

Board meeting | 25 June 2024

Public session



Venue	Watercare Services, Level 3 Boardroom, 73 Remuera Rd, Remuera and via Microsoft Teams
Time	9am to 10am

Meeting administration		Spokesperson	Action sought	Supporting material
1	Opening Karakia	Julian Smith	-	Verbal
2	Apologies	Chair	Record apologies	Verbal
3	Quorum	Chair	Four directors required	Verbal
4	Declaration of any conflicts of interest	Chair	For noting	Verbal
5	Minutes of the previous meeting of 12 June 2024 Board meeting	Chair	For approval	Minutes
6	Public deputations	Chair	For information	Verbal
Items for information, discussion and approval				
7	Final Draft of Watercare's Revised Statement of Intent 2024-2027	Emma McBride	For approval	Report
Governance				
8	Board planner	Chair	For information	Report
9	Directors' appointment terms, committee memberships and meeting attendances	Chair	For information	Report
10	Disclosure of Directors' and Executives' interests	Chair	For information	Report
11	General business	Chair	For discussion	Verbal update

Date of next meeting	Wednesday, 10 July 2024
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Karakia Timatanga (To start a meeting)

1. Whakataka te hau ki te uru

Whakataka te hau ki te tonga

Kia mākinakina ki uta

Kia mātaratara ki tai

E hī ake ana te atakura

He tio, he huka, he hau hū

Tihei mauri ora!

*Cease the winds from the west
Cease the winds from the south
Let the breeze blow over the land
Let the breeze blow over the ocean
Let the red-tipped dawn come with a sharpened air.
A touch of frost, a promise of a glorious day.*



2. Tukua te wairua kia rere ki ngā taumata

Hai ārahi i ā tātou mahi

Me tā tātou whai i ngā tikanga a rātou mā

Kia mau kia ita

Kia kore ai e ngaro

Kia pupuri

Kia whakamaua

Kia tina! TINA! Hui e! TĀIKI E!

Allow one's spirit to exercise its potential

To guide us in our work as well as in our pursuit of our ancestral traditions

Take hold and preserve it

Ensure it is never lost

Hold fast.

Secure it.

Draw together! Affirm



Minutes

Board meeting	Public session
Date	12 June 2024
Venue	Watercare House, Level 3 Boardrooms, 73 Remuera Rd, Remuera and via Microsoft Teams
Time	9:15am

Attendance		
Board of Directors	Watercare staff	Guests
Julian Smith Frances Valintine Graham Darlow Frederik Cornu Andrew Clark Via Microsoft Teams Margaret Devlin Nicola Crauford	Dave Chambers (CE) Mark Bourne (Chief Operations Officer) Priyan Perera (Chief Strategy and Planning Officer) Jamie Sinclair (Chief Corporate Services Officer) Brent Evans (Acting Chief Customer Officer) Richie Waiwai (Tumuaki Rautaki ā-Iwi me ngā Hononga) Sarah Phillips (Chief People Officer) Shayne Cunis (Chief Programme Delivery Officer) Suzanne Lucas (General Manager Asset Upgrades & Renewals) (from the beginning until the end of item 7) Andrew Mercer (Head of Health, Safety and Wellbeing) Emma McBride (Head of Legal and Governance) Pinaz Pithadia (Legal and Governance Advisor)	Councillor Ken Turner (Watercare's Lead Councillor) (from item 6) Trudi Fava (CCO Programme Lead) Via Microsoft Teams Councillor Shane Henderson (Chair, CCO Oversight and Direction Committee) Lina Jeng, Student from the Equal Justice Project (from item 6)

1.	Opening karakia <p>The Chair welcomed Frederik Cornu and Andrew Clark to their first Watercare Board meeting and noted that a formal mihi whakatau took place earlier that morning to welcome Frederik and Andrew.</p> <p>Emma McBride noted that two students from the Equal Justice Project may join the meeting later today to observe.</p>
2.	Apologies <p>There were no apologies.</p>
3.	Quorum <p>All directors were present at the meeting, so a quorum was established.</p>
4.	Declaration of any conflicts of interest <p>No conflicts of interest were noted.</p>
5.	Minutes of the previous meeting of 7 May 2024 Board meeting <p><i>The Board resolved that the minutes of the public session of the Board meeting held on 7 May 2024 be confirmed as true and correct, subject to a minor correction in the numberings.</i></p>
6.	Public deputations <p>There were no public deputations.</p>
6.1 (new item)	Update on the Level 3 Incident at Pump Station 25 (Miranda Street, Avondale) <p>Mark Bourne provided the Board with a presentation (Attachment 1) and made the following key points:</p> <ul style="list-style-type: none"> • The pump station was designed in the early 1960s and takes wastewater from west Auckland and pumps it to the Māngere wastewater treatment plant. It is the third largest in Auckland, with four pumps. The station is three stories high, with two below ground, where the wet and dry wells are located, and one story above ground, where electrical equipment is housed. The station is due to be decommissioned later this year when the first stage of the Central Interceptor is commissioned. • Of the four pumps, one pump is required for normal daytime flows, two for evening flows, and three for wet weather flows. The fourth pump is a back-up so that the other pumps can be routinely maintained. However, one of our pumps was out of service for routine maintenance.

	<ul style="list-style-type: none"> On the morning of 3 June 2024, one of the three working pumps failed. This caused an opening to form between the wet and dry wells, causing the dry well to fill with the wastewater. The pump station was able to continue operating while the damaged pump was isolated and repaired. There was no external impact and therefore there were no overflows. Over the course of the week, we worked on the pump station and by the evening of Friday, 7 June 2024, a blanking plate had been installed to ensure the flows from the wet well did not flow into the dry well. The pump station was left with two pumps operating, and in a safe state. However, that evening, we discovered that Pump 3 had catastrophically failed with a leak on the delivery side, and wastewater entered the dry well. It had started to leak directly into the dry well, damaging the electrical equipment that runs the pumps. No alarms were activated. To reduce the risk of further damage, the pump station was manually switched off by staff on Friday evening. This was a very big call by the staff member, but the right decision to make in this situation. Consequently, an overflow into the environment started around midnight from Manhole 25. On Saturday morning, overflows were also occurring further upstream into Henderson Creek. Staff worked through the night to drain the pump station and repair the electrical equipment to try and get the pumps working again. By lunchtime Saturday, the electrical teams had got one pump working again with a rented drive unit. A level 3 incident was stood up at midday on Saturday and the team was working to get the pump station into a stable condition. All major overflows ceased around midday on Saturday. With staff rostered on 24/7, as at today, we now have two pump stations working, we are rebuilding the damaged cranes, and all alarms will be reactivated by COB. The pump station is also undergoing a deep clean to make it hygienic again. We are also airfreighting a part for the third pump (which is under routine maintenance), so we should be back up to three pumps in a few weeks time. In response to a query from Councillor Turner, Mark noted that vibration analysis is a part of the monitoring programme. Unfortunately, this equipment did not identify the imminence of the pump's failure. In response to another query, Mark noted that the pump station did not fail during the Auckland Anniversary floods. There was debate around whether the asset was "sweated" too much, but Mark explained that he had never seen a pump fail in this manner before. Watercare has around 90 pump stations and this was one of the largest transmission pump stations. The condition assessment programme for these assets is ongoing to identify the level of investment required. In response to a query from the Chair, Mark noted that an increase in maintenance spend for critical assets has been proposed in the FY25 budget. However, this pump station is due to be decommissioned once the CI goes live and therefore, the cost of recovery will be opex. The Board thanked everyone in Watercare for their efforts on the management and recovery of this incident. The CE explained that whilst the incident was currently a Level 3, it was expected to drop to a Level 1 incident later that week as the pump station was now stable and all overflows had ceased.
7.	<p>Chief Executive's report</p> <p>The CE and Executive team introduced the report, which was taken as read. The following key points were made.</p>

April 2024

- An alternative to the previously proposed price pathways for water has been confirmed and included in the approved Long-Term Plan. The water and wastewater prices will rise by 7.2% on 1 July 2024. Infrastructure growth charges will rise by 14.4%.
- The Central Interceptor team has completed the construction of the link sewers.
- Kevin Little, Jay Matagi Lopa and Luke Terangi-Dong from our maintenance network team saved a Mt Roskill resident's life with their first-aid skills. The team carried out CPR until emergency services arrived to take over.
- The Board congratulated Management for their partnership with Fletcher Living, who has integrated water efficiency, water recycling and reuse into the design of their new low-carbon home. Energy and water use will be tracked for three years.

Key performance measures

- In relation to the Average Consumption of Drinking Water per day (graph 6a on page 15), the amount is rising fairly steadily. The team is checking this calculation to ensure we are dividing it by the correct number of Auckland residents. The Board also asked Management to consider changing the name of the graph so it aligns with the measure repeated on page 17; and to also provide a predicted trend line, showing water supply and demand for next year.
- The controllable cost is the Statement of Intent (SOI) target and therefore, it is reported against the LTP budget rather than the P&L. Once the FY25 budget is approved, we will consider aligning the controllable cost with the LTP budget and FY25 budget. The Board asked the team to address this matter in the current draft SOI and the Board asked to see the controllable cost target over the next three years. This will be included in the final SOI.
- The Board was pleased to see the projected increase in the target for procurement from Māori owned businesses. We are building on our existing procurement programme, which actively seeks to maximise opportunities for Māori businesses to participate in the procurement process, so we can meet our target to source 5% from Māori owned businesses by FY25. Suzanne Lucas noted that via Asset Upgrades and Renewals (AUR) programme and the flood recovery working group project, we have set up a panel with Māori owned businesses. One of the KPIs of the panel is 5% spend on Māori owned businesses. The KPIs form a basis of how much of the work they will be getting going forward. Richie Waiwai noted that he receives positive feedback from Māori businesses who agree that the opportunities for them have increased.
- The CE noted that the overall target for Māori procurement is 5% next financial year, and it will be a struggle to meet this target, given our mega-projects such as Central Interceptor. Given this, we may need to increase our commentary and ensure that spend goes up, year on year, but at the same time, ensuring we are buying the right services, at the right price.

Our people

Sarah Phillips provided the update.

- We have been announced as a finalist for inclusive workplace award by Diversity Works New Zealand. The award winners will be announced in August 2024.
- The people dashboards for the month have been updated with more insights.
 - Metrics show turnover continued to stay stable.
 - Leave liability and long service leave liability have increased. Long service leave is a "use it or lose it" leave.
 - Māori representation has risen.
- Regarding annual leave liability for Operations team, Mark Bourne noted that the graph on page 31 covers leave available for this year as well as any carry overs. Due to Auckland Anniversary Floods and the challenges during the year, some staff have not been able to take leave. The wellbeing of our people is

important as well as the liability. To meet the intended baseline, HR business partners are working with the Operations team to manage leave and have leave plans in place. The Board were concerned about the leave liability balance and asked Management to review leave liability, line-by-line in early FY25.

- The Board observed that with the current cost-of-living crisis, more people are not taking holidays, as they cannot afford to go away, so they just keep working. This is a Wellness issue that the company needs to be cognisant of.

Our customers

Brent Evans provided the update.

- From 1 July 2024, we will be charging a flat fee of \$85 to lawyers for change of ownership services (up from \$30). This aligns more closely with fees charged by other councils around the country and allows us to recover the true cost of providing this service.
- We are also in the process of upgrading our website and self-service portal, which is due to launch on 23 June 2024. The new look and feel of the website will offer a much better user experience.

Our operations

Mark Bourne provided the update.

- In relation to the Ōrākei Main Sewer (OMS), once we receive an analysis of the CCTV and laser profiling survey, the remaining outstanding items from the recommendations will be completed. Stage 1 of the rehabilitation project is progressing well. We are also surveying the other interceptors.
- Out of 40 distribution zones, two zones did not achieve residual disinfection compliance. However, residual chlorine was detected in all samples from these zones. A proactive network flushing programme is in place as a short-term improvement programme.
- The leak management programme is progressing well. In relation to a question from Councillor Turner, Mark noted that we have reviewed the way we are triaging leaks, such that smaller leaks will not be repaired if the cost of doing the repair will end up costing us more money and time. We need to balance the value of the water loss with the cost to repair the leak. All leaks, no matter their size, will be logged in our system.
- Beachlands Wastewater Treatment Plant (WWTP), Kingseat WWTP and Mangatangi Dam had non-compliances during April 2024. The Mangatangi dam issue has been resolved. The non-compliances in the WWTPs are more challenging. Beachlands WWTP has high inflows and limited buffering capacity. The new consent is due in late 2025 and the upgrades will be included in the Asset Management Plan (AMP).

Southwest wastewater scheme – update

Priyan Perera provided the update.

- In April 2023, Watercare purchased 372 Glenbrook Beach Road ('the site') for wastewater treatment purposes.
- Since then, Management has been working through the designation process. Watercare submitted the Notice of Requirement (NoR) to Auckland Council on 1 September 2023 and the NoR hearing took place in February 2024.
- In May the Commissioners issued their recommendation that Watercare withdraw the NoR.
- Watercare has until 5 July 2024 to advise Auckland Council of our decision in respect of the recommendation.
- Priyan explained that the NoR process is different from a resource consent process. Here, Watercare is the decision maker and as a "requiring authority", Watercare can determine whether to accept the recommendation or not.

- Management is reviewing the recommendation and obtaining legal advice to decide on next steps.
- The Board reminded Management to consider the consequences of accepting or rejecting the recommendation as well as Auckland Council's position on the recommendation. Priyan noted that Management will submit a report to the 25 June 2024 Board meeting, setting out Management's recommendation, together with a communication and consultation plan.

Warkworth wastewater upgrades

Priyan Perera provided the update.

- The alignment of the southern section of the North-West Growth Servicing Pipeline continues to generate a lot of interest in the Warkworth community. We are further investigating the pipeline's route along Queen St and Elizabeth St, through the main centre, connecting the new Lucy Moore Pump Station. While this route is not yet confirmed, we are keeping the local community informed. Management attended a community meeting on last Friday with local Ministers and councillors to proactively engage with the community. Given the impacts on local communities, oyster farmers, developers and businesses along the proposed route throughout the works, the Board suggested Management to have a detailed communication plan in place, once a final decision on the pipeline route is confirmed.

Flood response recovery

Suzanne Lucas provided the update.

- Some programmes of works were delayed due to funding however, they are now back on track from this month.
- Relationship with Aon has been improving. Management and Auckland Council now attend weekly governance meetings with Aon which has proved to be helpful in further progressing the first claim. The first claim will be submitted via Auckland Council by the end of next week. The complexity of the policy is also one of the factors in the delay. The Board's expectation is that rapid progress on claim payment is now made, given it has been more than a year since this event.
- The Board suggested given the heavy rain forecast in this week, the website should be updated to include communications regarding weather warnings.

Our infrastructure

Shayne Cunis provided the update.

- In the future, the CE's report will include updates on Asset, Upgrade and Renewals programme and major projects.
- Huia 1 and Nihotupu 1 watermain renewals works at Donovan Street have been challenging due to traffic. We have therefore delayed the work start time to 9am which allows two lanes of traffic to operate during the morning rush.

Shareholder comments on Watercare's draft SOI 2024-2027

Emma McBride noted that the draft SOI 2024-2027 is being updated in response to Auckland Council's feedback. An updated version of the draft SOI will be presented to the Board for approval at the 25 June 2024 Board meeting, which is a statutory Public Board meeting.

