Agenda for a meeting of the Water Governance Board meeting to be held in the Te Piringa Board Room, District Office, 15 Galileo Street, Ngaruawahia on **FRIDAY 22 MARCH 2019** commencing at **10.00am**.

Information and recommendations are included in the reports to assist the Committee in the decision making process and may not constitute Council's decision or policy until considered by the Committee.

GJ Ion
CHIEF EXECUTIVE

Open Meeting

To	Water Governance Board
From	Gavin Ion Chief Executive
Date	21 February 2019
Prepared by	Wanda Wright Committee Secretary
Chief Executive Approved	Y
Reference #	GOV1303
Report Title	Confirmation of Minutes

1. Executive Summary

To confirm the minutes of a meeting of the Water Governance Board held on Wednesday 20 February 2019.

2. Recommendation

THAT the minutes of a meeting of the Water Governance Board held on Wednesday 20 February 2019 be confirmed as a true and correct record of that meeting.

3. Attachments

WGB Minutes

MINUTES of a meeting of the Water Governance Board Meeting of the Waikato District Council held in the Committee Rooms 1 and 2, District Office, 15 Galileo Street, Ngaruawahia on **WEDNESDAY 20 FEBRUARY 2019** commencing at **10.29am**.

Present:

Ms R Schaafhausen (Chair)
Mr D Wright
Mr GJ Ion

Attending:

Mrs W Wright (Committee Secretary)
Mr I Cathcart (General Manager Service Delivery)
Ms C Nutt (Project Manager)
Mr K Pavlovich (Waters Manager)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Ms Schaafhausen/Mr Wright)

THAT an apology be received from Ms Colliar and Mr Dibley.

CARRIED **WGB1902/01**

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Ms Schaafhausen/Mr Wright)

THAT the agenda for a meeting of the Water Governance Board Meeting held on Wednesday 20 February 2019 be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 6 which shall be discussed with the public excluded;

AND THAT all reports be received;

AND FURTHER THAT in accordance with Standing Order 9.4 the order of business be changed with agenda item 6 *[Public Excluded]* being considered as the first item on the Agenda.

CARRIED **WGB1902/02**

DISCLOSURES OF INTEREST

It is noted that Ms Schaafhausen is the Chair of Iwi Leaders Group Freshwater.
It is noted that Mr Wright is the Chair of Wellington Water Limited.

CONFIRMATION OF MINUTES

Resolved: (Ms Schaafhausen/Mr Wright)

THAT the minutes of a meeting of the Water Governance Board Meeting held on Friday 16 November 2018 be confirmed as a true and correct record of that meeting.

CARRIED on the voices **WGB1902/08**

REPORTS

EXCLUSION OF THE PUBLIC
Agenda Item 6

The report was received *[WGB1902/02 refers]*.

Resolved: (Ms Schaafhausen/Mr Wright)

THAT the public be excluded from the meeting during discussion on the following items of business:

i. Confirmation of Minutes dated Friday 16 November 2019

REPORTS

a. Discussions with Watercare Board

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under:	Ground(s) under section 48(1) for the passing of this resolution is:
Section 7(2)(b)(i)(ii)(i)	Section 48(1)(2)(d)

b. Te Kauwhata Water Association

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under:	Ground(s) under section 48(1) for the passing of this resolution is:
Section 7(2)(b)(i)(ii)(i)	**Section 48(1)(3)(d)**

AND FURTHER THAT Mr Cathcart, Ms Nutt and Mr Pavlovich be permitted to remain in the meeting, after the public has been excluded, because of their knowledge of the subject matter.

CARRIED **WGB1902/03**

REPORTS (CONTINUED)

Delegations
Agenda Item 5.1

The report was received *[WGB1902/02 refers]* and discussion was held.

Resolved: (Mr Wright/Ms Schaafhausen)

THAT the following delegations (as amended) for the Waters Governance Board be confirmed and forwarded to Council for consideration:

- **To agree the form of the transactional arrangement with Watercare**
- **To negotiate with Watercare and recommend to Council the final contract value for waters' management**
- **To conclude the contract (after Council approval of contract value) and terms and conditions with Watercare**
- **To ensure that the arrangement with Watercare is operational by 1 July 2019 with any residual elements timetabled and noted**
- **To hold the contractor to account for their performance at all levels**
- **To monitor and oversee the performance of staff and Watercare in terms of the water activity**
- **To consider and ensure improvements and innovation are implemented by Watercare or management as appropriate**
- **Approve changes to the operation of the contract with Watercare**
- **Develop strategies to improve contractual performance or to improve business practices**
- **Develop an annual works programme (operating and capital) and submit to council for final approval**
- **To set and maintain high standards of health, safety and wellbeing practices**
- **To set and maintain standards of ethics and corporate behaviour**
- **To consider development opportunities for the Waters' business**
- **Define and set levels of service for waters management now and in the future**

