

Minutes

Board meeting	Public session
Date	26 February 2025
Venue	Watercare House, Level 4 Boardroom, 73 Remuera Rd, Remuera and via Microsoft Teams
Time	9:49am

Attendance		
Board of Directors	Watercare staff	Guests
Geoff Hunt (Chair) Julian Smith Frederik Cornu Graham Darlow Andrew Clark Karen Sherry John Crawford	Dave Chambers (Chief Executive) Jamie Sinclair (Deputy Chief Executive Officer) Mark Bourne (Chief Operations Officer) Shayne Cunis (Chief Programme Delivery Officer) Richie Waiwai (Tumuaki Rautaki ā-lwi me ngā Hononga) Sarah Phillips (Chief People Officer) Angela Neeson (Chief Financial Officer) Priyan Perera (Chief Strategy and Planning Officer) Meg Wiltshire (Chief Corporate Affairs Officer) Andrew Mercer (Head of Health, Safety and Wellbeing) (from start until the end of item 9) Tere Ryan (Security Coordinator) (from start until the end of item 6) Evan James (Head of Retail Operations) (from start until the end of item 6) Emma McBride (Head of Legal and Governance) Tracey Carter (Legal and Governance Business Partner) Via Microsoft Teams Pinaz Pithadia (Legal and Governance Advisor)	Members from the public Peter Jordan (from start until the end of item 6) Members from Auckland Council Councillor John Watson (Albany Ward Councillor) (from halfway through item 6 to end) Trudi Fava (Principal Advisor, CCO Governance & External Partnerships)

1.	<p>Opening karakia</p> <p>Julian Smith opened the meeting with a karakia.</p>
2.	<p>Apologies</p> <p>Apologies were received for the public session from Councillor Ken Turner (Watercare Lead Councillor), and Charlotte Reed from the Commerce Commission.</p>
3.	<p>Quorum</p> <p>All directors were present at the meeting, so a quorum was established.</p>
4.	<p>Declaration of any conflicts of interest</p> <p>Andrew Clark noted his usual conflict of interest when it comes to tax issues, as he is the CFO of Ports of Auckland Limited. Andrew also noted his potential conflict on item 9.1 (regarding Pak'n Save) of the CE's report as he knows the owners of Pak'n Save Highland Park.</p> <p>No other conflicts of interest were noted.</p>
5.	<p>Minutes of the previous Board meeting of 12 December 2024</p> <p><i>The Board resolved that the minutes of the public session of the Board meeting held on 12 December 2024 be confirmed as true and correct.</i></p> <p><i>As Councillor John Watson had not yet arrived, the agenda was reordered and the meeting moved to item 7.</i></p>
7.	<p>Health, safety, and wellness update</p> <p>Andrew Mercer took the report as read and responded to questioning from the Board. The following key points were made:</p> <ul style="list-style-type: none"> • The Safety Leadership in Action training (has seen a slight reduction due to staff turnover during this period. Training has been brought in-house, and additional training sessions have been scheduled during the year. The Board encouraged Management to reinforce to our leaders how important this training is. • The critical risk inspection forms are a new feature on the iCare platform. These focus on Permit Audits as a mechanism for critical control verification across high-risk work activity. They will provide more insights and improve data quality. The Board requested that the guidelines for critical risks be circulated to them. • The OCP programme utilisation rate at Watercare is being well used by staff and their immediate families. The service is being promoted by the business. 73% of engagements with OCP are proactive with people engaging with this counselling service earlier. • The Board was concerned that the injury rate for contractors is not improving. Shayne Cunis explained that our expectations of contractors is inconsistent, especially when compared with other clients (i.e. our expectations are higher). However, while their H&S KPIs that are reported on monthly, there is no financial incentive to achieving these. The Board asked Management to return with a summary of the situation, in particular what actions are being taken

