

Board meeting | 5 July 2021 Public session

Venue	Watercare Services, Level 3 Boardroom, 73 Remuera Rd, Remuera			
Time	10.15am			

	Item	Spokesperson	Action Sought	Supporting Material
1	Opening Karakia	Brendon Green		
2	Meeting administration	Chair	For discussion	Verbal update
3	Apologies	Chair	Record apologies	Verbal
4	Minutes of meeting	Chair	Approval of minutes of the	Minutes of the meeting of 1
			meeting of 1 June 2021	June 2021
5	Public deputations	Chair	For information	Verbal
6	Chief Executive's report	Jon Lamonte	For discussion	Report
7	Health, safety and wellbeing report for May 2021	Bronwyn Struthers	For discussion	Report
8	For approval			
8.1	Final draft of Watercare's revised Statement of Intent 2021–2024	Rob Fisher/Raquel Goldsmith	For approval	Report
8.2	Annual review of the Audit and Risk Committee Charter	Rob Fisher/Jodie Atkin	For approval	Report
8.3	Final draft of Lutra's revised Statement of Intent 2021-2024	Rebecca Chenery	For approval	Report
9	For discussion			
9.1	Central Interceptor report – May 2021	Shayne Cunis/Michael Webster	For discussion	Report
9.2	Drought update	Shane Morgan/Anin Nama	For discussion	Report
9.3	lwi relationships	Richard Waiwai	For discussion	Report
9.4	Changing to an international measure in real water loss	Shane Morgan/Anin Nama	For discussion	Report
10	Governance			
10.1	Board Committee updates	Committee Chairs	For discussion	Verbal
10.2	Board planner	Chair	For information	Report
10.3	Directors' appointment terms and committee memberships and meeting attendances	Chair	For information	Report
10.4	Disclosure of Directors' and Executives' interests	Chair	For information	Report
11	General Business	Chair	For discussion	Verbal update

Date of next meeting

Thursday, 29 July 2021

Board meeting | 5 July 2021 Public session



1

Opening Karakia

E te katoa

Toia mai ngā mahi

Ki te awatea

Haumi e, hui e, tāiki e

To all

bring forth our aims and objectives for today

Embrace, gather, anoint.



Minutes

Board meeting	Public session			
Date	1 June 2021			
Venue	Watercare, Level 3 Boardroom, 73 Remuera Road, Remuera			
Time	9.10am			

Attendance					
Board of Directors	Watercare staff	Guests			
Margaret Devlin (Chair) Dave Chambers Brendon Green Frances Valintine Nicola Crauford Hinerangi Raumati-Tu'ua Graham Darlow	Jon Lamonte Marlon Bridge Rob Fisher Steve Webster Nigel Toms Amanda Singleton Rebecca Chenery Shayne Cunis Bronwyn Struthers (until item 9.1) Richard Waiwai Mark Bourne (for item 9.2) Jacky Simperingham Jodie Atkin Pinaz Pithadia Suzanne Naylor (for Shane Morgan)	Graeme Johnson, CEO Fulton Hogan (for item 6) Peter Reidy, CEO Construction, Fletcher Building (for item 6) Councillor Cooper Claire Gomas, Principal Advisor, CCO Governance and External Partnerships, Auckland Council			

1.	Opening karakia
	Brendon Green opened the meeting with a karakia.
2.	Meeting administration
	The Chair noted the following:
	 The importance of the delivery of the Asset Management Plan. The Enterprise Model partners from Fletcher Building and Fulton Hogan will be presenting an update on the Enterprise Model. Acknowledgement of the upcoming tenth anniversary of the Onehunga incident which was a very dark day for Watercare. This is a reminder how important Health, Safety and Wellbeing is for Watercare. Acknowledgement of the passing of valued staff member Angela Kragten who will be missed.
	Acknowledgement of the passing of valued start member Angela kragten who will be missed.
3.	Apologies
	Apologies were received from Shane Morgan (Chief Operations Officer). Suzanne Naylor (Head of Water Value) attended the meeting on Shane's behalf.
4.	Minutes of meeting
	The Board resolved that the minutes of the public session of the Board meeting held on 29 April be confirmed as true and correct, subject to amending Item 5 "Disclosure of Directors' Interests" to reflect that Hinerangi Raumati-Tu'ua resigned as Chair of PKW Trust but is still a Trustee.
5.	Public deputations
	No public deputations.

Jon Lamonte (Chief Executive) spoke to the report which was taken as read.

Jon noted that water resilience remains the number one focus, and Waikato50 remains an important safety net.

He also highlighted the work with Council, and broader stakeholders.

Three water reform remains at Government level.

The Board strategy day has been scheduled and this will set Watercare up for the future. The Executives will hold two strategy sessions ahead of the Board strategy day.

The Board discussed the learnings from the Waikato DHB cyber-attack.

Councillor Cooper asked about the risks in relation to the resource consent non-compliance. Suzanne Naylor explained that there is only one site that is at risk of enforcement, and work is being done to reduce this risk. There is no risk of impacting the environment.

The Chair noted the issues with global shipping capacity set out in the report, which is impacting on the resupply of specialist chemicals for water and wastewater operations. Jon confirmed that work is currently underway to determine the approach to this risk, which includes considering the appropriate levels of stockpiling of chemicals. Jon will discuss this with Water NZ.

The Huia decision has been delayed within the statutory period.

Amanda Singleton (Chief Customer Officer) and Jon explained that Watercare is in discussions with the meter reading company more regularly and are discussing how to decrease the non-meter reading percentage.

The Chair noted the non-urgent call out performance, which has cost implications. Amanda advised that Watercare is looking into this. Due to the drought, call-outs for what would be considered non-urgent water leaks, due to their small scale, were prioritised differently. However, this is currently being re-assessed.

The report was **noted**.

The Chair noted the Board would like an understanding of the Enterprise Model, along with the partners views on it and how things are being done differently.

Steve Webster (Chief Infrastructure Officer) introduced Graeme Johnson (CE, Fulton Hogan) and Peter Reidy (CE Construction, Fletcher Building) who sit on the joint governance board for the Enterprise Model. He advised that \$2.4 billion of work is planned, of which \$1 billion is in the design phase and \$350 million is underway.

Graeme and Peter spoke to the presentation appended as Appendix 1 to these minutes.

The presentation covered:

- Successes of the Enterprise Model which included a cultural shift including creating a safety mindset; by way of example, the Waikato 50 plant is near completion and with over 300,000 man hours, there has only been one lost time injury.
- How the ten-year relationship is resulting in a programme view (rather than project by project), and how trends can easily be identified and interventions can be targeted. The benefits include safety, delivery and people development and are due to the long-term relationship rather than a short-term project focus.
- The Enterprise Model is industry leading, and the whole of the construction industry is looking at this model.
- Lessons learnt, and how they can be taken across the whole programme end to end which is different to the traditional approach to single projects which slows things down.
- The next steps as the model grows including: setting multi-year objectives; building a business not a project; having a ten-year programme of work is a step change; looking to take advantage of social procurement. The aim is to use the programme to harness the benefits and savings of increases in health, safety and wellbeing, decreasing carbon emissions and decreasing costs. It was noted that the partners will not meet the obligations of the Enterprise Model if they are not innovative. The partners and Watercare are accountable to the Board.

Steve concluded the presentation by explaining that a lot of work had been done to build the Enterprise Model, and there were a lot of successes including building the culture, but it is early days. He said there was \$70–80 million in savings coming through. Assistance in relation to communication is being sought, and Watercare is working on how to accelerate the next phase. Watercare need to drive the following areas:

- supply chain integration
- manufacturing principles
- digital design, construct and operate

people - aim to have this a model of choice.

8.

9.

The Chair acknowledged that the programme is on a journey and the Board is very supportive of the Enterprise Model. Health, Safety and Wellbeing Report Bronwyn Struthers (Head of Health, Safety and Wellbeing) spoke to the report which was taken as read. Bronwyn asked for the Board to provide any feedback on the new format of the Health, Safety and Wellbeing report. The Board discussed the metrics set out at page 35 of Boardbooks. Bronwyn was asked to pull out themes, provide context behind these metrics (for example, use traffic lighting) and set out trends where possible going forward. The Board want to get a sense of the Health, Safety and Wellbeing culture across the business. Management will re-consider the thirteen critical risks, and a proposal to discuss a different critical risk at every meeting. The report was **noted**. For information 9.1 April 2021 Central Interceptor Report Shayne Cunis (Executive Programme Director, CI) spoke to the report which was taken as read. Shayne noted the competition in the labour market which continues to present risks and challenges to the project. The Australia–New Zealand 'travel bubble' creates competition from Australia in the labour market. There are seven tunnelling projects currently underway in Sydney. Francesco Saibene of Ghella Abergeldie Joint Venture will be at the next Board meeting and will discuss the retention of staff for the project. The pressing of the button on the TBM is 30 July. Family days, public days and supplier days are being set up. Brendon Green noted that the use of electric trucks by the project will be the biggest deployment of such vehicles in New Zealand. The report was **noted**.

Mark Bourne (Head of Servicing and Consents) spoke to the report which was taken as read. Mark also tabled the latest drought figures.

Storage is holding at 48.9%. Demand remains below target. Western lakes have been drawn down in anticipation of winter rainfall replenishing them.

Mark provided an update on augmentation projects as set out in the report.

The Chair noted that the current position on restrictions on use remain.

9.3 Iwi Relationships

Richard Waiwai (Poutiaki Tikanga Māori) (Principal Advisor) spoke to the report.

The report provided an update in relation to Ngāti Whanaunga, Whanaunga Kītahi and Te Patukirikiri Iwi Trust.

Richard noted that the current General Manager of Ngāti Whanaunga, Whanaunga Kītahi, Honey Renata, will take over as Chair.

The report was **noted**.

9.4 CCO Review Update

Rob Fisher (Acting Chief Officer Support Service) spoke to the report which was taken as read.

Rob explained that Watercare is expecting the Mayor's letter regarding the Statement of Intent today. Feedback on the Statement of Expectation is also expected.

Claire Gomas confirmed that she is satisfied with the level of progress made by Watercare, that Jim Stabback owns this project at Auckland Council, and that Watercare is following the same approach as other CCO's.

The report was **noted**.

10.	For approval
	10.1 Asset Management Plan 2021–2041
	Nicola Crauford explained that the funding set out in the Asset Management Plan 2021-2041 (AMP) was approved by the Board in December 2020. The AMP sets out how we will deliver this funding envelope. The AMP has been reviewed by the AMCC on several occasions.
	The Board acknowledged the extensive work done by Steve Webster and his team, led by Nicola.
	The Board approved the Asset Management Plan 2021–2041 (AMP) subject to final proof reading.
11.	For discussion
	11.1 Board Committee Updates
	AMP and Major Capex Committee
	The Chair of the AMP and Major Capex Committee (Nicola Crauford) updated the Board on the meeting held on 20 May 2021 where the AMP was approved, major projects were discussed and a deep dive on links and sewers was given.
	Committee for Climate Action
	The Chair of the Committee for Climate Action (Brendon Green) advised that the electric trucks project was discussed at the last meeting, along with the use of low carbon concrete and carbon mitigation. Brendon acknowledged the NetZero target for 2030. Brendon gave an update on the financial markets conduct around climate thinking disclosure by 2023.
	Te Tangata Komiti
	The Chair of the Te Tangata Komiti (Dave Chambers) advised that the Committee has not met since the last Board meeting.
	Audit and Risk Committee
	The Chair of the Audit and Risk Committee (Hinerangi Raumati-Tu'ua) met recently to review the insurance proposal to be recommended to the Board. The Charter was considered, there were no significant issues. Sensitive expenditure and whistleblowing reports were discussed. The Committee had an update on tax which is in a good position. Work is underway for year end. The target for non-strategic asset disposal has been met.

Directors' Corporate Governance Items
12.1 Board Planner
The Board Planner was noted.
Dave Chambers noted that there is no reason to have a July and August meeting for Te Tangata Komiti, therefore the July meeting has been cancelled and the Board Planner needs to be updated accordingly.
The Chair noted that the 2022 dates were in everyone's calendars and that site visits were scheduled.
The Chair is working with Auckland Council regarding the Propero review report. The Board Planner will be revised accordingly.
12.2 Directors' Appointment Terms and Committee Memberships and meeting attendances
The report was noted .
The schedule of meeting attendances will be updated to correct an error in relation to attendance at the AMP and Major Capex Committee meeting on 20 May 2021 (Hinerangi Raumati-Tu'ua attended this meeting, and Dave Chambers did not attend this meeting).
12.3 Disclosure of Interests
The report was noted .
General Business
There was no general business.
The meeting closed at 11:26am.

CERTIFIED AS A TRUE AND CORRECT RECORD

Margaret Devlin, Chair

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Enterprise Model

One business One brand Oneteam

Watercare Board Presentation | 1 June 2021

Watercare 🎬 + F Fulton Hogan + 💋 Fletcher An Auckland Council Organisation

Working in Enterprise \$2.4 billion in programme

12

Norking in Enterprise

\$1 billion underway in feasibility and design

ENTERPRISE MODEL

13

Working in Enterprise

\$350 million underway in construction

ENTERPRISE MODEL







Standardised design and offsite manufacture

Pump stations and treatment plants

ENTERPRISE MODEL

Pipeline strategy

Demonstrating cost and carbon reduction Construction Sector Accord Beacon project

ENTERPRISE MODEL

40% projected carbon reduction Manufacturing principles 4% **STEP CHANGE** Supply chain integration 6% Trenchless initiatives 1% PROGRAMME Material substitution 2% **INITIATIVES** Low carbon cement 1% Standard design – PS + plants 2% **EM WAY OF Project ECI savings** Project savings identified (ECI) 10% WORKING

ENTERPRISE MODEL

4.1

20% projected cost savings





ENTERPRISE MODEL

Lessons learnt



- Traditional thinking slows us down
- Clear lines of authority for decision making are needed
- Communication—evolving beyond traditional
- Redefining continuous Early Contractor Involvement
- This is a good model to shape the industry

ENTERPRISE MODEL



Enterprise Model Business Unit

Bring end to end together

EM Business Unit

Feasibility and planning

Operations liaison

Design

Consenting

Construction

Commissioning

One business | One brand | One team

ENTERPRISE MODEL

Chief Executive's Report – May 2021

Presented by: Jon Lamonte



1. Current significant issues

Although there has been some welcome rain, the volumes have not, at least as yet, moved the dial significantly on dam levels. Although we are in a more positive position than last year, with the imminent arrival of the first phase of the Waikato A project with 50MLD from mid-July, we really do need to ensure that we do have some plans in place to deal with a more prolonged deficit in rainfall. I have therefore asked for a review of the 156 options from the drought response to see what the next tier of projects might be for rapid development. That includes other bores, and capacity enhancements. I would hope to have that analysis ready for the next Board meeting. I have also asked for the process of consenting the Riverhead dam and reservoir to be initiated, to guard against a longer approach to water reuse than currently envisaged.

Work continues on developing relationships and building back trust. There are a number of different components to the approach. Council relationships are developing with regular Rangatira-Rangatira meetings that have been very useful to establish shared perspectives, including such items as the new Statement of Expectations process. Industry relationships are improving, following the recent gathering of CEOs to discuss health and safety and wellbeing, now taken forward as a wider group with the broader supply chain, using the forthcoming AMP launch as a vehicle to highlight the planned investment on an unprecedented scale, the need to develop capacity and capability in the industry, and the opportunities for wider involvement in Māori outcomes. Customer responses around the price rise have been muted, with a growing acceptance of the need for investment in infrastructure, but there is a clear need to provide a safety net for those facing challenges. Anecdotally, there has been some reflection on a tiredness in the community with the restrictions on water use, and there is a need to look at what the next phase of messaging looks like to embed behaviours. Māori relationships at a strategic level need some work; Richie Waiwai is working with me on a forward plan for engagement on a regular basis; greater involvement for Richie with the Executive; and giving some real life to the Māori outcomes plan.

Having the right people with the right skill sets, especially during a period of increasing uncertainty, is going to be a challenge, and there are no simple answers. Having the right project management skills, or health and safety experience levels, or developing our own operators for plants, is far from easy. Retaining people when we see large pay settlements in Victoria is not easy; the allure of work overseas is going to prove irresistible for some. The high cost of housing has also featured in my town hall sessions as a barrier to people staying in Watercare – which may well get exacerbated as and when new large entities form on the back of sector reform. Whilst we work on talent management, and training and development schemes, and are developing a proposal for a training academy, we will need to work hard on this area. I would also like to formally acknowledge the great contribution that Shane Morgan has made in some 6 years with Watercare, including the last 3 as the Chief Operations Officer. He will be sorely missed for his experience and calmness under the pressures of Covid-19 and the drought, as he re-joins his family in Australia in August and takes up an executive appointment with Queensland Urban Utilities. But I am delighted that Mark Bourne will bring his vast experience across many areas of the Watercare business as his replacement.

2. Update on strategic plan implementation

The Executive have had the first half day workshop (held on 16 June) ahead of the Board strategy day in July. The second Executive half day workshop is being held on 6 July. The outcome of the first session resulted in the Executive really trying to work together on where Watercare is heading, what issues we might face in getting there, and how we can overcome these issues. The plan for the second session taking place on 6 July will consider what do we want to be doing in the future, and what resources do we need to get there. Frances Valintine will facilitate the second session. This should provide informed perspectives to offer the Board for their debate and consideration. At the end of the process, we should be able to derive a guiding pathway for the organisation to go and implement, in a very uncertain environment.

3. Update on progress on recommendations

The table set out at Attachment 1 provides an update on Watercare's progress against the recommendations it has received from various reviews, including the Aurecon review. An update on the CCO review will be given separately.

4. Climate Change Commission's advice to Government

He Pou a Rangi, the New Zealand Climate Change Commission delivered its formal advice to Government on 10 June 2021. The plan sets out sweeping changes to society, laying out proposals for the first of three emissions budgets. These set the maximum amount of greenhouse gas emissions over five-year blocks from now to 2035. The Government have until December to respond with a plan to meet the proposed budgets or explain otherwise.

Impacts on Watercare:

- Most impacts will be indirect, through the cost of fossil fuels, waste disposal and some products we use in construction. Society and the economy as a whole will need to make changes to meet the targets.
- The advice proposes that petrol and diesel vehicle imports will need to be banned between 2030-35.
- The advice on waste does not include wastewater. However, a revised Waste Strategy to deliver emission reductions is proposed and it highlights a need for investment in improved data and understanding of wastewater emissions.
- Watercare's own emission reduction targets to 2030 are more ambitious than the advice proposes.

The advice highlights that transitioning to a low carbon economy would slow growth, reducing GDP by 1.2% by 2050. However, the cost of inaction is estimated at 2.3%.

5. Scanning the employment horizon

New Zealand's unemployment rate is at 4.7%, lower than anticipated post Covid-19 but up from 4% last year and 4.2% in 2019. There are indications that qualified Kiwis are returning home. However, there remains a shortage of candidates in the labour market with border closures and visa restrictions presenting issues. In general, across all industries the demand for talent has begun to outstrip supply. Labourers, building tradespeople, IT programmers and civil and structural engineers are among New Zealand's 20 top-needed jobs right now and causing challenges for Watercare. The building trades are in demand commercially and residentially while civil and structural engineers are being sought after for Government-funded projects. Last month the government increased the allocation of MIQ spaces for skilled and critical workers to 500 per fortnight because more workers with the right skills will allow more projects to get off the ground.

To address these challenges we have increased our proactive sourcing strategies. We have implemented a creative talent attraction strategy which includes increased channels such as social-media and video content, like our 'Day in the Life' videos, to show what it's like to work at Watercare. We have launched a new onboarding portal in the last month that is 100% digital, making onboarding seamless for new employees and managers. We have revised our graduate programme, extended our apprenticeship scheme and summer internship as well as increased participation in infrastructure programmes to help us attract candidates from diverse talent pools.

We are researching proactive search methods, like an executive search tool on LinkedIn, to find talent for our hard-to-fill roles. We are reviewing our competency frameworks for unionised and operational staff to promote clear and achievable progression pathways for employees aimed to attract, incentivise and retain staff in critical roles and are focussing heavily on building talent and succession pipelines to identify and retain high-performers and rising stars.

6. Major Key Performance Indicators (KPIs)

Watercare has a number of performance indicators set out in our Statement of Intent. Attachment 2 sets out Watercare's performance against the current Statement of Intent measures for May 2021.

In addition to the Statement of Intent measures, an outcome of the Board strategy day could include a decision on the major KPIs that the Board would like to be updated on every month in this report.

In the meantime, we set out the following update (some of these are Statement of Intent measures):

- Current staff numbers are 1,120 full time equivalents (excludes contractors filling full time positions).¹ Sick hours lost was at 2.27% as at 31 May 2021. The voluntary turnover as at 31 May 2021 was 7.29%, and average leave liability was 196 hours.
- Except for the Trust score, which remains 4% below target at 51%, all our key customer metrics are tracking on or above target. NPS is almost 20 points higher than the same time last year, with a significant contribution from the newly introduced Live Chat channel.
- Fewer customers are contacting us (-17% year-on-year), largely driven by our focus to keep over-due maintenance jobs to a minimum. However, agent occupancy remains above target as we are making more outbound contacts to update customers on progress on the issue they reported. This is now possible due to our continuous improvement of customer contact data.
- Our field crews, across all three service providers, continue to attract high NPS scores as customers find them knowledgeable, competent and friendly.
- Overall consumption has declined 8% (May 2020 April 2021, compared to the same period the previous year), with the commercial sector's consumption remaining significantly lower (-15%) than the corresponding period of the previous year. However, in the month of April 2021, consumption was 13% higher than April 2020, highlighting the impact of the first Covid-19 lockdown. The current daily average consumption remains well below target.
- The number of customers who use the financial assistance we provide through WUCAT remain relatively low, at around 95 over the year to date. However, we are seeing an increase in the number of customers paying later or skipping payments, resulting in longer (and sometimes tougher) conversations to understand their circumstances and offer ways to support them as and when they experience hardship. We continue to support our frontline teams through ongoing coaching to successfully conduct these challenging conversations.

7. Risk and compliance update

7.1 Update on risk and compliance management

Work on the revision of the Risk Policy and Framework is continuing. This includes development of a Watercare a Risk Appetite statement which will be developed and tested at the forthcoming Board/Executive strategy day.

While the risk position has not changed significantly since the last quarterly risk report, the following risks are of note:

¹ Please note, this number is *full time equivalents* and differs from the *number of employees* in the HSW Report. The HSW Report uses the number of persons, whether part-time, full-time, directly employed or contracted.

- The increasing number of tunnelling projects, especially in Australia where remuneration rates are higher, is beginning to put pressure on the availability of specialist tunnelling resources, and
- Treasury interest rates which have been at historically low levels are showing signs of slowly rising, which will increase the cost of future financing operations.

7.2 Risk and compliance incidents

Health, safety and wellbeing

Health, safety and wellbeing incidents are reported separately. The Board will note that we are trying to make more use of lead indicators, and to identify focus areas, relating to current patterns of incidents and future workload.

Non-compliance with resource consents

There were 13 resource consents with non-compliances in May. Attachment 3 sets out Watercare's consent compliance.

The Helensville Wastewater Treatment Plant remains the highest risk due to continued high residual ammoniacal nitrogen levels. In June, Watercare completed its removal of sludge-build from the plant's oxidation pond, which should improve treatment efficiency once the pond has settled (six-eight weeks). The Helensville Wastewater Treatment Plant consent has a high risk of enforcement (e.g., abatement notice) if the actions Watercare is taking are not successful.

Water quality

Attachment 4 sets out Water quality report for May 2021.

All water quality parameters have been met for the month. A watch continues on levels of cyanobacteria in some water supply dams, but counts are below the level of concern and are trending downward as we enter a period of colder water temperature. Ten of 18 water safety plans are now with the Ministry of Health awaiting review and approval. The responsiveness of the Ministry continues to be a source of concern for Watercare and the broader industry, as the transition from MoH to Taumata Arowai plays out.

LGOIMA requests

In May, we received nine requests for information under the Local Government Official Information and Meetings Act 1987 (the Act). Three of the requests were forwarded to us by Auckland Council. Watercare has complied well within the 20-working-day requirement for a response (which is set out in the Act) for seven of these requests. Our response to one of the requests was slightly over time, but an extension was agreed with the requester.

Legal action

- RMA related:
 - Waikato River BOI: Watercare's evidence was filed on 21 May. Submitter evidence was filed on 18 June. Watercare rebuttal evidence will now be filled by 9 July.
 - Huia Water Treatment Plant: the hearing has been formally closed. A decision is expected on 31 May, but has been delayed until 2 July.
- Non-RMA related:
 - There are currently no legal proceedings above the value of \$400K.

Whistleblowing

There is one whistleblowing disclosures currently being investigated. All disclosures are reported to the Audit and Risk Committee on a quarterly basis.

8. Update on business areas

This month we are focusing on the Central Interceptor project. At the 29 July Board meeting, Francesco Saibene (Project Director GAJV) will be attending to talk about the JV's performance, and the risks and issues as we move forward into the next critical stage of the project.

9. Cyber Update



10. Matters for noting

Significant meetings: Auckland Council Workshop on three waters reform (9 June), Te Ahiwaru, Ngāti Tamaoho, Te Arataura, Te Arawa River Trust, Te Kotahitanga o Ngāti Tūwharetoa, Te Kawerau a Maki, Ngāti Naho, Te Taniwha o Waikato, Taumata Arowai, DIA, Steelpipe, EY, PwC, Fulton Hogan, CRL, T&T, Isle Group, Mangere Community Liaison Group, Water NZ.

Group Remuneration Policy: I spoke with Auckland Council to discuss Watercare's feedback on the Group Remuneration Policy. Our concerns were addressed, and the Group Remuneration Policy will now be approved by the Governing Body.

