

# Watercare Services Limited – Quarterly Report

Quarter ended 30 June 2018



*Sanjay Kumarasingham, Plant Manager chats with a visitor to our Māngere wastewater treatment plant in May 2018*

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## EXECUTIVE SUMMARY

Watercare ended FY18 on a high. Our Biological Nutrient Removal (BNR) facility was officially opened at Māngere on time and within budget. We were also recognised at various Australasian awards in the areas of public relations, procurement, sustainability, annual reporting, public works and construction.

The start of FY19 marks the beginning of a period of potential change in the water industry in New Zealand. Following the report into the tragic events in Havelock North last year, central Government agencies are now looking at ways the water industry should change. The future may see the introduction of a water quality regulator and fewer water organisations operating in New Zealand. Over the coming year, we will continue to work with our shareholder to understand the potential changes ahead and ensure we are future fit and can easily adapt to industry and regulatory changes, whatever these may be.

### Financial performance favourable

The full year revenue was \$641m, which was \$24m favourable to budget. This was primarily due to favourable revenue from water and wastewater, vested assets, IGCs, and sundry customer charges.

Operating expenses were \$299m, which was \$3.9m unfavourable to budget. Unfavourable maintenance, lower capitalisation/recoveries and overheads were partially offset by favourable asset operating costs.

### Statement of Intent 2018/2021 submitted to Council

Watercare incorporated Auckland Council's comments into its Statement of Intent for 2018-2021. The final Statement of Intent for 2018/2021 was submitted to Auckland Council on 25 June 2018.

### Central Interceptor on target

On 10 May 2018, Watercare released a Request for Proposal to the four short-listed consortia. Formal interactive workshops with each consortia are now underway. All parties have identified several potential enhancements to the project. These are being evaluated for feasibility. The project remains on target.

Watercare staff are continuing to work with Auckland Council to determine the viability of alternative financing and funding mechanisms for the Central Interceptor, which would allow Auckland Council to free up debt capacity for other investment.

### Future of water in NZ

As requested by Central Government we shared our experience with amalgamation. In particular, how we significantly improved the safety, reliability and resilience of water and wastewater services in Franklin and Rodney. It is possible Watercare may be asked to deliver services beyond Auckland, but no decisions have been made at this stage. We will work with our shareholder as the review of the water services in New Zealand continues.

### Performance against the Statement of Service Performance for FY18

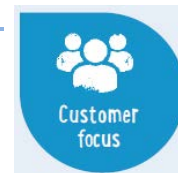
The Statement of Service Performance contains 23 non-financial measures against which the company performance was measured for the 2017/18 financial year. These measures are consistent with the measures within the Watercare Statement of Intent 2017-2020. 19 were fully met. The four not met were:

- Percentage of Iwi groups that have signed Memorandums of Understanding (MoU). Despite this, over the year, our relationships have strengthened and the number of MoU's signed has doubled.
- Percentage of voluntary leavers relative to permanent staff. This reflects the overall trends in the labour market and competition for the same pool of talent, which has challenged retention across all industries.
- Average consumption of drinking water per day. This was due to the long, hot and dry summer and a prolonged period of high water demand. In the meantime, we are increasing our focus on implementing our Water Efficiency Strategy to make a meaningful impact.
- Percentage of real water loss from our networked reticulation system. This figure is calculated using Bulk Supply Points. A review has identified that some BSPs are overestimating supply, which overstates real losses by as much as 0.8%. Improved checking procedures are in place to ensure these errors are corrected in FY19.

# STRATEGIC PRIORITIES, FOCUS AREAS AND HIGHLIGHTS FOR THE QUARTER

## 1. Customer Focus

- We understand our customer needs and deliver value
- We consistently provide exceptional products and services
- We are trusted by our customers who understand our purpose and value our service



### 1.1 Consenting made easy

Watercare continues to work closely with Auckland Council to embed recommended changes from the 'Consenting Made Easy' project. This is achieved by improving ownership, process and communication to create efficiencies for development customers.

Historically, Auckland Council approved resource consents and technical designs on behalf of Watercare for the creation of water and wastewater assets (up to 4 lots). It is agreed that from 1 July 2018, Watercare will run the approval process for all technical designs for public water and wastewater assets. This will ensure a consistency of design standards is applied and will create efficiencies for the application process.

A draft wider service level agreement concerning the processing of Resource and Building Consents was finalised in March 2018. It is currently being circulated for feedback and should be signed soon, with implementation to follow afterwards.

### 1.2 New online website functions

Watercare has prioritised the use of digital channels and digital technologies to enhance our customer experience. The technology will provide customers with more choices on how they communicate with Watercare. It will also allow us to more efficiently manage high volume transactions. This approach aligns with the Customer Focus and Business Excellence strategic objectives.

Watercare's new online website tools continue to be embraced and used by customers in greater numbers. Since the tools were introduced in late March 2018, we have seen an increase in online interactions:

- 31% of domestic water and wastewater connections were lodged online.
- 29% of "Working near our assets" applications were lodged online. This tool allows customers planning to work near Watercare's assets, including over or near water and wastewater pipes, to apply for approval online. Customers are uploading plans and CCTV footage via the Watercare website, resulting in a faster approval turnaround time.
- 23% "Report a fault" requests were lodged online.

This high level of digital uptake has occurred after a soft launch with no promotion. Our expectation of uptake was 15%.

In April 2018, we released a website enhancement to provide customers with a geographic view of planned and unplanned water outages. Further improvements to the website are planned over the coming months. The most significant of these will be the release of a Watercare app. This provides the opportunity for customers to use the website via an app-based experience.

### 1.3 Three projects complete and facilities officially opened, including the BNR

Over the quarter, we celebrated the formal opening and completion of three major projects.

#### **BNR facility opened on time and on budget**

Mayor Goff gave the official order to “start up the air” at our new biological nutrient removal (BNR) facility at the Māngere wastewater treatment plant on 1 June 2018.

This milestone was celebrated with speeches from Mayor Goff, Watercare board chair Margaret Devlin, Te Warena Taua of Te Kawerau iwi and Chief Executive Raveen Jaduram. Guests included Manukau ward councillor Alf Filipaina, Māngere-Otahuhu Local Board chair Lemauga Lydia Sosene, representatives from CH2M Beca, HEB Construction, McConnell Dowell and Watercare staff.

This marked the end of a 6 year, \$141 million project delivered on time and on budget. The BNR comprises a new four-stage treatment reactor, two new 52-metre diameter clarifiers and associated pump stations, pipes and blower facilities.

The BNR increases the Māngere wastewater treatment plant’s capacity so it can treat the wastewater of another 250,000 Aucklanders. The plant currently treats 75 per cent of Auckland’s wastewater. With the increased capacity, Watercare can continue to produce high-quality wastewater, even during and following heavy rainfall events.

Mayor Goff commended Watercare for the delivery of a significant infrastructure project on time and on budget.



*Mayor Goff gives the order to “start up the air” at Watercare’s BNR plant in Māngere*

### **Takapuna's Fred Thomas Drive**

On 29 June 2018, Mayor Goff opened a new \$30m wastewater facility in Takapuna. The facility upgrades the current Barrys Point Road pump station, which was built in the 60s. The facility will cater for Takapuna and Devonport's expanding population over the next 50 years.

The old pumping station had a pumping capacity of 325 litres per second and storage of 520,000 litres. In contrast, the new station has a pumping capacity of 500 litres per second and a storage capacity of 3.5 million litres. The new facility means there will be less wet weather overflows to nearby Shoal Bay, which is home to rare wading birds, including stilts, dotterels, herons and the migratory bar-tailed godwit.

The three-pump station and tank has been working very effectively since it began operation in January.

### **Harold Moody Reserve, Glen Eden**

On 9 June, Watercare's Glen Eden wastewater upgrades team hosted a sausage sizzle to celebrate the completion of an underground wastewater storage tank. It was also to thank the community for their support during the 18 months of construction. Councillor Linda Cooper and Local Board member Sandra Coney both attended the event.

The 12-metre deep storage tank is part of a major upgrade to Glen Eden's wastewater system. It provides additional capacity to hold flows during wet weather and will significantly reduce overflows to the environment.