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

8.	<p>Health, safety and wellbeing update</p> <p>Andrew Mercer introduced the report and noted the following key points:</p> <ul style="list-style-type: none"> • Considerable efforts are ongoing to improve performance against the HSW metrics. • In April 2024, an incident occurred at the Ngaruawahia wastewater pipe upgrade project, Waikato District Council contract, where an excavator struck overhead HV lines during maintenance. Thankfully, nobody was injured during the incident and the lead contractor undertook a full investigation with the subcontractor. However, the consequences of the incident could have been severe. Management confirmed that actions had been taken in respect of the contractor. • In response to a request from a Board member, Andrew confirmed he is developing health, safety and wellbeing metrics (Priority 2 from the HSE Global's recommendation) in July 2024 rather than August 2024. <p><i>The Board noted the report.</i></p>
9.	<p>Review of the Corporate Governance Charter</p> <p>Emma McBride noted that the Charter underwent a thorough review in 2022 and therefore, no further changes to the Charter is required, apart from updating the dates. Management also noted the Board's recommendation to change the frequency of the review from annual to bi-annual.</p> <p><i>The Board approved the revisions made to the Charter subject to including the new name of the Independent Māori Statutory Board in the Charter.</i></p>
10.	<p>Audit and Risk Committee meeting update</p> <p>The Board did not discuss Audit and Risk Committee update.</p>
11.	<p>Board planner</p> <p><i>The Board noted the Board planner.</i></p>
12.	<p>Directors' appointment terms, committee memberships and meeting attendances</p> <p>The Chair noted the following:</p> <ul style="list-style-type: none"> • Julian Smith and Andrew Clark are Audit and Risk Committee (ARC) members, effective from 7 June 2024. • Graham Darlow has resigned from the ARC from 1 June 2024. • Frederik Cornu is a member of Asset Management Committee, effective from 7 June 2024. • Committee membership will be reviewed again once the new Chair has been appointed. <p><i>The Board noted the report.</i></p>

13.	<p>Disclosure of Directors' and Executives' interests</p> <p>The Chair noted that from 1 June 2024, she has retired from the following boards and positions:</p> <ul style="list-style-type: none"> • Director, Waimea Water Limited • Director, IT Partners Group • Chair, Advisory Board Women in Infrastructure Network • Chair, Hospice Waikato • Chartered Fellow, Institute of Directors • Member, Institute of Directors, Waikato Branch Committee • Director, Dairy NZ Limited <p><i>The Board noted the report.</i></p>
14.	<p>General business</p> <p>There was no general business.</p> <p>The public session closed at 10:56am.</p>

CERTIFIED AS A TRUE AND CORRECT RECORD

.....
Margaret Devlin, Chair

Attachment 1

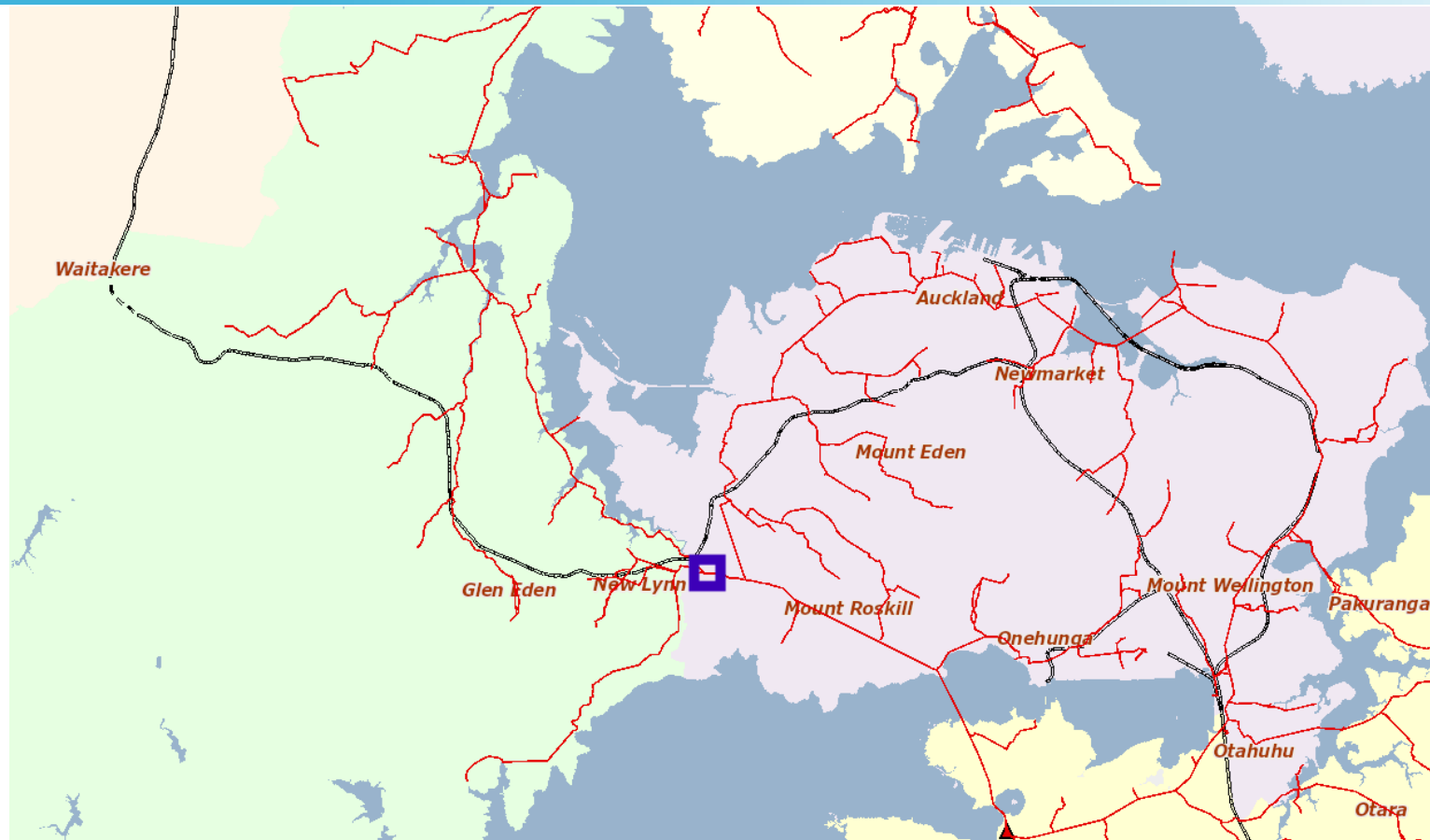
5.1

Update on the Level 3 Incident at Pump Station (Miranda Street, Avondale)

12 June 2024 Board meeting

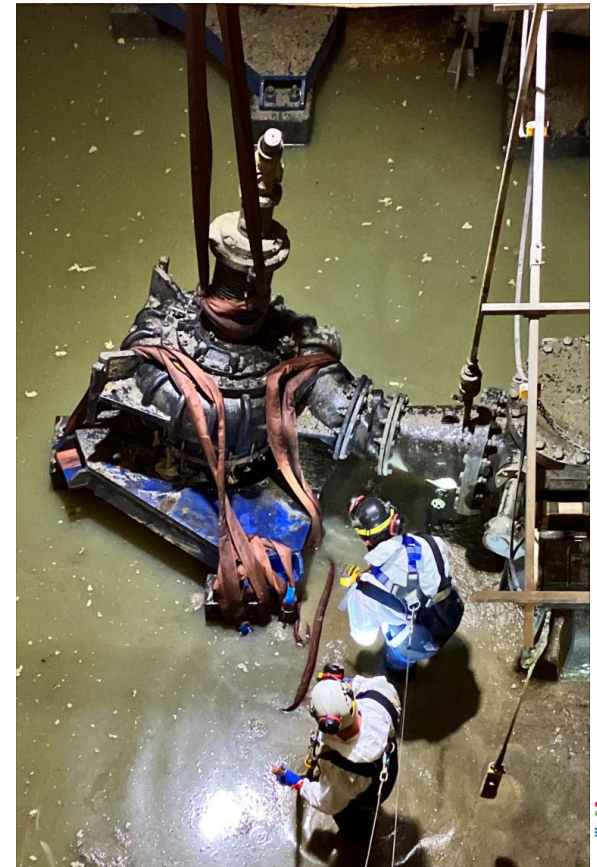
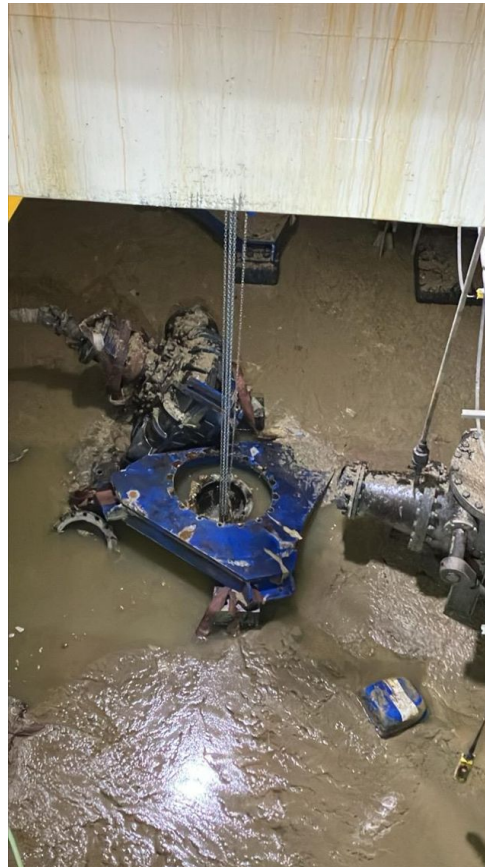
Pump Station 25

5.1



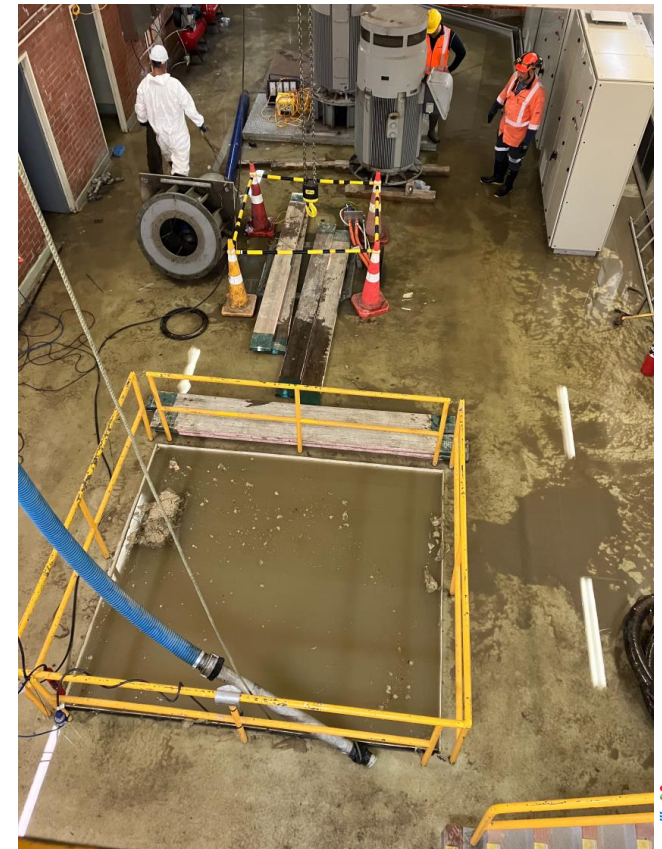
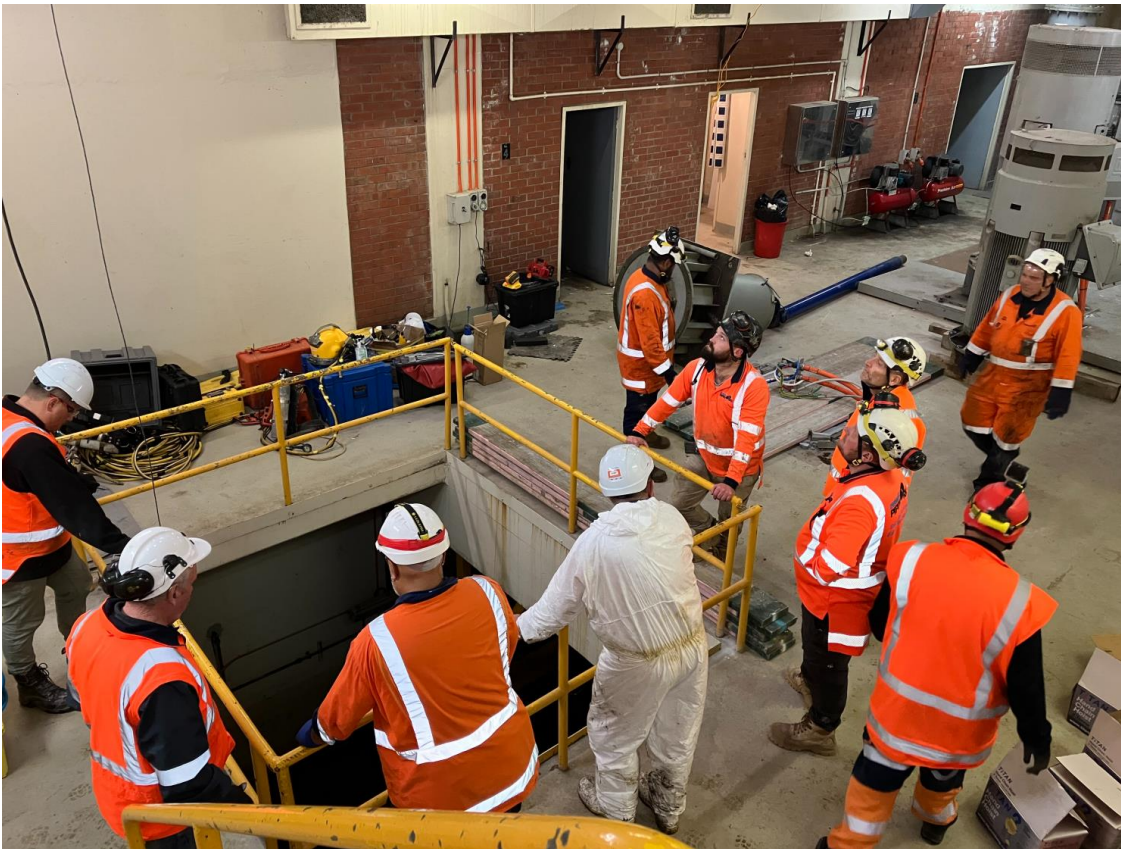
Four pumps on lower level of dry well

5.1



Electrical and control equipment on mid level of dry well

5.1



Temporary repairs

5.1



Pump Station replaced by CI tunnel project

5.1



Thank you

Board meeting | 25 June 2024
Public session



Final draft of Watercare's Statement of Intent 2024-27

For approval

Te pou whenua tuhinga / Document ownership

Prepared and recommended by

Emma McBride
Head of Legal and Governance

Submitted by

Dave Chambers
Chief Executive Officer

7

1. Te tūhunga / Recommendation

We recommend that the Board:

- discusses the proposed response to the shareholder's comments on the draft SOI 2024-2027, and Management's proposed additions or amendments in the final draft of the Statement of Intent 2024-27 (SOI);
- provides Management with feedback on the final draft of the SOI (excluding financials); and
- approves the final draft of the SOI ([Attachment 1](#)) for submission to the Shareholder, Auckland Council, by 31 July 2024, and delegates to Margaret Devlin and Nicki Crauford the final sign off of:
 - a) the draft SOI, including incorporation of:
 - i) any changes requested by the Board at the Board meeting, and
 - ii) the updated SOI financials, once these have been approved by the Board on 10 July 2024.
 - b) a cover letter to the Mayor.

2. Whāinga / Purpose

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

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

Schedule 8 of the Act sets out the required contents of the SOI. It requires that a draft is to be presented to the shareholder by 1 March each year. This year, Council extended the deadline to 31 March 2024 and Watercare met this deadline.

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

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

3. Kōrero pitopito / The details

- Watercare's draft SOI was submitted to Auckland Council on 28 March 2024.
- On 30 May 2024, the CCO Direction and Oversight Committee reviewed Watercare's draft SOI and agreed to provide formal feedback to Watercare on the SOI.
- The Mayor wrote to the Chair on 31 May 2024 setting out in detail the shareholder's comments on the draft SOI. A copy of the letter is appended as [Attachment 2](#). The letter includes comments that are generic to all of Auckland Council's CCOs, as well as comments specific to Watercare.
- Management has revised the SOI to take into account the feedback set out in Mayor's letter. Attachment 1 includes the final draft SOI, supported by a schedule of shareholder comments and Management's proposed responses as [Attachment 3](#).
- To comply with the section 96 of Local Government (Auckland Council) Act 2009 requirement, Watercare is now required to provide an opportunity for the public to comment on the Shareholder's feedback at today's Board meeting.
- The deadline to submit the final SOI to Council is 31 July 2024.
- In August 2024, the SOI will formally adopted by Auckland Council.

4. Ā muri ake nei / Next steps

If there are public deputations at the June Board meeting, then the Board may wish to amend the draft SOI before it is submitted to Council.

The SOI financials were approved by the Board at the 12 June 2024 Board meeting. However, Auckland Council's Finance team has requested late changes to the SOI numbers. This could potentially change some of the financial performance measures. Management is working on the requested changes and is aiming to present an updated version of the SOI financials to the Board at the 25 June 2024 confidential Board meeting, for approval.

Once the SOI financials have been reapproved, the SOI financials can be included into the final SOI for submission to Council.

In light of the above, at the meeting, the Board will be asked to delegate final sign off of the draft SOI (including any requested changes, and the inclusion of the final SOI financials), as well as the cover letter to the Mayor, to Margaret Devlin and Nicki Crauford.

The final SOI needs to be sent to Council by 31 July 2024 and will be formally adopted by Auckland Council in August 2024.

