

Board - Public Session (30 April 2019)

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WATERCARE SERVICES LIMITED

AGENDA	BOARD MEETING	Tuesday 30 April 2019
Venue	Watercare Services Limited, Level 3, 73 Remuera Road, Newmarket	
Time	9am	

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 28 March 2019	Board Minutes 28 March 2019
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
5 For information			
5.1 Our strategic business plan update	Chiefs	For information	Presentation
5.2 Infrastructure Growth Charges (IGCs) - a review of current policy and application	M Bridge	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 of next meeting	Tuesday 28 May 2019		
Venue	Watercare, Level 3, 73 Remuera Road, Newmarket		

MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Watercare Services Limited, 73 Remuera Road, Remuera, Auckland
DATE	28 March 2019
TIME	10am
STATUS	Public Session

	<p>Present: M Devlin (Chair) J Hoare N Crauford B Green C Harland D Thomas</p> <p>Board Intern C Magee</p>	<p>In Attendance: R Jaduram (CE) J Glennon D Hawkins E McBride R Chenery S Morgan S Webster R Fisher P Thurai Sundaram C Tucker M Bourne (from start until beginning of item 4) B Struthers (from start to 11.05pm)</p>	<p>Members of the Public: Two members of the public, Lisa Prager and Gael Baldock (from start until beginning of item 4)</p> <p>One member of the Huia Community Liaison Group, Megan Fitter (from start until beginning of item 4)</p>
1.	<p>Apologies</p> <p>Apologies were received from A Singleton, Chief Customer Officer, and M Bridge, Chief Financial Officer.</p>		
2.	<p>Minutes of Previous Meetings</p> <p>The Board resolved that the minutes of the public section of the Board meeting held on 26 February 2019 be confirmed as true and correct.</p>		
3.	<p>Review Disclosure of Directors' Interests</p> <p>The report was noted.</p> <ul style="list-style-type: none"> - B Green is no longer a Consultant to Trility (an Australian water infrastructure company). - The Board congratulated C Harland for becoming a Chartered Fellow of the Institute of Directors. 		
	<p>Additional item: Update on Huia Water Treatment Plant Replacement Project, followed by address by two members of the public</p> <p>Prior to the Board meeting, Lisa Prager, representing the group, Guardians of Waitakere Ranges, requested permission to attend the Board meeting to express the Group's concerns around the removal of trees for the Huia Water Treatment replacement plant.</p>		

Ms Prager and Ms Baldock, both of Guardians of the Waitakere Ranges, as well as Ms Fitter, a member of the Huia Community Liaison Group (CLG), attended the meeting until the beginning of item 4 and were welcomed by the Chair.

The Chair, by way of background, noted that when the Huia project was approved, the Board directed Management to ensure the impact on the environment and the community was minimised, keeping in mind that the project needed to proceed to ensure Auckland has access to drinking water.

The Chair then introduced S Webster, Chief Infrastructure Officer and M Bourne, Head of Servicing and Consents.

M Bourne provided the Board, Management and the three members of the public with an update on the Huia project. The following key points were noted by Mr Bourne during his presentation:

- Watercare's ecological surveys of the Huia project area have been comprehensive.
- Until recently the plan for the Huia reservoirs involved building two reservoirs on the Woodlands Park Road site. One reservoir necessitated the removal of a number of significant trees, including kauri.
- The CLG, which was formed at the request of the Watercare Board, had concerns with the impact of the reservoir on the large kauris. We subsequently investigated an alternative option, which will result in felling fewer trees, including a particularly sensitive stand of kauri.
- The alternative option arose after we challenged our experts to investigate exactly *when* we require the 50ML of reservoir storage to operate the plant. The experts clarified that while we still require 50ML of storage (as originally planned) we need 25ML at commissioning, and an additional 25ML in 2030. This means, we could stagger the construction of two reservoirs.
- Now that we have unlocked the timing of the reservoirs, an alternative option would involve the following two steps:
 - o Constructing one 25ML reservoir on an area of land, as planned. Whilst the area still contains native trees, the majority of the area, in particular the Eastern end has regenerated from farmland/grassland in the 1940s. If this reservoir is shifted even further east, it will move further away from the significant stand of kauri. This reservoir is required at commissioning. Once built, it will effectively be underground given the topography of the site.
 - o Relocate the second 25ML reservoir from the current site, to the site of the existing Huia water treatment plant. The new reservoir would be built once that plant is decommissioned (i.e. around 2030), and limit any impact on trees adjacent to the existing plant.
- M Bourne noted that this new option was presented to the Local Board on 21 March 2019, with an update also going to the two Ward Councillors on that same date. A presentation was given to the CLG on 27 March 2019. The new option was preferred to the original proposal by both the Local Board and CLG.

Following his presentation, M Bourne and S Webster took questions.

- Ms Baldock questioned whether Watercare could find a design solution that would allow Watercare to put all 50ML of storage on the existing Huia site, once decommissioned, with no

	<p>impact on the trees. M Bourne explained that the Huia water treatment plant replacement is replacing like-for-like. We are not building a larger water treatment plant, as the volume of water we can draw from the lakes remains the same. Also, as Huia supplies 20% of Auckland's water, we do not have the ability to switch off the plant while we build the new one, as there is not 20% headroom available at other locations. And when we commission the replacement plant, we will need 25ML of storage immediately to ensure the plant can operate. Ms Baldock noted that Watercare's alternative option still poses a number of unanswered questions and urged Watercare to look at the existing site of the Huia water treatment plant for everything that we need.</p> <ul style="list-style-type: none"> - Ms Prager also addressed the Board. She grew up in the Huia area and is very familiar with the natural environment. She urged Watercare to reconsider removing these trees as it is a significant area of bush and a sensitive ecosystem. She told Watercare that it cannot mitigate the actions it plans to take and advised the Board that if Watercare proceeds with the Huia plan, including the alternative option, the Guardians of Waitakere Ranges group will defy attempts to construct the plant. - Ms Prager went on to explain that the exotic trees on the land where the reservoir will be placed provide protection to native trees growing underneath, and all of the trees are supporting new life. Ms Prager noted that she intends fighting Watercare's Resource Consent application. - Ms Prager advised the Board that she also intends mounting a media campaign against Watercare's Huia plan. - The Chair thanked Ms Prager and Ms Baldock for their submissions and advised that Watercare would respond formally, in writing. Appendix A is copy the response subsequently sent by the Company Secretary.
4.	<p>For Discussion</p> <p>4.1 Safety Moment</p> <ul style="list-style-type: none"> - The Chair reminded everyone that they should not use their phone, or read documents, or both, whilst using the stairs, and should also be using the handrails if available. - The Chair was at Watercare Newmarket recently whilst there was a fire drill/evacuation. There are two exit stairwells. However, one was extremely congested, and the other was relatively empty. J Glennon, Chief People Officer, responsible for the Newmarket building, will address this disparity so it does not occur during future evacuations. <p>4.2 Chief Executive's Report</p> <p>There was a general discussion regarding the CE's report.</p> <p>Health, Safety and Wellness (HS&W)</p> <p>B Struthers, Head of HS&W updated the Board on a number of injuries and near misses that occurred in February.</p> <ul style="list-style-type: none"> - The Watercare worker's knee clicked out and then back in again. The worker is now undergoing muscle strengthening therapy. Members of our HS&W team are being trained to educate our people in how to avoid these types of muscle strains.

- The incident where a contractor sustained a cut to his leg from a hand-held saw, raised a number of learnings. This injury was a reminder that equipment that has been turned off can still retain stored energy. Additionally, when working around high-risk equipment for a long period of time, a degree of normalisation can be acquired. B Struthers reported that Citycare, our contractor, are doing a very good job of investigating the incident and are working up the hierarchy of controls to find a way to prevent this type of injury occurring again. One option being considered, at the request of Watercare Management, is the more widespread use of trolley mounted saws, rather than hand-held saws.
- In response to questioning from D Thomas, B Struthers and R Jaduram confirmed that all serious near misses are investigated with the same intensity as incidents. B Struthers confirmed for the Board that the near miss involving the Pump Station was potentially very serious. Fortunately the volume of wastewater that entered the wet-well was not enough to flood it. A third party was able to dispose of wastewater upstream. They were unaware of the work being undertaken downstream in the system. We have now placed a padlock on the entry point where wastewater entered our network upstream. We have also worked with our on-site teams to review our isolation procedures. All key workers have attended a workshop and signed-off on a new isolation procedure for this Pump Station.
- S Morgan, Chief Operations Officer, noted that the Strategic Transformation Programme is building a connected model of our networks, which will allow us to more easily see what pipes feed into other pipes. This model is due for release in December 2019.
- Next month's CE's report will include statistics on injuries and near misses from our major contractors.
- In response to questioning, B Struthers advised that the investigations into exposure to ammonia is being conducted in response to concerns raised by staff. B Struthers is very familiar with ammonia. She advised that the levels generated are well below the level at which there is a health risk. Ammonia is currently a by-product of the wastewater treatment process (as we use lime in that process).
- B Struthers is attending an industry forum in April involving the four largest infrastructure projects in New Zealand (Transmission Gully, City Rail Link, Central Interceptor and Puhoi-Warkworth). The forum will include discussions about best practice around service strikes.
- The CE and Head of HS&W confirmed that they will continue to stress to staff they should maintain vigilance to avoid service strikes.
- The Ardmore Safety Case has been re-submitted and is currently being reviewed by Worksafe.

B Struthers left the meeting at this point (11.05am)

SOI measures

- Per Capita Consumption of drinking water has decreased this month (showing a relatively sharp drop in the graph). It is thought this is due in part to the data only being for a rolling 11 months rather than 12 months. S Morgan explained that with high levels of consumption during a hot January /February 2019, the graph will pick up again next month.

- Our investigations into the non-revenue water measure suggest it is elastic due to matters such as broken meters, consumption peaks over summer and theft by tanker operators and on construction sites. When production goes up (in hot periods), our non-revenue water rises. Over the last few months, we have also identified some properties that were not listed as customers, but still received water.

Health (Drinking Water) Amendment Bill

- Watercare's submissions were presented to the Select Committee in February 2019 which were well received.
- Parliament is signalling that both a financial regulator, as well as regulator of water quality, are likely. In the meantime, we continue to provide information to the DIA as they request it.

Māngere odour

- S Morgan updated the Board on the odour emissions at the Māngere wastewater treatment plant. We have been applying controls since February and the situation is now improving. In the meantime, our Communications team is keeping the surrounding community updated, including via Facebook.
- Our last notable odour incident occurred in 2004-5, before we were using the digesters we use now.
- Our investigations suggest that there was a swing in the load over Christmas (less wastewater comes through the pipes whilst industry and people are on holidays), which has disrupted the pH of the digesters. We also suspect a load of trade waste could have entered the network, which has negatively affected the biological balance in the digesters.

4.3 Board Committee Updates

Audit and Risk Committee (ARC)

- J Hoare, Committee Chair, reported that there had been no ARC meetings since the last Board meeting.

People, Remuneration and Appointments Committee (PRAC)

- C Harland, Committee Chair, reported that there had been no PRAC meetings since the last Board meeting.

Strategic Transformation Programme Committee (STPC)

- B Green, Committee Chair, reported that the Committee met earlier in the day, 28 March 2019.
- The meeting included a Programme Update, followed by a tour of the Level 2 STP area.
- A major release will occur on 30 June 2019, with the crossover of the financial system. This will coincide with year-end. Deloitte has confirmed that they are comfortable with this timing.

	<ul style="list-style-type: none"> - EY's independent assurance report into change management has confirmed that our STP is comprehensive, appropriate and the overall execution of the programme is sound. - The Chair thanked R Chenery, Chief Digital Officer, and the rest of the STP team for their work to date. <p>AMP and Major Capex Committee (AMCC)</p> <ul style="list-style-type: none"> - N Crauford, Committee Chair, reported that there had been no AMCC meetings since the last Board meeting.
5.	<p>For Information</p> <p>5.1 Our Strategic Business Plan Update</p> <p>D Hawkins, Chief Corporate Affairs Officer, spoke to the presentation.</p> <ul style="list-style-type: none"> - Website: Web traffic is rising, reflecting increased use of our self-service enhancements and e-billing. - Service Now: This project, being run by our People and Capability team, will digitise a number of processes, streamlining the processes and reducing the amount of paper used by 80% - Organisation Talent Map: Due for completion by end of March 2019. - Learning and Development: Learning modules are under development, including for the updated Privacy Act. - Working with Council to assist Council with its debt challenges: CCOs CFOs met recently. Council is comfortable with CFOs continuing to interact with Treasury to find ways to reduce the pressure on the Council's balance sheet. - Assets: MBIE and other Government departments have been working to learn more from us on management of our AMP. - DIA: Watercare management are attending a number of workshops hosted by DIA, as part of the Government's three waters review. - Brand strategy/Watercare "Why": We are running internal Roadshows across all of our sites. The theme is "Watercare Why", and launches our new Brand positioning statement. The flyer on page 45 of Boardbooks summarises this statement. The Board had the following feedback on the flyer: <ul style="list-style-type: none"> o The flyer should include a statement regarding our people's health and safety o "We are Self-Funding": This statement should remain, but could be clarified. We are self-funding. However, we currently obtain our financing from Council's Treasury function, which is then repaid to Council. o The term water supply should be changed to water cycle to encompass our wastewater services. o The imagery should be updated to reflect Auckland's diversity. o Management should check the alignment with our agreed values.

	<p>5.2 Our 40:20:20 Vision</p> <p>S Webster, Chief Infrastructure Officer, provided a presentation on the Vision. The 40:20:20 targets are:</p> <ul style="list-style-type: none"> ○ Reduce carbon in construction, or "build carbon", by 40 per cent across Watercare by 2024 ○ Reduce the cost to deliver our infrastructure programme by 20 per cent by 2024 ○ Reduce the number of injuries during construction by 20 per cent year on year. <ul style="list-style-type: none"> - We now have a 40:20:20 taskforce, comprising six people from across the business, not just Infrastructure. The Taskforce will set target measurements, monitor performance against the targets and maintain momentum within the business. The Taskforce will be refreshed every six months or so. - Our internal launch earlier in the year exceeded expectations, with many of our people keen to be involved and providing ideas on how we can achieve these targets. - D Thomas noted that he learnt about our 40:20:20 Vision from a source outside Watercare, illustrating how the Vision is gaining momentum and publicity outside Watercare. <p>5.3 Policy Update - Domestic Violence – Victim Protections Act 2018 Update</p> <p>J Glennon, Chief People Officer, provided an update on this upcoming law change.</p> <ul style="list-style-type: none"> - Watercare has prepared for this law change by introducing a policy covering these changes. - Staff are being trained and our Finance team is working on ways to ensure leave requests under this law are captured in a sensitive way. - Management confirmed a more detailed update will be provided to the People, Remuneration and Performance Committee's April 2019 meeting.
6.	<p>Directors' Corporate Governance Items</p> <p>6.1 Board Planner</p> <p>The report was noted.</p> <ul style="list-style-type: none"> - The Governance Manager is to schedule the final AMCC meeting for November shortly. In June, the 2020 meeting dates should also be scheduled - The Q3 report is to be sent to the Board in early-mid May, prior to its inclusion in the May Board pack. <p>6.2 Review Executive Management Disclosure of Interests</p> <p>The report was noted.</p> <p>6.3 Director Appointment Terms and Committee Memberships</p> <p>The report was noted.</p> <ul style="list-style-type: none"> - The Chair reported that the recruitment process for two new directors continues.