*Mayor Goff meets with Watercare's BNR plant operators at Māngere*



*Signage at Harold Moody Reserve showing the size of the new storage tank*



*Mayor Goff, Councillors Chris Darby and Richard Hill, and Watercare's Chief Executive Raveen Jaduram open Fred Thomas Drive wastewater pump station*



*Councillor Linda Cooper and Local Board member Sandra Coney at Harold Moody Reserve*

## 1.4 Expo-style industry briefing

During the quarter, Watercare hosted more than 120 suppliers, including contractors and consultants, at an expo-style industry briefing. The expo showcased various initiatives Watercare has underway including:

- the Strategic Transformation Programme
- automation (bots)
- the energy efficiency and neutrality programme
- our growth servicing strategy
- our Laboratory Services

It also showcased:

- development plans
- infrastructure upgrade plans for north-west Auckland, Rodney
- our new approach to delivering small projects
- our plans for the Huia treatment plant upgrade

The briefing was an excellent opportunity to interactively engage with the wider industry and share our strategy and future programme of works with our suppliers.

Feedback from attendees highlighted the benefit of talking directly to Watercare staff about areas for business improvement, the ability to network across the industry and seeing the focus on programme delivery.

## 1.5 Watercare ‘bots’ attend Techweek ’18 in South Auckland

In May 2018, Watercare’s Digital team attended Techweek’18 to showcase Watercare’s robotic process automation. The event is a government-sponsored initiative aimed at school students. The event’s purpose is to build enthusiasm around new technologies being developed in New Zealand. Student attendees had lots of good questions about Watercare’s “bots” and were impressed by the speed at which the bots performed repetitive tasks.



*Watercare’s  
Selina O’Shea  
explains bots to  
students at  
Techweek’18*

## 1.6 Water Utility Consumer Assistance Trust (WUCAT)

The Trust is continuing to work with Watercare’s customer-facing teams so they are better placed to assist and refer a customer in hardship to WUCAT. Watercare also continues to promote WUCAT’s services on the website and through the Watercare customer services team.

Details of the results of the Trust and the WUCAT meetings held during the quarter are set out in **Appendix A**.

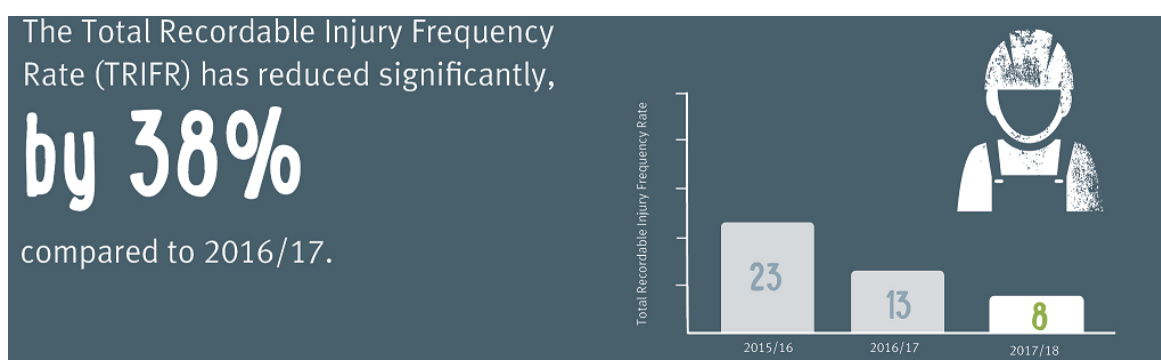
## 2. Business Excellence

- We have a safe and engaged team
- We are a commercially-savvy business
- We are responsible stewards of our assets
- We continually strive for process excellence



### 2.1 Health and safety

At the end of June 2018, the rolling 12 month Lost Time Injury Frequency Rate for employees was 3.52 per million hours, below the Statement of Intent target of equal to or less than 5. The rolling 12 month Total Recordable Injury Frequency Rate decreased to 8.22 per million hours, below the Statement of Intent target of equal to or less than 20.



### 2.2 People and capability

During the quarter, we welcomed two new executives:

- Amanda Singleton - Chief Customer Officer. Amanda brings significant experience to this newly created role. Prior to joining Watercare, Amanda was a senior executive at Vodafone in New Zealand and Vodacom in South Africa, as well as Genesis.
- Shane Morgan - Chief Operations Officer. Shane's appointment followed an extensive recruitment process that spanned Australasia. The calibre of all candidates was very high, with the internal appointment and promotion of Shane is testament to Watercare's focus on building exceptional talent. Shane brings a wealth of industry and leadership experience gained through his roles both within and outside Watercare.

Over the quarter, Management have prioritised aligning the organisation to deliver the customer centric strategy. This has identified opportunities to align the organisation, drive efficiency and reduce duplication. In late April, the Target Operating Model (TOM) moved into the consultation period. A key part of TOM has been to look at our leadership capability across the business, to break down silos, reduce duplication and reorganise the way we work. In May, the process moved into the confirmation period and by the end of June, the new organisation structure was finalised. The new structure formally started on 2 July 2018.

Watercare also adopted a Good Employer Policy during the quarter.



### 2.3 Girls with High Viz Day

In late June, Māngere wastewater treatment plant hosted a group of high school girls from across Auckland for this year's Girls with Hi-Viz career day. The objective was to raise the profile of Watercare's employment brand by showcasing the variety of careers available within Watercare. The broader objective was to encourage women to consider a trade or technical role in the water and infrastructure industry. Women are one of the demographics Watercare is targeting in its recruitment activity.

The girls had an opportunity to talk with a number of women working at Watercare in "Hi-Viz" roles such as project engineering, water treatment management, and network management. The girls learnt more about the opportunities available to them at Watercare and also enjoyed a tour of the Māngere wastewater treatment plant.



*High school girls from across Auckland tour the Māngere plant for Girls with High Viz day*

### 2.4 Water Summit, Wellington, 30-31 May 2018

On 30/31 May 2018, Local Government New Zealand, in conjunction with Water NZ and the Institute of Public Works Engineering Australasia, hosted a Water Summit that explored:

- possible changes to the regulatory framework for drinking water
- funding options on how to meet the challenges facing water services
- alternative options for the delivery of water services
- responses to challenges of freshwater management
- options for allocation

The event was opened by Minister Mahuta and included a scene-setting presentation from Hon Lyn Stevens QC, Chair of the Havelock North Inquiry. Following this, there was a discussion of the various regulatory approaches and entities for three waters delivery. Executives from water companies in New Zealand (including Watercare's Chief Executive, Raveen Jaduram, and Wellington Water), Australia and Europe presented their models for discussion.

## 2.5 Waikato District Council's (WDC's) Long Term Plan

On 27 June 2018, WDC adopted its Long Term Plan. This included a recommendation to create a Waters Governance Board. This will have the delegation of WDC to manage the provision of the three waters across the Waikato District. The Plan also included a recommendation that the Waters Governance Board seek the agreement of Watercare to provide the operational management of the three water functions on a commercial basis.

Watercare and WDC have an established set of principles which govern existing contractual relationships, which will continue to apply. These are:

- the need to ensure there is no cross subsidisation between Auckland and Waikato customers;
- Watercare's primary purpose remains that it must always meet its obligations to Auckland.

At this stage, we do not have a detailed understanding of the scope of the services proposed by WDC, nor the commercial terms. Watercare expects that these will be developed over the coming months. Any decision to enter into a commercial contract will be subject to the approval of the Watercare Board of Directors. The Board will ensure that Auckland Council is kept informed, prior to any such decision being taken.

## 2.6 Award wins

Watercare staff, teams and projects won a number of New Zealand and Australian awards over the quarter.

### ***New Zealand***

#### ***Procurement Excellence Awards***

In May, Watercare won the "Successful procurement change of the year" award at the New Zealand Procurement Excellence Awards. The category attracted over 20 entrants. The win acknowledged:

- Watercare's agile approach to the procurement process
- our Strategic Transformation Programme, which achieved high engagement from internal stakeholders
- increased collaboration in the feedback process, which resulted in better quality proposals from suppliers.

#### ***Public Relations Institute of New Zealand Awards (PRINZ)***

Also in May, Watercare's Communications and Stakeholder Engagement team was recognised at the PRINZ Awards 2018 in Hamilton. The "Best short term campaign" award recognised Watercare's efforts for the "Save 20" during the March 2017 Tasman Tempest.

In winning the award, the judges noted "*crisis communications in these circumstances are always challenging, but this project showed its authors and implementers knew what they were doing. This was an outstanding project, clearly defined, that scored very highly for the judges. The messaging was concise and clear, the strategy was spot on, and the implementation and results were fantastic. Well done*".

#### ***Civil Contractors New Zealand (CCNZ) Excellence Awards***

In late June, three Watercare construction projects were recognised at the CCNZ Awards:

- The Wairau Rd rising wastewater main project won the medium category award for projects costing more than \$5 million. This project was carried out by March Cato.
- The Waikato water treatment plant expansion won the Large Category award for projects costing less than \$20m. This project was carried out by Brian Perry Civil. The expansion increased production capacity from 150 million litres of water a day to 175 million litres of water a day.
- The Biological Nutrient Removal (BNR) facility at the Māngere wastewater treatment plant won the Large Category award for projects costing more than \$20m. This was a McConnell Dowell-HEB joint venture.

