	(45)	*	3,308	3,539	231	✓
Asset operating costs - energy	1,361	1,432	71	✓	6,042	6,230	188	✓
Operating costs - other	3,508	3,677	169	✓	13,195	14,674	1,478	✓
Depreciation and amortisation	20,446	21,062	616	✓	81,715	83,259	1,544	✓
Asset operating costs	31,584	31,942	358	✓	124,488	126,609	2,121	√
Communications	131	114	(17)	36	477	482	5	1
Professional services	1,264	1,063	(201)	*	3,717	3,806	89	✓
nterest	5,855	6,442	587	✓	22,358	25,577	3,220	✓
General overheads	2,475	1,924	(550)	*	10,096	7,905	(2,192)	3c
Overheads	9,724	9,543	(180)	×	36,648	37,770	1,122	✓
otal expenses	45,431	45,643	212	✓	177,680	181,389	3,709	✓
Cotal contribution/(loss)	8,274	7.123	1.151	✓	47.999	30,976	17.022	
(NO)	0,274	7,123	1,131		11,227	30,770	17,022	
Gain)/loss on disposal of fixed assets and other costs	1,554	726	(829)	*	6,179	2,747	(3,431)	30
Non operating costs/(revenue)	1,554	726	(829)	*	6,179	2,747	(3,431)	×
Net surplus/(deficit) before tax	6,720	6,397	322	✓	41,820	28,229	13,591	✓
ncome Tax Expense/(benefit)	-	-	-		-	-	-	
Deferred tax	2,083	1,736	(346)	*	14,914	11,274	(3,639)	*
Net surplus/(deficit) after tax	4,637	4,661	(24)	×	26,906	16,955	9,952	✓

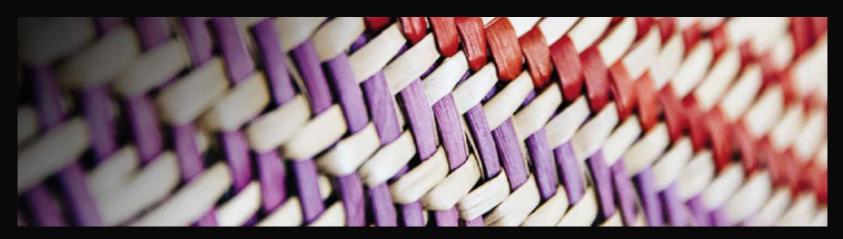
Key: Financial performance result

✓ Favourable variance - actual income on or above budget and actual expenditure on or below budget

Unfavourable variance - actual income below budget and actual expenditure above budget

Accountability Policy

Auckland Plan 2050: Implementation



Watercare Board 28 November 2018





- Accountability policy
- Refresh on key elements of the Auckland Plan and how it relates to Watercare
- Building the foundation for the next LTP

Accountability policy

- Statutory requirement under Auckland Council legislation
- Introduction of common expectations: public trust and confidence, value for money, shared governance
- Reflects Auckland Plan outcomes & Development Strategy
- Strategic assets policy clarified
- Onus is on CCOs to manage the assets to achieve desired outcomes and maximise long-term benefits to Auckland

The Auckland Plan 2050 at a glance

OUR KEY CHALLENGES

• High population growth

Shared prosperity

Environmental degradation

OUTCOMES

What the plan aims to achieve







Māori Identity and Wellbeing



Homes and Places



Transport and Access



Environment and Cultural Heritage



Opportunity and Prosperity

DEVELOPMENT STRATEGY

How Auckland will grow and change over the next 30 years, including sequencing of growth and development

20 DIRECTIONS

How to achieve the outcomes

37 FOCUS AREASHow this can be done

Key challenges - Watercare's contribution (SOI 2018- 2021)

OUR KEY CHALLENGES

• High population growth

Shared prosperity

Environmental degradation



- By enabling growth through the timely delivery of infrastructure in areas identified by Council for growth
- By investing in critical water and wastewater infrastructure and shaping Auckland
- By reliably delivering high quality 'Aa' grade water to all customers
- By ensuring customers experiencing financial hardship can access support...

Financial responsibility

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

Environment and cultural heritage



Using growth as an opportunity to protect and enhance our environment "...we protect and enhance our natural environment [as part of delivering on one of our strategic priorities of being fully sustainable]

"...our decision making is influenced by Council's local place making and urban regeneration priorities...[we] actively participates in the integrated governance of urban regeneration priority areas"

"Watercare committed to the Climate Change Leadership statement which means Watercare takes climate change seriously in its business"



 By ensuring Watercare works with Auckland Transport and other utilities to align infrastructure projects wherever possible, to minimise effects on traffic and neighbourhoods

"Watercare is also committed to the United Nations Sustainable Development Goals (SDGs) ... as a plan of action for people, planet and prosperity"





Outcome

Belonging and participation

Te whai pānga me te whai wāhi atu

All Aucklanders will be part of and contribute to society, access opportunities, and have the chance to develop to their full potential.



