

Board meeting | 1 March 2022

Public session



Venue	To be held via Microsoft Teams
Time	9.15am to 12pm

Meeting administration		Spokesperson	Action sought	Supporting material
1	Opening Karakia	Board	-	-
2	Apologies	Chair	Record apologies	Verbal
3	Quorum	Chair	Five directors required	Verbal
4	Minutes of the previous meeting	Chair	Approval of minutes: 8 February 2022	Minutes: 8 February 2022 meeting
5	Public deputations	Chair	For information	Verbal
Running the Business				
6	Chief Executive's report	Jon Lamonte	For discussion	Report
7	Sensitive expenditure policy	Nigel Toms and Harsha Mistry	For approval	Report
Deliver the Future				
8	Scanning the Horizon	Various	For discussion	Report
9	Construction supply chain risk review	Stuart Bird	For discussion	Report
10	Strategic focus: Te Ao Māori is embedded throughout our organisation – achieving Māori outcomes	Nicki Crauford and Richard Waiwai	For discussion	Verbal
Governance				
11	Board planner	Chair	For information	Report
12	Directors' appointment terms, committee memberships and meeting attendances	Chair	For information	Report
13	Disclosure of Directors' and Executives' interests	Chair	For information	Report
14	General business	Chair	For discussion	Verbal update
Date of next meeting		Tuesday 5 April 2022		

Board meeting | 1 March 2022
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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	8 February 2022
Venue	Held via Microsoft Teams
Time	9.45am

Attendance		
Board of Directors	Watercare staff	Guests
Margaret Devlin (Chair) Brendon Green Hinerangi Raumati-Tu'ua Graham Darlow Dave Chambers Frances Valintine Nicola Crauford Julian Smith Wi Pere Mita (Board intern)	Jon Lamonte (CE) Jamie Sinclair (Chief Corporate Services Officer) Mark Bourne (Chief Operations Officer) Bronwyn Struthers (Head of Health, Safety and Wellbeing, for items 6 and 7) Sarah Phillips (Acting GM – People and Capability, for item 7) Chris Thurston (Head of Sustainability, for item 7) Jacky Simperingham (Co-Head of Governance) Pinaz Pithadia (Governance and Research Administrator) Ben Halliwell (Elected Member Relationship Manager)	Edward Siddle (Acting Manager CCO Governance, Auckland Council)

1.	<p>Opening karakia and welcome new directors</p> <p>The Chair welcomed Julian Smith and Wi Pere Mita to the meeting. She also welcomed Edward Siddle who is attending in place of Claire Gomas from Auckland Council, and Ben Halliwell who has started working in Brent Evans' team as the Elected Member Relationship Manager.</p> <p>The Chair acknowledged that the agenda and papers reflect the changes following the discussions at the end of 2021 for greater strategic insight and oversight.</p> <p>The Chair advised that the Directors were aware of the Board of Inquiry decision and the consent conditions. On behalf of the Board, the Chair thanked the Watercare team for all their work, in particular Jon Lamonte, Mark Bourne, Tanvir Bhamji, Rob Fisher and Richie Waiwai.</p> <p>The coverage in the media recently was acknowledged, including the recycled water innovation now being used by the Fire Service. The Chair acknowledged that it was positive that the 'Water is Precious' campaign continued.</p> <p>Although this item of the agenda indicated that there would be a karakia, this was no longer necessary due to the powhiri and karakia that took place earlier in the morning to officially welcome Julian Smith and Wi Pere Mita.</p>
2.	<p>Apologies</p> <p>Apologies were received from Councillor Linda Cooper. The Chair noted that Cr Cooper has provided her feedback on the pack.</p>
3.	<p>Quorum</p> <p>All of the Directors were present at the meeting and therefore a quorum was established.</p>
4.	<p>Minutes of the previous meeting</p> <p><i>The Board resolved that the minutes of the public session of the Board meeting held on 30 November 2021 be confirmed as true and correct.</i></p>
5.	<p>Public deputations</p> <p>There were no public deputations.</p>
6.	<p>Chief Executive's report</p> <p>Jon Lamonte took the paper as read. He noted that the report is more comprehensive than normal due to the changes in the pack.</p> <p>Jon highlighted the following topics in his report:</p>

- **Covid-19:** Jon noted that the Government's guidance for operating under Red in the traffic light system has recently changed. Therefore there are situations where it is appropriate for some people to work from the office. In response to a query, Jon explained that Watercare is looking at alternatives in the event Rapid Antigen Tests cannot be obtained shortly (including the possibility of establishing an in-house PCR testing capacity). The Chair encouraged Jon to engage with the Ports, including Lyttleton and Napier, who are facing similar issues.
- **Water resilience:** Management noted that the dam levels are approximately 91%, and demand is lower than anticipated for February. We are currently taking 140MLD of water supply from the Waikato River.
- In response to a query regarding the increase in faults during the dry period, Jon explained that the increase was proportionally higher than previous years. However, Management will investigate the situation further, and take on board the lessons learnt.
- **People:** Jon noted that although turnover has increased, turnover is generally lower than other organisations.
- **Community and stakeholder relationships:** In addition to this report, Jon explained that the responses to the Watercare and Auckland Council relationship survey have been received. Management will report the results of the survey, along with the action plan to the Board in due course.
- Taumata Arowai is seeking feedback on the new drinking water guidance documents. In response to a question as to whether Watercare is ready for the implementation of the new guidance, Mark Bourne provided an update on the key areas of change which include:
 - A change to the reporting period for deeming compliance from monthly to daily. Mark explained that this is administrative and it may identify outliers in the network that require intervention.
 - Any exceedance in a sample will be considered as non-compliance. Mark explained the remedies to this which include barrier treatment, training and interventions.
 - Change in the monitoring requirements for conductivity of raw water. Mark noted no issue for Watercare. This is a record keeping issue.
 - Change to systems and record keeping. Mark noted that we will need to record who has undertaken an activity, and their qualifications/training.
- Mark advised that submissions on Taumata Arowai's guidance documents are due on 28 March 2022. Watercare is currently preparing its submission.
- In response to a query from the Board, Mark explained that it will be important that the regulator signals the changes ahead of time and allows time for the changes to be adopted.
- Jon explained that the Ministry of Health is likely to require fluoridation in the water.
- **Statement of Intent measures:** Jon referred to the Statement of Intent measures for December. He explained that we are not meeting the deadlines for the sewerage overflows. However, Management is on the right trajectory, and work is underway. Jon noted that other Statement of Intent measures were challenging to meet due to lockdowns or the volume of work being undertaken by the business.
- In response to a query regarding the upcoming local government elections, Jon noted that the issues that may be discussed could include pricing, three water reform and any non-compliances.

The Board observed that in relation to the cost/affordability Statement of Intent measure, the wealth gap is increasing. Given this, it may be more appropriate to use more than one measure.

The Board discussed the organisational plan (attachment 1 of the report, page 32 of Boardbooks). In response to a comment from the Board, Jon took note of the observation that the commitments to the community/stakeholder are potentially too light. In relation to iwi relationships, the Board commented that use of 'partnership' is more appropriate than 'engagement' (page 36 of Boardbooks) and queried the use of 'representation' on page 38. There was a discussion as to whether it is sufficiently clear that Te Reo is an item on its own accord. Jon acknowledged the feedback which will be taken on board.

The Board and Management discussed the consent compliance (attachment 6 of the report, page 73 of Boardbooks). Management noted that the non-compliances are constantly being monitored, and the solutions form part of the capital works programme.

The Board and Management discussed the percentage of real water loss Statement of Intent measure, and that the new economic level of leakage measure will be included in the upcoming draft Statement of Intent. Jon explained that Management has a comprehensive plan in place to drive this down.

Health, safety and wellbeing metrics for December 2021 – Attachment 5 – page 65 of Boardbooks

Bronwyn Struthers spoke to the update at page 65 of Boardbooks. She referred to the critical risk review (working with or near live energy) and noted that it is an area we need to work on. Bronwyn explained that there has been a significant reduction in the number of open iCare cases over six months old.

The Chair noted that the Board is considering how to engage whilst in Covid-19 Traffic Light Level Red, and by March there may be greater clarity.

Graham Darlow advised that he had attended a number of meetings with Bronwyn, and explained that the level of conversations are encouraging, constructive and appropriate.

In response to a query about Watercare's wellbeing and mental health culture, Bronwyn acknowledged the pressure the workforce is under and that Management is very aware of that and having conversations about it. She noted the importance of maintaining a connection with employees. She explained that mental health is included on our Enterprise Model risk framework.

In relation to the critical risk, the Board queried whether we have fire risk areas mapped out given the dry weather. Management explained that fire risk areas are included in risk registers for site, and part of the risk assessment before work is undertaken.

*The Board **noted** the report.*

7.	<p>Scanning the Horizon</p> <p>Jon Lamonte spoke to the report.</p> <p>Jon took the report as read and asked the Board for any feedback on any topics that have not been included. The following was discussed:</p> <ul style="list-style-type: none"> • The Board advised that Management should capture the increase in household outgoings following increase in inflation and the pressure on individual families. • In relation to talent, the recent OCD report was discussed which highlighted the lack of the development of talent. The Board encouraged Management to consider the skills that need to be developed internally across the whole of the business. • The Board noted that the sustainability priorities are largely climate and carbon related, and that management need to think broader. • It is increasingly difficult to engage with customers. Organisations require a highly engaged relationship with their customers and community to engage. <p>The Board noted that the report was useful as it pulled several threads together. The Board thanked Rebecca van Son for this report.</p> <p><i>The Board noted the report.</i></p>
8.	<p>Board committee updates</p> <p>This item was deferred to the confidential session of the meeting.</p>
9.	<p>Disestablishment of Te Tangata Komiti, AMP and Major Capex Committee, and Committee for Climate Action</p> <p>The Chair spoke to the paper and explained the reason behind the disestablishment of the Committees is to bring these subject areas to the full Board for discussion. She noted that this approach will be monitored.</p> <p><i>The Board resolved to approve the disestablishment of Te Tangata Komiti (TTK), the AMP and Major Capex Committee (AMCC), and the Committee for Climate Action (CCA), and the Board agreed to undertake the functions of TTK, AMCC and CCA in its future full Board meetings.</i></p>
10.	<p>Board planner</p> <p>The Chair noted that the new Board planner reflects the previous discussions regarding the meetings. The Board development day will be held in May, and the Board planning day in October. The Board members will consider what they would like to see at the Board development day.</p> <p>In response to a question, Jon explained that every second month Richie Waiwai will provide an update including progress against the Māori Outcomes Plan. The Chair noted that engagement with iwi outside of Board meetings will continue too.</p>

	<p>Julian Smith suggested that once Covid-19 restrictions allow, it would be useful to schedule visits to the customer call centre to allow Directors to listen in on calls with customers.</p> <p>The Chair noted that she has written to the Mayor regarding Directors terms, and it is being tabled at a Council meeting on 1 March and she will speak to the paper.</p> <p><i>The Board noted the Board planner.</i></p>
11.	<p>Directors' appointment terms and committee memberships and meeting attendances</p> <p><i>The Board noted the report.</i></p>
12.	<p>Disclosure of Directors' and Executives' interests</p> <p>Hinerangi Raumati-Tu'ua noted that she has resigned from several her positions. It was discussed that the Directors will contact the Governance Team to advise of the changes that will apply to the next meeting.</p> <p>Jon Lamonte noted that as of 7 February 2022, he is the Chair of the Audit and Risk Committee of Water Services Association of Australia.</p> <p>Brendon Green noted that since last meeting, he has been appointed to the Crown Entity, New Zealand Forest Research Institute Ltd trading as Scion, and has resigned from Advanced Biotech New Zealand.</p> <p><i>The Board noted the report.</i></p>
13.	<p>General business</p> <p>There was no general business.</p> <p>The meeting closed at 11.04am.</p>

CERTIFIED AS A TRUE AND CORRECT RECORD

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Margaret Devlin, Chair

Chief Executive's report – January 2022

Presented by: Jon Lamonte



1. Current significant issues

Covid-19 Response

As Omicron case numbers increase nationally, it is inevitable that Watercare will experience a number of cases at any or all of our sites. We remain set up in separate teams for our operational sites, with very limited access from non-site personnel to reduce the risks. There is a balance with the need for site safety visits, but these are being carefully managed. At Watercare House, we are trying to strike the right balance of having open offices and meeting our commitment to flexible working. While a significant proportion of staff are currently working from home, over time I expect the balance to normalise with more people in the office on a more regular basis. Access to RATs is still an issue, albeit the first order of 10000 RATs has now been delivered, but promises of supplies by certain dates have rarely crystallised. We have established in house saliva testing capability as an interim surveillance measure which is working well and has identified several positive cases in MSN staff particularly.

Three Waters Reform

The Three Waters Reform agenda is, as expected, taking more time and resource to service, but this is essential for Watercare if we wish to see the right outcomes in forthcoming legislation. Marlon Bridge will continue to support the delivery element of the DIA Transition team now that the new CE of the National Transition Unit (NTU) has been appointed. We are providing programme management support and are also likely to be asked for senior level support in digital, asset management, operations, and property. We are currently responding to requests for information which will continue for some time and coordination of these responses is critical. Production of the Three Waters AMP by June 2023 will also take considerable effort. In acknowledging the significant resources being deployed to reform, I have agreed with the CE of Auckland Council for a joint approach to DIA for funding to support the costs of transition.

Cyclone Dovi

With the arrival of cyclone Dovi, the adverse weather event plan was actioned on Friday, 11 February 2022. Key plants were staffed over the weekend and additional staff/contractors were put on standby to assist as required and generators were deployed to critical sites. There were a significant number of local power outages across Auckland including over 70 wastewater pump stations, 10 water treatment plants (including Ardmore and Waikato) and eight wastewater treatment plants. In addition, our team in the Waikato District faced challenges with power outages across the District. Staff and contractors worked through the weekend to respond to the power outages and other faults. There was only one known direct customer issue at the time of writing this report – a power outage caused a control system fault within the Waikato District. The Waikato Watercare team also faced an added challenge when the SCADA server failed, and the staff did not have remote visibility of the plants. Staff were deployed to the key sites to monitor whilst remote access was restored.

Board of Inquiry update

The last opportunity for appeals on legal grounds against the Board of Inquiry (BOI) decision on the water take from the Waikato was on 15 February 2022. Te Whakakitenga o Waikato Incorporated filed an appeal with the Wellington High Court on Tuesday, 15 February 2022. Te Whakakitenga appeals that part of the Decision in which the BOI determined to:

- amend Common Condition A(2) of the resource consent conditions proffered by Watercare; and
- delete Common Condition C of the resource consent conditions proffered by Watercare.

The proffered conditions by Watercare at the hearing included alternative trust arrangements to implement programmes and project for the betterment and improvements to the river. Prior to the hearing, there was no agreement from Te Whakakitenga on a preferred trust solution. The proffered conditions serve to demonstrate various approaches available under the consent.

The BOI panel decided to limit the trust and its associated funding (\$2m per year of the consent) to the Waikato River Clean-up Trust. This trust is administered by the Waikato River Authority. The proffered condition to establish a trust with Te Whakakitenga was deleted. Te Whakakitenga states that the Board of Inquiry erred in law in amending Common Condition A and deleting Common Condition C of the resource consent conditions proffered by Watercare. Te Whakakitenga seeks the following relief:

- that the BOI's amendment of Common Condition A (2) and deletion of Common Condition C of the resource consent conditions proffered by Watercare be set aside;
- that Common Condition A(2) and Common Condition C of the resource consent conditions as proffered by Watercare be reinstated as Common Conditions of the resource consents;
- such further orders, relief or consequential amendments necessary to address the matters set out in this notice; and
- costs.

The project lead, along with Simpson Grierson, are developing a strategy to resolve the appeal. Meetings with the Environmental Protection Authority and the technical team at Te Whakakitenga are being scheduled.

The internal team are continuing to meet regularly to develop and implement the plan on delivering against the consent conditions. There is a meeting planned for March with the Waikato Tainui leadership team to press ahead with the elements of the kawenata where we are committed, less the Trust which was to be delivered in a different way under the BOI decision. Further meetings with river iwi will follow, together with a meeting with the River Authority. Clear in this will be developing a plan for alternative sources of water, consistent with the Auckland Water Strategy.

2. Key Performance Measures

Watercare has a number of performance indicators set out in our Statement of Intent. Attachment 1 sets out Watercare's performance against the current Statement of Intent measures for January 2022.

For the month of January 2022, the median response time for attendance at urgent call-outs was 63 minutes against the target of ≤ 60 minutes due to higher volume of urgent jobs (30%+) couple with contractor leave period. Given the number of crews from Citycare, Downer and MSN with Covid, I suspect this target will remain challenging. Planned maintenance has been paused to allow reactive maintenance to be prioritised. The percentage of real water loss for the month of November 2021 was 13.64% against the target of $\leq 13\%$ due to Covid-19 mandates which resulted in leaks being fixed much slower. Non-revenue water loss for December 2021 will be reported in April 2022.

Our media impact score remains high at 2.4, despite having less media coverage over January 2022. The positive sentiment was driven by the Board of Inquiry decision to grant us consent for the additional water from the Waikato River. Our press release was widely used, with Jon Lamonte quoted in most of the coverage. The 1 News story on our partnership with Fire and Emergency New Zealand also had significant impact and was very popular on our social channels.

Trust dipped for the month of January to 55%, however the 12-month rolling average is at 56% just ahead of target. People who trust us value our water quality, with an all-time high score of 85%. The few respondents who actively disagreed with the water quality statement, mentioned issues like discolouration and the fact that they don't know what is in the water. A small number comment about the safety of fluoride in the water. All our trust drivers have been increasing over the last six months.

The hot and dry summer led to an increase in leaks in the latter half of January 2022. We have seen an increase in the number of maintenance service level agreements breached due to a 36% increase in the number of water mains bursts, compared to January 2021. This was exacerbated by the reduced number of field staff due to our vaccine policy and annual leave for those who worked during the Christmas break. Consequently, NPS declined by 3 points for the month, but is still tracking strongly at 53 for the 12-month rolling average. Our agent and field crew satisfaction score also remained strong at 82%.