The following works were also finalists:

- Last year's emergency stabilisation work on a slip under part of the Huia aqueduct
- The recently completed Glen Eden wastewater storage tank.

### **Australia**

#### **Australasian Reporting Awards**

In June, Watercare's 2017 Annual Report won its 13th consecutive Gold Award as well as the award for Best Sustainability Report in the Public Sector (for the third year in a row). A Gold Award is the highest recognition for excellence in reporting, given to companies that meet best practice reporting requirements. The Sustainability Award was won because of the transparency and integrity of our non-financial reporting.

#### **Institute of Public Works Engineering Australasia Excellence Awards (IPWEA)**

The BNR Facility won the award for Best Public Works of more than \$5m at the IPWEA Awards.



**Watercare's Rachel Hughes and Brent Evans accept the PRINZ award**



**Watercare's Gemma Bridge and Iftekar Hussein accept the ARA Gold award**



**Watercare's Stuart Bird, Anna Mogridge and Kelvin Stuart accept the Procurement Excellence award**



**The awards won at the CCNZ Excellence Awards**

## 2.7 Alternative financing and funding

Management continues to work with Council Officers and their advisers to develop a template for a Local Government Special Purposes Vehicle (SPV), which could be used to potentially finance the Central Interceptor and other Watercare projects in the future. This would positively impact on Council Group debt headroom. Progress has been made on a proposal that incorporates:

- A possible structure
- The requirements for charging and commercial relationships between the parties
- Legislative change and Government Support required to make the SPV possible and successful from a Ratings Agency perspective.

Further work is underway to allow for an assessment by Rating Agencies to ensure the structure achieves the objective of positively impacting Auckland Council's credit rating. Work is also being undertaken to assess the alternative costs to Aucklanders of the Central Interceptor being delivered under an SPV structure.

If the structure is validated and accepted by the Rating Agencies, the Council and the Crown. Projects can then be assessed to determine whether they are appropriate candidates for SPV financing. This will include assessing the cost/benefit equation for each candidate project.

## 2.8 Sensitive Expenditure policy introduced

During the quarter, Watercare adopted a Sensitive Expenditure that provides clear guidance on expenditure decision making (particularly for travel, accommodation and hospitality). This is to ensure that our decisions can withstand public scrutiny whilst also building trust with the public. This policy is in line with Auckland Council's policy.

## 2.9 Infrastructure projects

Work continued on a number of infrastructure projects during the quarter. A full update on major Watercare infrastructure projects is appended as **Appendix B**.



*Tug pulling a barge into Tiri Channel to pick up the Army Bay tunnel boring machine*

### 3. Fully Sustainable

- We are a socially-responsible business
- We protect and enhance our natural environment
- We meet all our legal and regulatory obligations



#### 3.1 Climate Change adaptation and mitigation

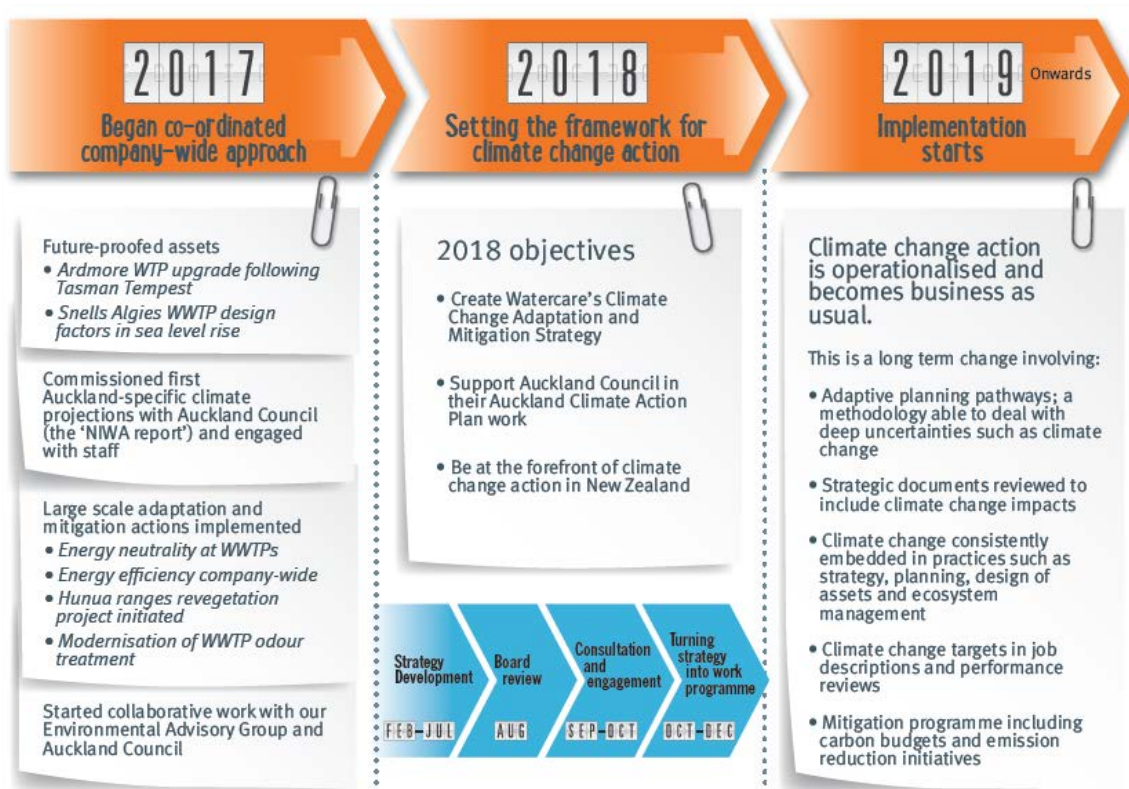
Watercare’s vision is to:

- to become a low-carbon organisation, doing its share to limit climate change to + 2°C
- ensure wastewater infrastructure remains fit for purpose and resilience and the climate changes and we continue to provide exceptional service to customers
- continue to share our learnings with the water and wastewater industries nationally and internationally.

We have committed to:

- including Climate Change targets in our Statement of Intent from 2019 onwards
- Net Zero carbon by 2050
- our Māngere and Rosedale wastewater treatment plants being energy neutral by 2025
- the Climate Change Leadership statement
- The United Nations Sustainable Development Goals

A summary of the work done to date, and the work ahead for us in FY19 is illustrated below.



We are also working collaboratively with industries to contribute to emission reductions and also assisting Auckland Council’s development of the Auckland Climate Action Plan.

We have joined the Climate Leaders Coalition, the sixty strong group which in total contributes to around half of greenhouse gas emissions in this country.

### 3.2 Replacement Huia water treatment plant designation confirmed

In May the High Court dismissed an appeal by the Titirangi Protection Group and others, who were disputing the designation over land where Watercare intends to construct the Huia water treatment plant replacement plant. The current plant, built in the 1920s, is in urgent need of renewal in order to supply water for the next 100 years. The new plant will be located at the corner of Woodlands Park Road and Manuka Road, treating water from the Upper and Lower Huia Dams and Upper and Lower Nihotupu Dams. This land, adjacent to the current Huia water treatment plant, has been vacant for many years, and has been designated for water supply purposes for many years. The Titirangi Protection Group were disputing the validity of that designation.

Supporting an earlier Environment Court decision, Justice Graham Lang ruled that the designation enables Watercare to build the replacement.

The Titirangi Protection Group and other appellants have not filed any appeal.

Watercare will now lodge the necessary regional consents before construction can begin. These will be notified given the level of interest in the replacement plant.

In the meantime, Watercare continues to answer questions from local residents regarding the project. The Community Liaison Group (CLG) continues to meet regularly and consider the technical reports being developed by the project team. To date, the CLG has focused on ecological surveys and will next focus on the plant layout.

### 3.3 Arbor Day tree planting

Mayor Goff and Forestry Minister Shane Jones celebrated Arbor Day by planting three Pohutukawa trees at the Māngere wastewater treatment plant. During the construction of the BNR, we undertook extensive landscaping and planted 100,000 plants to complement the facility.

The planting contributed to the Mayor's "Million Trees Programme" to green Auckland over three years, as well as the Government's goal to plant one billion trees in the 10 years to 2027.

Planting native trees on former forestry land in the Hunuas continues.