	<ul style="list-style-type: none"> - The Board will undergo a Board evaluation later this year. The evaluation will follow a similar format to last time. Board members will be contacted by our evaluator shortly to undertake surveys and follow up interviews.
7.	<p>General Business</p> <ul style="list-style-type: none"> - The Chair commended Raveen Jaduram, the CE, Amanda Singleton, Chief Customer Officer, as well as the wider management for the leadership and support they provided to our people following the tragic events in Christchurch on 15 March 2019. - The Chair congratulated Management and the wider business on the successful event held on 14 March 2019 to celebrate the signing of the CI construction contract with Ghella-Abergeldie.
	The meeting closed at 12.00 noon.

CERTIFIED AS A TRUE AND CORRECT RECORD

Margaret Devlin
Chair

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8 April 2019

Lisa Prager

email: l.pra@xtra.co.nz

Dear Lisa

Response to your address to the Board

Thank you for the considered manner in which you made your presentation to the Watercare Board on Thursday 28 March 2019.

You had the opportunity to hear Mark Bourne, the Head of Servicing and Consents. He outlined the change in approach to the provision of reservoir storage for the replacement Huia water treatment plant.

You fairly said that you understood the need for water to serve the public. The existing Huia plant is very near the end of its operational life as a water treatment plant and must be replaced. The plant cannot be operated to the maximum production capacity because of its age and outdated plant and technology.

The existing plant produces around 20% of the needs of Aucklanders. As explained by Mr Bourne, it is not possible to close down the Huia plant, demolish the tanks and construct a new plant on the existing site.

This has long been known to be the situation which is why Watercare owns the sites at Woodlands Park Road and Manuka Road. Both sites have been designated for water supply purposes since the early 1970s.

We selected the site using the following method

The Woodlands Park Road and Manuka Road sites have been owned by Watercare and its predecessors since the 1920s. Much of the site was originally used for grazing and staff housing. Over the years the lawns, gardens and house sites have been allowed to revert to vegetation.

Watercare undertook a lengthy and detailed analysis of alternative sites starting with over 100 sites. This number was reduced to 60, then to 18 and so on, down eventually to two sites in Parker Road and the sites now proposed. The level of investigation intensified as the number of sites were reduced.

The Watercare Board accepted the recommendation of management and independent specialist consultants to locate the replacement Huia water treatment plant on the Manuka Road site and the associated reservoirs on the Woodlands Road site.

In so resolving the Board required the design

“avoiding wherever possible significant trees and significant ecological effects, undertake offset mitigation”
and

“set up a Community Liaison Group (CLG) or similar, and undertake consultation with stakeholders”.

Since site selection, we have continued to consult with the community

Through the process of site selection and to this day, there has been an extensive programme of consultation.

As requested by the Board, Watercare established the CLG in July 2017.

The CLG membership is broadly based and numbers have grown. There are 12 different groups represented including close neighbours, Forest and Bird, Tree Council, Waitakere Ranges Protection Society, Auckland Botanical Society, Parau Residents and Ratepayers, Titirangi Residents and Ratepayers, Waima Restoration and Protection Society, West Auckland Historical Society, Waima and Woodlands Residents and Ratepayers and the Titirangi Protection Group.

There have been 14 meetings with the CLG over a period of 20 months.

The ecological studies commissioned by Watercare have been peer reviewed by Shona Myers, an expert selected by the CLG. She has endorsed the work undertaken by Boffa Miskell.

Watercare's response to community consultation

Over the last 20 months, the footprint of the proposed plant on Manuka Road was optimised and the disturbance of the area of the highest ecological value on that site avoided.

On the Woodlands Park Road site it was originally proposed to construct two reservoirs, each with a capacity of 25MLD. The CLG expressed concerns about the location and effects of the proposed reservoirs.

As outlined by Mark Bourne, it was determined that the necessary storage of treated water could be provided in two 25 MLD, only one of which will be needed when the new plant is commissioned. This means only one reservoir will be located on the Woodlands Park Road site. This reservoir will be located as far East as possible on the site thereby avoiding the stand of native trees including kauri which were of great concern to the CLG and others.

The contour of the site rises to the East, so the majority of the reservoir will be below the ground.

The second reservoir will be located on the site of the existing treatment plant site. The heritage building will be restored and retained, and the balance of plant removed.

Outline of our next steps

Work is continuing on the preparation of the application for regional resource consents. Land use consents will not be required as the proposed replacement plant and reservoirs fit within the designations. This has been confirmed by the High Court following a challenge by members of the public.

The application will be accompanied by an Assessment of Environmental Effects which will cover matters referred to above but, of course, in far more detail.

Watercare expect to file the application in mid to late May 2019. Auckland Council will be requested to publicly notify the application.


Now that we are aware of your personal interest in the matter, we will provide any future material and information to you, as we will do with the CLG and other interested parties.

Yours sincerely



Rob Fisher
Company Secretary

Disclosure of Directors' interests

Purpose			Team		
Information	Discussion	Approval	Prepared	Recommended	Submitted
			E McBride Governance Manager	R Fisher Company Secretary	R Jaduram Chief Executive
	Intellectual capital	People and culture	Community and stakeholder relationships	Financial capital & resources	Natural environment
					Assets and Infrastructure

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	<ul style="list-style-type: none"> • Chair, Harrison Grierson Limited • Director, Meteorological Services of NZ Limited • Director, Waikato Regional Airport • Chair, Titanium Park (wholly owned subsidiary of Waikato Regional Airport) • Director, IT Partners Group • Director, Aurora Energy • Independent Chair of Audit and Risk Committee, Waikato District Council • Chair, Women in Infrastructure Network • Councillor, WINTEC • 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	<ul style="list-style-type: none"> • 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 • Member of the Committee of Broadway Park Owners' Society Incorporated. • Independent Chair of the Aircraft Noise Community Consultative Group.

Director	Interest
Julia Hoare	<ul style="list-style-type: none"> • Director, AWF Madison Group Limited • Director, New Zealand Post Limited • Deputy Chair, The a2 Milk Company Limited • Director, The a2 Milk Company (New Zealand) Limited • Director, Port of Tauranga Limited • Director, Auckland International Airport Limited • Chair, Auckland Committee, Institute of Directors • Member, Advisory Panel to External Reporting Board • Member, Institute of Directors National Council' • Member, The Sustainable Finance Forum Leadership Group
Nicola Crauford	<ul style="list-style-type: none"> • 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, Orion New Zealand Limited • Chair, GNS Science Limited • Deputy Chair, Fire and Emergency New Zealand
David Thomas	<ul style="list-style-type: none"> • Chair, Ngāti Whakaue Tribal Lands Inc. • Chair, Gypsum Board Manufacturers of Australasia • Shareholder / Employee, Fletcher Building Limited • Director, New Zealand Ceiling & Drywall Supplies Limited • Chair, Altus NZ Limited • Director, Winstone Wallboards Limited
Brendon Green	<ul style="list-style-type: none"> • 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. • Runanga Manukau Institute of Technology - Te Whakakitenga o Waikato representative
Colin Magee (Board intern)	<ul style="list-style-type: none"> • Chair, Ākau Ltd and Ākau Foundation • Member, Advertising Standards Complaints Board • Contractor, College of Law • Director, C Magee Limited • Director, MyCap Limited • Director, MyCap Markets Limited



Report to the Board of Watercare Services Limited
Prepared for the 30 April 2019 Board meeting

Chief Executive's report for March 2019

HIGHLIGHTS AND LOWLIGHTS

1. Health, Safety & Wellness

- In March 2019, there was one Restricted Duties Injury (RDI) involving a Watercare employee, two Restricted Duties Injuries (RDI) involving a contractor, and one Lost Time Injury (LTI) involving a contractor. There was one incident involving a member of the public and one significant near miss involving a contractor.
- The rolling 12-month Lost Time Injury Frequency Rate (LTIFR) for employees has fallen to 5.33 per million hours just exceeding our target of ≤ 5 .
- The rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) has remained unchanged at 10.08 per million hours, remaining significantly below our target of ≤ 20 .
- We are currently undertaking work to minimise service strikes.
- Telarc will be conducting an Audit against the Occupational Health and Management System Standard (AS/NZA 4801) of four of our sites in late April/early May.
- This report contains the Q3 update on our progress against our Health and Safety Plan, as well as a summary of injuries by business unit and contractor.

2. SOI measures

- Three SOI measures are not being met. The average consumption of drinking water per day per resident, as well as the number of wet-weather overflows per discharge location, both remain slightly above our targets. The percentage of real water loss from the network is also above our target of 13%.

3. People, Capability and Learning:

- The percentage of voluntary leavers and absences due to illness all remain below our limits.
- The number of FTEs remains below our budget.
- On 8 March 2019, Watercare celebrated International Woman's Day.

4. Customer service:

- **e-billing:** ebilling increased by 1% during March to 49.4%, and we are on target to achieve 50% by the end of the financial year.
- **Digital interactions:** Faults logged online continues to track high at 37%
- **Customer Satisfaction:** Our Customer satisfaction score has slightly decreased to 80.7%, driven by higher volume of calls putting pressure on front line staff.
- **Digital payments:** Digital payments continue to trend upwards.
- **WUCAT:** Over the last 3 months, the Trust has approved \$29,000 of hardship relief.

5. Community and stakeholder relationships:

- **Māori engagement:** We continued to work on Mana Whenua Outcomes by working with Council and Auckland's 19 Iwi.
- **Local Board engagement:** We continue to keep Local Boards up to date with local water and wastewater issues in their areas. We have kept Local Boards up to date with the Trade Waste Bylaw review, as well as the consent appeals for proposed water quality upgrades in St Mary's Bay.
- **Communications update:** We kept our customers and communities up to date with the odour issue at Māngere. We also celebrated World Water Day in March. There is also now a Central Interceptor display at the café at Eden Park, which will be open to the public until August 2019.

6. Waikato District Council commercial arrangement: Watercare is currently negotiating a commercial contract with Waikato District Council regarding the provision of waters services to the Waikato District. The target date for service commencement is 1 July 2019.**7. Resource Management Act compliance:**

- There were no Category 4 non-compliances in March 2019.
- There was one Category 3 non-compliance concerning the increased odour at Māngere. Our digesters are now operating normally again, and this has resolved the odour issue.

8. Digital updates: Our Strategic Transformation Programme (STP) continues to progress. Release 5 has been successfully completed and Release 6 is now in the planning stages.

9. Assets and infrastructure:

- Our contractors and consultants average performance score remained steady at 68.3%, which is over our baseline target.

FUTURE OUTLOOK

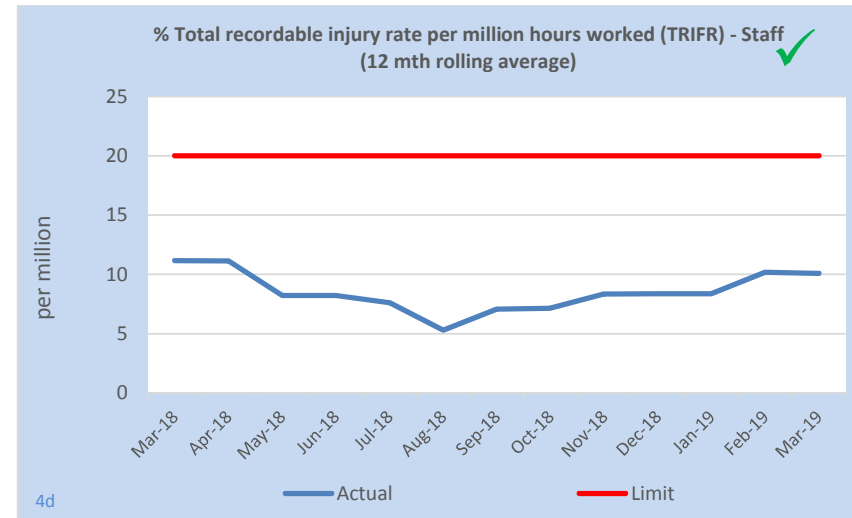
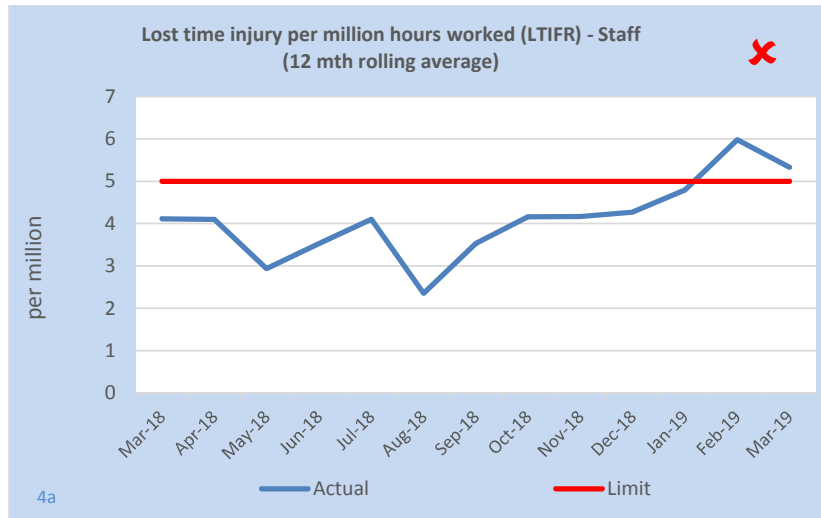
Upcoming Board activity

- The May Board meeting is on Tuesday, 28 May 2019.
- The June Board meeting is on Tuesday, 25 June 2019.
- The July Board meeting is on Monday, 29 July 2019.



Raveen Jaduram
Chief Executive

1. HEALTH, SAFETY & WELLNESS UPDATE



Worker	Description of injury/incident	Our learnings	The actions we have taken
Watercare <i>Restricted Duty Injury</i>	A serviceperson sprained his wrist as he let down the tail gate on his work vehicle. Although it hurt at the time, the worker thought it would improve so did not report it and did not see a doctor for three days. The doctor diagnosed a sprained wrist and the worker was placed on light duties for five days.	We can lose focus when completing routine tasks. Small injuries can escalate if untreated. This event highlights the importance of reporting and early first aid.	Morning toolbox highlighted the importance of reporting all injuries when they happen, even if they seem minor. Discussion also emphasised the value of early First Aid.