Jon Lamonte Chief Executive

Attachment 1

Update on progress following Aurecon, Senate and Propero recommendations – May 2021

Recommendations		Status	Commentary
AURECON			
Water Strategy theme (addressing recommendations 5, 6, 15, 25, 26 and 27)		Ongoing.	As set out in the CE's report at the 29 April 2021 Board meeting, Watercare is working with Auckland Council on the water supply and demand workstream of the Strategy. Watercare has committed to key investments towards the 2030 targets which are a residential smart meter programme and reducing leakage below 13%, aiming for 11%. It is important to note that these targets still imply the need to secure additional water for Auckland, and therefore Watercare's 2020 application to the Board of Inquiry to take water from the Waikato Awa is still required in order to be a prudent water provider for the city of Auckland. Auckland Council are in support of this application.
Customer engagement theme (addressing recommendation s 2, 6, 9, 12, 14, 20, 22 and 23)	Mass media (owned, paid and earned)	Ongoing.	Two papers were presented at the 1 June Board meeting (narrative, and reputational equity and trust). Communications staff from the Mayor's Office and Council provided feedback on our narrative before it was presented to the Board. The narrative is broader than our drought response – it looks at water security and safety, investment in capital programmes, and pricing. The Board provided constructive feedback including a desire to see less corporate and more customer focused language, incorporation of Te Mana o te Wai and a more balanced perspective on growth and climate change. Work on the narrative will continue alongside the development of the Watercare Strategy with a view to reporting back to the Board in August. In terms of specific tactics we have implemented since receiving the Aurecon report: The current Tapped In gives a thorough overview of our drought response and, as suggested by Aurecon, outlines how we are performing against our drought standard. Our next Tapped In will focus on how the investment in the AMP will deliver customer outcomes as we manage growth and address climate change challenges. For the first time, the newsletter will be geographically targeted to three regions, providing more localised examples of investment. Jon Lamonte received media training and we are leveraging the interest in him as newly appointed CE to get our messages to as wide an audience as possible. The winter campaign is being confirmed, focusing on indoor messaging. We are planning less paid advertising and more partnerships. For example, Eden Park will continue to run our messaging at all events and Countdown will distribute a further 30,000 shower timers. We are liaising with Auckland Council to use our collateral in its digital channels. A water efficiency expo for commercial customers is planned for later in August. Our stakeholder updates, which go to local and central government officials, are continuing. We will cleibrate the opening of the Tuakau Water Treatment Plant in July, with
	Targeted face to face (forums)	Ongoing.	The targeted face to face forums are ongoing based on the relevant issues. For example, plant tours and breakfasts/cocktail events for key commercial customers and developers.
	Customer co-design	Ongoing.	This is done as required. Recent examples include My Account enhancements and smart meter dashboards.
	Bespoke research	Ongoing.	Currently we are undertaking research on commercial customers and their willingness to pay for future resiliency – the initial top-line results have been reported back to the Customer team.
	Deliberative democracy	Ongoing.	Update provided in 1 June 2021 Board pack.
Building trust		Ongoing.	A paper on rebuilding our trust and reputation in response to the drought and other issues was included in the 1 June 2021 Board papers. This paper identified key issues eroding trust and reputation and develops consistent messaging in response. These messages are being used for key communications.
Water literacy		Ongoing.	We aim to move our engagement with customers from one-way information flows to include more inclusive and collaborative engagement. This was addressed in the board paper on rebuilding trust and reputation.
Stakeholders relat	tionships	Ongoing.	We have analysed our key stakeholders, their areas of interest and the nature of the relationship as well as the effective channels for communication. Work will continue on developing a understanding of these relationships relative to our strategic issues while also providing a much more targeted and coordinated response.
Drought standard and restrictions		Ongoing.	Watercare is working to update its Drought Management Plan (referring to national and international learnings, and lessons learnt from our current drought). The work will include a review of communication with our customers (in the form of focus groups) and with Auckland Council (which will be aligned with the work set out above). The timeline for completion is December 2021. The web site is also being updated to include a wider perspective on the water supply situation beyond the dams and to provide more transparency around the water use restrictions and potential trigger levels.

SENATE				
Definition of new relationship responsibility		Complete.	The Deputy CE will take responsibility for this role identified by Senate. It is included in the job description.	
	Develop the strategy	Complete.	The draft forward engagement plan will be discussed at the 5 July Board meeting.	
strategy and support to make happen	Put in place in plan to support the implementation of this strategy.	Complete.	The draft forward engagement plan will be discussed at the 5 July Board meeting.	
Roadmap for implementation Complete.		Complete.	The roadmap will be discussed at the 5 July Board meeting. The progress made to date will be set out in the Board paper and will be reported on quarterly once the plan and roadmap have been discussed.	
PROPERO				
	Ensure the CE has clarity on the Board's view of critical / priority areas of focus	Complete.	Conversations have been held between the CE and Chair as well as with Board members.	

Board - Public Session - Chief Executive's report

Update on progress following Aurecon, Senate and Propero recommendations – May 2021

		0	mig Adreton, Sendte and Hopero recommendations may 2021
	Keep providing feedback to the CE on what is working well, areas of continuing concern, etc.	Noted.	
Setting up the new CE for success	Reduce management presence (in some areas of Board meetings) to assist the lift in strategic focus and ability to hold candid conversations with the CE	Complete	There will be reduced management presence at the 5 July Board meeting.
	Work with management to build greater insight in customer reporting	In progress.	Plan to be provided next month by Chief Customer Officer. All of Customer monthly reporting shared with CE.
	Jon is to immerse himself in the company and industry to quickly develop his operational knowledge and awareness of stakeholder and customer needs	Noted.	Key focus has been 'business as usual' with initial focus on customer facing roles and interactions.
	The Board is to provide a key support role – providing clarity of expectations around strategy and management interaction and setting a framework for this engagement	Ongoing.	Regular conversations are being held between the Chair and CE. Work has also started on a strategic plan for the company. This will be agreed with the Board at the 27 July 2021 workshop between Board and Management.
	Regular feedback (and small 'course corrections' as needed) is required early in his tenure as his key strategic, personal, interpersonal, and operational capabilities develop	Noted.	
	Build future meeting agendas around the "big rock" areas of strategic focus to carve out high-quality focus / dialogue on these key topics. Seek to streamline public meeting time to support this rebalancing of time	In progress.	Forward months agendas are being developed. CE to finalise approach with the Chair.
	Ensure clarity on the "golden metrics" – the most critical performance objectives	To be started.	Post Board strategy day, this will be identified and reported on.
Focus on core performance	Increase visibility of risk and performance, especially around H&S	In progress.	Work has started on a different approach to reporting HSW information. The first stage is consolidating all the reported information into one part of the Board pack which was done at 1 June Board meeting. For the company, the focus is on lead indicator reporting.
	Reset the CE performance evaluation, and clarify KPIs (especially early in his tenure)	In progress.	The Chair is in discussion with the CE.
	Continue streamlining reporting – address the concern of a bias towards 'good news', use an excellent CE report to frame meetings with a depth of strategic insight	In progress.	First iteration of streamlining the reporting was in the 1 June Board pack. Various report templates have been provided as a template for future reporting. Watercare is trialing a new board report template at the 5 July Board meeting with the aim of continuing to streamline reporting and drive the right discussions.
Continue the	Develop a stakeholder engagement plan to track relevant groups and clarify the Board and management's role in leveraging and strengthening these relationships	In progress.	A board paper on "Rebuilding Trust", which is largely about stakeholder relations, was in the 1 June Board pack. An iteration of this board paper is being worked on, and following the Board Strategy day, this will be presented to the Board. A plan for improving the Council stakeholder relationship will be presented at the 5 July Board meeting.
rebuild of relationships and perceptions of Watercare	Maintain communication with the Council through regulatory reforms for clarity on shareholder expectations, potential changes in strategic direction, and upcoming risks and opportunities	In progress.	For Water reform, Watercare is engaged in a fortnightly Steering group meeting with Council officers (Led by Megan Tyler – Chief Strategy Officer). This involves sub- groups in Finance, Iwi relationships, possible legislative impacts and Day 1 operations (working with the Northland Councils).
	Engage with Council around future capability needs (led by the Chair)	In progress.	
	With the CE, reset the Board-management relationship – clarify Board expectations and priorities, reduce management's defensiveness, and build greater collaboration and transparency	Noted.	
	Management to ensure they are adopting an open stance and sharing a "warts and all" view with the Board	Noted.	
Step out of 'activist mode' and shift to 'thought	Board members to focus on constructive challenge / inquiry / debate and ensure they provide a safe environment for management to openly share their challenges	Noted.	
'thought partnership mode'	The Chair-CE relationship will be critical to frame the wider dynamic, and both report a commitment to 'setting a tone from the top'	Noted.	
	Board to demonstrate confidence and provide clarity around expectations to the team	Noted.	
	Board and management commit to providing clear feedback on what is / is not working, increasing transparency and open communication, and decreasing defensiveness	Noted.	
Shift to a thought partnership update	Clarify key goals and align on the company's core focus	In progress.	A strategy day has been setup between the Board and management for27 July 2021. The Executive have meeting planned, prior to the Board strategy day, to revisit/ reinvigorate the goals and values of the company. Frances Valintine will be providing support through this process, prior to potentially facilitating the Board strategy day.

Board - Public Session - Chief Executive's report

Update on progress following Aurecon, Senate and Propero recommendations – May 2021

	Set clear, aspirational, and realistic goals	In progress.	A strategy day has been setup for 27 July 2021.	
	Board and CE-only time	Complete.	A half hour session has been established prior to the start of confidential sessions.	
CCO REVIEW				
A number of recommendations set out in the bi-monthly Board update Ongoing		Ongoing.	Continue to work on the actions that come out of the number of recommendations from the CCO Review. CCO Review update reported to the Board bi-monthly by exception.	

SOI MEASURES — Natural Environment


























SOI MEASURES – Community and Stakeholder Relationships



Additional SOI Measures included in the 2020-2023 Statement of Intent

Capital	Measure	SOI Target	Commentary/Result
Customer & Stakeholder Relationships	We contribute to the delivery of Māori outcomes and deliver on the joint outcomes agreed by Council and CCOs (At least one kōrero with each of the 19 iwi every year and work with them to develop meaningful measures for Māori outcomes)	At least one kōrero with each of the 19 iwi every year	Pending dates and invitations from Chairs and Chief Executives of mana whenua entities to meet with Watercare Chair Board and the new Watercare Chief Executive with Te Ahiwaru, Ngati ki Tamaki, Ngati Tamaoho, Ngati Paoa, Te Kawerau a maki. High level meetings with Waikato Tainui continue. Relationship meeting set with Ngāti Paoa for 22 June, Watercare Board Chair, Watercare CE. Meetings with Iwi submitters for Board of Inquiry process, Watercare's Waikato River water take consent.
Customer & Stakeholder Relationships	Watercare will operate responsibly. We will meet the 10 DIA targets that relate to customer and stakeholder relationships (refer Appendix E, numbers 3–12). (Meet 100% of DIA targets) (Complaints, Response/Resolution, Bacteria & Protozoal)	Pass/Fail	Pass
People & Culture	We will improve our employee engagement. eNPS	≥20	Employee Net Promoter Score has increased slightly from 34 in November 2020 to 35 in May 2021.
People & Culture	Watercare has committed to the Diversity Agenda Accord. Improve gender workforce split in departments where the split is uneven (Identify 2020/21 baselines and improve on baseline)	10%	Next update once July data is available
People & Culture	Watercare has committed to the Diversity Agenda Accord. Attract a more diverse range of applicants to apply for jobs at Watercare (Identify 2020/21 baselines and improve on baseline)	10%	Next update once July data is available
Financial Capital & Resources	We manage operations efficiently, keeping costs to customers (collectively) at minimum levels. Percentage of household expenditure on water supply services relative to the average household income	≤1.5	0.82%

Capital	Measure	SOI Target	Commentary/Result
Financial Capital & Resources	We are a financially sustainable business. Watercare group's debt headroom (Set measure in conjunction with Council and establish baseline)	Baseline is 3.54	Financial Control has obtained the financial reporting calculation used in Auckland Council's group financial statements for the debt to revenue ratio and created their own template that automatically draws data from the monthly Management Reports. The Oct-20 debt to revenue ratio was 3.46, Nov-20 ratio was 3.26, Dec-20 was 3.07, Jan-21 was 3.1, Feb-21 was 3.06, Mar-21 was 3.03, Apr-21 was 2.99 and May- 21 was 2.92.
Intellectual capital	We create new value in our infrastructure supply chain through the Enterprise Model. Establish and implement an Infrastructure Carbon Portal and corresponding toolkit to assess ways to reduce carbon emissions during the construction of water and wastewater assets. (Deliver and implement portal and toolkit. For the Enterprise Model, monitor and report on the target of a 40% reduction post 2024.)	Establish Baseline	Carbon portal progress being made through internal and external feedback sessions. Training modules continue to be completed with 243 sessions taken (across 3 modules) and there are now 96 users with access to the Carbon Portal.
Intellectual capital	We create new value in our infrastructure supply chain through the Enterprise Model. Establish and implement an Infrastructure Cost toolkit across the programme and project to deliver new ways to reduce costs during the construction of water and wastewater assets. (Deliver and implement the toolkit. For the Enterprise Model, monitor and report on the target of a 20% reduction post 2024).	Establish Baseline	An EM Toolkit structure has been set up. Recent tools added to the toolkit include a project scorecard and value capture process to measure, capture and share performance and 40:20:20 ideas/progress.
Assets and infrastructure	Watercare will operate responsibly We will meet the 2 DIA targets that relate to assets and infrastructure (refer Appendix E, numbers 14 and 15). (Meet 100% of the DIA and Auckland Plan targets) (Dry Weather and Wet Weather Overflows)	Pass/Fail	Pass

Capital	Measure	SOI Target	Commentary/Result
Assets and infrastructure	We will develop and use talent, processes and technologies to manage non-revenue water and ensure optimal supply efficiency. (Establish baseline and demonstrate continuous improvements on previous year) by 30 June 2021	Establish Baseline by 30 June 2021	 Throughout Financial Year 2020/21 Watercare has achieved the following: (i) 5000km swept for leak detection out of a planned 6000km, (ii) 8.2MLD saved from leak detection, (iii) 30,000 domestic meters replaced of a planned 30,000, (iv) 1000 commercial customer smart loggers installed out of a planned 2000 and (v) Real Losses at 13.4% against SOI of 13%.
Natural Environment	Watercare will operate responsibly. We will meet all DIA natural environment targets (refer numbers 1 and 2 in Appendix E). (Meet 100% of DIA targets) (Compliance, PCC)	Pass/Fail	Pass
Natural Environment	 We will implement Mitigation measures in line with our responsibility to keep global warming within 1.5oC. We will reduce annual greenhouse gas emissions from Scope 1 and Scope 2 emissions (operational mitigation). (• 2020/2021: Complete work on a plan to achieve a 45% reduction in operational emissions by 2030 • June 2021: Finalise targets in line with ACAP • 1 March 2022: Baseline established and roadmap targets published in our next SOI. These targets will consider the contribution to the region's interim 2030 and 2050 targets. • 30 September 2022: Report on first target and publish targets through to 2024 in the 2021–2024 SOI) 	By June 2021: Complete work on a plan to achieve reductions in operational emissions by 2030, including updating targets in line with ACAP	Internal decarbonisation team established. Draft plan per value stream due in July. Updating of 2030 target to align with Auckland Council target (reduce emissions by 50% by 2030) has been indicated in SOI. Project for specific assessment of emissions from Puketutu island has been initiated. This may impact baseline and require a re-state of baseline. Preparing for greenhouse gas audit on 27th July to verify FY21 figures. Next step from here will be setting 3 years of annual targets.

Capital	Measure	SOI Target	Commentary/Result
Natural Environment	Water is precious – We continue to encourage our customers to be mindful of their water use The average consumption of water per residential connection. (• 1 March 2021: Baseline established, and sector targets published in our next SOI • 30 September 2021: Report on target and publish targets through to 2024 in the 2021–2024 SOI)	Establish Baseline by 1 March 2022	 Connections data and targets for residential water use have been identified, although we need to work through the requirement to ensure we capture apartment usage data as residential use, where and when it is appropriate (particularly as Auckland housing is densifying). This litres per dwelling pe day measure is intended to provide greater granularity in performance ie. where we need to make better progress (ie leakage, residential or commercial water efficiency) in order to meet our 2025 target of 253 litres per person per day (gross per capita consumption). This measure will be consistent with our 2021-2025 Water Efficiency Plan. No further updates except to add that the request for creatir the data set is currently sitting with GIS.
Natural Environment	Water is precious – We continue to encourage our customers to be mindful of their water use The average consumption of water per non-domestic connection. (• 1 March 2021: Baseline established, and sector targets published in our next SOI • 30 September 2021: Report on target and publish targets through to 2024 in the 2021–2024 SOI)	Establish Baseline by 1 March 2022	 Three key areas have been selected for this measure, covering over half of commercial water usage in Auckland. Sector-appropriate water efficiency targets and methodology have been created and documented for these three sectors and t source data has been identified. This measure will take a lon term (5 year) rolling measure of water efficiency. This measure will be consistent with our 2021-2025 Water Efficiency Plan. Training for commercial water efficiency audits will be carried out in the last week of June. 9 staff members will undergo this training with Smart Approved Water Mark and will be ab to carry out water audits (likely under a different name which is more appealing to commercial customers) for FY22.

Resource consent compliance – Watercare (Auckland populace)

Arrows indicate changes from previous month (- indicates no change)



^{6.3}

Non-compliances for May 2021

Facility/Asset	Consent	Condition(s)	Issue(s)	Actions	Potential consequence
		06	Instanteous flow-rate exceedance.	Flow-rate exceedance occurred during repairs to liner seams. One-off incident.	Moderate: Works necessitated exceedance.
Helensville WWTP	22225	17	High ammoniacal nitrogen in the discharge (above consented limit). Historical high E. coli and total suspended solids	Pond desludging to increase residence time and improve treatment; to be completed by end of winter 2021.	High: Risk of enforcement if not actions not successful.
Huia WTP	26979	03 (i)	High aluminium in lagoon	Review into on-site procedures and audit of sampling methods.	Minor: Technical issue due to natural circumstances
Kingseat WWTP	24255	21	Historical high <i>E. coli</i> and ammoniacal nitrogen	Plant has addition aeration for next winter.	Moderate: Annual non- compliance, ultimate solution (Southwest) is four-five years away.
	30962	11	Missing calibration records	Replacement of meter as calibration costs prohibitive.	Minor: Procedural issue
Māngere WWTP	33167	37,39,40	Results from former Pond 2 monitoring not reported	Reports in preparation. Required backfill of data from lab.	Minor: Reporting issue
	DIS60050490	24		Engineering investigation into	
Omaha WWTP	DIS60050606	24	UV dose not approved	dose application ongoing. Needed before external review.	Minor: Procedural issue

Facility/Asset	Consent	Condition(s)	Issue(s)	Actions	Potential consequence
	29011	18,20	pH of biofilter not being measured. No evidence of three-monthly site walkovers	No walkover records on file. Update of procedures for walkovers and pH measurements.	Minor: Procedural issue
Orakei Main Sewer	29020	19	No evidence of three- monthly site walkovers	No records on file. Update of procedures,	Minor: Procedural issue
	29031	19	No evidence of three- monthly site walkovers	No records on file. Update of procedures,	Minor: Procedural issue
Waiuku (Victoria bore)	WAT60071034	21	Water strategy due September 2020	Draft completion June 2021.	Minor: Reporting issue
Waiuku WWTP	DIS60334129	14	High inorganic nitrogen in discharge during winter	None – Issue is annual percentile calculation	Moderate: Repeat annual non-compliance, ultimate solution (Southwest) is four-five years away.
Warkworth WWTP	REG-67903	8	High inorganic nitrogen in discharge	WWTP will have upgrades as part of reconsenting process. Upgrades include improved aeration control which should improve nitrogen removal efficiencies.	Moderate: Non- compliance has potential to adversely affect reconsenting process.

Water Quality Report - May 2021

Scorecard





Spotlight On: Regulatory Update

Taumata Arowai - The Water Services Regulator launched its public website in anticipation to the handover of the regulatory administration from the Ministry of Health on 1 November 2021. The website includes public access to the drafts Operational Compliance Rules and Draft new Drinking Water Standards https://www.taumataarowai.govt.nz/for-water-supplies/

Spotlight On: Water Safety Plan (WSPs)

Ten of Watercare's WSPs require re-approval by end June 2021.

The water quality science team is working on increasing overall understanding across the business of WSP and principles in a range of ways through Our Place, Immerse training module and Teams sessions.

Spotlight On: Internal Audit Report to the Audit and Risk Committee

The water quality science team presented findings of the internal audit of Watercare's WSP to the Audit and Risk Committee. Non-conformances and recommendations that relate to document management, training and competencies continue to pose significant risks to the business. These are yet to be resolved to a standard required by the current and future regulatory framework. Audit and Risk Committee requested further update at the next meeting.

Spotlight On: Water Quality

Total Coliforms Investigation – Investigations into the elevated levels of total coliforms continues. Significant reduction is detection of positive total coliforms has been observed since several improvements have been made in 2021 across the water supply system and the laboratory.

Disinfection By-products (THMs) Investigation – THMs results that are above 50% and 100% MAV THM continue to be an issue. The likelihood of further THMs exceedances is very high. The water quality science team initiated regional wide monitoring programme starting 1 July 2021 to confirm the extend of the issue across other distribution zones.

Investigations into Emerging Contaminants – Microplastics, PFAS, nematodes, nitrates, viruses including Covid-19 – new research highlights new areas for investigation will be required.

Customer Complaints







Board meeting | 5 July 2021 Public session



Health Safety and Wellbeing Report for May 2021

Te pou whenua tuhinga / Document ownership

Prepared by Bronwyn Struthers Head of Health Safety and Wellbeing Recommended by Rob Fisher Acting Chief Officer Support Services Submitted by Jon Lamonte Chief Executive Officer

This Month

This month has seen several site visits by Board members and executives. These visits are valued by workers as an opportunity to have their work seen and understood.

During a visit to the Pukekohe site by members of the Board, the manager, Iris Tscharntke, highlighted a significant list of improvements made through the upgrade to both operational efficiency and safety. This is a great demonstration of the thinking and motivation for our teams to deliver the vision of being 'better tomorrow than we are today'.

The Infrastructure team are working on a library where these examples can be captured and shared.

Client-Contractor Relationship: Jon hosted a meeting of the CEOs of our senior contractors from Operations and Infrastructure, to introduce himself and discuss how we can work together to improve HSW across Watercare and the industry. The group noted the value of having time together and being able to discuss issues at a senior level. A key theme was the degree to which Watercare's planning and pipeline impacts all elements of the contractor operation and the importance of focusing on relationships.

The group have agreed to meet quarterly with the next meeting scheduled for September.

Flu Vaccinations: There has been a noticeable increase in the number of workers taking up the offer of a free flu shot this season. The Covid-19 education programme, explaining how vaccinations work and why herd immunity is important, appears to be behind the number of our team who have had the vaccination for the first time.

Critical Risks: Following last month's Board meeting, the list of Critical Risks has been reviewed and updated to include the use of vehicles. See attachment 1.

Current Activities

Audit: The annual ACC Accredited Employer Programme audit was conducted in May. We have four non-conformances and have submitted a plan to close these out. The non-conformances relate to our Waikato District Council sites and are for:

- Fire evacuation drills and training of fire wardens
- Training records management
- Incomplete risk register

These non-conformances will be closed out by the end of July. Further improvement will occur as we upgrade our accreditation from ISO 4801 to ISO 45001. The project scope has been developed and a person recruited to the role. Work will start in July and is expected to be fully complete, including implementation across the business, in 18 months.

Construction to Commissioning: The Waikato 50 Project has commenced commissioning. There are elements of construction and commissioning that overlap on the site which presents additional risk.

The project delivery team are focusing on ensuring that there are no work conflicts. They are doing this by:

- Supporting the Fletchers Construction project team
- Attending Look Ahead planning sessions and daily toolboxes
- Co-ordinating any constructions activities with the Operations Liaison from the Water Treatment Plant

Online Induction: Final review of content for online staff inductions for sites has occurred this month. The online format will eliminate the need for the Operations team to conduct face-to-face inductions for staff, ensure consistent content and enable record-keeping in our learning management system.

Looking Ahead

Worker Shortage and Capability: The current unemployment rate of 4.7%, border closures and visa restrictions, mean both Watercare and our contractors are competing for talent in a tight market. The HSW impacts are around access to competent workers and the capacity issues for supervisors and work teams, potentially leading to fatigue and burn-out.

Within Watercare the recruitment team are aware of the risks in this area and are using new and creative ways of accessing talent, as well as securing existing workers and growing talent internally.

As part of the Valued Networks agreement, we are investigating the development of a water-specific training facility to be able to develop workers' skills at all levels. The training offered will include technical, customer and leadership development as well as HSW training and will be a collaboration between CityCare, Downer and Watercare.

Next Stages Waikato 50: The Southern Water team are planning to begin operation of the temporary Waikato plant. We are providing HSW expertise during the development of SOPs as part of that preparation.

The construction team will transition to construction of the permanent plant and planning has commenced for this activity. Planning is critical as change is a common factor in incidents.

HSW Resources

Systems Requirements: The digital team are mapping system requirements across HSW and the People function. We hope to have the mapping complete by the end of June.

Team structure and resources: The Watercare HSW team structure has been finalized and recruitment is underway. The aim is to have all roles filled by September. We are looking for graduate-level practitioners to provide support for the team in the field, enabling Business Partners to focus on more strategic support to functional areas.

The new structure will allow for development and depth within the HSW function.



Critical Risk Review – Confined Space

A confined space:

- is an enclosed or partially enclosed space and
- is not intended or designed primarily for human occupancy and
- may present a risk from one or more of the following:
 - unsafe concentration of harmful airborne contaminants
 - unsafe concentration of flammable substances
 - o unsafe levels of oxygen
 - substances that can cause engulfment.

Watercare examples include:

- Manholes
- Process vessels,
- Pits
- Wet wells
- Pipes
- Sewers
- Shafts
- Ducts

Example Confined Space Entry - Wet well



Controls currently in place

- Managing the control of hydraulic assets (including flow)
- Isolations and lock-out, tag-out
- Air quality testing and monitoring of the confined space
- Ventilation of the space or extraction of the immediate source of contaminant
- Mandatory standby person(s) to monitor entry and exit, and to maintain continuous contact with the workers inside the confined space
- Protective barriers and signs are in place at each entry point to prevent unauthorised entry
- A task specific emergency response plan (ERP) established and rehearsed prior to entry
- A written confined space entry permit completed by the Responsible Person for Entry and authorized at the appropriate level
- Training for all those involved to NZQA standards

HSW Metrics May 2021			
No. of employees (Note: this is the number of workers, whether part-time, full-time, directly employed or contracted.) 1195 increase of 95	Total Hours worked 468441 • (9% increase on previous month) • WC – 40% (+5%) • Contractor – 60% (-5%) The information above	No. days over time 590 (-6%) Customer 306 Digital 4 Operations 280	Leave Liability 20 Days on average per employee
Average days to incident completion – iCare	Current no. of cases open older than 3 months in iCare	cases that can be closed (ISW team have identified approximately 400 ie. no remaining actions but are open due to
110 days Average time between event and reporting	913 in system (600 approximately left after digital fix) 2019 20 Open Cases 2020 602 Open Cases 2021 291 Open Cases	 technical and user issues). The team is working with the business to fix this issue. The HSW team is also working with the business to decrease the time it is currently taking to investigate and close incidents. This is due to a mixture of technical and user issues as above. 	
9 days			
H&S Representative Numbers 40	Comments Watercare operates under a hybrid model of committees and HSRs. Committees work well, however an increase in the number of trained representatives is preferred.	# of Safety committee meetings held 8	 Common Themes: Lone Working and digital JSA- Active anticipation for centralised systems to be developed Increased HSR representation on the committees.
Employee TRIFR (12 month	Employee LTIFR (12 month rolling	Senior Leadership Safety	Comments
rolling average)	average)	Conversations	There has been a significant increase in board members and senior leaders getting out to site to visit and to talk with Watercare staff. Not all
11% increase from previous 12 Months	9 1% increase on the previous 12 Months	13 (+8 on last Month) Tier 1,2,3 & Board	have been recorded in iCare and the HSW would ask those able to do this.