5. Ngā whakapiringa / Attachments

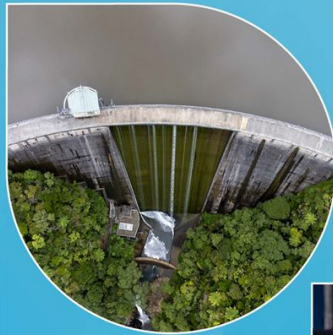
Attachment number	Description
1.	Watercare's final draft of the SOI 2024-27
2.	Letter dated 31 May 2024 from the Mayor containing the Shareholder's feedback
3.	Management's proposed responses to the Shareholder's comments



Attachment 1

Watercare Services Limited Statement of Intent 2024 to 2027

7.1



Financials will be updated once approved by the Board

Page numbering to be checked in final draft

Contents

Message from the Chair of the Board and Chief Executive of Watercare Services Limited	2
Part 1: Strategic overview	4
1.1 Roles and responsibilities	4
1.2 Responses to Council's strategic objectives and outcomes	5
1.3 Nature and scope of activities – 'what we do'	7
1.4 About us – The Watercare Board's approach to governance	7
Part 2: Statement of performance expectations	9
2.1 Introduction	9
2.2 How we will deliver – annual work programme	9
2.3 Our six key activities for 2024-2027	11
2.4 Financial statements for the long-term plan	19
2.5 Prospective financial statements	
SOI Performance Measures	22

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

The implementation of Local Water Done Well, and the associated legislation to enable debt separation will undoubtedly create a changing operating environment for Watercare.

However, our primary focus – the provision of reliable, safe and efficient water and wastewater services to Aucklanders – remains unchanged.

Watercare's six key activities for 2024-2027 are:

1. Delivering safe and reliable water and wastewater services to Aucklanders 24/7.
2. Renewing and building the necessary water and wastewater infrastructure to cater for growth, improve resilience and maintain service levels for our customers.
3. Delivering our services and infrastructure projects efficiently, keeping a strong focus on operating costs, so we can minimise price increases.
4. Strengthening our relationships with developers, customers, community stakeholders and our Māori partners.
5. Improving our organisational performance in relation to our core strategic outcomes, namely: Climate Change (including drought and extreme weather resilience and supply); the health, safety, and wellness of our kaimahi (our employees and contractors); and Māori Outcomes.
6. Embedding a long-term and sustainable financial strategy/model for Watercare, based on operating efficiently, investing appropriately in assets, ensuring affordability of services, and that growth-related investment are appropriately recovered from our customers.

The first draft of this SOI contained a price pathway which reflected the continuation of a significantly increased capital programme, to facilitate an increase in the asset renewals programme. The price pathway also reflected the need to work within the Council's stated debt to revenue ratio. In tandem with the Watercare Board and Management reviewing options to create a smoother price path, and whilst recognising the need for the capital investment, Council and Government worked together to provide a solution to those seemingly competing objectives.

At the start of May 2024, a joint Council/Government announcement confirmed that a solution for Auckland had been agreed. The outcome of that agreement is reflected in this version of the SOI.

In summary, we have agreed a revised price path of 7.2 per cent increases for water and wastewater charges and 14.4 per cent for infrastructure growth charges for the period 2024-2027, noting that work is currently underway to ensure that growth pays for growth, with Council supporting Watercare's required debt capacity until debt separation is achieved, most likely by the start of FY26.

The revised price path means that Watercare will remain within its SOI target of water charges being less than 1.5 percent of the median household income until at least the early 2030s. At the same time, our revised asset management plan will see us breaking ground on some big new capital projects over the next three years, including: the Huia Water Treatment Plant Replacement project, which will replace the ageing 100-year-old plant that supplies 20 per cent of Auckland's water and the Central Interceptor extension to Point Erin. In relation to our major projects (and in particular, the Central Interceptor and Huia replacement), we will ensure that the Board Chair and Management continue to provide progress updates to elected members, and involvement at key milestone events.

The *Local Government (Water Services Preliminary Arrangements) Bill* was introduced in late May 2024. Watercare has worked with Council on Council's submission to the Bill, which will allow Watercare and Council to achieve debt separation.

Referring to the specific points raised within the Letter of Expectation.

- The letter of expectation asked all CCOs to *"slow down growth in capital programmes, look after what we already have, before embarking on big new capital projects"*. The Watercare Board has noted this direction. Over the period of this SOI, significant capital projects will be brought into service including the Central Interceptor project's southern section in late 2024 and the new Snells Beach Wastewater Treatment Plant in 2025. We will also be working on our six-year Assets Upgrades and Renewals programme (\$1.8b), which will support and improve Watercare's resilience to extreme weather events. This aligns with the independent economic benchmarking review that recommended increased renewals investment and funding to ensure a reliable and sustainable network over the long-term.

7.1

- We confirm that Watercare will also abide by the Statement of Expectations of Substantive CCOs (July 2021) and will fully support and actively engage in any s17A value for money reviews by Council.
- Like previous SOIs, we continue to include a suite of measures to provide Council and the public with useful information on the quality of our services, performance, and efficiency. The Board also continues to monitor a wider suite of business performance measures not included in this updated report, including Māori outcomes, health and safety of our kaimahi, and our diversity and inclusion initiatives.

The Board and Management will keep the Mayor, Deputy Mayor, our Lead Councillor, Councillors, Local Boards, and the Council's Chief Executive informed of any matters that are potentially contentious or of high public interest in line with the "no surprises" policy, particular in relation to any potential drought conditions. Watercare will continue to engage with Councillors on all aspects of our capital programme via the Transport and Infrastructure Committee.

If there are risks to our infrastructure programmes, or our day-to-day operations from the transition to Local Water Done Well, we will raise these with Council at the earliest opportunity.

In the meantime, Watercare will continue to work closely with Auckland Council, and the broader Council family to ensure that Council's vision for the city is achieved. Watercare is committed to providing affordable world class water and wastewater services to Aucklanders. Our SOI reaffirms our commitment to work with Council and our partners so that together, we can meet the challenges of today and tomorrow.

[New chair as this will be signed in August 2024]
Chair

Dave Chambers
Chief Executive Officer

7.1

Part 1: Strategic overview

1.1 Roles and responsibilities

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

We manage water and wastewater assets valued in the order of \$15.5 billion and plan and build infrastructure to ensure we are resilient and reliable and can support growth today and into the future.

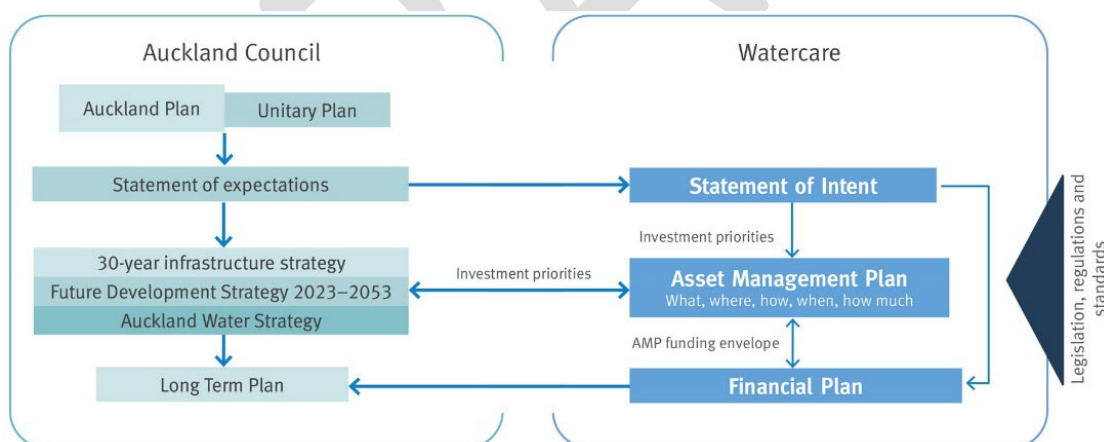
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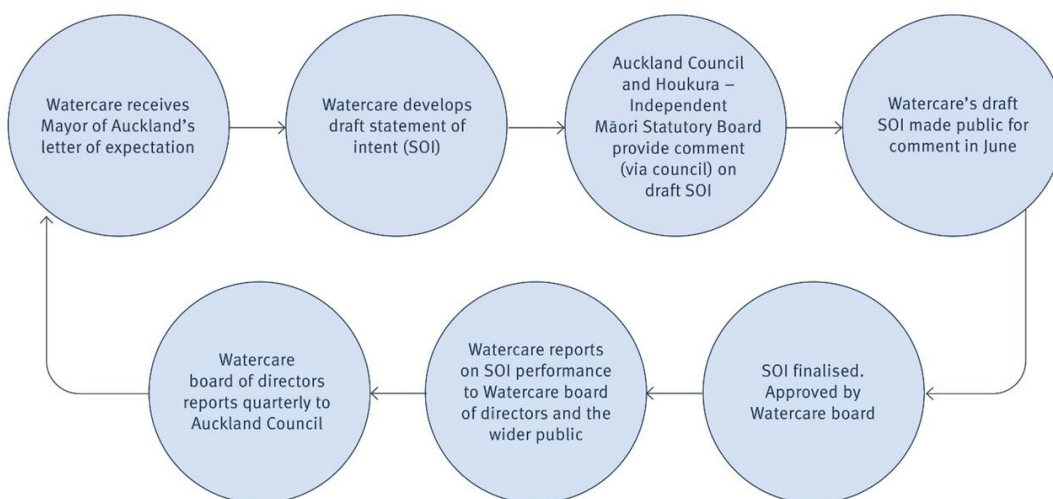
Watercare is a council-controlled organisation, wholly owned by Auckland Council. The Council appoints our Board of Directors, who in turn appoint our Chief Executive.

We do not receive any funding from Auckland Council or the Government, nor do we pay a dividend to Auckland Council. Instead, our services and programmes are financed solely through user charges and borrowings. We are required by law to be a minimum-cost, cost-efficient service provider to our customers (collectively) that operates effectively into the long-term. Our legislative framework is summarised [on our website](#).

Purpose of statement of intent (SOI)

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











1.2 Responses to Council's strategic objectives and outcomes

We are fully committed to working with the Council group to deliver the Auckland Plan 2050, the Auckland Water Strategy, Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan, Kia ora Tāmaki Makaurau: a framework to measure Māori wellbeing outcomes and performance for Tāmaki Makaurau, relevant performance measures and any associated guidance.

Our major contributions to the Auckland Plan 2050 outcomes are:

Auckland Plan Outcomes	How we will contribute
Opportunity and prosperity  Auckland is prosperous with many opportunities and delivers a better standard of living for everyone	<ul style="list-style-type: none"> By reliably and efficiently delivering affordable safe drinking water to our customers By reliably and efficiently delivering affordable wastewater services to our customers By building customer trust and value through exceptional performance and engagement By developing and maintaining a safe, engaged, empowered, diverse and inclusive workforce By providing a reliable pipeline of infrastructure programmes By providing high performing infrastructure (reliable and resilient now and in the future) By working with industry partners and tertiary education providers to deliver graduate programmes as well as apprenticeship and internship opportunities Be encouraging innovation to find new solutions to improve the way we work – to do this we allow our staff and partners to explore, experiment and if necessary, fail safe and learn fast
Environment and cultural heritage  Preserve, protect and care for the natural environment as	<ul style="list-style-type: none"> By working with Council on implementing the Auckland Water Strategy to achieve the Auckland Plan 2050's objectives of adapting to a changing water future By reliably and efficiently delivering affordable wastewater services to our customers and discharging it in a safe and responsible manner for people and the environment By planning and providing low carbon resilient infrastructure that is adaptive to future changes including climate change

Auckland Plan Outcomes	How we will contribute
our shared cultural heritage for its intrinsic value, and for the benefit of present and future generations	<ul style="list-style-type: none"> By adopting Council's 50% target for greenhouse gas reduction by 2030 By actively promoting water-efficient technologies and behaviours to customers and homebuilders By engaging and consulting with affected parties on our development plans
Homes and places  Aucklanders live in secure, healthy and affordable homes and have access to a range of inclusive public places	<ul style="list-style-type: none"> By reliably and efficiently delivering affordable safe drinking water to our customers By reliably and efficiently delivering affordable wastewater services to our customers By collaborating with the wider Council group to support areas of growth identified by Council By acting consistent with Council's Future Development Strategy (FDS) for major infrastructure development for future urban areas By proactively engaging with Kāinga Ora to plan, fund and deliver water and wastewater infrastructure to support its major urban transformation programmes By collaborating with Council on the implementation of the Auckland Water Strategy, including the introduction of long-term water consumption targets
Māori identity and wellbeing  A thriving Māori identity is Auckland's point of difference in the world – it advances prosperity for Māori and benefits all Aucklanders	<ul style="list-style-type: none"> By actively working with the Council group to deliver our Achieving Māori Outcomes Plan, a framework that will be used to measure Watercare's contribution to Māori Outcomes. Our work is guided by, and is aligned to, Kia ora Tāmaki Makaurau By actively fostering and maintaining relationships with mana whenua and mātāwaka, including via the Mana Whenua Kaitiaki Forum By working alongside Council's Ngā Mātārae and the Māori Outcomes Steering Group to achieve stronger alignment with Kia ora Tāmaki Makaurau regarding: a) rangatahi/ intern opportunities; and b) key performance indicators relating to Māori By creating opportunities for Māori-owned businesses to be part of our supplier network By providing technical advice related to water supply and septic tanks to marae
Belonging and participation  All Aucklanders will be part of and contribute to society, access opportunities, and have the chance to develop to their full potential	<ul style="list-style-type: none"> By reliably and efficiently delivering affordable safe drinking water to our customers By reliably and efficiently delivering affordable wastewater services to our customers By collaborating with the wider Council group to support areas of growth identified by Council By developing and maintaining a safe, engaged, empowered, diverse and inclusive workforce By engaging our communities on the pipeline of infrastructure programmes By engaging Aucklanders on decisions around future infrastructure investments. By developing education programmes for our customers and tamariki
Transport and access  Aucklanders will be able to get where they want to go more easily, safely and sustainably	<ul style="list-style-type: none"> By collaborating with Auckland Transport and the wider Council group to support areas of growth consistent with the FDS By ensuring Watercare works with Council, Auckland Transport, NZTA Waka Kotahi and other utilities to align infrastructure projects wherever possible, to minimise the effects on traffic and neighbourhoods

1.3 Nature and scope of activities – ‘what we do’

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



1.4 About us – The Watercare Board’s approach to governance



The [Directors](#) and the [Executive](#) team are committed to ensuring the company applies best-practice governance policies and procedures. The company has an Audit and Risk Committee and an Asset Management Committee. Our Board undergoes Board performance reviews biannually, in line with the Council-adopted process.

Watercare ensures we fulfil the public meetings stipulation of the Local Government (Auckland Council) Act 2009 which requires Auckland Council's CCOs to hold two public meetings a year and the timing for these is set out below. All other Board meetings also include a public session. Dates and times are publicly notified in advance with agendas and minutes made available on our website. Members of the public are welcome to attend any public Board meeting held by Watercare.

Date	Purpose	Form of public notification
25 June 2024	Consider shareholder comments on draft SOI	Public notice
5 November 2024	Consider performance against SOI targets	Public notice
May/June 2025	Consider shareholder comments on draft SOI	Public notice
November 2025	Consider performance against SOI targets	Public notice

7.1

Watercare works diligently to meet our legal obligations and act in accordance with the Statement of Expectations of substantive council-controlled organisations (SOE), which sits alongside this SOI and forms part of the annual binding agreement between Council and Watercare. We operate under a no-surprises policy and inform the Mayor, Lead Councillor, Councillors or Local Boards, well in advance of anything that could be potentially contentious, whether or not the issue is covered by the SOI or legislation. We also ensure that if an issue is likely to attract public interest, that the Mayor, Deputy Mayor, Lead Councillor, Councillors and/or Local boards are fully briefed.

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

Managing risk

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

As part of the risk management framework, Watercare monitors potential emerging risks that could impact delivery of Watercare's services and develops appropriate risk-mitigating actions and strategies.

The internal audit function produces an annual plan that is approved by our Audit and Risk Committee with management's quarterly reporting against the plan to the committee. The Audit and Risk Committee maintains oversight of progress in accordance with the 3 Lines Model and must be satisfied that recommendations arising from internal audit's work are fully addressed by management.

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

Measuring our performance

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

The measures and targets include mandated non-financial measures of the Department of Internal Affairs, Taumata Arowai, and those that were agreed with Council as part of the LTP 2024-2034.

Part 2: Statement of performance expectations

2.1 Introduction

As we look to the future, and the implementation of Local Water Done Well, we remain committed to providing safe and reliable, affordable water and wastewater services to Aucklanders and to work with Council on delivering the Auckland Plan outcomes.

2.2 How we will deliver – annual work programme

Key activities and programmes over the coming financial year are below. We measure success through the performance measures and targets documented in the Appendices to this document.