Worker	Description of injury/incident	Our learnings	The actions we have taken
Contractor <i>R Restricted Duty Injury</i>	A worker stepped out of an onsite storage container. The container had a step of approximately 30cm to the ground and as he landed he stood on a piece of timber that he had not noticed and twisted his left ankle and knee. A doctor placed the worker on light duties for three days.	Site set-up and housekeeping are important controls to ensure site safety.	A step has been installed at the entrance of the container. The contractor has reviewed the hazard register and ensured housekeeping on site is getting appropriate attention.
Contractor <i>Restricted Duty Injury</i>	An electrical apprentice strained his back as he bent in an awkward position to tighten a lamp cable. A doctor placed the worker on light duties for two days.	Job planning must include an assessment of stressors applied to the body. Inexperienced workers may not take the time to assess routine tasks before jumping in. Supervisors must take opportunities to provide coaching for the whole job rather than just technical training.	The incident was reviewed by the Project Management Team from both Watercare and the contractor. At the contractor's morning toolbox highlighted the importance of managing body stressors and workers were reminded of correct manual handling strategies. The contractor has initiated morning stretching exercises led by a yoga instructor.
Contractor <i>Medical Treatment Injury</i>	A work team were installing decking as part of a site office set-up. Joists had been installed, decking was being laid and plywood sheets were being used as a temporary platform for workers to walk on. A piece of plywood broke and a worker fell between the joists and cut his leg. He was taken to the local medical centre where he received seven stitches.	Temporary works must be treated as seriously as the main works.	The contractor has conducted an investigation and revised their Job Safety Analysis (JSA). Watercare reviewed the investigation report and JSA. Improvements include: <ul style="list-style-type: none"> • Ensuring the same safety focus is applied to temporary works as is given to permanent works • Fastening plywood sheets used during temporary works.

HEALTH, SAFETY & WELLNESS continued**SIGNIFICANT INCIDENTS/HAZARDS/NEAR MISSES**

There was one incidents involving a member of the public in March and one significant near miss.

Worker	Description of injury/incident	Our learnings	The actions we have taken
Watercare Incident involving a Member of the Public	<p>A faults crew were on their way to a job and had difficulty finding the correct driveway. They spoke to local residents and performed a three-point turn to go back to the correct address.</p> <p>A one-year-old toddler came out onto the street, unnoticed by the team or the local residents, and was bumped by the car as it reversed.</p> <p>Police and ambulance were called and the child was taken to Starship Hospital where he was treated and stayed one night for observation.</p> <p>The child's injuries were confirmed to be an arm fracture, a chipped bone in his cheek, and abrasions.</p>	<p>When working in the community, unexpected events can occur.</p> <p>Stress can significantly impact workers and requires the same level of focus as management of physical injury.</p>	<ul style="list-style-type: none"> Watercare maintained close contact with the Police who kept us updated on the child's condition. The Police breath-tested the driver at the scene and the result was negative. The Police advised: <ul style="list-style-type: none"> - The driver was not at fault and the vehicle passed inspection - There would be no further action on their part Support was provided by the HS&W Business Partner (HS&W BP) to the Watercare workers including an offer of counselling Worksafe was notified The workers were allocated office duties for one day. They were assessed as safe to return to normal duties on their next working day The HS&W BP maintained close contact with the workers to ensure their wellbeing and keep them up-to-date with information We continued to keep Worksafe updated and were advised they would not be taking any action

Worker	Description of injury/incident	Our learnings	The actions we have taken
Contractor Significant Near Miss	<p>A contractor was engaged to replace an asbestos-containing (AC) sewer pipe with a PVC pipe. The contractor is approved to conduct asbestos removal.</p> <p>Prior to starting work the contractor provided appropriate methodology and safety management processes which had been approved by the Worksafe approving authority.</p> <p>Once work was underway, the supervising engineer noticed a number of procedures had been breached and suspected electric cutting tools had been used with the AC pipe.</p> <p>Work was stopped, and we had the site inspected and tested by an independent asbestos management company who found cutting tools had been used underground, but not on the AC pipe.</p> <p>The independent asbestos management company and Watercare identified a number of additional safety issues and worked with the contractor so they could rectify problems and improve.</p> <p>The stop-work notice was lifted and work is continuing under supervision.</p>	<p>This event reinforced the requirement for strong leadership, being present on site and for robust contractor management.</p> <p>We also learnt that whilst working on an issue, we can sometimes not communicate as well as required to ensure everyone has the information they need.</p>	<ul style="list-style-type: none"> • Watercare stopped the work and conducted an investigation, including asbestos testing. • We had several meetings and extensive ongoing communication with the contractor regarding our concerns and expectations. • The contractor reviewed and amended their procedure, including a revised risk assessment, which was approved by the WorkSafe approving authority as well as Watercare. • Watercare set a clear expectation with senior representatives from the contractor regarding change management and explained that they had damaged our trust and it would have to be re-built. • Watercare met with GHD to discuss the incident and share learnings. • A summary will be prepared at the end of the work. This learning will be used as a case study to increase learning in the Project Management team.

HEALTH, SAFETY & WELLNESS continued**MINIMISING SERVICE STRIKES**

- Senior Project Managers met to discuss actions to minimise service strikes. Recommendations include:
 - Watercare to survey routes to and through sites which have overhead cables. This is to be completed prior to the Request for Tender.
 - Watercare to review documentation prior to issue to ensure all available information is easily accessed by the contractor
 - Contract Managers are scheduling service location training at the Watercare Training Centre in Māngere
 - Work with Operations team on all Watercare sites to ensure documentation of all services is up-to-date, consolidated and easily accessed.
 - best practice and re-launch expectations across organisation and contractors (Maintenance contractors will be included in review and development of procedures prior to re-launch).
- HS&W Manager is meeting with leaders of New Zealand's major infrastructure projects (Central Interceptor, City Rail Link, Puhoi and Transmission Gully) on 3 May 2019 to share issues and learnings. Service strikes is an agenda item for discussion.

TELARC AUDIT

- Telarc will be conducting our audit against the AS/NZS 4801 Standard (our occupational health and management system standard) between 30 April 2019 and 1 May 2019.
- Audit findings will be reviewed and actions will be developed and communicated to the business in June 2019.
- The sites identified for review by Telarc are:
 - Ardmore Water Treatment Plant
 - Pukekohe Wastewater Treatment Plant
 - Puketutu Island
 - Laboratory Services.

HEALTH, SAFETY & WELLNESS continued

Q3 UPDATE ON PROGRESS AGAINST OUR HEALTH, SAFETY & WELLNESS PLAN

Watercare's 2018-2019 health and safety plan includes a number of programmes to reduce operational risks, develop leadership and management capability, and to develop and implement a company-wide health, safety and wellness system. Outcomes for Quarter Three are summarised below:

Summary of outcomes for Q3, FY19		
Strategic Objective 1 To enhance Safety Leadership Capabilities among officers and Managers to enable the promotion of a proactive health and safety culture.	●	HOP Training In February, Watercare hosted an external High Organisational Performance (HOP) course. This training is internationally recognised as an approach to HS&W in line with 'Safety II' thinking. Two operational leaders were trained and have started applying their learning within their work streams. Responsibilities of Leaders <ul style="list-style-type: none"> • HS&W Business Partners (HS&W BP) have commenced a program of engagement and education with leaders to enhance understanding of what it means to be a HS&W leader. • Business units are developing mechanisms for understanding and measuring safety performance to drive improvements in HS&W.
Strategic Objective 2 To manage our operations to reduce the risk of injury with a focus on serious or fatal injuries.	●	Ardmore Safety Case The Major Hazard Facility Safety Case was submitted to WorkSafe 1 March. We anticipate feedback will be received in June. Control of Work <ul style="list-style-type: none"> • Progress is continuing on a paper-based Control of Work system and in STP to create and implement a digital platform. • We are working with individual business units and sites (e.g. Puketutu and MSO) to understand their individual needs and ensure these are incorporated into the processes. • We are on track with the goal of having a consistent, business-wide control of work system in place in July.


Summary of outcomes for Q3, FY19

Strategic Objective 3

To engage with our workers through programmes that reduce health and safety risks and support their physical and psychological health.

Health and Wellness Initiatives

- The Wellbeing Team has launched the Quit Line smoking cessation program in March. Take up has been limited so far. A communication campaign, following the journey of two workers as they go through the program, is planned for May.
- HS&W engaged with workers throughout April's Expo. We took the opportunity to canvas feedback from workers on HS&W issues which will be published and closed out by the end of June.
- In May, we will be conducting a business-wide Wellbeing survey. The information will help us prioritise Wellbeing initiatives and will give us a baseline against which we can monitor the effectiveness of Wellbeing initiatives.
- St Johns Ambulance's Mental Health First Aid for Leaders program was evaluated in March and it received positive feedback. The program will be delivered to leaders across the organisation in the first half of the next FY.
- A series of five Wellbeing sessions have been scheduled for delivery across key sites over the next FY. These sessions will be delivered by our EAP provider, OCP.
- Training in protecting and using the body safely during work has been scheduled early in the next FY for four HS&W BPs. Bringing this training in-house will increase our ability to respond to events and to provide proactive support to the business in a more cost-effective way than using an external agency.
- Planning has been completed for a roll-out of financial literacy education and support across the business. Financial stress is a significant cause of workplace presenteeism in the general population and we anticipate it will be identified in our Wellbeing survey results.

Summary of outcomes for Q3, FY19		
<p>Strategic Objective 4</p> <p>To implement and further improve systems and resources that enable continual improvement of health and safety performance by enabling leaders, managers and workers to effectively meet their health and safety responsibilities.</p>		<p>ACC Partnership Program</p> <ul style="list-style-type: none"> • The Board approved Watercare adopting the Accredited Employers Program (AEP) with ACC and engaging a Third Party to partner with Watercare to provide injury management and return-to-work support for workers. • We are planning for AEP's implementation, scheduled for July 2019. <p>Synergi</p> <p>HS&W is working closely with the Digital Team to develop short-term and long-term improvements to HS&W reporting. This will increase visibility of HS&W issues to help guide focus and resources. Some short-term activities will be delivered in April with long-term solutions scheduled for May 2019.</p>

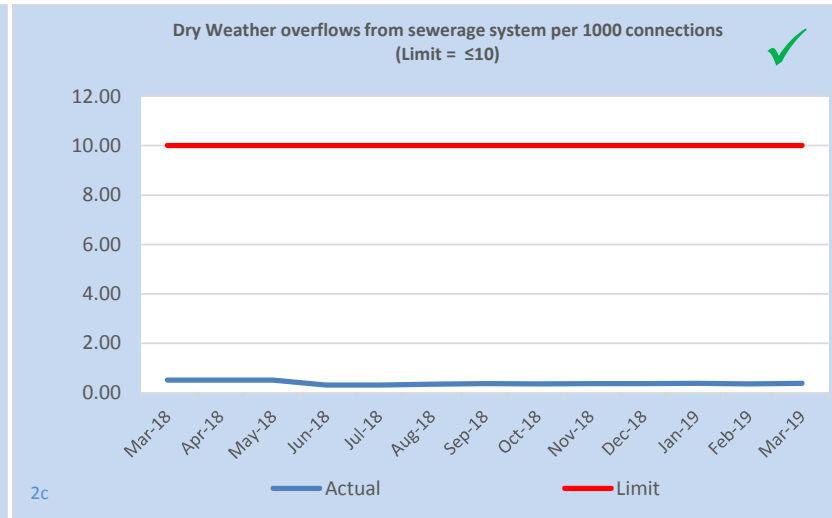
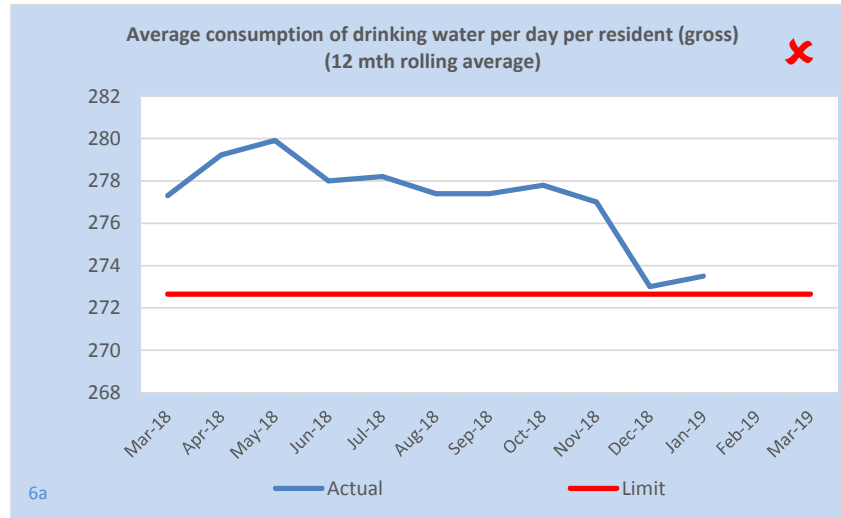
HEALTH, SAFETY & WELLNESS continued**Q3 FY19 – SUMMARY OF INJURIES****Watercare Injuries per Business Unit**

Month	Business Unit	Restricted Duties Injury (RDI)	Medical Treatment Injury (MTI)	Lost Time Injury (LTI)	Total Recordable Injuries (MTI+LTI)
Jan-19	MSO	0	0	1	1
	Laboratory Services	0	0	1	1
	MSO	0	1	0	1
Feb-19	MSN	0	0	1	1
	Laboratory Services	0	0	1	1
	Service Delivery	0	1	0	1
Mar-19	MSN	1	0	0	1
3rd Quarter Total (Watercare Employees)		1	2	4	7
Total YTD		1	4	8	13

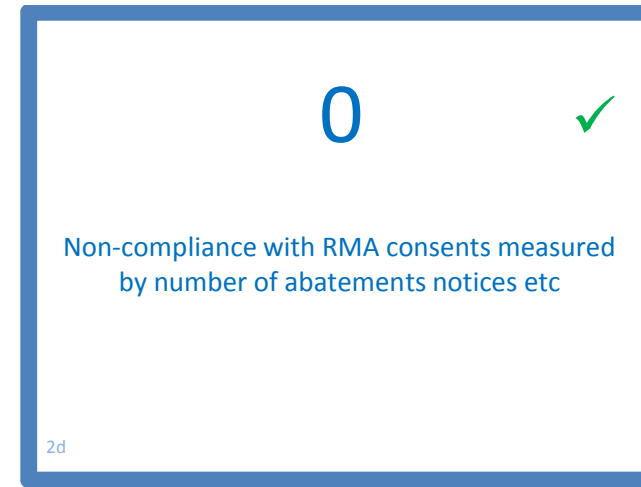
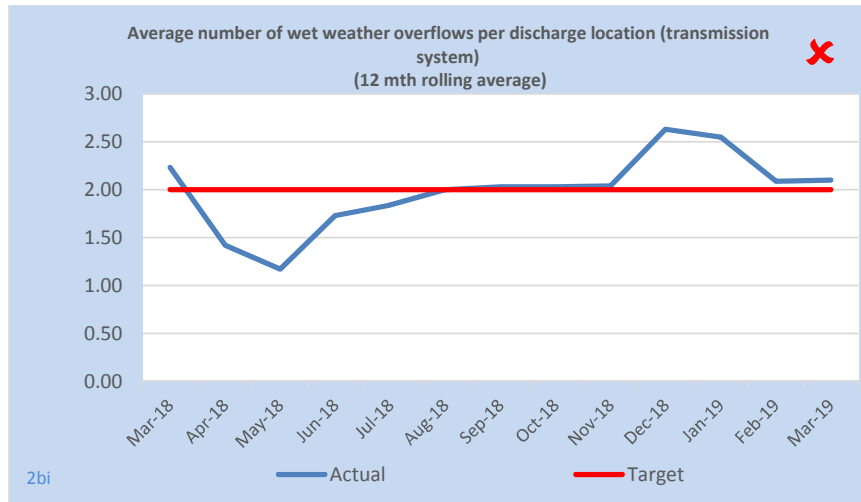
HEALTH, SAFETY & WELLNESS continued**Contractor Injuries per company**

