

# Watercare Services Limited – Quarterly Report

Quarter ended 31 December 2017



*Mangere's Biological Nutrient Removal Upgrade Project is complete and will be brought into full service in early 2018*

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## **EXECUTIVE SUMMARY**

The quarter marked the end of a successful calendar year where Watercare continued to deliver safe, reliable wastewater services and 'Aa' grade drinking water to 1.5 million people, 24 hours a day, 7 days a week.

In the first two weeks of December 2017, the six highest ever daily demands for water were recorded, resulting in the highest ever daily average demand for the month. The maximum daily demand recorded for the metropolitan system was just under 500 million litres per day (MLD). The water network responded well to the increased demand levels, with Ardmore water treatment plant operating at flows of up to 330MLD.

### **Financial Performance**

Year to date revenue was \$317m. The result is \$14m favourable to budget primarily due to a positive water and wastewater revenue variance of \$6.4m with volumes 0.8% higher than budget, IGC revenue favourable by \$0.5m, vested asset income favourable by \$6.4m and sundry customer charges favourable by \$0.4m.

### **Forecast 2017/2018 – Financial Performance**

Watercare's latest forecast for 2017/2018 projects revenue \$17m ahead of budget, with debt \$56m lower than budget.

### **Central Interceptor**

The engineering designs for the Central Interceptor were completed in 2017. During the quarter, interested national and international consortia submitted Expressions of Interest documents. A short list of three consortia will be selected to proceed to the Request for Proposal stage by March 2018.

Staff from Watercare are working with Auckland Council to determine the viability of alternative funding mechanisms for the Central Interceptor, with Watercare being the appropriate agency to deliver the project.

### **Western Isthmus Water Quality Improvement Programme**

Following the endorsement of the Western Isthmus Water Quality Improvement Programme (WIWQIP) by the Council's Environment and Community Committee and the Watercare Board, a series of joint presentations by Healthy Waters and Watercare management were held to provide a high-level overview of the programme to Local Boards and community groups.

### **Working with Auckland Council**

Watercare continues to work closely with Auckland Council to ensure that it's vision for the city is achieved. Various initiatives include s17A Value for Money reviews, the WIWQIP, Group Procurement, Consenting Made Easy and Safeswim.

During the quarter, Watercare Board and Management implemented a review of its capital programme targeting efficiency and collaboration. The review identified savings of \$193m over the next five years whilst facilitating the inclusion of the expenditure for WIWQIP. In addition, the Board has requested that Management deliver the revised programme with a further 5% efficiency gains.

### **New website**

In November 2017, Watercare launched a new, refreshed external website, which includes updated features and new functions.

### **Governance**

The Honourable Dame Annette King joined the Board in November 2017. David Thomas was re-appointed for a further three years. Tony Lanigan retired from Watercare after six years on the Board.

## STRATEGIC PRIORITIES AND FOCUS AREAS DURING 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

Following feedback from the developer communities, Watercare continues to work closely with Auckland Council on the 'Consenting Made Easy' project to improve process and create efficiencies for development customers.

In October 2017, Watercare and Auckland Council agreed to a trial for Watercare to take ownership of the approvals process for all technical designs for the creation of public water and wastewater assets. The expectation is that utilising Watercare engineering specialists to complete the assessments will improve the efficiency of the process and consistency.

A revised service level agreement between Watercare and Auckland Council is being developed and should be finalised shortly.

In March 2018, Watercare will be introducing an online service for contractors and consultants to use, which will improve processing times for new connections. This is part of the series of initiatives by Watercare to be a more enabling and customer focused.

#### 1.2 Tapped In

Each quarter, Watercare includes a customer newsletter, *Tapped In*, with all invoices. The newsletter is designed to inform customers about Watercare's activities. The Summer 2017/2018 issue highlighted the significant water savings the Manukau Rugby Football Club had achieved with Watercare's assistance, provided readers with highlights in the history of wastewater treatment in Auckland, and promoted Watercare's new upgraded website. The publication also contained waterwise tips on how Aucklanders can use water more efficiently.

In mid-December, Steve Braunias, NZ Herald columnist, named *Tapped In* in his list of "The 20 best things about Auckland Life". He declared it the "*best quarterly in New Zealand publishing – packed with helpful advice*".

#### 1.3 Inflow and Infiltration

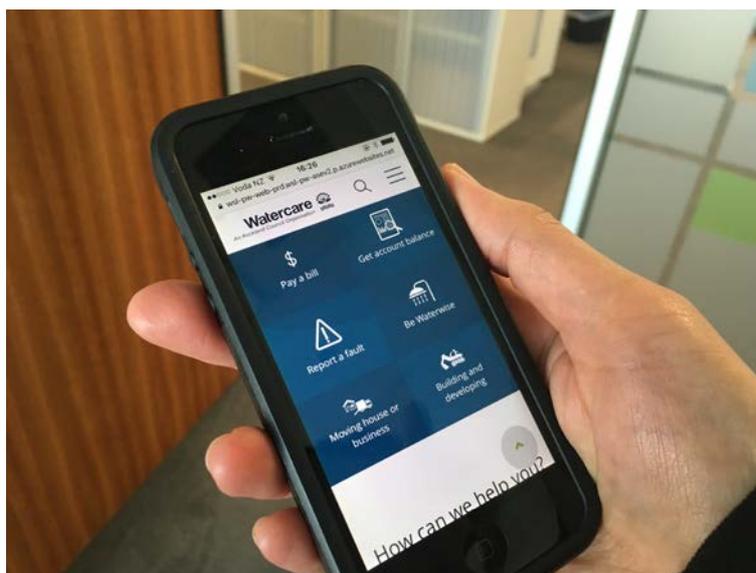
During the quarter, Watercare's inflow and infiltration team inspected 78 properties in Oneroa, Waiheke Island. Pleasingly, no defects were identified. However, as the Island's wastewater treatment plant encounters a number of blockages of fat and grease, an education campaign was undertaken with businesses and restaurants in Oneroa, ahead of Waiheke's busy holiday season, on what not to dispose in sewers.

#### 1.4 Treatment Plant Open Days

In October and November 2017, approximately 360 customers enjoyed free tours of the Mangere and Rosedale wastewater treatment plants and the Ardmore water treatment plant. The tours were oversubscribed and customers enjoyed learning more about how their water and wastewater is treated.