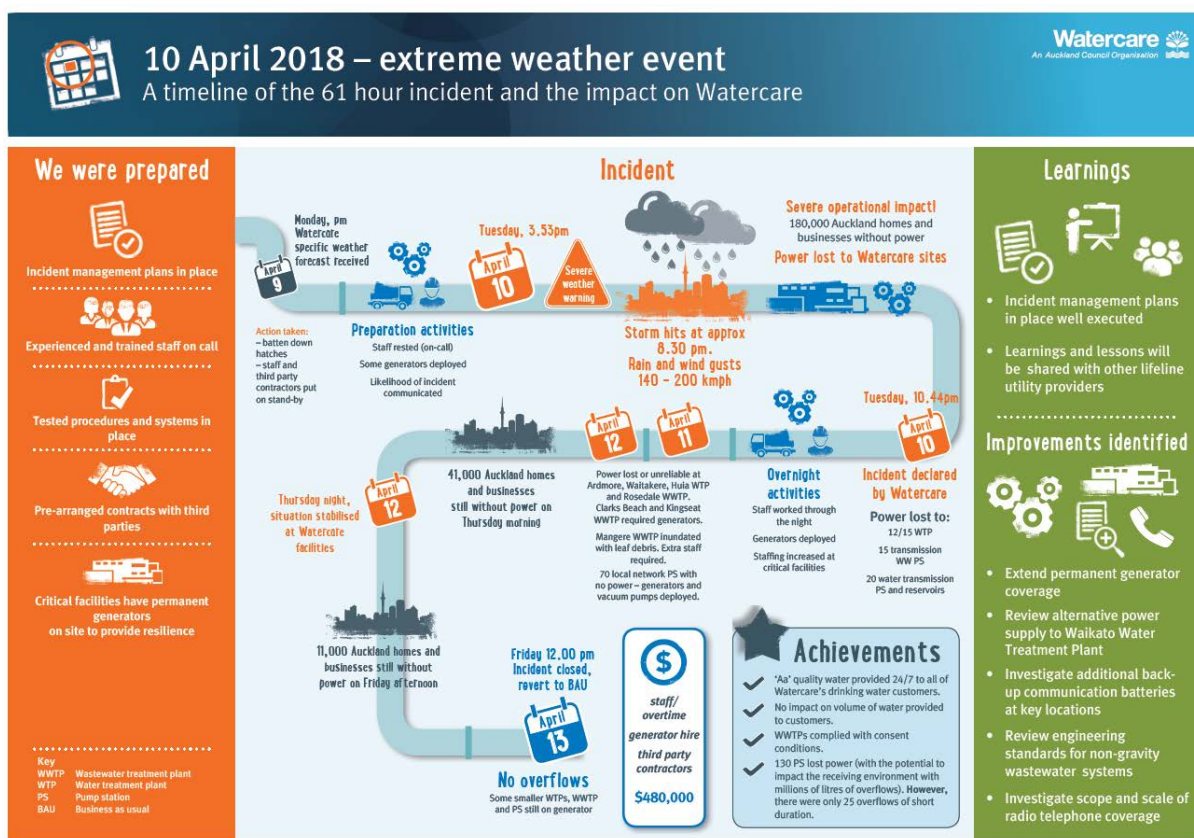


*Mayor Goff, Minister Shane Jones and Watercare's Chief Executive Raveen Jaduram plant a Pohutukawa tree at the Māngere wastewater treatment plant*

### 3.4 The Big Wind on 10 April 2018

The extreme storm on Tuesday evening, 10 April 2018, resulted in significant operational issues over multiple Watercare sites. The scale of the power losses impacted all of Watercare’s water treatment plants, as well as many of Watercare’s wastewater sites and pump stations. However, continuity of service was maintained to all customers due to the resilience of Watercare’s assets and systems, the contingency plans in place and the capability and experience of staff.

A snapshot detailing Watercare’s response to the storm, and the learnings we took away from the event, are illustrated below.



All of Watercare’s customers continued to receive ‘Aa’ graded water at all times. The number and volume of wastewater overflows were significantly reduced by the use of stand-by generators at pumping stations and use of sucker trucks to transport wastewater from non-operational stations.

The only adverse comments received by Watercare were from some residents complaining about the noise of generators, which were required to keep essential services functioning.

Generally the public were unaware of the efforts made on their behalf to keep services functioning.

All staff involved with the operations and customer service performed diligently and without undue fatigue.

### 3.5 Working with Auckland Council in Glen Innes to reduce overflows

Watercare, together with Auckland Council (Healthy Waters and Council's Compliance Teams) are testing the pipes of 900 residential properties in parts of the Glen Innes area for illegal stormwater connections. This is part of a new Auckland-wide campaign to reduce wet-weather overflows. The tests will investigate damaged pipes, surface runoff, incorrect stormwater and wastewater connections and non-compliant gully traps.

Around 300 homes have been tested to date, with faults found at 15 houses. Auckland Council will work with these residents to ensure the faults are fixed. Once the area is compliant, the amount of stormwater entering and overwhelming the wastewater network will be minimised, resulting in fewer overflows to streams and beaches, including nearby Omaru Creek.

Stormwater from a single house can displace the equivalent wastewater from more than 40 households, so removing even a few non-compliant connections can make a real difference.

Also in Glen Innes, Watercare is undertaking a \$38m project to build a new large wastewater pipe along Taniwha Street and Elstree Ave leading to a pump station in Maybury Reserve (where the current pump station will be demolished and replaced). The project is due to be completed in 2020. The site was blessed by local Iwi in late June, prior to construction starting. Once completed, the pipe will provide capacity for future population growth in the area along with storage, which will help reduce wet weather wastewater overflows.



*Watercare team conduct Inflow and Infiltration testing in Glen Innes to locate non-compliant connections*

### 3.6 Strategic Consents

During the quarter, good progress was made on a number of Watercare's strategic consents. An update on key projects is appended as **Appendix C**.

### 3.7 Statutory Planning

Watercare has made a number of submissions in relation to various Acts and Plans. We have worked with Council staff on these. A list of key submissions made over the quarter is appended as **Appendix D**.



## 4. Financial Responsibility

- We are a minimum-cost service provider
- We are financially stable over the long term



### Financial Performance

\$'m	FY18 Q2 YTD Actual	FY18 Q2 YTD Budget	Variance YTD Favourable/ (unfavourable)
<b>Operational</b>			
Revenue	641	617	24
Expenditure excluding depreciation	299	295	(4)
Depreciation and amortisation	220	230	10
Capital Expenditure	340	371	31
Net borrowings - AC	1,471	1,407	(64)
Net borrowings – External	142	275	133

#### Revenue - favourable

Full year revenue was \$641m. The result was \$24m favourable to budget primarily due to water and wastewater revenue favourable \$8.1m, vested assets revenue favourable \$11.5m, IGC revenue favourable \$2.7m and sundry customer charges favourable \$1.6m.

#### Expenditure - unfavourable

Operating expenses were \$299m, being \$3.9m unfavourable to budget. \$2.7m unfavourable for maintenance, net labour \$1.1m unfavourable due to lower capitalisations/recoveries, overhead costs \$2m unfavourable and interest expense \$0.1m unfavourable due to less capitalised interest (lower capital expenditure). These were partially offset by \$2.1m favourable asset operating costs.

#### Depreciation and amortisation - favourable

Depreciation and amortisation was \$10m favourable to budget.

#### Capital expenditure – under budget

Capital expenditure was under budget by \$31m (8%) due primarily to:

- Consenting delays or purchase deferrals including Waitakere North Western Strategy, Huia and Nihotupu No.1 Replacement Stage 2, Helensville WWTP improvements and Māngere Wastewater Strategic Model Area;
- Procurement deferrals to gain bundling and cost efficiencies on the Snells Algies WWTP Outfall, Local SCADA Networks, three package waste water treatment plants and Māngere Digester Electrical Upgrades;
- Project efficiencies and favourable contract negotiations which have reduced forecast spend including the Pukekohe Wastewater Rising Main and Massey/Swanson Siphon Replacements; and
- Reprioritisation of works and design/construction delays at Albany Pinehill Watermain and Pump Station, Pukekohe East Reservoir, Ardmore, Waikato 175 MLD, Glendowie Branch Sewer, Rosedale WWTP and Snells Wastewater.

The underspend did not impact on Watercare's overall risk profile.

### **Borrowings – under budget**

Overall net borrowings were \$69m below budget due primarily to higher revenue and lower capital expenditure.