Auckland Plan Outcomes	Degree of contribution	How Watercare contributes	
Belonging and participation Ensuring Auckland is inclusive and that all Aucklanders can participate fully	Secondary	By reliably delivering 'Aa' grade water to all customers	

Watercare Services Limited - 2018-2021 Statement of Inten





Māori Identity and Wellbeing

Te tuakiri Māori me tōna oranga

A thriving Māori identity is Auckland's point of difference in the world – it advances prosperity for Māori and benefits all Aucklanders



Auckland Plan Outcomes	Degree of contribution	How Watercare contributes
Māori identity and wellbeing Investing more in youth to help advance Māori well-being	Primary	 By actively fostering and maintaining relationships with local Māori. See page 15 for information on the Mana Whenua Kaitiaki Forum By providing technical advice related to water supply and septic tanks in marae By providing scholarships for Māori By integrating Māori identifiers including a focus on te reo Māori

Watercare Services Limited - 2018-2021 Statement of Intent

4.4

Outcome



Homes and Places

Ngā kāinga me ngā wāhi haere noa

Aucklanders live in secure, healthy, and affordable homes, and have access to a range of inclusive public places



Auckland Plan Outcomes	Degree of contribution	How Watercare contributes
Ensuring healthy, affordable housing for all Aucklanders	Primary	By enabling growth through the timely delivery of infrastructure in areas identified by Council for growth By investing in critical water and wastewater infrastructure and shaping Auckland By reliably delivering high-quality 'Aa'* grade water to all customers By ensuring customers experiencing financial hardship can access support through the Watercare-funded Water Utility Consumer Assistance Trust

Watercare Services Limited - 2018-2021 Statement of Intent

Outcome



Transport and Access

Ngā mahi kawenga me te noho wātea mai

Aucklanders will be able to get where they want to go more easily, safely and sustainably



Auckland Plan Outcomes	Degree of contribution	How Watercare contributes
Transport and access Improving transport choices so we can move easily around Auckland	Secondary	 By ensuring Watercare works with Auckland Transport and other utilities to align infrastructure projects wherever possible, to minimise effects on traffic and neighbourhoods

Watercare Services Limited - 2018-2021 Statement of Intent

4.4

Outcome



Environment and Cultural Heritage

Te taiao me ngā tikanga ā-iwi tuku iho

Aucklanders preserve, protect and care for the natural environment as our shared cultural heritage, for its intrinsic value and for the benefit of present and future generations



Degree of contribution	How Watercare contributes
Primary	By working with Auckland Council on the Three Waters Strategy in order to achieve the Auckland Plan 2050's objectives of adapting to a changing water future By planning and providing resilient infrastructure that is adaptive to future changes including climate change
	By collecting and treating wastewater effectively, and managing the effects on receiving environments By actively promoting water- efficient behaviours to consumers By working to reduce water demand through operational improvements
	contribution

Watercare Services Limited - 2018-2021 Statement of Intent



Outcome

Opportunity and Prosperity

Ngā angitū me ngā whai huatanga

Auckland is prosperous with many opportunities and delivers a better standard of living for everyone



Auckland Plan Outcomes	Degree of contribution	How Watercare contributes
Opportunity and prosperity	Secondary	- By providing a pipeline of employment opportunities
		- By building a resilient workforce in the water and wastewater industry
Equipping people for future jobs		

Watercare Services Limited - 2018-2021 Statement of Intent

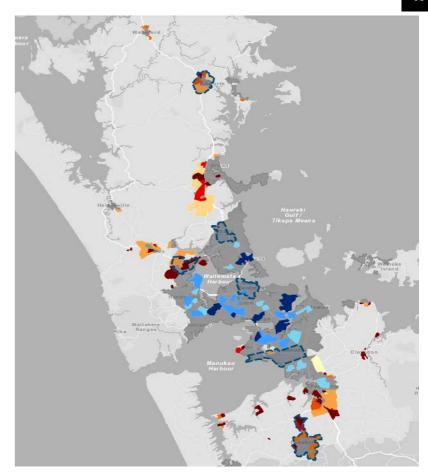


Our Development Strategy

Tā mātou rautaki whakawhanake

What is the Development Strategy?

- Auckland's population could increase by 720,000 by 2050 to reach 2.4 million
- Around 313,000 more dwellings and 263,000 extra jobs may be needed
- Growth on this scale is significant a clear understanding of planning and infrastructure requirements is critical
- The Development Strategy sets the direction for how and where growth can be realised over the next 30 years



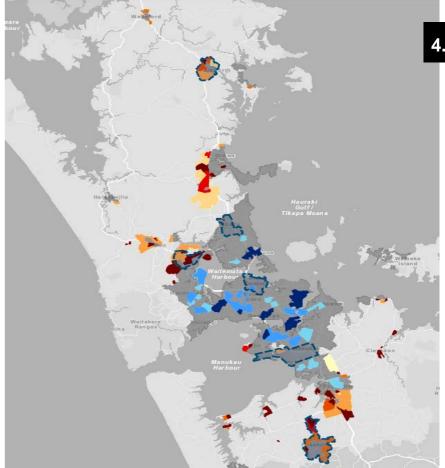
How will we grow and change?