Total days lost: 22 Number of people hurt 8	Comments There are only two incidents in May 2021 that have lost time associated with them. A vehicular incident, and a fall of one of our contractors into a 2.5m deep chamber (see incident 1)	Critical risk exposure 37 From 31 incidents recorded in iCare	Comments Workers can be exposed to more than one critical risk at a time.
4 WC employees 4 Contractors No. of overspeeds exceeding 10% of Speed Limit 7932 1% Increase on the previous month	 Comments Efforts are currently being made to address the number of overspeeds by: Ensuring the data in the system is accurate – driver information Reducing employees not signing into the system Ensuring that reporting is being delivered to the business Production of a dashboard for the business including additional information held in the ERoad system. We may have to use a third party to develop due to internal digital prioritisation 		
Inspection Incident, injury or illness Hazard Feedback Close Call	 Developing guidance and a framework to iCare usage stats 10 52/55 68 18 19 18 18 19 May Apr Mar 		 Comments Overall usage of iCare has increased, especially with Feedback. Feedback numbers have now become a KPI for several groups in the business hence the increase. Hazard and close call reporting appear to still be low. In some cases feedback and its opportunity for improvement is being used in its place and further work is needed in this area to ensure appropriate reporting.

1: Fall into Empty Wastewater Chamber	2: Item Fall into Trench
Contractor: Downer	Contractor: March Cato
Operations: Mariners Grove Wastewater Pump Station	Infrastructure: Huia 1
iCare number HRC0019525	iCare number HRC0019435
Critical Risk: Working at Height	Critical Risk: Excavations

What happened:

While reinstating a temporary covering, a worker fell approximately 2.5m into an empty wastewater chamber. The Downer employee was taken to Auckland Hospital with two broken ribs. Downer lodged this with WorkSafe and there has been no follow up to date from the regulator.



What happened:

A digger was lifting a large mental plate. During the lift a hanging chain dislodged a handrail on an existing footbridge that had been dismantled to allow the installation of the pipe. A piece of handrail fell into the trench and skimmed the shoulder of the person in the trench.



Our Actions

Downer made the site safe after the incident Two senior managers of Northern networks attended the site Downer performed an investigation into the event. The area has now been fully reinstated to remove this as a risk

Our Learnings:

Any works around a shaft or any significant depth needs to be appropriately planned even if the risk is deemed to be low

Our Actions

The incident was investigated by the contractor and an OFI issued.

A company toolbox talk was rolled out to check all loose items, and items that could fall from a height, near the excavation works.

Any changes to the original planning or temporary works are to be discussed with the project manager.

Our Learnings

Even through an exclusion zone was set up in accordance with the agreed process, it is best to thoroughly check for loose items and include this in lifting detail in all site plans.

3: Ferric-chloride Leak	4: Electrical Installation Failure
Watercare	Contractor: Fletcher
Operations: Māngere WWTP	Infrastructure: Clevedon Wastewater Servicing
iCare number HRC0019758	iCare number HRC0019685
Critical Risk: Hazardous substances & excavations	Critical Risk: Energy
What happened: A contractor	What happened: During the living of the



What happened: A contractor working on an excavation inside the Māngere WWTP struck a dual-skinned ferric chloride delivery pipe. The contractor notified the project manager, but no leak was identified at the time and it was

thought that only the outer containment pipe was damaged and that the inner pipe was intact. The contractor arrived back on site the following morning and found the internal pipe was leaking and had spilled up to $2m^3$ of ferric-chloride solution.

Our Actions

The delivery pipe was immediately isolated and a plan was put in place to repair the pipework and safely remove the chemical spill.

The incident has triggered the need for a root-cause analysis review.

Our Learnings

WWTP needs updated service drawings, and that the existing drawings should not be relied upon. A couple of strips of earth along proposed excavation areas should be hydro-excavated first regardless of the absence of any services on plans (unless the area has been completely excavated and remapped recently).

Staff and contractors working on a Watercare sites must always notify the Control Room immediately if they come in contact with any service, regardless of whether there seems to be any leaks or issues.

What happened: During the living of the site by the Fletcher site electrician a loud bang was heard. It appears that when the electrical control cabinet was delivered and installed by the contractor (N2P) the wiring was not fully completed. When the Fletcher site electrician livened the cabinet to carry out the test, the short circuit occurred.



Our Actions

Power was isolated and an investigation undertaken to see what tripped the power.

An insulation resistant test was conducted to find any faults. The test confirmed that there was a short circuit.

The Construction and Design leadership team met to discuss the investigation and agree follow-up actions.

Our Learnings

There needs to be clear communication between the parties and the electrical contractor must be on site to conduct a hand over of equipment such as this.

Attachment 1 Watercare – Critical Risks





Board meeting | 5 July 2021 Public session

Final Draft of Watercare's Revised Statement of Intent 2021–2024

For approval

Te pou whenua tuhinga / Document ownership

Prepared by Raquel Goldsmith Financial Planning and Pricing Manager **Recommended by** Rob Fisher Acting Chief Officer Support Services Submitted by Jon Lamonte Chief Executive Officer

1. Te tūtohunga / Recommendation

We recommend that:

- a) The proposed response to the shareholder's comments and the related proposed additions or amendments in the revised Statement of Intent (SOI) be approved.
- b) The Board approves the submission of the amended SOI to Auckland Council by the deadline of 31 July 2021.

2. Take matua / Key points

The key points are:

- a) Watercare's draft SOI was submitted to Auckland Council on 1 April 2021.
- b) Council provided shareholder comments to Watercare on 31 May 2021 (see Attachment 2), after consideration at the CCO Oversight Committee meeting held on 18 May 2021.
- c) Management has revised the SOI to take into account the feedback set out in Council's letter. A final draft is tabled in Attachment 1, supported by a schedule of shareholder comments and management's proposed responses, under point 4.3 below.
- d) Shareholder comments were mostly centred around:
 - i. Alignment of the SOI budget and performance measures with those included within Council's 10-year budget 2021-2031
 - ii. Include a complaint handling measure as recommended in the CCO review

- iii. Include Economic Development Action Plan actions (being development of the carbon portal to measure emissions) related to infrastructure builds and investigate water reuse precincts co-located near Mangere and Rosedale wastewater treatment plants
- iv. Work closely with Council to develop major plans and strategies. Examples being water efficiency and the drought standards/plans
- v. Request for further detail on how Watercare will respond to the findings of the Water Industry Commission for Scotland's (WICS) review of our performance
- vi. Request for further detail on continued communication and education of Aucklanders on water use
- vii. Request to expand detail on how we will assist Council in decision-making on Water Reform
- viii. Include further detail in our annual work programme about how we will contribute to the outcomes of Kia Ora Tāmaki Makaurau: Māori outcomes performance framework.
- e) Specifically, please note:
 - i. During the March Board meeting concern was expressed that performance measure targets over the long-term plan (LTP) period may not be met. This is due to financing constraints over our proposed capital budget which has meant our renewals programme is significantly less than that proposed. Council has requested we reinstate the old targets, to which we have agreed with the proviso that we will jointly review with Council over the coming year.
 - ii. Council has instructed that all financial numbers presented in this SOI align with those agreed through the LTP process.
- f) The 5 July 2021 meeting is a public meeting, where members of the public may provide feedback on Watercare's draft SOI.

3. Whāinga / Purpose and context

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

- a public statement of the activities and intentions of a council-controlled organisation (CCO) for the year and the objectives to which those activities will contribute; and
- provide an opportunity for shareholders to influence the direction of the organisation; and
- provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

Schedule 8 of the Act sets out the required contents of the SOI and requires that a draft is to be presented to the shareholder by 1 March each year (Council advised the date had been extended to 1 April 2021 for this year).

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

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

4. Korero pitopito / The details

4.1 The timetable of the SOI process

Ordinarily the SOI process begins with the Mayor's Letter of Expectation, however this year has been an exception with no Letter of Expectation received.

A draft SOI 2021–2024 was prepared, approved by the Board and submitted to Auckland Council on 1 April 2021.

On 3 and 5 May 2021, Watercare received requests from the Mayor asking for reasons behind the proposed reductions in our LTP performance measure targets. On 7 May 2021, Watercare responded by agreeing to reinstate the previous targets while reserving the right to revisit the targets over the coming year given performance risks that may arise from having a financially straitened AMP.

On 31 May 2021, Watercare received formal feedback from Auckland Council on the revised draft SOI 2021–2024 and is required to provide an opportunity for the public to comment on the amended document at the public board meeting on 29 July 2021. Following that, the document is to be approved by the Board for submission to Auckland Council by 31 July 2021.

The approved SOI will then be formally adopted by Auckland Council in August 2021.

4.2 Our shareholder, Auckland Council, provided formal feedback

The Mayor wrote to the Chair on 31 May 2021 setting out in detail the shareholder's comments on the draft SOI. A copy of the letter is appended as **Attachment 2.** The letter includes comments that are generic to all of Auckland Council's CCOs, as well as comments specific to Watercare.

4.3 Watercare has considered the shareholder's comments

Watercare's proposed responses to the Shareholder's comments are detailed in the table below.

An amended version of the draft SOI 2021-2024 is appended as Attachment 1. This version incorporates the proposed amendments set out in the table below and editorial changes.

Shareholder comment	Watercare response
General comments	
Financial information agreed with financial planning staff includes: 2019–20 actual results 2020-01 long-term plan budget 2021–22, 2022–23 and 2023–24 long-term plan budgets Breakdown by activity as in the long-term plan Agreed non-strategic asset sales	On 14 June we submitted approved LTP financial information to Council's financial planning team. The SOI has been updated to reflect this information.
Performance measures align to LTP, ensuring final documents: LTP measures are clearly identified Measures and targets are worded exactly as in the 10-year budget 2021– 2031	Our LTP performance measures and targets have been reinstated to reflect those previously agreed. Council and Watercare have agreed to reserve the right to review targets over the coming year.
Complaint handling measure should be included in the final SOI (as recommended by the CCO review)	Management has proposed we include as a measure under our customer section on page 11 "percentage of customer complaint resolved within ten days of notification", with a target of 95%.
Include Economic Development Action Plan (EDAP) actions	 We have included the following EDAP actions under the annual work programme on page 25: Watercare will investigate water-use precincts co-located alongside wastewater reuse opportunities at Rosedale and Māngere Wastewater Treatment Plants. Watercare will develop and implement a carbon portal for measuring emissions related to three waters infrastructure builds.
Part one – Strategic overview	
Amend table on page 5 to be more consistent with tables provided by other CCOs	Table has been updated to include bullet points against the Auckland Plan priorities.
Part two – Statement of performance expectations	
Water Strategy water consumption targets to be included	Targets are for average daily consumption targets per person of 247 litres by 2030 and 225 litres by 2050. These are included within comments on Auckland's Water Strategy on page 23.
Drought management plan – programme for reviewing the drought management plan should reflect that the work will be done in conjunction with Council and an update of this plan should be included in the work programme	Comments have been updated on pages 23 and 16. They include: Page 16 Included is a table showing the standards to which we plan our current water security. Below the table we have included the sentence:

Shareholder comment	Watercare response
	"As part of the Auckland Water's Strategy, council and Watercare will review the drought standard."
	Page 23 In response to the drought Aucklanders made significant reductions to overall demand. Our ability to meet the Water Strategy targets will depend on the strength of our relationship with the people we serve. Our goal is for Aucklanders to remain part of a movement that values tap water as they value water in the natural environment. We will continue our proactive advertising and communication campaigns to further encourage Aucklanders to be more water efficient. We are also working with council to review Auckland's drought standard.
2021–2025 Water Efficiency Plan – work with ouncil to amend the Water Efficiency Plan to align the content with the Water Strategy work, in particular reflecting the targets adopted by committee	We have noted feedback from Council. The water efficiency plan referred to in this comment was to bring into effect the final stages of the Auckland Three Waters Strategic Plan 2008. Watercare fully intends to work with Council collaboratively to develop and implement the Water Strategy work.
Related to the above – Council has referenced the Governance Manual (Appendix 9) and that collaboration for development of all important strategies is expected	Management has noted this comment and is currently working with the CCO governance team.
WICS – interested in how Watercare will be responding to the findings of the WCIS review of Watercare's performance and would like to include responding to this and reporting on it in the final SOI	On page 23 we have extended our commentary to include: At the start of 2020 we commissioned WICS to assess our financial year 2019 performance and identify opportunities for Watercare to continue to deliver against our section 57 obligations to manage our operations efficiently so to keep the overall costs of services to customers (collectively) at minimum levels and maintain the long-term integrity of our assets. WICS found that while Watercare is operating efficiently there is room for improvement. They made a number of recommendations, including: reducing operating and capital expenditure through invest to save initiatives; improved monitoring and understanding of our asset renewals requirement; and that our financing structure could be improved to ensure intergenerational equity. A further review was performed on

Shareholder comment	Watercare response
	financial year 2020 as part of the DIA's detailed analysis and request for information process. In that review WICS found we have further room for efficiencies.
	Over the coming year Watercare will be working closely with WICS to further understand their analysis and to identify and recommend efficiency programmes that will provide long-term benefit to our customers.
Communication and education of Aucklanders on water use – noted it will be an important element of our work programme over the coming year, especially with increased prices. Expect to see appropriate emphasis placed on this	On page 10 we discuss building customer trust through education, transparency and engagement which includes comment on our communication activities for water reduction. On page 23 we have also included: "Our ability to meet the Water Strategy targets will depend on the strength of our relationship with the people we serve. Our goal is for Aucklanders to remain part of a movement that value tap water as they value water in the natural environment. We will continue our proactive advertising and communication campaigns to further encourage Aucklanders to be more water efficient. We are also working with council to review Auckland's drought standard." And added to our annual work programme on page 25 "Continue to work with customers to reduce water demand"
Water reform – would like to see further reference in the SOI on how Watercare will continue to assist council in its decision making on this matter	We have included the following on page 23 Water Reform In July 2020, the Government launched its Three Waters Reform Programme, a three-year programme to reform local government three waters service delivery. The current proposal is that the entities remain publicly owned in the form of statutory entities, separated from local authorities and with mechanisms to recognise Treaty rights and interests to prevent future privatisation. At this stage the Government has recommended aggregation to somewhere between 3-5 new multi-regional water services entities across New Zealand. Under this proposal Auckland would join with Northland. Professional directors would be appointed to the boards through an independent selection panel. Local authorities will

Shareholder comment	Watercare response
	be given the ability to influence objectives and priorities of the new entities. The entities will be monitored and regulated through Taumata Arowai and a new economic regulator. There remains a wide range of unknowns.
	The Government is currently taking an opt-out approach, in that Councils can choose to not participate in the proposed reform. We are working closely with Council to understand what water reform means for Aucklanders both now and in the future and will be supporting Council's consultation process as the programme advances.
Māori outcomes – providing more detail in the annual work programme on how Watercare will contribute to the outcomes of Kia Ora Tāmaki Makaurau	We have included in the annual work programme Finalise our Māori Outcomes Plan together with an implementation and monitoring plan
	We also note that when we presented the draft SOI at the March 2021 meeting, the Board requested further detail about our Māori Outcomes budget for FY21. This budget is under development and will form part of the implementation and monitoring plan.
Reinstate all existing long-term plan measures – note that we will work with Council to assess impact of constraints on outcomes and measures	All existing LTP measures have been reinstated. Please see the comment under section 4.1

4.4	Internal feedback incorporated into the updated SOI
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Internal feedback	Proposed SOI update
Our Water Safety Team has asked we include further information and emphasis on water safety planning and staff training and that we remove all references Aa-grade water, replacing it with safe drinking water	Changes have been made throughout the document. Under our people section we have added: Staff are trained and competent in delivery of safe and reliable water and wastewater services Watercare provides training to maximise on-the-job effectiveness and to encourage individual career development, consistent with its business requirements. We demonstrate full compliance with legislative requirements for training and competencies for staff working on activities pertaining to the performance of the drinking-water quality management and water safety planning.
Update our carbon emissions reduction target to be 50% by 2030, based on agreement with council	We do not yet present a performance measure for carbon emission reductions as it is under development. On page Target has been updated. See page 13 we include: Watercare has established a range of climate change targets that give direction to the company in taking responsibility for our impacts and establishing ourselves as a low-carbon company in line with the required ambition of the country and the world. This was initiated in late 2016, when we adopted an Energy Policy that commits Watercare to being net-zero carbon by 2050. Watercare targets for carbon reduction include: Reduce energy consumption by 8GWh by 2022 Reduce infrastructure emissions by 40% by 2025 Reduce operational emissions by 45% by 2030 Net-zero emissions by 2050. Subsequently we have agreed to adopt council's target to reduce emissions by 50% by 2030.
Legislative framework to include reference to Health Act, Health and Safety at Work Act and Resource Management Act	Updates have been made on page 30 and 31

5. Ngā ūpoko / The capitals

The SOI is structured around our 6-Capitals and how they align to Council's Auckland Plan Outcomes. The bullet points under each of the capitals, below, represent key activities that have been assigned to each capital. The SOI identifies relevant performance measures for each of these activities.

5.1 Natural Environment

See page 12, identified key activities are:

- Mitigate the impact of our water and wastewater activities on the environment
- Mitigate the impacts of climate change and reduce our carbon emissions to net zero emissions by 2050.

5.2 People and Culture

See page 14, identified key activities are:

- Safe, engaged and empowered team through:
 - o Ensuring the health, safety and well-being of all staff and contractors
 - Employing a diverse and inclusive workforce
 - o Training our staff for competent delivery of safe and reliable water and wastewater services
 - Working with our suppliers to build greater pipeline certainty and confidence to invest for the future.

5.3 Customer and Stakeholder Relationships 🔨

See page 8, identified key activities are:

- Deliver safe and reliable drinking water and wastewater services 24/7
- Enhance our partnerships and strong relationships with Māori in Tāmaki Makaurau
- Customer trust and value through exceptional performance and engagement.

5.4 Assets and Infrastructure

m

See page 15, identified key activities are:

- High performing infrastructure (reliable and resilient now and in the future)
- Future-proofed growth and supply assurance •
- Customer trust and value through exceptional performance and engagement.

5.5 Intellectual Capital

122

See page 18, identified key activity is:

• Industry leading thinking and processes.

5.6 Financial Capital and Resources



See page 19, identified key activity is:

• Minimum-cost, efficient, financially robust provider both now and in the future.

6. Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
Performance measure targets may not be met due to	Continuous monitoring of performance measure targets and agreement with Council to review
our financially straitened AMP	targets should it be necessary
Annual work programme deliverables and outcomes	Continuous monitoring of progress against our agreed work programme
are not met	

7. Ā muri ake nei / Next steps

Next steps are:

- Update draft final SOI for Board comments and any public comments (received at this meeting), and draft letter to accompany the final SOI
- Chair and CE to approve final draft SOI and proposed accompanying letter
- 31 July submit final SOI to Council and publish on the Watercare website.

8. Ngā whakapiringa / Attachments

Attachment number	Description
1.	Draft final SOI 2021 to 2024
2.	31 May 2021 Letter from the Mayor with Shareholder comments on the draft Watercare SOI 2021–2024

Attachment 1

He mihi

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

Kia mihia te mano tini kua mene ki ngā Hawaiki katoa, rātou te tutūtanga o te puehu, te whiunga o te kupu i ngā wā takat ū ai rātou. Waiho ake rātou ki a rātou, tātou te urupā o rātou mā, ngā waihotanga mai e hāpai nei i ō rātou wawata, tūma nako hoki.

E ngā maunga whakahī, e ngā wai tākunukunu,

e ngā tōpūtanga tāngata nui rawa o Tāmaki Makaurau, Tāmaki herenga waka, tēnā rā koutou katoa.

E manakohia kia piki ake o

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

Unite thus the heavens above; unite thus the land beneath us. Let us acknowledge the many who have assembled in the homelands, they who raised the dust, who whipped up a storm of words when restless. The dead have passed on and we, the repositories of their memory, remain to carry forth their hopes and aspirations.

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

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

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Watercare Services Limited Draft Statement of Intent 2021 to 2024

1

Message from the Chair of the Board and Chief Executive of Watercare Services Limited

As Auckland's water and wastewater services provider, Watercare has a significant role in helping Auckland Council reach its vision for the city. Our board welcomes the opportunity to work collaboratively with the Mayor and councillors to jointly develop strategies and policies which achieve efficiencies and provide greater benefit to our customers and the communities of Auckland. This Statement of Intent (SOI) sets out how Watercare intends to fulfil our vision to be trusted by our communities for exceptional performance every day and our mission to provide safe, reliable and efficient water and wastewater services to all of Auckland.

Watercare's priorities for 2021-2024 are:

- Supplying safe drinking water and collecting and treating wastewater
- Health, safety and well-being of all staff and contractors
- Promotion and celebration of a diverse and inclusive culture
- Improving network performance by building and maintaining critical infrastructure
- Protecting the environment and preparing for climate change
- Preparing for water reform
- Improving Māori outcomes
- Collaboration with our customers and other stakeholders, with particular attention to the recommendations contained within the Aurecon Drought Preparedness review
- Completing drought augmentation measures by mid-2022

Supplying safe drinking water and collecting and treating wastewater

We currently supply water and wastewater services to around 1.7 million people. We expect our metropolitan supply will be required to provide water to more than 2.1 million people before 2041. The volume of wastewater to be treated will also grow significantly.

- The Health Act 1956, Part 2A Drinking Water and the proposed Water Service Bill require a water supplier to:
 - supply safe drinking water that does not compromise the health of its consumers
 comply with Drinking Water Standards for New Zealand 2005 (Revised 2018) (and it
 - comply with Drinking Water Standards for New Zealand 2005 (Revised 2018) (and in the future the proposed drinking Water Standards and Operational Compliance Rules)
 - supply enough water to meet our consumers needs
 - develop and operate within a Water Safety Plan

Our Water Safety Plans (WSP) will be fundamental to our success as a water supplier. WSPs describe our commitment to supplying save drinking water, strengthen our focus on preventive measures across the whole drinking water supply system, promote a multi-barrier approach to managing risks and support continuous improvement to guide day-to-day activities now and into the future. They describe our commitment to the provision of save drinking water and how we behave and operate to deliver this outcome on an ongoing, sustainable basis.

Watercare will continue to base our organisational philosophy on water safety planning and commitment to the highest standard of drinking water quality management.

Improving network performance by building and maintaining critical infrastructure (renewals and growth)

Regional growth in population, industry, and commerce has a direct impact on Watercare's ability to provide reliable services and protect both public health and the environment.

Our asset management plan (AMP) is our tactical plan for managing our infrastructure cost effectively to achieve our long-term strategic goals and meet those future demand increases. Our asset management planning is focused on: growth, renewals, and levels of service.

We are currently seeking consents for the replacement of Huia water treatment plant and the second water take from the Waikato River.

Protecting the environment and building resilience against climate change impacts

Watercare Services Limited Draft Statement of Intent 2021 to 2024

2

Commented [R(1]: Amended at the request of the Water Safety Team.
The period January 2020 to April 2020 was the driest on record for the Auckland water supply catchments. In early February, Watercare commenced a 'Water is precious' campaign to assist in curbing customer demand. In May 2020, at Watercare's request, Auckland Council implemented Stage 1 water use restrictions in line with the Drought Management Plan. These restrictions were altered in October (for commercial customers) and December (for residential customers). These restrictions, together with a comprehensive customer communications programme, have successfully resulted in water consumption remaining well below previous years' demand.

Watercare is working with council to deliver the Climate Change Strategy, a key focus of which is to reduce carbon emissions by 50% by 2030 and to achieve net-zero emissions by 2050. Additionally, Watercare has developed the Carbon Portal alongside Healthy Waters to extend carbon measurement and reduction to reduce capital carbon. The recently commissioned Rosedale solar array is just one example of the projects we have completed to achieve these goals.

Work continues at Mangere and Rosedale wastewater treatment plants so that they will be energy neutral by 2030.

Water reform

The government is currently working with communities to investigate water service delivery reform. Under current proposals a key element of the new water services delivery model is the creation of new water entities that will be publicly owned, but structurally separate from local authorities.

We are working collaboratively with council to understand what water reform means for Aucklanders and are positively responding to the government's requests for information.

Māori outcomes - achieving outcomes with Māori

Watercare actively works with the council group in delivering Māori Outcomes. Over the next year Watercare will deliver its Māori Outcomes Plan, a framework that will be used to measure Watercare's contribution to Māori Outcomes. This plan is aligned to Kia ora Tāmaki Makaurau, the council group's Māori Outcomes Performance Measurement Framework and we will advance the intent of Kia ora Tāmaki Makaurau in improving Māori social, economic, and cultural wellbeing throughout Auckland.

Our Māori Outcomes Plan will outline our ongoing commitment in meeting our legal obligations to Māori and will highlight how we are seeking to enhance services to benefit Māori and the wider community.

Collaboration

Watercare will continue to work closely with Auckland Council, and the broader council family to ensure that council's vision for the city is achieved.

Watercare is committed to providing world class water and wastewater services to Aucklanders. Our SOI reaffirms our commitment to work with council and our stakeholders so that together, we can meet the challenges of today and tomorrow.

Margaret Devlin Chair of the Board Jon Lamonte Chief Executive

Watercare Services Limited Draft Statement of Intent 2021 to 2024

Part 1: Strategic overview

1.1 Roles and Responsibilities

Watercare is a lifeline utility providing water and wastewater services to 1.7 million people in Auckland. Our services are vital for life, keep people safe and help communities flourish. We supply reliable, high-quality drinking water to homes and businesses in the Auckland region and collect, treat and discharge their wastewater in environmentally responsible ways.

We manage water and wastewater assets valued in the order of \$11b and plan and build infrastructure to ensure we are resilient and reliable and can support growth today and into the future.

Our functions

We are a Council-controlled organisation (CCO), fully owned by Auckland Council (council). Our services and programmes are financed solely through user charges and borrowings. We are required by law to be a minimum-cost, cost-efficient service provider to our customers (collectively) that operates effectively into the long-term. We do not pay a dividend to our shareholder.

The way we manage and measure our performance is detailed in section 1.4 and our legislative framework is summarised in appendix A.

Purpose of statement of intent (SOI)

Our annual SOI is required by the Local Government Act 2002 and publicly states our activities and intentions for the next three years, and how they contribute to the council's objectives. Our SOI provides an opportunity for council to influence the direction of Watercare and provides a basis for the accountability of performance.



Watercare Services Limited Draft Statement of Intent 2021 to 2024

1.2 Responses to council's strategic objectives and outcomes

We are fully committed to working with the council group to deliver the Auckland Plan 2050, Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan, Kia ora Tāmaki Makaurau: Māori Outcomes Performance Measurement Framework, relevant performance measures and any associated guidance.

We apply the integrated reporting framework in our decision-making and reporting. Our approach focuses on how we create value through our inputs (or six-capitals) and business activities, focusing on what matters most to our many stakeholders and is intrinsically linked the Auckland Plan 2050 outcomes.