### **Price Rise**

On 1 July 2018:

- Water prices increased from \$1.480 to \$1.517 (including GST) per 1,000 litres for all customers (i.e. 2.5%).
- Fixed wastewater charges for domestic customers rose by \$7 to \$218 per year and from \$2.540 to \$2.618 per 1,000 litres of wastewater discharged (including GST) (i.e. 3.3%)
- Wastewater charges for non-domestic customers increased by an average of 3.3%.

The Infrastructure Growth Charge (IGC) increased by 3% to \$11,680 plus GST for metropolitan customers. For stand-alone non-metropolitan networks, where past and future investments were specific to each network, new IGCs rates will be introduced progressively between July and September 2018.

**Customer focus**

The average Auckland household  
**spends less than**  
**1% (.85%)**  
of their monthly  
income on water and  
wastewater services.

The infographic features a teal background with white text and icons. On the right side, there are icons of six houses stacked in a cluster, and below them, a family of four people (a woman, a child, a man, and another child) holding hands.

## **FUTURE OUTLOOK**

### **1. TRADE WASTE BYLAW REVIEW**

Watercare is continuing to work with staff from the Auckland Council Social Policy and Bylaws team to review the Trade Waste Bylaw. The review is making good progress and is on schedule.

Over the last quarter the Auckland Council Regulatory Committee agreed to amend the current Bylaw to better manage trade waste issues. This will involve incorporating improvements around fats, oils and grease as well as clarifications around the definitions and removal of redundant clauses.

Over the next quarter a draft of the amended Bylaw will be finalised so that public consultation can begin. In the meantime, the Governing Body will appoint a Hearings Panel to consider public submissions. Statutory Consultation must be completed by 30 May 2019, with the new Bylaw coming into force after that.

### **2. SECTION 17A VALUE FOR MONEY REVIEWS**

#### **Procurement**

The s17A Procurement review report was endorsed by the Appointments, Performance Review and Value for Money (APRVFM) Committee on 7 June 2018. Watercare's procurement department is now working with their counterparts at Auckland Council and Auckland Transport (AT) to determine how the report's recommendations will be implemented.

#### **Three Waters (and the Auckland Waters Strategy)**

Over the quarter, Watercare, Auckland Council and AT have continued to work together to identify programmes of work where Watercare has worked jointly with Council and other CCOs to obtain savings. They are also working on identifying future opportunities for collaboration, which could achieve further savings in relation to the "three waters".

Work to date has identified a sum of \$293m of deferred and avoided expenditure and savings in joint activities between Watercare, Auckland Council and AT to be delivered over the next decade. In the first year (2017/18) a sum of \$181m has been realised through savings, deferred and avoided capital expenditure. Auckland Council and AT between them constituted \$2m of savings. Watercare by reviewing its Asset Management Plan identified the bulk of the savings, namely \$179m of capital expenditure that can be deferred or avoided without increasing operational risk. This has allowed funding for the Western Isthmus Water Quality Improvement Programme to be brought forward and assisted Auckland Council in managing its debt to revenue ratio. Further benefits have been achieved through joint co-ordination of projects between Watercare, Healthy Waters and Auckland Transport. Watercare and Veolia are also working more closely to align how water and wastewater infrastructure is delivered in Papakura with particular emphasis on infrastructure to meet growth.

A joint report, outlining a programme of savings, was tabled at the APRVFM Committee meeting on 7 June 2018. The Committee noted the report and the good progress made by Watercare and Healthy Waters to date.

Work is continuing to evaluate the possible outsourcing of stormwater operations and maintenance, with a report due to be presented to the APRVFM Committee in December 2018.

## **Communications & Engagement**

Auckland Council and the CCOs have an agreed framework to guide Council Group communications and engagement collaboration. Watercare Communications will soon join the Council Group agreement for media monitoring services. When renewed, Watercare's contract with Isentia will be based on the Group-agreed charges and terms of service. In the meantime, Watercare's Communications team continues to regularly meet with Council family and worked together with Council to finalise a Group Communications Strategy.

## **Customer Service Review and Information, Communication Technology Review and Group Financial Services Review**

The Information and Communication Technology (ICT) and Customer Service reviews are in the initial data-collection stage, with the final recommendations due in August/September 2018. We have been working with the Value for Money team over the quarter to provide them with the information they require.

The Group Financial Services review is still at the Terms of Reference stage. Recommendations are expected in December 2018.

## **3. AUDITOR GENERAL'S 2018/2019 DRAFT PLAN**

The Auditor General has released their draft plan for 2018/19. Of interest to Watercare, the Auditor General plans to:

Complete work on the theme "Water Management". Six reports are expected including a report on the "Management of stormwater networks to reduce the effect of flooding" and "Optimising the demand for and the supply of drinking water"

Focus on the theme "Procurement"

Conduct a review of Auckland Council's service performance (effectiveness of post-implementation reviews of projects).

## PERFORMANCE MEASURES

Measure	2017/18 Target	Apr 2018	May 2018	June 2018
The extent to which Watercare's drinking water supply complies with part 4 of the Drinking Water Standards (bacteria compliance criteria)	100%	100%	100%	100%
The extent to which Watercare's drinking water supply complies with part 5 of the Drinking Water Standards (protozoal compliance criteria)	100%	100%	100%	100%
Average number of wet weather overflows per engineered overflow point per discharge location in the transmission system	≤ 2 overflows per year	Annual measure		1.7
The number of dry weather overflows from Watercare's sewerage system, expressed per 1000 sewerage connections to that sewerage system	≤10	0.5	0.5	0.3
Compliance with Watercare's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions  received by Watercare in relation to those resource consents	a) ≤2 b) ≤2 c) ≤2 d)0	0	0	0
Median response time for attendance for urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site.	≤ 60 mins	55 mins	54 mins	54 mins
Median response time for resolution of urgent calls-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	≤ 5 hours	3 hours	3 hours	3 hours
Median response time for attendance for non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site	≤ 3 days	3 days	3 days	3 days
Median response time for resolution of non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	≤ 6 days	4 days	4 days	3 days
Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	≥80%	82%	82%	82%
The total number of complaints received by Watercare 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; and f) Watercare's response to any of these issues.	≤ 10 per 1000 connections to Watercare's networked reticulation system	5	4	4

Measure	2017/18 Target	Apr 2018	May 2018	June 2018
Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that Watercare receives notification to the time that service personnel reach the site	≤ 60 mins	49 mins	48 mins	48 mins
Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that Watercare receives notification to the time that service personnel confirm resolution of the blockage or other fault	≤ 5 hours	3 hours	3 hours	3 hours
The total number of complaints received by Watercare about any of the following: a) sewerage odour; b) sewerage system faults; c) sewerage system blockages; and d) the territorial authority's response to issues with its sewerage system.	≤ 50 per 1000 connections to Watercare's sewerage system	19	18	19
Percentage of complaints being 'closed and resolved' within 10 working days (12 month rolling average)	≥95%	99%	98%	98%
Percentage of the 19 Iwi groups throughout Auckland that Watercare have entered into a Memorandum of Understanding with (target for end of FY17/18)	≥75%	Annual measure		32% <sup>1</sup>
Lost-time injury frequency rate per million hours worked (12 month rolling average)	≤5	4.1	2.9	3.5
Percentage of voluntary leavers relative to number of permanent staff (12 month rolling average)	≤12%	13.7%	13.5%	13.8% <sup>2</sup>
Total recordable injury frequency rate per million hours worked (12 month rolling average)	<20	11.1	8.2	8.2
Minimum funds flow from operations to interest cover (FFO) before any price adjustment	≥2.5	4.2	4.2	4.2
Percentage of household expenditure on water supply services relative to the average household income	≤1.5%	0.86%	0.84%	0.84%
The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	268 + / - 2.5%	279	280	278 <sup>3</sup>
The percentage of real water loss from Watercare's networked reticulation system (rolling 12 month average)	≤13%	13.1% <sup>4</sup>	Two-month lag on data sourced from meter readings	

1 In FY18, Watercare signed memorandums of understanding (MoU) with three iwi, doubling the total number of signed MoUs. Watercare continues to maintain strong relationships and engagement with all 19 iwi throughout Auckland.

2 This reflects the overall trends in the labour market and competition for the same pool of talent, which has challenged retention across all industries.

3 This is a rolling 12 month average. The long, hot, dry summer led to a prolonged period of high demand and a number of record breaking water use days. The 2018 census data will help us validate our calculations and forecast demand for the future accurately. Internally, we are increasing our focus on implementing our Water Efficiency Strategy to make a meaningful impact.

4 This figure is calculated using Bulk Supply Points. A review has identified that some BSPs are overestimating supply, which overstates real losses by as much as 0.8%. Improved checking procedures are in place to ensure these errors are corrected in FY19.