- **Be accountable for the financial performance of the contract and operation**
- **Develop plans to improve the overall resilience of the waters' networks and allow for growth**
- **To consider the impact of growth on the Waters' Infrastructure**
- **Implement and monitor the risk management framework for the waters' management and activity**
- **Ensure kaitiakitanga and environmental outcomes are key decision making considerations for the Board**
- **Approve the annual and half yearly financial statements**
- **Review the Board composition, structure and succession and make recommendations to council on these matters**
- **To ensure the waters' business delivers value for the community in terms of the four wellbeings**
- **To uphold the vision and strategy of the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010**

CARRIED on the voices **WGB1902/09**

Franchise *(Circulated)*
Agenda Item 5.2

The report was received *[WGB1902/02 refers]* and discussion was held.

THAT the Project Team continue to develop the relationship with Watercare based on the mobilisation to 1 July 2019 and 2 year transition period through to long term contract starting 1 July 2021;

AND THAT the Water Governance Board confirm their support for the franchise model to be fully operational by 1 July 2021;

AND FURTHER THAT Staff report back on the operation of the rates rebate scheme and the Watercare Hardship Scheme.

The Chair requested that a copy of the risk assessment provided to the Audit & Risk Committee (on 7 December 2018) on the Waters Social Franchise Model Strategic Deep Dive Report be distributed to Board members.

Summary of discussions between the Chairs of the Waters' Governance Board and Watercare Board
Agenda Item 5.3

The report was received *[WGB1902/02 refers]* and discussion was held.

Revised Work Programme *(Circulated)*
Agenda Item 5.4

The report was received *[WGB1902/02 refers]* and discussion was held.

Resolutions WGB1902/04 – WGB1902/07 are contained in the public excluded section of these minutes.

Having resumed open meeting and there being no further business the meeting was declared closed at 1.29pm.

Minutes approved and confirmed this day of 2019.

Rukumoana Schaafhausen
CHAIRPERSON

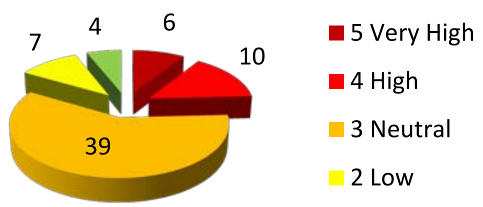
Open Meeting

To	Water Governance Board
From	Ian Cathcart General Manager Service Delivery
Date	14 March 2019
Prepared by	Carole Nutt Project Manager
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Risk Assessment Update

1. Executive Summary

As part of the transition of the three waters business to Watercare, a number of risks have been identified within each stream that need to be considered, monitored and eliminated or mitigated wherever possible. This is an ongoing process as we head towards the transition date of 1 July 2019. As at the date of this report, 73 risks have been identified and the quantity of those that remain open and scored can be summarised as follows:

Risk Ratings



2. Recommendation

THAT the report from the General Manager Service Delivery be received.

3. Discussion and Analysis

Further to the Water Social Franchise Model Strategic Deep Dive Report dated 04 December 2018 to the Audit and Risk Committee, risks on the Risk Register have been identified through a number of workshops including with:

- the Executive Leadership Team
- subject matter experts

- internal transition Stream Leads
- staff during a joint Watercare/WDC stream leads workshop
- staff in various discussions throughout the project to-date.

The risk register is a joint register put together using a combination of the Watercare and WDC risk assessment frameworks which considers the likelihood of an event occurring combined with the consequences of that event if it does occur. Both the likelihood and the consequence of each event are scored and together they provide a residual risk rating score for that particular event. A risk rating score of 1 is considered very low risk and a risk rating score of 5 is considered very high risk.

The scores of all the risks identified are summarised in the table below. Full details are recorded in the Risk Register.