## 1.5 New website

Watercare had developed a website during amalgamation in 2010. With increased focus on customers' need to self-serve and have digital access while mobile, Watercare has a refreshed website, launched in November 2017. It is mobile-friendly, easy to navigate and features a number of new functions, including an improved Customer Self-Service zone, which allows customers to make part and full payments online, sign up for e-billing and view their transaction history. Customers can also connect with their online banking system and apply for partial credits if they have fixed a water leak and believe they qualify for a leak allowance. Further improvements to the website will continue to be released during 2018.



*Watercare's new website is mobile-friendly*

## 1.6 Water Utility Consumer Assistance Trust (WUCAT)

Over the last quarter, the Trust has continued training Watercare's customer-facing teams so they are better placed to assist and refer a customer in hardship to WUCAT. The number of applications lodged in the second quarter of the 2017/18 financial year (46, compared to 28 in the second quarter of 2016/17 and 23 in 2015/16) indicate that these efforts are helping to increase awareness of the Trust's service.

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.

## 1.7 Havelock North Drinking Water Inquiry

The report of the Inquiry into Havelock North's drinking water was released on 7 December 2017. During the course of the Inquiry, Shayne Cunis, Watercare's General Manager Service Delivery, was invited to join a panel of experts to consider the question of licensing and training of drinking water suppliers.

The Inquiry noted that Mr Cunis has devoted a great deal of time and thought to the creation of a white paper setting out a certification scheme with three main components: qualifications, experience and continued professional development. This covered three levels of staff: operator, supervisor and manager. The Inquiry commended the paper to future reviewers' careful study "as it is obviously a product of much experience and thought". In line with the panel of experts' support, the Inquiry recommends a licensing system for all existing and future drinking water suppliers be established as soon as practicable.

Watercare was referred to several times in a positive light in the report, particularly in relation to Part II, entitled “Dedicated Drinking Water Suppliers”. The substantial improvement in Rodney and Franklin water supplies by Watercare following amalgamation was given as a good example of what can be achieved given economies of scale.

### **1.8 Franklin Road residents thank Watercare and its contractors for the upgrade**

Watercare’s contractors from Brian Perry Civil were invited by Franklin Road residents to the opening of the Christmas lights on 1 December 2017, as the community considered them 'part of the family' and wanted to thank them for their efforts in upgrading their street. Watercare’s project manager for Franklin Road's wastewater upgrades, Veluppillai Thavarajah, said this was a touching and well-deserved recognition for the team on the ground who had worked extremely hard over the past 12 months, engaging with the community and making sure that the disruptions were kept to a minimum.

Watercare started work last year in Franklin Road and Collingwood Street to upgrade water and wastewater pipes in Franklin Road and separate wastewater and stormwater networks. Watercare’s project was completed in October 2017, and will cater for population growth and reduce the number of wet-weather overflows into the harbour. A complex project in one of Auckland's most well-known streets, this involved Watercare working collaboratively with Auckland Transport, Vector and Auckland Council to minimise disruption and 'dig once' – as part of our work, Watercare also installed ducts for Vector to allow for undergrounding power.

### **1.9 Newmarket Olympic Pool wastewater pipe blockage**

In November, Watercare helped fix a serious private wastewater overflow at the Newmarket Olympic Pools. Staff spent 48 hours clearing blocked pipes inside a 15 metre deep chamber under the building. The extraction process was difficult and involved several response teams working with specialist equipment and CTV cameras. The directors of Newmarket Olympic Pool thanked Watercare for their around-the-clock efforts to get the pool reopened for customers as soon as possible.



*Watercare helped the Newmarket Olympic Pool clear a private blockage, 15 metres under the building*

## 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 & Safety

At the end of December 2017, the rolling 12 month Lost Time Injury Frequency Rate for employees was 4.1 per million hours, below the Statement of Intent target of  $\leq 5$ . The rolling 12 month Total Recordable Injury Frequency Rate has decreased to 13.48 per million hours, below the Statement of Intent target of  $\leq 20$ .

At the end of the quarter, Watercare has been “lost time injury free” at its water treatment plants for 129 days and at its wastewater treatment plants for 272 days.

### 2.2 Strategic Transformation Programme

As with all businesses, Watercare’s external operating environment is changing in a number of ways. The requirement for Watercare to provide efficient and effective service delivery and improve responsiveness to customers has been strongly and consistently signalled by Auckland Council and is a priority for the Watercare Board. Additionally, customer expectations also continue to increase and will continue to accelerate as innovation in the marketplace continues at pace.

In light of the changing operating environment, Watercare has embarked on a business transformation programme, which is focussed on achieving greater customer centricity, driving efficiency, increasing operational resilience and improving business agility. This evolution is being echoed across the water industry internationally with water utilities such as Thames Water and Sydney Water also having instigated significant business transformation programmes. Consideration of the evolution of other water utilities internationally and other utility business, emerging technologies, customer expectations and other key influences has informed the shape of Watercare’s business transformation programme.

As part of the transformation journey, Watercare has completed a review of the business operating model. The operating model is the way that the business constructs its capabilities to execute its business strategy. The operating model review identified that the organisational structure needed to be reshaped to better align the company with the vision for the future. As well as alignment to the vision, the new organisational restructure is focussed on driving efficiency, reducing duplication, reducing the number of internal handover points and increasing organisational agility. The organisational changes have now been implemented at an Executive level and will continue to cascade through the company over the coming months. The new structure sees fewer roles in the Executive Team.

### 2.3 People and Capability

As part of the strategic transformation programme, Watercare is also focussed on continuing to strengthen leadership capability across the company. The Leadership Programme and Coaching Framework continued during the quarter. Key aspects of the programme involved the following:

- 150 leaders received the results of their 360 leadership survey. This provides them with clear guidance on areas of personal development. In addition, it also provides Watercare with an enterprise view on the overall leadership capability across the company.
- The Leadership Programme is continuing to be rolled out across the business and is being very positively received. The programme is targeted at front-line ‘people leaders’ who are typically team leaders,

middle managers and supervisors. 75 'people leaders' are currently engaged on the programme, with the remaining 50 'people leaders' commencing in February 2018.

- 'Coaching' is one of Watercare's four leadership competencies. All senior leaders and executives have been trained as coaches. The formal coaching aspect of the programme continues to be a key strength of the programme, with tangible results being noticed across the business.