Our major contributions to the Auckland Plan 2050 outcomes are:

Auckland Plan	How Watercare contributes
Outcomes	
Opportunity and prosperity Auckland is prosperous with many opportunities and delivers a better standard of living for everyone	 By reliably and efficiently delivering safe drinking water to our customers By reliably and efficiently delivering wastewater services to our customers By building customer trust and value through exceptional performance and engagement By developing and maintaining a safe, engaged and empowered workforce By providing a reliable pipeline of infrastructure programmes By providing high performing infrastructure (reliable and resilient now and in the future) By working with industry partners and tertiary education providers to deliver graduate programmes as well as apprenticeship and internship opportunities By working with council to deliver the Economic Development Action Plan
Environment and cultural heritage	 By working with council on the Auckland's Waters Strategy to achieve the Auckland Plan 2050's objectives of adapting to a changing water future By reliably and efficiently delivering wastewater services to our customers By planning and providing resilient infrastructure that is adaptive to future changes including climate change
Preserve, protect and care for the natural environment as our shared cultural heritage for its intrinsic value, and for the benefit of present and future generations	 By adopting the council's 50% target for greenhouse gas reduction By actively promoting water-efficient technologies and behaviours to customers and homebuilders By consulting with affected parties on our development plans
Homes and places Aucklanders live in secure, healthy and affordable homes and have access to a range of inclusive public places	 By reliably and efficiently delivering safe drinking water to our customers By reliably and efficiently delivering wastewater services to our customers By collaborating with the wider council group to support areas of growth identified by council By aligning major infrastructure development for future urban areas with Council's Future Urban Land Supply Strategy (FULSS) By proactively engaging with Käinga Ora to plan, fund and deliver water and wastewater infrastructure to support its major urban transformation programmes
Māori identity and wellbeing Māori identity is A thriving Māori identity is Auckland's point of difference in the world – it advances prosperity for Māori and benefits all Aucklanders	 By actively working with the council group to deliver our Māori Outcomes Plan, a framework that will be used to measure Watercare's contribution to Māori Outcomes. This plan is aligned to Kia ora Tāmaki Makaurau, the council group's Māori Outcomes Performance Measurement Framework By actively fostering and maintaining relationships with local Māori, including via the Mana Whenua Kaitiaki Forum By providing technical advice related to water supply and septic tanks in marae By providing technical advice for water supply and septic tanks on marae



Watercare Services Limited Draft Statement of Intent 2021 to 2024

1.3 Nature and scope of activities – 'what we do'

Our vision, mission and value creation model are illustrated below. We continue to focus our efforts and resources on creating value for Aucklanders while we prepare and adapt for rapid population growth, the impacts of climate change, higher standards for improved environmental outcomes and fulfil our mandate to be a minimum-cost, cost-efficient service provider into the long-term.



SUPPORTED BY ACTIVE GOVERNANCE AND RISK MANAGEMENT

Watercare Services Limited Draft Statement of Intent 2021 to 2024

CUSTOMER AND STAKEHOLDER RELATIONSHIPS

Engaged, safe communities, a thriving econ

Our vision is to be trusted by our customers and communities for exceptional services

- We work hard to gain and maintain the trust of the communities we serve. With focus on
 - delivering safe and reliable drinking water and wastewater services 24/7
 enhancing our partnerships and strong relationships with Māori in Tāmaki Makaurau
 - operating responsibly and trusted by our community and stakeholders for exceptional performance.

Deliver safe and reliable drinking water and wastewater services 24/7

We have the responsibility and dedication to provide Aucklanders with safe and high-quality drinking-water. The Health Act 1956 Part 2A Drinking Water and the proposed Water Services Bill require water suppliers to comply with drinking water standards and operate within a water safety plan. Water safety planning strengthens focus on preventive measures across the whole drinking-water supply system, promotes a multi-barrier approach to managing risks and supports continuous improvement to guide day-to-day activities now and into the future.

From 1 July 2021 the Water Services Regulator Act 2020 will take effect. This means the principal regulators of our water quality will include Auckland Council, Waikato Regional Council, the Ministry of Health and Taumata Arowai.

Under the revised regulatory framework, we will work with the regulators to continuously improve our water safety initiatives and undertake annual internal audits of WSPs (Water Safety Plans) to:

- Ensure we follow the prescribed practices and procedures in our WSP for the treatment and management of
 water services operations. This is in advance of external audits carried out at any time by the regulator(s).
- Ensure evidence is gathered to support Watercare operations and compliance. And where there is noncompliance, provide the reasons for non-compliance and the impact on ensuring safe and secure drinking-water.
- Confirm stated improvements are being actioned and potential new risks are identified.

Through a series of underground wastewater pipes, the majority of Auckland households and businesses are connected to one of our major treatment plants at Māngere, Rosedale, Pukekohe or Army Bay. We treat and discharge our wastewater in an environmentally sustainable manner.

We are committed to providing great service, whether it is fixing a leak, clearing a blockage or resolving a bill query. We take guidance from the DIA non-financial measures for water and wastewater operators (see appendix b); and we set targets for these measures to make sure we maintain the trust of our customers.

Ensure reliable water supply

We recognise that reliable water supply is essential not only for Aucklanders' public safety and wellbeing but also to give businesses the confidence to invest and operate in our city, ultimately improving the economic prosperity of New Zealanders.

Our weather is changing. Climate change means that over the long term, we will see drier summers and wetter winters. The severe and unprecedented drought of 2019/20 has increased awareness about the value of water and driven attention to ensuring that Auckland's water supply is reliable. Watercare successfully navigated the drought by augmenting water supply, reducing demand through an effective multi-channel communication programme and stage 1 restrictions and improving network performance by investing resources into proactive leak detection.

An independent expert review assessed that recorded rainfall across the Waitākere and Hunua ranges was worse than a 1:100 year event for the period November 2019 to May 2020. The drought standard provides for a 1:100 year event where dam storage drops to 15% or below. The purpose of the drought management plan is to provide a series of responses to mitigate the potential impact of droughts worse than what the standard provides. A separate independent review of Watercare's drought preparedness found that the actions taken by Watercare in both demand and supply were appropriate to mitigate the potential risk and storage was maintained above 40%.

See our infrastructure section for further information about our infrastructure planning and investment for continued delivery of safe and reliable drinking water and wastewater services now and in the future.

Watercare Services Limited Draft Statement of Intent 2021 to 2024

8

Commented [R(2]: We serve 1.7 million people, many more than our customers. We thought some definition around customer and communities might be helpful. Perhaps communities could include all our customers and consumers – including customers in North Waikato and tenants of properties connected to our services.

8.1

Question to the team – should we be referring to customers and communities or Aucklanders?

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Working with others

Specific strategies and plans where we are working with council include:

- Development of Auckland's Waters Strategy
- Auckland's drought response
- The Board of Inquiry for our application to take additional water from the Waikato River
- The Government's proposal for Water Reform.

Other entities we are working with:

- Veolia Water, Papakura's water and wastewater retailer
- Our partners on the Enterprise Model, Fulton Hogan and Fletcher Construction
- Taumata Arowai to implement changes to drinking water requirements.

We measure success by:

Measure	Source	Source 2020		Next t	Next three year targets		
		Actual	SOI	2022	2023	2024	
Ensure safe drinking water							
Meet DIA drinking water targets (see	DIA	100%	100%	100%	100%	100%	
appendix B refer numbers 3, 4 and 9)	measures	100%	100%	100%	100%	100%	
Ensure reliable water supply							
Meet DIA drinking water targets (see	DIA	100%	100%	100%	100%	100%	
appendix B refer numbers 5-8)	measures	100%				100%	
Ensure efficient water supply							
Meet DIA drinking water targets (see	DIA	100%	10000	100%	100%	100%	
appendix B refer numbers 2 and 13)	measures	100%	100%	100%	100%	100%	
Ensure safe and reliable wastewater collect	tion						
Meet DIA wastewater targets (see	DIA	100%	100%	100%	100%	100%	
appendix B refer numbers 10-12)	measures	100%	100%	100%	100%	100%	

Enhance our partnerships and strong relationships with Māori in Tāmaki Makaurau

We value our partnership with Māori, in working with our Māori partners we have developed a mutual respect and a shared understanding: We will continue to work together to advance our core interests in water and the environment.

The Auckland Plan 2050 includes a priority outcome that "Māori culture and identity is celebrated by Aucklanders and is our point of difference in the world". Watercare is committed to the key principles of council's Kia ora Tāmaki Makaurau, the council groups Māori Outcomes Performance Measurement Framework.

Our Māori Outcomes Plan is aligned and is sponsored by our Chief Executive (CE). Our Poutiaki, Tikanga Māori (Principal Advisor) reports directly to the CE. We recognise mana whenua as Treaty partners in Auckland's governance and partner with Māori/iwi to enhance our strong relationships and promote Māori/iwi outcomes by:

- ensuring consistency in applying the principles of Te Tiriti o Waitangi/the Treaty of Waitangi
- fulfilling council's statutory obligations to Māori under legislation
- enabling Māori outcomes and valuing Te Ao Māori/the Māori world view, the essence of which is relationships

Priorities over the medium term are:

Mana outcome	Watercare action
Kia ora te ahurea: Māori	Build staff confidence and competency to engage with Māori;
identity and culture	Staff awareness and understanding in te reo Māori and tikanga Māori principles through:
	 Cultural interpretations and dual naming at Watercare sites
	 Events and programmes supported by Watercare that showcase Māori identity
	 Inductions include Māori cultural component
Kia ora te ūmanga:	Support economic opportunities for Māori businesses and iwi organisations through:
Māori business, tourism	 Sourcing 5% of procurement through Māori owned businesses by 2025
and employment	

Kia ora te rangatahi:	Contribute meaningfully to realise rangatahi potential through:
Realising rangatahi	 Māori youth employment, Māori cadetship and work experience programmes
potential	Continue Mark Ford Ngā Tapuwae scholarship
	 Māori culture and values infused through Watercare leadership programmes
Kia ora te taiao:	Kaitiaki provide an aligned approach to remediate, protect and enhance the mauri of our
Kaitiakitanga	treasured environments through:
	 Water efficiency education and demand management
	 Healthier waterways, initiatives with Māori
Kia ora te hononga:	Mana whenua and Māori are active partners, decision-makers and participants through:
Effective Māori	 Incorporating Māori outcomes in core strategies, policies and plans
participation	 Mana whenua are offered the opportunity to individually participate in
	discussions about projects and work programmes through the kaitiaki schedule

Working with others

Specific strategies and plans where we are working with council include:

- Collaboration and trusted relationship with council's Ngā Mātārae (Māori outcomes department)
 Watercare is committed to working with the council group and the Independent Māori Statutory Board (IMSB)
- in meeting the requirements of the tri-annual Treaty of Waitangi Audit
- Tūpuna Maunga of Tāmaki Makaurau Authority in relation to Watercare infrastructure on maunga
- Watercare is an active member of the Māori Outcomes Steering Group, The Māori Outcomes Steering Group reports into council's Executive Leadership Team and the council group chief executives and has oversight of the long-term Plan funding for Māori Outcomes

Other entities we are working with:

- The Mana Whenua Managers Kaitiaki Forum (MWMKF). Watercare hosts the bi-monthly meetings of MWMKF. All 19 tribal authorities, representing the mana whenua of Auckland have a seat at the table.
- Independent Māori Statutory Board (IMSB)

We measure success by:

Measure	Source	2020	2021	Next three year targets		gets
		Actual	SOI	2022	2023	2024
Formal engagement with mana whenua of	Watercare	New	New	100%	100%	100%
Tāmaki Makaurau		measure	measure			
Ratio of procurement sourced through Māori-	Watercare	New	New	1%	2%	3%
owned businesses		measure	measure		1	

Customer trust and value through exceptional performance and engagement

Building trust through education, transparency and engagement

Promoting the value of water to customers and communities was a major focus of 2020. Through our "Water is Precious" campaign and water restrictions, Aucklanders heeded our call for water conservation and saved over two billion litres of water, with our top commercial customers achieving savings of 14% on average.

We continue our community outreach efforts including talks, demonstrations and free water stations at public events, water-wise competitions and free water audits offered in partnership with EcoMatters Environmental Trust, which is a community organisation that works to deliver environmental initiatives.

Our activities can cause disruptions in our community. We make every effort to protect public safety, engage and consult with communities affected before, during and after our construction programmes and work with Auckland Transport and NZTA to limit disruption.

The Environmental Advisory Group is an independent group we have brought together to advise, support and challenge our approach to sustainability in general. It helps us to anticipate emerging issues, identify community concerns and informs our strategy.

We have entered a collaborative relationship with the Koi Tū Centre for Informed Futures, a research entity within the University of Auckland, to investigate potential benefits of deliberative democracy for community engagement.

Exceptional and responsible service

Through the challenges of 2019/2020 we gained a deeper understanding of our customers and have rolled out programmes to improve access to our services. We have:

- Worked with Auckland Council to provide free non-potable water sources across Auckland. We provided
- around six million litres of non-potable water to commercial customers impacted by our drought restrictions.
 Introduced the town to tank service in November 2020, giving residential homeowners that rely on rain tanks an affordable option to top up their tanks using the town water supply on an 'as required' basis. The service has been well received, with positive customer feedback.
- Continued assistance for customers facing financial hardship through the Water Utility Consumer Trust by referring those unable to pay bills to the trust for assistance.

We will continue to monitor and understand our customers to provide exceptional and responsible service.

Working with our stakeholders

We are working with council to implement the findings of the July 2020 CCO Review. Watercare is committed to working collaboratively and sharing information with elected members and council staff, as appropriate, including adherence with the no-surprises protocols set out in council's Statement of Expectation.

We maintain strong relationships with the Local Boards by providing timely and accurate information on Watercarerelated matters, including infrastructure planning and construction projects in the interests of no-surprises. Many treatment plants also have special requirements for ongoing community liaison groups and we regularly meet to share information and discuss local issues.

Working with others

Specific strategies and plans where we are working with council include:

Action CCO review recommendations

Other entities we are working with:

- Environmental Advisory Group
 - Koi Tū Centre for Informed Futures to investigate the potential benefits of deliberative democracy

We measure success by:

Measure	Source	2020	2021	Next three year targets		
		Actual	SOI	2022	2023	2024
Net promoter score (NPS)	Watercare	43	≥38%	≥40%	≥45%	≥45%
Community trust score	Watercare	New measure	New measure	≥55%	≥55%	≥55%
Percentage of customer complaints	Watercare	New	New	≥95%	≥95%	≥ <mark>95</mark> %
resolved within ten days of notification		measure	measure			

Commented [R(3]: Customer team has initially suggested we add residential consumption per connection and commercial customer audits. These measures are aligned to measures in our water efficiency plan but are different to measures being suggested in Council's Waters Strategy. Management suggests the additional measures be included in the board reporting rather than within this year's SOI.

Commented [R(4]: Customer complaint measure added by request of Council

NATURAL ENVIRONMENT

Protected and enhanced natural environment: leading-edge resource efficiency.

Watercare's business is intrinsically linked to the environment and climate

Every aspect of our operation is dependent on and impacts the natural environment. We are part of the water cycle, receiving our water from rainfall, rivers and aquifers; and returning high quality treated wastewater to the environment. Our water and wastewater services thrive only if the natural environment does. We have a duty to protect our water sources.

Protect and enhance our natural environment

Mitigate the impact of our water and wastewater activities on the environment Through a series of underground pipes the majority of Auckland households and businesses are connected to one of

our major treatment plants at Mängere, Rosedale, Pukekohe or Arry Bay. We treat our wastewater to the highest standards and discharge it safely to the receiving environment.

Watercare has regional network discharge consent for the regulation of wastewater discharges. We design and maintain our wastewater network to limit discharges to the environment This is achieved most of the time and across the majority of our network.

We strive to continuously improve our wastewater network performance and are working to deliver significant programmes, such as the Central Interceptor and the Western Isthmus water quality improvement programme, to reduce overflows and ultimately improve the water quality of Auckland's waterways and coastline for the enjoyment of Aucklanders. Further detail can be found under the infrastructure section.

We are working with Niwa, iwi and council's Healthy Waters and Research and Evaluation Unit (RIMU) departments to develop hydrodynamic water quality programmes for the Manukau Harbour. The solid relationship established from this collaborative work is enabling further discussions on improving the quality and efficiency of environmental monitoring in the Manukau Harbour.

The natural environment, made up of rivers, streams, forests, hill lands and underground aquifers make up the source and catchment for our water supply. Many of these habitats are also a showcase of New Zealand ecology. Working to enhance where we operate is not new and we continue to make improvement through ecological programmes, riparian planting, native forest regeneration and pro-active catchment management.

Mitigate the impacts of climate change and reduce our carbon emissions to net zero emissions by 2050 We believe climate change is one of the largest challenges we face as a country and a business. We are committed to playing an active role in dealing with this issue.

In early 2019, we finalised our Climate Change Strategy, which sets out the future direction for Watercare as we embark on our journey to operate a low-carbon company that is resilient to climate impacts. This strategy covers specific actions that we will take immediately, especially in the areas of long-term infrastructure planning where decisions we make today may have to last up to 100 years. We are also monitoring and understanding the events that we see today, such as drought and extreme rainfall events, so that we can adapt to the changing climate based on our own experiences as well as evolving data and projections.

We are aligned with the most recent science, to keep global warming within 1.5°C, and our targets reflect that. We have worked closely with Auckland Council on the development of Te Tāruke-ā-Tāwhiri: Auckland's Climate Action Plan to ensure the long-term risks for Aucklanders access to water and wastewater services are included.

In late 2019, the Watercare board established the Committee for Climate Action, a sub-committee to assist the board to exercise due care, diligence and effective oversight of all matters relating to actions taken by Watercare to mitigate climate change and adapt to a changing climate.

Watercare has established a range of climate change targets that give direction to the company in taking responsibility for our impacts and establishing ourselves as a low-carbon company in line with the required ambition of the country and the world. This was initiated in late 2016, when we adopted an Energy Policy that commits Watercare to being net-

zero carbon by 2050. Watercare targets for carbon reduction include:

- Reduce energy consumption by 8GWh by 2022
- Reduce infrastructure emissions by 40% by 2025
- Reduce operational emissions by 45% by 2030
- Net-zero emissions by 2050.

Subsequently we have agreed to adopt council's target to reduce emissions by 50% by 2030.

Watercare is committed to these targets and will establish, during the 2021-2022 financial year, annual operational carbon emissions performance measures and targets that are in line with our strategic targets. The mitigation programmes we have planned will be further explored in light of the financial constraints over our asset management plan.

In the short-term we see increasing energy consumption from population growth and the use of more energy intensive treatment technologies. This trend is due to increased reliance on the Waikato River which requires a higher degree of water treatment and pumping to reach Aucklanders, resulting in higher energy use and higher carbon emissions. The balance between water storage and energy costs is a constant challenge that is even further heightened during periods of drought.

Working with others

Specific strategies and plans where we are working with council include:

- Development of Auckland's Waters Strategy
- Working with council and Auckland Transport to lead development of 10-year project outcomes for the Western Isthmus Water Quality Improvement Programme
- The Government's proposal for Water Reform
- Te Tāruke-ā-Tāwhiri: Auckland's Climate Action Plan
- Working with the Healthy Waters team to develop the Carbon Portal tool to measure infrastructure carbon

Other entities we are working with:

- Veolia Water, Papakura's water and wastewater retailer
- Our partners on the Enterprise Model, Fulton Hogan and Fletcher Construction
- NIWA, iwi and the Research and Evaluation Unit of council to develop hydrodynamic water quality models for the Manukau Harbour

We measure success by:

Measure	Source	2020	2021	Next three year targets			
		Actual	SOI	2022	2023	2024	
Protected and enhanced natural environment							
Meet all DIA natural environment targets (refer to numbers 1 and 2 in appendix B)	DIA	100%	100%	100%	100%	100%	

PEOPLE AND CULTURE

Safe, engaged and empowered teams, customer trust and value.

Our people work day and night to ensure uninterrupted access to our services

The collective knowledge and experience of our people is essential for us to deliver on our core purpose and ensure Auckland is prosperous with many opportunities and delivers a better standard of living for everyone. Our people continued our essential services throughout the covid-19 lockdowns without interruption.

Safe, engaged and empowered team

Ensuring the health, safety and well-being of all staff and contractors

We want our people to be safe, healthy and engaged at work, and for them to go home safely to their families each night. Health and safety in and around our worksites is paramount to us and always has been. Wellness, including our people's mental health, is also an integral part of the company's commitment to our people. The concept of "I care, we care, Watercare" is embedded throughout our company. An independent review is currently underway to further develop our culture and systems for health and safety at Watercare.

Employing a diverse and inclusive workforce

In 2019 we established an employee-led Diversity, Inclusion and Belonging Committee (DIBC). The committee's mission is for Watercare's people to reflect the diverse communities we serve. The committee champions inclusion so that our people can bring their whole, authentic selves to work and feel a true sense of belonging at Watercare. Our Māori Outcomes Plan encourages iwi join our workforce.

Training our staff for competent delivery of safe and reliable water and wastewater services

Watercare provides training to maximise on-the-job effectiveness and to encourage individual career development, consistent with its business requirements. We demonstrate full compliance with legislative requirements to ensure all staff are adequately trained and in particular have competency to ensure safe and reliable drinking-water quality management and water safety planning activities.

Unlocking potential through training and development

The limited availability of talent in our labour market means it is essential we grow skills and talent and attract a diverse range of new talent. We work with industry partners and tertiary education providers to deliver graduate programmes as well as apprenticeship and internship opportunities and continuous online training opportunities.

Working with our suppliers to build greater pipeline certainty and confidence to invest for the future

Through our Enterprise Model we are working collaboratively with the construction industry to give our partners greater certainty of the construction pipeline so they can invest in the training and development of their people to improve workforce capability overall. See the innovation section for more.

Working with others

Specific strategies and plans where we are working with council include:

Action the CCO review recommendations, including develop group policies for leadership talent and remuneration

Specific strategies and plans where we are working with others include:

- Our partners on the Enterprise Model, Fulton Hogan and Fletcher Construction
- Tertiary education providers to deliver graduate programmes

We measure success by:

Measure	Source	2020	2021	Next three year targets		rgets
		Actual	SOI	2022	2023	2024
Safe, engaged and empowered team						
Employee net promoter score (eNPS)	Watercare	+36	≥20%	≥20%	≥20%	≥20%
Gender workforce ratio	Watercare	New	New	Improve	Improve	Improve
		measure	measure	on prior	on prior	on prior
				year	year	year
Total recordable injury frequency rate per	Watercare	20.6	New	<20	<20	<20
million hours worked			measure			

ASSETS AND INFRASTRUCTURE

Future-proofed growth and supply assurance, high-performing assets.

Our network is critical to safely supply water and wastewater services

Our network supports over 1.7 million Aucklanders. Auckland's population is expected to growth by another 400,000 people by 2041. Growth of this scale is significant, and we need to ensure we have a clear understanding of where and when investment in planning and infrastructure will be made while also ensuring our current network operates safely and reliably.

The critical contributions made to Auckland Plan Outcomes through our assets and infrastructure are:

- Provide safe and reliable drinking water and wastewater services 24/7 (see customer and stakeholder section)
- · High performing infrastructure (reliable and resilient now and in the future)
- Future-proofed growth and supply assurance

Our Asset Management Plan (AMP), a 20 year forward looking document, defines Watercare's best engineering and business judgment of the capital investment required to maintain the integrity of our infrastructure base and enable growth. It helps us to decide what, where, how, when and how much we invest to build and maintain networks.

Key factors considered when preparing our AMP for the 2021-2031 LTP are:

- Meeting strategic objectives to support council plans and statutory obligations
- Increased environment standards and compliance
- Maintain network integrity through proactive maintenance
- Scope, scale of growth
- Just in time investment ready for first house
- Network resilience, particularly with climate change
- Maintain affordability and ensure equity across generations.

The result has seen our investment programme increase by approximately \$4.4b over the previous AMP, an increase of 60% on our prior AMP's estimated capital expenditure of \$5.3b.

High performing infrastructure (reliable and resilient now and in the future)

Our customers expect safe and reliable services 24/7. This requires us to be resilient to changing conditions and invest sufficiently so our water and wastewater networks can withstand emergencies and operate normally with minimal impact on our customers or the environment.

Our water and wastewater systems have a reasonable degree of resilience engineered into them. However, the resilience of our water and wastewater networks have and will continue to be challenged. Over the last five years, Auckland has experienced extremes in weather, ranging from storm events with record rainfall to severe droughts depleting our water storage. For example, the prolonged drought in 2020 resulted in depletion of the water stored in the main supply dams servicing the region. This necessitated an emergency investment of \$224m to augment water supply, improve network performance and manage demand.

As assets age, we normally see a decline in their performance, sometimes to the point of asset failure. Asset failures can cause service interruptions and may pose a risk to public health and safety. We have developed asset replacement and rehabilitation programmes to monitor the condition and performance of assets to estimate the end of their useful economic lives. Asset renewal decisions are based on a risk assessment of the likelihood and consequence of failure, taking into account the asset's age and life expectancy, condition, performance, system resilience and criticality. Importantly it is critical we plan to replace all our assets at some stage in the future. While we have been actively maintaining and renewing our network, our independent economic benchmarking review by WICS (see the financial capital and resources section) recommended increased renewals investment and funding to ensure a reliable and sustainable network over the long-term.

Future-proofed growth and supply assurance

Watercare works closely with the council group to align our longer-term planning of new or upgraded infrastructure to meet council's spatial development priorities and give effect to Auckland's Long-Term Plan and Future Urban Land Supply Strategy (FULSS). The alignment of service provision with the FULSS, and vice versa, allows Watercare to plan, consent and construct bulk water and wastewater infrastructure efficiently to enable council's growth requirements. Development that is not aligned with the FULSS can lead to inefficient investment, particularly if it does not border existing serviced land.

We currently plan our water security to meet the following standards:

Level of Service 1	The peak supply/demand balance is designed to show the forecast peak demand
Proactive demand restrictions are to	without restrictions during a dry summer with a return period of 1 in 20 years.
be required for an event no more	Under drier conditions (leading to higher demand), Watercare could impose
frequently than that with a 5%	restrictions to reduce peak demand while continuing to meet our Levels of
probability of occurring	Service.
Level of Service 2	The annual drought supply/demand balance is designed to show the forecast
Annual average demand within the	annual average demand during a drought with a return period of 1 in 100 years
Metropolitan supply area can be met	can be met and would result in water supply lake levels being no less than 15%.
in a drought with a 1% probability of	Watercare would expect to impose some restrictions during this event (see Level
occurrence leaving 15% residual	of Service 1).
capacity in its water supply lakes.	

As part of the Auckland Water's Strategy, council and Watercare will review the drought standard.

We are working hard to secure our city's next water source. The future sources of drinking water for Auckland is recognised as a matter of national significance by the Minister for the Environment and our application to the Waikato Regional Council to take additional water from the Waikato River has been referred to a Board of Inquiry under Part 6AA of the Resource Management Act 1991. In the interim we have partnered with Hamilton City Council to utilise 25 MLD of their unused water allocation.

An important consideration when planning for growth is demand management. Water is a finite resource. Our water and wastewater networks are not built for unconstrained demand and expectations around the levels of service now and into the future will need to be addressed as part of council's water strategy. In the meantime, we continue our pro-active leak detection and renewals programmes. We are also rolling out smart meters to larger customers, where the known benefits outweigh cost.

We continue working with our construction partners to achieve our 40:20:20 vision (see Intellectual Capital) before the end of the 2024 calendar year.