Month	Company	Restricted Duties Injury (RDI)	Medical Treatment Injury (MTI)	Lost Time Injury (LTI)	Total Recordable Injuries (MTI+LTI)
Jan-19	Pipeline & Civil	0	1	0	1
Feb-19	City Care	0	0	1	1
Mar-19	Fletcher Construction	1	1	0	2
	Pipeline & Civil	1	0	0	1
3rd Quarter Total (Contractors)		2	2	1	5
Total YTD		2	7	6	15

2. SOI MEASURES – 2017-2018 - Natural environment

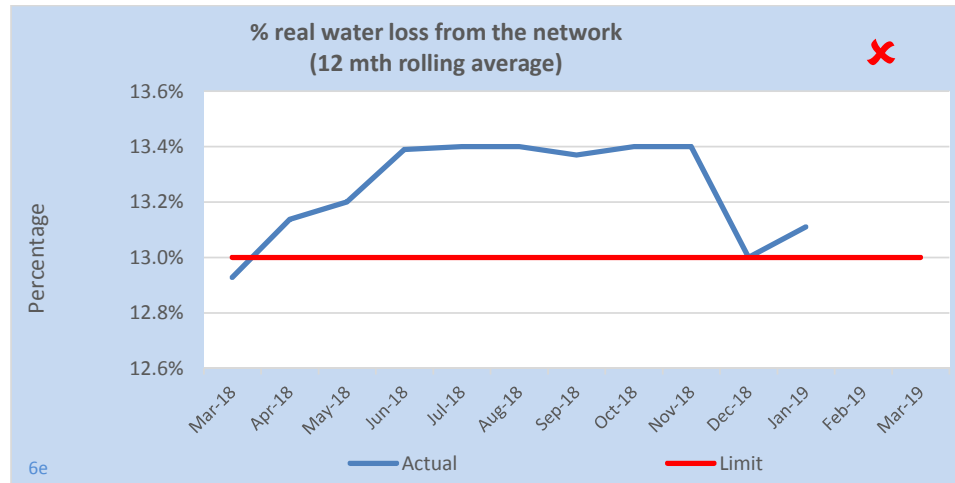


SOI MEASURES – 2017-2018 - Natural environment continued



- The wet weather in December, was followed by drier months in January and February 2019, which saw the measure improve, and level off.

SOI MEASURES – 2017-2018 - Assets and Infrastructure



- We are continuing our work into the accuracy of our Bulk Supply Points.
- In the meantime, our teams are continuing to:
 - pursue operators for revenue where water is being taken without permission or payment, or without meters
 - accelerate the replacement of old meters with new, accurate meters; and
 - ensure water meters are read in line with our programme.

100% ✓

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

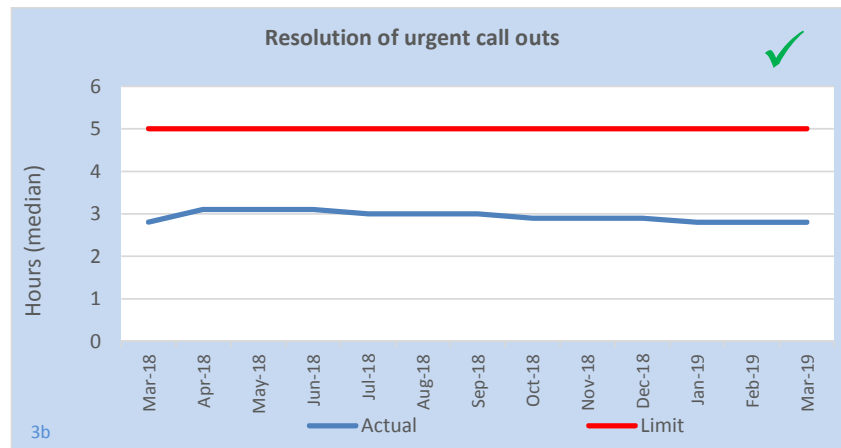
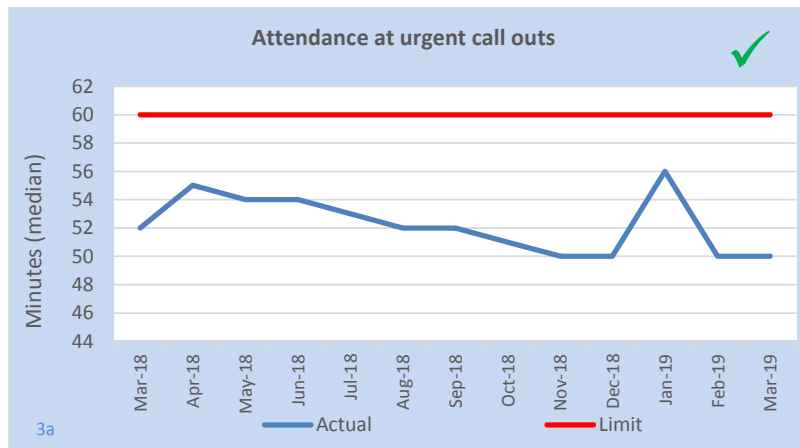
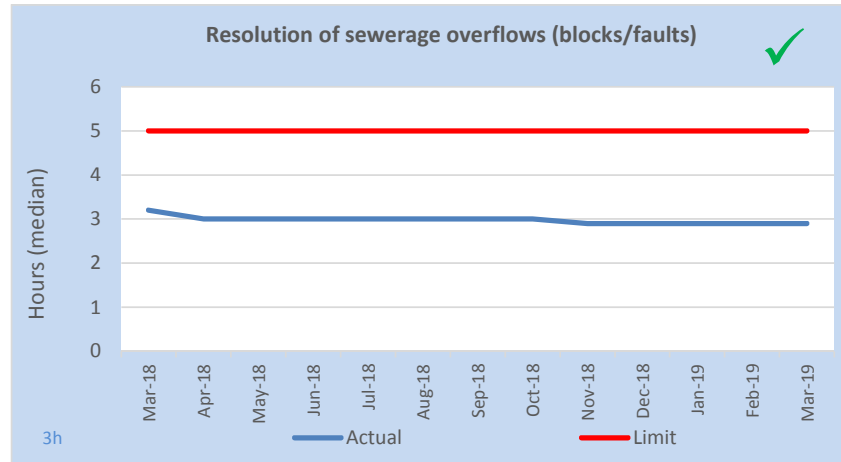
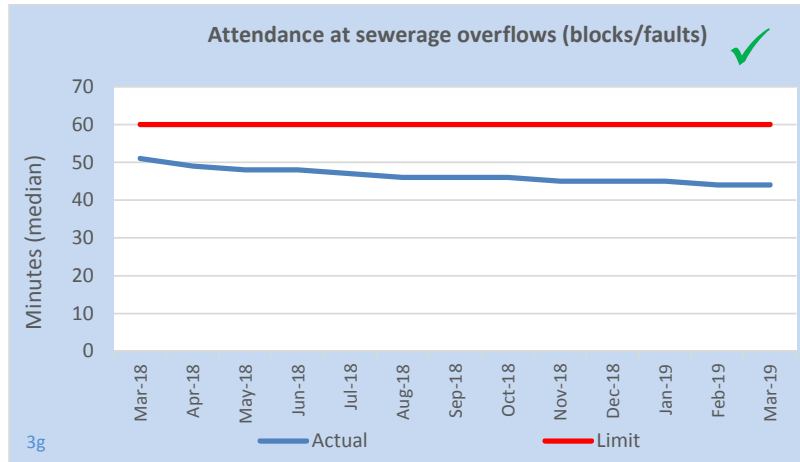
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100% ✓

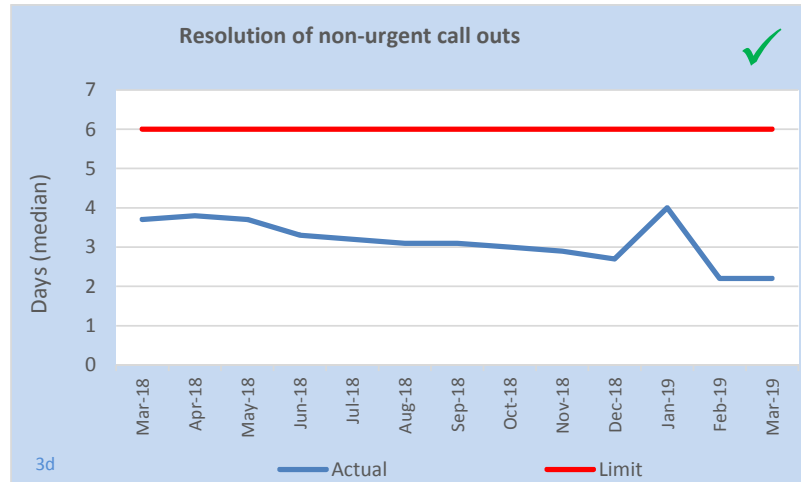
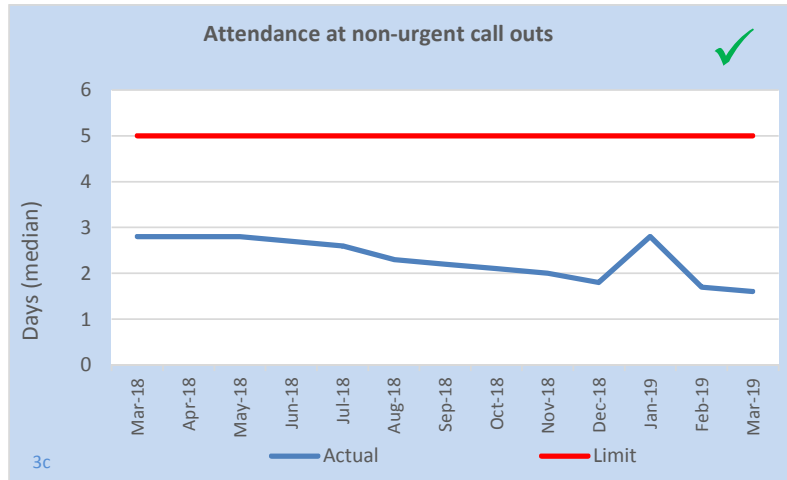
Compliance with Part 5 of the Drinking Water Standards (protozoal)

1b

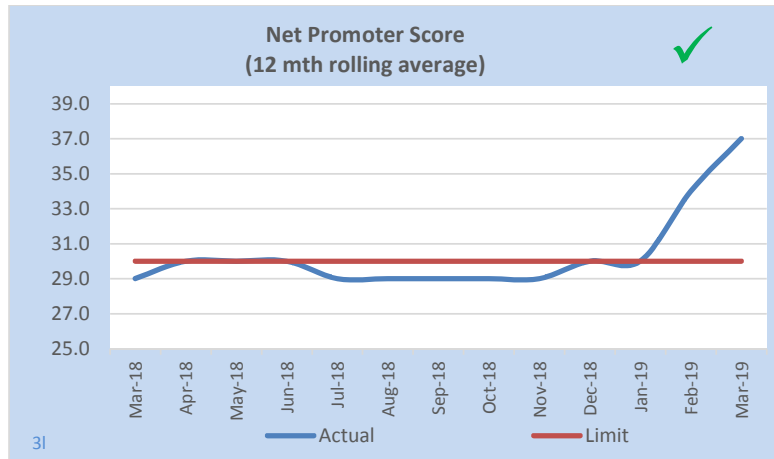
SOI MEASURES – 2017-2018 - Community and Stakeholder relationships



SOI MEASURES – 2017-2018 - Community and Stakeholder relationships

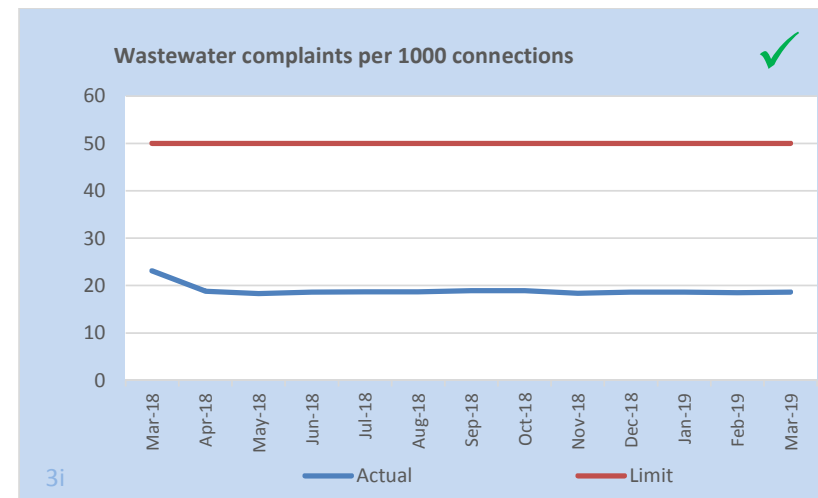
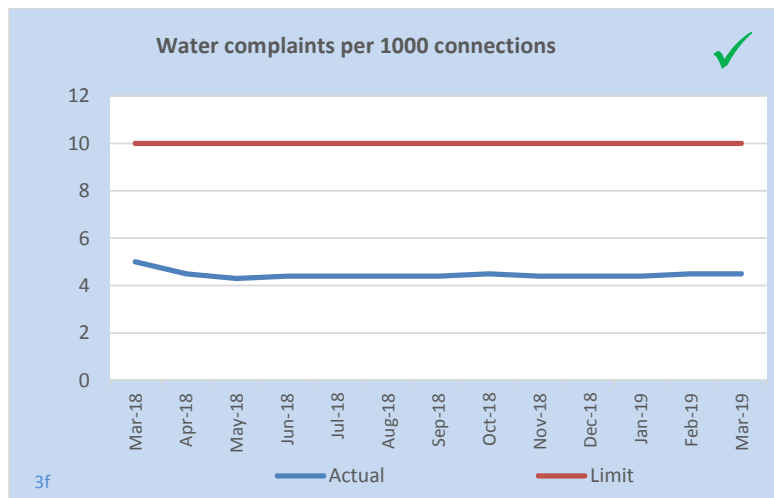