Our contributions to the Auckland Plan	Significant activities and programmes over the coming financial year	Direct expenditure \$m	Capex budget \$m
Deliver safe and reliable water services 24/7	<ul style="list-style-type: none"> Water operating activities Meet Taumata Arowai water quality regulations Implementation of the Auckland Water Strategy, including the continued roll-out of smart meters, water efficiency programmes (including refreshing the per capita consumption targets) and management of network leakage to ELL Continue planning and detailed design of the Huia Water Treatment Replacement Plant to help meet peak demand and improve system resilience 		Refer to page
Deliver safe and reliable wastewater services 24/7	<ul style="list-style-type: none"> Wastewater operating activities Via TARP (Targeted Asset Replacement Programme), expand the Inflow and Infiltration reduction programme and network renewals programme, to improve and coordinate cost-effective asset refurbishment Deliver the Wastewater Network Strategy 2023 and continue work to reduce overflows 		Refer to Page
Minimum cost, efficient, financially robust provider both now and in the future & industry leading thinking and processes	<ul style="list-style-type: none"> Continue to work closely with Council to provide advice and support to central Government on the development of a permanent economic regulator Build on financial and regulatory capability within Watercare ahead of interim and permanent economic regulation and a new future funding model that will enable debt separation Continue collaborating with Council on Climate Related Financial Disclosure (TCFD) reporting requirements Continue to deliver our capital programme Target efficiency savings against current opex costs Refresh Watercare's Decarbonisation Roadmap 	Within Operating and Capital Budgets	N/A
High performing infrastructure (reliable and resilient now and in the future)	<ul style="list-style-type: none"> Continue work to optimise our AMP Continue to implement the Auckland Water Strategy including continuing our leak detection programme ensuring we are within 5% of the ELL, and refreshing the per capita consumption targets Implement and measure our performance against our carbon reduction targets for our built infrastructure programme Actively engage with Council in the implementation of the FDS Work with Auckland Council to analyse and understand projected climate change impacts on water sources specifically (Action 5.4 in the Auckland Water Strategy). 		
Future-proofed growth and supply assurance	<p>We currently have under design or construction (projects over \$50m):</p> <p>Water (growth, level of service and renewal)</p> <ul style="list-style-type: none"> North Harbour Watermain Duplication Nihotupu No.1 and Huia No.1 watermain replacement Redoubt Road reservoir expansion 		

Our contributions to the Auckland Plan	Significant activities and programmes over the coming financial year	Direct expenditure \$m	Capex budget \$m
	<ul style="list-style-type: none"> Waikowhai pump station & watermain (go into service in FY25) Water service connections and local network renewals Wastewater (growth, level of service and renewal) <ul style="list-style-type: none"> Central Interceptor (southern section to go into service FY25) Western Isthmus Water Quality Improvement Programme Queen Street diversion Otara Catchment wastewater capacity upgrades Southern Auckland Wastewater Scheme Southwest Wastewater Scheme East Coast Bays link sewer (in service FY25) Whenuapai & Redhills wastewater scheme Warkworth-Snells-Algies wastewater network Snells wastewater treatment plant Warkworth Growth Servicing Māngere WWTP Upgrades and Renewals Programme Rosedale WWTP Upgrades and Renewals Programme Ōrākei Main Sewer In addition to the above we have \$832m of water and wastewater projects, under \$50m, in design or construction.		
Protect and enhance our natural environment	<ul style="list-style-type: none"> Continue our work with our construction partners to develop processes to reduce carbon associated with infrastructure projects. This includes using the Moata carbon portal to measure embodied (capital only) emissions related to infrastructure builds. Continue our work with customers to reduce water demand to ensure we achieve the targets in the Auckland Water Strategy Working together with Auckland Council to deliver the component parts of the Auckland Water Strategy, including work towards alternative water sources, demand management and leakage management activities, and also supporting the Council with their initiative to enhance rainwater supply capacity. Continue to educate our communities on the wastewater system to minimise dry-weather overflows due to fats, oil, rags and roots in the network 	Within Water and Wastewater Opex budgets	Within Capex budgets above
Enhance our partnerships and strong relationships with Māori in Tāmaki Makaurau	<ul style="list-style-type: none"> Continue to deliver on our Achieving Māori Outcomes Plan Build on our existing procurement programme, which actively seeks to maximise opportunities for Māori businesses to participate in the procurement process, so we can meet or exceed our target to source 5% from Māori owned businesses by the end of 2025 Continue our work with the Mana Whenua Kaitiaki Forum (MWKF), including implementing the recommendations of the review into the effectiveness of the forum, and re-setting this if required. Recognise the impact of the Local Water Done Well plan on iwi and continue to strengthen existing hononga (relationships) and build new partnerships that represent Māori communities 	Te Rua Whetu team included in Opex FY25 Target 4% procurement from Māori owned businesses	N/A
Customer trust and value through exceptional performance and engagement	<ul style="list-style-type: none"> Continue understanding the performance of individual drivers of trust and ensure we course-correct when they are adversely impacted. Participate in a collaborative working group with Council to assess and define a water literacy framework (Auckland Water Strategy Action 2.1) Increasingly segment our customer base to engage in ways that are relevant to them and increase water literacy and trust 	Within Water and Wastewater Opex budgets	N/A
Safe, engaged and empowered team	<ul style="list-style-type: none"> Continue building capability through our staff development and training programmes Embed employee wellbeing and safety as core principles of the organisation Further develop our safety programmes including Back to Basics safety collaboration with contractors 	Within Water and Wastewater Opex budgets	N/A

2.3 Our six key activities for 2024-2027

1. Delivering, affordable safe and reliable water and wastewater services to Aucklanders 24/7

Watercare's mission is to *deliver affordable, reliable, safe and efficient water and wastewater services 24/7*. Over the period of the SOI, we will deliver on this promise by embedding and reporting against new drinking water standards, investigating alternative sources for drinking water, ensuring our preparedness for future droughts, and working closely with customers to manage water demand and reduce water losses.

On 14 November 2022, Taumata Arowai introduced a new suite of drinking water standards, quality assurance rules and aesthetic values. These sit alongside the Department of Internal Affairs non-financial performance measures, which include some water and wastewater safety measures, as well as the requirement to have Drinking Water Safety Plans for each of our water treatment plants (including source risks) and our distribution network.

Ensuring a safe and reliable water supply has always been our core purpose. We remain committed to delivering services that protect public health and comply with all regulatory standards. Watercare's performance against the standards is reported to the Board monthly. They are also reported to the Governing Body via our Quarterly report. Any non-compliances are reported to Taumata Arowai. At the end of each calendar year, Taumata Arowai produces a summary report, which Watercare shares with Council.

In terms of wastewater, our ability to protect the environment is influenced, to a degree, by weather events. Through the progress of our Central Interceptor wastewater tunnel, our flood recovery programme of work, and our existing Asset Management Plan processes, we are working to upgrade or adapt many of our wastewater assets to ensure they remain resilient in the face of a growing population and more frequent extreme weather events.

Linked to population growth, we currently plan our water security to meet the following standards:

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

Consistent with the Auckland Water Strategy (Action 5.3), Watercare will work with Auckland Council on demand management and drought response.

Sitting alongside these Levels of Service is our recently updated Drought Management Plan, which was approved by Auckland Council's Planning, Environment and Parks Committee in March 2023. This Plan provides a series of responses to mitigate the potential impact of droughts so we can continue to deliver water our customers can trust, even during a drought.

The Watercare Board receives regular updates on Tāmaki Makaurau's water security situation and commits to providing Council with early warning if it looks like we may not be able to meet the above Levels of Service for any reason.

Over the medium to long term, Auckland's growth and our changing climate will put pressure on our existing water sources. In line with the Auckland Water Strategy, Watercare will work with Auckland Council to understand projected climate change impacts on water sources specifically (Action 5.4 in the Auckland Water Strategy). We will also continue to investigate options to improve source drinking water diversity and resilience, including demand management, aligned to the Auckland Water Strategy, and researching alternative source options, which could include purified recycled water and desalination.

We are also undertaking various other initiatives, such as our proactive leak detection programme, to reduce water loss. In parallel we continue to encourage and embed water efficiency behaviours across all customer segments, including through our free education programme.

We are committed to a smart network future including the role of smart meters. Watercare has installed 50,000 smart meters and any new or replacement meters will be smart meters, allowing households and businesses to access real-time information on their water usage and enable Watercare to manage the network more closely, including identifying leaks. We anticipate approximately 13,000 smart meters will be installed over the coming year. Over the course of the SOI period we will be revising our smart network strategy which will include an acceleration of our smart meter rollout. This strategy will clarify operational cost and risk associated with a smart network approach which is expected to improve network management and service levels for customers, but will come with higher digital costs and risk.

7.1

Watercare welcomes the opportunity to work with Auckland Council on the Auckland Water Strategy and how the Council whānau can further improve and therefore reduce per capita consumption of water. This could include creating “smart” houses in all new developments that would have the ability to utilise grey water and recycled water, which is likely to require a central government legislation change. A “smarter” water network will also allow Watercare to respond to leaks faster, and also introduce other innovations, such as variable tariffs for our customers.

The digital networks strategy will be completed in FY25 and this will be shared with Council as it is finalised.

Watercare must establish and maintain a committee or board within its organisation to promote the vision and strategy for the Waikato River (as set out in Schedule 2 Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010). Representatives of Te Whakakitenga o Waikato Incorporated (Waikato Tainui Governance Board) and Te Taniwha o Waikato (a collection of Marae along the lower river and part of Waikato Tainui) will be invited to be members of that committee or board in order to become material participants and directly involved in all aspects of the management, governance and use of the river, including its water. Generally, the purpose and function of that committee or board will be to investigate and address options for the reduction in reliance on the awa by Watercare, including identifying new alternative sources for resilient water and wastewater systems. In particular, the committee and board will be looking at the following:

- reduction in reliance on the Waikato River for the supply of water to Auckland;
- reduction in the volume (both relative (i.e. as a percentage the Waikato makes to Auckland’s municipal supply needs) and absolute) of water taken from the Waikato River;
- increased resilience of the Waikato River to human activities and their effects; and
- in that context, recognition of the rights and interests of tangata whenua in fresh water.

As part of the second Waikato River consent, from 2026, Watercare will submit a water management plan to Waikato Regional Council every five years on the progress being made on the investigation and implementation of future water source options for Auckland. Progress against this work programme will be reported to Council regularly. The five yearly reports will be made publicly available and shared with representatives of Te Whakakitenga o Waikato Incorporated, Te Taniwha o Waikato, Te Tokanganui-a-noho Regional Management Committee and Hauauru Ki Uta Regional Management Committee, Ngā Waihua o Paerangi, Te Kotahitanga o Ngāti Tuwharetoa, Raukawa Settlement Trust, Te Arawa River Iwi Trust, Ngāti Tahu-Ngāti Whāoa, and the Waikato River Authority.

SOI performance measures related to the above activities are set out in **Appendix A and A1**.

2. Renewing and building the necessary water and wastewater infrastructure to cater for growth, improve resilience and maintain service levels for our customers

Regional growth in population, industry, and commerce has a direct impact on Watercare’s ability to provide affordable safe and reliable water and wastewater services and to protect both public health and the environment. Our focus over the SOI period will be to continue the delivery of Watercare’s Asset Management Plan (AMP).

Watercare’s AMP is a future focussed planning document for managing our infrastructure effectively to achieve our long-term strategic goals and meet future demand. Over the next ten years, Watercare plans to deliver \$13.9b of infrastructure via the AMP, which equates to a daily spend of around \$3.44m.

Our asset management planning is focused on: 1. compliance 2. renewals 3. Levels of service and 4. growth, in that order of prioritisation. This helps us to decide what, where, how, when, and how much we invest to build and maintain networks. Our AMP is also aligned with the Future Development Strategy (FDS).

Watercare confirms its alignment with Auckland Council's approach as set out in the Infrastructure Strategy and the Group Asset Management Policy. It is important to recognise that the management of water and wastewater assets involves specific complexities, which means there may be deviations at a detailed level.

The 2023 Auckland floods and cyclone significantly impacted our assets and as a result, we have developed a programme of repairs, replacements, and upgrades to work on over the next two to three years. Our AMP includes a six-year Assets Upgrades and Renewals programme (\$1.8b), which will support and improve Watercare's resilience to extreme weather events. This aligns with the independent economic benchmarking review that recommended increased renewals investment and funding to ensure a reliable and sustainable network over the long-term.

Watercare will align with the Council's position in relation to Private Plan Changes that do not conform with the FDS and will support Council in rejecting or submitting in opposition to such changes.

Watercare acknowledges that the impact of Private Plan Changes on the Council group should be managed collaboratively.

To part fund the growth portion of our AMP, we charge customers IGCs – infrastructure growth charges. This is a contribution towards the capital investment we have made in bulk infrastructure – i.e. new water sources, new transmission water pipes, new transmission wastewater pipes and new treatment plants and expansions.

The intention of charging IGCs, is to apportion the cost of increasing the capacity of our bulk infrastructure to those who increase demand on the system, rather than recovering this cost from existing customers or future generations. Without IGCs we would need to recover a greater proportion of our growth-related capital investment costs through our operational charges. This would cost all customers a lot more for their water and wastewater services.

Watercare fully supports the Council's expectations that growth should pay for growth, and planned IGC price rises over the coming years will help narrow that gap. However, to achieve the appropriate level of recovery, we will need to adopt a new methodology to calculate growth charges.

We have started work on this new methodology, which will consider:

- Local Network Growth Investments
- Differences between brownfield, greenfield and infill developments
- How long the growth period should be, to reflect infrastructure capacity life exceeding 15 years
- Aligning any new methodology with Local Water Done Well, and the future information disclosure requirements of interim and permanent economic regulation
- Recognising the benefits to existing customers that capacity upgrades provide for system resilience.

The work we are doing will also support future economic regulation over price, quality, and investment.

The timeline and deliverables in relation to this project are set out below:

- **1 July 2024:** IGC price rises set at 14.4 per cent per year, for the next three years, accelerating the contributions to growth.
- **July 2024:** We will report back to seek feedback from Council on the opportunities, issues and options and for revising the calculation methodology.
- **Late 2024/early 2025:** We will consult with our customers, including the commercial and development sector, to ensure the new proposed methodology is robust and so the sector can plan for the revised approach to growth charges.

- **1 July 2025 onwards:** Watercare remains committed to the ultimate goal of growth paying for growth. The recovery of growth costs through increased IGCs will need to be phased in, with each phased increase aligned with the start of the financial year. The earliest the first phased increase can occur is 1 July 2025, subject to the requirements of the new transitional economic regulation regime. Whilst rolling out the phased increases, we will need to carefully manage any unintended consequences including impacts on short-term connections, leading to a temporary reduction in revenue and developers implementing private systems. Watercare may also have to update its billing systems and change the smart meter roll-out to commercial customers, to automate the management of IGCs.

SOI performance measures related to the above activities are set out in **Appendix B**.

3. Delivering our services and infrastructure projects efficiently, keeping a strong focus on operating costs, so we can minimise water charges

We continue our focus on controllable costs – embedding efficiency expectations into our annual budgeting process. A controllable cost target performance measure continues to be included in this SOI. The targets for the next three years are set using a base, trend, step methodology. This establishes the baseline, drives efficiency off that baseline, and then considers inflationary pressures and the cost of servicing our growing asset base (e.g. the Central Interceptor when it goes live). Watercare will continue to report progress against the 4 per cent efficiency target every quarter. With efficiency largely off-setting inflation, increases in opex will relate to consequential opex, which reflects the costs of operating new assets as they come online.

Over the last few years, the nation's infrastructure industry has been particularly hard hit, with inflationary pressure pushing up the cost of construction materials, labour, and shipping. With a large capital programme, Watercare is not immune from this pressure. Operationally, we are also incurring increased production costs (e.g. this year's Auckland Council group procurement process for electricity resulted in a 40% cost increase over the previous contract). However, at the same time, we have made some significant savings (\$1.3m/year) in our chemical procurement process.

From a digital perspective, Watercare already shares some digital licensing costs with Auckland Council, and leverages the shared licensing contacts for improved pricing to keep operational costs to a minimum. We are also currently focused on digital systems consolidation to reduce complexity, licensing and support costs.

Watercare is committed to working with Council to progress the Group Shared Services (GSS) programme at pace and taking a group perspective to this programme to deliver operational efficiencies. Watercare's CE is a member of the GSS Board and Watercare will participate in GSS as much as is legally possible, and where this does not unfavourably impact the Group's position, including from a credit rating perspective. While the credit rating agencies understanding of the GSS programme and Watercare's role is being developed, a cautious approach is being taken to implementation, ensuring there is no inadvertent impact on the Group, while actively exploring opportunities.

We will work with Council to implement the findings of the Group Property model review.

Considering these challenges, as well as the current cost-of-living crisis, Watercare continues to have a strong focus on achieving sustainable efficiencies and reducing costs, to ensure our services remain affordable and that we are delivering value for money. We will continue to drive sustainable cost reductions across the business by identifying process, system and operational efficiency and by limiting non-core activity.