In addition, over the last six months Watercare has seen an increase in staff-led cultural initiatives. These initiatives have been encouraged, celebrated and showcased.

## **2.4 Rainbow Network**

Staff at Watercare have set up a Rainbow Network to support our LGBTI staff, educate people and start the journey to achieving the Rainbow Tick. The group has been formed with the primary goals of raising awareness, promoting diversity and providing a safe and inclusive environment for Rainbow people within Watercare. The network is open to everyone, including allies of the LGBTI community. In February 2018, Watercare staff will join the Auckland Council float for the Pride Parade.

## **2.5 Gender Equitable Engagement And Briefing Policy**

Watercare has committed to the Gender Equitable Engagement and Briefing Policy, a major initiative launched by the New Zealand Law Society and the New Zealand Bar Association, to drive diversity and inclusion in the legal profession. The Policy focuses on lifting the participation of women in leading commercial disputes. Watercare joins other leading New Zealand companies that have also adopted the Policy, including Westpac, Spark, Fonterra, Countdown, Stuff, Meridian, Lion, Auckland Airport, and ANZ.

## **2.6 North Harbour No. 1 Watermain**

The new section of the North Harbour No.1 watermain was cut-in during October, as part of the NZTA motorway works at Royal Road, Massey. To maintain supply during the shutdown, reservoirs on the North Shore and Rodney were proactively maintained at maximum capacity, prior to the works commencing. The works were completed with no compromise to service delivery standards (i.e. pressure, flow and aesthetic quality) and no customer complaints were received.



*The North Harbour No.1 watermain cut-in*

## **2.7 Central Interceptor**

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

On 1 November 2017, around 100 contractors and suppliers attended a Watercare briefing at the Ellerslie Events Centre. Domestic and international companies were represented, including delegations from mainland China, France, Australia, Italy and Spain. The event was an ongoing example of Watercare's approach to project procurement, launched in October 2015, to proactively brief the construction industry about projects costing more than \$2 million. The idea is to save money and time by sharing plans in advance, and receiving feedback, so suppliers can be better prepared to meet Watercare's needs.

Responses to the Request for Expressions of Interest were received in late November 2017. Evaluation is underway with a shortlist due to be advised to the market in March 2018. The Request for Proposal and Conditions of Contract are under preparation for release to the shortlisted respondents in May 2018. The contract is expected to be let in early 2019, with construction commencing in 2019 and to be completed in 2025.

In the meantime, Watercare supports the exploration of alternative funding for new infrastructure and is continuing discussions with Auckland Council executives regarding the feasibility of a model (e.g. Special Purpose Vehicle) that would allow for a change in funding, which in turn would allow Council to free up debt capacity for other investment. A small dedicated joint task force has been formed to review options in early 2018. It is recognised that Watercare is the appropriate agency to deliver the Central Interceptor project. The Central Interceptor is included in Watercare's funding requirements and reflected in our price path.

## **2.8 Infrastructure projects**

Work continued on a number of infrastructure projects during the quarter, including the Mangere Biological Nutrient Removal Upgrade, which was completed and is now undergoing final testing. A full update on 12 major Watercare infrastructure projects is attached as Appendix B.

## **2.9 Drury Public Private Partnership Agreement**

During the quarter, Watercare finalised an agreement with Auranga, a new residential and mixed-use development in Drury West and Drury South Limited. Auranga plans to develop the Quarry Rd SHA and 233 ha of industrial land at Drury to build water and wastewater infrastructure to service development in the Drury Karaka area.

The agreement will see the entities work with others to fund and create a series of water and wastewater projects, including a new wastewater network, which will initially provide capacity for 6,500 homes then up to 20,000 homes as the area grows.

## **2.10 Watercare joins the US based Water Research Foundation**

The Water Research Foundation is a US based global non-profit organisation, with approximately 1,200 subscribers, 2,300 research studies, and a NZ\$1b research portfolio. It conducts research to treat and recover beneficial materials from wastewater, stormwater, and seawater including water, nutrients, energy, and biosolids.

During the quarter, Shayne Cunis, General Manager Service Delivery was appointed to the Board of Directors for a three year term. The Board of Directors comprises utility executives, academics, executives from water companies (e.g. Suez) and consultants.

As a member of this organisation, Watercare has access to all emerging water industry information and resources. Watercare will also be able to cost effectively participate in research on specific projects that are of relevance to our current and future needs.

## 2.11 Cyber Security

No cyber intrusions were identified during the quarter. However, Watercare remains vigilant and continuously works to update and enhance its cyber security capability and in turn, reduce its risk profile.

## 2.12 Integrated Reporting

Watercare’s Annual Report for the year ended 30 June 2018 will be an Integrated Report. The introduction of Integrated Reporting will embed integrated thinking into the business and formalise integrated decisions that take into account a broad range of factors relevant to Watercare’s value creation process.

Over the quarter Watercare held a number of internal workshops, and also conducted a Materiality Survey of key stakeholders. The results highlighted that Watercare and stakeholders’ material concerns are mostly aligned.



***The Materiality Radar ranks 23 Material issues in order of concern. The Blue line illustrates Watercare’s assessment of the business concern/impact. The Yellow line illustrates Stakeholder concern.***

### 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 Huia Water Treatment Plant Replacement

The Huia water treatment plant is over 90 years old and needs to be replaced with a more advanced and higher capacity facility. The Manuka Road site was chosen as the preferred site in May 2017.

As reported previously, the Titirangi Protection Group and others filed an action with the Environment Court, questioning the validity of the designation under section 310 of the Resource Management Act, which applies to the three sites. The appeal was heard on 25 October 2017 and was decided in Watercare's favour.

The Titirangi Protection Group has filed a further appeal in the High Court, and this new appeal is due to be heard in May 2018.

In the meantime, ecologists and land surveyors have developed ecological and physical constraint maps which have been used by the engineers to develop an indicative layout of the Manuka Road and Woodlands Park sites. The layout and associated information will be presented to the immediate neighbours, Community Liaison Group and the community via two open days on 1 and 5 March 2018. The purpose of these meetings is to inform and seek feedback on the design of the plant and potential mitigation measures, both on and off site.

#### 3.2 Watercare staff sharing expertise in Sudan

Watercare principal planning engineer Brendon Harkness travelled to war-torn Sudan with the United Nations to share his water expertise in refugee camps.