SOI MEASURES – 2017-2018 - Community and Stakeholder relationships continued

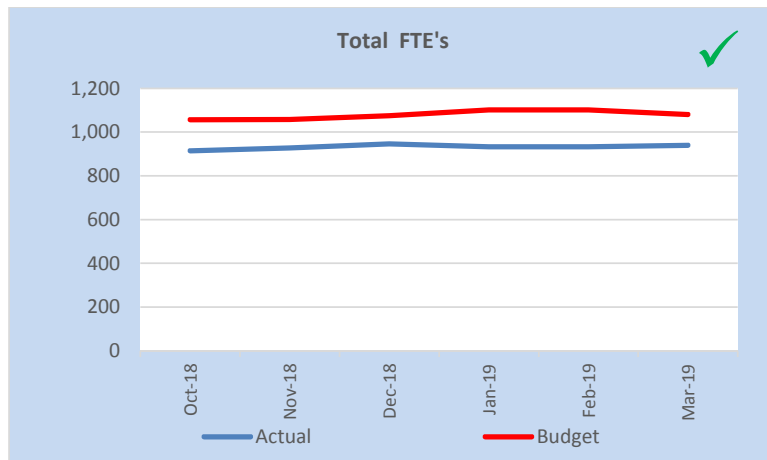
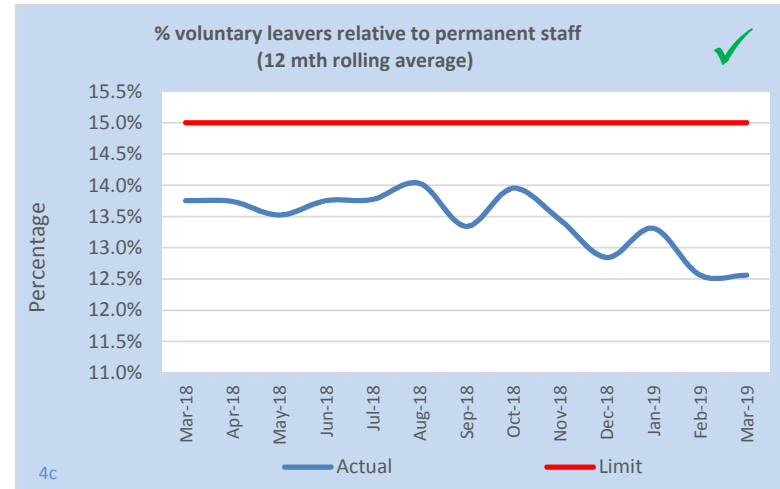
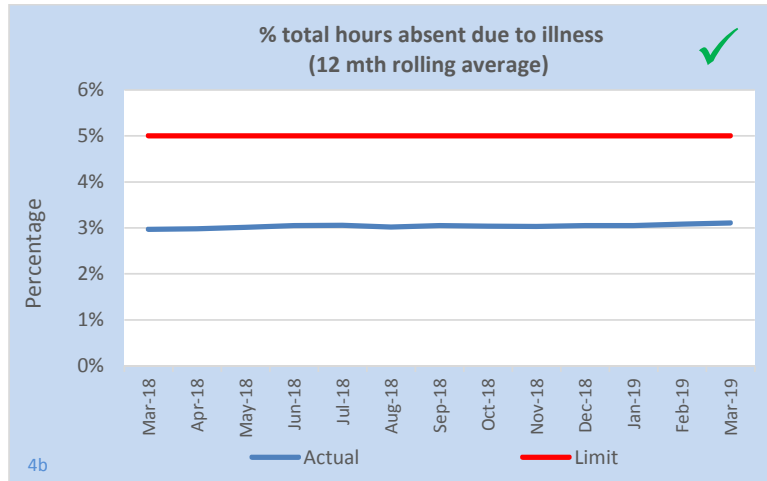


NPS

Net promoter score (12 month rolling average) is 37, up 3 points from last month with continued focus on NPS and better quality customer conversations.



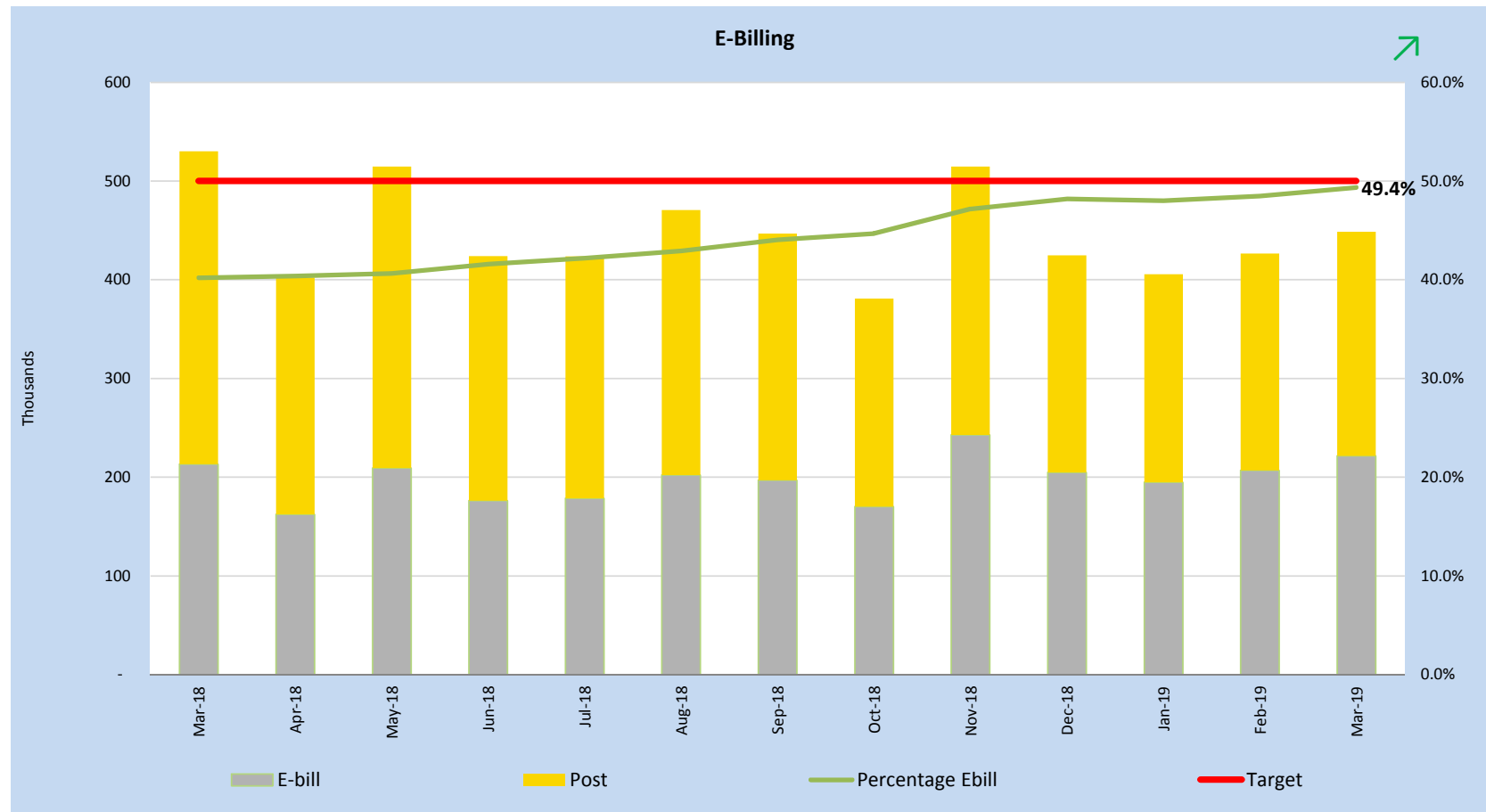
3. PEOPLE, CAPABILITY AND LEARNING



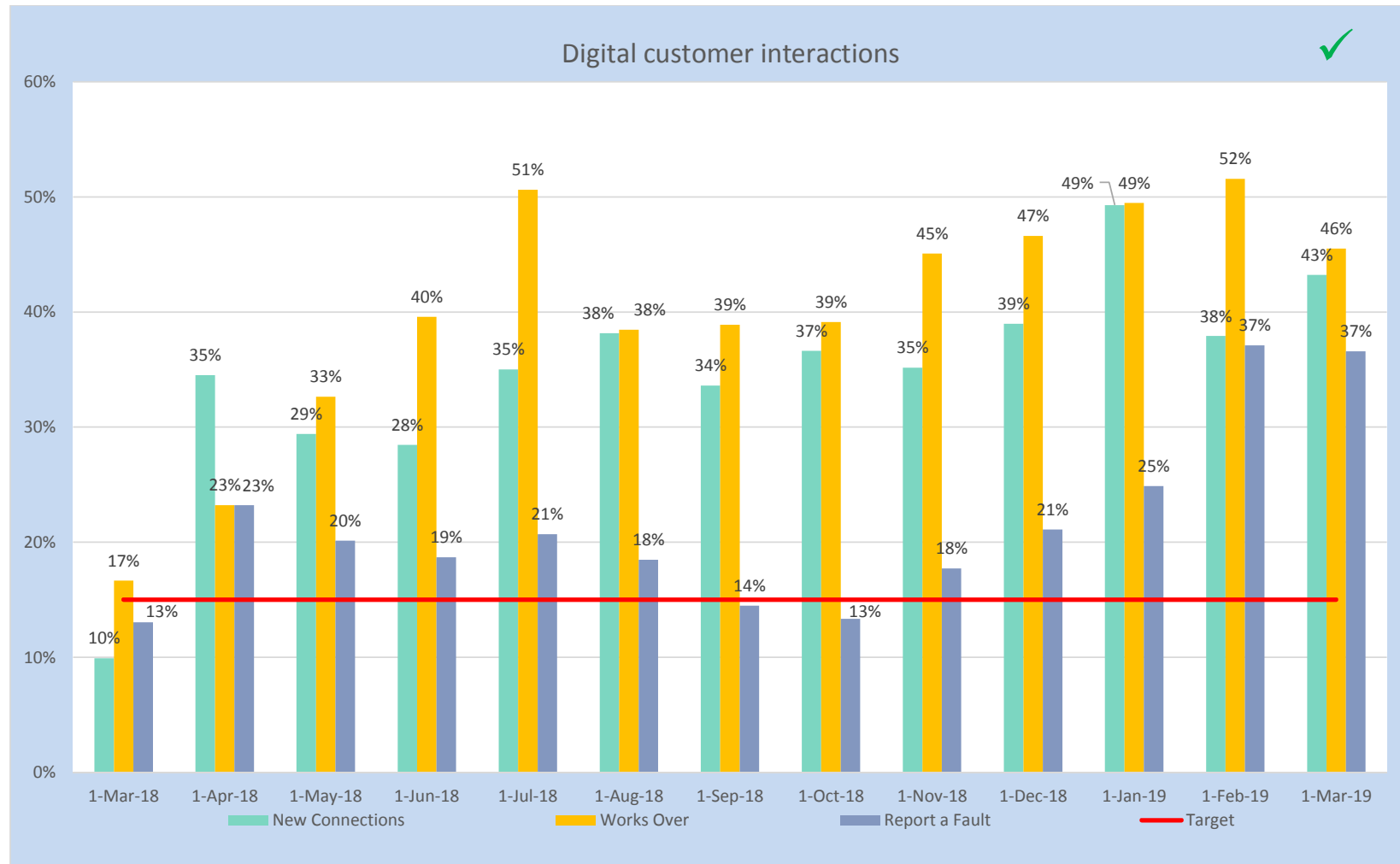
INTERNATIONAL WOMEN'S DAY

- On 8 March 2019, Watercare celebrated International Woman's Day.

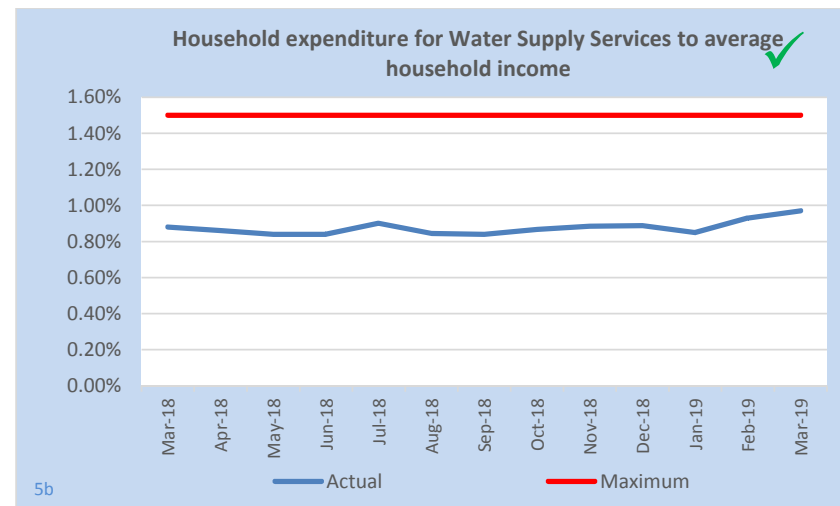
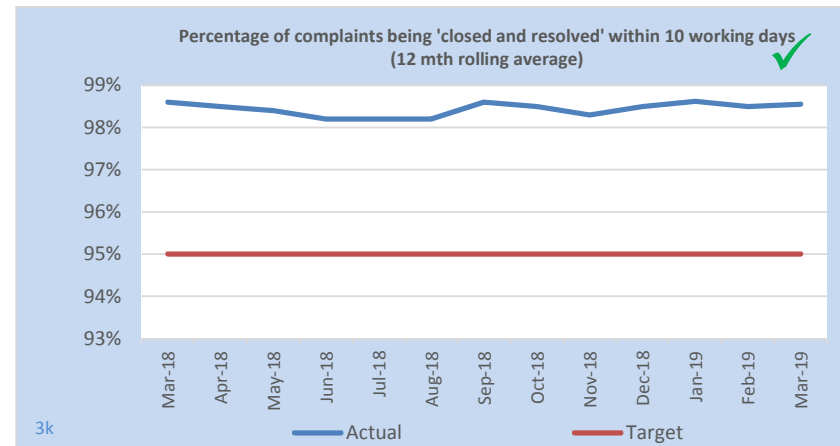
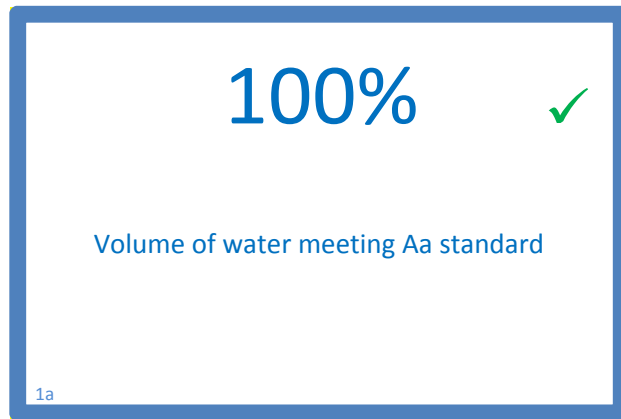
4. CUSTOMER SERVICE