Hardship, assistance is always available for our customers who are struggling to pay their bills. We will continue to provide flexible payment options to customers and we also fund the Water Utility Consumer Assistance Trust (WUCAT), which supports customers suffering genuine hardship.

SOI performance measures related to the above activities are set out in **Appendix C**.

4. Strengthening our relationships with customers, developers, community stakeholders, elected members, and Māori

Our services are vital to life and help communities to flourish. As a lifeline utility, we have relationships with customers, developers, community stakeholders, elected members, and mana whenua.

Customers: Over the past few years, we have built on our engagement model to include always-on feedback about our infrastructure projects as well as very early consultation on future investment decisions. We continue to focus on extracting insights from our day-to-day customer interactions, be it through our satisfaction surveys, co-design workshops or interrogation of the underlying processes and behaviours behind customer complaints. The continuous improvements across our business, informed by customers, are evidenced in our strong trust and customer net satisfaction scores.

Developers: Watercare is committed to continuing to work with Council to reduce the time and costs for our teams to provide technical assessments needed to process resource consent applications.

We will also continue to work with Council to improve the Better Faster Consents mechanism to allow objections to the way Watercare enforces its code of practice and design manuals. However, developers are always welcome to discuss with our teams any concerns they have with our code of practice. We also routinely engage with Developers and, through our Major Developments team, we are working to enhance our engagement with the development community over the SOI period.

As noted above, we will also be working closely with the development community over the coming years, whilst we adopt a new methodology for calculating growth charges to ensure a greater percentage of growth costs are recovered.

We maintain strong relationships with the Councillors and Local Board members by providing timely and accurate information on Watercare-related matters, including infrastructure planning and construction projects in the interests of no-surprises. We have a dedicated team who ensure Councillors and Local Board members are pro-actively briefed and updated on projects and provide a high level of service for enquiries about operational issues. We provide elected members with regular updates on potential drought conditions and our water production plan. We also have [a Local board hub](#) on our website to ensure local board members have access to information about the existing infrastructure and projects in their areas.

Over the past few years, both Watercare and Council have been tested by serious incidents, including the Anniversary Weekend Floods of 2023, and the more recently, the Ōrākei Main Sewer collapse in Parnell in late 2023. During the sewer collapse, communications from both Watercare and Auckland Council, including the Deputy Mayor, were clear, and joined up. Watercare agrees that significant public facing issues should continue to be led as a partnership between Watercare's Board Chair, CE, and elected members.

Houkura – Independent Māori Statutory Board (Houkura): Watercare will continue to foster its relationship with Houkura across 2024 – 2027. Houkura's Issues of Significance recognise access to infrastructure as an Issue of Significance to Māori in Tāmaki Makaurau. It seeks to ensure that Māori receive ongoing access to safe, operational, and reasonably priced infrastructure services and are enabled to contribute to the decision-making process of future infrastructure projects actively and meaningfully. Watercare will strengthen our relationship with Houkura through regular meetings at both operational and governance levels and work with Houkura to respond to its Issues of Significance instrument. Watercare will also work with Houkura towards the discharge of its Te Tiriti o Waitangi audit obligations.

Māori Partners: We value our partnership with Māori. In working with our Māori partners we have developed a mutual respect and a shared understanding. Watercare supports the Auckland Water Strategy's commitment to partnering with Mana Whenua to achieve the vision of te Mauri o te Wai o Tāmaki Makaurau and working together to advance our core interests in water and the environment.

Watercare has a dedicated Te Rua Whetu team, that oversees implementation and monitoring of the Māori Outcomes Plan and provides wider support to kaimahi on Te Ao Māori and kaupapa Māori issues. Watercare has developed effective working relationships with mana whenua and mātauranga to ensure we meet our responsibilities under Te Tiriti o Waitangi.

SOI performance measures related to the above activities are set out in **Appendix D**.

5. Improving our organisational performance in relation to our core strategic outcomes, namely: Climate Change (including drought resilience and supply); the health, safety and wellness of our kaimahi; and Māori Outcomes.

Climate Change: The impacts of climate change are often seen through water, and it is our responsibility to recognise, mitigate and adapt to these impacts. Climate change can make new issues arise while exacerbating existing problems. This demands that we change not only what we do but how we do it.

We are committed to delivering on the actions and direction set out in Te Tāruke-ā-Tāwhiri, incorporating climate change considerations, whole of life greenhouse gas emissions and resilience, into work programmes and decisions, based on realistic assessments. Alongside this, we have committed to Auckland's regional targets of halving emissions by 2030 and net zero by 2050. To achieve this, Watercare has adopted a range of climate change targets that give direction to the company in taking responsibility for our impacts and establishing ourselves as a low-carbon company including:

- Reducing infrastructure emissions by 40% by 2025
- Reducing operational emissions by 50% by 2030
- Energy neutrality at major WWTPs by 2030
- Net-zero emissions by 2050.

To achieve our 2030 targets, and continue reducing carbon emissions, and improve climate resilience, with a focus on cost effective delivery of climate projects, we have adopted a decarbonisation roadmap – identifying the key initiatives necessary to achieve our objectives. This roadmap is being refreshed in FY25. The priorities over the coming years include: expanding our solar rollout to more facilities; investigating options around the use of biogas at our treatment plants; and reducing the intensity of our wastewater process emissions. Whilst our GHG emissions are predicted to stay relatively steady or slightly rise over the short term, once we have implemented our decarbonisation initiatives, those GHG emissions will stabilise and then start reducing.

In line with our Long Term Plan 2024-2034 commitments, Watercare will also:

- target savings in operational and capital expenditure to areas where both cost and whole of life greenhouse gas emissions can be reduced;
- focus on lowest cost delivery of climate positive projects; and
- work towards reducing the impacts of climate-related risks which also reduces long-term cost to Watercare customers and community.

Watercare will continue to report to Council our Scope 1 and 2 greenhouse gas emissions annually, against our SOI target. These will be audited as part of our Statement of Service Performance assurance process.

In FY23 we started including an additional Greenhouse Gas Emission Supplement publication on our website, which comprehensively details our Scope 1, 2 and 3 greenhouse gas emissions, consistent with our commitments and the Auckland Council group approach. This will continue every financial year.

Given the nature of our largest emissions sources which relate to our wastewater treatment process and biosolids disposal, the achievement of our climate emissions targets is challenging and predicated on significant investment in new technologies. Even with funding certainty, there are risks to the timing of when the required changes can be implemented to meet our targets. Over FY25 we will complete two key pieces of work which will help us assess our progress towards key greenhouse gas emissions targets. These projects include: a refresh of our decarbonisation roadmap – the high level plan to meet our targets based on our latest GHG position and investment profile; and a strategy associated with one of our largest emissions sources – nitrous oxide – resulting from our wastewater treatment process. Watercare has advanced research and innovation underway to develop options and an approach to mitigate nitrous oxide emissions over time. The outcomes from these two pieces of work, and any risks to Watercare's climate targets, will be highlighted through our regular quarterly reporting to the CCO Direction and Oversight Committee, or the Council's Audit and Risk Committee, or both.

Watercare will also contribute to the preparation of a compliant group climate statement to ensure Auckland Council meets its reporting and record-keeping obligations as a climate reporting entity under the Financial Markets Conduct Act 2013. This includes preparing and maintaining proper climate-related disclosure records as required by Auckland Council. It will also include engaging with Auckland Council's appointed auditor to prepare for assurance over group emissions disclosures from 2024/2025 onwards.

We will also strive to demonstrate leadership and accountability by starting to measure and report on the climate impact of our decisions.

Our water and wastewater systems have a reasonable degree of resilience engineered into them. However, the resilience of our water and wastewater networks has and will continue to be challenged. Over the last five years, Auckland has experienced extremes in weather, ranging from storm events with record rainfall to severe droughts depleting our water storage.

As assets age, we normally see a decline in their performance, sometimes to the point of asset failure. Asset failures can cause service interruptions and may pose a risk to public health and safety. We have developed asset replacement and rehabilitation programmes to monitor the condition and performance of assets to estimate the end of their useful lives. Asset renewal decisions are based on a risk assessment of the likelihood and consequence of failure, taking into account the asset's age and life expectancy, condition, performance, system resilience and criticality.

As noted above, we have introduced our Asset Upgrades and Renewals programme to uplift our investment in this area, which will help us reduce our exposure and vulnerability to climate related risks. This uplift in investment aligns with the independent economic benchmarking review by WICS that recommended increased renewals investment and funding to ensure a reliable and sustainable network over the long-term, whilst delivering year on year efficiency targets.

Health, Safety and Wellbeing (HSW) of our kaimahi:

As a result of concerns from the Board and Management in respect of the continued increase in the TRIFR metric, an independent review was commissioned in the second half of 2023.

Management has accepted the findings of the review and is developing an action plan to implement these findings. Part of this will include the development of a new suite of HSW lead metrics which will complement the more traditional TRIFR lag indicator. The review acknowledges that TRIFR is no longer considered a useful measure of safety performance.

Watercare manages many critical risks, and the presence and effectiveness of the critical controls for those risks is a priority area of focus. We are therefore including a new performance measure in this SOI that measures the number of permit audits done per month as a measure of presence and effectiveness of critical controls for our critical risk verification process.

In early 2024, Watercare also achieved certification for ISO 45001:2018: Occupational health and safety management systems. This is an international standard, which means our health and safety management system is structured similar to those in UK and European water utilities and aligns with our integrated management systems. The audit report for certification noted that health and safety ownership was embedded across the business and highlighted increased worker engagement and participation in health and safety. The report also identified areas for improvement, including risk management processes and safety equipment management. These areas have either been rectified or are being worked on.

Watercare continues to participate in the ACC Accredited Employer programme, which gives us the ability to have faster access and support for rehabilitation of injured kaimahi, as well as showing a commitment to best practice in injury prevention.

Māori outcomes: Watercare is an active member of the Māori Outcomes Steering Group. The Māori Outcomes Steering Group reports into Council's Executive Leadership Team and the Council Group Chief Executives and has oversight of the long-term plan funding for Māori Outcomes

Watercare has identified initiatives within its Achieving Māori Outcomes Plan that it will advance over the next three to

four years to improve social, economic, and cultural wellbeing for Māori communities throughout Auckland. The plan aligns to Kia Ora Tāmaki Makaurau, the Council group's Māori Outcomes Performance Measurement Framework, and progress against the plan is reported to Council quarterly, including via our quarterly reports.

Watercare's Te Rua Whetū – Māori Outcomes & Relationships Unit, has strong relationships with their counterpart teams at Council and other CCOs, and is committed to exploring opportunities to improve the consistency between CCOs in how they contribute to Kia Ora Tāmaki Makaurau

Watercare will continue to provide Council with regular updates on engagement hui with iwi and mana whenua including updates relevant to Kia Ora Tāmaki Makaurau and Watercare's delivery of the Achieving Māori Outcomes Plan.

SOI performance measures related to the above activities are set out in **Appendix E**.

6. Embedding a long term and sustainable financial strategy/model for Watercare, based on operating efficiently, investing appropriately in assets, ensuring affordability of services and that growth-related investments are appropriately recovered from our customers.

At the start of May 2024, a joint Council/Government announcement confirmed that a solution for Auckland had been agreed. The outcome of that agreement is reflected in this version of the SOI.

In summary, we have agreed a revised price path of 7.2 per cent increases for water and wastewater charges and 14.4 per cent for infrastructure growth charges for the period 2024-2027, noting that work is currently underway to ensure that growth pays for growth, with Council supporting Watercare's required debt capacity until debt separation is achieved, most likely by the start of FY26.

The revised price path means that Watercare will remain within its SOI target of water charges being less than 1.5 percent of the median household income until at least the early 2030s.

A sustainable financial model also means that we are managing the cost of investment and operation carefully and are looking to maximise funding opportunities. During the SOI period, we will implement a revised model for recovering growth costs as outlined above. We will also actively explore alternative financing options that will reduce our debt burden and will deliver outcomes at a lower overall cost to customers.

7.1

Watercare Service Limited Statement of Intent Financials

Financial statements for the long-term plan

Operating budgets (\$million)	2022/23 Actual	2023/24 Annual Plan	2024/25 LTP 25	2025/26 LTP 25	2026/27 LTP 25
Revenue					
Fees and charges					
Grants and subsidies					
Other revenue					
Direct expenditure					
Employee related costs					
Grants, contributions, sponsorship					
Other expenditure					
Net direct expenditure (income)					
Funding from Auckland Council					
Revenue from vested assets					
Other non-operating income					
Net finance expense					
Depreciation and amortisation					
Net loss on disposal of PPE					
Income tax					
NET EXPENDITURE (INCOME)					
Net direct expenditure by area					
Expenditure (\$million)					
Net direct expenditure (income)					
Wastewater Service					
Water Supply					
Capital expenditure					
Expenditure (\$million)					
- to meet additional demand					
- to improve the level of service					
- to replace existing assets					
Total capital expenditure excluding capitalised interest					
Capitalised interest					
Total capital expenditure including capitalised interest					
Sources of capital funding					
Infrastructure growth charge					
Debt					
Asset sales					

7.1

Operating surplus (Net direct income less IGC plus net interest)					
Working capital					
Specific expenditure towards Māori outcomes					
Initiatives (\$thousand)	2022/23 Actual	2023/24 Annual Plan	2024/25 LTP 25	2025/26 LTP 25	2026/27 LTP 25
Iwi engagement on Watercare projects					
Other financial information					
Current value of assets	The current value of Watercare's assets as 30 June 2023 was \$13.9 billion as disclosed in the audited financial statements.				
Accounting policies	Watercare's accounting policies are consistent with Auckland Council's group policies				
Financial reporting	Watercare's financial reporting to Auckland Council will be in accordance with the requirements of the group.				
Shareholder equity ratio					

7.1

Detailed capital expenditure list (\$million)	2022/23 Actual	2023/24 Annual Plan	2024/25 LTP 25	2025/26 LTP 25	2026/27 LTP 25
Capital Expenditure (exc capitalised interest)					
Water Sources					
Water Network Assets					
North Harbour 2 Watermain					
Waikato Water Supply					
Huia Water Supply					
Ardmore Water Treatment Plant					
Projects supporting Kīanga Ora-Water					
Water Collection & Treatment Assets					
Waiuku Water Supply					
Total Water					
Wastewater Networks					
Central Interceptor					
Wastewater Network Assets					
Southwest Wastewater Scheme					
Waitematā Water Quality Improvement					
Wastewater Treatment Plant Assets					
Mangere Wastewater Treatment Plant					
Rosedale Wastewater Treatment Plant					
Warkworth Wastewater Scheme					
Pukekohe Wastewater Scheme					
Whenuapai & Redhills Wastewater Scheme					
Otara Wastewater Network					
Orakei Main Sewer					

Queen Street Wastewater Network					
Projects supporting Kianga Ora-Wastewater					
Total Wastewater					
Shared Service					
Business Assets					
Digital Assets					
Flood Recovery Works					
Water Collection & Treatment Assets					
Wastewater Network Assets					
Shared Service Programmes					
Capital Expenditure (excluding capitalised interest)					

Financials will be updated once approved by the Board

7.1

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Prospective statement of comprehensive revenue and expense

For the year ended 30 June 2023

Revenue		
Total revenue		
Operating expenses		
Asset operating costs (excluding WDC expenses and profit contribution)		
Maintenance costs		
Employee benefit expenses ¹		
Construction contract variations payment		
Other expenses		
Total operating expenses		
Depreciation & Amortisation		
Finance costs ²		
Total expenses		
Operating surplus from trading operations		
Net loss on disposal of property, plant and equipment		
Net (loss) / gain on revaluation of derivative financial instruments		
Operating surplus before tax		
Income tax expense		
Net surplus for the year from continuing operations		
Discontinued operations		
Profit after tax for the year from discontinued operations		
Net surplus for the year		
Other comprehensive revenue and expense net of tax		
Gain on revaluation of property, plant and equipment		
Total comprehensive revenue and expense for the year, net of tax		
Attributable to:		
Owner of the parent, net of tax		
Non-controlling interest, net of tax		

Financials will be updated once approved by the Board

¹ Increase in Employee benefits in FY25 onwards, is due to aligning with council policy in regard to labour recoveries. This change offsets in other lines within total operating expense

² The prospective financial statements have removed capitalised interest to align with council policy and has been restated in prior years. This is Gross interest before tax