	Risk Rating						
Stream	**1**	**2**	**3**	**4**	**5**	**Awaiting Scoring or closed risk**	**Grand Total**
Assets			9	6	1	2	**18**
Commercial			8	1	2	1	**12**
Customer		1	5				**6**
Finance	2	2	3	1	1	3	**12**
Health & Safety						1	**1**
Other			1				**1**
People		3	9				**12**
Procurement		1	2	1	2		**6**
Property	2						**2**
Technology			2	1			**3**
Grand Total	**4**	**7**	**39**	**10**	**6**	**8**	**73**

The following events are those that staff consider very high risk that we would like to bring to the attention of the WGB.

a) Watercare System upgrades are not ready for business on 1 July 2019. The impact of this is that Watercare staff (ex WDC staff) based in Ngaruawahia will not be able to purchase any goods or services. This is being mitigated by setting up and training Watercare staff in the use of the old Watercare SAP purchase order system.

   Procurement savings in the business case are overestimated and contract investigation shows savings will not be met. This will ultimately result in the price path not being achieved leading to stakeholder and community dissatisfaction. An external review of the accuracy of the financial modelling is being undertaken. WDC subject matter expert has some concerns that Watercare may not be able to get better prices in all instances compared with what WDC currently has. Due to legal constraints around confidentiality and sharing of prices, we have not been able to quantify that the projected procurement savings will be realised.

b) Development Agreements not put in place in a timely manner. This can result in delays with growth in the district through unavailable infrastructure and disgruntled developers. If consent has been issued for property development but infrastructure is not in place, progress will stall and may cause financial hardship to property owners and reputational risk to Council. Worst case, it can entirely derail the developers' project causing financial loss for both the developer and any prospective property owner who may have paid a deposit. Potential for rework or Council funded works where not adequately covered in a Development Agreement. Recent restructuring of council has put additional resource to creating and closing off Development Agreement discussions and continuing active dialogue with developers. Watercare are currently being briefed on outstanding Development Agreements to be involved in the process early. They will provide further expertise and assist with concluding or delivering to the agreement. By matching resource consent approval to adequate capacity being available it will also help reduce the effect of this risk.

c) A lack of knowledge, understanding and application around the Housing Infrastructure Fund. Key knowledge has left the organisation and there is a risk that business decisions will be made in isolation of the original business case leading to financial loss and the ability to afford the capital works required. It is felt that a dedicated staff member should be put in place to manage the project as well as some wider education across the Waters business to mitigate this risk. Watercare have been asked to provide a dedicated resource. In the interim WSL senior planning staff have been involved in meetings with WDC staff to ensure a smooth handover.

d) There is a risk of completing the contract too quickly. The mitigation strategy has been to "create a contract to build a contract while completing BAU."
WDC proposes a two-stage process in the Agreement, ie:
   - Firm contract terms for the 2–year Transition Period;
   - A statement of objectives and principles and a description of the process to agree the contract terms for the Operational Period. Exit arrangement available to both WDC and WSL if there is no agreement.

4. Conclusion

The Risk Register is a living document and will continue to be updated and monitored throughout the project.

5. Attachments

N/A

Open Meeting

To	Water Governance Board
From	Ian Cathcart General Manager Service Delivery
Date	15 March 2019
Chief Executive Approved	Y
Reference #	WGB2019
Report Title	Reporting to the Waters Governance Board

1. Executive Summary

This report is to show options considered for contractual reporting of the Watercare Services Ltd (WSL) Three Waters business to the WGB. The report briefly summarises the options considered.

2. Recommendation

THAT the report from the General Manager Service Delivery be received for consideration;

AND THAT any recommendations from the WGB be collated and added to the contract reporting structure.

3. Discussion

The contract has an "arms distance" element to it to allow for Watercare to innovate and use their existing Auckland based systems to add value.

Acknowledging the above the WGB requires confidence that:

1. Waikato District Council water customers are receiving safe water
2. WSL are operating compliant water and wastewater operations
3. The assets are being maintained to meet contractual obligations
4. Achieving the lowest price of water services to the community is balanced with risk and compliance

Watercare are governed by Section 57 and 58 of the Local Government (Auckland Council) Amendment Act (extracts below). These principles underpin our approach to the contract as they are the way Watercare operate their business. In this unique public entity to public entity relationship it is important that we are delivering sustainable value to the Waikato District.

Part 5
Water supply and wastewater services for Auckland

Part 5: added, on 1 November 2010, by section 31 of the Local Government (Auckland Council) Amendment Act 2010 (2010 No 36).