Over 13% of all our customer contacts now happen via Live Chat where customers can communicate with us in multiple languages.

3. Organisational plan implementation

We will be focusing on the 'Te Ao Māori is embedded throughout our organisation – Achieving Māori outcomes' strategic pillar at item 10 on the public agenda for today's meeting.

Capital programme cost and delivery improvements

Our capital programme has grown in both size and complexity. In addition, economic regulation will be introduced to the New Zealand water sector. Given these factors Watercare is taking the following action to improve the accuracy, management and governance of our capital programme:

Action	Timeframe	Responsible	Commentary
Phased Business Cases	In place now	Priyan Perera	Business cases have two phases. The initial (phase 1) for the design and activities to enable transparency of construction risk, i.e. geotechnical investigations. The second phase (phase 2) is for the construction and commissioning, to be priced once the design is complete.
ECI for the Enterprise Model	In place now	Richard McIntosh	Early contractor involvement in the development of designs, partnering with the designer and our supply chain to deliver optimal designs that will improve constructability, safety in design and certainty in cost. ECI is also included in the development of the phase 1 business case.
New operation model for infrastructure delivery	New structure implemented in November 2021, roles being progressively filled, completed December 2022.	Steve Webster	Integration of Strategy and Planning. Introduction of programme manager roles to provide oversight from AMP to commissioning of programmes of work. Enhancing both commercial and the programme management office (PMO) functions.
Estimating manual	First draft complete. Final manual completed in April 2022	Stuart Bird	Development and implementation of a revised estimating manual defining the estimation process and the introduction of P90 through to P50 estimates.
Business Unit capital governance groups and the Watercare Capital Oversight Panel (COP)	Infrastructure governance group in place. First COP March 2022	Jamie Sinclair and Hamish Corbett	Reset the governance of capital delivery. Introduction of business unit capital management oversight via business unit specific capital governance teams. Reintroduction of the business wide COP (executive team), chaired by the Chief Corporate Services Officer.
Cost database	April 2022	Stuart Bird	Development of a cost database and project costing model based on 200 completed Watercare projects. The cost database is a model that has been successfully implemented and utilised in three Australia water companies.

Action	Timeframe	Responsible	Commentary
Implement Lot 1 and Lot 2 consultant partners	April 2022	Hamish Corbett	Strategy and Planning consultant partners (2 off) and design partners for the Enterprise Model (2 off). Preferred partners selected.
Improve the integration with finance	June 2022	Nigel Toms and Hamish Corbett	Improve the finance team involvement and monitoring of projects and programmes financial delivery.
Programme and project reporting	June 2022	Hamish Corbett	A revised and enhanced set of dashboards are under development to improve both visibility and accuracy.
Risk and contingency allocation and management	December 2022	Puvan Balakrishnan and Hamish Corbett	Re-evaluate the management of both risk and contingency at both a programme (AMP) and project level. Develop a business wide management methodology that is fit for purpose for our investment portfolio.

The main features and/or benefits that will accrue from these activities are:

- Improved accuracy of the estimates of programmes and programmes within the Asset Management Plan (AMP)
- Improved accuracy of cost and time estimates in our business cases
- Enhanced reporting providing access of information to all levels within Watercare, at our “fingertips”
- Enhanced visibility of moves/adds/changes to our AMP, providing a clear understanding of the impact of change of programme, cost and risk
- Companywide governance of our capital programme to enable improved strategic input into critical decisions
- Improved management of risk at a project level and the introduction of a risk model that enables visibility of the change in risk as moves/adds/changes are applied to the AMP.

4. People

Attachment 2 is a workforce snapshot for January 2022.

- Current staff numbers are 1,233 full time equivalents (excludes contractors filling full time positions)¹.
- Headcount increased slightly compared to December 2021. However, the number of hires dropped significantly, which is expected at this time of year due to a slowdown of recruitment activity.

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

- Turnover for January 2022 remained consistent with December 2021. This is also within our specified upper limit of 15%. Whilst the rolling 12-month turnover has increased over the year, our turnover levels compare well to other businesses of a similar size and nature.
- Average cost of leave liability per employee dropped slightly in January 2022 due to high levels of leave taken over summer. Operating under lockdown and more recently under the red traffic system has presented challenges particularly for operational areas to take leave however this remains a focus for management
- Rolling 12-month sick leave rates remain close to target and dropped slightly in January which was anticipated.
- “Dig Deep” is an adult literacy and numeracy programme designed specifically for the Central Interceptor programme being run over 7 weeks with GAJV. The programme is led by a tutor from Education Unlimited at the Central Interceptor Training Centre and completely funded by Tertiary Education Commission. The programme includes modules on goal setting, communication and health and safety. The aim is to improve communication skills and confidence. We are considering how the success of the Dig Deep programme can be rolled out across Watercare.
- Our wonderful Mangere Administrator, Claudia Forycki celebrated 50 years at Watercare and received the long service award.

5. Health, Safety and Wellbeing

The report attached as Attachment 3 provides a comprehensive overview of Watercare's health, safety and wellbeing including the deep dive on one of Watercare's 13 critical risks (Working with Fixed Plants and Equipment).

As expected, preparation for the Omicron outbreak has been a priority for January. Preparation for testing is well-progressed however access to test kits remains a concern. The critical risk relating to working on or around live energy is cause for concern and focus, both on our assets and in the road corridor so work is underway to improve risk mitigations. We have also progressed work on lead indicators for HSW as part of the SOI and to focus the business on actions to prevent HSW events.

6. Community and stakeholder relationships

Implementing our Māori Outcomes Plan

Steady progress has been made with Watercare's Māori Outcomes Plan. Several teams completed reviews of their current workplans and identified areas of alignment. Whilst these deliverables have been shared with Te Rua Whetū (Māori Outcomes & Relationships), not all teams have completed this exercise. The expectations is that these will be completed and any gaps in workplans will be prioritised for the new financial year.

Mana Outcome: Kia Ora Te Rangatahi - Realising Rangatahi Potential

Delivering against outcomes that support employment and education pathways for young Māori, five rangatahi Māori joined Watercare as part of our summer internship programme. Their areas of studies include engineering, commerce and applied sciences. Working on various projects within Operations, Infrastructure, Customer and Digital, their internships will finish at the end of February.

Significant pieces of work are underway to re-establish cadetship programmes within Watercare. Securing specific cadetship placements for rangatahi Māori have also been identified for potential roles within Infrastructure and Central Interceptor. People & Capability will lead the rollout of the programme. Meetings with Waikato-Tainui and Ngāti Whātua Ōrākei have been held to discuss future pathway opportunities for their tribal members.

Late last year, we awarded the Mark Ford Ngā Tapuwae Scholarships to Matariki Bennett (Waikato, Te Arawa) and Hana Leofo. Both are in their final year of a Bachelor of Engineering at Auckland University. A review of scholarships and how best to broaden our connection with Māori communities will be completed later this year.

Mana Outcome: Kia Ora Te Umanga (Māori Tourism, Business and Employment)

A purpose-built laundromat and repair service established through the Central Interceptor project was opened on 1 November. It is currently managed by Makaurau Marae Māori Trust on a six-month trial basis. The long-term goal is to entrust the laundry business to the marae at the end of the project, as an enterprise and employment opportunity. Dedicated to seeing this succeed, Makaurau Marae have established a separate commercial entity to manage the laundry on its behalf. A total of four kaimahi (staff) from Makaurau Marae are employed to run the laundry.

During this second quarter, Watercare also met with Amotai to discuss our approach to Māori social procurement outcomes. Partnering with Amotai is one avenue we will grow to achieve our contract spend targets. However, ongoing discussions across Māori business networks including iwi commercial entities still needs to be done.

Mana Outcome: Kia Ora Te Reo (Te Reo Māori), Kia Ora Te Ahurea (Māori Identity and Culture)

Building internal capability is an area we continue to push. Two new staff joined Te Rua Whetū in December. The Pou Hononga (Engagement & Partnerships Advisor) and Mātanga – Tikanga me te Reo Māori (Tikanga & Te Reo Māori Advisor), will lead delivery of milestones under *Kia Ora te Reo (Te Reo Māori)* and *Kia Ora te Ahurea (Māori Identity and Culture)*. Otene Reweti and Nikora Wharerau join us from Auckland Council. Both have significant experience in Te Reo and Tikanga Māori and have spent several years working for and with Māori communities.

An assessment of Watercare's internal Te Reo Māori needs is currently underway. This includes bilingual signage in offices, translating services and drafting of a Te Reo Māori action plan. A rise in demand for input from Te Rua Whetū has grown. Although this signals increased awareness from the business and is a positive step forward, we will monitor capacity of our team and prioritise staff time and resources accordingly.

7. Water resources update

Water sources

Attachment 4 sets out Water resources update as at 15 February 2022. Key highlights of the report are:

- Dams are at 89.89% capacity.
- Demand of 453MLD for the week ended 13 February 2022 was below the target ceiling of 545MLD for February.
- The planned production of Auckland Metropolitan Water Treatment Plants as at 13 February 2022 is 480MLD.
- An update on augmentation projects has been provided.
- The average daily production from the Waikato River is 140MLD. The production capacity for the coming week from the Waikato River is limited to 140MLD due to maintenance and consent limits.

Water quality

All water quality parameters have been met for the month.

Watercare's technical review groups continue to work on the gap analysis and submission for the new drinking water guidance documents.

Further work is required towards the ongoing implementation and improvement of our Water Safety Plans (WSPs).

8. Risk and compliance update

8.1 Enterprise risk management

Our simplified enterprise risk report was presented to the Board for approval in the confidential session of the 8 February 2022 Board meeting with positive feedback.

A Risk Appetite Statement has been developed in conjunction with the refreshed Watercare organisational plan to ensure alignment. The finalised Risk Appetite Statement will be presented for Board approval at the confidential session of today's Board meeting.

8.2 Legal and compliance

Non-compliance with resource consents

There were no new compliance issues in January. Non-compliances for this month relate to known issues across our operational assets.

Except for our Network Discharge Consents, all significant non-compliances have capital works solutions. Therefore, the resolution of these depends on funding availability and scheduling. A review of what we need to achieve to full compliance with the Network Discharge Consents at all times began in February.

The resource consents for the Central Interceptor project are now live on Lutra's ID platform. The resource consents for design and construction projects are in transition, with individual projects going live on the platform from March.

We have provided Auckland Council with all the information they sought to relieve the abatement notice on the Helensville wastewater treatment plant. At the time of writing this report, we are waiting on a response from Auckland Council.

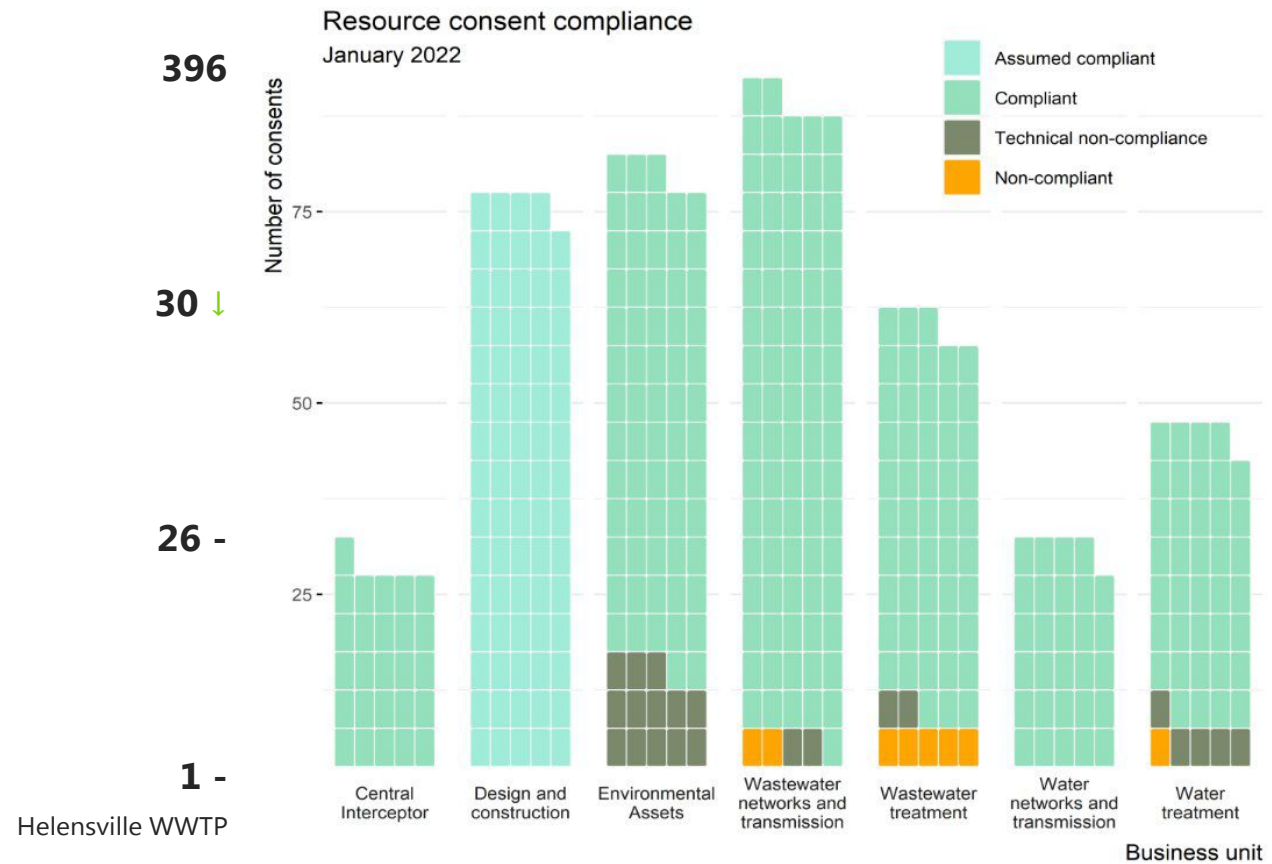
The following graph summarises Watercare's consent compliance in January 2022.

Active resource
consents in
January 2022

Consents with
non-compliances
in January 2022

Rolling 6-month
average (non-
compliant
consents)

Consents under
enforcement in
January 2022



LGOIMA requests

In January 2022, we received five requests for information under the Local Government Official Information and Meetings Act 1987 (the Act). Watercare responded to all five requests within 20 working days (in accordance with the Act).

Legal action

- RMA related:
Huia Water Treatment Plant: In December, the Environment Court (EC) directed that all parties enter into mediation via zoom calls. Several parties requested that the mediation be delayed until face to face meetings were permitted. The Environment Court is currently not willing to conduct face to face mediation under the Red light status. It is anticipated that the earliest that face to face mediation may occur is May 2022.
- Non-RMA related:
There is currently one claim for \$1.2m for alleged damage to a residential property from a burst watermain.

Whistleblowing

There have been no disclosures made through the PwC whistle-blower service since the last Board meeting. All disclosures are reported to the Audit and Risk Committee on a quarterly basis.

9. Central Interceptor

- Construction at all sites has continued with stringent site-specific Covid-19 protocols in place. Three positive cases have been recorded on the project, but due to the controls, no further cases have been detected.
- The Tunnel Boring Machine (TBM) is fully assembled and has progressed approximately 370m of the drive from Māngere Pump Station to May Road A (7,594m) with 222 rings installed.
- The micro-tunnel boring machine (mTBM) completed the 970m first drive from May Road to Haycock Ave on the 10 December 2021.
- The contractor (GAJV) is now established at a number of sites along the Link Sewer and Main Tunnel. Shaft excavation works are now completed at Haycock and Dundale Ave sites and are due to begin at Miranda Reserve, Walmsley Park and Keith Hay Park in early 2022.

10. Matters for noting

10.1 Hūnua 4 grout removal

Repairs have been made to the steel pipe and the shaft at Khyber Pass is being backfilled. The pipe is forecast to be in service in May 2022. The in-service date is inclusive of Alert Level 4 and Alert Level 3 extensions of time.

10.2 Significant meetings

DIA, CE Far North District Council, Russell McVeagh, AC Transition Office/PwC, WSAA, Lutra ELT, Ngai Tai te Tamaki, Te Ahiwaru Waiohūa, Ngātu Maru, Te Rūnanga o Ngāti Whātua (Central Interceptor discussions) and Ngāti Whātua o Kaipara (Planning Meeting with Chief Executive).

Following on from the OpEd piece in the NZ Herald late last year, we are gathering a group of thought leaders from across New Zealand to try and develop tangible proposals on infrastructure delivery to address current and emerging challenges in light of an expected infrastructure boom. These challenges include: cost escalation; availability of skills; adoption of new technology; limited access to overseas companies and skillsets; and the impact of Covid-19.

10.3 CCO review update

Work continues on the implementation of the CCO review recommendations. In the last few months, Recommendation 16 (submission of Watercare's AMP etc) has been confirmed as complete by Council. Recommendation 52 (job descriptions to refer to the need to contribute to Māori Outcomes) has also been confirmed as complete. Outstanding recommendations where further work is required by Watercare is as follows:

- **Recommendation 15** – The Auckland Water Strategy, being led by Council, is nearing completion. It will be published on 7 March 2022. Watercare has reviewed the draft Strategy and have provided feedback.
- **Recommendation 18** – Coordinated work by the group members to streamline the consenting process continues. Scheduled for completion in May 2022.
- **Recommendation 27** – The Governing Body's annual visits to each CCO to better understand the business, culture and informally build relationships are now "BAU". This year's visit to Watercare is booked for 29 March 2022.
- **Recommendation 51** – All Executive Team job descriptions will be updated to include reference to CCO/Council collaboration. Watercare's Executive Job Descriptions are being updated as part of a remuneration review, with estimated completion date of April 2022.

10.4 Corporate Governance Charter review

Following the 8 February 2022 Board meeting, the AMP and Major Capex Committee, Committee for Climate Action and Te Tangata Komiti have now been disestablished. Accordingly, the Corporate Governance Charter (the Charter) must be amended to ensure the Charter captures this modification. The revised version of the Charter will be presented to the Board at the next Board meeting on 5 April 2022 for approval.