Brendon spent two weeks in Sudan in November 2017 and visited three refugee camps, assessed the set-ups for supplying drinking water and gave technical training to field staff in the water and sanitation team. Brendon, who has a master's degree in engineering for sustainable development, noticed how water is a cherished resource in the dry, harsh landscape of the eastern camps. In Sudan, the typical demand is just over 20 litres per person per day – far less than what we use here in Auckland. Many of the camps have traditional bores with pumps powered by diesel generators, which involves many truck movements every day. This is costly, bad for the environment and means supply of water is vulnerable to market changes and logistical challenges.

Twenty-five people came from all over the country to attend Brendon's workshop on water system operation and design and the advantages of using solar power. Solar involves more initial capital investment, but the benefits are seen long-term in reducing operating costs and environmental impact. It also builds independence and resilience.

#### 3.3 St Marys Bay and Masefield Beach Water Quality Improvement Project

Watercare is working with Healthy Waters on the St Marys Bay and Masefield Beach Water Quality Improvement Project. This project aims to reduce direct discharges of wastewater-stormwater overflows from the combined sewer network to St Marys Bay and Masefield Beach.

Watercare, as asset owner and operator of the combined sewer network and Consent Holder of Auckland's Comprehensive Wastewater Network Discharge Permit, is supporting Healthy Waters to achieve the project's aims.

During light to moderate rainfall overflows from the combined sewer network to St Marys Bay will be captured, stored and diverted via a new pump station and returned to the combined sewer network for conveyance to Mangere wastewater treatment plant. With the project in place this means there will be a reduction in direct discharges from the St Marys Bay outfall to 2 times on average per year. The new pump station will also eliminate discharges to Masefield Beach.

### 3.4 Water Efficiency Programme

The Water Efficiency Strategy 2017-2020 was launched in November and is available on the Watercare website. Four main strategies have been developed:

- Council efficiency programme
- Residential efficiency programme
- Non-residential efficiency programme
- Leakage reduction.

Watercare is planning and implementing the initiatives listed in the strategy document.

### 3.5 Watercare’s waterwise efforts increased over dry spell

Rainfall in December 2017 was significantly below average across the Auckland region, resulting in average daily production being 10% over budget for the month. Despite this, total system storage at 31 December 2017 was 86.6%, which was above the historical average storage for this time of year (83.7%).

Over the hot, dry spell, Watercare’s Communications team took proactive steps to advise customers and stakeholders of the need to be waterwise.

Waterwise communications were also provided to Waiheke, even though Watercare does not supply any networked water to the island.

### 3.6 Blueprint for water efficiency in Sports Clubs

As part of the Water Efficiency Strategy, Watercare is working to create a blueprint for water efficiency in sports clubs. This was recently put into practice by helping the Manukau Rugby Football Club (RFC) significantly reduce its monthly water bill by 50%.



*Manukau Rugby Football Club President Frank Bunce*

In order to gather information about how much water the club was using, Watercare installed a data logger to its water meter and then worked with Litefoot – a charity that helps clubs become more sustainable and save money by upgrading their infrastructure – to understand the best ways for the club to reduce its water use.

A number of companies, including manufacturers Methven, MacDonald Industries (Delabie), Caroma and Mico, donated a variety of products, such as water-efficient showers, taps and toilets. Laser Group Services also donated labour for installation through Laser Plumbing.

The results are impressive. Between July, when the upgrades began, and September 2017, water consumption has decreased by 92,290 litres, saving \$552 from the club’s water bill. A huge portion of the savings were due to the upgrades also fixing the majority of the club’s leaks.

Working with the Energy Efficiency and Conservation Authority (EECA), Watercare have also calculated that for every dollar saved on water, at least eight dollars is saved in heating energy. Manukau RFC is now hoping to see its energy bills decrease as well.

Watercare plans to further promote the significant results to inspire other sports clubs to implement similar changes.

### **3.7 Electric vehicles join the Newmarket fleet of pool cars**

Watercare has committed to reduce its electricity consumption by 8 GWh by December 2018 and to have 100% self-sufficiency at Mangere and Rosedale wastewater treatment plants by 2025. Milestones over the last quarter include replacing five of the 12 fleet pool cars in Newmarket with fully electric vehicles. Watercare will replace the remaining seven pool cars with electric vehicles by the end of 2018. The company is also considering options for electrification of other types of vehicles, such as utes and trucks used for operational and maintenance purposes.



*Chief Executive Raveen Jaduram and Greg Visser from the Energy Efficiency & Conservation Authority with one of the fully electric fleet cars during Energy Week held at Watercare in December 2017*

### **3.8 Safeswim Programme**

The Mayor officially launched Auckland Council Safeswim programme on Saturday, 4 November, at Mission Bay beach. Watercare management and staff attended the launch. Watercare will continue to work with Auckland Council and provide wastewater data to enhance the model.

### **3.9 Climate change projections for the Auckland region**

Watercare, Auckland Council and Auckland Transport jointly commissioned NIWA to develop a series of future climate change projections for the Auckland region. These regional projections model what the Auckland climate could be from 2030 onwards, including significant changes such as the numbers of hot days increasing two to threefold by 2100. The report was released at an Auckland Council event on 6 December 2017. These projections were used in Watercare's internal climate change workshops, which aimed to increase understanding around climate change and the consequences for Watercare's assets. The projections and findings from the workshops will now be used to develop a Climate Change Mitigation and Adaptation Strategy for Watercare, working in conjunction with Auckland Council's Chief Sustainability Office.

### **3.10 Manukau Harbour Centre of Excellence**

The Manukau Harbour hydrodynamic model with NIWA, Healthy Waters and RIMU is progressing well, with an efficient project team across Watercare and Auckland Council. This is a successful example of coordination in the Auckland Council family. Watercare has designed this work with collaboration in mind, giving co-ownership of the models to the Council.

The land use model was calibrated in November, modelling the hydrology and nutrient loads from the land going into the Harbour. The harbour model will now be calibrated and will be delivered at the end of 2019. The final model will provide one of the first 3D models of this kind worldwide.

### **3.11 Catchment protection in the Hunua Ranges**

The Tasman Tempest resulted in major slips in the Hunua Ranges, which were washed into several of the water supply dams. During the planting season – from July to September – Watercare sponsored the Trees for Survival programme for the Hunua catchment by funding seedlings and plants. Five local schools (Clevedon, Ardmore, Paparimu, Ararimu, Hunua) participated in the programme and helped plant the trees, together with Watercare staff volunteers.