## CONTRIBUTION TO MĀORI OUTCOMES

*Kei aku iti kei aku rahi*

*Tēnā koutou, tēnā koutou, tēnā koutou katoa*

*tuiā ngā Iwi ō Tāmaki herenga waka, tui tuiā Tāmaki Makaurau.*

Over the quarter, Watercare continued to embed Auckland Council’s Whiria te muka tangata (Māori Responsiveness Framework, including the three goals of Auckland Council) within the organisation.

In terms of empowering the organisation (goal 1), Watercare’s infrastructure project teams have:

- Consulted with Mana whenua during the planning process for a variety of projects
- Met with Iwi representatives onsite to encourage more collaboration and input.

Iwi participation has already increased as illustrated in the reports below.

Watercare’s Māori Responsiveness Plan was finalised during the quarter. The Te Waka Anga Whakamua Unit at Auckland Council noted that Watercare’s MRP was “*a great plan and I would love for us to share it on our council intranet as an exemplar for other CCOs and council departments developing an MRP*”.

Initiative - Water Supply and Wastewater	How it contributes to Māori outcomes	Progress	Q4 and FY18 Spend
<p>Mana Whenua Kaitiaki Forum</p> <p>Māori knowledge and world views are respected and its validity and value acknowledged</p>	<p>MO3 Rangatiratanga self-determination</p> <p>MO4 Te Tiriti o Waitangi/the Treaty of Waitangi</p> <p>MO7 Mātauranga Māori – Māori knowledge wisdom</p> <p>MO8 Mana Whenua – customary authority</p>	<ul style="list-style-type: none"> <li>• A Kaitiaki Managers’ Hui was held. Watercare’s Shayne Cunis, Executive Programme Director of the Central Interceptor, gave a presentation on the Central Interceptor project, including timelines and details of Mana whenua engagement as the project progresses.</li> <li>• Manukau Hydrodynamic Model - Mana whenua representatives were nominated to work alongside the Project Team, led by Roseline Klein, Watercare’s Head of Water Value</li> <li>• Watercare’s Vacuum Drum De-watering Trial and Innovation Centre - Karakia and ceremony led by Ngāti Te Ata</li> <li>• Māori Economic Development Summit – Watercare involvement through Poutiaki Tikanga Māori</li> </ul>	<p>\$76,488</p> <p>FY18 Total spend: \$239,290</p>
<p>Iwi Engagement on Watercare Projects</p> <p>Robust engagement framework for Iwi Authority resource management staff to be actively involved in the planning and operational performance of</p>	<p>MO1 Kaitiakitanga –guardianship including stewardship</p> <p>MO2 Mātauranga Māori – Māori knowledge wisdom</p> <p>Waahi tapu –sacred ancestral sites and places of</p>	<ul style="list-style-type: none"> <li>• Programmes are ongoing with continued engagement with Mana Whenua on Watercare projects, including education and information programmes.</li> <li>• The Glendowie pump station site was blessed. Ngai Tai ki Tāmaki, Ngāti Paoa and Ngāti Whātua ki Ōrākei were heavily involved in the planning process and ceremonial delivery.</li> <li>• Te Warena Taua undertook the site blessing at the opening of the Biological Nutrient Removal Plant at the Māngere wastewater treatment plant.</li> </ul>	<p>\$337,759</p> <p>FY18 Total spend: \$1,213,710</p>

Initiative - Water Supply and Wastewater	How it contributes to Māori outcomes	Progress	Q4 and FY18 Spend
water and wastewater infrastructure	significance to iwi, hapū and whānau  MO7 Mātauranga Māori – Māori knowledge wisdom	<ul style="list-style-type: none"> <li>• In relation to Kaitiakitanga outcomes, Watercare continues to work with Te Taniwha o Waikato (“TTOW”), a cluster of nine marae (from Rangiriri to Port Waikato) in relation to their Mātauranga Māori Restoration Strategy.</li> <li>• The Army Bay wastewater treatment plant discharge consent project continues to incorporate Mana whenua ideologies into project outcomes to arrive at the Best Practicable Option (BPO).</li> <li>• Watercare met with Ngai Tai ki Tāmaki, Ngāti Tamaoho, Te Taniwha o Waikato, Ngāti Whanaunga and Te Kawerau a Maki leaders to foster a higher level relationship with these Iwi.</li> <li>• Watercare continues to work with Ngai Tai ki Tāmaki Leadership regarding the possible Pine Harbour water proposal.</li> <li>• There was a meeting of trustees of Te Motu a Hiaroa (Puketutu Island).</li> <li>• On 11 April 2018, Watercare signed a relationship agreement with Ngāti Paoa.</li> </ul>	



*Local resident and Maungakiekie-Tamaki Local Board member Chris Makoare joined Watercare staff and contractors for the Glen Innes wastewater upgrade project site blessing. Richard Waiwai, Watercare’s Poutiaki, Tikanga Māori /Principal Advisor, leads the blessing.*



## KEY LOCAL BOARD ISSUES

In April:

- The Hibiscus and Bays Local Board granted Landowner approval for the Mairangi Bay wastewater pump station redevelopment. This has been the culmination of several years of work and negotiation involving Parks, the Local Board and Watercare. The approval is an important milestone in the development of wastewater infrastructure that will accommodate growth and help reduce wet weather overflows.
- A workshop briefing was held with the Rodney Local Board on water and wastewaters servicing in Rodney rural townships. The Local Board Chair also joined local media for a tour of the new Warkworth Water Treatment Plant currently under development. Media information and a site video were also shared with the local board.
- A presentation was given to the Otara Lakes and Waterways Trust including Otara and Howick Local Board representatives. Information on the proposed enhancements to the local wastewater network was well received.
- A number of local board information requests and escalations on faults, inflow and infiltration investigations were also responded to along with traffic notices associated with projects in View and Wairau Road.



*In April, Beth Houlbrook, Chair of the Rodney Local Board joined Watercare's Priyan Perera and Brent Evans at the Warkworth water treatment plant to view progress on construction of the new plant.*

#### In May:

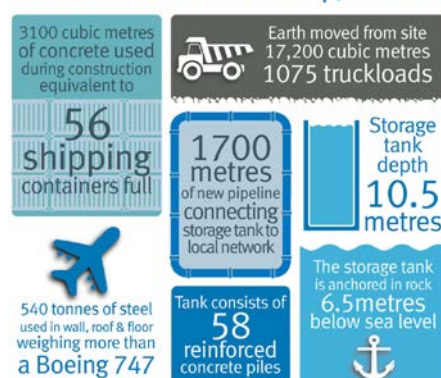
- Watercare's 'Tapped in' and 'Your Source' newsletters were shared with Local Board members along with recent updates on the customer functionality of the website including online forms and faults reporting capability.
- Watercare and Healthy Waters joined local board representatives for a community discussion on local wastewater issues.
- Updates were provided to Franklin Local Board on inflow and infiltration inspections at Clarks Beach.
- Malcolm Bell from Franklin Local Board joined Watercare staff at a meeting with a local property owner regarding the future development of the Clevedon water reservoir.
- Steve Tollestrup from Waitakere Local Board was supported by Watercare at a community meeting in TeHenga regarding catchment management issues – Watercare explained why local flooding had not been exacerbated by the water storage dams.
- Auckland Council Community Facilities and Watercare joined the Henderson Massey Local Board at a workshop to discuss landowner approval for proposed works in Lawson's Creek aimed at reducing overflows and providing capacity for future development.
- Information was provided to the Kaipatiki Local Board in response to questions on Kauri dieback and proposed Watercare works.
- In response to an escalation from the Chair of Manurewa Local Board a watermain connection was progressed, thereby allowing the official opening of a playground to proceed on time.

#### In June:

- Local Boards received notification of the water and wastewater charges to take effect from 1 July.
- A workshop was held with Rodney Local Board regarding landowner approvals for wastewater upgrades associated with the Warkworth, Snells/Algies upgrades. Watercare also joined Veolia for a general briefing to the Papakura Local Board.
- Representatives of the Hibiscus and Bays Local Board visited the Army Bay wastewater treatment plant where a tunnel boring operation is underway to install a new outfall pipe. At the same time, Local Board members were briefed on the Whangaparaoa and surrounding area wastewater servicing project.
- The Manukau Harbour Forum was briefed on progress with the Harbour Hydrodynamic Model as part of their monthly meeting. Development staff from Watercare also supported local Franklin Local Board members at a public meeting on servicing growth at Whitford.
- The Chair of the Maungakiekie Tamaki Local Board joined Watercare, Healthy Waters and Auckland Council compliance staff to observe Inflow and Infiltration smoke testing and inspections in Glen Innes. The Local Board chair also joined Watercare and the contractor for a dawn blessing of the Glen Innes wastewater upgrade project.
- The Mayor and representatives of the Takapuna Devonport Local Board joined a celebration to officially open the Fred Thomas Drive wastewater pump station.