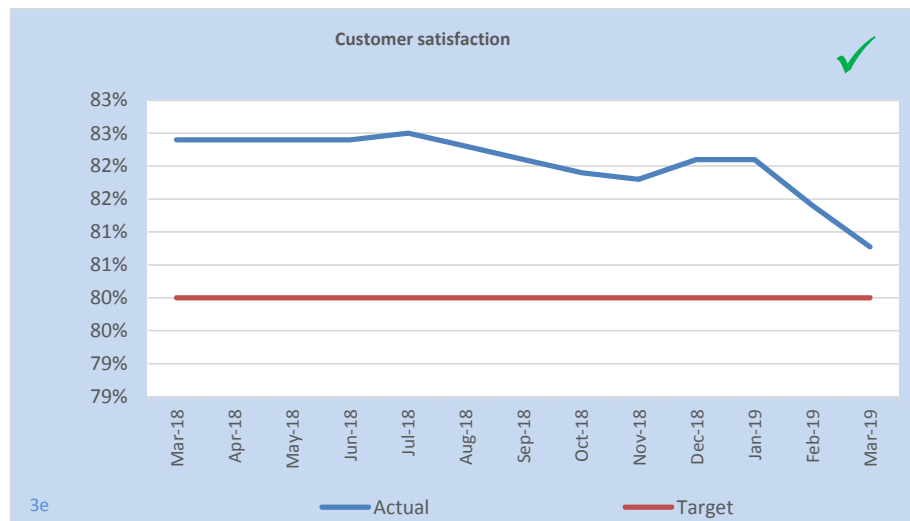
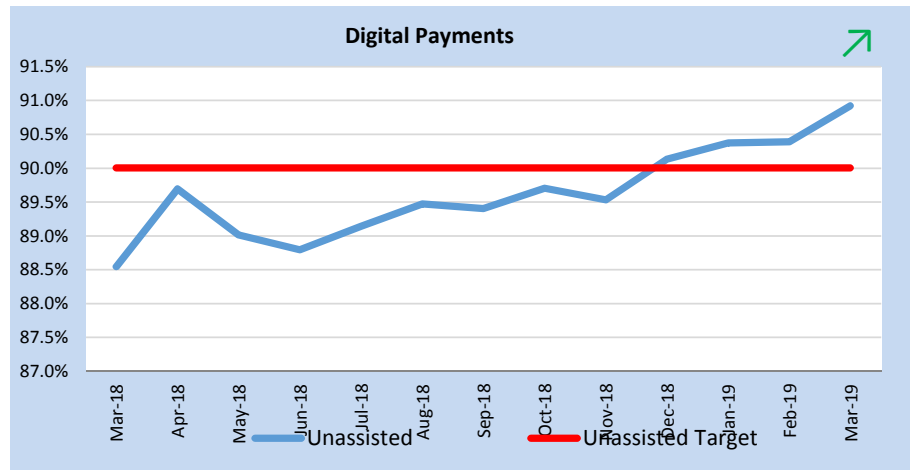
CUSTOMER SERVICE continued



CUSTOMER SERVICE continued



CUSTOMER SERVICE continued



CUSTOMER SATISFACTION

- 80.7% of customers surveyed were satisfied with Watercare's delivery of water and wastewater services (12 month rolling average), which is a slight decrease from last month.
- There was a continued higher number of contacts for March 2019, (63,000) placing more pressure on front line staff to maintain service levels

CUSTOMER SERVICE continued

WATER UTILITY CONSUMER ASSISTANCE TRUST (WUCAT) UPDATE – THREE MONTHLY UPDATE

Customers experiencing hardship may be eligible to apply to WUCAT for assistance with their water bills.

- At the last three WUCAT meetings, 29 applicants successfully completed the budget process with \$29,000 of hardship relief approved by the Trust.
- The level of debt in recent applications has been quite high. However, there is still occasional reluctance for people to engage with budget advisors/financial mentors to complete the application process.
- One of WUCAT's Trustees now provides additional assistance to the Trust to provide budget assistance to customers seeking assistance from the Trust.
- Some of the Trust's clients have leaks, which they cannot afford to have repaired. When this is identified in an application, or is noted on an Eco Matters Trust water audit, the Trust will arrange and pay for plumbers to repair the leak/s. This will assist greatly in reducing water loss through leaks and, and the length of time it takes some households to get the leaks repaired due to lack of income.

UPDATE ON RESTRICTIONS AS 31 MARCH 2019

- 11 domestic restrictions on vacant properties
- 42 domestic restrictions on occupied properties (includes two new restrictions. However, two others have been removed, as one customer paid in full, and another has entered a payment arrangement).
- 17 non-domestic properties (up 1 from last quarter)

We are communicating with all of these customers to try to find a resolution.

5. COMMUNITY AND STAKEHOLDER RELATIONSHIPS UPDATE

MĀORI ENGAGEMENT IN FEBRUARY 2019

- Attend Meetings at Auckland Council relating to the Te Toa Takitini portfolio. Provide Watercare response to the 9 priorities, Including Water, Marae, Economic Development, Rangatahi, Mana whenua engagement, Papakainga Development
- Attend meetings and provide strategic advice on cultural protocols to the Central Interceptor team and Mana whenua Forum Chairman, Tame Te Rangi. This has included work on archaeological reports.
- Consultation with Mana whenua representatives regarding the Army Bay WWTP discharge project.
- Liaise and arrange High level relationship hui, Ngāti Tamaoho Chair, Dennis Kirkwood, CE Raveen Jaduram and Rob Fisher and Te Uri o Hau Lisa Knight.
- Attend and lead discussions for Watercare with Council regarding Te Hōanga input into Council's Value for Money Implementation Progress Report on Māori Engagement.
- Attend and lead tikanga kaupapa at Auckland Conservations evening, Maritime Building, Princes Wharf,
- Attend Site blessing with Chief of Infrastructure, Steve Webster, lead Watercare staff at the Clevedon Project, together with Mana whenua Ngai Tai ki Tāmaki, James Brown and Laurie Beamish
- Work with Stuart Bird, Watercare on Māori outcomes for procurement.
- Work with Patience Te Ao, Chair, Te Taniwha o Waikato regarding the Pukekohe WWTP.
- Work and meetings with Mana whenua regarding the Hunua ranges restoration proposal.
- Arrange meeting with Council's Marae project lead , regarding the Hoani Waititi Marae, Henderson

LOCAL BOARD ENGAGEMENT

- All Local Board members have received an update on the Trade Waste Bylaw review and the final step in the process involving public submissions.
- An update on the Central Interceptor and Western Isthmus water quality improvement programme was presented to the Waitemata Local Board.
- Local board members also received subsequent updates on Watercare's participation in the consent appeals for proposed water quality upgrades in St Marys Bay.
- Updates on odour issues associated with the digesters at the Māngere Wastewater Treatment Plant were sent to Māngere and Puketapapa Local Board members.
- Major wastewater upgrades in Glen Innes have been causing some disruption for local traffic, resulting in escalations for local politicians. Local board members have been kept up to date with project progress reports and Watercare continues to work with AT in response. Unfortunately, there is little opportunity to change traffic management and some degree of disruption will continue throughout the year.
- Watercare planning staff attended a public meeting of the Franklin Local Board in Waiuku to discuss future development in the area and the Local Board was appreciative of Watercare's attendance.

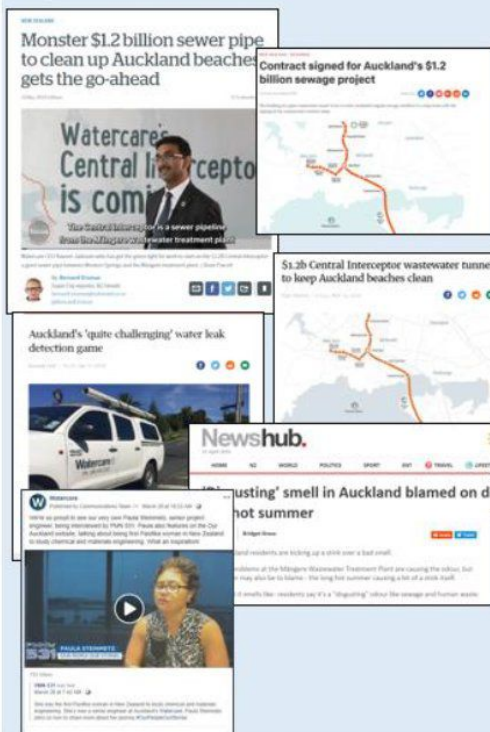
COMMUNICATIONS SNAPSHOT



Enabling engaged communities
and stakeholders

Media

Media highlights for the month include: coverage in various media (TVNZ, New Zealand Herald, Radio NZ, Stuff) about the signing of the Central Interceptor contract with Ghella Abergeldie Joint Venture; odour issues from the digester at Māngere Wastewater Treatment Plant (Stuff, Newshub), detection of water leaks (Stuff) and staff profile on PMN 531 Live. The CI video has been extremely well-received: Facebook – 6200 views, 58 shares, 21 comments; LinkedIn – 3134 views, 13 shares, 116 likes; Youtube – 1085 views.



Enabling safe, happy and
empowered teams

Staff

Internally, we organised the staff roadshow on 'Understanding the Watercare Why', promoting our core purpose and identity. The roadshow visited sites across the company and also shared updates on projects and other initiatives of interest to staff. We produced a communications toolkit for staff to help tell our story and promoted the consenting guidebook 'PACT' and other staff achievements internally.



Presenting PACT, our consenting encyclopedia



Tara takes on the Wonder Project



Jo Lansi gives up his leeks for Leukaemia fundraising



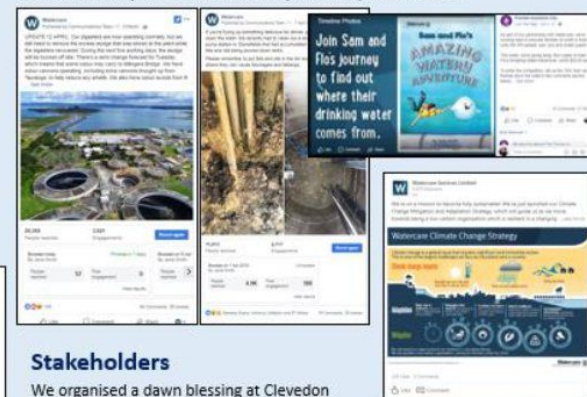
New toolkit helps you tell the Watercare story



Enabling customer trust and value

Customers

We communicated with our customers and communities on the odour issue at Māngere and kept them updated on the situation. We also gave away free copies of 'Sam and Flo's Amazing Watery Adventure' through competitions for World Water Day on Facebook and in partnership with Plunket.



Stakeholders

We organised a dawn blessing at Clevedon for the water and wastewater services project, with karakia by Ngaitai-ki-tamaki and attendance by Franklin Local Board chair. We also organised a Central Interceptor display at the café at Eden Park, as part of the Nelson Mandela Exhibit that will be open to public till August. Our Hunua 4 project site in Epsom hosted the local Epsom Scout Troupe at Ranfurly Road.



Watercare

6. WAIKATO DISTRICT COUNCIL – Commercial arrangement

- Watercare is currently negotiating a commercial contract with Waikato District Council regarding the provision of waters services to the Waikato District.
 - The target date for service commencement is 1 July 2019.
 - For the first two years, we will be in a transitional phase. During this phase, Watercare will be contracted by WDC to provide operation and maintenance of the assets which deliver the waters services.
 - After that, the contract will move into the operational phase, and Watercare will be the provider of water services to the Waikato District (as defined by s137 of the Local Government Act)
 - Watercare will consult with Auckland customers during the transitional phase to ensure our customers' input is considered in shaping Watercare's role during the Operational phase.

7. RESOURCE MANAGEMENT ACT COMPLIANCE



March 2019	Compliance proceedings	Nil	Environmental incidents of significance	Nil
Summary	Category 4 non-compliant consents	Nil	Category 3 non-compliant consents	1

13 of our 489 active consents are technically non-compliant, but none are in Category 4

	Oct	Nov	Dec	Jan	Feb	Mar
Number of total active consents	482	486	485	485	485	489
Number of non-compliant consents ¹	7	12	12	10	9	13
Number of non-compliant category 3 conditions <i>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.</i> <i>We would typically receive notification or have warning of a category 4 non-compliance well before we prepare this report.</i>	0	0	0	0	0	1
Number of non-compliant category 1 or 2 conditions <i>Technical non-compliance with no more than minor potential or actual adverse effect to the environment. For example, reports provided after due date.</i>	15	20	18	11	13	14

Notes:

1 – excludes trade waste consents

Non-compliant consents in Category 3 for March:

There was one Category 3 non-compliance for the month of March.

Facility or Project	Background & Reason for Non-Compliance	Summary of current actions	Current Self-Assessed Council Compliance Rating
WASTEWATER TREATMENT			
MĀNGERE WASTEWATER TREATMENT PLANT	<p>Consent Number 41392 Condition 15</p> <p>"From October 1 2003, there shall be no odour which is noxious, offensive, or objectionable beyond the area designated as the "Odour Boundary", caused by discharges from activities undertaken on the site"</p>		3

INCREASED ODOUR AT OUR MĀNGERE WASTEWATER TREATMENT PLANT

- As reported last month, the Māngere Wastewater Treatment Plant anaerobic digestion process suffered a biological upset commencing in January 2019, which continued in February and March.
- Our teams have worked hard to bring the digesters back into their normal operational parameters.
- This work has now been achieved, and the digesters are now operating normally again.
- By way of background:
 - our digesters use anaerobic bacteria to break down waste sludge. The digesters contain a balance of different types of bacteria that live and work together. However, when the balance is upset, causing a reduction in anaerobic performance, this greatly increases odour and reduces the quantity of methane for power generations. To fix the problem, we corrected pH levels, adjusted alkalinity daily and diverted a portion (approximately 40%) of the feed sludge direct to a commercially operated landfill, in order to reduce the load.
 - Whilst we were resolving the issue, we had to store odorous sludge on site, and this increased odours from the plant from February to early April. The number of complaints from the local community increased. However, during that time, our Communications team kept local residents in Māngere updated via the Community Liaison Group, via our Website, and also via our Facebook account.
 - Now that the digesters are operating normally again, there is no longer any odour.
 - We are investigating the cause of the event and have engaged an International anaerobic digestion expert to conduct a forensic investigation. We will use the investigation results to develop a mitigation strategy for the future.

8. DIGITAL UPDATES



STRATEGIC TRANSFORMATION PROGRAMME (STP) UPDATE

STP has successfully completed Release 5 and moved into Release planning for Release 6.

RELEASE 5 IS COMPLETE

- Planning and preparation completed for the first billing production cutover, the scope of which was the migration of all Watercare accounts to the new production environment. This cutover involves data migration of 544 water and wastewater accounts. This is the first migration of billing accounts to the production environment and provides an opportunity to test a number of processes including data migration, billing and account maintenance.
- Developed inventory management capability, migrated maintenance plans and improved visibility across completed work vs planned work, work management and performance against KPIs
- Continued development of the infrastructure project management capability including new project creation, management of key documentation and creation of assets
- Continued development of the time series visualisation tool to enable the easy viewing of SCADA/PI data linked geographically
- Enhancing the demand toolset to provide more data and added feature sets
- Further development of the visualisation of system performance including scenario switching capability
- Developed further functionality across Finance and Procurement

RELEASE 6 PLANNING IS UNDERWAY

The first substantial cutover to the new STP solutions is planned for Release 6.