Prospective statement of financial position

As at 30 June 2023

	Restated 2023 Actual \$000	2023/24 AP Plan \$000	2024/25 Forecast \$000	2025/26 Forecast \$000	2026/27 Forecast \$000
Assets					
Current					
Cash and cash equivalents					
Trade and other receivables from exchange transactions					
Inventories					
Prepaid expenses					
Other financial assets					
Total current assets					
Non-current					
Property, plant and equipment					
Intangible assets and goodwill					
Inventories					
Prepaid expenses					
Other financial assets					
Total non-current assets					
Total assets					
Liabilities					
Current					
Trade and other payables for exchange transactions					
Accrued expenses					
Provisions					
Total current liabilities					
Non-current					
Borrowings					
Deferred tax liability					
Trade and other payables for exchange transactions					
Accrued expenses					
Provisions					
Total non-current liabilities					
Total liabilities					
Equity					
Equity attributable to owners of the parent					
Retained earnings					
Revaluation reserves					
Issued capital					
Capital Reserve					
Total equity attributable to owners of the parent					
Non-controlling interest					
Total equity					
Total equity and liabilities					

Financials will be updated once approved by the Board

7.1

Prospective statement of changes in equity

For the year ended 30 June 2023

	Restated 2023 Actual \$000	2023/24 Annual Plan \$000	2024/25 Forecast \$000	2025/26 Forecast \$000	2026/27 Forecast \$000
Balance at 1 July 2022					
Net Surplus for the year					
Impact of change in Accounting policy					
Movements in non-controlling interest					
Total Comprehensive Income					
Gain on revaluation of property, plant & equipment					
Transfer between reserves on disposal of property, plant & equipment					
Total other comprehensive income and expense					
Balance at 30 June 2023					

Financials will be updated once approved by the Board

7.1

Prospective statement of cash flows

For the year ended 30 June 2023

	2023 Actual \$000	2023/24 AP Plan \$000	2024/25 Forecast \$000	2025/26 Forecast \$000	2026/27 Forecast \$000
Operating activities					
Cash was provided from:					
Receipts from customers					
Dividends received					
Interest received					
Cash was applied to:					
Employees and suppliers					
Finance costs paid					
Net cash inflows – operating activities					
Investing activities					
Cash was provided from:					
Sale of property, plant and equipment, and intangibles					
Proceeds on disposal of discontinued operations					
Repayment of advances or loans to external parties					
Cash was applied to:					
Purchase and construction of property, plant and equipment, and intangibles					
Acquisition of subsidiaries, associates and jointly-controlled entities					
Issued term loans					
Net cash outflows – investing activities					
Financing activities					
Cash was provided from:					
Proceeds from Auckland Council loans – related party					
Cash was applied to:					
Repay loans from Auckland Council – related party					
Gross interest					
Net cash inflows / (outflows) – financing activities					
Net change in cash flows					
Cash & cash equivalents/(overdraft) at the beginning of the year					
Cash & cash equivalents/(overdraft) at the end of the year					

Financials will be updated once approved by the Board

7.1

Significant Accounting Policies

7.1

Commentary will be updated once the SOI financials has been approved by the Board

DRAFT

SOI Performance Measures

Appendix A: Delivering safe and reliable water and wastewater services to Aucklanders 24/7

Measure	Source	2023 Actual	2024 SOI Target	Next three-year targets		
				2025	2026	2027
Adherence to all of DIA's non-financial service performance measures set out in Appendix A1	DIA measures	92.9% (13/14 achieved)	100%	100%	100%	100%
Average number of wet-weather overflows per engineered overflow point per discharge location (12-month rolling average)	Watercare	4.7	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year
Leakage performance – litres/connection/day (l/c/d)	Watercare	111.2 l/c/d	107.9 l/c/d being the Economic Level of Leakage plus /minus 5%	98.2 l/c/d		
Compliance with Taumata Arowai Quality Assurance Rules T3 – Bacterial water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3	Watercare	New measure	100%	100%	100%	100%
Compliance with Taumata Arowai Quality Assurance Rules T3 – Protozoal water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3	Watercare	New measure	100%	100%	100%	100%
Compliance with Taumata Arowai Quality Assurance Rules T3 – Chemical water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3	Watercare	New measure	100%	100%	100%	100%
Compliance with Taumata Arowai Quality Assurance Rules T3 – Cyanotoxins water quality	Watercare	New measure	100%	100%	100%	100%

7.1

Measure	Source	2023 Actual	2024 SOI Target	Next three-year targets		
				2025	2026	2027
The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3						
Compliance with Taumata Arowai Quality Assurance Rules D3 – Residual disinfection (chlorine) water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3	Watercare	New measure	100%	100%	100%	100%
Compliance with Taumata Arowai Quality Assurance Rules D3 – Microbiological water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3	Watercare	New measure	100%	100%	100%	100%
Compliance with Taumata Arowai Quality Assurance Rules D3 – Disinfection by-products water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3	Watercare	New measure	100%	100%	100%	100%
Compliance with Taumata Arowai Quality Assurance Rules D3 – Plumbosolvent metals water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3	Watercare	New measure	100%	100%	100%	100%

The Economic Level of Leakage (ELL) has been incorporated into the Auckland Water Strategy. The ELL lies at the intersection of the marginal costs and benefits of leakage reduction and is represented by the litres of leakage/connection/day (l/c/d). As the model relies on two variables (the cost of leakage reduction and the cost of water), the ELL will need to be periodically reviewed and may change from year to year.

Appendix A1: DIA Non-financial performance measures

Measure	Source	30 June 2023 Actual	30 June 2024 Target	Next three years		
				30 June 2025	30 June 2026	30 June 2027
1	Compliance with the territorial authority's resource consents for discharge from our sewerage system measured by the number of: (a) abatement notices (b) infringement notices (c) enforcement orders (d) convictions received by Watercare in relation to those resource consents	(a) 0 (b) 0 (c) 0 (d) 0	(a) ≤2 (b) ≤2 (c) ≤2 (d) 0	(a) ≤2 (b) ≤2 (c) ≤2 (d) 0	(a) ≤2 (b) ≤2 (c) ≤2 (d) 0	(a) ≤2 (b) ≤2 (c) ≤2 (d) 0
2	The average consumption of drinking water per day per resident within the territorial authority district	241.3	256 litres	253 litres	252 litres	250 litres
3	Median response time for attendance for urgent call-outs (water): from the time that the local authority receives notification to the time that service personnel reach the site (minutes)	45 mins	≤60 mins	≤60 mins	≤60 mins	≤60 mins
4	Median response time for resolution of urgent call-outs (water): from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (hours)	3.7 hours	≤5 hours	≤5 hours	≤5 hours	≤5 hours
5	Median response time for attendance for non-urgent call-outs (water): from the time that the local authority receives notification to the time that service personnel reach the site (days)	1.0 day	≤5 days	≤5 days	≤5 days	≤5 days
6	Median response time for resolution of non-urgent call-outs (water): from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (days)	1.7 days	≤6 days	≤6 days	≤6 days	≤6 days
7	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) Watercare's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system	7.5	≤10	≤10	≤10	≤10
8	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 (minutes)	78 mins	≤60 mins	≤75 mins	≤75 mins	≤75 mins
9	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 (hours)	3.8 hours	≤5 hours	≤5 hours	≤5 hours	≤5 hours

7.1

Measure	Source	30 June 2023 Actual	30 June 2024 Target	Next three years		
				30 June 2025	30 June 2026	30 June 2027
10	The total number of complaints received by the territorial authority about any of the following: (a) sewerage odour (b) sewerage system faults (c) sewerage system blockages (d) Watercare's response to issues with its sewerage system expressed per 1000 connections to the Watercare's sewerage system.	24.4	≤50	≤50	≤50	≤50
11	The percentage of real water loss from the local authority's networked reticulation system	11.6%	≤13%	≤13%	≤13%	≤13%
12	The number of dry-weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system	0.7	≤5	≤5	≤5	≤5

All of the above DIA measures are also Auckland Council Long Term Plan measures.

Appendix B: Building and renewing the necessary water and wastewater infrastructure to improve resilience and maintain service levels for our customers

Measure	Source	30 June 2023 Actual	30 June 2024 Target	Next three years		
				30 June 2025	30 June 2026	30 June 2027
Deliver capital programme in line with the asset management plan baseline approved by the Board	Watercare	New measure	80% of projects are delivered within the approved budget and 80% of projects are in service within the approved time. A list of the projects to be delivered before 30 June 2025, will be provided in the first quarterly report.			
Planned network pipe renewal Measure – Actual Kilometres delivered /planned kilometres	Watercare	New measure	New measure	95%-105%, with 26km of network planned for year ending 30 June 2025		
Measure: Planned and renewal spend (water and wastewater): reactive maintenance spend Depicted as both a percentage split, and a ratio	Watercare	New measure	New measure	75% : 25% >3	77% : 23% >3.3	77% : 23% >3.3

Appendix C: Delivering our services and infrastructure projects efficiently, keeping a strong focus on operating costs, so we can minimise water charges

Measure	Source	30 June 2023 Actual	30 June 2024 Target	Next three years target		
				30 June 2025	30 June 2026	30 June 2027
Percentage of household expenditure on water supply services relative to average household income	Watercare	0.83%	<1.5%	<1.5%	<1.5%	<1.5%
Debt to revenue ratio	Watercare	3.3	≤3.35	≤3.98	≤4.32	≤4.88
Controllable Cost target (including 4% efficiency target per year, for 10 years, from FY23-FY32). *Note, costs increase due to inflation, and Watercare will have more assets online, including CI, which drive controllable costs up. Also, from FY27, Watercare will no longer be operating WDC's three waters. The target includes everyday operational items such as labour, fleet, software licencing, energy, chemicals, SaaS, insurance, meter reading, rates, security and many more, but excludes interest and depreciation and extraordinary one-off cost. Examples in the past have included the Anniversary floods, and water reform.	Watercare	New measure introduced into SOI in FY24	\$396m	\$441m	\$451m	\$387m (post WDC finish)

Appendix D: Strengthening our relationships with customers, developers, community stakeholders, and our Māori partners

Measure	Source	30 June 2023 Actual	30 June 2024 Target	Next three years		
				30 June 2025	30 June 2026	30 June 2027
Customer Net Satisfaction Score (Previously Net promoter score)	Watercare	43	≥45	≥45	≥45	≥45
Community trust score	Watercare	60%	≥55%	≥55%	≥55%	≥55%
Percentage of customer complaints resolved within ten days of notification	Watercare	99.2%	≥95%	≥95%	≥95%	≥95%
Ratio of procurement sourced through Māori-owned businesses*	Watercare	2.22%	3%	5%	5%	5%
Adherence to the Service Level Agreement with Council (10 working days) for Watercare to provide specialist input into resource consents (New measure)	Watercare	New Measure	90%	90%	90%	90%
Health & Safety: Every month, a minimum of one permit audit is conducted per project/plant	Watercare	New measure	New measure	One per site (36)	One per site (36)	One per site (36)

+ Customer Net Satisfaction Score includes, amongst many other things, a measure of the new connections performance, but not the developer experience end-to-end.

*addressable spend, including through design, construction, maintenance and subcontracting suppliers.

Appendix E: Improving our organisation performance in relation to our core strategic outcomes

Measure	Source	30 June 2023 Actual	30 June 2024 Target	Next three years		
				30 June 2025	30 June 2026	30 June 2027
Operational greenhouse gas performance. We will implement Mitigation measures in line with our emissions reduction targets (scope 1 and 2). <i>Note: these targets are higher than last SOI, as they now include emissions from Puketutu island and also align with our current Asset Management Plan. Previously set targets, excluding Puketutu, are shown in orange.</i>	Watercare	107,285 tonnes CO2e	<137,328 tonnes CO2e	<139,170 tonnes CO2e	<146,898 tonnes CO2e	<128,118 tonnes CO2e
		<88,400 tonnes CO2e. The measure for this year was 84,617 tonnes CO2e.	<89,200 tonnes CO2e	<89,900 tonnes CO2e	<88,200 tonnes CO2e	<99,500

7.1

Attachment 2



31 May 2024

Margaret Devlin
Chair
Watercare Services Limited

By email: margaret@margaretdevlin.co.nz

7.2

Tēnā koe Margaret

Shareholder comments on the Watercare Services Limited draft Statement of Intent 2024-2027

Thank you for providing the draft Statement of Intent 2024-2027 (SOI) for Watercare. The Governing Body considered it at its 30 May 2024 meeting. As context for this discussion a copy of the full report can be found here at item 13:

https://infocouncil.aucklandcouncil.govt.nz/Open/2024/05/20240530_GB_AGN_11275.PDF.

Below are shareholder comments common to all CCOs and following that the shareholder comments specific to Watercare.

I would like to thank you and the board for your work on the draft SOI. I also thank the Watercare team for your continued focus on delivery over the past few years during the unsettling period caused by the water reforms. The council believes the recent sustainable financial model agreed with the government for Watercare is a foundation for the board to look after your assets on behalf of Aucklanders, get on with much needed intergenerational investment in water infrastructure and keep water prices low.

General shareholder comments to all CCOs

Financial and non-financial performance and quality advice

Final SOIs should reflect council's decisions on the Long-term Plan 2024-2034 and financial statements should be fully populated consistent with these decisions and agreed with council's Financial Planning staff.

Decision making on the Long-term plan 2024-2034 confirmed a savings target of \$27.8 million for the Auckland Council Group in 2024/2025. This work will be led by the council's Chief Executive. Contributions to this savings target may be required from Eke Panuku and Tātaki Auckland Unlimited.

All performance measure targets should be fully populated in final SOIs, with relevant measures and targets reflected from the Long-term Plan 2024-2034.

We are seeking improved advice from CCOs. All advice to Elected Members on spending decisions should involve some effort to weigh costs and benefits and contestable advice. Further detail on requirements can be found in the Budget Responsibility and Transparency Rules.

Capital programme

The group's focus for our capital programme should be on finishing what we've started, fixing what is broken, and getting the best out of what we have. We are therefore asking all CCOs to improve information on capital programmes/ projects in SOIs. This should include budgets for all capital programmes and major projects. You should be transparent about what milestones you will achieve so that we can better measure progress. Further information is provided in the CCO specific comments below.

Māori outcomes

CCOs are to report on delivery progress on your Achieving Māori Outcome Plans in your quarterly performance reports. Direction will be provided by council's Ngā Mātārae team for a whole of group approach in this area.

Houkura - Independent Māori Statutory Board secretariat feedback has been provided to CCOs separately and considered by council in forming our comments.

Climate change

As agreed in our Long-term Plan 2024-2034 decision making, we ask that CCOs:

- incorporate climate change considerations (whole of life greenhouse gas emissions and resilience) into work programmes and decisions, based on realistic assessments
- target savings in operational and capital expenditure to areas where both cost and whole of life greenhouse gas emissions can be reduced, and not reduce well performing emissions reduction projects or investments
- focus on lowest cost delivery of climate positive projects
- work towards reducing the impacts of climate-related risks which also reduces long-term cost to council and community.

CCOs should meet group climate-related disclosures requirements and ensure accountability through measurement and reporting, including of scope 3 emissions. CCOs should include a statement of commitment in the final SOI:

Contribute to the preparation of a compliant group climate statement to ensure Auckland Council meets its reporting and record-keeping obligations as a climate reporting entity under the Financial Markets Conduct Act 2013. This includes preparing and maintaining proper climate-related disclosure records as required by Auckland Council. It will also include engaging with Auckland Council's appointed auditor to prepare for assurance over group emissions disclosures from 2024/2025 onwards.

Group shared services

The Long-term Plan 2024-2034 decisions include an expectation to accelerate the Group Shared Services (GSS) delivery programme, reflected in further group wide savings targets to be achieved from GSS (in addition to shared services targets set in the Annual Budget 2023/2024). Final SOIs must include a commitment to progress the GSS programme at pace. We must take a group perspective to this programme and avoid individual CCO perspectives that slow down progress. This programme is being managed collaboratively by the Chief Executives of the group to deliver operational efficiencies. Council expects that CCOs will include this programme in final SOIs without any qualifications.

Specific shareholder comments for Watercare

Local Water Done Well

The Local Water Done Well Auckland solution agreed with the government will need to be reflected in the final SOI, including Watercare's changed price path and debt to revenue ratio.

Council also requests that Watercare prepare to implement the interim economic regulatory regime to improve efficiency and productivity and to adhere to a new charter under the legislation to be introduced by the government.

It is noted that the final SOI may need to be amended when the new legislation is enacted and we will work closely with you if this is required.

Auckland Water Strategy

The council expects Watercare to include deliverables in the final SOI for the actions it is responsible for in the Auckland Water Strategy, in particular:

- work with Auckland Council to analyse and understand projected climate change impacts on water sources specifically (Action 5.4).
- the work programme under 'Protect and enhance the natural environment' should include working towards water strategy targets for supply as well as demand (i.e., work towards enhancing recycled water supply and support the council with enhancements of rainwater supply capacity).
- the development with council of a peak demand management plan (Action 5.3).
- the programme for smart meters roll out should include milestones Action 5.5).

Alignment with Future Development Strategy

The final SOI should be clear that Watercare will align with the council's position in relation to Private Plan Changes that do not conform with the Future Development Strategy and will support the council if it rejects or submits in opposition to such changes.