57 Obligations of Auckland water organisation

(1) An Auckland water organisation—

(a) must manage its operations efficiently with a view to keeping the overall costs of water supply and waste-water services to its customers (collectively) at the minimum levels consistent with the effective conduct of its undertakings and the maintenance of the long-term integrity of its assets; and

(b) must not pay any dividend or distribute any surplus in any way, directly or indirectly, to any owner or shareholder; and

(c) is not required to comply with section 68(b) of the Local Government Act 2002; and

(d) must have regard for public safety (for example, the safety of children in urban areas) in relation to its structures.

(2) However, subsection (1)(b) does not prevent an Auckland water organisation from making a taxable bonus issue (as defined in section YA 1 of the Income Tax Act 2007).

Section 57: added, on 1 November 2010, by section 31 of the Local Government (Auckland Council) Amendment Act 2010 (2010 No 36).

58 Auckland water organisation must give effect to LTP and act consistently with other specified plans and strategies of Council

(1) An Auckland water organisation must give effect to the relevant aspects of the LTP.

(2) An Auckland water organisation must act consistently with the relevant aspects of any other plan (including a local board plan) or strategy of the Council to the extent specified in writing by the governing body of the Council.

(3) However, nothing in this section or section 92 authorises non-compliance with section 57 by an Auckland water organisation.

Section 58: added, on 1 November 2010, by section 31 of the Local Government (Auckland Council) Amendment Act 2010 (2010 No 36).
Section 58 heading: amended, on 27 November 2010, by section 50 of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).
Section 58(1): amended, on 27 November 2010, by section 50 of the Local Government Act 2002 Amendment Act 2010 (2010 No 124).

The following table is an initial summary of a reporting framework for the WGB.

The table is a work in progress and circulated for the purpose of discussion and feedback to inform the content of the contract.

Internal stakeholder workshops will be held to inform the detailed content such that it reflects what WDC/WGB as the client requires to meet its needs under the contract.

Report Frequency	Report Name	Report Purpose and Detail	Required for WGB sign off as satisfactory (SO) or for information (INF)
By Exception	Worksafe Notification	Safety concern	INF
	Failure of drinking water quality	Public health risk where report made to the District Health Board	INF
	Significant discharge of wastewater	Serious environmental incident where report made to Waikato Regional Council	INF
Quarterly (WGB meeting reports)	Risk Report	Regular update of the partnership risk profile	SO
	AMP Projects of significance	Strategic projects or projects above a threshold value	SO
	Strategic Resource Consent Application updates	Outlining progress, risk and costs	SO

Report Frequency	Report Name	Report Purpose and Detail	Required for WGB sign off as satisfactory (SO) or for information (INF)
Annually	Customer Survey	Checking the way our customers perceive the services	SO
	Operations and Innovation Report	Detailing Operational and innovation complete and planned in the areas of: • Networks • Treatment • Customer Service • Safety and Environment • Internal Audit reports	SO
	Emergency Response Plan Annual Exercise	Report demonstrating emergency management process and readiness in place for the Waikato District	SO
	Annual Compliance Audit	Third party audit of the Operational Services (see notes below for content)	SO
3 yearly	Light AMP review	Confirm AMP is meeting needs for growth and compliance. Short report highlighting compliance or concerns rolling into following 6 yearly review cycle.	SO
	Business Continuity Plan	To best practice	SO
	Disaster Recovery Plan	Including drought contingency plan	SO
6 yearly	Asset Condition Assessment	Compliant with the methodology and proving contract compliance	SO
	Asset Management Plan	To meet a determined level of service and informing the price setting process in the Operational Periods	SO
	Price setting submission	Provided to the WGB as regulator of price for water services	SO

Note: Explore the idea of a **Waikato Engagement Plan** to bring a focus to local engagement with IWI, youth and all stakeholders as a formal part of the contract.

<u>Annual Audit Process:</u>

An external auditor will be engaged by WDC to complete an annual compliance audit of the contract. (Costs recharged to the contract)

The following areas are subject to audit. The final reports will be provided to the WGB to sign off the contract as compliant or non-compliant at their sole discretion.

Audit Area	**Audit focal points**
Safety and Wellbeing	Safety Management Plan compliance
	Safety reporting TBD
	Safety investigations TBD
	Safety leadership TBD
Financial	AMP project price benchmarked for value
	Financial 2
	Financial 3
	Financial 4
Performance/Compliance/Customer	Customer Charter/Contract compliance 1
	Customer Charter/Contract compliance 2
	Confirm Drinking Water standards compliance
	Confirm Resource Consent compliance
	Qualifications of staff
	Performance 6
Asset condition	Asset vesting process followed and all assets vested in WDC
	Asset quality – select random sites to demonstrate assets repaired to [standard]
	Vested assets constructed to required [standard]
	Assets 4
	Assets 5

Note: Final audit areas to be determined after discussion between WDC and WSL

4. CURRENT STATUS

The contract is being developed and discussion will inform the content to ensure the WGB have adequate visibility and control of the service provision.