10.5 Auckland Water Strategy nearing completion

The Auckland Water Strategy is due to be presented to the Council Environment and Climate Change Committee on 10 March (noting that this is a public forum). There are a number of areas in the document that will influence Watercare both today and likely into the future. Watercare staff have continued to be involved with Amanda Singleton, Mark Bourne, Rebecca Van Son and Chris Thurston liaising regularly with the Council staff leading the work. The sub components of the strategy have gone through Committee and significant changes are not expected. A paper covering an overview of the strategy, as well as potential implications for Watercare and Healthy Waters will be presented at the April 2022 Board meeting.

11. Delegated authority to Chief Executive

In January 2022, in accordance with the authority delegated to the Chief Executive by the Board:

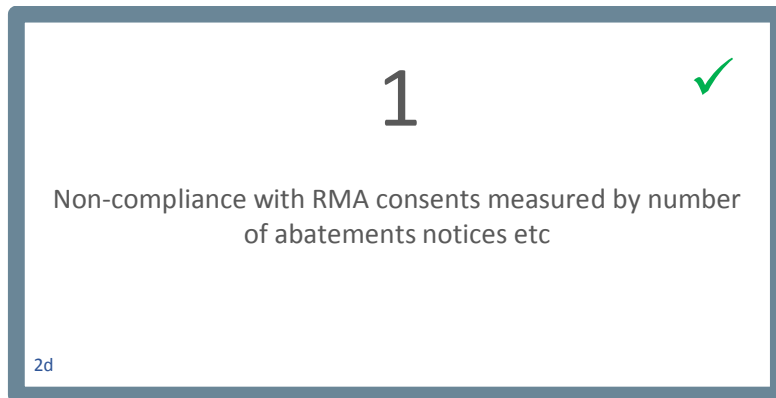
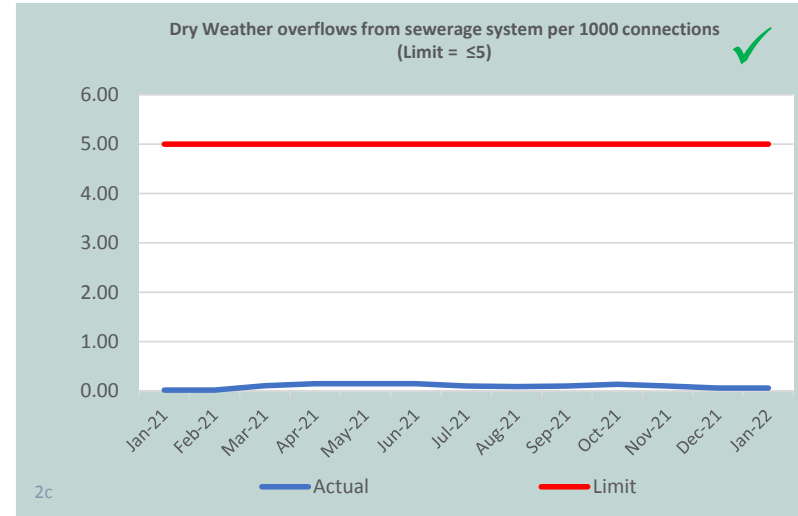
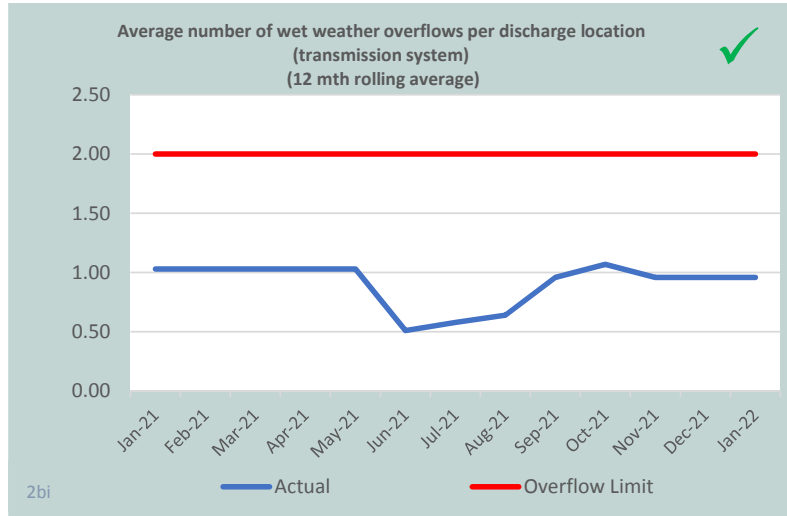
- There were two documents required to be signed by the Chief Executive in relation to deeds, instruments and other documents:
 - 1 x Land Transfer Act acquisition of land from Auckland Council
 - 1 x Compensation Certificate to protect Watercare's interest in a parcel of land.
- There were no capex approvals signed below a threshold of \$50m.
- There was no capex and opex contracts over \$100,000 approved.



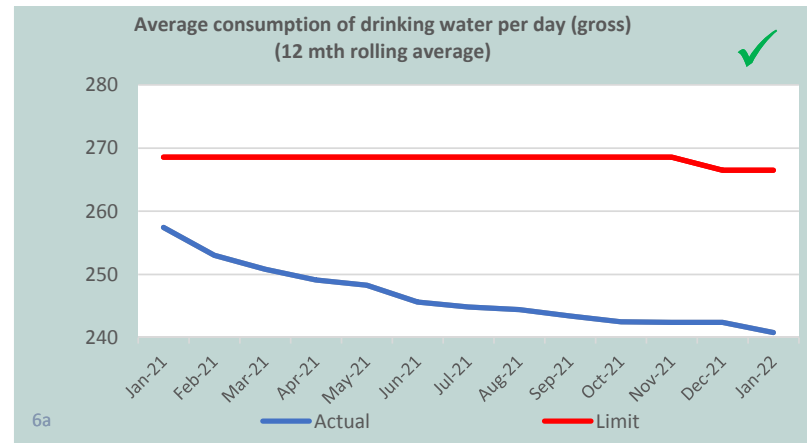
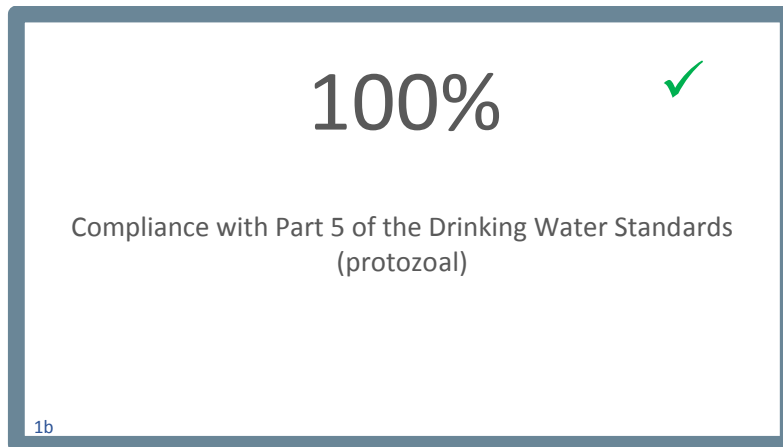
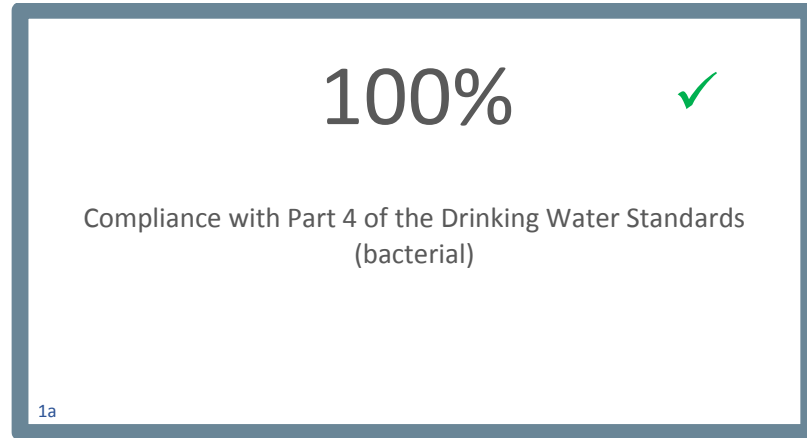
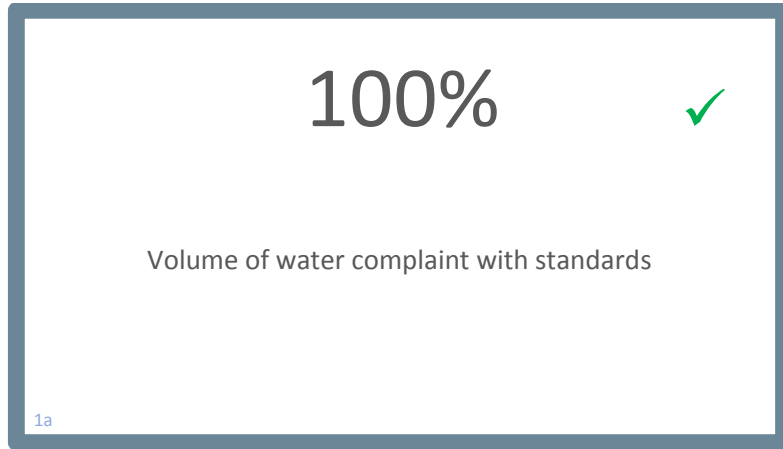
Jon Lamonte
Chief Executive

Attachment 1 – Performance against Statement of Intent measures

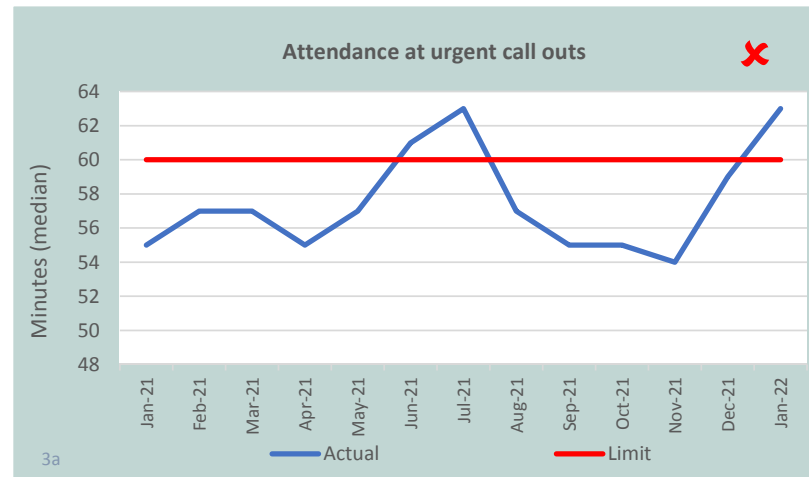
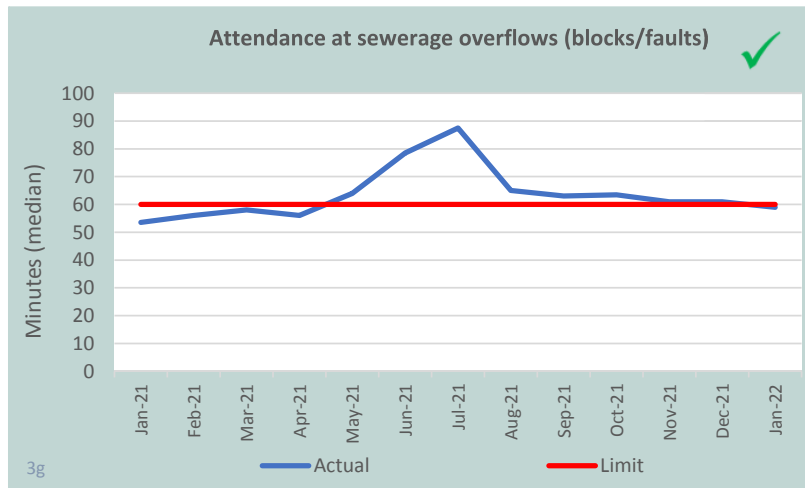
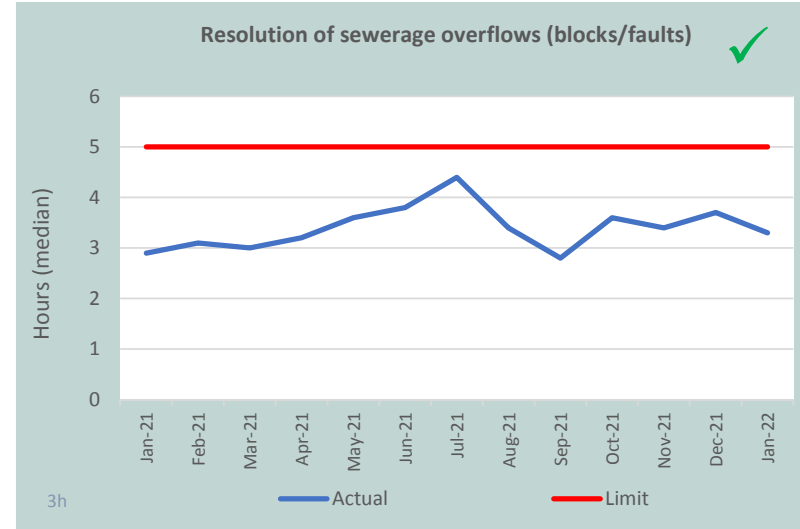
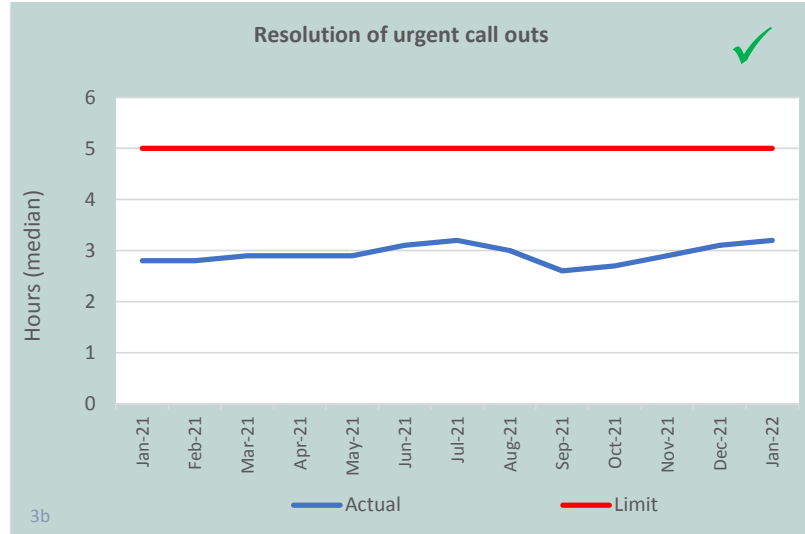
SOI Measures — Natural Environment



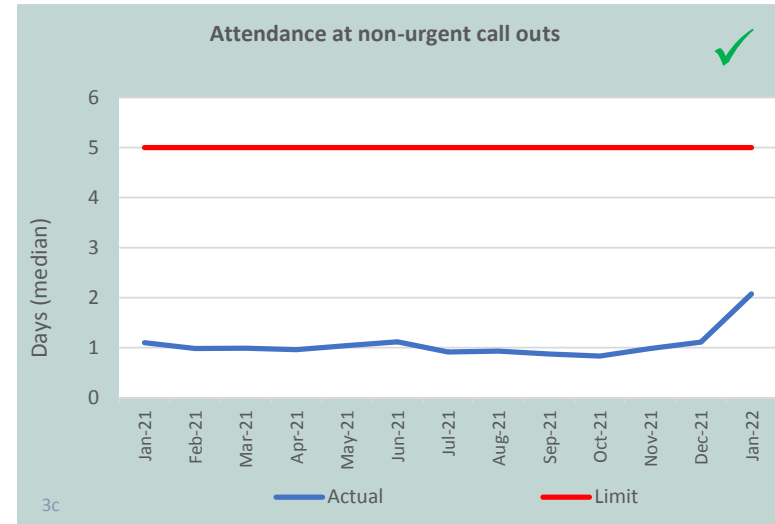
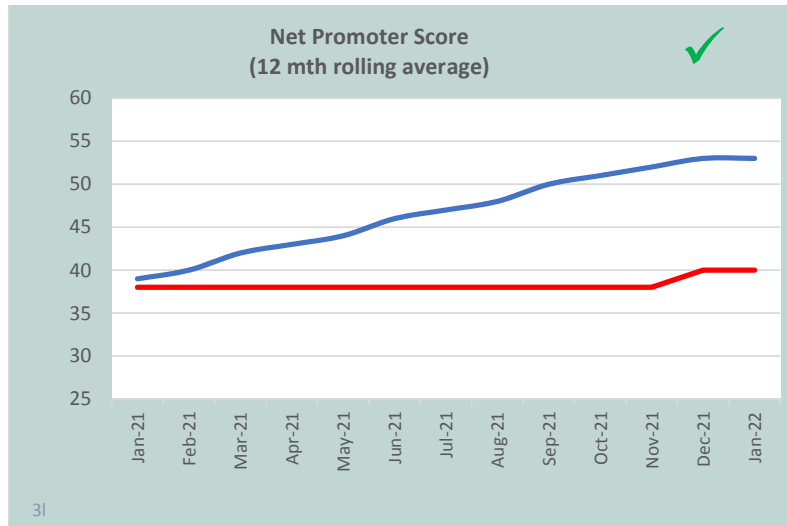
SOI Measures — Assets and Infrastructure