In the meantime, Watercare has continued working with Iwi on a forestry management plan to plant land formerly used for commercial forestry to native planting.

## 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	317	303	14
Expenditure excluding depreciation	149	147	(2)
Depreciation and amortisation	109	112	3
Capital Expenditure	155	179	24
Net borrowings - AC	1,322	1,370	48
Net borrowings – External	313	275	(38)

#### Revenue

Year to date revenue was \$317m. The result is \$14m favourable to budget primarily due to water and wastewater revenue favourable by \$6.4m with volumes 0.8% higher than budget, IGC revenue favourable by \$0.5m, vested asset income favourable by \$6.4m and sundry customer charges favourable by \$0.4m.

#### Expenditure

Operating expenses were \$149m, being \$2m unfavourable to budget reflecting \$1.1m unfavourable to budget for net labour due to lower capitalisations/recoveries, maintenance, asset operating costs, professional services, partially offset by a lower asset operating costs and overheads. In addition, interest expense is \$0.9m unfavourable mainly due to lower capitalised interest due to beneath budget capital expenditure.

#### Depreciation and amortisation

Depreciation and amortisation is \$3m favourable to budget.

#### Capital expenditure

Capital expenditure was under budget by \$24m (13%) due primarily to:

- Project efficiencies and favourable contract negotiations which have reduced forecast spend including the Pukekohe Wastewater Rising Main and Massey/Swanson Siphon Replacements;
- Timing delays as a result of extended contract negotiations, further assessment of alternate construction methodologies, and dependencies on other projects;
- Consenting delays or purchase deferrals including Waitakere North Western Strategy, Huia and Nihotupu No.1 Replacement Stage 2 and Helensville WWTP improvements; and
- Reprioritisation of some electrical and control system projects resulting in a deferral of budgeted projects including Mangere Digester Electrical Upgrade and Network SCADA System projects.

Delays and shifting priorities will not adversely impact on Watercare meeting its operational requirements or increase risks to the business.

#### Borrowings

Overall net borrowings were \$10m below budget due primarily to lower capital expenditure.

## **HIGHLIGHTS FOR THE LAST QUARTER**

### **2017 award winners celebrated**

In December 2017, the Watercare Board and Management celebrated the many successes the business had achieved throughout 2017 with a celebratory lunch at our Newmarket office for all of our award winners. A list of the awards celebrated follows.

#### **Global**

##### **American Water Summit 2017**

Watercare received a Gold Standard for utility performance and was inducted into the Leading Utilities of the World (LUOW) of which there are only 22 members worldwide.

The LUOW's aim is to create a global network of the world's most successful and innovative water and wastewater utilities to help drive performance across the sector by recognising achievement, providing a network for sharing ideas, and inspiring others to improve.

Watercare's award recognised outstanding achievements in overall utility productivity, stakeholder engagement, and wastewater treatment and environmental impact.

#### **Australasian**

##### **Australasian Reporting Awards**

Watercare won the Gold Award, and the Chairman's commendation for sustained excellence in reporting award (one of only three organisations), at the Australasian Reporting Awards for the 2016/17 Watercare Annual Report. The Chairman's commendation for sustained excellence in reporting award recognises organisations who have achieved more than ten consecutive Gold Awards through to 2017.

#### **National**

##### **Tohu Reo Māori Awards**

In November, Watercare won the Kāwanatanga / Government section of the Tohu Reo Māori Awards. Run by the Māori Language Commission, this event is the pre-eminent language celebration in te ao Māori. Watercare's award recognised the company's efforts to support te reo, Māori and marae protocol workshops, events held during te wiki o te reo Māori, including the Waiata-Off evening where Watercare hosted other organisations that are also striving to incorporate te reo Māori and waiata tautoko into everyday business.

##### **Water New Zealand Conference Awards**

Rosedale relief process controller, Daemn Hunter won the Opus Trainee of the Year award.

The Central Interceptor team was runner up in the Hynds Paper of the Year award the report on "innovations from planning through detailed design". The judges applauded the "excellent summary" of the work done to date and the motivations for the Central Interceptor.

Hunua 4 won the Project Award for sections 1 to 10 of what will be a 31-kilometre watermain connecting the Redoubt Rd and Khyber Pass reservoirs.

## **Auckland**

### **Young at Heart Awards**

Hosted by ATEED and recognises businesses' commitment to youth employment in Auckland. Watercare:

- won the Māori and Pasifika young people award with acknowledgement of our Waiata-Off, Watercare's Māori Protocol workshops and Māori Language Week events, the Mark Ford Ngā Tapuwae Scholarship and, more generally, cultural days such as Dilwali that celebrate diversity.
- Was a Finalist in the Youth Award for our involvement in Youth Pledge, #BuildAKL campaign, Job Fests, the Connexis Girls with Hi Vis initiatives, Smart Seeds and Engineering Week.



***Watercare won the Maori and Pasifika young people award***

### **Civil Contractors NZ Auckland gala event - Hynds Construction Award**

Watercare's contractor, Brian Perry Civil, won for the Franklin Road water and wastewater upgrade project.

### **Auckland Council Project Excellence Awards**

The awards are for projects delivered by either the Council or a CCO. There were 37 entries for awards; Watercare entered four and won three awards for Hunua 4, including the Physical Works award, Project of the year – integration award and the Project excellence supreme award.

Watercare also came Third in the Business Transformation award for the Professional Engineering Services Panel implementation and Third in the Physical Works category for the Mt Hobson Water Supply project.

### **Strategic Consents**

During the quarter, the following progress was made on a number of Watercare's strategic consents. A list of key projects is appended as Appendix C.

### **Statutory Planning**

Watercare has made a number of submissions in relation to various Acts and Plans. A list of key submissions made over the quarter is appended as Appendix D.

## **FUTURE OUTLOOK**

### **1. Tradewaste Bylaw review**

Watercare is working with staff from the Auckland Council Social Policy & Bylaws team to review the Tradewaste Bylaw. Watercare has already identified a number of improvements to the Bylaw, including clarifying some definitions to minimise confusion, reducing unnecessary regulation and strengthening grease waste management requirements. Watercare will commence the Special Consultative Procedure and will engage with key stakeholders in the research and engagement phase to receive their input and feedback on proposed changes to the Bylaw. The review process will report to the Auckland Council Regulatory Committee before 9 August 2018. It is anticipated that the statutory consultation will be completed by 30 May 2019, with the new Bylaw coming into force after that.