	<p>to improve the contractor's performance in longer term, and what action we will be taking to drive improvement in this area. The TRIFR graph should also show the industry standard so there is a comparator.</p> <ul style="list-style-type: none"> • In response to a question from the Board, Andrew Mercer and Tere Ryan explained that we do have conflict management training in place for our staff, so they know how to manage dangerous incidents in the field and keep themselves safe (e.g. the domestic violence case mentioned on page 16). <p><i>The Board noted the report.</i></p>
6.	<p>Public deputations</p> <p>Councillor John Watson (Albany Ward Councillor) introduced Peter Jordan; a retired engineer based on the Hibiscus Coast. The Board Chair welcomed Cr Watson and Mr Jordan to the meeting and advised them that the Board had reviewed his presentation (Item 8, Attachment 4 of the CE's report).</p> <p>Mr Jordan's presentation includes his concerns with Watercare's charging regime for unmetered tank users, specifically at Stillwater on the Hibiscus Coast, who are connected to Watercare's wastewater network. Mr Jordan made the following key points:</p> <ul style="list-style-type: none"> • The assumption that every unmetered household consumes 220,000 litres per year (or 602 litres per day) is an overestimation, leading to a 150% - 160% overcharge for these customers. • Conclusions drawn from town supply data should not be applied to rural customers, who are typically much more careful with their water usage. • Mr Jordan, questions the fairness and transparency of Watercare's pricing, specifically challenging the default charge of \$952 per year for unmetered customers. • He requested data or reasoning that justifies this standard charge, and emphasised that Watercare, as a local government monopoly, has a responsibility to operate in an equitable manner. <p>The Chair thanked Mr Jordan for his presentation and advised that a formal response would be sent to him from the Board within seven days.</p> <p>The CE noted that as part of Local Water Done Well, Watercare will be undertaking a project to review pricing across Watercare and the findings of Mr Jordan's presentation would be considered during that time.</p>
8.	<p>Chief Executive's report.</p> <p>The CE introduced the report, which was taken as read. The following key points were made.</p> <p>November, December 2024 and January 2025 updates</p> <ul style="list-style-type: none"> • At the end of November 2024, Watercare coordinated a multi-agency response following the detection of arsenic in the Waikato River. Since then, there have been no further breaches. In response to questioning from the Board, Mark Bourne explained Watercare was the first operator to pick up the elevated levels of arsenic. Once we advised others upstream, they did testing and found elevated levels, at higher concentrations. We are working with the regional councils to try and identify the source. While the levels remain elevated, they are within limits, and we continue to conduct regular testing and extensive sampling.

- We continue to make very good progress on our journey to achieve financial independence. Cabinet will receive the Watercare Charter documents next Monday, 3 March 2025. Creating the necessary Business Plan involved extensive collaboration, data collation, and editing, requiring high trust between DIA, Auckland Council, and Watercare Board. The process highlighted challenges with data quality and Watercare's operational scale. A decision was made to produce one 10-year document, emphasising the AMP as the core strategic plan. Open communication and strong relationships with government and regulators are crucial given Watercare's scale and complexity.

Key Performance Measures (KPIs)

- The CE noted that KPI #18 for Economic level of leakage performance result should be orange. We are continuing to do proactive leak detection but are not spending additional opex to drive down this number. The target under the Charter will be 140 L/Day and our next SOI will remove this measure for economic level of leakage.
- Mark Bourne noted that we currently have 159 leaks to attend to, which is very low by summer standards. These leaks are all lower-level leaks with a KPI to resolve them in five days. Our customers continue to maintain strong trust in Watercare, with Aucklanders' trust staying steady at +55 target in January 2025. This trust is due to the positive media coverage about infrastructure investment, flood recovery, and updates on big projects. The media coverage has also resulted in a high net media sentiment score of +67 for January 2025.
- Our fault agents and field crews continue to work hard. This has contributed to positive media coverage. The dedicated work of our crews, who repaired burst watermain overnight, has strengthened the trust people have in us and shown our commitment to reliable service.
- The lower level of leaks in Auckland is also building an enhanced customer experience.

Partnerships

Richie Waiwai provided the following update:

- From November 2024 to January 2025, Watercare worked on several key initiatives, including redrafting the Māori Outcome Plan and discussing the impact of significant sites for mana whenua. We have also collaborated with Auckland Council and Ngā Mātārae on fire sprinkler systems for marae and continued engagement with iwi to ensure the success of the Metropolitan Servicing Strategy.

Our people

Sarah Phillips provided the following update:

- Turnover continued to decrease, reaching 8.7% in January 2025. The annual leave liability was \$9.1 million, a reduction from the previous year.
- Four of the seven collective agreements have been settled.
- Watercare currently have 68 vacancies, being a typical number. These are a mix of roles across the whole business.
- The Board congratulated Sarah Phillips and her team for gender pay gap and looked forward to seeing further momentum in this space.