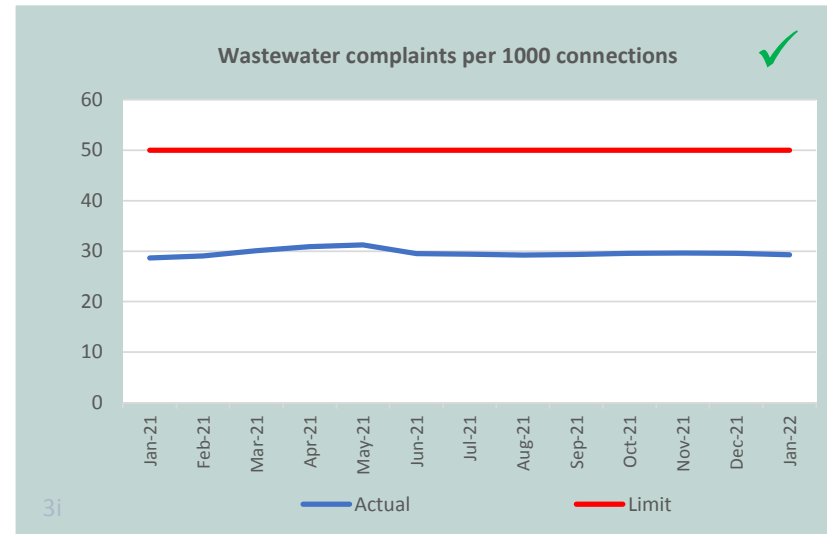
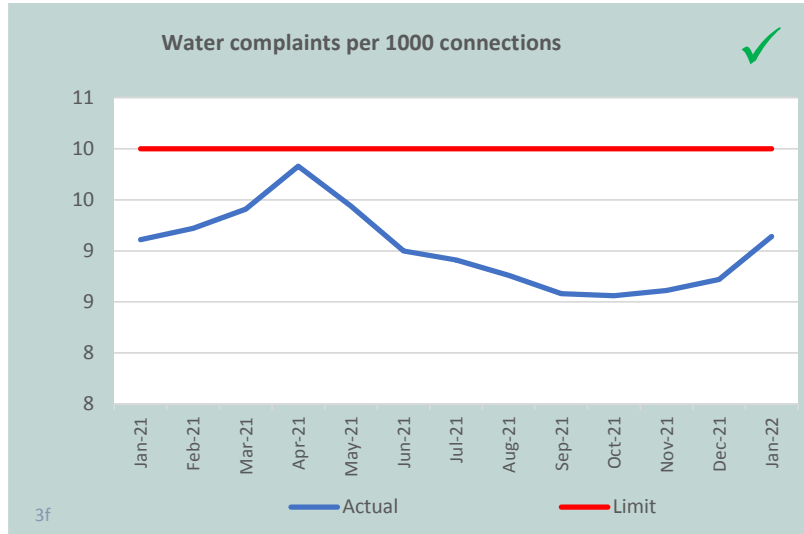
SOI Measures — Community and Stakeholder Relationships



SOI Measures — Community and Stakeholder Relationships



SOI Measures — Community and Stakeholder Relationships



6.1

Watercare performance measures (unaudited)

No.	Measure	Target	Actual			Commentary
			January 2022	December 2021	November 2021	
1.	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents	≤2 ≤2 ≤2 0	1 0 0 0	1 0 0 0	1 0 0 0	This figure was reported as '0' in the 8 February 2022 Board pack due to an error. The figure has now been updated to reflect the abatement notice received on the Helensville wastewater treatment plant.
2.	The average consumption of drinking water per day per resident (gross PCC) (12-month rolling average)	260 litres	240.78	242.50	242.50	
3.	The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	100%	100%	100%	
4.	The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	100%	100%	100%	
5.	Median response time for attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site.	≤ 60 mins	63	59	54	Results are slightly above the target due to higher volume of urgent jobs (30%+) in January coupled with contractor leave periods. We should see an improvement with onsite KPI going forward.

No.	Measure	Target	Actual			Commentary
			January 2022	December 2021	November 2021	
6.	Median response time for resolution of urgent calls-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	≤ 5 hours	3.2	3.1	2.9	
7.	Median response time for attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	≤ 5 days	2.08	1.11	0.98	
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 personnel confirm resolution of the fault or interruption	≤ 6 days	2.9	1.8	1.2	
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 d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system (12-month rolling average)	≤ 10	9.14	8.61	8.61	
10.	Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that the territorial authority receives notification to the time that service personnel reach the site	≤ 60 mins	59.0	61.0	61.0	

No.	Measure	Target	Actual			Commentary
			January 2022	December 2021	November 2021	
11.	Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault	≤ 5 hours	3.3	3.7	3.4	
12.	The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system expressed per 1000 connections to the territorial authority's sewerage system (12-month rolling average)	≤ 50	29.30	29.63	29.63	
13.	The percentage of real water loss from the local authority's networked reticulation system (12-month rolling average)	≤13	13.64 (November figure)	13.64 (November figure)	13.64	November was start of dry period. Covid-19 mandates started to be implemented around this time causing many of our contractors to leave, resulting in leaks being fixed much slower. Non-revenue water loss for December 2021 will be reported in April 2022.
14.	The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system (12-month rolling average)	≤ 5	0.06	0.10	0.10	
15.	Average number of wet weather overflows per discharge location (transmission system) (12-month rolling average)	≤ 2 overflows per year	0.96	0.96	0.96	

No.	Measure	Target	Actual			Commentary
			January 2022	December 2021	November 2021	
16.	Employee net promoter score (eNPS)	≥20	11 (October figure)	11 (October figure)	35 (June figure)	The October eNPS survey coincided with another lockdown due to Covid-19 restrictions, the tail end of a number of restructures within the business, as well as general end-of-year fatigue. Next survey results due in April 2022.
17.	Gender workforce ratio	Improve on prior year	3% (October figure)	3% (October figure)	2% (June figure)	
18.	Total recordable injury frequency rate per million hours worked (12-month rolling average)	<20	17.20	17.23	16.81	
19.	DUEs (domestic unit equivalent) measured through IGCs	TBD	917	1393	1177	Baseline to be established.
20.	Average asset age	Reduce on prior year	39.3 (December 2021 figure)	39.3	New	This is a long-term measure and will be reported every six months to give an indication of how this is tracking.
21.	Debt to revenue ratio	3.54	2.73	2.70	-	Unaudited – numbers are based on forecasting.
22.	Percentage of household expenditure on water supply services relative to average household income	≤ 1.5%	0.85%	0.82%	0.82%	
23.	Formal engagement with mana whenua of Tāmaki Makaurau	100%	84%	63%	63%	This measure will be reported on at year end. We are continuing to meet with the mana whenua of Tāmaki Makaurau. Year to date we have met with 16 of the 19 iwi this includes senior members from both sides formally meeting. Meetings scheduled for 2022 include mana whenua groups in Te Tai Tokerau (Far North).

No.	Measure	Target	Actual			Commentary
			January 2022	December 2021	November 2021	
24.	Ratio of procurement sourced through Māori owned businesses	1%	0.82%	0.60%	0.56%	Measure now contains indirect spend from key supply partners (EM, TARP, CI, Valued networks). However, at this stage only Fulton Hogan has been able to report on Māori spend. We are continuing to work with other key supplier partners to assist them in being able to report on the Māori spend. Internally during Q3 we will be increasing communications on this target to increase awareness and working with amotai to increase the uptake of Māori businesses.
25.	Percentage of customer complaints resolved within ten days of notification	≥95%	98.56%	98.53%	98.20%	
26.	Net promoter score (NPS)	≥40%	53%	53%	52%	
27.	Community trust score	≥55%	56%	55%	55%	

Attachment 2

PEOPLE DASHBOARD: January

Workforce Snapshot

**Does not include contingent workers, casual, student/intern employees*



1310

Full Time

Part Time

Fixed Term



37.71%

34.64%

2.28%

0.79%

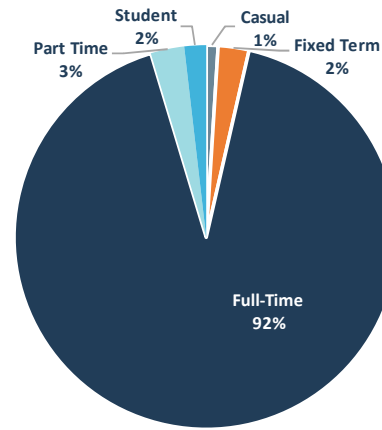


62.29%

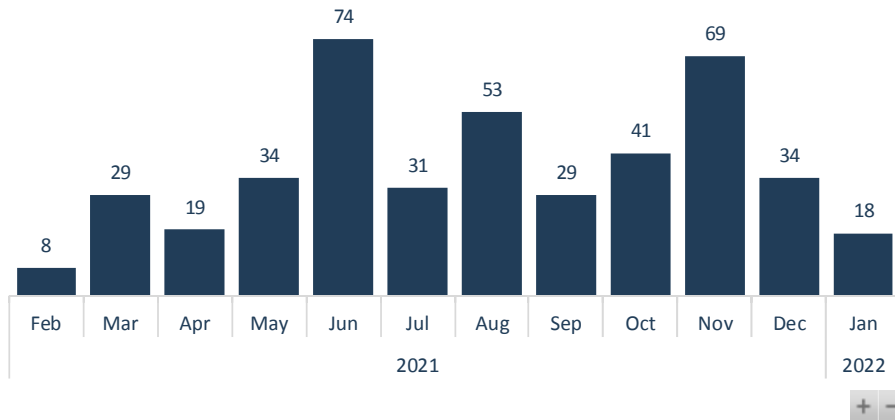
59.78%

0.63%

1.89%

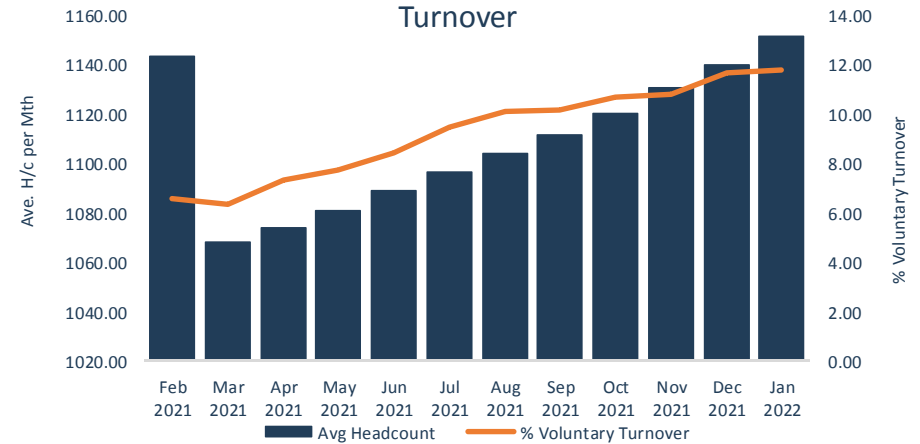


New Hires by Month



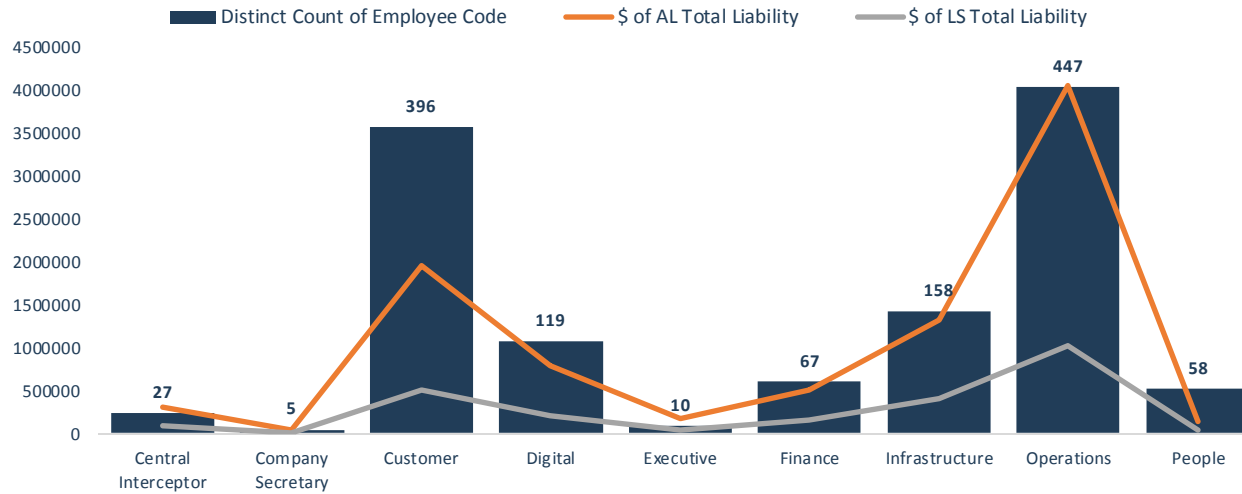
As expected trend in January saw a decrease in new hires

Average 12 mth Rolling: Headcount V % Voluntary Turnover



Involuntary turnover <2% month on month, last 12 months

Annual and Long Service Leave Liability (\$ Value) by Headcount



Includes all Fixed Term Employees

Total Leave Liability \$9,254.3mil

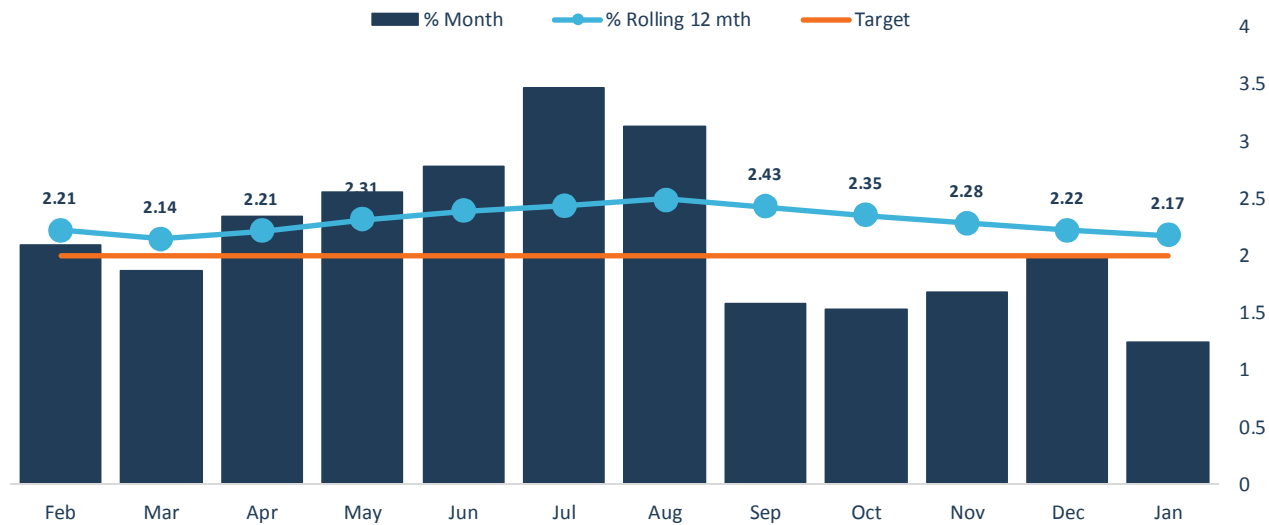
Total Long Service Liability \$2,414.9mil

As at January 2022

Ave. AL Liability cost/employee dropped slightly for January

6.2

Total Sick Leave by Month V 12mth Rolling & Target



Rolling 12 month Ave. Sick Leave decreased slightly on December (2.22%) to 2.17% as at January 2022, against target of 2%

Attachment 3

Health, safety and wellbeing January 2022

Covid-19 response

The business has continued to prepare for an increase in Covid-19 numbers. We have registered as an essential service which allows critical workers who are deemed a close contact with a Covid-19 positive patient to remain at work while they are asymptomatic and complete a negative Rapid Antigen Test (RAT) daily. This provides us with additional support to maintain staff levels in the event of high Covid-19 numbers.

We have secured an initial order of 10,000 RATs and have a further 40,000 on order. Staff will be trained in the use of the RATs and a testing programme will commence in February as necessary. A PCR saliva testing facility is being set up in Mangere which will provide an internal testing option to provide for surveillance testing and as an alternative option if RATs become difficult to source in the required numbers.

Rosters and sites have been arranged to minimise close contact between staff, and N-95 masks are in stock with staff trained in their use.

Working With or Near Live Services

This critical risk continues to be a concern with three further non-injury incidents in January. We have been participating in projects with WorkSafe and Fletchers via Enterprise Model, but both have lost momentum and have not made progress. Although this hazard manifests differently on our plants and on external sites, the risk is that a worker is exposed to uncontrolled energy such as electricity or gas, that causes injury and damage.

On our plants, site plans, drawings and diagrams can be incomplete or out of date. There is also an issue that there is no easily accessible, centralised place for storage of this information. We will work with Gene Greyling, Integrated Systems Manager, to ensure site plans, drawings and diagrams can be managed through the integrated QMS.

In the road corridor we have established a working group with our two key contractors in this area: Pipeline & Civil and March Cato. We intend to apply a Human Factors lens and to seek understanding of the issues from workers. We have three workshops planned for February.

HSW performance – January 2022

HSW context

No. employees & contractors	Total hours worked	No. days overtime	Leave liability
1491	503,826	801 days (3.02%)	23.5 days
Employees 1264 ¹	(61% increase on previous month)	Customer 356 days (4.4%)	on average per employee
Contractors 227	WC 51%	Operations 414 days (4.5%)	
	Contractor 49%		

Incidents and events

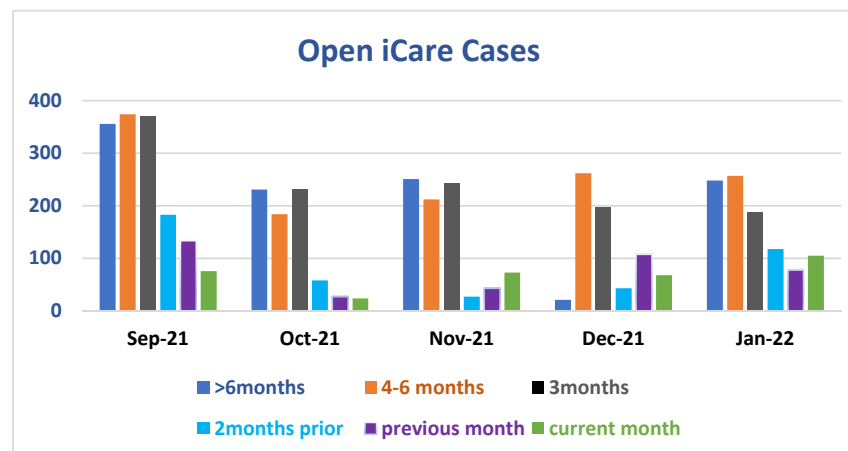
iCare cases

iCare is the Watercare incident reporting system.