### **2. Section 17A Value For Money Reviews**

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

Watercare has been collaborating with Auckland Council and Auckland Transport on the s17A recommendations, which is proposed by Council to be delivered through the Auckland Waters Strategy. A joint report, outlining the feasibility and timeframe for each of the Three Waters Value for Money s17A recommendations will be presented at the 27 February 2018 Finance and Performance Committee Meeting of Auckland Council. It is intended that each recommendation under the Three Waters review will then be investigated in detail. Watercare Board and management have already undertaken cost-saving initiatives to achieve the suggested joint \$300m savings.

#### **Communications & Engagement**

Implementation of the Communications and Engagement review recommendations is being driven by Auckland Council. Watercare will continue to work together with the Auckland Council family to implement and help shape the policies, where these affect Watercare.

#### **Procurement**

In December 2017, Watercare received a draft of the Current State Assessment (the first of the three reports). Over the coming quarter, Watercare will continue to assist the Value for Money team by providing further information to help them finalise the report, including recommendations.

## PERFORMANCE MEASURES

Measure	2017/18 Target	Oct 2017	Nov 2017	Dec 2017
The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	100%	100%	100%
The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	100%	100%	100%
Average number of wet weather overflows per discharge location	≤ 2 overflows per year per engineered overflow point	Annual Measure	Annual Measure	Annual Measure
The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system	≤10	0.5	0.5	0.5
Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents	a) ≤2 b) ≤2 c) ≤2 d) ≤2	0	0	0
Median response time for attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site.	≤ 60 mins	46 mins	49 mins	51 mins
Median response time for resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	≤ 5 hours	2.8 hours	2.8 hours	2.9 hours
Median response time for attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	≤ 3 days	1.2 days	1.9 days	2.1 days
Median response time for resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	≤ 6 days	2.1 days	2.8 days	3.1 days
Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	≥80%	83.7%	83.5%	83.4%
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 the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system	≤ 10	5.1	5.1	5.1

Measure	2017/18 Target	Oct 2017	Nov 2017	Dec 2017
Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that the territorial authority receives notification to the time that service personnel reach the site	≤ 60 mins	51 mins	52 mins	51 mins
Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault	≤ 5 hours	3.2 hours	3.2 hours	3.2 hours
The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system  Expressed per 1000 connections to the territorial authority's sewerage system	≤ 50	22.4	22.4	22.3
Percentage of complaints being 'closed and resolved' within 10 working days (12 month rolling average)	≥95%	99.4%	99.4%	99.3%
Percentage of the 19 Iwi groups throughout Auckland that Watercare have entered into a Memorandum of Understanding with (target for end of FY16/17)	≥60%	Annual measure	Annual measure	Annual measure
Lost-time injury frequency rate per million hours worked (12 month rolling average)	≤5	4.14	4.11	4.1
Percentage of voluntary leavers relative to number of permanent staff (12 month rolling average)	≤12%	12.90%	12.78%	13.28%*
Total recordable injury frequency rate per million hours worked (12 month rolling average)	<20	14.19	14.11	13.48
Minimum funds flow from operations to interest cover (FFO) before any price adjustment	≥2.5	3.97	4.00	4.09
Percentage of household expenditure on water supply services relative to the average household income	≤1.5%	0.86%	0.87%	0.92%
The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	268 + / - 2.5%	273	273	276**
The percentage of real water loss from the local authority's networked reticulation system (rolling 12 month average)	≤13%	12.1%	12.3%	Two-month lag on data sourced from meter readings

\*The increasing trend in voluntary staff turnover is not unusual given the time of year and associated market activity.

\*\*The gross per capita consumption is a 12 month rolling average. The significant increase from November to December 2017 is an exceptional situation. This was due to a very hot December 2017 where water was the highest on record, and included six highest demand days ever. Gardens were watered more than normal for this time of year, and rainwater tanks were refilled from the Watercare network earlier than usual. ATEED also reported a record growth of 7% in the number of tourists visiting Auckland this summer compared to last summer.

## CONTRIBUTION TO MĀORI OUTCOMES

Initiative - Water Supply and Wastewater	How it contributes to Māori outcomes	Progress	Q2 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>	<p>Two hui were held during the quarter. The principle matters discussed included Central Interceptor progress, updates on the Manukau Hydrodynamic Model, water supply resilience of Hunua 4 and the Army Bay WWTP consent renewal, the upcoming review of the Auckland Tradewaste Bylaw and Watercare’s Fibrolite Policy.</p> <p>Discussions continued with the Council Joint Working Group on water sources for Tāmaki Makaurau.</p> <p>Research has continued on Watercare’s Māori Responsiveness Plan.</p> <p>A tour of the new BNR Facility at Mangere and of the Puketutu Biosolids were undertaken.</p> <p>One hui is planned for the third quarter.</p>	<p>\$71,730</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 water and wastewater infrastructure</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 significance to iwi, hapū and whānau</p> <p>MO7 Mātauranga Māori – Māori knowledge wisdom</p>	<p>In October, Watercare signed a relationship agreement with Te Uri o Hau Settlement Trust. This Iwi have interests in the northern fringe of the Auckland Region.</p> <p>In November, Watercare won the Kāwanatanga / Government section of the Tohu Reo Māori awards. Watercare also won the Māori and Pasifika Diversity award at the Young at Heart Awards.</p> <p>Cultural activities continued throughout the period. Watercare launched 10-12 week te reo Māori classes. The weekly classes have been fully subscribed by staff. One-on-one education continues as business needs arise.</p> <p>Several site blessings occurred during this period.</p> <p>Mahi continued in respect of Watercare projects including research for the Hunua Native Forest Regeneration Project. Relationship meetings were held with several Iwi groups regarding future plantings in the Hunua Forest. There was also a relationship meetings with Waikato Tainui regarding a second take, and meetings with Te Motu a Hiaora Trust regarding Puketutu Island.</p>	<p>\$262,704</p>

## KEY LOCAL BOARD ISSUES

Watercare and Healthy Waters came together to present information on the Western Isthmus Water Quality Improvement Programme to the Albert Eden, Waitemata, Puketapapa and Whau Local Boards and the Manukau Harbour Forum.