Working with others

Specific strategies and plans where we are working with Council include:

- Council's infrastructure strategy
- Continue to notify council of any substantive changes to our AMP outside of the annual updates provided
- Developing Council's Auckland's Waters Strategy
- The Government's proposal for Water Reform
- Action CCO review recommendations

Other entities we are working with:

- Enterprise model Fletcher Construction and Fulton Hogan
- Veolia Water, Papakura's water and wastewater retailer
- Kainga Ora for the regeneration and intensification of urban areas with a significant social housing component

We measure success by:

Measure	Source	2020	2021	Next three year targets				
		Actual	SOI	2022	2023	2024		
High performing infrastructure (reliable and resilient now and in the future)								
Meet DIA asset and infrastructure	DIA	100%	100%	100%	100%	100%		
targets (see appendix B refer numbers								

13-15)								
Future proofed growth and supply assurance								
DUEs (domestic unit equivalent)	Watercare	New	New	TBD	TBD	TBD		
measured through IGCs		measure	measure					
Average asset age	Watercare	New	New	Reduce on prior year		ear		
		measure	measure					

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8.1

INTELLECTUAL CAPITAL

Industry-leading thinking and processes.

Watercare - Becoming future fit

As New Zealand's largest water company, we are committed to leading the industry in technical excellence. Our treatment processes are some of the most advanced in the world and our customers can rest easy knowing that they receive reliable, high-quality water at the turn of their taps.

We will continue to focus our efforts on transforming Watercare into a utility of the future – one that leverages best practice not only in its core operations but in all areas of the company as well. Through Covid-19 we have seen the critical role that technology plays as an enabler for our business.

Industry leading thinking and processes

Sustainable and cost-effective infrastructure for Auckland

Our ambitious 40:20:20 vision seeks to achieve wins in sustainability, safety and costs. The 40:20:20 targets are: • Reduce carbon in construction by 40% by the end of the 2024 calendar year

- Reduce the cost to deliver our infrastructure programme by 20% by the end of the 2024 calendar year
- 20% year-on-year improvement in health, safety and well-being.

A significant portion of the 40:20:20 vision will be delivered through the Enterprise model framework. Starting in 2019, we partnered with two construction companies, Fulton Hogan and Fletcher Construction, for the delivery of \$2.4 billion worth of water and wastewater infrastructure for Auckland over 10 years. The long-term and collaborative nature of the Enterprise Model framework is a first for New Zealand and supports the development of a high-performing construction sector in New Zealand and enhances the resilience of our partners, who have long-term agreements with us. They will be able to invest in people and we are allocating risk in a fair way. We have a mature and collaborative way of working to ensure our customers, company and partners are looked after. This framework involves a commitment to deliver a programme of work – rather than discrete projects – that will drive greater cost-efficiency and innovation.

Our data intelligence pulls together Watercare's data from various parts of the business to obtain better overall visibility of the business and customers. Our Nerve Centre when completed will build on this intelligence to predict our network performance and improve customer and environmental outcomes.

Working with others

- Specific strategies and plans where we are working with others include:
 - Our Enterprise Model partners, Fulton Hogan and Fletcher Construction

We measure success through a combination of measures identified in other sections.

FINANCIAL CAPITAL AND RESOURCES

We work hard to operate efficiently so our services are affordable, now and in the future

We take our financial responsibilities very seriously, and operate efficiently and responsibly by:

Effective planning of our infrastructure needs, reflected in our asset management plan (see Assets and

- Infrastructure)
- Long term financial planning
- Continuously review and improvement of our performance
- Innovative procurement initiatives such as the Enterprise Model (see Intellectual Capital)

Minimum-cost, efficient, financially robust provider both now and in the future Long-term financial planning

Legislation mandates us to manage our operations efficiently, keeping costs to customers (collectively) at minimum levels while maintaining the long-term integrity of our assets. We ensure we invest in providing safe and reliable services not just today but for decades to come.

Our financial management is underpinned by robust plans and policies and supported by a comprehensive risk and audit programme. To be financially stable over the long term, we consider network age and resilience, risk, future demand, debt levels, interest costs and inter-generational equity. We are required not to pay a dividend to our shareholder and collect from our customers no more than what is needed to operate and reinvest in our network.

Our borrowings are sourced through Auckland Council's centralised treasury function. We work closely with Auckland Council's treasury and financial planning teams to ensure our debt and cash flow requirements align with Council's forecasts and debt limits.

The challenge of our budget for the next 10 years is balancing our increased investment and service level needs with affordability for our customers and to be within the council group's prudential debt limits. We are grateful to council for approving the majority of our increased investment programme over the course of the next 10 years and our proposed price path which sees increases of 7% on 1 July 2021 and 1 July 2022, followed by annual rises of 9.5% from 2023 to 2029. Thereafter the annual rise is reduced to 3.5% pa given the bulk of our infrastructure will have been provided. We will continue to work with council to monitor progress and any impact that deferrals, particularly renewals, may have on us being able to meet our performance targets and customer expectations.

We will work closely with WUCAT to assess the impact of our price rises on our vulnerable customers (see our Customer and Stakeholder section).

Continuous review and improvement of our performance (WICS benchmarking review)

During 2019 and 2020, we engaged the Water Industry Commission for Scotland (WICS) to conduct a high-level economic benchmarking review of our performance and efficiency. WICS is the economic regulator for the water sector in Scotland. In Scotland they act independently of ministers to manage an effective regulatory framework that encourages the Scottish water industry to provide a high-quality service and value for money to customers. Subsequent to our review, WICS has been advising the Department Internal Affairs (DIA) on the economic benefits of water reform in New Zealand.

The review found:

- Our performance, while significantly better than much of New Zealand, has room for improvement.
 Our funding for asset renewals is less than the true economic cost of replacement. This means that at some stage in the future there will be a renewal catchup. WICS recommended we plan for this catchup now to ensure fair contribution to the cost of our network, across generations.
- The leverage available to us is significantly less than our international peers. This means our current customers
 are paying more than is fair for new assets and that we are unable to invest efficiently to build critical
 infrastructure.

WICS suggested we develop an invest-to-save programme to achieve operating efficiencies over the long term, however warned that efficiencies can only be achieved by applying all recommendations, without cherry picking.

Water reform

We are working closely with council to understand the Government's Water Reform proposals and what it means for Aucklanders. The Government's starting intention is to reform local government's three waters services into a small number of multi-regional entities with a bottom line of public ownership. The exact size, shape and design of these entities is still being worked through.

Revenue opportunities

Guided by the 2019 letter of expectation to explore new revenue opportunities, Watercare entered into a contract of service with Waikato District Council (WDC). WDC continues to own all assets while Watercare manages the infrastructure above and below the ground. It was originally intended we would consult with Auckland customers after a 21-month transition period. This transition period has been extended while we work to understand the Government's Water Reform proposals.

Through our 2020 acquisition of a majority shareholding in Lutra Limited we gain efficiencies from Lutra's software and by utilising their training platform. We have also grown revenue without compromising core services.

Working with others

Specific strategies and plans where we are working with council include:

- The Government's proposal for Water Reform
- Developing our AMP to align with council's Infrastructure Strategy and to integrate planning with council and other CCOs
- Supporting council to prepare its 10-year budget for 2022-2031
- Developing council's Auckland Waters Strategy
- Actioning CCO review recommendations
- Informing council of any proposals for new entities formed or acquired (in whole or part)

Specific strategies and plans where we are working with others include:

• Water Industry Commission for Scotland to continually review our economic performance

We measure success by:

Measure	Source	2020	2021	Next three year targets		gets		
		Actual	SOI	2022	2023	2024		
Minimum-cost, efficient, financially robust provider both now and in the future								
Percentage of household expenditure on water supply services relative to average household income	Watercare	0.87%	<1.5%	<1.5%	<1.5%	<1.5%		
Debt to revenue ratio	Watercare	New measure	New measure	3.54	3.60	3.53		

1.4 About us – statement of the board's approach to governance



The directors and the management team are committed to ensuring the company applies best-practice governance policies and procedures. As at 1 March 2021, there are four subcommittees being: 1) Audit and Risk, 2) Te Tāngata Komiti, 3) a subcommittee to oversee the Asset Management Plan, and all major capital expenditure projects over \$100 million including the Central Interceptor, and 4) a subcommittee to oversee Climate Action.

Our board undergoes board performance reviews biannually, in line with the council-adopted process.

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

Date	Purpose	Form of public notification
29 July 2021	Consider shareholder comments on draft SOI	Public notice
28 October 2021	Consider performance against SOI targets	Public notice
May 2022	Consider shareholder comments on draft SOI	Public notice

Watercare works diligently to meet our legal obligations and act in accordance with the Governance Manual for CCOs, which sits alongside this SOI and forms part of the annual binding agreement between council and Watercare. Page 28 of the CCO Governance Manual includes the procedures that apply when CCOs subscribe for, purchase or otherwise acquire shares in any company or other organisation, as required under Schedule 8, Clause 9(1), of the Local Government Act 2002. We operate under a no-surprises policy and inform the Mayor, councillors or Local Boards (as appropriate) well in advance of any events, transactions or issues that could attract public interest, whether positive or negative.

We are committed to participating in the design and implementation of group-wide policies. Watercare is also supportive of the development of council group foundation principles and standards (where required).

See Our legislative framework in Appendix A for more information on our legal responsibilities.

Subsidiaries

We are a majority shareholder of Wellington-based software and process engineering company Lutra Limited (Lutra). Lutra has a small and highly skilled team of industry experts providing software and technical services to improve the performance of people and processes involved in water and wastewater operations. Lutra's board has three directors of which Watercare executives hold two positions, including the chair. Watercare's board receives and approves Lutra's SOI and receive quarterly updates from our executive directors.

Managing risk

We have an established risk management policy and framework, which follows the guidance of the ISO 31000 risk management standard. Risks are identified and evaluated using likelihood and consequence scores and ranked. The highest-ranked and most significant emerging risks are regularly reviewed by senior management and the board via management and board-level reporting.

As part of the risk management framework, Watercare management has a Risk Management Steering Committee to

monitor emerging risk and risk-mitigating actions and strategies.

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

Watercare also provides council's Audit and Risk Committee with a quarterly report outlining our risk management framework, approach, processes and an overview of the top risks with associated mitigation actions. We proactively report on all significant risks and issues and their management to ensure no surprises, transparency and that significant risks are being appropriately managed.

Measuring our performance

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

The measures and targets include those aligned with our six capitals, and the mandated non-financial measures of the Department of Internal Affairs and those that were agreed with council as part of the Long-Term Plan 2018–2028.

Our commitment

Watercare supports the council's drive for greater transparency in budgeting, operating expenditure and reporting and is committed to:

- Demonstrating value for money across all expenditure
- Continuing to work with council to align our capital investment programme with council's 10-year budget. In particular, Watercare will:
 - (a) take account of political direction on key changes proposed by the Mayor and governing body; and
 - (b) continue to undertake comprehensive reviews of our AMP, performance trends, budgets and fee settings. In doing so, we will follow best-practice asset planning processes and do so in a highly transparent manner.
- Sharing key information in our AMP (which includes asset condition, renewals planning, maintenance and
 renewals procurement, asset-related cost trends and asset planning for growth)
- Benchmarking front-line and back-office expenditure, including regularly publishing results on Watercare's website
- Keeping a strong focus on managing sensitive expenditure lines.

Watercare recognises the affordability challenges council faces and acknowledge there is limited capacity for new cost pressures, new funding request or unforeseen events in relation to funding and we commit to continuing to work with council in this regard. We also keep council informed, via our quarterly reports, of any significant operational challenges that might occur in the future.

We commit to working with council to implement the findings of the 2020 CCO Review.

Part 2: Statement of performance expectations

2.1 Introduction

The last year has presented unprecedented challenges with Covid-19 and the severe and extended drought. Watercare has met these challenges head on, investing heavily to augment water supply, improve network performance and reduce demand. We carried out work to increase Auckland's water supply by 40MLD, or enough to meet the residential and commercial needs of at least 130,000, a city the size of Tauranga. The increased supply capacity and the processes we developed to deliver at pace will serve us well as we look to the future.

Over the last five years we have invested more than \$2.0b in our networks while increasing net debt by just \$365m. Our robust and prudent financial planning and efficient delivery has allowed investment of this scale without compromising our exceptional, resilient and affordable services.

We are committed to continue providing safe and reliable water and wastewater services to Aucklanders and to work with council toward Auckland Plan outcomes. Our programme for the next year reaffirms our commitments:

Securing Auckland's next water source

We recognise that reliable water supply is essential not only for public safety and wellbeing but also to give businesses the confidence to invest and operate in our city, ultimately improving economic prosperity. We are working hard to secure our city's next water source. The future sources of drinking water is recognised by the Minister for the Environment as a matter of national significance and our application to the Waikato Regional Council to take additional water from the Waikato River has been referred to a Board of Inquiry. This year we are working with council to respond to the Board of Inquiry and to develop Auckland's water strategy.

Auckland's Water Strategy

Watercare and council are working together to develop and implement the Auckland Water Strategy. The Water Strategy will enable council decisions and investments to contribute to improving te Mana o te Wai, the life supporting capacity of Auckland's Waters. Demand management is an early focus of the draft Water Strategy. Average council daily consumption targets per person have been set at 247 litres by 2030 and 225 litres by 2050. The targets and a set of initiatives to achieve them are included in the 2021-2031 long-term plan. Key investments by Watercare for the 2030 targets are implementing a residential smart meter programme and reducing leakage below 13%, aiming for 11%. Council contributes to achieving these targets by implementing new policy and regulation such as allowing rain tanks to be plumbed into new homes. These revised targets do not negate the need to secure additional reliable water for Auckland.

In response to the drought Aucklanders made significant reductions to overall demand. Our ability to meet the Water Strategy targets will depend on the strength of our relationship with the people we serve. Our goal is for Aucklanders to remain part of a movement that values tap water as they value water in the natural environment. We will continue our proactive advertising and communication campaigns to further encourage Aucklanders to be more water efficient. We are also working with council to review Auckland's drought standard.

Water Reform

In July 2020, the Government launched its Three Waters Reform Programme, a three-year programme to reform local government three waters service delivery. The current proposal is that the entities remain publicly owned in the form of statutory entities, separated from local authorities and with mechanisms to recognise Treaty rights and interests to prevent future privatisation. At this stage the Government has recommended aggregation to somewhere between 3-5 new multi-regional water services entities across New Zealand. Under this proposal Auckland would join with Northland. Professional directors would be appointed to the boards through an independent selection panel. Local authorities will be given the ability to influence objectives and priorities of the new entities. The entities will be monitored and regulated through Taumata Arowai and a new economic regulator. There remains a wide range of unknowns.

The Government is currently taking an opt-out approach, in that Councils can choose to not participate in the proposed reform. We are working closely with council to understand what water reform means for Aucklanders both now and in the future and will be supporting council's consultation process as the programme advances.

Water Industry Commission for Scotland (WICS) review

At the start of 2020 we commissioned WICS to assess our financial year 2019 performance and identify opportunities for Watercare to continue to deliver against our section 57 obligations to manage our operations efficiently so to keep the

overall costs of services to customers (collectively) at minimum levels and maintain the long-term integrity of our assets. WICS found that while Watercare is operating efficiently there is room for improvement. They made a number of recommendations, including reducing operating and capital expenditure through invest to save initiatives, improved monitoring and understanding of our asset renewals requirement and that our financing structure could be improved to ensure intergenerational equity. A further review was performed on financial year 2020 as part of the DIA's detailed analysis and request for information process. In that review WICS found we have further room for efficiencies.

Over the coming year Watercare will be working closely with WICS to further understand their analysis and to identify and recommend efficiency programmes that will provide long-term benefit to our customers.

CCO review recommendations

We are working with council to implement the recommendations of the CCO Review Panel. These include participating in a joint working group to progress the water strategy, including formulating the next steps to be taken on the supply and demand work that we began last year. We also submitted our AMP to council to inform how we will provide services to meet council's urban growth strategy. A steering group has been established to improve resource consent procedures. Further, Watercare has been working with council, and the other CCOs, to develop a group procurement policy to create consistency in procurement across the council family and to improve monitoring of customer complaints.

2.2 How we will deliver <u>– annual work programme</u>

Key activities and programmes over the coming financial year are below. We measure success through the performance measures and targets documented under each sub-section of section 1.3 Nature and scope of activities – 'what we do'.

Our contributions to the Auckland Plan	Primary capital	Significant activities and programmes over the coming financial year	Direct expenditure \$m	Capex budget \$m
Deliver safe and reliable water services 24/7		 Water operating activities Work with the new drinking water regulator, Taumata Arowai and Implement internal audit recommendations for our water safety plan framework Board of Inquiry for additional water from the Waikato River 	\$140	See below
Deliver safe and reliable wastewater services 24/7	1	Wastewater operating activities Further develop our TARP (Targeted Asset Replacement Programme) to improve and coordinate cost effective asset refurbishment	\$169	See below
Minimum-cost, efficient, financially robust provider both now and in the future & industry leading thinking and processes	()	 Work with council to understand the Government's proposal for Water Reform and what it means for Aucklanders Work with WICS to confirm findings and to develop efficiency programme Nerve centre completion Continue to develop and deliver our Enterprise Model Develop invest to save options Investigate Auckland Economic Development Action Plan (EDAP) action to investigate water-reuse precincts co-located near Mängere and Rosedale wastewater treatment plants. 	Within operating and capital budgets	N/A
High performing infrastructure (reliable and resilient now and in the future)	m	Continue our leak detection programme		<mark>\$404</mark>
Future-proofed growth and supply assurance		 Continue work to optimise our AMP Continue to work with council on Auckland's Water Strategy, including review of the drought standard We currently have under construction: Water (growth, level of service and renewal) Hünus 4 watermain Ardmore to Redoubt Rd watermain North Harbour No. 2 watermain Repakura water treatment plant Drought project completion Commence smart meter programme Wastewater (growth, level of service and renewal) Central interceptor Northern interceptor Otara catchment upgrades Pukekohe wastewater treatment plant Warkworth-Snells-Algies wastewater network Southern Auckland WW servicing Wastewater renewals across the city 	Within water and wastewater opex budgets	\$342
Protect and enhance our natural environment	•	 Continue our work with our Enterprise Model partners to develop processes to reduce carbon associated with infrastructure projects. This includes developing and implementing a carbon portal to measure emissions related to infrastructure builds, also included within the EDAP Continue our work with customers to reduce water demand 	Within water and wastewater above	Within capex budgets above
Enhance our partnerships and strong relationships with Māori in Tāmaki Makaurau		 Finalise our Māori Outcomes Plan together with an implementation and monitoring plan Develop procurement programme to source 5% from Māori owned businesses by the end of 2025 Continue our work with The Mana Whenua Managers Kaitiaki Forum (MWMKF). Watercare hosts the bi-monthly meetings of MWMKF. 	<mark>\$1</mark>	For

Customer trust and value through exceptional performance and engagement		 Continue working with council to action the CCO review recommendations including developing a methodology for reporting on customer complaints Deliberative democracy project with Koi Tū Centre for Informed Futures 	Within water and wastewater above	N/A
Safe, engaged and empowered team	2	 Continue building capability through our staff development programmes Continue working with council to action the CCO review recommendations Independent review of healthy and safety at Watercare 	Within water and wastewater above	N/A

Currently this reflects spend on iwi engagement only.

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2.3 Financial statements for the long-term plan

Operating budgets (\$million)	2019/20 Actual	2020/21 Annual Plan	2021/22 LTP	2022/23 LTP	2023/24 LTP
Net direct expenditure (income)	(309.6)	(271.0)	(341.6)	(399.0)	(473.2)
Revenue	578.0	559.8	650.6	711.8	799.5
Fees and charges	534.1	506.2	615.5	674.7	757.3
Grants and subsidies (external)	-			-	-
Other direct revenue	44.0	53.6	35.1	37.1	42.2
Direct expenditure	268.4	288.9	309.0	312.7	326.3
Employee benefits	85.4	83.2	79.3	82.2	85.3
Grants, contributions, sponsorship	0.3	0.7	0.4	0.4	0.4
Other direct expenditure	182.7	205.0	229.3	230.2	240.6
Other key operating lines					
Funding from Auckland Council	-		-	-	-
Revenue from vested assets	(64.5)	(21.5)	(69.0)	(71.5)	(74.2)
Other non-direct revenue	-			-	-
Net finance expense*	81.7	95.0	100.5	113.6	125.8
Depreciation and amortisation	255.6	256.5	245.9	252.5	260.1
Net losses (gains)	8.7	8.0	8.0	8.0	8.0
Income tax expense	81.5	13.7	55.7	72.7	100.6

Net direct expenditure by activity (\$million)	2019/20 Actual		2021/22 LTP		2023/24 LTP
Net direct expenditure (income)	(309.6)	(271.0)	(341.6)	(399.0)	(473.2)
Wastewater Service	(258.7)	(212.5)	(251.6)	(292.1)	(346.0)
Water Supply	(50.8)	(58.5)	(90.1)	(106.9)	(127.3)

*See the accounting policy note on page 28

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Capital expenditure

			2021/22 LTP					
Total capital expenditure excluding capitalised interest*	589.6	722.4	746.2	714.7	772.8			
- to meet additional demand	334.6	454.0	342.4	341.7	369.3			
- to improve the level of service	89.8	135.3	102.9	123.2	103.9			
- to replace existing assets	165.3	133.1	301.0	249.8	299.6			
Capital funding sources	500 (700 (744.0	7447	770.0			
Infrastructure growth charge	589.6	722.4	746.2	714.7	772.8			
Contribution from fees and charges	109.8	103.2	114.7	123.8	136.3			
-	227.8	175.2	241.1	285.4	347.5			
Net debt	241.6	393.6	389.9	310.0	290.2			
Asset sales	5.6	15.0	-	-	-			
Working capital	4.8	35.4	0.5	(4.5)	(1.0)			
Specific expenditure towards Māori outcomes								
			2021/22 LTP					
lwi engagement on Watercare projects	1.4	1.3	1.3	1.4	1.4			
Other financial information								
Current value of assets	billion based	value of Water I on the net as: the audited fir	set value of th	e Watercare g				
Accounting policies*	The accounting policies applied for this statement of intent ar consistent with Auckland Council's group policies. This means interest that is capitalised under the Watercare accounting policies and presented as such within Watercare's annual report is recorded as interest expense for the purpose of group reporting.							
Financial reporting	Watercare's financial reporting to Auckland Council will be in accordance with the requirements of the group.							
	The budget presented in this SOI is aligned to Watercare's fina submission to Auckland Council's long-term plan 2021-2031.							
	2019/20 Actual	2020/21 Annual Plan	2021/22 LTP	2022/23 LTP	2023/24 LTP			
Asset sales (\$million)	5.6	15.0	8.0	8.0	8.0			
Shareholder equity ratio	66%	64%	63%	62%	61%			

Detailed capital expenditure list

Detailed capital expenditure list					Formatted Table	
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Expenditure (\$million)	2019/20 Actual	2020/21 Annual Plan	2021/22 LTP	2022/23 LTP	2023)/24 LTP	
Capital Expenditure (excluding capitalised interest)Capital expenditure (excluding capitalised interest) ²	<u>589.6</u> 580.8	<u> </u>	<u>746.2</u> 746.2	<u>714.7</u> 714.7	Formatted Table	8.1
Water sources & treatment Water supply						
Augmentation programmesAdditional water sources	<u>20.4</u> 16.2	<u> </u>	<u>50.9</u> 14.1	<u>2.2</u>	49.0	
Upgrade programmesWater sources other programmes	<u>11.9</u>		<u>2.1</u> 2.2	<u>3.0</u> 0.2	<u> </u>	
Renewal programmesHuia water treatment plant upgrade	<u>9.8</u> 1.5	<u> </u>	<u>9.0</u>	<u>0.8</u>	<u> </u>	
Treated water networks Waikato 50 and Waikato A water treatment	-4.4	<u>209</u> _ .0	_ 17. 8	-1.9	- <u>41</u> - 7	
Growth programmesWellsford water supply	<u>40.9</u>	40.1	<u>34.3</u> 4.4	<u>13.8</u> <u>3.2</u>	<u>63.4</u> 	
Huia 1 and Nihotupu 1 Watermain ReplacementWater treatment other programmes	<u>15.0</u>	31.7	<u>36.4</u> 6.3	<u>32.3</u> 3.7	<u> </u>	
Hunua 4Local water network renewals	<u>27.0</u> 16.6	<u> </u>	<u>9.5</u> 17.2	18.3		
Local network meter replacement (incl. smart meters) North Harbour 2-watermain	<u>10.5</u> 15.1	<u> </u>	<u>22.1</u> 0.1	<u>11.9</u>	<u>— 11.5</u> 5.1	
Other water networksOther water networks	<u>14.0</u> 18.7	<u> </u>	<u>19.8</u> 69.3	<u>19.9</u> 29.1	<u>10.7</u> 65.0	
Renewal programmesHuia 1 watermain replacement	<u>26.7</u> 15.0 18	<u> </u>	<u>48.6</u> 36. 4	<u>21.7</u> <u>32.3</u>	<u>44.2</u> 0.2 233	
Electrical systems Total water supply	4,1		.	7,0		
Electrical systems-	<u>0.6</u> -	<u>0.9</u> -	<u>10.8</u> -	<u>5.9</u> -	3.7-	
Total water Wastewater service	<u>176.8 -</u>	<u>358.8</u> -	<u>243.5</u> -	<u>111.5</u> -	<u>217.9 -</u>	
<u>Central interceptor</u>	8 5.2	_ 197 _ _0	_ 240. 4	- <u>2</u> 80.7	<u></u>	
Wastewater treatmentLocal sewer network renewals	1 5.3		- <u>-7.</u> 6	- <u>7.2</u>	- 9 -4	
Upgrade and renewal programmesNorthern interceptor	<u>100.1</u> 44.5	<u> </u>	<u>34.4</u> 26.0	<u>19.1</u> 6.4	<u>20.9</u>	
Sub-regional wastewater servicingSouthern interceptor augmentation	<u>30.8</u>	<u>68.8</u>	<u>49.3</u> 6.2	<u>70.3</u> 29.3	<u>120.9</u> 33.8	
Biosolids - Puketutu rehabilitationWestern isthmus programme	<u>12.3</u> 4.0	<u> </u>	<u>18.0</u> 12.4	<u>11.8</u> 11.9	<u>8.2</u> 71.7	
Wastewater networksWastewater network other programmes	1 4.4	1	_ 50. 4	58.0		
Central InterceptorOtara catchment upgrades	<u>89.2</u>	<u> </u>	<u>240.4</u> 13.8	<u>280.8</u> 11.0	<u>190.0</u> 0.7	
Western Isthmus ProgrammeNorth Shore trunk sewer and pump station upgrades	<u>0.6</u> 2.4	<u> </u>	<u>12.2</u> 37.3	<u>26.1</u> 36.1	13.3 Formatted: Font:	
North Shore trunk sewer and pump station upgradesNorth East sub- regional-wastewater-servicing	<u>1.3</u> 28.5	<u>20.3</u> 27.7	<u>24.1</u> 4 2.7	<u>22.1</u> 57.3	<u> </u>	

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Northern InterceptorSouth West-sub-regional wastewater servicing	<u>44.8</u> 15.0	<u> </u>	<u>25.0</u> 4 .3	<u>47.0</u> 20.5	<u> </u>
Southern Interceptor augmentationRosedale WWTP upgrade	<u>14.1</u> 37.6		<u>6.2</u> 4 3.3	<u>26.1</u> 4 9.2	<u> </u>
Upgrade programmesPukekohe WWTP upgrades	<u>29.0</u> 51.2	31.0	<u>17.1</u> 6.2	<u>49.5</u> 0.3	<u> </u>
Renewal programmesWastewater treatment other	<u>36.6</u> 4 3.2	<u> </u>	<u>47.2</u> 34.1	<u>28.7</u> 17.4	<u>38.3</u>
Electrical systemsOther wastewater projects	5 3.2	- <u>-</u> 9 .3	_ 14. 1	<u>-2.7</u>	8 _ .6
Electrical systems Total wastewater service	<u>10.5</u> 394.6	<u>5.1</u> 354,3	<u>1.5</u> 538,9	<u>2.7</u> 587.9	<u> </u>
Total wastewaterShared service	<u> 369.3 -</u>	<u>354.3</u> -	<u>475.4</u> -	<u>584.2</u> -	<u>525.5</u> -
_Shared service programmes	- <u>2.ī</u>	- <u>-</u>	<u>11.</u> 4	<u>-9.7</u>	<u>20</u> 0
Shared service		-		_	-
Shared service programmes	<u>43.5</u>	9.3	<u>27.3</u>	<u>19.0</u>	29.4
Total shared serviceCapital expenditure (excluding capitalised interest)	<u>43.5</u> 580.8	<u> </u>	<u>27.3</u> 746.2	<u>19.0</u> 714.7	<u> </u>

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Appendix A - Our legislative framework

As a CCO, we have principal objectives under Section 59 of the Local Government Act 2002 in carrying out our activities and functions, including to:

- Achieve the objectives of Auckland Council, both commercial and non-commercial, as specified in this Statement
 of Intent (SOI)
- Be a good employer (as defined in Clause 36 of Schedule 7 of the Local Government Act 2002)
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in
 which we operate and by endeavouring to accommodate or encourage these interests when we are able to do
 so.