Auckland will take a quality compact approach to growth and development

Future development will be focused in existing and new urban areas, limiting expansion into rural areas (urban footprint)

By 2050, most growth will have occurred in this urban footprint, particularly in and around:

- the city centre
- the Albany, Westgate and Manukau **nodes**
- identified development areas
- future urban areas

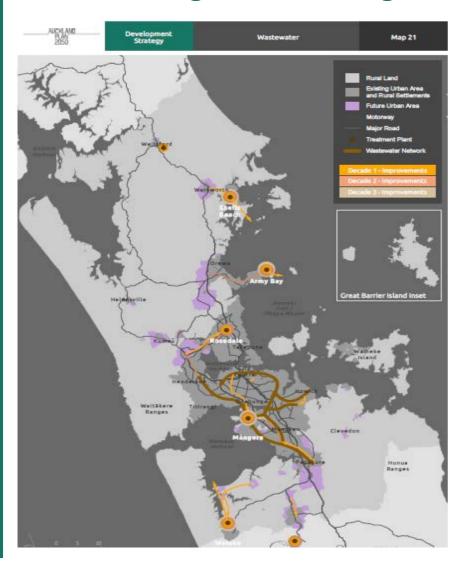


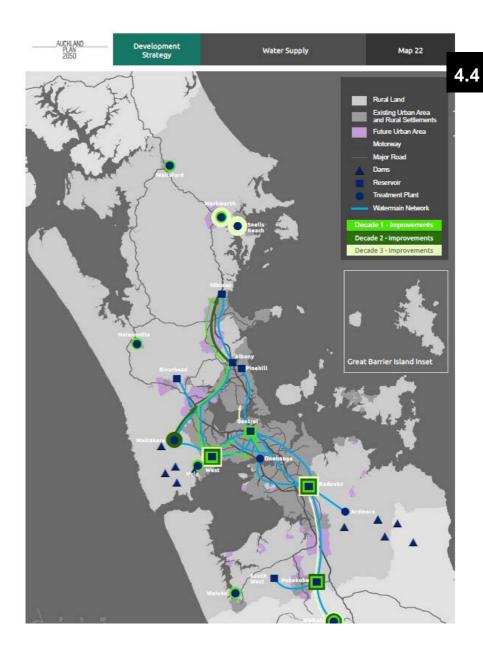
Key element



To support growth and development with water infrastructure and service options in line with the Development Strategy timing and sequencing

How will we grow and change?

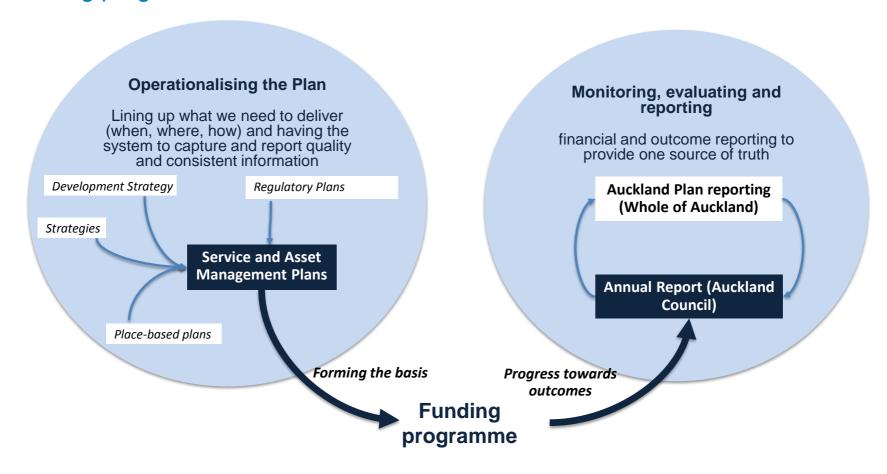




	NODES	DEVELOPMENT AREAS	
Decade 1 (2018-2028)	 City centre and city fringe Albany* Westgate* Manukau *Includes a component of future 	Short term (2018-2021)	 Takapuna, Northcote Avondale, New Lynn Mt Roskill-Three Kings Glen Innes, Tāmaki, Panmure Ōnehunga Ōtāhuhu Māngere
	urban	Medium term (2022-2028)	 Te Atatū Peninsula Henderson Glen Eden Newton, Morningside, St Lukes, Mt Albert Dominion Road corridor Mt Roskill-Three Kings Sylvia Park Pakuranga Māngere Māngere East Papatoetoe- Hunters Corner

Building the foundation for the next LTP

Auckland Plan as basis for aligning the implementation plans, regulatory plans, and funding programmes of Auckland Council



Monitoring progress

Annual scorecard and 3-yearly progress report



- Sense of community
- Sense of safety
- Quality of life
- Relative deprivation
- Health
- Treaty of Waitangi



- Access to jobs
- Delay from congestion
- Use of public transport, walking and cycling
- Household transport costs
- Deaths and injuries from transport network



- Benefits of whānau (via tamariki and rangatahi)
- Māori in employment, education and training
- Māori decision-making
- Te reo Māori



- Quality of significant environments
- Marine and fresh water quality
- Air quality and GHG emissions
- Protection of environment
- Resilience to natural threats
- Treasuring of environment



- · New dwellings consented
- · Net new dwellings
- Housing costs as % of household income
- Homelessness
- Resident satisfaction with built environment



- Educational achievement of young people
- Average wages
- Employment in advanced industries
- Zoned industrial land
- Level of unemployment
- Internet usage based on income
- Labour productivity