Waitemata and Albert Eden Local Boards were also briefed on Section 11 of the Hunua 4 Watermain project between Epsom and Khyber Pass.

Local boards were approached for feedback on the Tradewaste Bylaw review. Several local boards requested further information and Tradewaste staff visited the Papakura Local Board to discuss the review.

A workshop was held with the Hibiscus and Bays Local Board on the Army Bay Wastewater Consent renewals. Work continues with Auckland Council Parks on the Sidmouth Street Pump Station upgrades. This was followed with a site visit to Sidmouth Street pump station to discuss proposals for the pump station upgrade as well as local issues with the reserve redevelopment and surf club development proposals. Following the site visit, a joint workshop was held with the Local Board and Parks to discuss details of the proposal and agree in principal on a concept allowing Watercare to start the detailed design process.

Watercare provided evidence at Upper Harbour Local Board hearings for community leases in support of changes proposed for the NZTA northern corridor improvement works. These changes were initiated by NZTA and are also beneficial for future upgrades at the Rosedale Wastewater Treatment Plant. Upper Harbour Local Board representatives also joined NZTA and Watercare staff at a dawn blessing for the Spenser Road Bridge project.

Normal work notifications were sent to a number of local boards over the month, including Kaipatiki, regarding the Wairau Road wastewater upgrade works, and Takapuna Devonport, in relation to works on Esmonde Road as part of the Fred Thomas Drive wastewater pump station connections.

The Chair of the Mangere Otahuhu Local Board liaised with Watercare over our response to a household wastewater spill. Watercare was thanked for being proactive in response and for supporting the local family.

Watercare joined other interest groups for a joint workshop with the Maungakiekie Tamaki Local Board in response to improve water quality in Omaru Creek in the Tamaki catchment. Information was shared on local wastewater upgrades and inflow investigations.

Albert Eden, Puketapapa, Mangere Otahuhu and Whau Local Boards along the Central Interceptor route were sent advanced notice and information on the Section 181 Local Government Act letters being sent to property owners over the tunnel route. Over December, Watercare also worked with Auckland Council to finalise the landowner approvals for the Central Interceptor works in Auckland Council Parks. This represents a significant milestone in the approvals process in preparation for construction in 2019. A workshop was also held with the Manurewa Local Board on wastewater services and the Central Interceptor.

The Rodney and Franklin Local Boards were kept informed of the rural water supply situation after the dry spell in December.

A discoloured water issue was escalated via the Takapuna Devonport Local Board and was resolved in time for Christmas.

## **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 in the reporting period. The potential impact of global warming on Watercare's risk profile has long been recognised and a separate risk category has been added to the Enterprise Risks to highlight the short and long term issues which will remain under active management.

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**

Following a request from Auckland Council Audit and Risk Committee Chair, Quarterly Risk Reports are now being sent to Auckland Council. Watercare has commenced sending Quarterly Risk Reports to Auckland Council.

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

In October 2017, Watercare launched the Confidential Whistle-Blower service, which is being managed by PwC. Posters promoting the new service have been displayed around all offices and sites, and the details are available on the Staff Intranet. The Audit and Risk Committee receives regular reports on the use of the whistle-blower service.

As at 31 December 2017, 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)	87		\$80
<b>Total</b>	<b>798</b>		<b>\$755</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
798	613	87	98
Amount of Relief Approved \$	Amount of Relief Fully Earned \$	Relief Yet to be Fully Earned \$	Relief Voided due to Lapsed Unfulfilled Arrangement \$
\$755K	\$582K	\$105K	\$68K

The results of the last 3 WUCAT meetings have seen 46 applicants successfully complete the budget process and have \$46K of hardship relief approved by the Trust.

WUCAT Summary last 3 meetings		
Month	Trust approved applications	\$000's
October 2017	19	\$17
November 2017	8	\$6
December 2017	14	\$12
<b>Total</b>	<b>46</b>	<b>\$46</b>

### Restrictions

The status of restrictions as at 31 December 2017 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)	9	5	20	9	29	14
<b>TOTAL</b>	<b>97</b>	<b>86</b>	<b>136</b>	<b>96</b>	<b>233</b>	<b>182</b>
Restrictions Currently	11		40		51	

## **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 increasing resilience to the water transmission network. Geotechnical testing is complete, detailed design is nearing completion and the consent application is being lodged. Negotiations are nearing completion for construction-related property purchases. Construction is planned to commence in June 2018 and be completed by June 2020.

### **2. Army Bay Wastewater Treatment Plant Outfall Replacement and UV Plant Upgrade**

This project will increase the outfall capacity of the plant from the current 300l/s to 1900l/s catering for growth in the Hibiscus Coast area. The design build solution will see a new trenchless technology, direct pipe, being introduced into the New Zealand market. The tunnel boring machine has been manufactured in Germany and arrived in Auckland during December 2017. Drilling commences in March 2018. Project completion is due to occur in December 2018.

### **3. Wairau Eastern Rising Main**

The construction for the replacement of the Wairau Eastern Rising Main section along Wairau Road is underway with the first three tunnelling sections completed. The fourth and final section is scheduled to be completed by March 2018. This project provides a duplicate rising main from the Wairau wastewater pump station. The contractor is utilising a trenchless technology, pipe jacking, for the majority of the route to minimise disruption along this heavily trafficked corridor. Overall completion is scheduled for September 2018.

### **4. Pukekohe Trunk Sewer**

This trunk sewer has been upgraded to accommodate growth in the area and reduce overflows. The Pukekohe pump station and trunk sewer have been completed and are in service. The remaining works to be completed early in 2018 include the final commissioning of Buckland Pump station and the relining and decommissioning works of the existing trunk sewer.

### **5. Upper Glen Eden Storage Tank and Branch Sewer Upgrade**

This new storage tank and sewer upgrade is to accommodate growth and reduce overflows. The storage tank construction is complete. The construction of the associated pipelines are nearing completion despite poor ground conditions hampering progress.

### **6. Warkworth Wells Water Treatment Plant**

This project aims to 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 well under way with site civil, building, process and mechanical works well advanced. Construction of the new water treatment plant is expected to finish in autumn 2018 and the new water treatment plant is expected to be operational by mid-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 opportunity is being taken to advance works to avoid impact with other developments in the Hobsonville area and this is being prepared for award. Close co-operation continues with other major infrastructure projects which are being undertaken at Westgate, Hobsonville and the Northern Corridor, particularly with the NZ Transport Authority. The Greenhithe Bridge Watermain Duplication project is currently in tender stage, with construction also estimated to begin in 2018. The future stages of the watermain will be phased as required.