Average days to incident completion – iCare 21 days

Average time between event and reporting 2 days

After an improvement in recent months, it was disappointing to show an increase in older open cases in January. We are working to understand the data anomaly.



¹ The above numbers reflect the number of persons, whether part-time, full-time, directly employed or contracted and therefore differs from the number of employees in the CE's report.

Incident metrics	Note	Jan-22	Dec-21	Nov-21	Oct-21
Number of people hurt	1	6	5	9	7
Critical risk exposures / total recorded events	2	7 / 61	8 / 44	11 / 73	5 / 44
Critical events	-	-	-	-	1
Employee – LTIFR	3	9.30	8.85	8.63	7.32
TRIFR		17.20	17.23	16.81	15.55
Contractor – LTIFR		3.22	3.19	3.20	3.98
TRIFR		14.17	14.87	15.27	16.82

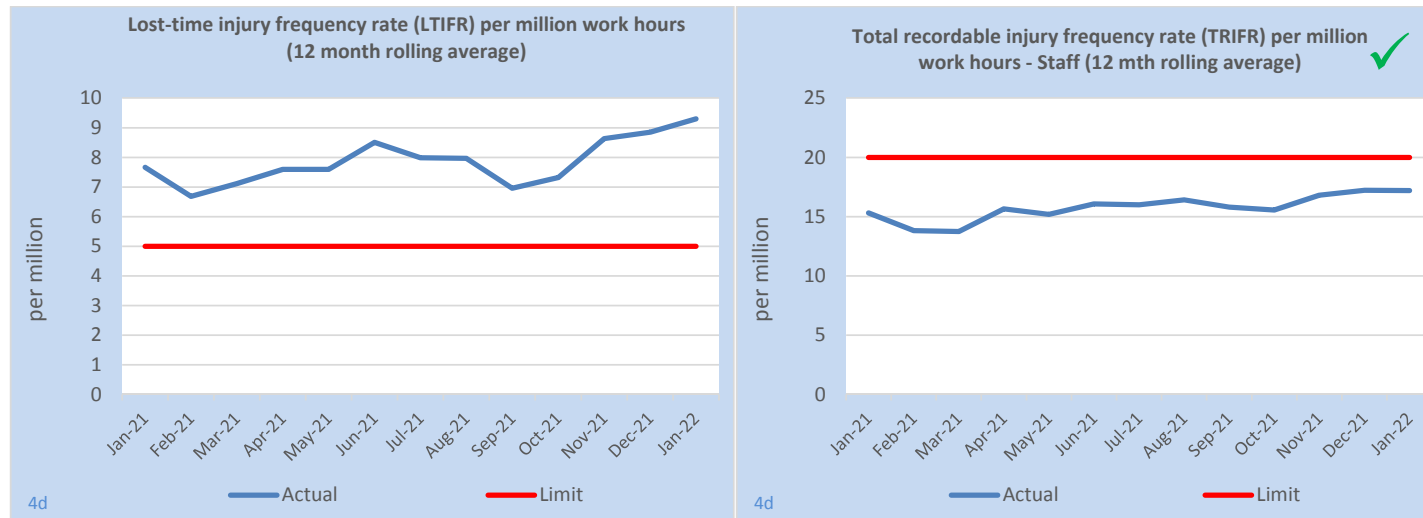
1. There were two Watercare staff injuries and four injuries to contractors. Five injuries resulted from manual tasks and one was a dog bite to a worker reading meters. The injuries were mainly musculoskeletal.
2. Six of the 61 events related to manual handling and trips and falls; five related to minor vehicle damage including break-ins, and there were six hand injuries.

Critical Risk Exposures:

Working with or near live energy	3
Mobile Plant	1
Suspended loads	3

3. Within the international HSW community, there is a view that injury frequency rates help raise awareness of HSW incidents but that they do not help predict future events nor do they support improvement.

A suite of lead indicators provides more useful indication of the HSW health of a business. The HSW team have developed a series of lead indicator measures for the business. These include indicators relating to H&S capability, leadership/culture, plant and equipment and systems. The indicators will provide a dynamic HSW scorecard that will change as HSW matures.

Employee LTIFR & TRIFR January 2022 – Current R12**6.3****HSW Business Partnership**

We have recognised that a lack of access to sites during Covid-19 lockdowns has impacted the connection between the HSW Team and sites. As mitigation, the HSW Team have been included in the critical staff list so we can visit sites to provide support and strengthen relationships. We have also initiated a project to re-engage our HSW Teams.

Senior leadership site visits

Once again Covid-19 protocols have meant Jon and the Executive have not been able to visit sites in January. However, Project Managers and Site Managers have been back on site to provide oversight and coaching.

Other matters

An interactive HSW reporting tool is being reviewed by users in February for launch to the whole business by the end of the month. So far, feedback has been positive with users liking the trend analysis as well as the granular detail provided by the tool. Some data glitches still exist, which are being ironed out by the Digital Team.

Critical risks

Watercare's 13 critical safety risks are below. Every month the HSW team reviews one of these risks and updates the Board. The current month review and deep dive is **Working with Fixed Plants and Equipment**.

1. Working in confined spaces
2. Working with mobile plant
3. Driving / using vehicles
4. Working alone or isolated
5. Working with hazardous materials
6. Working with suspended loads
7. Working with or near live energy (electrical, mechanical, pneumatic, hydraulic, etc)
8. Working with fixed plant and equipment
9. Working in or near live traffic (includes road corridors, construction and operational sites)
10. Working at Height
11. Working around waterbodies
12. Digging and working in excavations (includes tunnelling)
13. Working with flammables or in explosive/flammable areas

Critical risk review

Working With Fixed Plants and Equipment

Fixed plant refers to heavy machinery, equipment or apparatus used for an industrial activity which is permanent or semi-permanent.

Plant also refers to heavy machinery and large equipment used on construction sites, water and wastewater treatment plants.

Equipment refers to the day-to-day tools that are used by Watercare staff whilst performing the task in order to complete the job.

Fixed Plants and Equipment include:

- From motors, valves, treatment vessels and ancillary pipework to photocopiers in an office.
- Cranes, excavators, bulldozers, loaders, trailers, and diggers.
- Machinery, hand and power tools e.g. Spanners, drills, sanders, nail guns, and technical apparatus.

Watercare examples include:

- Operational sites, WWTP and WTP work with process equipment, valves, treatment vessels etc.
- Plant and equipment that are used on all construction and infrastructure sites and projects across the business.
- Powered tools and mobile plant such as trucks and fleet vehicles are utilised by our Maintenance Delivery, Network, MSN teams

What it looks like for Watercare

- Across Watercare, all our sites and offices utilise some form of fixed plants or equipment. There is a high level of exposure involved; however serious injuries and events are uncommon. Watercare Operational and Construction sites utilise powered plant and equipment in different environments

Potential Harm:

Common causes of fixed-plant-related incidents can be grouped into four categories:

- Poor planning and design of the workplace, the task or the plant
- Equipment failure
- Lack of or poor procedures
- Operator error due to inadequate training or training decay, lack of familiarity of hazards and risks

Controls currently in place:

Prevention Controls

- Guarding, including inter-locked guards
- Noise/vibration insulation, enclosures and guarding as required
- Operator control devices such as emergency cut-offs, alarms, and self-regulating controls
- Warning devices such as automatic audible alarms, motion sensors, lights, radio sensing devices and lights
- Lock out tag out (LOTO) process
- Inspections and maintenance
- Standard operating procedures, job safety analyses, and take 5 risk assessments.
- On the job ongoing training
- Regular maintenance and records

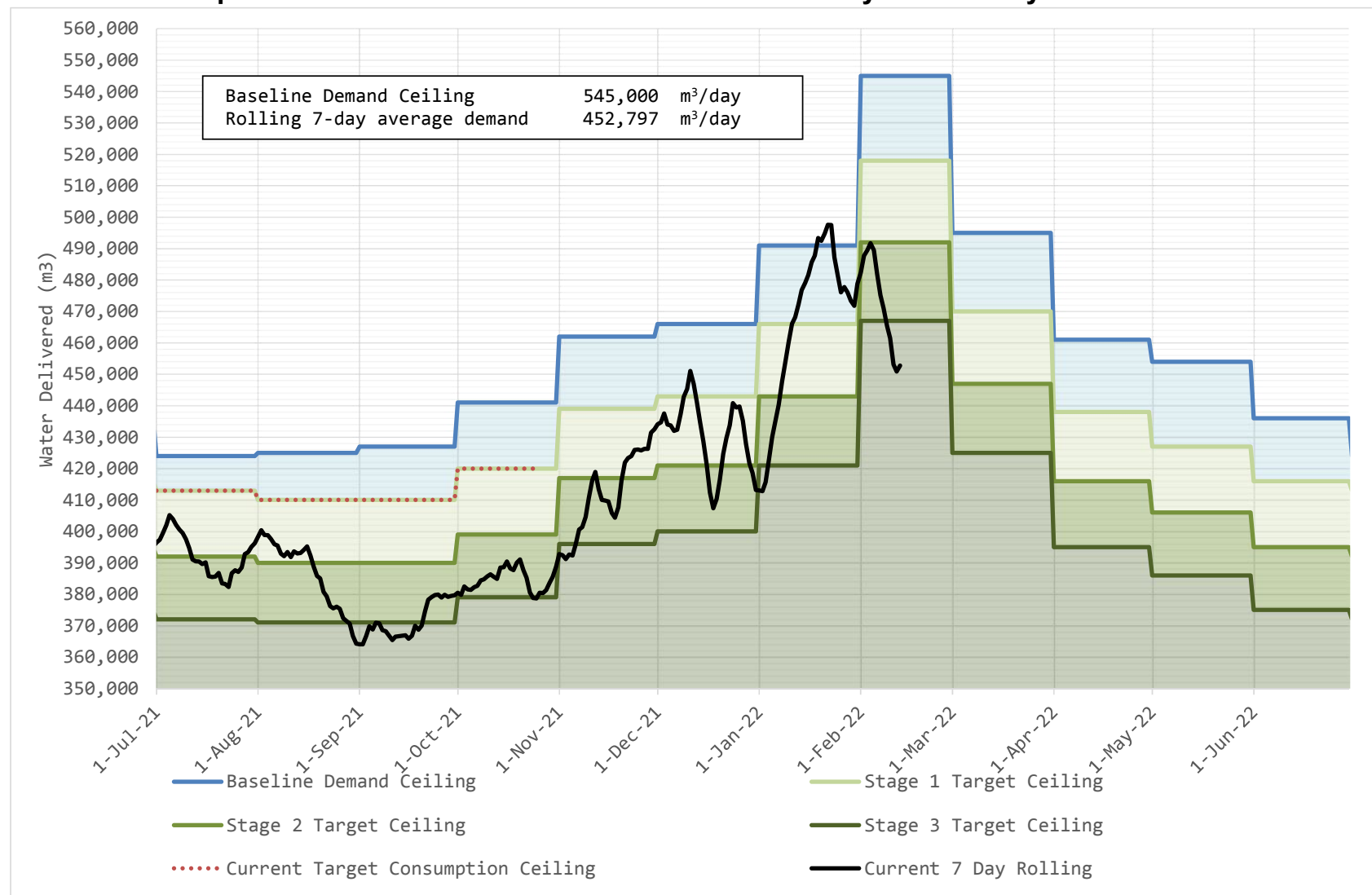
Recovery Controls

- Emergency stops
- Emergency response plans
- PPE gear
- Emergency response kits eg. Spill kits