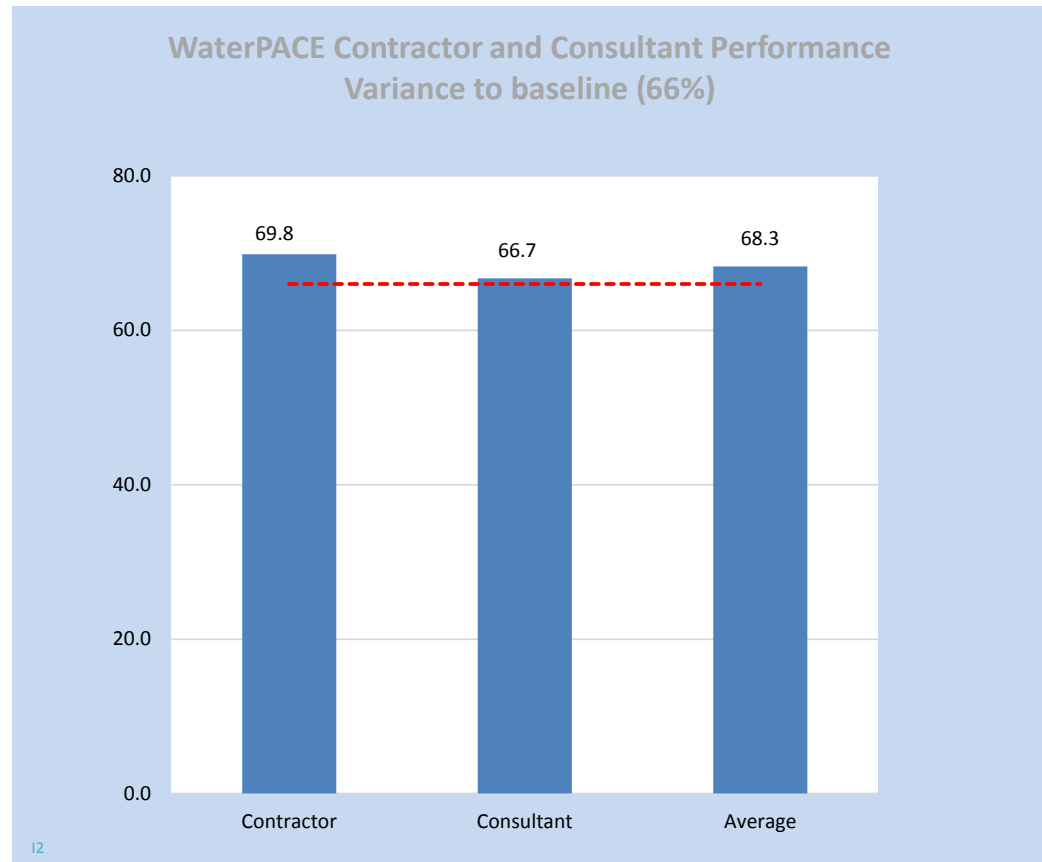
The scope of the production cutover includes:

- Production release of LN as the financial system of record, replacing SAP. All core financial activity will move to LN, with the remaining functionality being migrated from SAP over the course of this calendar year;
- Migration of all project management activities from legacy systems to the new STP solutions. The new functionality will provide significant improvements across project & programme management activities by replacing the existing cumbersome and manual business systems and processes;
- The first cutover of asset management with the migration of selected northern region assets from SAP to the new STP asset management platform.

9. ASSETS AND INFRASTRUCTURE



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 average performance score remained relatively steady at 68.3%, which is still 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

10. DELEGATED AUTHORITY OF THE CHIEF EXECUTIVE

In March 2019, Watercare did not process any deeds, instruments or documents, with the delegated authority provided to the Chief Executive by the Board.

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:

- Replacement of GC-MS System (Agilent Technologies New Zealand Limited)
- Harrod St And Hurst St Watermain Replacement (HEB Construction Limited)
- Central Interceptor Professional Services Contract (Jacobs New Zealand Limited)
- Huia No.2 Watermain critical works-Hillborough Road (City Contractors Limited)
- Headworks Piezo Upgrade (Controlweb Limited)
- North Shore Transmission Control Upgrade (Broadspectrum (New Zealand) Limited)
- Central Interceptor Main Works Project (Ghella Ltd & Abergeldie Complex Infrastructure Limited)
- Reactor Clarifier 3 Rake Arm Repair Q11620 (Consep Pty Limited)

There were five Capex approvals totaling \$20.945m 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.

- Māngere Solids Stream Upgrade (\$3,670,000)
- Replacement GC-MS System (\$206,780)
- Network Water Main Renewals FY2019 Group 2 (\$9,475,280)
- Finance and Procurement System Replacement (\$4,940,923)
- Digital Workplace Programme - Phase 1 (\$2,653,000)

Strategic Business Plan update

Board meeting – 30 April 2019



Intellectual capital

5.1

Goal	2018/2019 Target	Progress to date
Customer - Enhanced digital enablement for customers	<p>Increase uptake of e-billing (Target – 50%)</p> <p>Channel migration from assisted to unassisted – 5% increase per year</p>	<p>The conversion to e-bill continuous to increase month-on-month. We are on track to achieve our target of 50% on eBills. As at March 19, 49.4% of our customers receive eBills.</p> <p>Digital interactions this year has increased by 18% versus last year</p>
Efficiency - Implement robotic process automation (RPA) to drive back office efficiencies	8 in total	7 processes have now been automated utilising RPA. Development has been completed for the 8 th process and testing is now underway.



People and Culture

Goal	2018/2019 Target	Progress to date
Develop a 3-year culture programme aimed at helping our people live our values	<p>Measure shift towards greater levels of collaboration, agile ways of working and self-motivated teams</p> <p>Develop and implement a diversity agenda</p>	<p>The Ways of Working project will soon see some groups (Digital, Customer, Finance) moving to new areas of the Newmarket building to encourage more collaboration between teams.</p> <p>We celebrated International Woman's Day in March 2019.</p> <p>We are forming a Diversity and Inclusion Committee.</p>
Talent Optimisation	A Talent Development Programme has been developed and implemented (capability matrix as the base of this project)	Our Organisational talent map is now complete to Tier 2 and 3. Q4 will focus on succession planning and critical role analysis. All talent will have developmental plans, utilizing our SURF (Career Development Platform) system.
Learning and Development	All employees have access to learning and development programs	We are deploying SURF and IMMERSE in Digital and Customer initially, before a wider roll-out.

5.1



Financial capital and resources

Goal	2018/2019 Target	Progress to date
Assist Council with its debt to revenue challenges	Business cases to the Board in respect of the Waikato District Council three waters management and one other opportunity.	Waikato District Council We have started the three month mobilisation phase. The target date for contract signing is 31 May 2019, with the start date remaining 1 July 2019.

5.1



Natural environment

5.1

Goal	2018/2019 Target	Progress to date
We are preparing for climate change	<p>We will create and implement a Climate Change Strategy and associated Sustainability statement. Strategy released.</p> <p>We will collaborate with Auckland Council, Government agencies and other utilities to implement agreed plans and meet climate change targets.</p>	<p>Following the release of our Climate Change Strategy we now are developing a detailed plan to deliver on the strategy.</p> <p>We continue to work with Auckland Council where appropriate.</p>
We will develop a water efficiency strategy	Achieve Year 1 goals in the Auckland Water Efficiency Strategy 2017 to 2020	We have developed a public awareness and engagement campaign. This will be launched in the new financial year.



Assets and Infrastructure

5.1

Goal	2018/2019 Target	Progress to date
We will deliver the Central Interceptor	Successfully negotiate and award the CI construction contract.	The contract has been signed. A successful signing ceremony was held that attracted positive media articles. Construction starts in August 2019.
We will reduce our infrastructure capital TOTEX (total expenditure approach to build and operate water assets).	We will implement two new initiatives to reduce our TOTEX.	<p>We have held our third market briefing, 17 April 2019, on the construction partner RFP. This was attended by 8 contractors who have the capability of delivering under the Enterprise Model.</p> <p>The RFP will be released to the market on 1 May 2019. We have looked at the alignment between our Enterprise Model and the recently signed Construction Sector Accord and found virtually 100% alignment of outcomes.</p>
We will improve consultant and contractor performance	We will improve the overall WaterPace score by 10%.	Monthly reviews being undertaken. Current performance remains 15% above the June 2018 baseline.



Community and stakeholder

5.1








Goal	2018/2019 Target	Progress to date
Customer - Improved Net Promoter Score (NPS) (16/17 baseline = 27)	NPS \geq 30	<p>Net promoter score (12 month rolling average) is 37, up 3 points from last month.</p> <p>We transitioned the Voice of the Customer survey from Touchpoint to in-house in mid January 2019.</p> <p>We also clarified the question and scale for customers which is rendering higher NPS results.</p>
We are engaged with our stakeholders	We will progress the conversation on the value of water and link this to our brand identity.	We have been holding roadshows at our sites for our staff. The Roadshow topic is "Watercare Why", which is part of our work on our on company brand.

Report to the Board of Watercare Services Limited

Prepared for the 30 April 2019 Board meeting

5.2

Infrastructure Growth Charges (IGC) – a review of current policy and application

Purpose			Team		
Information	Discussion	Approval	Prepared	Recommended	Submitted
			G Stuart Project Analyst	M Bridge Chief Financial Officer	R Jaduram Chief Executive
Intellectual capital	People and culture	Community and stakeholder relationships	Financial capital & resources	Natural environment	Assets and Infrastructure
					

1 Recommendation

That the Board notes this paper.

2 Purpose and context

The purpose of this paper is to keep the Board informed by providing an update on key aspects related to Watercare's Infrastructure Growth Charges (IGCs), including:

- what expenditure the IGC revenue is designed to recover
- how IGCs are calculated
- how they are applied and enforced
- issues faced in assessing IGCs and preventing revenue leakage
- initiatives to help customers

The last detailed paper explaining the IGC and funding for infrastructure was presented to the April 2016 Board meeting.

3 The IGC funds growth capital expenditure on bulk infrastructure.

No change is proposed to the type of expenditure funded by the IGC.

The IGC is a contribution towards funding capital investment made for bulk growth infrastructure. Capital expenditure, on renewals and improvement to the level of service on existing bulk infrastructure, is funded from water and wastewater tariff revenue.

Bulk growth infrastructure

Auckland's rapid population growth is increasing the demand for water and wastewater services provided by Watercare, requiring the construction of new 'bulk' and 'local' infrastructure.

‘Bulk’ infrastructure broadly includes treatment capability and large transmission networks for water and wastewater collectively. The ‘local’ water or wastewater networks customers connect to, link with these large transmission networks.

Most ‘local’ infrastructure is initially paid for and built by developers to where Watercare has service available (then vested to Watercare).

Drivers of capital work programmes are categorised broadly into growth (expansion), level of service (regulatory and environment) and renewals (replacement and rehabilitation).

What the IGC is charged on

A single IGC is charged for:

- a new domestic connection
- each Development Unit Equivalent (DUE)¹, being 220kl² of assessed annual water use, for a new non-domestic connection
- increased demand (in DUES) from an existing non-domestic connection.

The IGC is not to be confused with a connection fee. This covers the direct cost of connecting private pipes to the local water network through a water meter (currently \$900 plus GST for a domestic 20 mm water meter – more for larger meters). Water connections, but not wastewater connections, are arranged by Watercare.

Typically, a connection is the first time a contractual relationship is triggered between Watercare and the customer. As such, an IGC has a strong link with connection and has often confused customers. It is usually the section buyer who pays the IGC, after an approval for a connection is made. This is because it is usually the section buyer, not the developer, who requests the connection.

IGCs cannot be charged where a development contribution to fund water or wastewater has been previously paid to Auckland Council or predecessor councils. This occurs less frequently today than it did in the years after integration in November 2010 when the new Watercare was established.

IGC rates

The 2018/19 rate for a single metropolitan IGC, applying for connections to the large contiguous water network and the wastewater systems serviced by any of the Pukekohe, Mangere, Rosedale and Army Bay wastewater treatment plants, is \$11,680 plus GST.

Separate IGC rates apply to the smaller standalone non-metropolitan (semi-rural) networks, ranging between \$7,660 (wastewater only for Omaha / Point Wells) to \$27,620 plus GST (wastewater only for Kawakawa Bay). A full list of 2018/19 IGC rates is shown in Appendix 1.

4 The IGC calculation

No change is proposed to the IGC calculation methodology. It is described in Appendix 2, for both the metropolitan and non-metropolitan IGCs.

The methodology for the metropolitan IGC was reviewed by PWC and Covec in 2014.

¹ For non-domestic customers, a DUE is equivalent to annual water demand of 220kl

² kl = 1,000 litres

A critique by the New Zealand Productivity Commission, in its report titled “Using Land for housing” in September 2015, included recommendations relating to the methodology that;

- Watercare should revise its approach to the Infrastructure Growth Charge so that the full costs are recovered.
- Watercare should change its approach to calculating Infrastructure Growth Charges, to better reflect the underlying economic costs of supply in different locations and for different types of dwelling.

The Board considered those recommendations at the time and no changes to the methodology resulted from the review.

Recovery percentage

The actual 2018/19 IGC rate recovers approximately 71% of the notional IGC rate, calculated as

$$\frac{\$IGC}{\$N} = \frac{\$11,680}{\$16,520} = 71\%$$

(refer to Appendix 2 for values and definitions)

The shortfall is recovered through water and wastewater charges to all customers.

When introduced, the IGC was set around the average amount of development contributions collected by former pre-amalgamation councils. This was considerably less than Watercare’s calculation of the IGC amount needed to fully recover cost. In order to minimise the effect of change, the actual IGC rate is proposed to gradually transition to something closer to full recovery of the notional IGC, by around FY24 to FY25, based on current price increase projections. This is in line with the recommendation of the Productivity Commission relating to the full recovery of costs.

5 How the IGC is applied and enforced

The IGC is a contractual charge, allowed for under Watercare’s customer contract.

The customer contract includes a specific IGC objection process. This mirrors the process for objections to Development Contributions set out in the Local Government Act. The customer can request a reconsideration of an IGC assessment by a panel appointed by Watercare. Further, the customer can object to a reconsidered assessment on certain grounds. An objection is considered by one or more independent IGC Commissioners under terms specified in a Charter for Commissioners. The process is explained on our website.

Since 1 July 2016, when the objection process was introduced, very few requests have been received;

- four IGC assessments have been reconsidered without any change to the assessment
- one objection has been received which is pending review on the papers by the IGC commissioner.

Domestic IGCs

A single IGC is charged for each new domestic connection when an application for connection is received. This is the point at which a contract is created. A connection is not provided until the IGC is paid.

Non-domestic IGCs

The numbers of IGCs to be charged for a non-domestic connection or increase in demand, requires an assessment of expected baseline water demand (measured by DUEs). This can be a contentious process when

the customer is potentially faced with a high IGC liability. The customer is given the opportunity to question the assessment and IGC quote. The objection process referred to above is available to the customer.

Where expected demand is uncertain or there is disagreement about the level of sustainable demand from a business, Watercare usually offers the customer an IGC Agreement which provides for the IGC to be reassessed annually, based on actual water demand. Refunds are not given, but an IGC Agreement, monitored over time, allows for payment based on actual use.

Unless otherwise contained in the IGC Agreement, payment of the non-domestic IGC is required before a connection is provided.

6 Issues faced

Continuous improvements are ongoing to our procedures and documentation, to educate customers and their advisors and mitigate challenges arising from assessing IGCs and revenue leakage.