#### Fred Thomas Drive wastewater upgrades facts



## **QUARTERLY RISK MANAGEMENT UPDATE**

### **Risk Management Governance**

Watercare has an established risk management policy and framework which follows the guidance of the ISO 31000 risk management standard. Risks are therefore identified and evaluated using likelihood and consequence scores, and ranked. The highest ranked and significant emerging risks are reviewed by senior management and the Board via management and Board level reporting.

There have been no substantial changes to Watercare's risk profile in the reporting period. The Internal Audit function produces an annual plan which is approved by Watercare's Audit and Risk Committee and there is quarterly reporting by management against the plan for the Committee.

The Audit and Risk Committee maintains oversight of progress by management in implementing the recommendations arising from Internal Audit's work. The Committee is satisfied that all matters raised are being addressed by management.

### **Risk reporting to Auckland Council**

Watercare continues to provide Quarterly Risk Reports to Auckland Council. The last report was sent in May 2018 and the next report will be provided in July 2018.

### **Whistle-blower service update**

Watercare's Confidential Whistle-Blower service is managed by PwC. The Audit and Risk Committee receives regular reports on the use of the whistle-blower service.

As at 30 June 2018, no whistle-blower calls had been received.

### **Disclosures**

The Watercare Executive Management Team regularly gives consideration as to the possibility of events that would trigger a requirement for continuous disclosure. There were no such events during the reporting period.

## Appendix A – WUCAT and Restrictions

Summary for the Water Utility Consumer Assistance Trust since 2011/12 start		
Financial year	Trust approved applications (includes WSL additional write offs)	\$000's
June 2012	33	\$29
June 2013	172	\$196
June 2014	123	\$114
June 2015	150	\$149
June 2016	118	\$90
June 2017	115	\$97
June 2018 (YTD)	131	\$121
<b>Total</b>	<b>842</b>	<b>\$797</b>

Summary of WUCAT Arrangement Approvals			
No. of Arrangements Entered Into	No. of Arrangements Fully Satisfied	No. of Arrangements Still Being Met	No. of Arrangements Lapsed Unfulfilled
843	646	91	105
Amount of Relief Approved \$	Amount of Relief Fully Earned \$	Relief Yet to be Fully Earned \$	Relief Voided due to Lapsed Unfulfilled Arrangement \$
\$797K	\$627K	\$99K	\$71K

The last three WUCAT meetings have seen 24 applicants successfully complete the budget process with \$16k of hardship relief approved by the Trust.

WUCAT Summary last 3 meetings		
Month	Trust approved applications	\$000's
April 2018	11	\$8
May 2018	8	\$7
June 2018	5	\$1
<b>Total</b>	<b>24</b>	<b>\$16</b>

### Restrictions

The status of restrictions as at 30 June 2018 was as follows:

Restriction Summary Year ending	Commercial		Residential		Total	
	Restriction	De-restriction	Restriction	De-restriction	Restriction	De-restriction
30 June 2012	1		5		6	0
30 June 2013	13	11	6	4	19	15
30 June 2014	20	20	17	14	37	34
30 June 2015	31	30	53	39	84	69
30 June 2016	8	9	16	17	24	26
30 June 2017	15	11	19	13	34	24
30 June 2018 (YTD)	17	8	49	27	66	35
<b>TOTAL</b>	<b>105</b>	<b>89</b>	<b>165</b>	<b>114</b>	<b>270</b>	<b>203</b>
Restrictions Currently	16		51		67	

## **Appendix B - Infrastructure project updates**

### **1. Hunua No. 4 watermain**

Section 11 of the Hunua No 4 watermain is the last section of a watermain stretching 31km from Redoubt Road to the Khyber Pass Road reservoirs, thereby increasing resilience to the water transmission network. Early works have commenced to install the final connection points at the Khyber reservoir complex ahead of the main contract. The main contractor is finalising the detailed design and resource consent application process. Construction will commence in September 2018 with completion expected by June 2020.

### **2. Army Bay wastewater treatment plant outfall replacement and UV plant upgrade**

The design-build construction project is well underway with all enabling works completed. The Tunnel Boring Machine (TBM) has drilled 1152 metres of the total length of 1940 metres of the trenchless section. This drilling should be completed by the end of July 2018. The marine excavation pit to retrieve the TBM has been completed as have the excavations to install the seabed pipe line. The two seabed pipe line strings of 450 metres each have been welded together and fitted with the required ballast blocks. The pipe strings will be towed and sunk into position in the Tiri channel by the end of July.

### **3. Wairau Eastern rising main**

This project provides a duplicate rising main from the Wairau wastewater pump station. The contractor utilised a trenchless technology (pipe jacking), for the majority of the Wairau Rd route to minimise disruption along this heavily trafficked corridor. The tunnelling for the rising main is complete with connection works remaining.

### **4. Pukekohe wastewater treatment plant upgrade**

This project provides an upgrade to accommodate growth in the area and improves the water quality discharged to the Waikato River. The design is complete, tenders for the construction works are under evaluation with a staged implementation of plant upgrades to progressively meet growth needs.

### **5. Upper Glen Eden storage tank and branch sewer upgrade**

See update on page 6 regarding Harold Moody Reserve.

### **6. Warkworth water treatment plant**

This project will provide a new source of water and associated treatment plant to service projected population growth and pressure on surface water supply in Warkworth. Construction is nearly finished and commissioning of the new water treatment plant is underway. The plant is expected to be brought into production in late 2018.

### **7. North Harbour 2 watermain and Northern Interceptor**

The North Harbour 2 watermain is a 33km trunk main from the proposed Huia water treatment plant to Albany reservoirs, serving Auckland's north. The advance works in Sinton Road and Ockleston Landing are nearing completion, avoiding clashes with planned developments. The balance of the Greenhithe Bridge Watermain Duplication (GBWD) project is currently in tender stage, with award expected in late 2018. The future stages of the watermain will be phased as required. Close co-operation continues with stakeholders, particularly with the NZ Transport Authority where major upgrades at the Squadron Drive interchange have been advanced to dovetail with the Watercare's major projects.

The Northern Interceptor will cater for growth in the area and enable wastewater flows (which otherwise go to the Māngere wastewater treatment plant), to be directed to the Rosedale wastewater treatment plant. The future works will be phased with growth over several decades. Phase 1, a pipeline from Hobsonville to Rosedale, is currently in the tender phase combined with the GBWD. The North Shore Memorial Park advanced works are nearing completion.

The Phase 2 portion of the Northern Interceptor, a gravity tunnel from Westgate to Hobsonville may be expedited through the Housing Infrastructure Fund initiative.

## **8. Wynyard Quarter pump station and rising main**

The Wynyard Quarter pump station and rising main will provide additional wastewater capacity to service new residential and commercial developments in the area. Auckland Transport, Panuku and Watercare have collaborated on the architectural design of the pump station control building. Construction is complete and the infrastructure has been put into service.

## **9. Rosedale wastewater treatment plant upgrade**

The liquid and solid streams of the Rosedale plant are being progressively upgraded to cater for growth. The design for the liquid stream upgrade is complete and the construction works have commenced.

The design of the solid stream upgrade started in November 2017, with construction currently programmed to commence in December 2018. The overall plant upgrade is due to be complete by 2021.

## **10. Pukekohe East reservoir**

This reservoir is being constructed to increase the resilience of the water supply system to North Franklin and Auckland. The design and build contractor has been engaged. The design and planning for the site works has commenced.

## **11. Albany Pinehill water main and pumping station**

The project is to construct a new watermain and pump station to pump water from Albany Reservoir to Pinehill Reservoir, to provide additional redundancy in the Albany area and an alternative supply to Pinehill Reservoir. The construction works for both watermain and pump station are underway. Watercare is collaborating with NZTA and contributing towards a shared path bridge across State Highway 1, beneath which the pipeline will be supported.

## **12. Local network watermain renewal programme**

The programme is to replace watermains across multiple sites on a proactive or reactive basis to support service levels and maintain network assets. By the end of June 2018, 58 sites were delivered as per planning estimates. The programme for this year was a success with completion achieved within the time and budget targets.

## **13. Local network wastewater renewal programme**

The programme is to replace wastewater pipes, pipe bridges and undertake lining of pipes. For the current financial year 96 sites across multiple locations throughout Auckland have been completed. Another 10 new project sites have been added to the programme recently and seven have been completed.