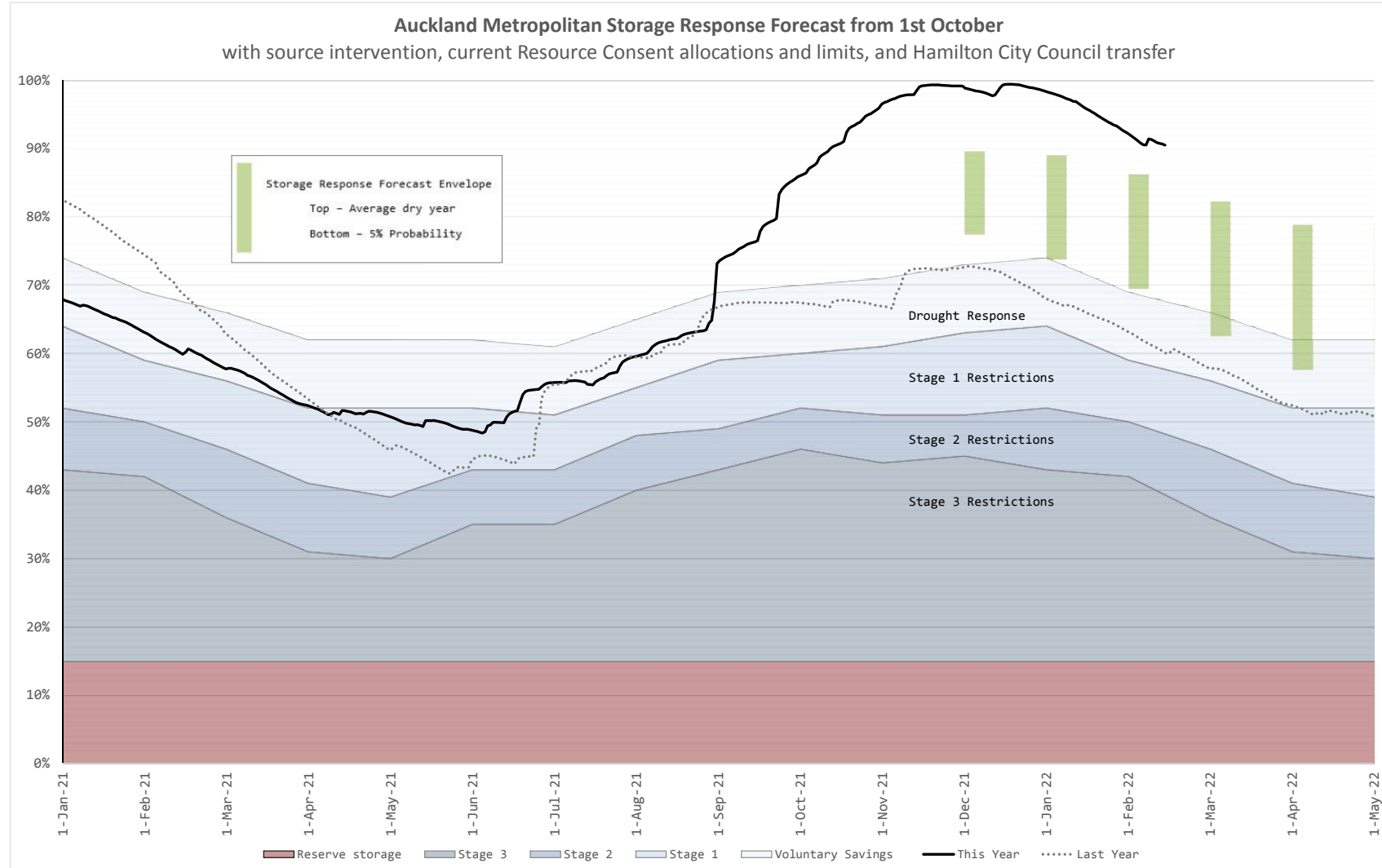


Attachment 4 - Water resources update

Auckland Metropolitan Total Water Demand – week ended Sunday 13 February

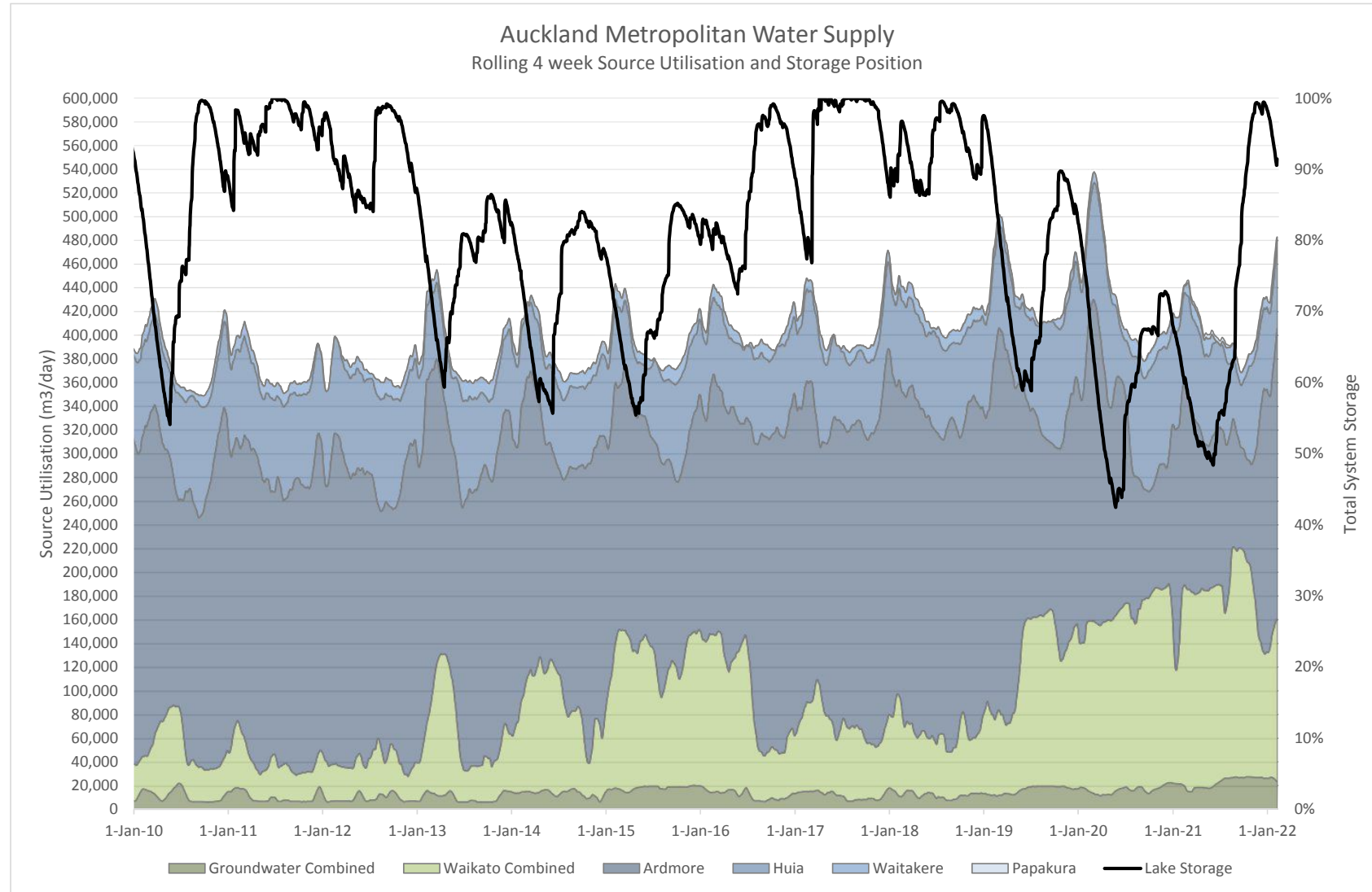


Auckland Metropolitan Storage Response – week ended Sunday 13 February



6.4

Auckland Metropolitan Source Utilisation – week ended Sunday 13 February



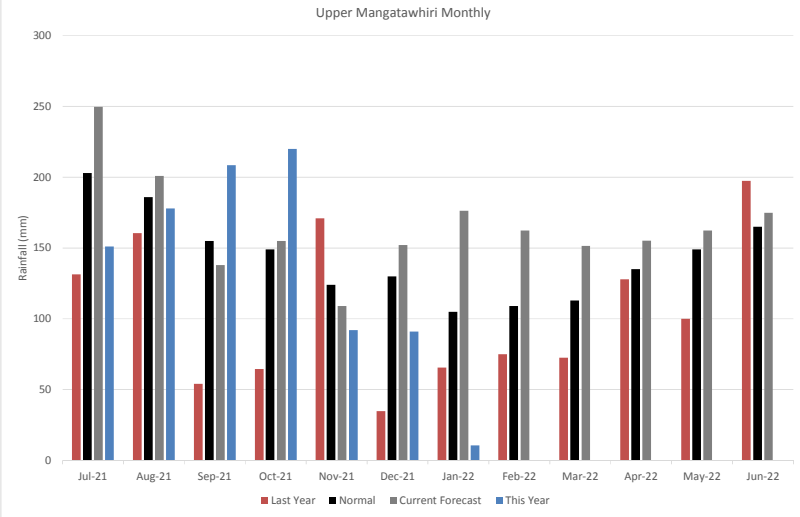
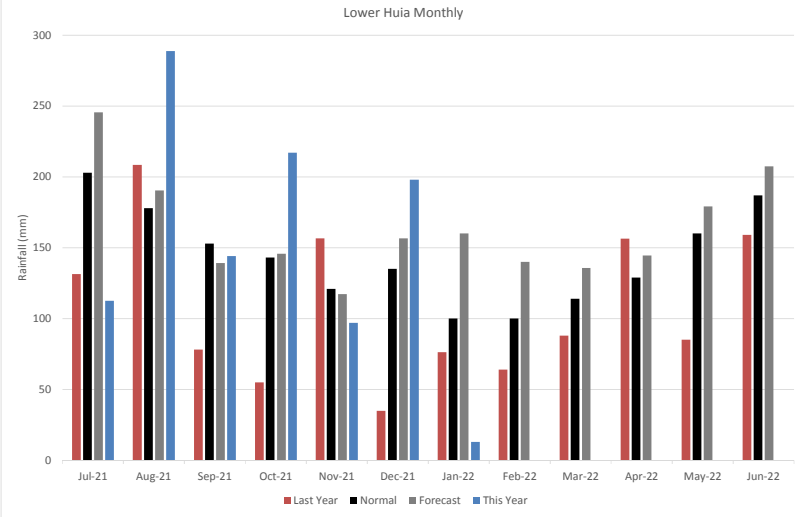
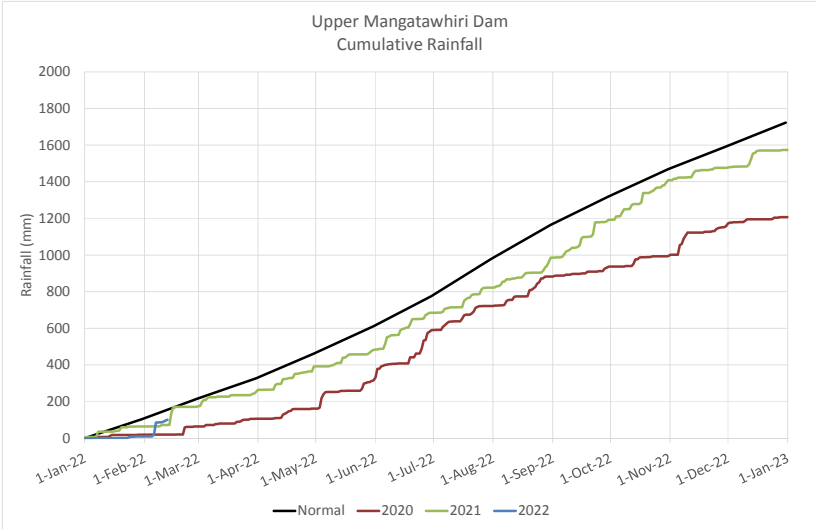
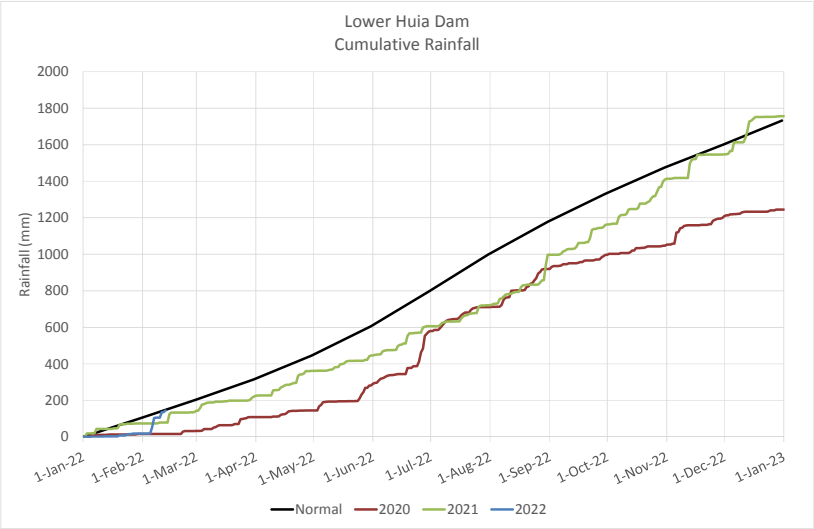
6.4

Auckland Metropolitan Water Treatment Plant Availability – week ended Sunday 13 February

Treatment plant	Sustainable peak production (MLD)	Current production (MLD)	Planned production for coming week (MLD)	Comments
Ardmore	330	255	245	
Waikato	170	105	105	Limited to 140MLD due to maintenance and consent limits.
Waikato 50	45	35	35	
Huia	115	73	73	Capacity limited due to solid handling constraints
Waitākere	14	0	0	Shutdown following damage to the Waitākere Raw Water Main
Onehunga	25	19	17	Summer aquifer level limiting abstraction
Pukekohe	5	5	5	
Papakura	3	0	0	New permanent plant being developed
Total	707	490	480	

February demands	Historical max (MLD)	Last week max (MLD)	Last month (MLD)	Last Year (MLD)
	568	480	472	447

Rainfall summary



6.4

AUGMENTATION STATUS UPDATE

Location	Pukekohe Bore	Hays Creek dam in Papakura	Waitākere Water Treatment Plant
On track			
Update	The Pukekohe WTP is operating reliably at a production output of 5.5MLD.	<p>Stage 1 = 5MLD out of service Stage 2 = 12MLD in-service is now due by April 2022, due to Covid-19 delays.</p> <p>Following the commissioning of the Waikato 50 WTP, the temporary Papakura WTP was shutdown to allow the development of the new permanent 12MLD Papakura WTP.</p>	<p>Increase peak production capacity by 8MLD.</p> <p>Project delivery and supply chain disruptions due to Covid-19 restrictions have resulted in significant delays to the outcome of delivery date for the centrifuge, which will increase reliability of the plant. Based on the current programming this will not be completed until November 2022.</p> <p>The production capacity of the Waitākere WTP has been reduced on a short-term basis (while water storage levels are in a strong position) to reduce the programme impact.</p> <p>A subsequent issue is emerging regarding the replacement of the filter floors at the Waitākere WTP. Filter 1 works progressed to programme, however during commissioning a significant issue (related to filter backwashing) was identified, which is currently being investigated. This issue may cause further delays in the delivery of the Waitākere WTP capacity uplift. The nature and impact of this issue will be confirmed within the next month. It is envisaged this delay will be resolved by April 2022.</p>

Location	Waikato Water Treatment Plant (existing plant)	Ardmore Water Treatment Plant	Onehunga Water Treatment Plant
On track			
Action	Peak capacity increased by 25MLD to 175MLD.	Low flow operation reconfigured to 80MLD – 250MLD.	The Onehunga WTP is operating reliably at a production output of 23MLD.

Location	Waikato 50
On track	
Action	<p>Waikato 50 plant is in supply since 14 July 2021. 225MLD peak supply from the Waikato River (W50 and W175) was tested successfully and is available.</p> <p>Waikato No.1 watermain boost pump station is in service and operational.</p>

NON-REVENUE WATER STATUS UPDATE

Activity	Creating smaller District Metered Areas and pressure management
On track	
Action	<p>Target is to develop district meter areas with less than 10,000 connections for 65% of the city</p> <ul style="list-style-type: none"> • Stage 1 Waitākere – rezoned from 6 DMAs to 24 DMAs. The changes have been made live on GIS. • Stage 2 Maungakiekie – complete rezone from 1 DMA to 4 DMAs. Civil work completed; one zones commissioned in December and remainder in February. • Māngere and Konini zones, studies being undertaken for future demand and growth including creating DMAs and pressure management.

Activity	Leakage management
On track	
Action	<ul style="list-style-type: none"> • Increase ground surveying of leak detection to 6,000kms a year • Total since start of the programme <ul style="list-style-type: none"> ○ Approximately 7700kms surveyed to date ○ 4980 leaks found ○ 10.84MLD saved • Total since July 2021 (works were suspended during Alert Level 4 Covid-19 restrictions) <ul style="list-style-type: none"> ○ Approximately 2300kms surveyed to date ○ 798 leaks fixed ○ 1.70MLD saved

Activity	Meter replacements
On track	
Action	<p>Improve accuracy of bulk metering</p> <ul style="list-style-type: none"> • 208 BSPs (bulk supply points) • 13 BSPs – currently damaged/returning false readings. Values for these BSPs are being assumed based on a 14-day averages. <p>Improve accuracy of customer meters</p> <ul style="list-style-type: none"> • 2000 domestic meters replaced YTD, target 30,000. Programme was affected due to lockdown and Watercare suppliers are having problems sourcing smart meters. • 1,540 commercial customer smart meter loggers installed to date, target of completing 2,000 in August 2021 has now delayed due to Covid-19 restrictions.

Activity	Non-potable and reuse
On track	
Action	<ul style="list-style-type: none"> • Currently there are three non-potable sites. • Western Springs, Halls Farm and the Hugo Johnston non-potable filling stations are now open again during standard business hours. • Lake Pupuke non-potable site has closed. Western Springs is required to be relocated.

Board meeting | 1 March 2022
Public session



Sensitive Expenditure Policy

For approval

Te pou whenua tuhinga / Document ownership

Prepared by

Harsha Mistry
Internal Audit Manager

Recommended by

Nigel Toms
Acting General Manager - Finance

Submitted by

Jon Lamonte
Chief Executive Officer

1. Te tūtohunga / Recommendation

We recommend that the Board accepts the Audit and Risk Committee's recommendation to approve the updated Sensitive Expenditure policy (the policy) in attachment 1, and formally approves the policy.

2. Take matua / Key points

The key points are:

- The updated Sensitive Expenditure policy was reviewed by the Audit and Risk Committee (the Committee) in May 2021
- Key changes to the policy include:
 - additional guidance for staff on what constitutes entertainment expenditure
 - wording changes to expressly state that public funds are not to be used for the purchase of alcohol and all Watercare sites are dry sites
 - a revised approval matrix for all staff to ensure the appropriate level of authority is involved in sensitive expenditure spend decision.
- In order to formalise the approval process, and to follow best practice governance processes, the policy has now been brought to the Board for their final review and approval.

3. Ngā tuhinga ō mua / Previous deliberations

Date	Report title	Key outcomes
26 May 2021	Sensitive Expenditure Policy – Update	The Committee discussed the sensitive expenditure review and improvements made following the review.

4. Whāinga / Purpose and context

Following the recommendations from the Chair of the Committee, a review of certain type of sensitive expenditure was undertaken by Watercare's Internal Audit team. The review highlighted the need for tightening of the controls and processes for sensitive expenditure.

The policy was updated to reflect these changes and recommended to the Committee for their approval at their meeting held on 26 May 2021.

The policy was updated to provide additional guidance for staff on what constitutes entertainment expenditure. In addition, new rules were introduced to tighten controls and processes.

The Committee discussed the proposed changes at their meeting held on 26 May 2021. It was agreed that it is not appropriate for public funds to be spent on alcohol in any circumstances and the policy is to be amended to state this expressly. This aligns with the policy that all Watercare sites are dry sites, including the head office. The Committee discussed the need for regular auditing to ensure that the policy is adhered to.

In addition to the proposed changes set out above, the Committee recommended updating the policy to include:

- wording changes to expressly state that public funds are not to be used for the purchase of alcohol and all Watercare sites are dry sites
- a revised approval matrix for all staff to ensure the appropriate level of authority is involved in sensitive expenditure spend decision

The updated policy with the above recommended changes discussed at the Committee meeting held on 26 May 2021 have been highlighted in attachment 1.

In order to formalise the approval process, and to follow best practice governance processes, the policy has now been brought to the Board for their final review and approval.

5. Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
The risk of not adhering to the Good Practice Guide from the Auditor General, "Controlling sensitive expenditure: Guidelines for Public Entities".	Periodic review of the policy is being undertaken from time to time. Quarterly reporting on the sensitive expenditure is being made to the Management and the Committee.

6. Ā muri ake nei / Next steps

Management to apply and communicate the updated Sensitive Expenditure Policy.

7. Ngā ūpoko / The capitals

The purpose of this report is to seek Board approval on the updated policy and therefore has no impact on the Six capitals.

8. Te whakapiringa / Attachment

Attachment number	Description
1.	The marked-up version of Sensitive Expenditure Policy



Sensitive Expenditure Policy

March 2022

Approved for issue by: Audit and Risk Committee	Last revision date: October 2020
Application: All Staff, Contractors and Directors	This review date: May 2021
Issue Method: Intranet	Next revision date: May 2023

7.1

1. Application of Policy

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

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

2. Principles-based approach

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

Expenditure decisions made by Watercare officers and staff will:

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

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

3. Directors and Chief Executive

3.1 Directors

Expenditure by directors of the Board of Watercare shall be made for Watercare related purposes only and be reviewed for correctness by the Chief Financial Officer and approved by the Chair. Expenses by the Chair shall be approved by the Chair of the Audit and Risk Committee.

3.2 Chief Executive

All expenses by the Chief Executive shall be reviewed for correctness by the Chief Financial Officer and be approved by the Chair.

4. Entertainment specific guidance

Expenditure on entertainment and hospitality (including the purchase of food and beverages) is sensitive because of the range of purposes it can serve, the opportunities for private benefit, and the

uncertainty as to what is appropriate.

The Office of the Auditor General's guidance on this kind of expenditure highlights the following five business purposes for entertainment and hospitality expenditure for private and public organisations. The expenditure must be for:

- building relationships
- representing the organisation
- reciprocity of hospitality where this has a clear business purpose and is within normal bounds
- recognising significant business achievement
- building revenue

7.1

The principles of a **justifiable business purpose** and **moderate and conservative** expenditure are particularly relevant in all decision making. While recognising that Watercare is a public benefit entity, all expenditure needs to stand up to public scrutiny. However, where there is sometimes a need for Watercare to incur costs for **undertake** entertaining and hospitality, the following must be followed:

- no alcohol costs will be paid for by **reimbursed** Watercare **on expense claims** – this is an extension of the 'dry-site' requirement that is already in place
- entertaining expenditure likely to be over \$2,000 requires pre-approval from the Chief Executive
- entertaining expenditure likely to be over \$1,000 requires pre-approval from the Chief Financial Officer
- entertaining expenditure at a Watercare site and under \$1,000 requires pre-approval from the relevant Chief
- entertaining expenditure off-site from a Watercare facility requires pre-approval from the Chief Financial Officer
- entertaining to be undertaken outside of Auckland will require pre-approval from the Chief Executive

Food purchased (e.g. an evening meal) while outside of Auckland and on Watercare related business does not require pre-approval but must still be moderate and conservative. **Any alcohol** purchased will be at a staff member's own expense.

On-site morning teas or other refreshments for meetings, staff recognition events etc are allowable but must be pre-approved following the criteria above and be moderate and conservative in cost.

Costs for events paid personally and included in an expense claim should be paid by the most senior staff member present.

5. Pre-approvals

Approvals for Watercare related travel expenditure outside of New Zealand and Australia shall be pre-approved by the Chair for the Chief Executive, and by the Chief Executive for all staff. Similarly, cash advances for travel purposes and significant expenditure on hospitality should be pre-approved.

6. Supporting Documents

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

7. Staff

The Chief Executive shall prepare, maintain and implement policies and procedures for all Watercare staff based on the principles and the Good Practice Guide outlined in section 2. For specific guidance, please refer to:

- Reimbursement of Approved Business Expenses Policy
- Business Conduct and Ethics Policy
- Gifts and Inducements Policy
- Travel Guidelines
- Purchasing Card Guidelines
- Protected Disclosures ('Whistle-Blower') Policy
- Good Practice Guide from the Auditor General, "Controlling sensitive expenditure: Guidelines for Public Entities".