Assessing IGCs

Issues commonly faced with assessing IGCs include the following:

- establishing anticipated base line demand
- establishing existing use entitlement from water use history (taking account of faulty meters, leaks, abnormal use)
- recording of IGCs already charged
- allocating existing use entitlement on sub-division or sub-lease
- transfer of IGC credits (existing use) when a business relocates
- unravelling Auckland Council information to determine any pre-integration council Development Contributions already paid, specifically to fund water/wastewater for the property.

Revenue Leakage

Revenue leakage, or missed IGCs, can result from the following:

- unknown change of business use on an existing property resulting in increased water demand (sometimes triggered by building consents)
- customer attempts to avoid the IGC (many examples, including under-estimating future demand then on-selling the property)
- unmetered bores or other water sources (usually identified by resource consents)
- staged developments that expand without our knowledge (usually triggered by building and resource consents)
- irrigation meters diverted for a use that discharges to the wastewater system
- unauthorised wastewater connections in areas where Watercare provides only a wastewater service (Beachlands for example)

Watercare has a team and programme to pursue these on a continuing basis.

7 Initiatives to help the customer

A potential IGC liability for a non-domestic connection can be significant. Since 2010, Watercare has instigated several initiatives to help customers afford the IGC or plan their developments.

Feature	Initiative
Staged developments (pay when build)	Allow IGCs for a single connection to be paid by instalments in line with development staging.
Short term occupancy (leasing an IGC)	The customer pays a part of the IGC obligation to reflect the short term tenure on the site. For example, these have been applied to pop-up car wash sites and emergency housing.
Building sites (construction use)	A temporary 20mm water meter (domestic size) can be installed for sites that require water to build but are not ready for permanent connection. The builder is charged one IGC, which is offset against the final IGC assessment when the permanent connection is applied for.
Lock IGC rate (prepayment to secure rate)	Prepayment of a deposit (10% - 20%) can lock in the current IGC rate for 2 years, pending connection. This offer was popular around the time the IGC rate increased sharply in 2014/15. Usually offered to larger developments (> 100 DUEs).
Retirement homes (domestic use)	Independent living units complying with the Retirement Villages Act 2003 are assessed on total combined anticipated water use (DUEs) instead of one IGC per living unit. This mostly results in fewer IGCs in total which more accurately represents water demand for the village as a whole.
Apartments (small user)	Apartments less than 65 square meters are charged two thirds the IGC rate.
Transfer of existing use capacity (large customer transfer)	For large customers, we have allowed the transfer of existing DUE entitlement when relocating premises, provided it's within the same network and there is recognition that the new owner of the old property is aware this is occurring.
Payment arrangements for increased use (payment by instalments)	Where a non-domestic customer has difficulty meeting a reassessed IGC amount, we will consider payment in monthly instalments, with payment terms drafted into the IGC Agreement.
Capacity expansion – Waiheke	Prior to expansion of wastewater treatment capacity, Oneroa business property owners were invited to book capacity to meet their development intentions.
Laundromats (minimise change)	Laundromats have been identified as a segment where IGCs have become due for increased demand from a property, usually associated with a change of business use from another activity. A trial initiative is being developed to allow payment of assessed IGCs on the increased demand, over a period of up to 3 three years. The intention is to roll this out to other industry segments consistent with the rights under the customer contract.
Reduced demand (helping the customer)	The prospect of a high IGC charge focuses the mind on how to reduce water use. Watercare's assessments have alerted customers to areas where water is being wasted. In many cases this has resulted in a significant reduction in their IGC assessment and ongoing water bills.

8 Papakura and Waikato districts

Watercare provides and operates the bulk infrastructure servicing the Papakura district and the townships and surrounds of Pokeno and Tuakau in the Waikato district.

Papakura

Veolia operates the local water and wastewater networks in Papakura. Since 1 July 2016, Veolia has been collecting IGCs on behalf of Watercare from their Papakura customers on the same terms. Prior to 1 July 2018, Veolia charged IGCs for all lots in a development to the developer as part of the resource consent process. This meant the developer was paying the IGC before the sale of individual lots and actual connection of them to the network.

Waikato

Watercare charges IGCs at rates specified in the supply agreement for every additional DUE of demand, for both water and wastewater, measured at metered connection points to Watercare's networks, regardless of how the demand originated.



2018/19 IGC price schedule

Area	Infrastructure growth charges**	
	Domestic – per residential unit	Non-domestic – per development unit equivalent
	<i>Excluding GST</i>	<i>Including GST</i>
Metropolitan ¹	\$11,680	\$13,432
Beachlands and Maraetai (wastewater only)	\$7,880	\$9,062
Clarks Beach (to 30 September 2018) ²	\$12,620	\$14,513
Franklin (excluding Clarks Beach, Paerata, Pukekohe and Bucklands) (to 30 September 2018) ²	\$13,540	\$15,571
Helensville and Parakai	\$22,080	\$25,392
Kawakawa Bay (wastewater only)	\$27,620	\$31,763
Northeast sub-regional ³	\$17,320	\$19,918
Omaha/Matakana/Point Wells (wastewater only)	\$7,660	\$8,809
Owhanake ⁴ (wastewater only)	\$25,340	\$29,141
Southwest sub-regional ²	\$18,740	\$21,551
Warkworth (to 30 September 2018) ³	\$14,000	\$16,100
Wellsford	\$18,560	\$21,344

Where a customer already has a wastewater connection and will not increase demand on the wastewater network, or where a wastewater connection is unavailable, an application for a water connection will be charged a water-only infrastructure growth charge.

No further connections are available in **Bombay, Kingseat, Muriwai, Waiheke⁴ and Waiwera.**

¹The Metropolitan network area covers customers supplied by Watercare's contiguous water supply system and/or serviced by any of Watercare's wastewater treatment plants at Mangere, Rosedale, Army Bay or Pukekohe. It includes the Hibiscus Coast, Kumeu, Huapai, Riverhead, Paerata, Pukekohe and Bucklands.

²The Southwest sub-regional IGC replaces the Clarks Beach and Franklin IGCs from 1 October 2018. The Clarks Beach and Franklin IGCs apply for new applications for connections to our networks in these areas (where a Metropolitan IGC doesn't apply) where the IGC is paid before 1 October 2018 and where, at the time of application, there is an approved building consent for the property or an existing private onsite water or wastewater system.

³The Northeast sub-regional IGC replaces the Snells Beach IGC from 1 July 2018 and the Warkworth IGC from 1 October 2018. The Warkworth IGC applies to new applications for connections to our Warkworth networks where the IGC is paid before 1 October 2018 and where, at the time of application, there is an approved building consent for the property or an existing private onsite water or wastewater system.

⁴The Owhanake (Waiheke) IGC is payable in the case of existing non-domestic connections, where that connection first becomes liable for the IGC (for example, where demand increases) under Watercare's Infrastructure Growth Charge terms and conditions included in our Customer Contract. New connections will become available after construction of staged upgrades to the wastewater treatment plant are completed.

** For more information please refer to clause 3 of these terms and conditions. For IGC questions and answers, search for 'Infrastructure Growth Charges' at www.watercare.co.nz.

Appendix 2

5.2

The IGC calculation methodology

1 Metropolitan IGC

The Metropolitan IGC is calculated using the steps in the following table:

Step			FY19 metropolitan (exclg GST) ³
1	Average metropolitan bulk growth capex per DUE over 15 years	\$G	\$23,814
2	NPV of interest and depreciation collected through water and wastewater tariff per DUE over average asset life	\$V	\$7,294
3	Average bulk growth capex less collected through tariff (Notional IGC rate)	$\$N = \$G - \$V$	\$16,520
4	Actual Metropolitan IGC rate	$\$IGC < \N	\$11,680

Table Notes:

1. This is the amount for full recovery per growth DUE⁴, through the combination of an IGC (step 3 amount) and tariff (step 2 amount).
A 15 year period (4 past + current + 10 years forward forecast) is taken to be representative of ongoing regular growth investment for water and wastewater collectively.
2. This deduction is the amount which will be recovered through the tariff from each growth DUE over time (in today's dollars). This ensures that the new customer isn't charged twice for the same asset over its life.
3. The notional IGC rate is the amount which would need to be collected to fully recover growth capex as an IGC, on connection. The deduction of the step 2 amount from the step 1 amount places new customers on an equal footing with existing customers, with both groups contributing equally to recovery of operating costs, depreciation, interest and debt repayment through a common tariff.
4. The actual metropolitan IGC rate is currently less than the notional IGC rate.

2 Non-metropolitan IGC

Individual IGC rates apply for each non-metropolitan network servicing smaller communities. This is in line with the recommendation of the Productivity Commission relating to the costs of supply in different locations.

³ The values for FY19 (2018/19) metropolitan IGC are sourced from the Watercare inputs supporting the Auckland Council 2018-28 LTP.

⁴ A Development Unit Equivalent (DUE) is the equivalency factor between the full IGC rate and the IGC rate applying to the development unit. For example, a development unit which is a residential unit less than 65m² and charged two thirds the IGC rate is taken to be two thirds of a DUE. For non-domestic customers, a DUE is equivalent to annual water demand of 220kl.

Some communities are serviced by only a water network or a wastewater network, in which case the IGC is for connection to the relevant network only.

Non-metropolitan IGC rates have been based on legacy development contribution rates charged by former councils which were consulted on under their Long Term Council Community Plan. Watercare has recalculated the rates where significant new investment for growth has been undertaken or planned. For example, in May 2018, the Board approved new rates for:

- The Northeast sub-regional IGC, to replace the IGCs for Snells Beach / Algies Bay from 1 July 2018 and Warkworth from 1 October 2018
- The Southwest sub-regional IGC, to replace the IGCs for Clarks Beach and Franklin from 1 October 2018
- The Owhanake IGC for the area on Waiheke Island serviced by the upgrade to the Owhanake Wastewater Treatment Plant, from 1 July 2018.

Other non-metropolitan rates will be reviewed as capacity upgrades are planned.

The method for calculating a new non-metropolitan IGC rate is an adaptation of the metropolitan IGC calculation. Key considerations are:

- the calculation horizon maybe longer than 15 years because increased capacity investments are staged at intervals over a longer period or growth is anticipated to occur unevenly
- the calculation horizons maybe different for water and wastewater investments in the same area
- the value of any existing unused capacity also has to be recovered through the new IGC
- the extent to which water and wastewater charges should subsidise the IGC rate, as is done with the metropolitan IGC, taking into account higher operating costs usually associated with smaller plants.

Board - Public Session - Directors' Corporate Governance Items

Board Planner 2019

	April	May	June	July	August	September	October	November	December
Meetings	Board 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	27 May (3pm-5pm)		29 July (before Board meeting)	23 Aug (9-11am)		29 Oct (3-5pm)		
	People, Remuneration and appointments committee	30 Apr (after Board Meeting)	25 Jun (after Board Meeting)	17 July (10-12pm)	30 Aug (after Board Meeting)		29 Oct (1-3pm)		
	STP Committee			1 July (10-12pm)		24 Sept (after Board Meeting)		25 Nov (3-5pm)	
	AMP & Major Capex Committee	28 May (after board meeting)			29-Aug (5-6.30pm)			TBC	
Events	Community and Stakeholder Relationships				19-20 August, Watercare Symposium				
Governance	Charter reviews		A&R Charter AMCC Terms of Reference				PRAC charter	STP Terms of Reference	
	Policy reviews	2020 - Good Employer Policy	2020 - Sensitive Spenditure Policy 2020 - IGCs			Tax Risk Management Policy		Fraud Policy	
	Delegations		Annual review of board delegations to CE						
	Risk report Due to Council		15-May		7 Aug and 21 August				TBC
	Enterprise Risk report to Board	Report to Board		Report to Board			Report to Board		
	Compliance	Statutory compliance		Statutory compliance			Statutory compliance		
	Shareholder interaction	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 16 August (to be approved by Board at July meeting)	Governing Body Workshop - 29 August at 9.30am	Q4 briefing to F&P Committee 11 September 2019 (M Devlin) Auckland Council's A&R Committee Date TBC	Q1 quarterly report due 31 October 2019 (to be approved by Board at the October meeting).		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)	
	H&S Quarterly report	Jan-Mar 19 Report		Apr-Jun 19 Report			Jul-Sept 19 Report		
	Board training & development		H&S Board Update Propero observing		Propero reporting back to the board				
Business strategy	Strategic planning		Strategy Workshop 24 June followed by Board Dinner						
Business planning	Key finance and business decisions	Auckland Council to notify Watercare of Group Treasury Interest Rate by 30 April	Present plan for Year End to A&R Approve Insurance Proposal Auckland Council and Watercare to review Treasury interest rate by 31 May	Approval of 2019/20 Budget Mayor's Treasury Guarantee Letter due by 30 June	Approve Auckland Council Reporting Pack	a) approve 2019/20 accounts, b) delegate final sign off of 2019/20 Annual Report	Update from WUCAT	AMP	Auckland Council Draft Annual Plan - approve Watercare input*
	Statement of intent		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




* Statutory public Board meeting - deputations invited

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

Report to the Board of Watercare Services Limited
Prepared for the 30 April 2019 Board meeting

Disclosure of senior executives' interests

6.2

Purpose			Team		
Information	Discussion	Approval	Prepared	Recommended	Submitted
			E McBride Governance Manager	R Fisher Company Secretary	R Jaduram Chief Executive
Intellectual capital	People and culture	Community and stakeholder relationships	Financial capital & resources	Natural environment	Assets and Infrastructure
					

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Director – Howick Swimgym Limited
Marlon Bridge	<ul style="list-style-type: none"> Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust Director – Hunua Forests Ltd
Rebecca Chenery	<ul style="list-style-type: none"> Director – Chenery Consulting Services Limited
David Hawkins	<ul style="list-style-type: none"> Nil
Jason Glennon	<ul style="list-style-type: none"> Director - Michaels Ave Investments Limited
Amanda Singleton	<ul style="list-style-type: none"> Director – Die Weskusplek Pty Ltd (South Africa) Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust
Shane Morgan	<ul style="list-style-type: none"> Nil
Shayne Cunis	<ul style="list-style-type: none"> Director – The Water Research Foundation



Report to the Board of Watercare Services Limited
Prepared for the 30 April 2019 Board meeting

Directors' appointment terms and committee memberships

6.3

Purpose			Team		
Information	Discussion	Approval	Prepared	Recommended	Submitted
			E McBride Governance Manager	R Fisher Company Secretary	R Jaduram Chief Executive
Intellectual capital	People and culture	Community and stakeholder relationships	Financial capital & resources	Natural environment	Assets and Infrastructure
					

1. Purpose and context

This paper provides an update on:

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

2. The details

Table 1: We have six directors.

Our directors are appointed by Auckland Council

Director	Original appointment date	End of term
Margaret Devlin (Chair)	1 November 2016	31 October 2022
Brendon Green	1 November 2016	31 October 2022
Nicola Crauford	1 April 2014	31 October 2021
Julia Hoare (Deputy Chair)	1 November 2013	31 October 2020
David Thomas	1 November 2014	31 October 2020
Catherine Harland	21 April 2011	31 October 2019

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	✓		Committee Chair	

**Board Chair attends in ex-officio capacity*