For more information, visit:

theaucklandplan.govt.nz



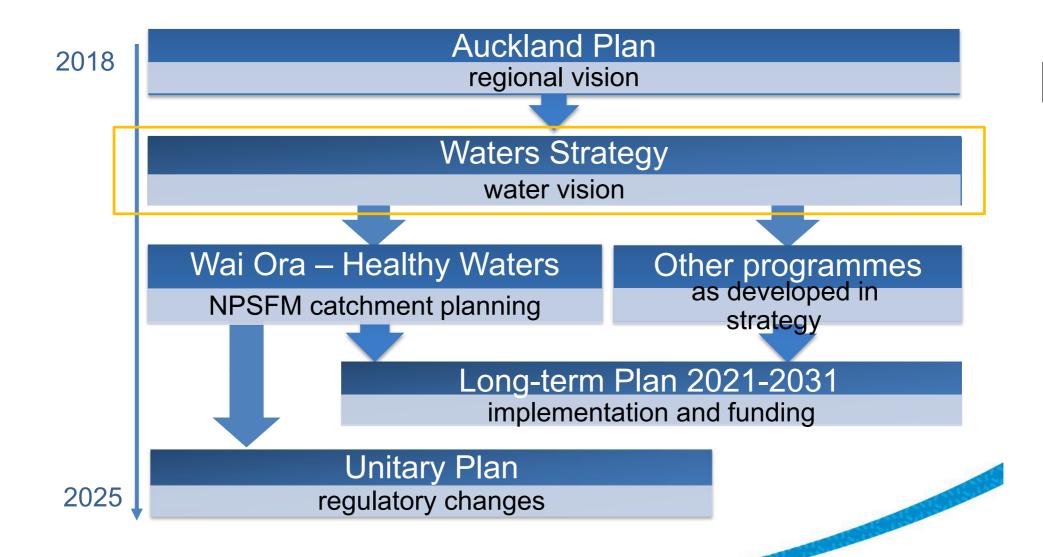
Charting a course for our water future





A strategy for water in all its forms











Progress Update



What We Have Heard

Mana Whenua Advice

Enhancing te mauri o te wai needs to be the central integrating goal of Auckland Council and its CCOs.

The council group's planning, assetinvestment and asset-management decisions need to be guided by the shared outcome of protecting and enhancing te mauri o te wai.

The performance of the council group and the members of its executive team need to be judged against the state of the region's waterways, including delivery of regulatory commitments / obligations.

Vision & Values

Te mauri o te wai is protected and enhanced.

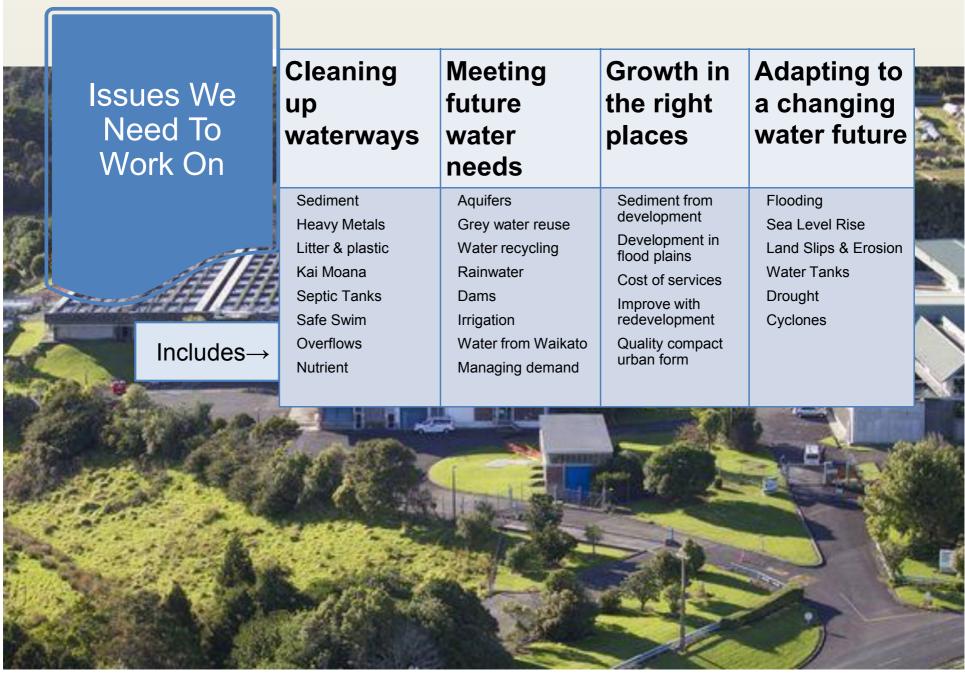
Ecology
Healthy
water
systems
nourish the
natural
environment.

Water Use
We can meet
our everyday
water needs,
safely,
reliably and
efficiently.