The response to Private Plan Changes and the impact on the council group should be managed collaboratively across the group. Council will discuss impacts on Watercare and consider Watercare's view in its decision on whether to oppose a Private Plan Change. To be clear - it is more than just informing council of Watercare's position on a 'no surprises basis'.

Watercare is expected to work with council, Healthy Waters and Auckland Transport on plans to support growth. We reiterate that Watercare should confirm in the final SOI the prioritisation of renewals within your capital programme and the programme's alignment with the Future Development Strategy.

Full recovery of growth costs

As outlined in the letter of expectations, the work programme and deliverables for full recovery of the costs of growth should be included in the final SOI. I note that this work will also support future economic regulation over price, quality and investment.

Capital programme

With the confirmation that Watercare will remain a council-controlled organisation, the council requests that Watercare confirm its alignment with the group asset management approach and improvements in this area set out in the Infrastructure Strategy and endorse the Group Asset Management Policy.

You should include milestones for significant projects and programmes and align information in the work programme and capital expenditure tables in the final SOI.

Group shared services

Thank you for reflecting the letter of expectations request that Watercare start to engage with the Group Shared Services programme in the draft SOI. Following the agreement on Local Water Done Well for Auckland, and our Long-term Plan decision making, I confirm that Watercare should now fully participate in the programme. We note that future legislative requirements might prevent sharing of some financial functions but we expect Watercare to participate as much as legally possible.

Efficiency programme

With our emphasis to 'fix, finish and optimise' and keep water charges low, your final SOI should set out the programme underpinning Watercare's 4 per cent efficiency target. As with growth cost recovery, this will be a critical programme under an economic regulation regime.

Climate change

If Watercare intends to refresh the Decarbonisation Strategy in FY25 it should be included as a key activity in the annual work programme of the final SOI.

Performance measures

It is important that an appropriate health and safety measure is included in the Watercare SOI. Following the removal of the health and safety measure on *Total Recordable Injury Frequency Rate* the council requests that it is replaced with an appropriate new measure.

To improve transparency and accountability we suggest that the final SOI includes:

- an explanation of the costs included and excluded from the controllable cost measure
- changes to the capital delivery measure, so that it specifies the projects and includes milestones in addition to budget and timeliness on completion.

Council staff will work closely with your staff to ensure these shareholder comments are clear, and to relay any feedback from the 30 May Governing Body meeting that relates to performance or operational issues, or issues of detail or wording.

I look forward to receiving the final SOI by 31 July 2024.

Ngā mihi



Wayne Brown
MAYOR OF AUCKLAND

Copy to: Deputy Mayor, Desley Simpson
Councillor Shane Henderson, Deputy Chair CCO Direction and Oversight Committee
Councillor Kerrin Leoni, Deputy Chair CCO Direction and Oversight Committee
Councillor Ken Turner, Lead Councillor Watercare
Phil Wilson, Chief Executive, Auckland Council
Dave Chambers, Chief Executive, Watercare
Emma McBride, Head of Legal and Governance, Watercare

Attachment 3: Shareholder feedback on Watercare's draft SOI, compared to Watercare's updated draft SOI

Shareholder feedback on Watercare's draft SOI	How this has been addressed in the updated final draft SOI
General shareholder comments to all CCOs	
Financial and non-financial performance and quality advice Final SOIs should reflect council's decisions on the Long-term Plan 2024-2034 and financial statements should be fully populated consistent with these decisions and agreed with council's Financial Planning staff. Decision making on the Long-term plan 2024-2034 confirmed a savings target of \$27.8 million for the Auckland Council Group in 2024/2025. This work will be led by the council's Chief Executive. Contributions to this savings target may be required from Eke Panuku and Tātaki Auckland Unlimited. All performance measure targets should be fully populated in final SOIs, with relevant measures and targets reflected from the Long-term Plan 2024-2034. We are seeking improved advice from CCOs. All advice to Elected Members on spending decisions should involve some effort to weigh costs and benefits and contestable advice. Further detail on requirements can be found in the Budget Responsibility and Transparency Rules.	No additional changes required.
Capital programme The group's focus for our capital programme should be on finishing what we've started, fixing what is broken, and getting the best out of what we have. We are therefore asking all CCOs to improve information on capital programmes/ projects in SOIs. This should include budgets for all capital programmes and major projects. You should be transparent about what milestones you will achieve so that we can better measure progress. Further information is provided in the CCO specific comments below.	See row below regarding CCO specific comment.
Māori outcomes CCOs are to report on delivery progress on your Achieving Māori Outcome Plans in your quarterly performance reports. Direction will be provided by council's Ngā Mātārae team for a whole of group approach in this area. Houkura - Independent Māori Statutory Board secretariat feedback has been provided to CCOs separately and considered by council in forming our comments.	Action point 5 notes the following under the Māori Outcomes heading: <i>Watercare will continue to provide Council with regular updates on engagement hui with iwi and mana whenua including updates relevant to Kia Ora Tāmaki Makaurau and Watercare's delivery of the Achieving Māori Outcomes Plan.</i>
Climate change As agreed in our Long-term Plan 2024-2034 decision making, we ask that CCOs: <ul style="list-style-type: none"> incorporate climate change considerations (whole of life greenhouse gas emissions and resilience) into work programmes and decisions, based on realistic assessments target savings in operational and capital expenditure to areas where both cost and whole of life greenhouse gas emissions can be reduced, and not reduce well performing emissions reduction projects or investments focus on lowest cost delivery of climate positive projects work towards reducing the impacts of climate-related risks which also reduces long-term cost to council and community. CCOs should meet group climate-related disclosures requirements and ensure accountability through measurement and reporting, including of scope 3 emissions. CCOs should include a statement of commitment in the final SOI: <i>Contribute to the preparation of a compliant group climate statement to ensure Auckland Council meets its reporting and record-keeping obligations as a climate reporting entity under the Financial Markets Conduct Act 2013. This includes preparing and maintaining proper climate-related disclosure records as required by Auckland Council. It will also include engaging with Auckland Council's appointed auditor to prepare for assurance over group emissions disclosures from 2024/2025 onwards.</i>	Action point 5 notes the following under the Climate Change heading: <i>We are committed to delivering on the actions and direction set out in Te Tāruke-ā-Tāwhiri, incorporating climate change considerations, whole of life greenhouse gas emissions and resilience, into work programmes and decisions, based on realistic assessments.</i> <i>In line with our Long Term Plan 2024-2034 commitments, Watercare will also:</i> <ul style="list-style-type: none"> target savings in operational and capital expenditure to areas where both cost and whole of life greenhouse gas emissions can be reduced focus on lowest cost delivery of climate positive projects; and work towards reducing the impacts of climate-related risks which also reduces long-term cost to Watercare customers and community. <i>Watercare will also contribute to the preparation of a compliant group climate statement to ensure Auckland Council meets its reporting and record-keeping obligations as a climate reporting entity under the Financial Markets Conduct Act 2013. This includes preparing and maintaining proper climate-related disclosure records as required by Auckland Council. It will also include engaging with Auckland Council's appointed auditor to prepare for assurance over group emissions disclosures from 2024/2025 onwards.</i>

Shareholder feedback on Watercare's draft SOI	How this has been addressed in the updated final draft SOI
<p>Group shared services</p> <p>The Long-term Plan 2024-2034 decisions include an expectation to accelerate the Group Shared Services (GSS) delivery programme, reflected in further group wide savings targets to be achieved from GSS (in addition to shared services targets set in the Annual Budget 2023/2024). Final SOIs must include a commitment to progress the GSS programme at pace. We must take a group perspective to this programme and avoid individual CCO perspectives that slow down progress. This programme is being managed collaboratively by the Chief Executives of the group to deliver operational efficiencies. Council expects that CCOs will include this programme in final SOIs without any qualifications.</p>	<p>Action point 3 now says the following:</p> <p><i>Watercare is committed to working with Council to progress the GSS programme at pace and taking a group perspective to this programme to deliver operational efficiencies. Watercare's CE is a member of the Group Shared Services (GSS) Board and Watercare will participate in GSS as much as is legally possible, and where this does not unfavourably impact the Group's position, including from a credit rating perspective. While the credit rating agencies understanding of the GSS programme and Watercare's role is being developed, a cautious approach is being taken to implementation, ensuring there is no inadvertent impact on the Group, while actively exploring opportunities.</i></p>
Specific shareholder comments for Watercare	
<p>Local Water Done Well</p> <p>The Local Water Done Well Auckland solution agreed with the government will need to be reflected in the final SOI, including Watercare's changed price path and debt to revenue ratio.</p> <p>Council also requests that Watercare prepare to implement the interim economic regulatory regime to improve efficiency and productivity and to adhere to a new charter under the legislation to be introduced by the government.</p> <p>It is noted that the final SOI may need to be amended when the new legislation is enacted and we will work closely with you if this is required.</p>	<p>Message from Chair and CE now includes the following wording:</p> <p><i>The first draft of this SOI contained a price pathway which reflected the continuation of a significantly increased capital programme, to facilitate an increase in the asset renewals programme. The price pathway also reflected the need to work within the Council's stated debt to revenue ratio. In tandem with the Watercare Board and Management reviewing options to create a smoother price path, whilst recognising the need for the capital investment, Council and Government worked together to provide a solution to those seemingly competing objectives.</i></p> <p><i>At the start of May 2024, a joint Council/Government announcement confirmed that a solution for Auckland had been agreed. The outcome of that agreement is reflected in this version of the SOI.</i></p> <p><i>In summary, we have agreed a revised price path of 7.2 per cent increases for water and wastewater charges and 14.4 per cent for infrastructure growth charges for the period 2024-2027, noting that work is currently underway to ensure that growth pays for growth, with Council supporting Watercare's required debt capacity until debt separation is achieved, most likely by the start of FY26.</i></p> <p><i>The revised price path means that Watercare will remain within its SOI target of water charges being less than 1.5 percent of the median household income until at least the early 2030s. At the same time, our revised asset management plan will see us breaking ground on some big new capital projects over the next three years, including: the Replacement Huia Water Treatment Plant, which will replace the ageing 100-year-old plant that supplies 20 per cent of Auckland's water and the Central Interceptor extension to Point Erin. In relation to our major projects (and in particular, the Central Interceptor and Huia replacement), we will ensure that the Board Chair and Management continue to provide progress updates to elected members, and involvement at key milestone events.</i></p> <p><i>The Local Government (Water Services Preliminary Arrangements) Bill was introduced in late May 2024. Watercare has worked with Council on Council's submission to the Bill, which will allow Watercare and Council to achieve debt separation.</i></p> <p>Under Significant activities and programmes for the following year, the following is listed</p> <ul style="list-style-type: none"> • Build on financial and regulatory capability within Watercare ahead of interim and permanent economic regulation and a new future funding model that will enable debt separation
<p>Auckland Water Strategy</p> <p>The council expects Watercare to include deliverables in the final SOI for the actions it is responsible for in the Auckland Water Strategy, in particular:</p> <ul style="list-style-type: none"> • work with Auckland Council to analyse and understand projected climate change impacts on water sources specifically (Action 5.4). • the work programme under 'Protect and enhance the natural environment' should include working towards water strategy targets for supply as well as demand (i.e., work towards enhancing recycled water supply and support the council with enhancements of rainwater supply capacity). • the development with council of a peak demand management plan (Action 5.3). • the programme for smart meters roll out should include milestones (Action 5.5). 	<p>Under Significant activities and programmes for the following year, the following is listed</p> <ul style="list-style-type: none"> • Work with Auckland Council to analyse and understand projected climate change impacts on water sources specifically (Action 5.4). • Working together with Auckland Council to deliver the component parts of the Auckland Water Strategy, including work towards alternative water sources, demand management and leakage management activities, and also supporting the Council with their initiative to enhance rainwater supply capacity. • Implementation of the Auckland Water Strategy, including the continued roll out of smart meters, water efficiency programmes (including refreshing the per capita consumption targets) and management of network leakage to ELL <p>Under Action point 1, the following wording is included:</p>

Shareholder feedback on Watercare's draft SOI	How this has been addressed in the updated final draft SOI
	<p>Consistent with the Auckland Water Strategy (Action 5.3), Watercare will work with Auckland Council on demand management and drought response.</p> <p>Over the medium to long term, Auckland's growth and our changing climate will put pressure on our existing water sources. In line with the Auckland Water Strategy, Watercare will work with Auckland Council to understand projected climate change impacts on water sources specifically (Action 5.4). We will also continue to investigate options to improve source drinking water diversity and resilience, including demand management, aligned to the Auckland Water Strategy, and researching alternative source options, which could include purified recycled water and desalination.</p> <p>We are committed to a smart network future including the role of smart meters. Watercare has installed 50,000 smart meters and any new or replacement meters will be smart meters, allowing households and businesses to access real-time information on their water usage and enable Watercare to manage the network more closely, including identifying leaks. We anticipate approximately 13,000 smart meters will be installed over the coming year. Over the course of the SOI period we will be revising our smart network strategy which will include an acceleration of our smart meter rollout. This strategy will clarify operational cost and risk associated with a smart network approach which is expected to improve network management and service levels for customers, but will come with higher digital costs and risk.</p>
<p>Alignment with Future Development Strategy</p> <p>The final SOI should be clear that Watercare will align with the council's position in relation to Private Plan Changes that do not conform with the Future Development Strategy and will support the council if it rejects or submits in opposition to such changes.</p> <p>The response to Private Plan Changes and the impact on the council group should be managed collaboratively across the group. Council will discuss impacts on Watercare and consider Watercare's view in its decision on whether to oppose a Private Plan Change. To be clear – it is more than just informing council of Watercare's position on a 'no surprises basis'.</p> <p>Watercare is expected to work with council, Healthy Waters and Auckland Transport on plans to support growth. We reiterate that Watercare should confirm in the final SOI the prioritisation of renewals within your capital programme and the programme's alignment with the Future Development Strategy.</p>	<p>Action point 2 includes the following wording:</p> <p>Watercare will align with the Council's position in relation to Private Plan Changes that do not conform with the FDS and will support Council in rejecting or submitting in opposition to such changes.</p> <p>Watercare acknowledges that the impact of Private Plan Changes on the Council group should be managed collaboratively.</p> <p>Our asset management planning is focused on: 1. compliance 2. renewals 3. Levels of service and 4. growth, in that order of prioritisation. This helps us to decide what, where, how, when, and how much we invest to build and maintain networks. Our AMP is also aligned with the Future Development Strategy (FDS).</p>
<p>Full recovery of growth costs</p> <p>As outlined in the letter of expectations, the work programme and deliverables for full recovery of the costs of growth should be included in the final SOI. I note that this work will also support future economic regulation over price, quality and investment.</p>	<p>Action point 2 includes the following wording:</p> <p>To part fund the growth portion of our AMP, we charge customers IGCs – infrastructure growth charges. This is a contribution towards the capital investment we have made in bulk infrastructure – i.e. new water sources, new transmission water pipes, new transmission wastewater pipes and new treatment plants and expansions.</p> <p>The intention of charging IGCs, is to apportion the cost of increasing the capacity of our bulk infrastructure to those who increase demand on the system, rather than recovering this cost from existing customers or future generations. Without IGCs we would need to recover a greater proportion of our growth-related capital investment costs through our operational charges. This would cost all customers a lot more for their water and wastewater services.</p> <p>Watercare fully supports the Council's expectations that growth should pay for growth, and planned IGC price rises over the coming years will help narrow that gap. However, to achieve the appropriate level of recovery, we will need to adopt a new methodology to calculate growth charges.</p> <p>We have started work on this new methodology, which will consider:</p> <ul style="list-style-type: none"> • Local Network Growth Investments • Differences between brownfield, greenfield and infill developments • How long the growth period should be, to reflect infrastructure capacity life exceeding 15 years • Aligning any new methodology with Local Water Done Well, and the future information disclosure requirements of interim and permanent economic regulation • Recognising the benefits to existing customers that capacity upgrades provide for system resilience.