5. ATTACHMENTS

N/A

Open Meeting

To	Water Governance Board
From	Ian Cathcart General Manager Service Delivery
Date	14 March 2019
Prepared by	Carole Nutt Project Manager
Chief Executive Approved	Y
Reference #	WGB2019
Report Title	Charter for the Staff Update

1. Executive Summary

This report is to give the Board an update on the process and progression of a staff developed charter for how Watercare and Waikato District Council will work together and charter the three waters business relationship going forward.

2. Recommendation

THAT the report from the General Manager Service Delivery be received.

3. Discussion

At the joint Watercare/Waikato District Council stream workshop held at Hopuhopu in early February, teams were asked to identify what they thought were the guiding key principles and purposes of a charter for the ongoing business relationship. The information from the teams was collated and consolidated into a survey that has been sent out to all stream leads and stream support people. They were asked to rank the key principles and purposes identified at the workshop. This survey closes on 18 March and the summarised results are intended to be presented at the Waters Governance Board meeting on the 22nd of March 2019.

Below are the themes that came out of the workshop for the Charter:

Principles - We will…

- Be responsive to all customers, keep our customers at the heart of what we do, provide value for our customers, do what we say we'll do, offer best solutions, be proactive not reactive, do things for the greater good
- Go home safe, recognise our people are our greatest asset, treat each other as equals, challenge positively, focus on what's right not who's right, follow the charter

- Have a problem solving focus, be open to innovation, have a future-proof mind set, work collaboratively, get shit done (make it happen), champion environmental stewardship, provide industry leadership
- Be transparent, be accountable, act with integrity, be open and forthcoming, be mindful and considerate, do it right, meet our commitments, do things for the greater good.

Purpose:

- Offer employment opportunities, provide a safe community, be connected with the community, deliver safe water, have reliable assets
- Work in partnership, drive innovation, be world class, improve the environment, be an industry role model
- Keep our staff safe, transparent between parties, have common goals, are engaged, are energetic, leverage WSL skills and expertise
- Be transparent to customers, give quality service, fair and equitable, provide efficiency, deliver a seamless experience, we do it right
- Growing our community and ourselves: Improve the economy, manage growth

4. CONCLUSION

The bringing together of a charter has encouraged understanding and buy-in to the partnership and our aspirations for involvement in the community. The charter is intended to provide direction and expectations of the ongoing business relationship. It will form the basis of the culture we will build together.

Following consolidation of the survey results, the final output of the charter is expected to be in poster form and proudly displayed at both Watercare and Waikato District Council offices.

5. ATTACHMENTS

N/A

Open Meeting

To	Water Governance Board
From	Gavin Ion Chief Executive
Date	18 March 2019
Prepared by	Wanda Wright Committee Secretary
Chief Executive Approved	Y
Reference	GOV1301
Report Title	Exclusion of the Public

1. Executive Summary

To exclude the public from the whole or part of the proceedings of the meeting to enable the Board to deliberate and make decisions in private on public excluded items.

2. Recommendation

THAT the report of the Chief Executive be received;

AND THAT the public be excluded from the meeting to enable the Board to deliberate and make decisions on the following items of business:

Confirmation of Minutes dated 20 February 2019

REPORTS

a. MOU Update - verbal

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under:	Ground(s) under section 48(1) for the passing of this resolution is:
Section 7(2)(h) **Section 7(2)(i)**	**Section 48(1)(3)(d)**

b. Contract Update

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under:	Ground(s) under section 48(1) for the passing of this resolution is:
Section 7(2)(b)(i)(ii) Section 7(2)(i) Section 7(2)(j)	Section 48(1)(3)(d)

c. Transition Budget Update

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under:	Ground(s) under section 48(1) for the passing of this resolution is:
Section 7(2)(b)(i)(ii) Section 7(2)(i) Section 7(2)(j)	Section 48(1)(3)(d)

d. Status of Waters' Governance Board

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under:	Ground(s) under section 48(1) for the passing of this resolution is:
Section 7(2)(i)	Section 48(1)(3)(d)

3. ATTACHMENTS

Nil