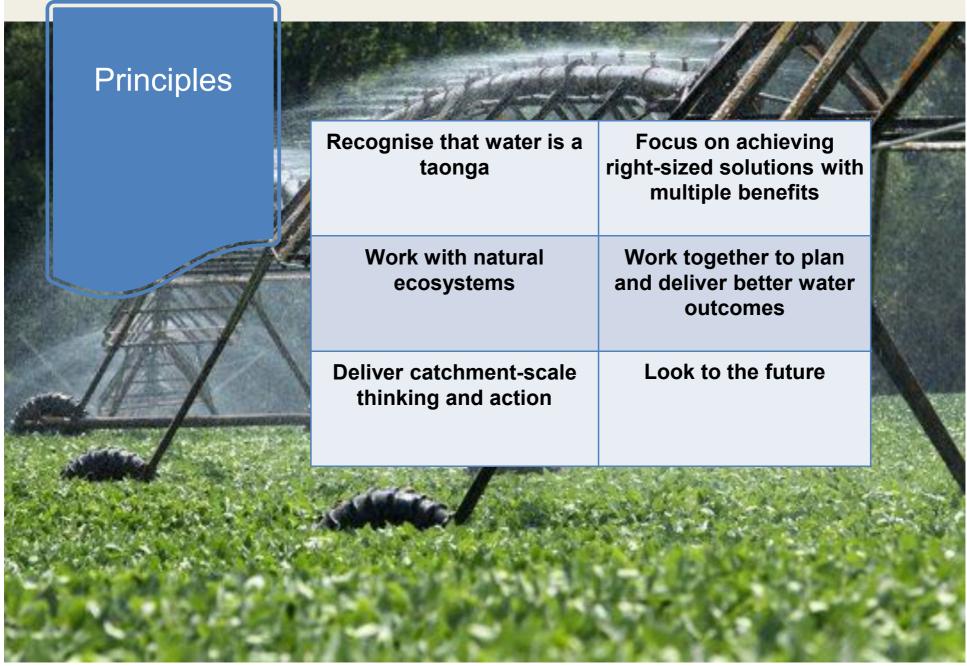
Culture
Water
contributes
to our
identity and
beliefs, as
individuals
and as part
of
communities.

Recreation and Amenity We enjoy being in, on and near the water. Resilience
We are
resilient to
water
hazards.





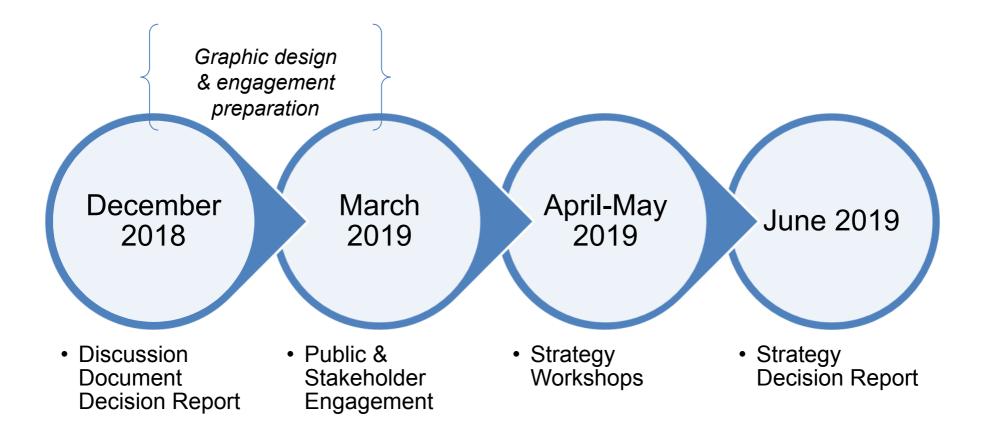




	Te mauri o te wai: a framework for putting water at the centre										
Vision	Te mauri o te y	Te mauri o te wai – the life supporting capacity of water – is protected and enhanced.									
Values	Ecology Healthy water systems nourish the natural environment.	Water Use We can meet our everyday water needs, safely, reliably and efficiently.	Culture Water contributes to our identity and beliefs, as individuals and as part of communities.	Recreation and Amenity We enjoy being in, on and near the water.	Resilience Our water systems are resilient to changing conditions, and we are resilient to water hazards.						

Issues we need to work on	Cleaning up our waters	water needs places cha		Adapting to a changing water future			
Processes we need to work on			Setting priorities for investment		Achieving net benefits fo catchments		
WOLKOIL	Applying a Māori world view						
Principles to	Recognise that was	iter is a	taonga	Focus on a with multi		g right-sized solutions efits	
guide our work	Work with natura	ecosys			ogether to plan and deliver water outcomes		
	Deliver catchment and action	scale t	hinking	Look to th	e future	2	

Discussion Document Outline



Next Steps



Report to the Board of Watercare Services LimitedPrepared for the 28 November 2018 Board meeting

Review of the PRAC Charter

Purpose			Team			
Information	Discussion	Decision	Prepared	Recommende	ed Subm	itted
		✓	E McBride Governance Manager	R Fisher Company Secretary	M Bri Acting Execu	g Chief
Intellectual capital	People and culture	e Community a stakeholder re		Financial capital & resources	Natural environment	Assets and Infrastructure
	<u> </u>					

1. Recommendation

That the Board approve the updated PRAC Charter (Appendix B).

2. Purpose and context

Clause 6 of the PRAC Charter requires the PRAC to undertake, with management assistance, an annual review of its performance, purposes, responsibilities and Charter.

This review occurred at the 30 October 2018 meeting of the PRAC. The PRAC recommended the updated PRAC Charter (**Appendix B**) for approval by the Board.