The Northern Interceptor will cater for growth in the area and enable wastewater flows which otherwise go to the Mangere 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, with construction estimated to commence in 2018. Some early works are underway in the North Shore Memorial Park development.

The procurement of the current stages of these projects are being conducted jointly to leverage process efficiency and scale benefits for both Watercare and the construction market. 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. Construction of the pump station commenced in November 2016 and civil works are now nearing completion. Installation of mechanical and electrical equipment will commence shortly. The rising main is being constructed in stages. It is complete in Pakenham St West, and in Halsey St from Pakenham St to Victoria St. Work to complete the final connection to the Orakei Main Sewer is in progress at the intersection of Wellesley and Drake Streets. The whole scheme is expected to be commissioned by early April 2018.



*Watercare's new pump station and rising main at Wynyard Quarter is nearing completion*

## **9. Central Interceptor**

A detailed summary of this project is outlined on page 8.

## **10. Mangere WWTP BNR Upgrade**

Upgrade of the existing plant was required to provide for growth and to improve the water quality discharged to the Manukau Harbour. The upgrade caters for additional 250,000 people. It will be brought into full service with some more testing and final commissioning of all ancillary processes in early 2018.

## **11. 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 with the construction tender received and under evaluation.

The design of the solid stream upgrade has commenced in November with construction currently programmed to commence in July 2018. The overall plant upgrade is due to be completed by 2020.

## **12. Pukekohe East Reservoir**

This reservoir is being constructed to increase the resilience of the water supply system to North Franklin and Auckland. The major design build package is currently out to tender with construction due to commence in 2018 and be completed in 2021.

## 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 (WWTP)**

A new sub regional wastewater treatment plant is proposed to be built on Watercare land at 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 application was lodged with Auckland Council in June 2016. The proposal includes a biological membrane filtration treatment technology which will treat wastewater to a very high level. The Auckland Council officers report supported the proposal, subject to conditions. Watercare engaged with Ngati Te Ata and Ngati Tamaoho on cultural matters related to the proposal. A hearing for the project was held in October 2017 and a consent was granted with a 35 year term in December 2017. The consent allows an 8 year lapse period, which means works do not have to commence within the normal 5 year period from consent issue date. This is a particularly important decision, with a discharge to the Manukau Harbour it provides a strong signal for the future consenting of the Mangere WWTP. The Commissioners noted that there was more than an adequate consideration of alternatives, informed by an understanding of tangata whenua values and the effects of the discharge on them. A comprehensive appeal has been lodged against the decision by The Manukau Harbour Restoration Society Incorporated. A Court date has not yet been determined but meetings are being planned with the appellant in an attempt to resolve the appeal. To meet short term growth within the nearby Special Housing Areas, a small, temporary pre-fabricated treatment plant is being procured for the existing Clarks Beach WWTP.

### **Wellford WWTP**

The Wellsford WWTP discharge consent was notified March-April 2017, and consent was obtained on 27 November 2017. Savings in the order of \$200k were achieved, as a Hearing was not required.

### **Pukekohe WWTP**

In November 2017, Waikato Regional Council granted consent for upgrades to the Pukekohe WWTP. The 35-year consent allows Watercare to service the rapidly-growing local population by more than doubling the volume of treated wastewater that can be discharged into Parker Lane Stream, which will meet contact recreational standards. The consent is the result of focused consultation with mana whenua, there being nine marae on the Waikato River who formed Te Taniwha of Waikato and the local community. The plant will undergo a \$60 million upgrade over the next four years. Stage one includes enabling works and the construction of a new activated sludge reactor with membrane bioreactors and a new UV facility. Stage two will convert the old sequential batch reactors to activated sludge reactors. The project is expected to be completed in 2021. Conditions of the consent include native riparian planting of a one-hectare area along the stream, the establishment of a community liaison group and an iwi liaison group, and five-yearly technology reviews.

## **Appendix D - Statutory Planning**

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

### **Marine and Coastal Area (Takutai Moana) Act 2011**

Watercare is working with Auckland Council lawyers in an effort to understand the potential implications of any Iwi lodged applications that recognise customary marine title or protected customary rights under the Marine and Coastal Area (Takutai Moana) Act 2011 ("MACA Act"). Existing consents and permits are protected under this Act, however future applications for new or upgraded infrastructure, and associated activities, may be impacted.

### **NZTA's Northern Corridor Improvement Proposal**

Watercare made a submission to the Upper Harbour Local Board in August in relation to NZTA's North Corridor Improvement Proposal. Watercare took this submission opportunity to reinforce its strategic intentions for the area. A Hearing was conducted in October and the final decision report was received on 14 December 2017, enabling North Harbour Hockey to relocate to the existing Rosedale Pony Club site.

### **"Sea Change" - the Hauraki Gulf/Tikapa Moana Marine Spatial Plan**

Watercare has worked with Auckland Council to consider the relevant actions that would contribute to the implementation of "Sea Change" - the Hauraki Gulf/Tikapa Moana Marine Spatial Plan. Sea Change is a non-statutory plan that has not been formally adopted by Auckland Council. Watercare has outlined the major wastewater related projects, (as stated in the 2016 Asset Management Plan) that would contribute to the improvement of water quality within the Hauraki Gulf. A report went to the Council's Environment & Community Committee meeting on 12 September 2017. As a result, a proposed work programme was approved, as well as a terms of reference and the membership of the Auckland Council Sea Change – Tai Timu Tai Hauraki Gulf Political Reference Group.

### **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, and hearings are expected to commence early to mid-2018. Proposed Plan Change Number 1A (which covers the area of Watercare's Waikato River take, and the discharge from the Pukekohe WWTP) is expected to be notified in 2018. 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 WWTP and water discharged from the Waikato WTP.

### **Auckland Council Watershed Maps**

Auckland Council's Healthy Waters did a soft launch of a series of Watershed Maps on 20 November 2017. These ten "Current State Story Maps", which cover the entire Auckland region, are part of Council's implementation of the National Policy Statement for Freshwater Management. Watercare has provided feedback during the development of these maps and associated text, which has been taken into account. These maps indicate the quality of freshwater and marine water resources within the region, and describe the many contaminant sources from various land uses that affect these waters.