Shareholder feedback on Watercare's draft SOI	How this has been addressed in the updated final draft SOI
	<p><i>The work we are doing will also support future economic regulation over price, quality, and investment.</i></p> <p><i>The timeline and deliverables in relation to this project are set out below:</i></p> <ul style="list-style-type: none"> • 1 July 2024: IGC price rises set at 14.4 per cent per year, for the next three years, accelerating the contributions to growth. • July 2024: We will report back to and seek feedback from Council on the opportunities, issues and options and for revising the calculation methodology. • Late 2024/early 2025: We will consult with our customers, including the commercial and development sector, to ensure the new proposed methodology is robust and so the sector can plan for the revised approach to growth charges. • 1 July 2025 onwards: Watercare remains committed to the ultimate goal of growth paying for growth. The recovery of growth costs through increased IGCs will need to be phased in, with each phased increase aligned with the start of the financial year. The earliest the first phased increase can occur is 1 July 2025, subject to the requirements of the new transitional economic regulation regime. Whilst rolling out the phased increases, we will need to carefully manage any unintended consequences including impacts on short-term connections, leading to a temporary reduction in revenue and developers implementing private systems. Watercare may also have to update its billing systems and change the smart meter roll-out to commercial customers, to automate the management of IGCs.
<p>Capital programme</p> <p>With the confirmation that Watercare will remain a council-controlled organisation, the council requests that Watercare confirm its alignment with the group asset management approach and improvements in this area set out in the Infrastructure Strategy and endorse the Group Asset Management Policy.</p> <p>You should include milestones for significant projects and programmes and align information in the work programme and capital expenditure tables in the final SOI.</p>	<p>Action point 2 now includes the following wording:</p> <p><i>Watercare confirms its alignment with Auckland Council's approach as set out in the Infrastructure Strategy and the Group Asset Management Policy. It is important to recognise that the management of water and wastewater assets involves specific complexities, which means there may be deviations at a detailed level.</i></p> <p>Under Significant Activities and programmes for the following year, we have included the following additional detail:</p> <p>We currently have under design or construction (projects over \$50m):</p> <p>Water (growth, level of service and renewal)</p> <ul style="list-style-type: none"> • Waikowhai pump station & watermain (go into service in FY25) <p>Wastewater (growth, level of service and renewal)</p> <ul style="list-style-type: none"> • Central Interceptor (southern section to go into service FY25) • East Coast Bays link sewer (in service FY25)
<p>Group shared services</p> <p>Thank you for reflecting the letter of expectations request that Watercare start to engage with the Group Shared Services programme in the draft SOI. Following the agreement on Local Water Done Well for Auckland, and our Long-term Plan decision making, I confirm that Watercare should now fully participate in the programme. We note that future legislative requirements might prevent sharing of some financial functions but we expect Watercare to participate as much as legally possible.</p>	<p>See comment above</p>
<p>Efficiency programme</p> <p>With our emphasis to 'fix, finish and optimise' and keep water charges low, your final SOI should set out the programme underpinning Watercare's 4 per cent efficiency target. As with growth cost recovery, this will be a critical programme under an economic regulation regime.</p>	<p>Action point 3 says the following:</p> <p><i>We continue our focus on controllable costs – embedding efficiency expectations into our annual budgeting process. A controllable cost target performance measure continues to be included in this SOI. The targets for the next three years is set using a base, trend, step methodology. This establishes the baseline, drives efficiency off that baseline, and then considers inflationary pressures and the cost of servicing our growing asset base (e.g. the Central Interceptor when it goes live). Watercare will continue to report progress against the 4 per cent efficiency target every quarter. With efficiency largely off-setting inflation, increases in opex will relate to consequential opex, which reflects the costs of operating new assets as they come online.</i></p> <p>The SOI Performance Measure under Appendix C says the following:</p>

Shareholder feedback on Watercare's draft SOI	How this has been addressed in the updated final draft SOI
	<p>Controllable Cost target (including 4% efficiency target per year, for 10 years, from FY23-FY32). <i>*Note, costs increase due to inflation, and Watercare will have more assets online, including CI, which drive controllable costs up. Also, from FY27, Watercare will no longer be operating WDC's three waters. The target includes everyday operational items such as labour, fleet, software licencing, energy, chemicals, SaaS, insurance, meter reading, rates, security and many more, but excludes interest and depreciation and extraordinary one-off cost. Examples in the past have included the Anniversary floods, and water reform.</i></p>
<p>Climate change</p> <p>If Watercare intends to refresh the Decarbonisation Strategy in FY25 it should be included as a key activity in the annual work programme of the final SOI.</p>	<p>Significant activities and programmes over the coming financial year includes the following:</p> <ul style="list-style-type: none"> Refresh Watercare's Decarbonisation Roadmap <p>Action point 5 says the following:</p> <p><i>To achieve our 2030 targets, and continue reducing carbon emissions, and improve climate resilience, with a focus on cost effective delivery of climate projects, we have adopted a decarbonisation roadmap – identifying the key initiatives necessary to achieve our objectives. This roadmap is being refreshed in FY25.</i></p> <p><i>Over FY25 we will complete two key pieces of work which will help us assess our progress towards key greenhouse gas emissions targets. These projects include: a refresh of our decarbonisation roadmap – the high level plan to meet our targets based on our latest GHG position and investment profile; and a strategy associated with one of our largest emissions sources – nitrous oxide – resulting from our wastewater treatment process. Watercare has advanced research and innovation underway to develop options and an approach to mitigate nitrous oxide emissions over time. The outcomes from these two pieces of work, and any risks to Watercare's climate targets, will be highlighted through our regular quarterly reporting to the CCO Oversight and Direction Committee, or the Council's Audit and Risk Committee, or both.</i></p>
<p>Performance measures</p> <p>It is important that an appropriate health and safety measure is included in the Watercare SOI. Following the removal of the health and safety measure on Total Recordable Injury Frequency Rate the council requests that it is replaced with an appropriate new measure.</p>	<p>Action point 5 now includes the following wording:</p> <p><i>Watercare manages many critical risks, and the presence and effectiveness of the critical controls for those risks is a priority area of focus. We are therefore including a new performance measure in this SOI that measures the number of permit audits done per month as a measure of presence and effectiveness of critical controls for our critical risk verification process.</i></p>
<p>To improve transparency and accountability we suggest that the final SOI includes:</p> <ul style="list-style-type: none"> an explanation of the costs included and excluded from the controllable cost measure changes to the capital delivery measure, so that it specifies the projects and includes milestones in addition to budget and timeliness on completion. 	<ul style="list-style-type: none"> See above for explanation of controllable cost measure. The "Deliver Capital Programme in line with the asset management plan baseline approved by the board", now includes a commitment to list all of the projects to be delivered by 30 June 2025, in the first Quarterly Report to the Board.

Board - Public Session - Board planner

		Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Meetings	Board	12-Jun 25-Jun (Statutory Public Meeting)	10-Jul	6-Aug	3-Sep	8-Oct	5-Nov (Statutory Public Meeting)	12-Dec
	Audit and Risk Committee			16-Aug 30-Aug			19-Nov	
	Asset Management Committee		2-Jul	5-Aug			20-Nov	
Running the Business	Financial	Watercare's Insurance Renewal Programme 2024-25 Watercare's FY25 operating and capital budgets	Auckland Council and Watercare to review 30 June Treasury Interest rates	Approve Auckland Council Reporting Pack (via an out-of cycle resolution) Update on financing large infrastructure projects	Approve 2023/24 accounts Delegate Final sign off of Annual Report 2024		Auckland Council Draft Annual Plan - approve Watercare input	
	Statement of intent	Present shareholder SOI feedback at public meeting. Public deputations to be received Financial Information for the Statement of Intent 2024-27	Final submission of 2024-2027 SOI to Council on or before 31 July 2024	Final 2024-2027 SOI adopted by Auckland Council Q4 Performance Report - due to Council by 30 August 2024		Q1 (FY25) Performance Report due to Council by 25 October 2024	2023/2024 SOI Results to be presented to Board at Public Meeting. Public deputations to be received	2025/26 Letter of Expectations to be received
	Community and Stakeholder Relationships	Stakeholder	Stakeholder Watercare deep dive performance discussion at the CCD Direction and Oversight Committee meeting of 23 July 2024	Stakeholder	Stakeholder	Stakeholder	Stakeholder Progress update from Infrastructure, Operations and Customer teams on the recommendations of the Citizens' Assembly	Stakeholder
	Governance	Corporate Governance charter Update on Auckland flood recovery	Policy update Asset Management Committee Terms of Reference	Enterprise Risk Report Q4 Statutory compliance NZO strategy and decarbonisation roadmap	Update on Auckland flood recovery Policy update	Board Strategy Session Climate Change Governance Workshop	Enterprise Risk Report Good Employer Policy update Q1 Statutory compliance Policy update	Update on Auckland flood recovery Board delegations to the CE Policy
	Koraki	Frances Valtrine	Julian Smith	Margaret Devlin	Andrew Clark	Frederik Cornu	Graham Darlow	Julian Smith
Confidential		Southwest Wastewater Servicing Scheme Updated smart meters paper	An update on key climate change disclosures and risks Growth and timing update	A year end progress update for CE's KPIs NZO strategy and decarbonisation roadmap			CE's KPIs	Waikato water supply system upgrade
Audit & Risk Committee				Auckland Council reporting pack Approval of F24 financial statements External audit update Internal audit report Enterprise Risks Deep Dive on failure to meet developer services commitments Risk appetite around AI Directors' expenses for the quarter ended 30 June 2024			Board delegations to the CE Policy Planning report for half-year accounts Internal audit report and plan Enterprise Risks Deep Dive on Artificial Intelligence risk at Watercare Directors' expenses for the quarter ended 30 September 2024	
Asset Management Committee			Enterprise Model update Central Interceptor Dashboard Committee Terms of Reference AMP financials, delivery report and traffic light reporting	Waikato District Council contract - update Deep dive on Central Interceptor AMP financials, delivery report and traffic light reporting			Waikato water supply system upgrade Deep dive on Hui Water Treatment Plant AMP financials, delivery report and traffic light reporting	

Board meeting | 25 June 2024
Public session



Directors' appointment terms, committee memberships and meeting attendances

For information

Te pou whenua tuhinga / Document ownership

Prepared, recommended and submitted by

Emma McBride

Head of Legal and Governance

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

3. Kōrero pitopito / The details

We currently have seven directors appointed by Auckland Council.

3.1 The tenure of the current directors

Director	Original appointment date	End of term
Margaret Devlin (Board Chair)	1 November 2016	4 th term ends at such time as the annual audit of Watercare has been completed for 2024 (estimated to be August/September 2024)
Nicola Crauford	1 April 2014	5 th term ends at such time as the annual audit of Watercare has been completed for 2024 (estimated to be August/September 2024)
Graham Darlow	3 February 2021	2 nd term ends on 31 October 2027
Frances Valintine	1 November 2019	2 nd term ends on 30 June 2024
Julian Smith	1 January 2022	2 nd term ends on 31 October 2027
Andrew Clark	1 June 2024	1 st term ends on 31 October 2027
Frederik Cornu	1 June 2024	1 st term ends on 31 October 2027

3.2 Details of the committees

We have two committees to assist the Board in its corporate governance. Committee Chairs and members are appointed by the Chair. Attendance at Committee meetings by non-members is optional.

Director	Audit and Risk Committee	Asset Management Committee ⁺
Margaret Devlin (Board Chair)	✓	✓
Nicola Crauford	Committee Chair	✓
Graham Darlow	%	Committee Chair
Frances Valintine		
Julian Smith ^{&}	✓	
Andrew Clark ^{&}	✓	
Frederik Cornu ^{&}		✓
Dave Chambers [#]		
Brendon Green [*]	✓	
Hinerangi Raumati-Tu'ua [*]	Committee Chair	

^{*} Resigned on 31 July 2023.

⁺ This committee was established at the 8 August 2023 Board meeting.

[#] Dave Chambers was on sabbatical from the Board for the period from 7 February 2023 to 9 April 2024 whilst acting chief executive of Watercare. Dave resigned from the Board on 9 April 2024 and accepted an offer of employment to be the chief executive of Watercare on a fixed-term contract until June 2025.

[&] Committee memberships effective from 7 June 2024.

% Committee membership discontinued from 11 June 2024.

3.3 Directors' attendance at Board and committee meetings

Attended ✓ Did not attend ✕ Not on the committee ■	Attendance at Board meetings														Attendance at Audit and Risk Committee meetings ^x						Attendance at Asset Management Committee meetings					
	25 January 2024	8 February 2024	5 March 2024	9 April 2024	23 April 2024	2 May 2024	7 May 2024	12 June 2024	25 June 2024	10 July 2024	6 August 2024	3 September 2024	8 October 2024	5 November 2024	12 December 2024	7 February 2024	23 April 2024	21 May 2024	16 August 2024	30 August 2024	19 November 2024	19 February 2024	23 April 2024	2 July 2024	5 August 2024	20 November 2024
Margaret Devlin	✓	✓	✓	✓	✓	✓	✓	✓								✓	✓	✕				✓	✓			
Nicki Crauford	✓	✓	✓	✓	✓	✓	✓	✓								✓	✓	✓				✓	✓			
Frances Valintine	✓	✓	✓	✓	✓	✕	✓	✓																		
Graham Darlow	✓	✓	✓	✓	✕	✓	✓	✓								✕	✓	✓				✓	✓			
Julian Smith	✓	✓	✓	✓	✓	✓	✓	✓								✓	✓	✓					✓			
Andrew Clark*								✓																		
Frederik Cornu*								✓																		

*Appointment effective from 1 June 2024.



Board meeting | 25 June 2024
Public session



Disclosure of Directors' and Executives' interests

For information

Te pou whenua tuhinga / Document ownership

Prepared, recommended and submitted by

Emma McBride

Head of Legal and Governance

1. Te tūtohunga / 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

3.1 Watercare Services Limited's Directors' Interests Register

DIRECTOR	INTEREST
Margaret Devlin	<ul style="list-style-type: none"> • Director, Waikato Regional Airport • Director, Titanium Park (wholly owned subsidiary of Waikato Regional Airport)
Nicola Crauford	<ul style="list-style-type: none"> • Director and Shareholder, Riposte Consulting Limited • Trustee, Wellington Regional Stadium Trust • Director and Chair, Burgundy Holdco Limited (owner of StraitNZ Limited) • Director, Lyttleton Port Company Limited

DIRECTOR	INTEREST
Frances Valintine	<ul style="list-style-type: none"> • Director, The Mind Lab Limited • Director, Tech Futures Lab • Director and Shareholder, Harcourt Jasper Limited • Director and Shareholder, Pointed Tangram Limited • Director and Shareholder, Harper Lilley Limited • Director and Shareholder, On Being Bold Limited • Director and Shareholder, Sandell Trustees Limited • Selection Advisor, Edmund Hillary Fellowship • Board of Trustee, University of Silicon Valley • Shareholder, Thought-Wired Limited • Director, Academy EX Limited • Director, Earth Futures Lab • Director, Edlab Limited
Graham Darlow	<ul style="list-style-type: none"> • Director, Holmes GP ANZ Ltd • Director, Hick Group Ltd • Business Executive, Acciona Infrastructure NZ Limited • Director and Shareholder, Brockway Consulting Limited • Chair, Frequency NZ Limited • Director, Hick Bros. Civil Construction Limited • Director, Hick Bros. Heavy Haulage Limited • Director, Hick Bros. Holdings Limited • Director, Holmes Group Limited • Chair, The LEAD Alliance Board • Governance Board, North Shore Golf Club
Julian Smith	<ul style="list-style-type: none"> • Advisory Board Member Vadacom Limited • Board Trustee, Look Good Feel Better Trust • Director and Shareholder of JTB Enterprises Limited • Committee member of Institute of Directors, Auckland Committee • Chair, Institute of Directors Te Tai Tokerau, Northland Sub-Committee

DIRECTOR	INTEREST
	<ul style="list-style-type: none"> • Committee member of Body Corporate Chairs Group NZ, Auckland Committee • Body Corporate Committee member, The Connaught Residential Apartments, Auckland • MyCareerBrand • Group Secretary – Northland Corporate Group
Andrew Clark	<ul style="list-style-type: none"> • Chief Financial Officer at Port of Auckland Limited • Trustee of Maritime Retirement Scheme (Fund for the Maritime Union of NZ) • Trustee of the Maritime KiwiSaver Scheme (Fund for the Maritime Union of NZ) • Chair of Bunker Shipz Ltd (wholly owned subsidiary of Port of Auckland Limited) • Chair of Seafuels Ltd (wholly owned subsidiary of Port of Auckland Limited)
Frederik Cornu	<ul style="list-style-type: none"> • Vice-President and Board Member, French New Zealand Chamber of Commerce (FNZCCI) • Executive Committee Member, New Zealand China Trade Association • Director, Alliance Francaise Auckland • Shareholder and New Zealand Planet Leader, Team for the Planet

3.2 Watercare's Executives' Interests Register

EXECUTIVES	INTEREST
Dave Chambers	• Director, GB & DD's Outfit Limited
Jamie Sinclair	• Director and Shareholder, Sinclair Consulting Group Ltd
Shayne Cunis	Nil
Priyan Perera	• Board member, Water New Zealand • Director and shareholder, Popellow Limited
Mark Bourne	• Trustee, Te Motu a Hiaroa (Puketutu Island) Governance Trust
Andrew Chin	Nil
Sarah Phillips	• Trustee, Te Motu a Hiaroa (Puketutu Island) Governance Trust
Richard Waiwai	• Director and owner, Te Hautapu Consultants Limited • Trustee of Te Rana Te Araroa Waiwai Whanau Trust • Relatives work for Waikato Tainui
Nigel Toms	• Director, TRN Risk & Resilience Consulting
Angela Neeson	• Director, Tranquillo Properties Limited