3. The details

Appended for the Board's review are:

- **Appendix A** a marked up version of the current Charter, including changes recommended by the PRAC.
- Appendix B a clean version of the updated Charter, with the recommended changes accepted.

4

Appendix A November 2018

People, Remuneration and Appointments Committee Charter

1. Purpose and Composition

The People, Remuneration and Appointments Committee ('PRAC') is a committee established by the Board of Directors of Watercare Services Limited ('Watercare').

The primary purpose of the PRAC is to assist the Board of Directors of Watercare ('Board') in reviewing Watercare's people strategies, remuneration policies and practices, monitoring diversity and overseeing the appointment, performance and remuneration of the Chief Executive. The PRAC will:

- Aim to ensure sound policies and processes are in place to attract and retain outstanding people as Chief Executive and Senior Executives¹; and
- Establish the remuneration framework for the Chief
 Executive and Senior Executives
- <u>Establish and</u> the <u>remuneration</u> policy and package for the Chief Executive.

The PRAC shallwill be independent of management and comprise not less than two Directors of the Board, plus the Chair and Deputy Chair of the Board as ex-officio members with voting rights.

The Board shallwill appoint, remove or replace the members and Chair of the PRAC ('Chair'). The Chair of the Board of Directors may not be the Chair of the PRAC.

2. Meetings

Meetings of the PRAC shallwill be held as required, typically four times a year.

Meetings of the PRAC <u>shallwill</u> be held at the discretion of the Chair at any time or if requested by any PRAC member, the Board or the Chief Executive.

A quorum shall be is a majority of members.

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

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

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

The PRAC may have in attendance management (including the Chief Executive), other personnel or any external parties it deems necessary to provide appropriate information, explanation or assistance.

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

Directors who are not members of the PRAC may attend meetings but do not have voting rights.

3. Authority

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

- Committee Governance;
- People Strategy;
- Chief Executive Performance; and
- Such other responsibilities as the Board at any time considers appropriate.



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

Senior Executives: Executive Team and Senior Management Team. Executive Team: Chief Executive Officer and direct reports. Senior Management Team: Direct reports to Executive Team and other selected senior managers.

The PRAC does not have the power or authority to make a decision in the Board's name or on its behalf. It may:

- Submit recommendations to the Board, on all matters within its areas of responsibility that require a decision; and
- For occasions where authority has been specifically delegated to it by the Board, make decisions.

The PRAC will not become involved in day-to-day operations, functions or decision-making by management or employees.

4. Access and independent advice

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

The PRAC is authorised by the Board to have access to external parties without management present, to request additional information or explanations.

The PRAC is authorised by the Board to obtain, at the expense of Watercare, independent legal or professional advice (including market surveys and reports, executive search consultants or other outside advisors with relevant experience and expertise) it considers necessary to discharge its responsibilities.

5. Responsibilities

The PRAC shallwill provide assistance to the Board in fulfilling its people strategies and policies. The duties and responsibilities of PRAC members are additional to those they have as a member of Watercare's Board.

In carrying out its responsibilities, the PRAC will:

5.1 Committee governance

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

5.2 People strategy

- Review, with input from the Chief Executive, Watercare's people (human resources) strategy including organisation structure, capability development, diversity and inclusiveness initiatives, and make recommendations to the Board.
- Monitor components of succession planning, reviews and selection processes for Senior Executives.
- Review the structure, packages and level of remuneration for Senior Executives.
- Review employee survey processes, provide feedback on content, consider results and monitor the progress of management improvement plans established in response to findings.
- Annually review Watercare's workforce diversity (including gender and culture), progress toward achieving any diversity policy and objectives, and make recommendations to the Board.
- Review remuneration governance processes ensuring appropriate authority levels for remuneration changes are in place and that remuneration reviews and payroll records are made available for approved audit purposes.
- Monitor the "future of work" and wellness of Watercare's people.
- Consider adherence to and changes in employer statutory obligations.

5.3 Chief Executive performance

- Conduct an annual review to ensure remuneration practices are consistent with market practice.
- After discussion with the Board, annually set the
 performance goals for the Chief Executive, review
 performance against objectives and make recommendations
 to the Board regarding the performance, components of
 remuneration and any adjustments.
- Provide, as it deems necessary, more frequent feedback to assist the Chief Executive's development.
- Provide guidance or input to the Chief Executive on the performance of direct reports and receive the Chief Executive's evaluation thereof.
- Via the PRAC Chair, liaise with the Chief Executive on major organisational changes, proposed redundancy, disciplinary action and/or termination of any Senior Executive.
- Where the PRAC determines it appropriate, conduct an exit interview with a Senior Executive, via the Chair or another designated member.
- In conjunction with the Chief Executive, participate in the recruitment of his/her direct reports, including involvement by the Board Chair, PRAC Chair or relevant Board Member, in the final selection process and/or panel.



 Lead any selection process required from time to time for the role of Chief Executive including identifying the competencies required for the role, the terms and conditions of employment, and making related

5.4 Other responsibilities

recommendations to the Board.

• Examine and report to the Board on any matters referred to the PRAC by the Board.

6. Review of the PRAC Committee and Charter

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

Any changes to the PRAC Charter must be approved by the $\ensuremath{\mathsf{Board}}$.