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

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

Also under the legislative framework:

- We must give effect to the relevant aspects of the Council's Long-Term Plan, act consistently with other specified
 plans and strategies of the Council and ensure compliance at all times with Sections 57 and 58 of the Local
 Government (Auckland Council) Act 2009.
- At least two board meetings a year are required to be held in public: one before 30 June to consider the Council's comments on the draft SOI for the upcoming financial year, and one after 1 July to consider our performance under the SOI for the previous financial year. In practice, all our board meetings are open to the members of the public (with our constitution and Section 7 of the Local Government Official Information and Meetings Act 1987 permitting certain private matters to be dealt with in private).
- Our financial statements, the SOI and specified long-term plans must be audited by the Auditor-General, or by an
 auditor acting on behalf of the Auditor-General.
- The Auditor-General is the auditor of Watercare's financial statements. The Auditor-General has appointed Brett
 Tomkins, using the staff and resources of Deloitte, to undertake the external audit work on behalf of the AuditorGeneral, in accordance with the Auditor-General's Audit Standards, which incorporate New Zealand Auditing
 Standards. Deloitte must satisfy the independence requirements of the Auditor-General and External Reporting
 Board.

Further legislative requirements include:

Taumata Arowai - the Water Services Regulator Act 2020 (from 1 July 2021)

Under this legislation the principal regulators for water quality include Auckland Council, Waikato Regional Council, the Ministry of Health and Taumata Arowai (from 1 July 2021).

Water Services Bill

Will give effect to Te Mana o te Wai. The Bill requires all persons who perform or exercise functions, powers, and duties under the legislation to give effect to Te Mana o te Wai. This parallels requirements imposed on local authorities under

the National Policy Statement for Freshwater Management, and on Taumata Arowai under the Taumata Arowai-the Water Services Regulator Bill.

As part of its governance arrangements, Taumata Arowai will have a Māori Advisory Group that is charged with advising on Māori interests and knowledge as they relate to the objectives, functions, and principles of Taumata Arowai. This includes—

- developing and maintaining a framework that provides advice and guidance on how to interpret and give effect to Te Mana o te Wai:
- providing advice on how to enable matauranga Maori, tikanga Maori, and kaitiakitanga to be exercised.

Health Act 1956

Aims to protect public health by improving the quality of drinking-water provided to communities.

Health and Safety at Work Act 2015

Sets out the principles, duties and rights in relation to workplace health and safety. A guiding principle is that workers and others need to be given the highest level of protection from workplace health and safety risks, as is reasonable.

Resource Management Act 1991

Focuses on the health of the environment.

Appendix B - 14 x Department of Internal Affairs non-financial measures[^] and 1 x Auckland Plan Measure

No.	Capital	Measure	2019/20 Actual	2020/21 Target	2021/22	2022/23	2023/24
1		Compliance with the territorial authority's resource					
1		consents for discharge from our sewerage system					
		measured by the number of:	(a) 0	(a) ≤2	(a) ≤2	(a) ≤2	(a) ≤2
		(a) abatement notices	(b) 0	(b) ≤2	(b) ≤2	(b) ≤2	(u) <u>≤</u> 2 (b) ≤2
		(b) infringement notices	(c) 0	(c) ≤2	(c) ≤2	(c) ≤2	(c) ≤2
		(c) enforcement orders	(d) 0	(e) 0	(d) 0	(d) 0	(d) 0
		(d) convictions	(-) -	(-) -	(-) -	(-) -	(-, -
		received by Watercare in relation to those resource consents					
2		The average consumption of drinking water per day per resident within the territorial authority district	268.6 litres	262 litres	260 litres	258 litres	256 litres
		(litres) (12-month rolling average)					
3		The extent to which the local authority's drinking	100%	100%	100%	100%	100%
		water supply complies with part 4 of the drinking- water standards (bacteria compliance criteria)	100%	100%	100%	100%	100%
4		The extent to which the local authority's drinking					
		water supply complies with part 4 of the drinking- water standards (protozoal compliance criteria)	100%	100%	100%	100%	100%
5		Median response time for attendance for urgent					
-		call-outs: from the time that the local authority	50 min e	≤60 mins	<00 mins	<00 mins	<00 min a
		receives notification to the time that service personnel reach the site (minutes)	50 mins		≤60 mins	≤60 mins	≤60 mins
6		Median response time for resolution of urgent call-					
		outs: from the time that the local authority receives					
		notification to the time that service personnel	2.9 hours	≤5 hours	≤5 hours	≤5 hours	≤5 hours
		confirm resolution of the fault or interruption (hours)					
7		Median response time for attendance for non-					
		urgent call-outs: from the time that the local authority receives notification to the time that	1.7 days	≤5 days	≤5 days	≤5 days	≤5 days
		service personnel reach the site (days)					
8		Median response time for resolution of non-urgent					
		call-outs: from the time that the local authority receives notification to the time that service	2.1 days	≤6 days	≤6 days	≤6 days	≤6 days
		personnel confirm resolution of the fault or	2.1 uays	≤0 uays	≤0 uays	So uays	So uays
		interruption (days)					
9		The total number of complaints received by the local authority about any of the following:					
		(a) drinking water clarity					
		(b) drinking water taste					
		(c) drinking water odour	7.2		-10	-10	
		(d) drinking water pressure or flow	7.2	≤10	≤10	≤10	≤10
		(e) continuity of supply					
		(f) Watercare's response to any of these issues					
		expressed per 1000 connections to the local					
10		authority's networked reticulation system					
10		Attendance at sewerage overflows resulting from blockages or other faults: median response time for					
		attendance - from the time that the territorial	43 mins	≤60 mins	≤60 mins	≤60 mins	≤60 mins
		authority receives notification to the time that service personnel reach the site (minutes)					
11		Attendance at sewerage overflows resulting from					
		blockages or other faults: median response time for	2.4 hours	≤ 5 hours	≤ 5 hours	≤ 5 hours	≤ 5 hours
		resolution – from the time that the territorial authority receives notification to the time that					
	I	additionary receives notification to the tille tildt					1

No.	Capital	Measure	2019/20 Actual	2020/21 Target	2021/22	2022/23	2023/24
		service personnel confirm resolution of the blockage or other fault (hours)					
12	0	The total number of complaints received by the territorial authority about any of the following: (a) sewerage odour (b) sewerage system faults (c) sewerage system blockages (d) Watercare's response to issues with its sewerage system expressed per 1000 connections to the Watercare's sewerage system	20.1	≤50	≤50	≤50	≤50
13		The percentage of real water loss from the territorial authority's networked reticulation system (12-month rolling average)	13.2%	<u><</u> 13%	<u><</u> 13%	<u><</u> 13%	<u><</u> 13%
14		The number of dry-weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system	0.55	≤5	≤5	≤5	≤5
15		Average number of wet-weather overflows per engineered overflow point per discharge location (12-month rolling average)	1.5	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year

^ Measures 1-14 are Long-Term Plan measures

* Measures 5-11. Watercare has deferred a portion of our enhanced network asset renewals programme. This deferral could impact the number of faults on our network assets, therefore impacting the ability to meet the SOI timeframes in future years. We have held the targets at the 2020/21 levels, but realise there is a risk to the delivery to these targets and have agreed with council to jointly monitor and review the targets over the coming year

Commented [R(5]: Requested by Steve on 14/6.



31 May 2021

Margaret Devlin Chair Watercare Services Limited

By email

Tēnā koe Margaret

Shareholder comments on the draft Watercare Services Limited Statement of Intent 2021-2024

Thank you for providing the draft Statement of Intent 2021 - 2024 (SOI) for Watercare Services Ltd to Auckland Council. The CCO Oversight Committee considered it at its 18 May 2021 meeting, which your staff attended to be part of the discussion. As context for this discussion a copy of the full report can be found here:

https://infocouncil.aucklandcouncil.govt.nz/Open/2021/05/CCO_20210518_AGN_10104_AT_WEB. htm

I would like to thank you for the hard work that you and your organisation have put into producing the draft SOI. We acknowledge that the environment in which the Council group is operating in 2021 is a very challenging one for all of us, both from a financial point of view and also the various difficulties it presents for our organisations.

General shareholder comments

In completing the final SOI, Watercare should ensure that the financial information is agreed with Financial Planning staff and includes the following:

- 2019/2020 actual results
- 2020/2021 Long-term Plan budget
- 2021/2022, 2022/2023 and 2023/24 Long-term Plan budgets
- a breakdown by activity as in the Long-term Plan
- agreed non-strategic asset sales targets.

In addition, performance measures should align with the 10-year Budget 2021-2031. CCOs should ensure that in the final documents:

- LTP measures are clearly identified.
- Measures and targets are worded exactly as in the 10-year Budget 2021-2031.
- 2019/2020 actual performance is included alongside 2020/2021 and the next three years' targets.
- A complaint handling measure should be included in the final SOI (as recommended in the CCO review)

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The Council group is currently considering a draft Economic Development Action Plan. We ask that Watercare ensures the actions from the final Economic Development Action Plan which are assigned to Watercare for delivery (where not already captured in the draft SOI), are included. I expect you to continue to work with council to complete the CCO review implementation.

Specific shareholder comments

Part one - Strategic overview

We suggest that in the final SOI, Watercare amend the table on page 5 to include how Watercare will contribute to each of the Auckland Plan 2050 outcomes and a more consistent approach to explaining these contributions is made, where relevant, under each capital section.

Part two – Statement of performance expectations

The recent drought highlights the importance of ensuring secure, resilient water supply into the future. Achieving this will require change in the way we value, use, and take care of water. The water consumption targets set in the Water Strategy need to be included in the final SOI. Watercare's programme for reviewing the drought management plan should also reflect that this will be done in conjunction with the council, and an update of this plan should be included in the work programme.

We understand Watercare has recently published a 2021-2025 Water Efficiency Plan which replaces Watercare's Water Efficiency Strategy 2017-2020. We expected that this document would reference the Council Water Strategy under development and that this Plan would reflect the recently adopted Water Consumption targets co-developed with Watercare (Environment and Climate Change Committee April 15th) as resolved by the CCO Oversight Committee (May 18).

It also presents water consumption targets in a different unit than the targets agreed to by Council, without providing context or a conversion. This may make tracking progress against council's targets more difficult. Achieving greater alignment between our strategic documents is important to reduce confusion and misunderstanding. We ask that Watercare work with council to amend the 2021-2025 Water Efficiency Plan to align the content with the Water Strategy work, in particular reflecting the targets adopted by committee.

The principles for council and strategy development are set out in the Governance Manual (Appendix 9). The principles identify how the council and CCOs work together in strategy and policy development and review, as well as the decision-making process. Strategy development and advice cannot be carried out in isolation. It involves teamwork and collaboration. We expect this collaboration to occur and for Watercare to involve us in the development of important strategies, like the Water Efficiency Plan.

We are also interested in how Watercare will be responding to the findings of the Water Industry Commission Scotland's review of Watercare's performance and would like you to include responding to this and reporting on it in your final SOI.

Continuing to communicate and educate Aucklanders on water use will be an important element of your work programme over the coming year, especially with increased prices. We expect to see appropriate emphasis placed on this.

The Government's proposed water reform may have a considerable impact on council's and Watercare's upcoming work programmes. We appreciate the support you have provided both council and the government, to date, and would like to see further reference in the final SOI on how Watercare will continue to assist council in its decision-making on this matter.

Watercare has an important role to play in contributing to Māori outcomes. Providing more detail in the annual work programme on how you will contribute to the outcomes of Kia Ora Tāmaki Makaurau: Māori outcomes performance framework would provide greater transparency for readers.

As agreed, in the final SOI Watercare we expect to see the existing SOI, and long-term plan measures reinstated and references to impacts to be updated accordingly. We will work together with your new CEO to appreciate the constraints and risks of any proposed budget constraints on outcomes and measures.

I look forward to receiving the final SOI by 31 July 2021.

Ngā mihi

Phil Goff MAYOR OF AUCKLAND

Copy to: Deputy Mayor Bill Cashmore Councillor Linda Cooper, Watercare Liaison Councillor Desley Simpson, Chair Finance and Performance Committee Councillor Chris Darby, Chair Planning Committee Councillor Alf Filipaina, Chair Parks, Arts, Community and Events Committee Councillor Richard Hills, Chair Environment and Climate Change Committee Jim Stabback, Chief Executive, Auckland Council Jon Lamonte, Chief Executive Auckland Unlimited



Board meeting | 5 July 2021 Public session

Annual review of the Audit and Risk Committee Charter

For approval

Te pou whenua tuhinga / Document ownership

Prepared by Jodie Atkin Governance Coordinator **Recommended by** Rob Fisher Acting Chief Officer Support Services

Submitted by Jon Lamonte Chief Executive Officer

1. Te tūtohunga / Recommendation

We recommend that the Board accept the recommendation of Audit and Risk Committee (ARC) to approve the Audit and Risk Committee Charter (the Charter).

2. Take matua / Key points

The key recommendations of ARC were:

- Clause 2 be amended to reflect that the Governance team will provide secretarial services to the ARC. The requirement to appoint a person to act as Committee Secretary can therefore be removed.
- Clause 7 can be amended to require a review of the Charter every two years rather than annually.
- The words "Senior Executive" be changed to "Executive Team" to better reflect the terminology used within the company.
- The minutes of all Board meetings and sub-committee meetings are to be to be finalised with 7 days.

3. Whāinga / Purpose and context

Clause 7 of the Charter requires the ARC to undertake, with management assistance, an annual review of its performance, purpose, responsibilities and Charter. The ARC must then advise the Board of the outcome of that review, along with any recommended changes. Any changes to the Charter must be approved by the Board.
4. Kōrero pitopito / The details

The Charter was last reviewed by the ARC in May 2021. The ARC recommended a number of changes and looks forward to discussing those suggested changes and any further suggested changes from Board.

Attachment 1 is a marked-up version of the Charter that the ARC recommends for Board approval.

5. Ngā ūpoko / The capitals



There has been no potential impact identified on this capital.

5.2 People and Culture



There has been no potential impact identified on this capital.

5.3 Customer and Stakeholder Relationships

There has been no potential impact identified on this capital.

5.4 Assets and Infrastructure

There has been no potential impact identified on this capital.

5.5 Intellectual Capital

2

This Charter will bring positive impact on this capital as we try to achieve best practice in our Board leadership, effectiveness and governance. The Charter provides useful induction tool for new committee members.

5.6 Financial Capital and Resources (\$



There will be a positive impact on this capital as the purpose of the Charter is to exercise due care, diligence and effective oversight of all matters relating to financial management and controls, financial accounting, risk management, internal and external audit functions and external reporting.

6. Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
The Charter will become outdated and not accurately serve	The Charter has been prepared in consultation with the ARC Chair and members of the
the governance purpose.	ARC and subject to review every two years or more often as conditions dictate.

7. Ā muri ake nei / Next steps

Subject to the Board's approval, the Charter will next be reviewed by June 2023.

8. Te whakapiringa / Attachment

Attachment number	Description
1.	A marked-up version of the Charter

July 2021

Audit and Risk Committee Charter

1. Purpose and Composition

The Audit and Risk Committee (¹ARC¹) is a committee established by the Board of Directors of Watercare Services Limited (¹Watercare¹).

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

- Sserve as an independent, objective party to review information presented by senior management to Watercare's shareholder and key stakeholders;
- <u>Ds</u>etermine the adequacy of Watercare's administrative, operating and accounting controls; and
- Asct as a forum for the free and open exchange of views and information between the Board and its internal and external auditors.

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

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

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

2. Meetings

Meetings of the ARC <u>aremust be</u> held not less than four times a year in months that align with the reporting and audit cycle and meet shareholder requirements.

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

A quorum shall be a majority of members.

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

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

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

The Governance Team, in conjunction with the Committee Chair is responsible for coordinating all ARC business including scheduling meetings, setting agendas, policy review, distributing papers and minutes, communicating with the Board and management and any other secretarial services.

Minutes of each meeting shall-must be taken, and circulated promptly in draft form to the Committee Chair within five working days of the meeting. They are then to be, confirmed at the following meeting and signed thereafter by the Committee Chair as a correct record of proceedings of the meeting.

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



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

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

3. Authority

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

- Gcommittee Ggovernance;
- Efinancial Mmanagement, Efinancial and Pperformance Rreporting;
- Aaudit Efunctions;
- Linternal Gcontrols and Rrisk Mmanagement; and
- Ssuch other responsibilities as the Board at any time considers appropriate.

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

The ARC is not responsible for the oversight of Health, Safety and <u>Wellness-Wellbeing</u> governance matters, nor oversight of Central Interceptor governance matters, as <u>that</u><u>those</u> responsibilit<u>yies</u> site with the full Board.

The ARC may:

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

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

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

It is the responsibility of Senior Executives the Executive

<u>Team</u>¹ to draw the Committee Chair and ARC's immediate attention to any material matter that relates to the financial condition of Watercare, any material breakdown in internal controls, any material event of fraud or malpractice, and any significant item of legislative non-compliance.

4. Access and Independent Advice

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



¹ Executive Team and Senior Management Team

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

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

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

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

5. Relationship with Auditors

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

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

<u>Senior Executives The Executive Team areis</u> responsible for the timely and accurate provision of information to external and internal auditors.

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

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

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

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

6. Responsibilities

The ARC <u>shall-must</u> provide assistance to the Board in fulfilling its responsibility to the shareholder, and other stakeholders, relating to accounting, internal controls, risk management, reporting practices and the quality and integrity of externally published financial and performance reports of Watercare. –In carrying out these responsibilities, the ARC does not relieve the Board of its responsibilities and legal obligations. It is the responsibility of the ARC to maintain communication with the Board, the external auditor, the internal auditor, and Watercare's <u>Senior Executive Executive Team</u>.

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

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

In carrying out its responsibilities, the ARC will:

6.1 Committee Governance

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

6.2 Financial Management

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

relevant review by the auditors (external or internal).

6.3 Financial Reporting

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

6.4 Performance Reporting

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

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

6.5 Audit Functions

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

External audit

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

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

Internal audit

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

5

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

6.6 Internal Controls

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

6.7 Risk Management

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

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

- Rrisks have been accurately analysed and evaluated;
- Kkey controls exist and are effective;
- Eenterprise risks are being properly managed.; and
- Aan effective risk management culture is evident throughout Watercare.

6.8 Other Responsibilities

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

7. Review of the Committee and Charter

The ARC will undertake, with management assistance, anannual <u>a</u> review <u>of its Charter every two years</u>(or more often as conditions dictate) of its performance, purpose, responsibilities and Charter. It will advise the Board of the outcome of that review along with any recommended <u>changes</u> to ensure clarity of purpose and responsibilities.

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

This Charter was reviewed by the Board in <u>May 2020 June</u> 2021.





Board meeting | 5 July 2021 Public session

Final Draft of Lutra's Revised Statement of Intent 2021–2024

For approval

Te pou whenua tuhinga / Document ownership

Prepared and recommended by Rebecca Chenery Chief Technology Officer Submitted by Jon Lamonte Chief Executive Officer

1. Te tūtohunga / Recommendation

We recommend that the Board approve Lutra Limited's (Lutra) revised draft Statement of Intent 2021–2024 (SOI) for submission to Council by 31 July 2021.

2. Take matua / Key points

The key points are:

- a) The Lutra Board approved Lutra's draft SOI on 19 May 2021.
- b) The SOI attached as Attachment 1 has been revised to take into account any feedback received from the Lutra Board.

3. Whāinga / Purpose and context

Watercare owns 67% of Lutra. Lutra is therefore a Council Controlled Trading Organisation and must supply its shareholder (Watercare) with a Statement of Intent for approval.

Watercare must then provide its shareholder, Auckland Council, with the final Statement of Intent for its information.

4. Korero pitopito / The details

Attachment 1 is Lutra's revised final draft of its SOI.

Lutra has confirmed it held a statutory public board meeting, where members of the public were invited to provide feedback on the draft SOI, on 19 May 2021. One member of the public was in attendance.

5. Ngā ūpoko / The capitals

The SOI is structured around our six-capitals. Lutra's key activities have been assigned to each capital in the SOI, as set out below. The SOI identifies relevant performance measures for each of these activities.

5.1 Natural Environment 💧

See page 5, identified key activities are resource efficiency, resource consent management and minimise our own impact.

5.2 People and Culture

See page 6, identified key activities are:

- Providing safe working environments
- Wellbeing package
- Skills development.

5.3 Customer and Stakeholder Relationships

See page 7, identified key activities are:

- Public health
- Digital transformation of water and wastewater operations
- Industry leadership through various committees.

5.4 Assets and Infrastructure

See page 8, for identified key activities.

5.5 Intellectual Capital

See page 8, identified key activity is:

• Industry leading software, processes and know-how.

5.6 Financial Capital and Resources

See page 9, identified key activity is:

• Financial stability, growth in selective new markets, and growth in revenue and profit.

6. Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
Performance measure targets may not be met	Continuous monitoring of performance measure targets

7. Ā muri ake nei / Next steps

Watercare will provide the final SOI to Auckland Council for its information.

8. Te whakapiringa / Attachment

Attachment number	Description
1.	Draft Final SOI 2021 – 2024

Statement of Intent 2021 to 2024

Lutra. Safewater

8.3

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Message from Jason Colton, Executive Director and CEO

Lutra Limited (Lutra) provide software, hardware, and engineering services solutions to the water industry.

The Lutra brand is based on delivering excellence in our service offerings.

We are a council-controlled trading organisation (CCTO). Our legislative framework is set out in Appendix A. Watercare Services Ltd is the majority shareholder; the remaining shares are employee owned.

The way we manage and measure our performance is detailed in Appendix B.

Our strategic priorities for 2021-2024

For the next three years, we have three strategic priorities:

1. Growing the Infrastructure Data (ID) business

- We are targeting significant growth in organisations wishing to use our proprietary ID software product.
- Our growth focus will be on direct sales in New Zealand and through our partner in Australia, HunterH2O. Development of a global partner network is on hold due to Covid-19 restrictions.
- The second generation of Infrastructure Data (ID2) is under development and is scheduled for completion in 2021/22 financial year.

2. Growing our Engineering Services business

- We will focus on preparing the industry for water reforms, with new Drinking Water Standards coming into effect from 1st July 2021.
- We will establish a presence in the Waikato region.
- We will continue to increase our presence in the wastewater operations market.

3. Growing our Safewater business

 We will provide standardised, modular, containerised water treatment plant solutions for small and neighborhood supplies.

This Statement of Intent (SOI) follows the principles of integrated reporting and outlines the company's strategic business plan for the next three years as agreed with our major shareholder, Watercare Services Limited.

The SOI is divided into our six capitals (Natural Environment, People and Culture, Customer Relationships, Intellectual Capital & Assets and Infrastructure, and Financial Capital), and reaffirms our continued commitment to delivering excellence to the water industry both here in New Zealand and beyond.

Dr Jason Colton Executive Director and Chief Executive Officer

Our purpose

Our operations are the foundation of our business and enable us to deliver to clients and the community. To us, operating sustainably means working smarter, being profitable, investing in our people, and reducing our carbon footprint.



Natural environment

Value:

Resource efficiency | Resource consent management | Minimise our own impact

We help our customers to:

- Optimise their chemical use
- Optimise energy use
- Produce less waste
- Operate more efficient processes (meaning lower abstraction requirements)
- Improve treated discharge quality

We also provide leading edge operations management software. This allows our customers to improve their management of environmental consents and trade waste licences.

We have benchmarked our own environmental impact and are developing initiatives to reduce it.

Lutra is a member of the sustainable business network in NZ and aims to get B Corporation certification.

This will show that we are a business that meets the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. B Corporation evaluates how we hold ourselves to account relating to our impact on our staff, customers, community, and the environment.

Measure	2020/21 Actual	2021/22 Target	2022/23 Target	2023/24 Target
Number of consents managed in ID by Lutra Limited	Tbc at year end	2,000	3,000	4,000
CO2 reduction per FTE*	Tbc at year end	20%	30%	40%

*Compared to 2019/2020 baseline.

Statement of Intent – 2021 to 2024

Lutra.

People and culture

Value:

Safe, happy team | Skills developed | Talent retained

Lutra provides a safe working environment for our people and maintains high participation rates in Health and Safety meetings. We are moving our focus from lag indicators to leading safety indicators.

We have a wellbeing package that offers our staff subsidised health insurance, a wellbeing allowance, two additional wellbeing leave days, long service leave, paid parental leave and access to counselling.

We currently use TeamMood to assess the happiness of staff on a weekly basis.

We develop our staff through coaching and training and make use of external resources and Linkedin Learning to bolster our in-house training.

We pay our people fair market value based on their skills, knowledge, and experience. We use Engineering NZ median salaries as our benchmark. We will pay fairly, irrespective of gender.

In 2021, we plan to recruit to new staff across our business lines and retain all our talented staff. We are new members of The Diversity Agenda and Diversity Works NZ and will continue to maintain a strong focus on our culture of inclusion.

We will sign the Diversity Agenda Accord showing our commitment to 'Diverse and inclusive professions working for a diverse and inclusive nation'.

Measure	2021/22 Actual	2021/22 Target	2022/23 Target	2023/24 Target
Average safety training hours per employee per year	Tbc at year end	11 h	12h	14h
Average staff mood (Scale 1-10)	Tbc at year end	≥6.5	≥7.0	≥7.5
Be a current signatory of the Diversity Agenda Accord		Yes	Yes	Yes

8.3

Customer relationships

Value:

Public health | Digital transformation of water & wastewater operations | Industry leadership

Through our engineering services work, we help our customers improve water treatment plants through upgrades and optimisation to increase consumer access to safe drinking water.