## **14. Glendowie branch sewer upgrade**

This project will provide additional network capacity for the projected population growth in Point England (including Tamaki Regeneration Company) and reduce network overflows. The work comprises the construction of a new wastewater pump station, a new storage tunnel and local network upgrades. A contractor has been engaged and planning has commenced in preparation for site establishment. Collaboration discussions are currently underway between Healthy Waters and Watercare regarding the possible inclusion of new stormwater works in the Watercare contract, in order to minimise disruption from construction activities.

## **15. Waikato water treatment plant 175 MLD upgrade**

The expansion of the Waikato water treatment plant to 175MLD will provide additional system resilience. The project is being delivered in staged work packages based on priority.

The installation of a sand removal system, the upgrade of critical process ventilation, the installation of a new clarifier, two new membrane trains and the upgrade of the raw and treated water pump stations have been completed and commissioned. Planning of the electrical and chemical upgrades have commenced.

## **16. Ardmore water treatment plant - treated water resilience project**

This project will improve the disinfection process and flows within the existing treated water tanks and filters. These improvements will enable process units to be removed from service for maintenance while maintaining output from the plant. The construction works tenders are being assessed.

## **17. Ardmore water treatment plant - sludge handling systems upgrade**

Two manually operated sludge presses, installed in the mid 1980s, will be replaced. The new units will be automated and will enable greater sludge throughput to better cater for the high solids loadings experienced during major storm events, e.g. the Tasman Tempest of March 2017.

Orders have been placed for the dewatering units and detailed design is completed. The construction works are being tendered. The first dewatering unit will be commissioned in the 2018/19 summer and the second over winter 2019.

## **18. Ardmore water treatment plant - second protozoa barrier (UV light dosing)**

An ultraviolet dosing system is planned for installation to treat the A block filtered water flow. This is in response to the Tasman Tempest event. High solids loadings in water entering the plant necessitated a reduction in plant throughput to enable the water to be treated to Drinking Water Standards. The UV dosing will enable higher plant flows to be maintained during extreme events.

A design/build contractor has been engaged. The project is now in the detailed design stage. Enabling works started on site. The UV reactors have been ordered and will be commissioned in summer.

## **19. Central Interceptor**

Watercare is continuing its current procurement and delivery plan for the Central Interceptor.

The Request for Proposal was issued in accordance with the original programme on 10 May 2018. There is an interactive 18 week tender period, with the four contractors' proposals due on 14 September 2018.

The interactive sessions have been valuable for Watercare as they provided an indication of how the contractors think they will deliver the works. They also provide the contractors with clarity around issues they have identified, enabling them to submit an offer that provides the best outcomes for Watercare and Auckland.

The project programme remains on track to let the construction contract in early 2019, with construction commencing in mid-2019 and completion in 2025.

## **20. Māngere wastewater treatment plant – BNR upgrade**

See update on page 5.

## Appendix C – Strategic consents

During the quarter, the following progress was made on a number of Watercare’s strategic consents.

### **Waiuku/Clarks Beach wastewater treatment plant consents approved**

A new sub regional wastewater treatment plant is proposed to be built on Watercare land in Waiuku to service growth within the Waiuku, Clarks Beach and Kingseat communities. The proposal includes a new discharge through a diffuser structure mid channel of the Waiuku River. A consent was granted with a 35 year term in December 2017.

The Manukau Harbour Restoration Society Incorporated lodged a comprehensive appeal against the decision. Meetings were held with the appellant in an attempt to resolve the appeal. This included a formal Court mediation. All areas of the appeal have now been settled and a Consent Order was granted by the Environment Court on 27 June 2018.

Following the release of the Consent Order, the Manukau Harbour Restoration Society issued a public statement acknowledging the importance of the outcome and noted that the conditions included continued public involvement and appropriate ongoing monitoring. The next phase of the project will involve the concept design and association construction consents for the wastewater treatment plant, raw wastewater conveyance and treated wastewater conveyance system to the discharge point.



*Watercare environmental technician, Liam Templeton,  
at the Māngere wastewater treatment plant.  
Liam works to protect the foreshore and Watercare Coastal Walkway,  
and manage bird roosting and control midges.*



### **Clevedon wastewater servicing**

The project options assessment was completed in October 2014 and identified the preferred option as conveyance to Māngere wastewater treatment plant via the Takanini branch sewer. Watercare will deliver the design and consents as funded by the developer, through a design and build contract. A consent application was lodged on 18 December 2017. A s92 request was received in February and March for issues relating to sediment control, trimming of a heritage tree, and pipe bridge design. A response has been provided. An archaeology authority was approved in March 2018. Ngai Tai ki Tamaki approved a draft condition in relation to the CIA recommendations on 15 March 2018.

Auckland Council Planners prepared a report recommending the project proceed on a non-notified basis in June. However, the Council appointed commissioner recommended public notification of the project, which will close early August. The Commissioner also said that additional information on a non-notified basis was required to enable the effects of the project to be assessed. Watercare notes that the same level of detail, and expert assessment, has been provided on this application as with other similar applications that have been approved recently without public notification. As a result there are concerns about the consequential impact on programme to meet growth expectations.

### **Army Bay wastewater treatment plant discharge consent project**

The existing Army Bay wastewater treatment plant discharge consent will expire in 2021. As this is an important asset that is due to be upgraded, a consent is being sought early to ensure our investment in any upgrade aligns with the new consent requirements.

The process is running ahead of schedule. Since our first public open days held in March 2018, our team of experts has undertaken a series of workshops and site visits to assess potential discharge options. Specialist and expert assessments have helped to narrow down viable options for the consent application.

A “Best Practicable Option” (BPO) workshop was held in early June 2018, involving Mana whenua, internal stakeholders, legal consultants, planners, and the technical experts. A consensus on the long-term BPO has been reached.

A further public open day was held in mid-June to test the BPO. There was also a site visit by Local Board members and a Councillor. They showed genuine interest in the project and were impressed with our consultation with Iwi throughout the project to improve understanding around the various options.

We are currently preparing the Assessment of Environmental Effects and the proposed consent option will be chosen in late July.

The success of this process is predominantly due to:

- Selecting a rightly experienced project team
- Having Mana whenua as a key contributor to the decision making process from the start of the project
- Early engagement with key stakeholders and the general public
- Early engagement with Councillors and Local Board members.

## **Appendix D - Statutory Planning**

Watercare has made a number of submissions in relation to various Acts and Plans.

### **Waikato Regional Council Regional Plan Change (“Healthy Rivers”) Number 1**

The Waikato Regional Council has completed processing public submissions on its Proposed Regional Plan Change (“Healthy Rivers”) Number 1. A summary of all submissions was released on 28 November 2017. Watercare made a submission on this plan change. Proposed Plan Change Number 1A (which covers the area of Watercare’s Waikato River take, and the discharge from the Pukekohe wastewater treatment plant) was notified on 10 April 2018 and Watercare made a submission to ensure our interests in the Northern Waikato area are not compromised.

These two proposed plan changes are focused on water quality improvements within the Waikato and Waipa Rivers, and their associated catchment areas, and would require Watercare to continue to improve the quality of its wastewater discharge from the Pukekohe wastewater treatment plant and water discharged from the Waikato water treatment plant. Watercare is supportive of this approach.

It should be noted that Watercare has recently received 35 year consents for the discharge of treated wastewater from the Pukekohe wastewater treatment plant, which sees significant improvement in effluent quality, in line with the proposed plan changes. Hearings for these plan changes are expected to commence late 2018.

### **Feedback to Waikato District Council’s District Plan Review**

The Waikato District Council (WDC) is expected to publicly notify its Proposed Waikato District Plan on 18 July, with submissions closing on 9 October 2018. This is a full review of its existing District Plan, (Watercare submitted feedback on the WDC’s Draft District Plan in January 2018). Watercare’s main feedback points in January 2018 were to emphasise that WDC needs to satisfy itself that any new developments can be serviced for water and wastewater, and that infrastructure related provisions should be relatively consistent to minimise cross-boundary issues. In addition to this, the draft Plan growth assumptions do not appear to match the “Future Proof” and the “Programme Business Case” growth projections for the district. It is likely Watercare will make a submission on this Proposed District Plan.

### **Our Climate Your Say: Consultation on the Zero Carbon Bill**

The Ministry for the Environment released its “Our Climate Your Say: Consultation on the Zero Carbon Bill – Discussion Document” in early June 2018. Watercare has made a submission on this document. Auckland Council and Watercare shared their submissions with each other. Our submission was consistent with the substantive points in Auckland Council’s submission.