This Charter was reviewed last reviewed by the PRAC in October 2018; and _approved by the Board in May [November] November 20182017.



Appendix B November 2018

People, Remuneration and Appointments Committee Charter

1. Purpose and Composition

The People, Remuneration and Appointments Committee ('PRAC') is a committee established by the Board of Directors of Watercare Services Limited ('Watercare').

The primary purpose of the PRAC is to assist the Board of Directors of Watercare ('Board') in reviewing Watercare's people strategies, remuneration policies and practices, monitoring diversity and overseeing the appointment, performance and remuneration of the Chief Executive. The PRAC will:

- Aim to ensure sound policies and processes are in place to attract and retain outstanding people as Chief Executive and Senior Executives¹; and
- Establish the remuneration framework for the Chief Executive and Senior Executives
- Establish the remuneration policy and package for the Chief Executive.

The PRAC will be independent of management and comprise not less than two Directors of the Board, plus the Chair and Deputy Chair of the Board as ex-officio members with voting rights.

The Board will appoint, remove or replace the members and Chair of the PRAC ('Chair'). The Chair of the Board of Directors may not be the Chair of the PRAC.

2. Meetings

Meetings of the PRAC will be held as required, typically four times a year.

Meetings of the PRAC will be held at the discretion of the Chair at any time or if requested by any PRAC member, the Board or the Chief Executive

A quorum is a majority of members.

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

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

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

The PRAC may have in attendance management (including the Chief Executive), other personnel or any external parties it deems necessary to provide appropriate information, explanation or assistance.

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

Directors who are not members of the PRAC may attend meetings but do not have voting rights.

3. Authority

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

- Committee Governance
- People Strategy
- Chief Executive Performance
- Such other responsibilities as the Board at any time considers appropriate.



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

Senior Executives: Executive Team and Senior Management Team. Executive Team: Chief Executive Officer and direct reports. Senior Management Team: Direct reports to Executive Team and other selected senior managers.

The PRAC does not have the power or authority to make a decision in the Board's name or on its behalf. It may:

- submit recommendations to the Board, on all matters within its areas of responsibility that require a decision; and
- for occasions where authority has been specifically delegated to it by the Board, make decisions.

The PRAC will not become involved in day-to-day operations, functions or decision-making by management or employees.

4. Access and independent advice

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

The PRAC is authorised by the Board to have access to external parties without management present, to request additional information or explanations.

The PRAC is authorised by the Board to obtain, at the expense of Watercare, independent legal or professional advice (including market surveys and reports, executive search consultants or other outside advisors with relevant experience and expertise) it considers necessary to discharge its responsibilities.

5. Responsibilities

The PRAC will provide assistance to the Board in fulfilling its people strategies and policies. The duties and responsibilities of PRAC members are additional to those they have as a member of Watercare's Board.

In carrying out its responsibilities, the PRAC will:

5.1 Committee governance

- Establish and review the schedule of annual activities of the PRAC
- Ensure minutes and papers (including documents tabled at meetings) for all PRAC meetings are provided to the Board.
 The Chair will report to the next Board meeting on the outcomes, findings and recommendations of the PRAC meeting.
- Investigate any matter brought to its attention within the scope of its responsibilities, retaining independent legal or professional advice for this purpose if, in its judgment, that is appropriate.

Unless identified in this Charter or otherwise directed by the Board, the PRAC will have no delegated authority in regard to its findings and recommendations

5.2 People strategy

 Review, with input from the Chief Executive, Watercare's people (human resources) strategy including organisation structure, capability development, diversity and inclusiveness initiatives, and make recommendations to the Board.

- Monitor components of succession planning, reviews and selection processes for Senior Executives.
- Review the structure, packages and level of remuneration for Senior Executives.
- Review employee survey processes, provide feedback on content, consider results and monitor the progress of management improvement plans established in response to findings.
- Annually review Watercare's workforce diversity (including gender and culture), progress toward achieving any diversity policy and objectives, and make recommendations to the Board.
- Monitor the "future of work" and wellness of Watercare's people.
- Consider adherence to and changes in employer statutory obligations.

5.3 Chief Executive performance

- Conduct an annual review to ensure remuneration practices are consistent with market practice.
- After discussion with the Board, annually set the
 performance goals for the Chief Executive, review
 performance against objectives and make recommendations
 to the Board regarding the performance, components of
 remuneration and any adjustments.
- Provide, as it deems necessary, more frequent feedback to assist the Chief Executive's development.
- Provide guidance or input to the Chief Executive on the performance of direct reports and receive the Chief Executive's evaluation thereof.
- Via the PRAC Chair, liaise with the Chief Executive on major organisational changes, proposed redundancy, disciplinary action and/or termination of any Senior Executive.
- Where the PRAC determines it appropriate, conduct an exit interview with a Senior Executive, via the Chair or another designated member.
- In conjunction with the Chief Executive, participate in the recruitment of his/her direct reports, including involvement by the Board Chair, PRAC Chair or relevant Board Member, in the final selection process and/or panel.
- Lead any selection process required from time to time for the role of Chief Executive including identifying the competencies required for the role, the terms and conditions of employment, and making related recommendations to the Board.