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

8. Approvals

This Policy was reviewed by the Audit and Risk Committee on 26 May 2021 and has been recommended to the Board for approval.

7.1

Board meeting | 1 March 2022
Public session



Scanning the Horizon

For discussion

Te pou whenua tuhinga / Document ownership

Prepared by

Rebecca van Son
Head of Strategy

Submitted by

Jon Lamonte
Chief Executive Officer

1. Te tūtohunga / Recommendation

We recommend that the Board acknowledge and discuss the following information updates:

- Emerging trends in infrastructure
- Resource Management Act Reform
- Water efficient home pilot – the Fletchers partnership
- The future for local government review.

2. Take matua / Key points

The key points are outlined in the section 5 below.

3. Ngā tuhinga ō mua / Previous deliberations

Date	Report title	Key outcomes
8 February 2022	Scanning the Horizon	This report will be provided at each Board meeting for noting and discussion.

4. Whāinga / Purpose and context

The purpose of this report is to ensure that the Board remains informed of important matters (both short and longer term) that are likely to have an impact on Watercare in the future. This includes strategic and operational insights as well as possible risks and opportunities on the horizon.

5. Kōrero pitopito / The details

5.1 Emerging trends in infrastructure

KPMG have prepared a report on the seven trends emerging in infrastructure. These trends are summarised below.

Moving from talk to action

Infrastructure leaders are beginning to take responsibility for the industry's contribution to climate change, joining forces to decarbonise the industry with a focus on the move to net zero. It was noted that they expect to see the climate investment significantly increase in 2022.

Building long-term in a short-term world

Uncertainty makes planning more difficult as decision-makers must ascertain which changes following the pandemic are likely to be permanent (and therefore planning infrastructure for them will be enabling and valuable), and which changes are temporary. Managing this will be made possible with increased community and stakeholder engagement, technology and flexible solutions that will mitigate the risk of getting it wrong.

Maintaining control while encouraging agility

One of the big challenges with regulation is that it is often designed to deal with historical challenges. It is retroactive. Governing bodies are adjusting to new realities, approaches and technologies. It is expected that governments, regulators and infrastructure players will embrace governance. Not simply as a way to control costs and manage risks, but rather as an opportunity to ensure projects and programmes are properly scoped, delivered and managed to address society's need. And, when that need changes or objectives are not being met, that the regulation is agile and flexible enough to allow the correct changes to be made. Expect to see a shift towards managing value of outcomes in the context of rapid technological change.

Making digital real

Covid-19 has made digital solutions more real for infrastructure companies, who are advancing with digitisation as it becomes more embedded in the way we manage assets, work with customers, and plan for the future.

Supply infrastructure, supply the world

Infrastructure players are struggling with supply shortages and are likely to combat fragility of the supply chain by investing significantly more in inventory, assets, and talent to reduce the risk and cost of short-term supply shortages.

Towards a new 'livable'

People's preferences around the way we work and live are becoming more pronounced since the pandemic but they are also diverging from each other as digitisation of work now allows. The challenge for planners is to develop infrastructure assets that serve new preferences and balance flexible, local solutions with housing affordability and sustainability requirements. Expect to see city planners and policy makers start to place bigger bets on how their populations will want to live, work and play.

Paying for it all

Government spending is at a record high. Infrastructure requirements are increasing. Governments are therefore looking at different funding mechanisms, i.e. changing tax brackets and user pays. We expect to see governments articulating how they will fund their infrastructure over the long term and to see an increase in taxation.

5.2 Resource Management Act reform

The Government is undertaking a comprehensive reform of the resource management system, and this year will be a significant year in this reform programme.

This consists of the repeal of the Resource Management Act 1991 and enactment of three pieces of legislation: a Natural and Built Environments Act, a Strategic Planning Act, and a Climate Adaptation Act. The scale of reform is substantial and will have significant impacts on Auckland Council and CCO's. The Ministry for the Environment (MfE) has recently released engagement materials – Transforming Aotearoa New Zealand's resource management system: Our future resource management system – with submissions closing 28 February 2022.

The first two Bills, the Natural and Built Environments Bill and the Strategic Planning Bill, are expected to be tabled in Parliament in Q3 of 2022. The third related bill, the Climate Adaptation Bill is expected sometime in 2023.

Watercare is preparing to give feedback into these bills along the lines of the planning and consenting processes, the recognition of our infrastructure, climate change and decision-making.

5.3 Water efficient home pilot – the Fletchers partnership

Fletcher Living is performing a low carbon homes pilot (1.5-degree homes) at Waiata Shores in Auckland, to accelerate decarbonisation and reduce the climate change impact of homes through their lifecycle.

The pilot objective is to design and build a family-sized (3-bedroom, 2-bathroom) low carbon home that meets (or gets as close to) the 1.5 degree Celsius carbon budget (39 tonne CO₂eq over a 90 year service life, based on Massey University and BRANZ research). The pilot also includes a 2-storey compact terrace block consisting of three x 4.5m wide units each with 3-bedrooms and 1 bathroom.

Watercare is partnering with Fletcher Living on the 1.5-degree home pilot to:

- Explore domestic-scale water saving technologies.
- Showcase ready-to-deploy high-tech water systems (drinking, recycled and rainwater).
- Implement smart-tech water monitoring.
- Track post-occupancy water consumption against water reduction targets.

The pilot will seek to meet (or get as close to) the Ministry for Business Innovation and Employment's Building for Climate Change Programme proposed mandatory water use cap in new builds of 75 Litres/person/day (L/p/d) by 2035. This cap represents a 53% reduction on the average household use in Auckland pre 2020 drought of 160 L/p/d.

This partnership is the first **Watercare Showcase** following a proposal by the 2021 Future Stars alumni.

Watercare Showcases provide an opportunity for Watercare to innovate, collaborate and demonstrate what is possible for reducing household demand for potable water, to influence the future of smart, water efficient housing in Auckland.

Construction of the 1.5-degree pilot homes is scheduled to be completed by 30 June 2023.

5.4 The future for local government

A review of the future for local government is taking place. The elected members will be attending a workshop in March/April, and therefore Council are collating feedback on the key questions being discussed. This feedback will be used to inform Councillors.

The questions are:

- How should the system of local governance be reshaped so it can adapt to future challenges and enable communities to thrive?
- What are the future functions, roles and essential features of NZ's system of local governance?
- How might a system of local governance embody authentic partnership under Te Tiriti o Waitangi, creating conditions for shared prosperity and wellbeing?
- What needs to change so that local government and its leaders can best reflect and respond to the communities they serve?
- What should change in local governance funding and financing to ensure viability and sustainability, fairness and equity, and maximum wellbeing?

In addition to the five priority question areas, Council is interested more broadly in:

- What do we want to see in future local governance arrangements? What shifts/changes would be required to get there?
- Where is Auckland currently on this journey? [if we are] What have we learned? What would/could we do differently?
- What is needed to ensure effective infrastructure delivery in the future?

Council requested input from Watercare by Friday 18 February 2022. Watercare have collated some initial feedback for the Councillors workshop in March 2022, however we intend on submitting to the draft report in September 2022. We will share the draft report with the Board when received. The final report is due in April 2023, five months before the central government elections.

6. Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
Not applicable	This paper is for information purposes and has highlighted risks in Section 5 – The details.

7. Ā muri ake nei / Next steps

This paper is a standing agenda item for the Board meeting.



Board meeting | 1 March 2022
Public session



Construction supply chain risk review

For discussion

Te pou whenua tuhinga / Document ownership

Prepared by
Stuart Bird
Head of Supply Chain

Recommended by
Steve Webster
Chief Infrastructure Officer

Submitted by
Jon Lamonte
Chief Executive Officer

1. Te tūhunga / Recommendation

We recommend that the Board notes this construction supply chain risk review report, including the construction supply chain challenges resulting in cost inflation and the mitigating strategies we are implementing.

2. Take matua / Key points

The construction supply chain is facing many challenges namely:

- Global supply chain issues in materials supply and shipping
- Local supply issues including demand on New Zealand Steel
- Labour market tightening due to low unemployment and boarder closures.

This is resulting in significant cost inflation in the sector as detailed in this report.

The general consensus in the sector is we will see cost inflation of around 6% in FY21/22, 8-10% in FY22/23 then dropping to 5-7% in FY23/24.

3. Ngā tuhinga ō mua / Previous deliberations

Date	Report title	Key outcomes
29 July 2021	Chemical supply chain risk review	The Board noted the report.
30 November 2021	Covid-19 and supply chain risk review	The Board noted the report.

4. Whāinga / Purpose and context

The purpose of this report is to inform the Board about the construction supply chain challenges resulting in cost inflation and the mitigating strategies we are implementing.

This report builds on the previous 30 November 2021 confidential Board report with a focus on the construction supply chain challenges and assesses the risk level to Watercare. Watercare's risk heat map on the construction supply chain has been included with this report as Attachment 1.

The following are classified as the main construction supply chain risks:

- Global supply chain issues in materials supply and shipping
- Local supply issues including demand on New Zealand Steel
- Labour market tightening due to low unemployment and boarder closures.

5. Kōrero pitopito / The details

5.1 Infrastructure construction cost escalation

Covid-19 has disrupted supply chains globally, which has resulted in materials supply shortages and increased prices in several key inputs to Watercare's infrastructure projects. International freight costs have increased significantly, and lead-times are continually pushing out, resulting in variation claims. The labour market in New Zealand is tight with border closures, immigration changes and international flight restrictions all having an impact. This is leading to growing pressure on resources within New Zealand to do more with less, and public and private sector organisations competing for the same resource.

This has resulted in higher construction cost increases than what we have experienced in the last decade.

The Auckland Council escalation indices of 3.6% for 2020/21 and 3.0% thereafter that have been used to determine required Asset Management Plan budgets by calculating project costs in the years of their planned construction will be lower than the actual and predicted future escalation of between 6% and 10%. The implication will be fewer Asset Management Plan outcomes possible for the same budget, or budgets will need to be increased if there is a requirement/business case to complete the same number of outcomes in the original budget period.

A firm of Quantity Surveyors reviewed, at a high level, the cost of construction materials from August 2020 to February 2022 and presented the findings to Watercare. The table below is a summary of the findings for some key materials, as way of an example that are used in typical Watercare Infrastructure projects.

	Cost increase August 2020 to July 2021	Cost increase July 2021 to February 2022	Compounded total cost increase August 2020 to February 2022	Comments
Supply steel reinforcing bar	45%	20%	74%	Due to increase in steel and transport prices.
Concrete including pipes	8%	10%	19%	Due to increases in shipping and road transport costs.
HDPE pipe	25%	10%	38%	Due to increase in crude oil and transport prices.
Concrete lined steel pipes	21%	45%	75%	Due to increases in steel (HRC) and most other inputs.
Electrical equipment	15%	8%	24%	Due to a 33% increase in copper and aluminium prices from Aug 2020 to July 2021.

For a typical pipeline project valued between \$5m to \$10m the construction cost is 75% of the total project cost and materials make up approximately 25% of the physical construction cost. For pipeline projects the key material will be pipe supply. The total project cost increase from August 2020 to February 2022 for the following pipeline projects due to the increase in the pipe supply price is:

- HDPE pipelines: the impact of an 38% increase in HDPE material cost, which makes up 25% of the construction cost, and the construction cost makes up 75% of the total project cost, equates to a 7.1% increase of the total project cost for HDPE pipeline projects, or a 4.8% annual increase.
- Concrete pipelines: the impact of an 19% increase in concrete pipe material, which makes up 25% of the construction cost, and the construction cost makes up 75% of the total project cost, equates to a 3.6% increase of the total cost or a 2.4% annual increase.
- Concrete lined steel pipelines: the impact of an 75% increase in concrete lined steel pipe material, which makes up 25% of the construction cost, and the construction cost makes up 75% of the total project cost, equates to a 14% increase of the total cost or a 9.4 % annual increase.

Plant, and labour costs have increased, but typically this is in the range of 3% to 5% from August 2020 to July 2021 and if these components are typically 45% of the construction cost the impact on the total project cost would be a 1% to 2% increase. The increase would be 2% to 3% from August 2020 to February 2022.

5.2 Forecast cost increases

Rider Levatt Bucknal (RLB) a firm of quantity surveyors were engaged in November 2021 to assist with analysing some Watercare projects at a high level to forecast potential cost increases over the next few years.

Their analysis concluded that escalation rates would continue to remain high but gradually taper off. The report predicted the following for construction projects:

- Escalation for the 2021/22 financial year to be 6% for the wider construction industry
- Escalation for the 2022/23 financial year to be 8 - 10%
- Escalation for the 2023/24 financial year to be 5 - 7%.

The RLB report was prepared in November 2021, with the volatility of the market the predicted increases could have changed.

The RLB report predictions are consistent with data collected by Auckland Council and Auckland Transport.

5.3 Risk level

The risk is identified as 'high' with a likelihood of 5 (may occur this year) and the consequence is considered to be 'high'.

The risk has been reviewed since the Supply Chain Risk Board report was presented at the 30 November 2021 Board meeting, resulting in an increase in the risk profile.

5.4 Mitigation strategies

The key mitigation strategy is for Watercare to free issue more plant and equipment to our construction partners. This allows us to procure earlier in the project cycle which reduces delays in construction. It also avoids margin incurred by the construction partner.

This enables Watercare to establish stronger and deeper relationships with key supply chain partners to jointly monitor and manage supply chain risks. The relationships will also be used to foster innovation particularly in relation to carbon reduction.

This concept was tested and proved on the drought projects to help reduce delays due to equipment supply and continues on an ongoing basis. This has resulted in saving margin but more importantly has mitigated delay risk which would have an even greater cost impact. We estimate the savings on margin to be in the order of 1% of the project cost which will offset the inflation increase detailed above.

Through programme optimisation and leveraging the programme rather than each project to establish supply partnerships we estimate savings to be in the order of 2% of the total project cost.

6. Ngā ūpoko / The capitals

6.1 Natural Environment including Climate Change

Sourcing low carbon products will be an enabler to achieving 40:20:20.

6.2 People and Culture

Continuous supply of goods help ensures safe and reliable services which builds customer trust and value.

6.3 Customer and Stakeholder Relationships, including Māori Outcomes

Continuous supply of goods/materials is critical to ensure that we not only meet our statutory obligations, but that we meet the expectations of our customers. Risks and threats to our supply chain have the potential to adversely impact the quality and the quantity of the product leaving our facilities.

6.4 Asset and Infrastructure

Infrastructure costs are expected to increase in coming years which will impact Watercare infrastructure projects. Identifying future key challenges will help to better allocate resources, and adjust for cost variance and effective labour management.

6.5 Intellectual Capital

Watercare has appointed a risk lead to conduct environmental scans, highlight supply chain key risks and prepare mitigation plans in collaboration with the Operations and Risk teams.

6.6 Financial Capital and Resources

The impact of the construction supply chain challenges will lead to higher project costs.

7. Ā muri ake nei / Next steps

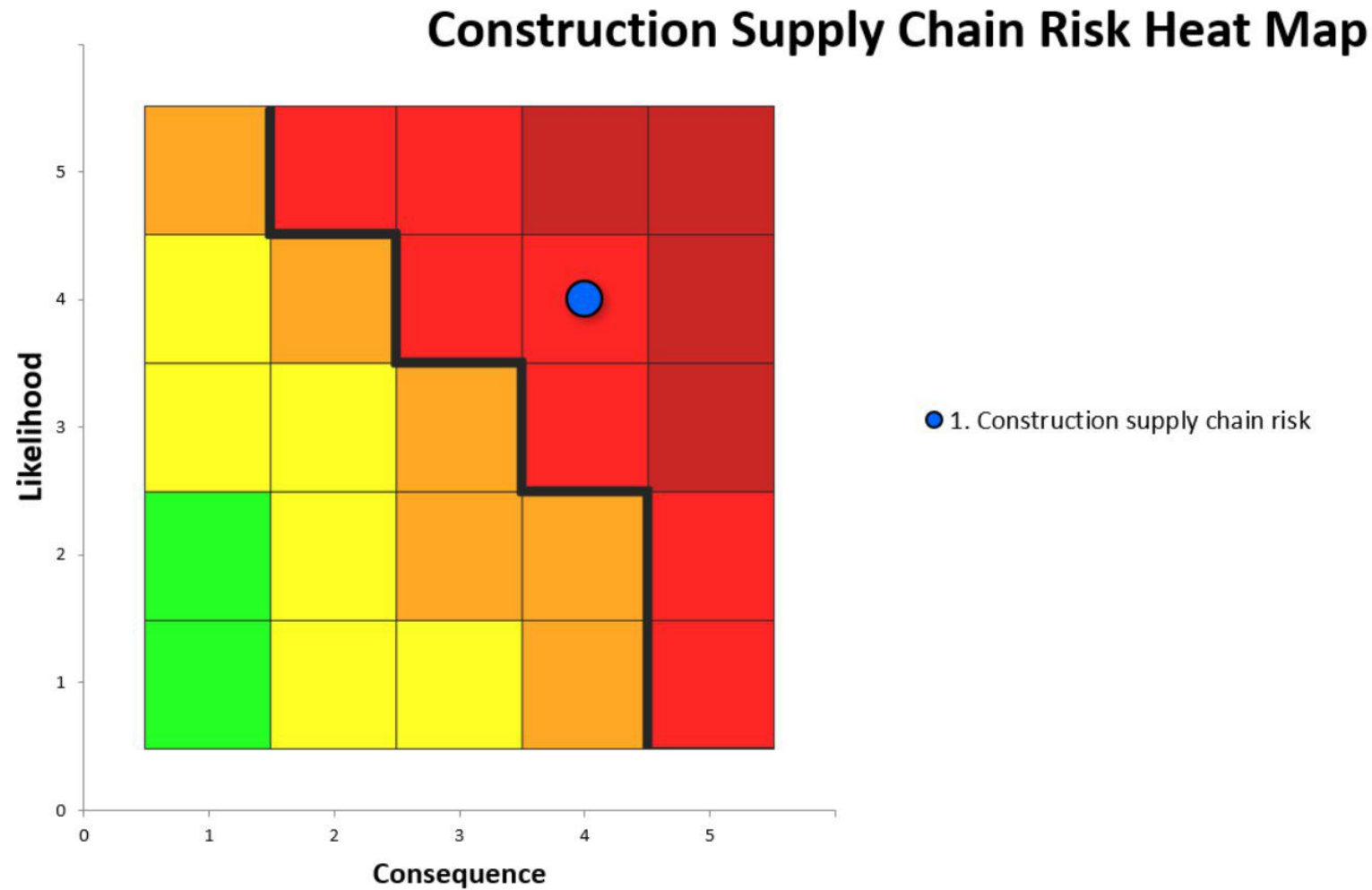
- Risks will be assessed quantitatively and depending upon the outcome, risk level may be updated.
- Risk mitigation strategies will continue to be implemented
- The Asset Management Plan will be reviewed with respect to expected cost inflation.