We provide standardized, modular, containerized water treatment plants to smaller communities to give them access to safe drinking water.

We also provide water and wastewater operational support to organisations to improve public health and environmental outcomes.

We help our customers undergo digital transformation and implement our operations management software – Infrastructure Data – to enable them to better meet their organisation's aims.

We also plan to develop training resources to help operators improve their knowledge and capabilities.

Lutra will also provide industry leadership through our presence on various committees (e.g., Water NZ Technical Committee), expert groups (e.g., Taumata Arowai Technical Reference Group) and boards (e.g., Water NZ).

Measure	2021/22 Actual	2021/22 Target	2022/23 Target	2023/24 Target
Number of treatment plants improved*	Tbc at year end	25	30	35
Number of new plants added to ID	Tbc at year end	150	250	300

*Demonstrable performance improvement (e.g. improved DWSNZ compliance, reduction in chemical usage or increase in process efficiency). Either through upgrades our team has been involved in, through process optimisation or modelling work.



Value:

Industry leading software, processes, and know-how

We are working on the development of the second generation of our software platform Infrastructure Data (ID2). We have set-up a key user group to allow our users to collaborate with us on the development of ID2.

We will hold at least one ID user group meeting and will track user engagement by use of net promoter score (NPS).

Lutra will continue to produce and publish thought leadership blog articles on our Lutra website and provide community engagement through our Lutra channel on YouTube.

Measure	2020/21	2021/22	2022/23	2023/24
	Actual	Target	Target	Target
NPS for ID	Tbc at year end	>30	>40	45



Value:

Financial stability | Growth in selective new markets | Growth in revenue and profit

We will maintain liquidity by strict control of our budget.

The development of ID2 will mean a significant amount of staff time will be attributed to capital development. Despite this, we plan to increase our revenue through growth in ID, engineering services and Safewater.

As a CCTO we need to fully meet GAAP accounting principles, Watercare reporting requirements and have our accounts independently audited.

Measure	2021/22	2021/22	2022/23	2023/24
	Actual	Target	Target	Target
Annual business plan EBITDA	Tbc at year end	100%	100%	100%

Appendix A: Our legislative framework

Lutra Limited is a limited-liability company registered under the Companies Act 1993, and a local government organisation under the Local Government Act 2002.

We became a substantive Council-Controlled Trading Organisation (CCTO) on 1 February 2020 as a result of the acquisition by Watercare Services Limited of 67% of Lutra Limited's shares.

As a CCTO, we have principal objectives under Section 59 of the Local Government Act 2002 in carrying out our activities and functions, including to:

- Achieve the objectives of our shareholders, both commercial and non-commercial, as specified in this Statement of Intent (SOI);
- Be a good employer (as defined in Clause 36 of Schedule 7 of the Local Government Act 2002)
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which we operate and by endeavouring to accommodate or encourage these interests when we are able to do so.
- Conduct our affairs in accordance with sound business practice.

Also, under the legislative framework:

- At least two board meetings a year are required to be held in public: one before 30 June to consider our Shareholders' comments on the draft SOI for the upcoming financial year, and one after 1 July to consider our performance under the SOI for the previous financial year. These two board meetings are open to the members of the public (with Section 7 of the Local Government Official Information and Meetings Act 1987 permitting certain private matters to be dealt with in private).
- Our financial statements and SOI must be audited by the Auditor-General, or by an auditor acting on behalf of the Auditor-General.

The Auditor-General is the auditor of Watercare's financial statements. The Auditor-General will appoint an independent auditor to undertake the external audit work on behalf of the Auditor-General, in accordance with the Auditor-General's Audit Standards, which incorporate New Zealand Auditing Standards. The appointment must satisfy the independence requirements of the Auditor-General and External Reporting Board.



Appendix B: Governance and how we manage and measure our performance

Lutra's board is ultimately responsible for all decision making by the company. The directors and the management team are committed to ensuring the company applies best-practice governance policies and procedures.

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

Date	Purpose	Form of public notification
19 th May 2021	Consider shareholder comments on draft SOI	Public notice
17 th November 2021	Consider performance against SOI targets	Public notice

We operate under a no-surprises policy and inform our major shareholder, Watercare Services Limited, well in advance of any events, transactions or issues that could attract public interest, whether positive or negative.

Managing risk

Lutra maintains a Risk Management Policy, the intent of which is to direct the risk management function. This policy focuses risk management onto those risks that are material to the achievement of the organisation's principal objectives.

Lutra applies a risk management framework consistent with ISO 31000: 2018 Risk Management Guidelines to ensure that risks throughout the business are managed consistently. This risk management framework defines the management policies, procedures, and practices to be applied to the risk management tasks of identifying, analysing, evaluating, treating, and continuing to monitor risk to provide enterprise level information. Regular monitoring, review and reporting of risks is an important component of the Lutra Risk Management Framework, as it ensures new risks and changes to existing risks are identified and managed, and that risk treatment plans are developed and implemented. Several significant risks are monitored by the board at least quarterly, or as required.

Measuring our performance

We have an agreed set of performance measures and targets which form the basis for accountability to delivering on Lutra's strategic direction, priorities, and targets. These are reported on a quarterly basis to our major shareholder, Watercare Services Limited.

Setting standards of conduct for staff

We require the highest standards of behaviour from our staff. Policies governing the conduct of employees include the Health & Safety Policy, the Individual Wellness Policy and the Conflict of Interest Policy.

Statement of Intent - 2021 to 2024

Lutra.

Board of directors



Lutra's Board of directors comprises Jason Colton, Rebecca Chenery (Chair), and Shane Morgan (Left to right).

Rebecca and Shane were appointed by Lutra's major shareholder, Watercare Services Limited. Rebecca is Watercare's Chief Digital Officer, and Shane is Watercare's Chief Operations Officer.

Jason Colton is a founder of Lutra, Executive Director, and was appointed CE of Lutra on 1 January 2020. Jason is also a minority shareholder of Lutra.

Board function

The Lutra board meets at regular intervals throughout the year. Our Corporate Governance Charter defines the duties and obligations of the board and board members covering fiduciary duty, duty of care, diligence, legal and statutory duties, and conflicts of interest.





Board meeting | 5 July 2021 Public session

Central Interceptor Report for May 2021

For discussion

Te pou whenua tuhinga / Document ownership

Prepared by Michael Webster Contract Manager, Cl **Recommended by** Shayne Cunis Execuitve Programme Director Cl Submitted by Jon Lamonte Chief Executive Officer

1. Te tūtohunga / Recommendation

We recommend that the Board notes the report.

2. Take matua / Key points

Key Activities / Issues

- 1. The launch of the micro tunnel boring machine (mTBM) and jacking of the first pipes for Link Sewer C from May Road occurred in early June.
- 2. Planning is underway for the 'cutting through' celebration of the TBM 'Hiwa-i-te-Rangi' at Māngere Pump Station for late July. This is likely to include a number of VIPs and provide opportunities for members of the public and industry to visit the site.
- 3. The employment market for construction staff, and in particular engineers, remains tight. It is proving to be challenging to find engineers willing to work night shifts and weekends which is required as the contractor is moving to 24-hour operation of the mTBM at May Road. To address this, the profiles of targeted candidates have been broadened and secondment opportunities and options to incentivise periodic cover of night shifts by Watercare staff are also being considered.

3. Whāinga / Purpose and context

The paper is the update of the project for May 2021.

4. Korero pitopito / The details

Project Progress

4.1 Health, Safety & Wellbeing

Safety Milestone Achievement Awards

Two Safety Milestone Achievement Awards were presented during the month. The first was to the May Road excavation team for the safe completion of Shaft A, the second was to the inlet shaft lining works team at Māngere Pump Station. Teams were presented a certificate by Watercare project staff and on-site barbeques were held for the workers. Night shift workers were also catered for in the celebrations. The importance of working together to achieve project and safety outcomes was communicated to teams by Watercare and GAJV senior leadership.

Level 2 Emergency Response Drill

A level 2 emergency response drill was held at Mangere Pump Station late in the month. This followed a similar exercise the previous month at May Road. The contractor has now issued a schedule of emergency drill scenarios for the project. Feedback on the most recent drill was also positive, learning points included verification of receipt of information via email and ensuring that each site has functioning communications hardware such as speakers and microphones.

Hyperbaric Training

Preparation for tunnelling is well underway; this includes training for any potential hyperbaric interventions. Two Watercare project engineers joined contractor staff on their one-day training course. The training included a full medical exam, an in-depth review of hyperbaric working conditions and hazards, and concluded with attendees experiencing increased atmospheric pressure while sitting inside a compression chamber. The purpose of the training exercise was to familiarise staff with the unique working environment hyperbaric conditions can present.

4.2 Delivery

Due to delays, primarily resulting from Covid-19, there has been an extension of time of 100 days to the completion of Section 1 (MPS operational – now 30 April 2024) and Section 2 (Southern system fully operational – now 12 October 2024). However, the overall contract completion date remains at December 2025.

4.2.1 Māngere Pump Station

• The site continues to develop, with work on many fronts (photo below) as we near commencement of tunnelling.



- Shaft dewatering is ongoing and unchanged with no evidence of environmental impact or movement to structures within the Wastewater Treatment Plant (WWTP).
- Permanent wall construction in the inlet shaft has been completed and the lining of the pump station shaft has been halted until after the TBM launch is completed.
- Assembly of the TBM and gantry crane continues.
- The rising main dual PE pipes have been installed over the effluent channel (photo below). Installation of pipes through the odour bed continues.



4.2.2 May Road

• Enclosure of the noise shed continues and preparation for construction of the capping beam for Shaft B has commenced (photo below).



- Site acceptance testing of the mTBM is 95% complete with the remainder to be completed once the first few pipes are jacked. The photo below shows a section of mTBM 'Domenica' being lowered into the shaft.
- The new site offices and facilities are nearing completion. Construction teams moved into their new offices in mid-May
- All works for the site access from Roma Road have now been completed with opening of the access road scheduled for mid-June. This will now become a one-way site improving site safety and traffic movements.



4.2.3 Other Sites

- Construction of the Branch 9B diversion chamber is ongoing in Keith Hay Park. Soft ground conditions have been encountered and the contractor has now lodged a claim.
- Excavation of the shaft and base slab at Haycock Avenue is complete.
- Dundale Avenue shaft excavation has commenced and has reached a depth of 9m below ground level.
- Construction has recommenced at Miranda Reserve with the new chamber works underway.
- Walmsley Park construction works are on hold until Q3 2021.

5. Ngā tūraru matua / Key risks and mitigations

May has seen the milestone of the first section of the mTBM being lowered into the May Rd shaft (52m deep), demonstrating the efficacy of lifting protocols established following earlier lifting incidents.

Preparations to commence mTBM tunnelling and the TBM launch continues to remain the primary focus with management through joint planning between Watercare and GAJV.

There have been no significant movements in any of the existing risks over the month.



Risk Description	Risk Reduction Actions
Tunnelling production rates and critical path is delayed	Additional probe drilling for specific ground conditions.
Ground conditions are more adverse than baselined in GBR results in delays to	We will actively monitor ground conditions and tunnelling rates during operation. TBM has facility for
programme and additional costs.	real-time monitoring.
COVID-19 Pandemic critical offshore personnel resourcing and supply chain	\$5M expenditure to procure TBM from Germany instructed in late February 2020.
issues	Engagement with GAJV for critical resourcing requirements from overseas. WSL can offer endorsements if
Resourcing – critical staff not able to obtain exemptions to be able to enter New	necessary, to pass government requirements. GAJV have recruited a number of local resources for critical
Zealand. Now presents a critical risk to the project.	roles.
	Close monitoring of supply chain impacts due to COVID-19 including engagement with suppliers.
GAJV self-perform Mangere Pump Station construction	Approval process and in-depth review of contractor capabilities.
Contractor proposing to self-perform delivery of Māngere Pump Station works.	Engagement of appropriate sub-consultants where required.
Quality and/or commissioning issues arising from insufficient capability within	The GAJV presented their delivery plan, but it had significant areas of concern. At this time, we have not
contractor to successfully deliver works.	approved and highlighted that any delays in delivery are, in our view, a result of the contractor's
	performance.
Significant utilities (unforeseeable physical conditions) are damaged	Ensure services investigations are undertaken by the contractor
Utilities not shown on drawings or with visible evidence on site. Inadequate	Review contractor method statements and risk assessments for utility location.
investigations.	
Aggregate effect of WIWQIP changes causes disruption	Change management process in place.
Sum of WIWQIP changes impacts GAJV scheme procurement activities.	Considering all viable options for delivery of WIWQIP work, and impact of timeframe for delivery of works
Limited internal WSL resource availability to manage additional workload causes	without impacting CI performance warranties.
delays.	Jacobs resourcing available to support CI team members.
There is a fire in the tunnel	Tunnel management controls around ignition sources. Electric locomotive to reduce flammable
Construction with pre-installed liner, some incident e.g. electrical fire causes the	risk. Detection and suppression systems.
lining to catch fire.	PHMPs being agreed with Worksafe. Early contractor engagement with mines rescue.
Fire in the tunnel impedes evacuation and rescue operations.	AME system – real-time personnel tracking.
	Limiting visitor and personnel access to essential only.
Partial failure or collapse of the confluence chamber	Provisional sums removes cost pressure for condition survey and investigation to provide the most
A lack of understanding/underestimation/inaccurate assessment of the existing	appropriate solution. Work will proceed on least risk option.
asset condition	Shutdown works to be programmed for dry season/periods of low flow.
The contractor's methodology is unsuitable, or a deviation from the approved	Workshop between contractor, designers, and treatment plant to identify the most appropriate solution.
approach.	
Lifting	Competent operators and dogmen, operating with high quality lift plans.
Suspended loads pose a risk of being dropped and causing injuries to staff.	Establishment of critical rules, with a specific rule to eliminate workers under suspended loads.



Board meeting | 5 July 2021 Public session

Drought update

For discussion

Te pou whenua tuhinga / Document ownership

Prepared by Anin Nama Manager Improvement Programme Operations **Recommended by** Shane Morgan Chief Operations Officer Submitted by Jon Lamonte Chief Executive Officer

Key points

- Current demand of 395MLD remains below target ceiling of 416MLD for June
- Stage 1 restrictions remain in place
- Current system storage remains within expected target response envelope
- Road map being developed for the next phase of activities
- Water efficiency expo planned for 4 and 5 August to provide exposure to water efficiency products and advice for our commercial customers.









Lower Huia Dam Upper Mangatawhiri Dam Cumulative Rainfall Cumulative Rainfall 2000 2000 1800 1800 1600 1600 1400 1400 Ê 1200 € 1200 Rainfall (m 008 008 Rainfall (mr 008 0001 600 600 400 400 200 200 0 0 1-Jan-21 1-Feb-21 1-Mar-21 1-Apr-21 1-May-21 1-141-22 1-AUB-21 1 1-260-21 1-0ct-21 1-Nov-21 1-Dec-21 1-Jan-22 1-Jan-21 1-Feb-21 1-Mar-21 1-Jun-21 1-Apr-21 1-May-21 1-Jun-21 1.101-21 1.AUE22 1.Sep 21 1.Oct 21 1.NOV-21 1.Dec. 21 1.13n-22 -Normal -1993 -2020 -2021 -Normal -1993 -2020 -2021 Lower Huia Monthly Upper Mangatawhiri Monthly 300 300 25 250 200 200 L) 150 = 150 Rair Nov-21 Mar-21 Apr-21 May-21 Jun-21 Jul-21 Aug-21 Sep-21 Oct-21 Dec-21 May-21 Jun-21 Jul-21 Aug-21 Sep-21 Oct-21 Nov-21 Dec-21 Feb-21 Mar-21 Apr-21 ■This Year ■Last Year ■Normal ■Forecast This Year Last Year Normal Current Forecast

Rainfall Summary

AUGMENTATION STATUS UPDATE

Location	Pukekohe Bore	Hays Creek dam in Papakura	Waitākere Water Treatment Plant
On track			
Update	5MLD in service	Stage 1 = 5MLD in service	8MLD increase in service by September 2021. The
		Stage 2 = 12MLD Commissioning due by December 2021	supply of the filter floor assets, which are essential
			to restoring capacity at the Waitākere WTP, has
			been delayed due to supplier resourcing issues.
			Watercare is working constructively with the
			equipment supplier to ensure that there are no
			further delays.

Location	Waikato Water Treatment Plant (existing plant)	Ardmore Water Treatment Plant	Onehunga Water Treatment Plant
On track			
Action	Additional 25MLD in service	Low flow operation reconfigured to 80MLD – 250MLD	Stage 1: 22MLD completed Stage 2: additional 2MLD completed in May 2021, bringing the total source to 24MLD

Location	Waikato 50	
On track		
Action	Stage 1 = 50MLD scheduled for completion in July 2021 - on target Waikato No.1 water main boost pump station is temporarily out of service for ball valve installation and is expected to be back in service in July 2021.	
NON-REVENUE WATER STATUS UPDATE

Activity	Creating Smaller District Metered Areas and Pressure Management
On track	
Action	 Target is to develop district meter areas with less than 10,000 connections for 65% of the city Stage 1 Waitākere – rezoned from 6 DMAs to 24 DMAs, 95% complete Stage 2 Maungakiekie – rezoned from 1 DMAs to 4 DMAs, 90% complete

Activity		Leakage management
On track		
Action	•	Increase ground surveying of leak detection to 6,000km a year
	•	5200 km (surveyed to date)
	•	3887 leaks found
	•	8.17MLD (saved to date)
	•	95% of leaks are responded to within KPI
	•	Fixed all moderate to major leaks detected within 5 days

Activity	Meter Replacements	
On track		
Action	Improve accuracy of customer meters	
	• 29,216 domestic meters replaced YTD, target 30,000	
	1000 commercial customer smart meter loggers installed to date, target 2000 completed by August 2021	

Activity	Non-Potable and reuse
On track	
Action	Currently there are three non-potable sites in operational with a total of 159 commercial customers
	Western Springs is our busiest site mainly being utilised for construction purposes
	• The non-potable site located in Hugo Johnston Drive is now accessible to 24/7. Several customers are using it after hours for construction work
	We are reviewing the Halls Farm site to determine its viability for having dual access for potable and non-potable customers

Board meeting | 5 July 2021 Public session



Iwi relationships

For discussion

Te pou whenua tuhinga / Document ownership

Prepared & Recommended by	Submitted by		
Richard Waiwai	Jon Lamonte		
Poutiaki, Tikanga Māori (Principal Advisor)	Chief Executive Officer		

1. Ngāti Marutuāhu

Ngā puke ki Hauraki ka tarehua, E mihi ana ki te whenua, E tangi ana ki te tangata. Ko Moehau ki waho, Ko Te Aroha ki uta. Ko Tīkapa te moana, Ko Hauraki te whenua, Ko Marutūahu te tangata.

The peaks of Hauraki are shrouded in mist. We acknowledge the land and lament the people. Moehau stands distant and Te Aroha stands inland. Tīkapa is the waterway, Hauraki is the land Marutūahu is the man.

General Background

The Marutūahu tribes are descended from Marutūahu, a son of Hotunui, who is said to have arrived in New Zealand on the *Tainui* canoe. The Marutūāhu tribes are therefore part of the Tainui group of tribes. The Marutūāhu confederation is also part of the Hauraki collective of tribes.

The Marutūāhu Collective is comprised of Ngāti Maru, Ngāti Pāoa, Ngāti Tamaterā, Ngaati Whanaunga and Te Patukirikiri (Marutūāhu Iwi) and their interests extend from Mahurangi in the north to the Bay of Plenty in the south.

The Marutūāhu Iwi Collective Redress Deed (Deed) will provide the Marutūāhu Iwi with collective cultural and commercial redress in Tāmaki Makaurau, Mahurangi and Hauraki Gulf / Tīkapa Moana.

Chair – Wati Ngamane Chief Negotiator – Paul Majurey

- The offices of Ngāti Maru are situated in Thames
- Ngāti Maru territory spreads across 6 territorial authorities

Ngāti Maru engagement with Watercare

- Warkworth, Snells Algies
- Westhaven Pump Station
- Central Interceptor Project
- Hunua Ranges
- Waikato 50 Programme of works
- Beaumont Street Gravity Sewer Replacement project
- Whangaparaoa Army Bay Wastewater Treatment Plant

office@ngatimaru.iwi.nz

2. Ngāto Tamaterā

Ko Moehau te Maunga Ko Waihou te Awa Ko Tīkapa te Moana Ko Hauraki te Whenua Ko Tamaterā te Tupuna Tīhei Mauri Ora!

Background

Tamaterā was the second son of the eponymous ancestor Marutūāhu and his descendants formed the tribe known as Ngāti Tamaterā.

The area of interest of Ngāti Tamaterā extends from Mahurangi in the north to Ngā Kuri a Wharei in the south encompassing the islands and shores of Tikapa Moana/Hauraki Gulf from Auckland to the Coromandel Peninsula to the islands and shores of Te Tai Tamawahine reaching southwards to Katikati-Te Puna. This is expressed by Ngāti Tamaterā as 'mai Matakana ki Matakana.

Ngāti Tamaterā is one of the iwi of Ngā Mana Whenua o Tāmaki Makaurau (the Tāmaki Collective). It is also a member of the Pare Hauraki and the Marutūāhu Iwi collectives. Ngāti Tamaterā has received collective redress as part of the Tāmaki Collective Redress Deed and will receive collective redress as part of the Pare Hauraki Collective Redress Deed. It is also intended Ngāti Tamaterā will receive redress through the Marutūāhu Iwi Collective Redress Deed (yet to be initialled). On 20 June 2011, the Crown recognised the mandate of the Ngāti Tamaterā negotiators to negotiate a comprehensive settlement of the historical te Tiriti o Waitangi/the Treaty of Waitangi claims of Ngāti Tamaterā with the Crown. The mandated negotiators and the Crown entered into an agreement in principle equivalent on 22 July 2011. The Ngāti Tamaterā Post Settlement Governance Entity, the Ngāti Tamaterā Treaty Settlement Trust, was ratified between June and August 2012.

On 20 September 2017, Ngāti Tamaterā and the Crown initialled a Deed of Settlement (the Deed).

Iwi Lead Negotiators – Peter McEnteer and Liana Ngamane

Kaitiaki Representative – Anthony Royal and Michelle Wilson

Ngāti Tamaterā are now able to engage with Watercare across the projects registered on our kaitiaki register, resourcing and competing commitments have been sorted.

enquiries@tamatera.co.nz

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Board meeting | 5 July 2021 Public session Changing to an international measure in real water loss

For discussion

Te pou whenua tuhinga / Document ownership

Prepared by Anin Nama Head of Improvements Programme Operations **Recommended by** Shane Morgan Chief Operations Officer Submitted by Jon Lamonte Chief Executive Officer

1. Te tūtohunga / Recommendation

We recommend that the Board acknowledge the new way of measuring and reporting on real water losses. The new measurements to be adopted by Watercare are consistent with the International Water Association measures and are widely adopted in Europe and the UK. These measures are outlined below:

- Metropolitan area litres per connection per day
 - o where a connection is defined as a physical connection point between Watercare and private networks.
- Non-metropolitan area cubic meters per kilometre per day
 - \circ ~ where kilometres refers to length of local watermains.

2. Take matua / Key points

The key points are:

- The current use of a single percentage (%) loss factor compared to total volume supplied is an outdated and inherently errored method that is deceiving.
- Reporting water real loss by litres per connection per day and cubic meters per kilometre per day are consistent with international guidelines.
- It is a better indication of real loss as it accounts for growth in the network and change in customer behaviour.
- Our performance as at January 2021 for these metrics was:

- o litres per connection per day: 132
- cubic meters per kilometre per day: 6.1
- An economic level of leakage to determine our target is currently being developed.

3. Whāinga / Purpose and context

3.1 Current methodology for calculating real loss

Real loss is a calculation of the proportion of non-revenue (ie. non billed) water that is assumed to be leakage and could be theoretically 'managed' through asset and business process controls. This calculation is in line with the International Water Association's recommended definition for water losses.

Real loss (leakage) =	Total volume treated - total volume sold - transmission operational flushing - meter under reading - firefighting - operational
	use - unauthorised use - pipe bursts
Network losses +	
Transmission losses	* See Attachment 1 for definitions

The Watercare rate of 'real loss' of water from the Auckland system at January 2021 is 13.4% or 57.9 MLD. This is based on a total treated volume of 432 MLD across the region. The total non-revenue water was 17.9%, with the difference being meter under-reading (assumed 5% of sales), operational use inclusive of firefighting (calculated 0.5% of supply), and unauthorized use (assumed 0.45% of supply).

Watercare's current SOI leakage KPI is 13%.

3.2 The Issues with the current Real Loss methodology

The use of a single percentage (%) loss factor compared to total volume supplied is an outdated and inherently errored measure. It is directly influenced by the total volume consumed and changes over time due to per capita consumption. The measure therefore has a strong correlation with demographic and usage consumption changes.

As per person consumption drops, real loss increases if it is calculated simply as a percentage of total production (assuming non-domestic holds relative to domestic). An example is presented below – the future target of domestic consumption at 135 L/person/day would result in a real-loss outcome of 15.1% at current asset performance levels.

Example: change in real-loss relative to consumption change

Domestic consumption	Real-loss %
165 L/person/day	13.39%
160 L/person/day	13.64%
155 L/person/day	13.91%
150 L/person/day	14.18%
145 L/person/day	14.47%
140 L/person/day	14.77%
135 L/person/day	15.08%

Note: this calculation assumes the following:

- Production is assumed to be 432MLD (January 2021 current) and is reduced in each line of the table by the reduction in the domestic consumption per capita multiplied by the population.
- Population figure used is connected population of 1,612,886 people.
- Constant real loss of 57.85MLD is used (January 2021 current).
- Non-domestic contribution is assumed to be 37% of total consumption.

4. Korero pitopito / The details

4.1 Moving to internationally used benchmarks

The UK and Europe use 'real loss' calculated per connection or distance reticulated. This is still referred to as 'real loss'.

There is bias with either measure due to the density of the water network. To address this, international best practice, according to the International Water Association, is to use the customer connections as a basis for calculation in areas where the connection density is greater than or equal to 20 per km (ie. urban or city environments), and to use network length as a basis for calculation where the connection density is less than 20 per km (ie. rural or periurban). Watercare therefore proposes to use the following two measures:

• Metro water – litres per connection per day.

• Non metro water – kiloliters per kilometer per day.

Australia is also adopting this approach but with a disaggregated water sector (ie. bulk suppliers separate from retailers), so the measure is not equivalent to the UK measures. To determine the 'real loss' in Brisbane requires the addition of losses from Seqwater (the bulk water provider) and one of the network retailers (ie. Unitywater, Urban Utilities, Gold Coast).

4.2 How do we compare if we change our measures?

Our best reference point for real loss comparison at this stage is the UK water industry. Scottish Water has also been included.