5.4 Other responsibilities

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

6. Review of the PRAC Committee and Charter



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

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

changes.

This Charter was last reviewed by the PRAC in October 2018; and approved by the Board in November 2018.



	November	December	January	February	March	April	Planner 2018/2	June	July	August	September	October	November	December
Board	28-Nov	No meeting.	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
Audit and risk committee	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			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	26 Nov (3-4pm)													
AMP & Major Capex Committee	9 Nov (10-12noon)													
Charter reviews	, , , , ,					STP Terms of	A&R Charter					PRAC charter		
Policy reviews			Our commitment to		Reference	Reference					Tax Risk Management		Fraud Policy	
roncy reviews			H&S Policy			2020 - Good Employer Policy)	(2020 - Sensitive Expenditure Policy) (2020 - IGCs)				Policy		Trade Folicy	
Delegations							Annual review of board delegations to CE							
Quarterly risk reviews			Risk report			Risk report			Risk report			Risk report		
Compliance			Statutory compliance			Statutory compliance			Statutory compliance			Statutory compliance		
Shareholder Interaction				Board at February meeting)			Q3 quarterly report due 31 May 2019 (to be approved by the Board on 28 May)	Q3 briefing to F&P Committee 19 June 2019 (J Hoare)	Q4 quarterly report due 23 August (to be approved by Board at July meeting, subject to final sign off)	Governing Body Workshop - 29 August at 9.30am		Q1 quarterly report due TBA		Q1 briefing to F&P Committee TBA
Site Visits				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			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		17 December teleconference pre- Christmas catch up						Strategy Workshop 24 June followed by Board Dinner						
Key finance and business decisions			Approve half year accounts Draft Auckland Council Annual Plan - approve Watercare input? December financials in confidential	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 AMP January financials in confidential		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	Council Reporting Pack	a) approve 2019/20 accounts, b) delegate final sign off of 2019/20 Annual Report	Update from WUCAT August financials in confidential	АМР		Auckland Council Draft Annual Plan approve Watercari input
Statement of intent		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

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





Disclosure of senior executives' interests

Purpose			Team					
Information	Discussion A	approval	Prepared	I	Recom	mended	Submitted	
			E McBrid Governa Manager	nce	R Fishe Compa	r ny Secretary	M Bridge Acting Chief Executive	
Intellectual capital	People and culture	e Community and stakeholder relation	onships	Financial ca resources	pital &	Natural environment	Assets and Infrastructure	
	<u> </u>	^						

1. Purpose and context

One of key principles of good governance is transparency, and having an open and honest approach to working with the wider community. Watercare not only maintains an Interests Register for its directors (as required by law), but also voluntarily maintains an Interests Register for our senior executives.

2. The details

Watercare Services Limited's senior executives' Interests Register is set out below.

Senior 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) Member - Auditor-General's Local Government Advisory Group
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
Steve Webster	Director – Howick Swimgym Limited
Marlon Bridge	Trustee –Te Motu a Hiaroa (Puketutu Island) Governance Trust Director – Hunua Forests Ltd
Rebecca Chenery	Director – Chenery Consulting Services Limited
David Hawkins	• Nil
Jason Glennon	Director - Michaels Ave Investments Limited
Amanda Singleton	Director – Die Weskusplek Pty Ltd (South Africa)
Shane Morgan	• Nil
Shayne Cunis	Director – The Water Research Foundation



Report to the Board of Watercare Services LimitedPrepared for the 28 November 2018 Board meeting

Directors' appointment terms and committee memberships

Purpose		Team	Team						
Information	Discussion App	roval Prepa	Prepared		mended	Submitted			
		E McE Gover Mana	rnance	R Fishe Compa	r ny Secretary	M Bridge Acting Chief Executive			
Intellectual capital	People and culture	Community and stakeholder relationships	Financial ca resources	pital &	Natural environment	Assets and Infrastructure			
	2	•							

1. Purpose and context

This paper provides an update on:

- the tenure of the seven directors of Watercare Services Limited
- details of the committees each director is a member of.

2. The details

Table 1: We have seven directors, with five directors' terms ending simultaneously on 31 October 2019 Our directors are appointed by Auckland Council

Director	Original appointment date	End of term
Margaret Devlin (Chair)	1 November 2016	31 October 2019
Julia Hoare (Deputy Chair)	1 November 2013	31 October 2019
Catherine Harland	21 April 2011	31 October 2019
Nicola Crauford	1 April 2014	31 October 2019
David Thomas	1 November 2014	31 October 2020
Brendon Green	1 November 2016	31 October 2019
Hon Dame Annette King	1 November 2017	31 October 2020

Table 2: We have four committees to assist the Board in its corporate governance

Our four committees assist in the process of corporate governance Committee Chairs and members are appointed by the Chair

Director	Audit and Risk	People, Remuneration & Appointments	Strategic Transformation Programme	AMP & Major Capex
Margaret Devlin (Chair)	*	*		✓
Julia Hoare (Deputy Chair)	Committee Chair			√
Catherine Harland		Committee Chair		√
Nicola Crauford			√	Committee Chair
David Thomas	√	✓		
Brendon Green	√		√	
Hon Dame Annette King		✓	Committee Chair	

^{*}Board Chair attends in ex-officio capacity