8. Te whakapiringa / Attachment

Attachment number	Description
1.	Construction supply chain risk heat map



Attachment 1



Likelihood of Risk

RATING		LIKELIHOOD OF RISK CRYSTALLISING IN A TIMEFRAME	%
5	VERY HIGH	May occur this year	> 75
4	HIGH	May occur in the next 1 to 2 years	50 - 75
3	MEDIUM	May occur in next 2 to 4 years	25 - 50
2	LOW	May occur once in 4 to 20 years	5 - 25
1	VERY LOW	May occur once in >20 years	< 5

Consequences

Consequence Score	Very High 5	High 4	Medium 3	Low 2	Very Low 1
Finance	<p>Annual EBITDA beneath budget by more than \$10M requiring higher than budgeted price increases</p> <p>Write off of Capital Work In Progress of > \$10M</p> <p>Funds flow from operations ratio below 2.5</p> <p>Increased debt more than \$20M due to:</p> <ul style="list-style-type: none"> Capital project cost escalation Unplanned re-instatement / recovery costs Unplanned financial loss <p>Fraud greater than \$50K</p> <p>High probability of a qualified audit report</p>	<p>Annual EBITDA beneath budget by \$5M to \$10M requiring consideration of higher than budgeted price increases</p> <p>Write off of Capital Work In Progress of \$5M to \$10M</p> <p>Funds flow from operations ratio of 2.5 to 2.7</p> <p>Increased debt \$5M to \$20M due to:</p> <ul style="list-style-type: none"> Capital project cost escalation Unplanned re-instatement / recovery costs Unplanned financial loss <p>Fraud ≤ \$50K</p> <p>Potential for a qualified audit report</p>	<p>Annual EBITDA beneath budget by \$1M to \$5M requiring review of forward budgets</p> <p>Write off of Capital Work In Progress of \$1M to \$5M</p> <p>Funds flow from operations ratio of 2.7 to 3.0</p> <p>Increased debt \$1M to \$5M due to:</p> <ul style="list-style-type: none"> Capital project cost escalation Unplanned re-instatement / recovery costs Unplanned financial loss <p>Unmitigated or enduring internal control weakness</p> <p>Some low level audit issues which would not lead to a qualified audit report</p>	<p>Annual EBITDA beneath budget by less than \$1M requiring enhanced monitoring of budgets</p> <p>Write off of Capital Work In Progress of ≤ \$1M</p> <p>Funds flow from operations ratio 3.0 to 3.2</p> <p>Increased debt \$250K to \$1M to due to:</p> <ul style="list-style-type: none"> Capital project cost escalation Unplanned re-instatement / recovery costs Unplanned financial loss <p>Internal control weakness identified that makes fraud more likely</p> <p>No material audit issues</p>	<p>Insignificant impact on annual EBITDA</p> <p>Insignificant write off of Capital Work In Progress required</p> <p>Funds flow from operations ratio greater than 3.2</p> <p>Increased debt less than \$250K due to:</p> <ul style="list-style-type: none"> Capital project cost escalation Unplanned re-instatement / recovery costs Unplanned financial loss <p>Internal controls operating as intended</p> <p>No audit issues</p>

Board - Public Session - Board planner

		Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Meetings	Board		8-Feb	1-Mar	5-Apr	3- May (Board Development Day)	7- Jun (Statutory Public Meeting)	5-Jul	2-Aug	6-Sep	4-Oct (Board Planning Day)	1-Nov (Statutory Public Meeting)	6-Dec (Update only -not a formal meeting)
	Audit and Risk Committee		2-Feb			31-May			15-Aug 29-Aug			22-Nov	
Running the Business	Financial		Approve half year accounts	a) approve financials for Draft SOI including projected 22/23 price increases, b) approve long term financials for Auckland Council modelling			Board approval of Insurance proposal Board approval of 2022/2023 Budget and updated SOI financials	Auckland Council and Watercare to review 30 June Treasury Interest rates	a) approve 2021/22 accounts, b) delegate final sign off of 2022/23 Annual Report c) Approve Auckland Council Reporting Pack			Auckland Council Draft Annual Plan - approve Watercare input	
	Statement of intent		Q2 Performance Report to Council - due to Council by 28 February 2022	Draft 2022-2025 SOI for Board's approval - to be sent to Council by 1 April 2022	Q3 Performance Report to Council - due to Council by 29 April 2022		Present shareholder SOI feedback at public meeting.	Final 2022-2025 SOI issued to shareholder by 31 July 2022	Final 2022-2025 SOI adopted by Auckland Council Q4 Performance Report to Council - due to Council by 31 August 2022			2021/2022 SOI Results to be presented to Board at Public Meeting. Public Deputations to be received. Q1 Report to Council (Date TBC)	2023/24 Letter of Expectations to be received
	HSW Deep Dives		Critical risk - deep dives on Working with or near live energy (electrical, mechanical, pneumatic, hydraulic, etc)	Critical risk - deep dives on Working with fixed plant and equipment	Critical risk - deep dives on Working in or near live traffic (Includes road corridors, construction and operational sites)		Critical risk - deep dives on Working around waterbodies	Critical risk - deep dives on Digging and working in excavations (includes tunnelling)	Critical risk - deep dives on Working with flammables or in explosive/flammable areas	Critical risk - deep dives on Working at Height (moved from May)			
	Community and Stakeholder Relationships		Stakeholder	Iwi CCO Oversight Committee Half Day Visit : 29 March 2022	Stakeholder		Iwi	Stakeholder	Iwi	Stakeholder		Iwi	
	Governance		Enterprise Risk Report (Board then Council) Statutory compliance	The Sensitive Expenditure Policy	Enterprise Report to Board - Delegate authority to 31 May A&R to approve report to council Statutory compliance	Risk report due to Council		Statutory compliance Fraud & Corruption Policy	Corporate Governance Charter Enterprise Risk Report (Board then Council)	Our commitment to health, safety and wellness Board Delegations to CE		Good Employer Policy Enterprise Risk Report (Board then Council) Statutory compliance	
Deliver the future	Aligned to the Six Pillars			Te Ao Māori is embedded throughout our organisation Achieving Māori outcomes - Nicola Crauford and Richie Waiwai	We value our People & Culture - Dave Chambers and Jamie Sinclair		We are fully sustainable - Brendon Green and Steve Webster	We educate, innovate, and collaborate for future generations - Frances Valentine and Rebecca Chenery	We have a resilient water supply - Graham Darlow and Mark Bourne	Our communities trust and respect us - Julian Smith and Amanda Singleton			

Board - Public Session - Board planner

		Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Confidential			CE's KPIs Capex approvals				CE's KPIs Capex Approvals		Capex Approvals	CE's KPIs		Capex approvals	
Audit & Risk Committee			Approve FY22 half year accounts Protected Disclosures (Whistle-blower) Policy			Present plan for Year end to A&R A&R Approve Insurance Proposal Approval of 2022/23 Budget & updated SOI Financials Tax Subvention Income Policy Fraud & Corruption Policy			Auckland Council FY22 Reporting Pack (15 August meeting) Approval of Financial Statements FY22 (29 August meeting) Tax Risk Management Policy Conflict of Interest Policy Board Delegations to CE				
Lutra Limited	Performance report		Half-yearly performance report							Half-yearly performance report			
	Statement of intent						Final 2022-2025 SOI to be sent to Council		Final 2022-2025 SOI adopted by Auckland Council			2021/2022 SOI Results to be presented to Board at Public Meeting. Public Deputations to be received.	

Board meeting | 1 March 2022
Public session



Directors' appointment terms, committee memberships, and meeting attendances

For information

Te pou whenua tuhinga / Document ownership

Prepared by

Jacky Simperingham
Co-Head of Governance

Emma McBride
Co-Head of Governance

Recommended by

Jamie Sinclair
Chief Corporate Services Officer

Submitted by

Jon Lamonte
Chief Executive Officer

1. Te tūtohunga / Recommendation

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

2. Take matua / Key points

The key points are:

- the tenure of the eight current directors of Watercare Services Limited
- details of committee membership
- details of directors' attendance at Board and committee meetings over the calendar year.

3. Kōrero pitopito / The details

Table 1: We currently have eight directors

Our directors are appointed by Auckland Council.

Director	Original appointment date	End of term
Margaret Devlin (Chair)	1 November 2016	2 nd term ends 31 October 2022
Nicola Crauford	1 April 2014	3 rd term ends 31 October 2022
Brendon Green	1 November 2016	2 nd term ends 31 October 2022
Hinerangi Raumati-Tu'ua	1 August 2019	2 nd term ends 31 October 2024
Dave Chambers	1 November 2019	1 st term ends 31 October 2022
Frances Valintine	1 November 2019	1 st term ends 31 October 2022
Graham Darlow	3 February 2021	1 st term ends 31 October 2024
Julian Smith	1 January 2022	1 st term ends 30 June 2024
Wi Pere Mita (Intern)	1 January 2022	30 June 2023

Table 2: We currently have one Committee to assist the Board in its corporate governance

We currently have one Committee, the Audit and Risk Committee. The Chair and members are appointed by the Chair. Attendance at the Committee meetings by non-members is optional.

The table below sets out the membership of the current Committee.

Director	Audit and Risk Committee
Margaret Devlin (Chair)	*
Dave Chambers	
Nicola Crauford	
Brendon Green	✓
Hinerangi Raumati-Tu'ua	Committee Chair
Frances Valintine	
Graham Darlow	✓

**Board Chair attends in ex-officio capacity*

Previously, we had three other Committees. At the 8 February Board meeting, the following three Committees were disestablished, and the Board agreed to undertake the functions of these Committees in its future meetings:

- Te Tangata Komiti
- AMP & Major Capex
- Committee for Climate Action.

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					Attendance at Te Tangata Komiti meetings				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&R 3 February 2021	A&R 26 May 2021	A&R 9 August 2021	A&R 24 August 2021	A&R 28 October 2021	AMCC 18 February 2021	AMCC 16 April 2021	AMCC 20 May 2021	AMCC 11 August 2021	AMCC 18 November 2021	TTK 27 January 2021	TTK 28 April 2021	TTK 19 August 2021	TTK 24 November 2021	CCA 19 February 2021	CCA 24 May 2021	CCA 13 September 2021	CCA 8 December 2021	
Margaret Devlin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✕ ¹	✓	✓	✓	✕	✓	✓	✓	✓				
Nicki Crauford	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	#						✓	✓	✓	✓	✓					✓	✓	✓	✓	
Brendon Green	✕	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓											✓	✓	✓	✓
David Thomas	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hinerangi Raumati-Tu'ua	✕	✕	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓			
Dave Chambers	✓	✓	✓	✓	✓	✓	✓	✕	✓	✓	✓									✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Frances Valintine	✓	✓	✓	✓	✓	✓	✓	✕	✓	✓	✓						✕						✓	✓	✓	✓	✓	✓	✓	✓
Graham Darlow	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✕	✓	✓	✓	✓	✓	✓	✕	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

1. Margaret Devlin was absent from this meeting as she was required to attend another meeting as Chair of the Board.

Nicki Crauford was absent from this meeting as her term was extended for a year at Watercare and therefore, she was not expecting to attend this meeting. Due to that the invite for this meeting was not in her diary.

Table 4: Attendance at Board meetings (including the Development Day and the Planning Day) and the Audit and Risk Committee for 2022 is detailed in the table below:

Attended ✓ Did not attend ✕ Not on the committee ■ Not on the Board ☐	Attendance at Board meetings 2022								Attendance at Audit and Risk Committee meetings 2022					Attendance at Board Development Day	Attendance at Board Planning Day
	8 February 2022	1 March 2022	5 April 2022	22 June 2022	5 July 2022	2 August 2022	6 September 2022	1 November 2022	2 February 2022	31 May 2022	10 August 2022	29 August 2022	22 November 2022	3 May 2022	4 October 2022
Margaret Devlin	✓								✓						
Nicki Crauford	✓														
Brendon Green	✓								✓						
Hinerangi Raumati-Tu'ua	✓								✓						
Dave Chambers	✓								✓						
Frances Valentine	✓														
Graham Darlow	✓								✓						
Julian Smith	✓														
Wi Pere Mita (Intern)	✓														



Board meeting | 1 March 2022
Public session



Disclosure of Directors' and Executives' interests

For information

Te pou whenua tuhinga / Document ownership

Prepared by

Jacky Simperingham Emma McBride
Co-Head of Governance Co-Head of Governance

Recommended by

Jamie Sinclair
Chief Corporate Services Officer

Submitted by

Jon Lamonte
Chief Executive Officer

1. Te tūhunga / Recommendation

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

2. Take matua / Key points

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.

- All new additions in 2022 are in [Blue](#).
- All deletions in 2022 have been ~~struck out~~.

DIRECTOR	INTEREST
Margaret Devlin	<ul style="list-style-type: none"> • 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	INTEREST
	<ul style="list-style-type: none"> • Director, Aurora Energy • Director, IT Partners Group • 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	<ul style="list-style-type: none"> • Chair, GNS Science Limited • Chair, Electricity Authority • Director and Shareholder, Riposte Consulting Limited • Director, CentrePort Limited Group • Trustee, Wellington Regional Stadium Trust
Brendon Green	<ul style="list-style-type: none"> • Director, Kaitiaki Advisory Limited • Director, Tainui Kawhia Incorporation • Director, Hiringa Energy Limited • Director, Hiringa Refueling Investments Limited • Executive Director, Advanced Biotech NZ Limited • Director, Scion Research Institute registered as New Zealand Forest Research Institute 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 • Co-chair, Waikato Regional Skills Leadership Group • Member, Construction and Infrastructure Workforce Development Council

DIRECTOR	INTEREST
Hinerangi Raumati-Tu'ua	<ul style="list-style-type: none"> • Chair, Te Rere O Kapuni Limited • Chair, Ngā Miro Trust • Chair, Nga Kai Tautoko Limited • Chair, Te Kiwai Maui o Ngaruahine Limited • Director, Taranaki Iwi Holdings Management Limited • Director, Te Puia Tapapa GP Limited • Chair, Tainui Group Holdings Limited • Executive Member, Te Whakakitenga O Waikato • Trustee, PKW Trust • Chair, Aotearoa Fisheries Limited • Director, Sealord Group Limited • Director, Port Nicholson Fisheries GP Limited • Chair, Parininihi Ki Waitotara Incorporated
Dave Chambers	<ul style="list-style-type: none"> • Director, Paper Plus New Zealand Limited • Director, Living Clean NZ Limited • Director, Turners and Growers Fresh Limited
Frances Valintine	<ul style="list-style-type: none"> • 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 • Board of Trustee, University of Silicon Valley
Graham Darlow	<ul style="list-style-type: none"> • Business Executive, Acciona Infrastructure NZ Limited • Director and Shareholder, Brockway Consulting Limited

DIRECTOR	INTEREST
	<ul style="list-style-type: none"> • 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, Hick Bros. Heavy Haulage Limited • Director, Hick Bros. Holdings Limited • Chair, The Piritahi Alliance Board
Julian Smith	<ul style="list-style-type: none"> • Board Trustee – Auckland Philharmonia Orchestra • Advisory Board Member – Vadacom Limited • Board Trustee – Look Good Feel Better Trust
Wi Pere Mita (Board intern)	<ul style="list-style-type: none"> • Chairperson, Copyright Tribunal • Director, Trust Tairāwhiti Trustee Limited • Director, Prime SPV Limited • Director, Te Runanganui o Ngāti Porou - Toitu Ngāti Porou Trustee Limited • Director, Resolution Institute NZ & Australia • Trustee, SkyCity Entertainment Group (SkyCity Auckland Community Trust) • Director and Shareholder, Laidlaw Law and Consultancy Limited • Māori Advisory Board member, New Zealand Police, Counties Manukau East • Member, Community Law Centres o Aotearoa Incorporated • Member, Wayfinding civil access to justice – Advisory Group

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

All new additions in 2022 are in [Blue](#).

EXECUTIVES	INTEREST
Jon Lamonte	<ul style="list-style-type: none"> • Director, Water Services Association of Australia • Chair, Audit and Risk Committee of Water Services Association of Australia • Member, Water Workforce Development Strategy Steering Group
Marlon Bridge	<ul style="list-style-type: none"> • Trustee, Te Motu a Hiaroa (Puketutu Island) Governance Trust • Director, WCS Limited • The Department of Internal Affairs
Rebecca Chenery	<ul style="list-style-type: none"> • Director, Lutra Limited
Jamie Sinclair	<ul style="list-style-type: none"> • Director and Shareholder, Sinclair Consulting Group Ltd
Shayne Cunis	<ul style="list-style-type: none"> • Director, The Water Research Foundation (USA) • Director, Lutra Limited
Amanda Singleton	<ul style="list-style-type: none"> • Director, Die Weskusplek Pty Ltd (South Africa) • Trustee, Te Motu a Hiaroa (Puketutu Island) Governance Trust
Nigel Toms	<ul style="list-style-type: none"> • Director, TRN Risk & Resilience Consulting
Steve Webster	<ul style="list-style-type: none"> • Director, Howick Swimgym Limited
Mark Bourne	<ul style="list-style-type: none"> • Trustee, Watercare Harbour Clean Up Trust • Trustee, Te Motu a Hiaroa (Puketutu Island) Governance Trust
Andrew Chin	Nil