Real Loss Measure		Watercare (2019)	Scottish Water	UK average	UK range
by network length	m³/km/day	6.1	10.0	9.2	5 to 21.9
by customer connections	l/c/day	132	171	121	77 to 178



The UK is a heavily regulated water industry where leakage and loss of water is a significant operational focus due to a direct link with economic regulation. There is also a significant demographic and density difference across the UK. However, Wessex Water, Northumbrian Water, Welsh Water, South West Water and Southern could be considered as demographically similar to Watercare and an appropriate reference. We believe that Wessex Water is closest to being a like-for-like utility.

Real loss measure		Watercare (Jan 2021)	Wessex Water	Northumbrian Water	Welsh Water	South West Water	Southern Water
Network length	m³/km/day	6.1	5.5	7.9	6.1	5.5	7.3
Customer connections	l/c/day	132	107	112	118	101	91

* Lowest level of loss out of selected peer group.

If we were to further improve and set a target of performance based on the best performing peer for each measure, the impact would be as follows:

- To achieve 5.5 m³/km/day of loss would require a 9.8% improvement on current performance.
- To achieve 91 l/c/day would require a 17% improvement on current performance.

Our current SOI target of 13% relates to a real loss figure of 126 l/c/d for January 2021. However, we are currently working on an economic level of leakage that should inform the leakage target better than a comparison to other utilities or historical targets.

5. Ngā ūpoko / The capitals

5.1 Natural Environment



As the proposal is to acknowledge a change in reporting metric, it will have no impacts on the natural environment. However, a more reliable leakage metric may drive greater investment in renewals which will result in better environmental outcomes.

5.2 People and Culture



A change in the reporting metric allows Watercare to better monitor performance of the network. This means that the business can more easily determine when reduction in demand is due to reduced losses or reduced consumption.

5.3 Customer and Stakeholder Relationships 🦵

The change in metric follows an international benchmark used in the UK. This gives the public confidence that any targets we set and meet are in line with the performance levels of international utilities. The transparency will support our social licence to operate.

5.4 Assets and Infrastructure

A more reliable leakage KPI may result in a greater investment in pipe renewals. By improving our reporting measures, we provide better transparency around asset performance and Watercare's level of service.

5.5 Intellectual Capital



A move to using an internationally recognised leakage measure supports Watercare with recognition for world class practices.

5.6 Financial Capital and Resources (\$

A better leakage measure will ensure optimal renewals investment. It should be noted that the subsequent paper regarding the economic level of leakage will determine targets for these metrics. This will inform Watercare of the level of investment needed to reach targets.

6. Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
As we will continue to report the existing metric (for	
DIA purposes), there are no risks associated with adding	
additional leakage metrics to the business processes.	

7. Ā muri ake nei / Next steps

The following next steps are proposed:

- The two new measures will be included in the July 2021 board reporting pack.
- Management will present the economic level of leakage for Watercare to the Board in July 2021.
- Watercare will work with Auckland Council and the DIA to ensure that real loss KPIs are consistently reported across NZ using these new measures.
- Assuming DIA approve the change in real loss measures, these will be reflected in the Statement of Intent.

8. Te whakapiringa / Attachment

Attachment number	Description
1.	Leakage input definitions

Attachment 1

Leakage Input Definitions

Watercare follows the same methodology of calculating real loss as the IWA (international water association). Highlighted in red are the differences in terminology between the IWA standard water balance and Watercare.

Real loss (leakage) = Network losses +	Total volume treated - total volume sold - transmission operational flushing - meter under reading - operational use unauthorised use				
Transmission losses					
Total volume treated	The sum of all flows produced through water treatment. This is different from the abstracted flow, which also includes treatment losses (due to discharge of waste streams) and compensation flows which may be released to the environment.				
	IWA: System input volume				
Network losses	Leakage within the network. Calculated as the remainder of non-revenue water after all other measures have been subtracted.				
	IWA: distribution component of the Leakage on transmission and distribution mains				
Transmission losses	Transmission losses is the assumed leakage on transmission mains. It is calculated as 2% of bulk supply points due to previous comparisons between production and bulk supply meters. Our total volume treated is calculated using our bulk supply meter volumes + transmission losses + transmission operational flushing.				
	IWA: Transmission component of the Leakage on transmission and distribution mains				
Transmission operational	Calculated on site by maintenance providers who multiply the flowrate by the duration of each flushing case.				
flushing	IWA: included in unbilled unmetered consumption				
Meter under reading	Meter under reading assumption is 5.26% of sales based on recent community wide meter reads before and after replacement in Waiuku.				
	IWA: Customer metering inaccuracies				
Operational use	Flushing assumption based is 0.5% of Bulk supply on NZ water loss guidelines which is dictated by international best practice. Papakura, Waikato and Mangere WWTP are excluded from the bulk supply total used. IWA refers to this as being included in unbilled unmetered consumption				
	There are additional inputs based on metered operational use at flushing points. IWA refers to this as Unbilled metered consumption				
Unauthorised use	Theft is 0.1% of bulk supply according to NZ water loss guidelines, however it is assumed to be 0.45% based on a high number of illegal connections found. Papakura, Waikato and Mangere WWTP are excluded from the bulk supply total used IWA refers to this as unauthorised consumption				

There are several aspects of the International Water Association water balance which we do not include because they are already included accounted for in other ways. These are:

- Billed unmetered consumption: Watercare does not have unmetered sales therefore this aspect is assumed to be zero.
- Data handling and billing errors: As our data handling and billing processes are fully audited Watercare assumes this to be zero.
- Underestimation of unmeasured consumption: As every customer is metered in Auckland, Watercare assumes this to be zero.
- Leakage and overflows at utility storage tanks: This is included within network and transmission losses.
- Leakage on service connections up to the point of customer metering: This is included within network losses.

The table below shows the water loss calculation as used by the IWA

	Authorised	Billed Authorised Consumption	Billed metered consumption	Revenue				
	Consumption		Billed unmetered consumption	Water				
		Unbilled Authorised	Unbilled metered consumption					
System Input	,	Consumption	Unbilled unmetered consumption					
Volume (allow			Unauthorised consumption					
forknown errors)		Apparantlassas	Data handling and billing errors					
	Water Loss	ApparentLosses	Underestimation of unmeasured consumption					
			Customer metering inaccuracies	Non- Revenue Water				
			Leakage on transmission and distribution mains					
		Real Losses	Leakage and overflows at utility's storage tanks					
			Leakage on service connections up to the point of customer metering					

Board - Public Session - Governance

Board Planner 2021

Dourd Th	anner 2021	January	February	March	April	May	June	July	August	September	October	November	December
	Board	29-Jan	26-Feb	30-Mar	29-Apr		1-Jun (April Results)	5-Jul* (May Results) 29-Jul	30-Aug	30-Sep	28-Oct	30-Nov	14-Dec (Teleconference)
	Audit and risk committee		3-Feb			26-May			9-Aug 24-Aug		28-Oct		
Meetings	Te Tangata Komiti	27-Jan 3pm			28-Apr 10am				19-Aug 10am			24-Nov 10am	
	AMP & Major Capex Committee		18-Feb 10am			20-May 10am			11-Aug 10am			18-Nov 10am	
	Committee for Climate Action		19-Feb 10am			24-May 10am				13-Sep 10am			8-Dec 10am
	CCO Oversight Committee meetings					18-May				21-Sep			
Events	Community and Stakeholder Relationships									TBC: Meet Diversity and Inclusion Committee			
	Charter reviews	Corporate Governance charter						A&R Charter (5 July meeting)		Committee for Climate Action Terms of Reference Te Tangata Charter			
	Policy reviews											Good Employer Policy	
е	Risk report due to Council	Risk report (due to Council 22 February)			Risk report (due to Council 18 May)			Risk report (due to Council 23 August) (29 July meeting)		Risk report (due to Council 13 September)		Risk report (due to Council mid- November)	
6 over nance	Enterprise Risk report to Board	Report to Board			Report to Board			Report to Board (29 July meeting)		Report to Board			
09	Compliance	Statutory compliance			Statutory compliance			Statutory compliance (29 July meeting)			Statutory compliance		
	Shareholder interaction			Presentation to CCO Oversight Committee of Q2 Report 23 March		Attendance at CCO Oversight Committee Meeting of 18 May in relation to Q3 Report and SOI			30 August	Presentation to CCO Oversight Committee of Q4 Report on 21 September			
	Site Visits						Water sites						

Board - Public Session - Governance

Board Planner 2021

		January	February	March	April	May	June	July	August	September	October	November	December
Board Training	Board training & development							Directors' responsibilities in relation to Water Safety Plan (5 July meeting)	Personal Security - RISQ		Mental Health & Wellbeing in the workplace		
Business strategy	Strategic planning & Deep Dives												
s planning	Key finance and business decisions	Approve half year accounts	a) approve financials for Draft SOI including projected 21/22 price increases, b) approve long term financials for Auckland Council modelling		Auckland Council to notify Watercare of Group Treasury Interest Rate by 30 April	Present plan for Year End to A&R Approve Insurance Proposal Approval of 2020/21 Budget & updated SOI Financials (1 June board meeting)		Auckland Council and Watercare to review 30 June Treasury Interest rates	a) approve 2020/21 accounts, b) delegate final sign off of 2021/22 Annual Report c) Approve Auckland Council Reporting Pack				Auckland Council Draft Annual Plan - approve Watercare input ^{>}
Busines	Statement of intent	2021/22 Letter of Expectation to be received	Draft 2021-2024 SOI for Board's review	Approval of Draft 2021-2024 SOI					Final 2021-2024 SOI adopted by Auckland Council		2020/2021 SOI Results to be presented to Board at Public Meeting. Public Deputations received.		2022/23 Letter of Expectations to be received

Statutory public Board meeting - deputations invited
 A Extraordinary Audit & Risk and Board Meeting to meet shareholder half year and annual report timeline

Board meeting | 5 July 2021 Public session



Directors' appointment terms, committee memberships, and meeting attendances

For information

Te pou whenua tuhinga / Document ownership

Prepared by Jacky Simperingham Head of Governance **Recommended by** Rob Fisher Acting Chief Officer Support Services

Submitted by Jon Lamonte Chief Executive Officer

1. Te tūtohunga / Recommendation

We recommend that the Board notes this paper outlining directors' appointment terms, committee membership, and meeting attendances.

2. Take matua / Key points

The key points are:

- the tenure of the seven current directors of Watercare Services Limited
- details of the committees each director is a member of
- details of directors' attendance at Board and committee meetings over the calendar year.

3. Kōrero pitopito / The details

Table 1: We currently have seven directors

Our directors are appointed by Auckland Council.

Director	Original appointment date	End of term
Margaret Devlin (Chair)	1 November 2016	31 October 2022
Dave Chambers	1 November 2019	31 October 2022
Nicola Crauford	1 April 2014	31 October 2022
Brendon Green	1 November 2016	31 October 2022
Hinerangi Raumati-Tu'ua	1 August 2019	31 October 2024
Frances Valintine	1 November 2019	31 October 2022
Graham Darlow	3 February 2021	31 October 2024

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

Committee Chairs and members are appointed by the Chair. Attendance at Committee meetings by non-members is optional.

Director	Audit and Risk	Te Tangata	AMP & Major Capex	Committee for Climate Action
Margaret Devlin (Chair)	*	\checkmark	\checkmark	
Dave Chambers		Committee Chair		\checkmark
Nicola Crauford			Committee Chair	\checkmark
Brendon Green	~			Committee Chair
Hinerangi Raumati-Tu'ua	Committee Chair		\checkmark	
Frances Valintine		~		\checkmark
Graham Darlow	~		\checkmark	

*Board Chair attends in ex-officio capacity

Table 3: Attendance at Board and committee meetings in 2021 is detailed in the table below:

Attended ✓ Did not attend ≭ Not on the committee ■ Not on the Board 🛛		Attendance at Board meetings			Attendance at Audit and Risk Committee meetings					Attendance at AMP & Major Capex Committee meetings					Tangata Komiti				Attendance at Committee for Climate Action meetings										
Board members attendance 2021	Board 29 January 2021	Board 26 February 2021	Board 30 March 2021	Board 29 April 2021	Board 1 June 2021	Board 5 July 2021	Board 29 July 2021	Board 30 August 2021	Board 30 September 2021	Board 28 October 2021	Board 30 November 2021	A&R3 February 2021	A&R 26 May 2021	A&R 9 August 2021	A& R 24 August 2021	A&R 24 August 2021 A&R 28 October 2021 AMCC 18 February 2021 AMCC 18 February 2021 AMCC 10 April 2021 AMCC 20 May 2021 AMCC 11 August 2021 AMCC 18 November 2021 TTK 27 January 2021 TTK 28 April 2021 TTK 24 November 2021 TTK 24 November 2021 TTK 24 November 2021		CCA 19 February 2021	CCA 24 May 2021	CCA 13 September 2021	CCA 8 December 2021								
Margaret Devlin	✓	\checkmark	✓	✓	\checkmark							✓	\checkmark				\checkmark	×	\checkmark			\checkmark	\checkmark						
Nicki Crauford	~	✓	✓	\checkmark	\checkmark												\checkmark	\checkmark	\checkmark							\checkmark	\checkmark		
Brendon Green	×	✓	✓	✓	✓							✓	\checkmark													\checkmark	\checkmark		
David Thomas	~	✓										✓										\checkmark						\square	
Hinerangi Raumati-Tu'ua	×	×	✓	\checkmark	\checkmark							\checkmark	\checkmark					\checkmark	\checkmark										
Dave Chambers	\checkmark	\checkmark	✓	\checkmark	\checkmark																	\checkmark	\checkmark			\checkmark	\checkmark		
Frances Valintine	\checkmark	\checkmark	✓	\checkmark	\checkmark												×						\checkmark			\checkmark	\checkmark		
Graham Darlow		\checkmark	\checkmark	\checkmark	\checkmark								\checkmark					\checkmark	\checkmark										

Board meeting | 5 July 2021 Public session Disclosure of Directors' and Executives' interests

For information

Te pou whenua tuhinga / Document ownership

Prepared & Recommended bySubmitted byRob FisherJon LamonteActing Chief Officer Support ServicesChief Executive Officer

1. Te tūtohunga / Recommendation

We recommend that the Board notes the directors' and executives' interests.

2. Whāinga / Purpose and context

Section 140 of the Companies Act 1993 requires all directors to keep an Interests Register, which must be disclosed to the Board of the company.

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, but also voluntarily maintains an Interests Register for our executives.

3. Kōrero pitopito / The details

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

DIRECTOR	INTEREST
Margaret Devlin	Director and Chair, Lyttleton Port Company Limited
	Director, Waikato Regional Airport
	• Director, Titanium Park (wholly owned subsidiary of Waikato Regional Airport)
	Director, Waimea Water Limited
	Director, Aurora Energy
	• Director, IT Partners Group
	Councillor, Waikato University



DIRECTOR	INTEREST						
	Deputy Chair, WINTEC						
	Chair, Advisory Board Women in Infrastructure Network						
	Chair, Hospice Waikato						
	Chair, Infrastructure NZ						
	Chartered Fellow, Institute of Directors						
	Member, Institute of Directors, Waikato Branch Committee						
Nicola Crauford	Chair, GNS Science Limited						
	Chair, Electricity Authority						
	Director and Shareholder, Riposte Consulting Limited						
	Director, CentrePort Limited Group						
	• Trustee, Wellington Regional Stadium Trust						
Brendon Green	Director, Kaitiaki Advisory Limited						
	Director, Tainui Kawhia Incorporation						
	• Director, Hiringa Energy Limited						
	Director, Hiringa Refueling Investments Limited						
	• Executive Director, Advanced Biotech NZ Limited						
	Management contract, Tainui Kawhia Minerals						
	Australia-NZ representative, Wattstock LLC (USA)						
	• Representative of Waipapa Marae, Kawhia, Te Whakakitenga o Waikato Tainui						
	Runanga Manukau Institute of Technology, Te Whakakitenga o Waikato representative						
	Member, Waikato District Council – Infrastructure Committee						
	• Advisor, Te Taumata Aronui – Ministry of Education						
	Adjunct Senior Fellow, University of Canterbury – Department of Chemical Engineering						
Hinerangi Raumati-Tu'ua	• Chair, Parininihi Ki Waitotara Incorporated						
	• Chair, Te Rere O Kapuni Limited						
	• Chair, Ngā Miro Trust						
	• Chair, Nga Kai Tautoko Limited						
	• Chair, Te Kiwai Maui o Ngaruahine Limited						
	• Trustee, PKW Trust						
	• Director, Taranaki Iwi Holdings Management Limited						

10.4

DIRECTOR	INTEREST				
	Chair, Aotearoa Fisheries Limited				
	Director, Sealord Group Limited				
	Director, Port Nicholson Fisheries GP Limited				
	• Director, Te Puia Tapapa GP Limited				
	Chair, Tainui Group Holdings Limited				
	• Executive Member, Te Whakakitenga O Waikato				
Dave Chambers	Director, Paper Plus New Zealand Limited				
	Director, Living Clean NZ Limited				
	• Director, Turners and Growers Fresh Limited				
Frances Valintine	Director and CEO, The Mind Lab Limited				
	• Director and CEO, Tech Futures Lab Limited				
	Director, Harcourt Jasper Limited				
	Director, Pointed Tangram Limited				
	Director, Harper Lilley Limited				
	Director, On Being Bold Limited				
	Director, Sandell Trustees Limited				
	Selection Advisor, Edmund Hillary Fellowship				
	• Trustee, Dilworth Trust Board				
	Futures Advisor, BNZ Bank				
Graham Darlow	Business Executive, Acciona Infrastructure NZ Limited				
	Director and Shareholder, Brockway Consulting Limited				
	Chair, Frequency NZ Limited				
	Director, Hick Bros. Civil Construction Limited				
	Director, Hick Bros. Infrastructure Limited				
	Chair, Holmes GP Structure Limited				
	• Director, Tainui Auckland Airport Hotel GP (No.2) Limited				
	Director, City Care Limited				
	Director, Hick Bros. Heavy Haulage Limited				
	Director, Hick Bros. Holdings Limited				

10.4

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

EXECUTIVES	INTEREST				
Jon Lamonte	Director – Water Services Association of Australia				
Marlon Bridge	 Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust Director – WCS Limited 				
Rebecca Chenery	cca Chenery • Director – Lutra Limited				
Shayne Cunis	Director – The Water Research Foundation (USA)				
Rob Fisher	• Trustee – Watercare Harbour Clean Up Trust • Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust				
Shane Morgan	 Committee Member – International Water Association, New Zealand Director – Lutra Limited 				
Amanda Singleton	 Director – Die Weskusplek Pty Ltd (South Africa) Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust 				
Nigel Toms	Director – TRN Risk & Resilience Consulting				
Steve Webster	Director – Howick Swimgym Limited				

10.4

Board meeting | 5 July 2021 Public session



Huia WTP Resource Consent Decision

For information

Te pou whenua tuhinga / Document ownership

Prepared by Rob Fisher Acting Chief Officer Support Services Recommended by Rob Fisher Acting Chief Officer Support Services Submitted by Jon Lamonte Chief Executive Officer

1. Te tūtohunga / Recommendation

We recommend that the Board note this report.

2. Take matua / Key points

The Independent Commissioners have granted the regional resource consents under the Auckland Unitary Plan (AUP). Also the land use consent under the Resource Management (National Environmental Standard for Assessing and Managing Contaminants in soil to Protect Human Health) Regulations 2011 has been granted.

The decision runs to 38 pages and the conditions of consent are contained in some 70 pages. Many of the conditions related to the requirements of a Kauri Dieback Management Plan. Kauri dieback became the main issue in the application process.

At the time of preparing this paper, the conditions are still being analysed by our statutory planners, lawyers and technical advisors. However, at first sight the majority of conditions put forward by Watercare have been included. In particular requested changes to the condition on soil disposal have been made.

The decision is able to be appealed to the Environment Court which will hear any appeal against the grant of consent or in respect to conditions as a complete re-hearing.

The appeal period expires on 21 July, 2021.

The main findings of the Independent Commissioners include:

Will the kauri dieback measures prevent the pathogen being released from the site into the surrounding environment and, if not, what level of release (if any) is acceptable?

- 78. We are aware that Kauri dieback disease is a significant threat to our native forests, particularly in the more intensively settled parts of the Waitākere Ranges. Kauri trees are iconic in these environments and are recognised as a taonga. The urgency of the situation has shaped the AUP provisions and the management practices adopted when assessing applications for resource consent, and is driving research in the hope that more effective prevention tools can be identified.
- 79. Set against this background, we are acutely aware of the importance of this issue and the need to manage the spread of the disease to 'buy time' for remedial or preventative tools to be developed.
- 80. Our thought process for considering this issue was firstly to determine the level of risk that should be tolerated, and then assess whether the applicant's proposals meet the risk threshold that we have determined to be appropriate.
- 81. Guidance for determining the level of risk can be obtained from the AUP, and from the current practices of the Council with regard to management of Kauri dieback disease. The AUP objectives and policies address this issue primarily through Policy E11.3(6A), which seeks to recognise and provide for the management and control of kauri dieback disease as a means of maintaining indigenous biodiversity. Our reading of this policy is that it does not require absolute avoidance of risk, but rather seeks to manage the risk.
- 82. That appears also to be consistent with Council's practice for dealing with other vegetation removal or land disturbance activities in the SEA overlay, where works can occur subject to strict conditions relating to disposal of vegetation and soil, and management of potential vectors for movement of the disease. For example, there are a number of permitted activities that enable vegetation removal in the SEA overlay, and up to 300m² of vegetation removal for a building platform and access way within a SEA overlay is provided for as a controlled activity. The General standards applying to permitted, controlled and restricted discretionary activities require retention of Kauri material on site within three times the radius of the canopy dripline of the tree, or alternatively disposed of to an approved landfill facility.
- 83. It is clear from these AUP provisions that a threshold of zero risk is not applied to a range of other land disturbance activities that can occur in the SEA overlay. We acknowledge that the scale is clearly different, but the principle must be the same given that any activity that disturbs soil or vegetation creates an opportunity for spread of the disease. Although the implications of further or accelerated spread of Kauri dieback disease are grave, the AUP provisions effectively acknowledge that Kauri dieback is already present in urbanised areas of the Waitākere Ranges where a range of daily human activities have the potential to spread it further or faster.

AUP Objectives and Policies

- 139. As we have noted, we consider that the replacement WTP is an important component of public water supply infrastructure, with significant benefits particularly with regard to resilience but also through its ability to serve regional growth and intensification because the capacity of the plant would increase. We are satisfied that the proposed WTP has an operational and functional need to be in this location if a more resilient supply of treated water is to be provided. Alternative locations have been well-canvassed although the policy states that consideration of alternatives should have regard to the benefits of the project and the functional and operational requirements for the selected location.
- 141. Having considered the proposal against all relevant objectives and policies from the AUP, we are of the view that the application is consistent with the overall policy thrust. While there are outcomes that do not align with some of the policy provisions, the proposal clearly satisfies other policies. Overall, and assessed in the round, we consider that the proposal is consistent with the objectives and policies of the AUP. For completeness, we note that the application "will not be contrary to" the objectives and policies of the AUP. As a consequence, it is able to satisfy one of the limbs of the s104D gateway for non-complying activities.

What are the positive effects of the proposal and how do they weigh in the overall assessment?

- 142. We find that there are several positive effects that will arise if the proposal proceeds.
- 143. Foremost amongst these is the provision of a new WTP to provide treated water from the four contributing dams at Huia and Nihotupu. The capacity of the replacement plant would be 140ML per day, an increase from the production capacity of the current plant. The new WTP will also be able to provide a treatment process that is more advanced, efficient and resilient, and a supply network that continues to be resilient because it transports the treated water primarily through the assistance of gravity. We consider these to be significant public benefits, which have become more sharply in focus in the age of climate change and resultant drought conditions in Auckland.
- 144. The WBMP compensation package will also give rise to positive effects through its objective of improving biodiversity and forest vegetation through pest control. While we accept that these positive effects are proposed only to offset adverse effects from vegetation removal on the project site, they are nonetheless positive outcomes that will be felt throughout the Waima catchment.
- 145. The restoration of the Nihotupu Filter Station, covenanting of remaining vegetation on the site, and vesting of Exhibition Drive to regional parkland³⁴ are further positive effects of the proposal.
- 146. At least some of these positive effects are pivotal to the outcome of the applications. In weighing all the matters to be considered, we placed significant emphasis on the public good elements of the resilient infrastructure that is proposed for the benefit of the region as a whole. That benefit was fundamental in our decision to grant consent to a finely balanced and challenging application. Without the public good element of this

infrastructure, a proposal to clear 3.5ha of SEA would have no realistic chance of success and would run into impenetrable barriers when assessed against the objectives and policies of the AUP.

147. Similarly, we consider that the positive effects of the WBMP compensation package were an essential element of the success of the application. Without that, there would be no satisfactory means of counter-balancing residual adverse effects and the application would likely fail.

3. Whāinga / Purpose and context

The purpose of this paper is to provide the Board with an understanding of the key points arising from the grant of consent for the replacement water treatment plant to be located at Waima.

4. Korero pitopito / The details

Details are set out below.

5. Ngā ūpoko / The capitals

5.1 Natural Environment

The decision of the Commissioners makes it clear that Watercare as applicant accepted the proposal will give rise to residual adverse ecological effects. The Commissioners found these effects to be "more than minor". However, the public good nature of the proposal and the WBMP compensation package were fundamental in the decision of the Commissioners to grant consent.

Climate Change

A key factor in the choice of the Waima site was the elevation which enables the distribution of raw and treated water to occur largely by way of gravity, with minimal pumping required in the piped network. This is a significant factor in minimising the use of energy.

5.2 People and Culture 🛛 🕰



Submitters were concerned at what they say was an inadequate consideration of alternative sites and the adverse effects of kauri dieback, noise, traffic. The Commissioners were of the opinion that alternatives had been properly considered and the adverse effects could be addressed through conditions. The new WTP was seen by the Commissioners as a significant public good for the region as a whole.

5.3 Customer and Stakeholder Relationships

The comments above relating to the public good apply to the benefits for customers of a more resilient water supply system. Te Kawerau a Maki are mana whenua and submitted against the proposal. They provided a Cultural Impact Assessment (CIA) and their witness acknowledged that Watercare had agreed to the offsets recommended in the CIA. Te Kawerau a Maki will be represented on the Trust responsible for implementing the WBMP compensation package.

The Local Board opposed the proposal, although they did support the proposal to restore and repurpose the Nihotupu Filter Station building and the environmental compensation package.

5.4 Assets and Infrastructure

Once completed the new WTP will be a valuable addition to the water supply network. The new plant will provide a more effective form of treatment for raw water received from the Waitakere Ranges catchment. The new plant will increase production capacity in the order of 30MLD compared to the ageing existing Huia plant.

5.5 Intellectual Capital 120

5.6	Financial	Capital	and	Resources	
5.0	i maneiai	capitai	ana	nesources (

The new WTP has been provided for in the AMP.

6. Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
An appeal to the Environment Court by submitters	Seek to settle any appeals by consent, if possible
	Prepare for the Hearing before the Environment Court

7. Ā muri ake nei / Next steps

- 1. Complete the assessment of the conditions of consent to determine acceptability.
- 2. Monitor the filing of appeals by 21 July 2021.
- 3. In the event of any appeals filed with the Environment Court, meet with Appellants to try to resolve appeals.
- 4. In the event a re-hearing is required, review all evidence.
- ٢