Operations

Mark Bourne provided the following update:

- Mark Bourne explained that our modelling has been updated due to the lack of summer rain, with projections indicating we may enter the “drought preparedness zone” in early March 2025.
- The Waikato 50 Water Treatment Plant (WTP) has been returned to service, allowing us to produce around 190 MLD from both plants, though it adds an unbudgeted operational cost of \$20,000 per day. If more rain falls, production can be reduced by quickly turning off the Waikato 50 WTP.
- The power cable incident at Waikato WTP was promptly repaired. Mark confirmed we have checked our other sites to ensure there are no similar issues elsewhere.
- On 1 February 2025, we experienced a 52% electricity price increase at key sites like Māngere Wastewater Treatment Plant (WWTP) and Pump Station (PS) 64, which accounts for 46% of our imported load. This follows an 84% increase from the previous contract expiry in February 2024, with the budgeted impact for 2025 also accounting for additional electricity needed for the Waikato and Lower Huia WTPs. Mark confirmed we are looking at alternative procurement models for our next energy purchase (biogas/solar). Mark confirmed that Watercare is a significant user of energy, but at Māngere WWTP, we do produce 50% of our own energy and at Ardmore WWTP, 70-80% of our own energy.
- To manage energy costs, we plan to split procurement into two tranches, with 50% purchased through a two-year time-buy strategy to reduce price shocks, while timing the market and using fixed-price, time-of-use elements to optimise spend and manage industrial demand efficiently. Ecotricity is our sole supplier and Jamie Sinclair confirmed that we pay a marginal premium for this green electricity. The Board queried the company’s maturity level around energy purchasing. Jamie Sinclair noted that our procurement team leads the procurement of energy market. In addition, we also have an energy analyst, working with Watercare for a long time. We also take an external advice as and when required by the business. The Board noted that there is a complex procurement market for energy industry and recommended Management to have further direct conversations with gentailers, at a greater level.
- Watercare’s district metering programme and our leak management programme have helped reduce burst rates, cut capex, and lower operational spend. Our proactive acoustic leak detection, combined with new leakage management software, allows us to efficiently target and address significant water loss, saving 7 MLD in FY24 and targeting 5 MLD in FY25, with ongoing implementation in areas like St Heliers, Balmoral, Glen Innes and Walmsely Road.

Programme delivery

Shayne Cunis provided the following update:

- Key project updates include the successful completion of Section 1 Southern system works on 20 January 2025, flow diversion from PS25 and PS23, and ongoing progress in tunnel excavation, with the Tunnel Boring Machine (TBM) advancing 466m by the end of January and forecasted breakthrough into Pt Erin on 21 March 2025. The TBM has 430m to go.
- The celebratory opening of Section 1 on 14 February 2025 went well and was attended by the Mayor and MP Simon Watts. The event was positively covered by the media.
- The Snells Beach WWTP remains on track for September 2025. The work in Judges Bay is nearly complete. The Ōrākei Main Sewer relining of Stage 1 is also complete, and Stage 2 is now underway.

	<p>Strategy and planning</p> <p>Priyan Perera provided the following update.</p> <ul style="list-style-type: none"> In January 2025, Foodstuff and Watercare created headlines regarding fire flow requirements for the new Highland Park Pak’n Save. The parties have since agreed on a temporary solution to ensure the supermarket opens on time and are working together to finalise a permanent solution. Andrew Clark noted a potential conflict and noted that he knows the owners of this supermarket. <p><i>The Board noted the report.</i></p>
9.	<p>Audit and Risk Committee meeting update</p> <p>Andrew Clark, the Audit and Risk Committee (ARC) Chair advised that the ARC met on 4 February 2025. The ARC meeting covered the following:</p> <ul style="list-style-type: none"> The Half Year financial statements were recommended to the board for approval. Deloitte recommended that we review the Statement of Service Performance early this year to ensure this audit goes smoothly. The Sensitive Expenditure Policy was reviewed and will be going to the board in the confidential session. Internal Audit provided updates on various internal audit projects.
10.	<p>Capital and Finance Committee meeting update</p> <p>Julian Smith, the Capital Finance Committee (CFC) Chair advised that the CFC met on 18 February 2025 and good work continues towards our financial separation.</p>
11.	<p>Board Planner</p> <p>The next Board Strategy Day is on 12 May 2025. The Board should send Management a list of topics they wish to have covered. The day will include a visit to the Hūnua dams. Agenda items will include: Watercare’s relationships with mana whenua; strategic issues such as the next water source, biosolids, economic regulation and learnings we can make from other regulated industries in New Zealand, and update on the fast-track legislation.</p> <p><i>The Board noted the Board planner.</i></p>
12.	<p>Directors’ appointment terms, committee memberships and meeting attendance</p> <p><i>The Board noted the report.</i></p>
13.	<p>Disclosure of Directors’ and Executives’ interests</p> <p><i>The Board noted the report.</i></p>

14.	General business The public session closed at 11:10am.
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CERTIFIED AS A TRUE AND CORRECT RECORD

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Geoff Hunt, Chair