

WATERCARE SERVICES LIMITED

AGENDA | Board meeting | 18/10/2016

Venue	Watercare Services Limited, 73 Remuera Road, Newmarket
Time	11:00am

Open Public Meeting

Item	Spokesperson	Action sought at governance meeting	Supporting Material
1. Apologies	Chair	<ul style="list-style-type: none"> Record Apologies 	
2. Minutes of Meeting	Chair	<ul style="list-style-type: none"> Approve Board Meeting Minutes 29 September 2016 	Minutes 29 September 2016
3. Matters Arising	Chair	<ul style="list-style-type: none"> Note matters arising 	Matters Arising
4. Directors' Corporate Governance Items	Chair	<ul style="list-style-type: none"> Corporate Planner and Work Plan Review Disclosure of Interests (Directors & Executive Management) 	Corporate Planner and Work Plan Disclosure of Interests
5. Chief Executive's Report and Scorecard	R Jaduram	<ul style="list-style-type: none"> Receive report 	Chief Executive's Report
6. Annual Performance Against Statement of Intent	R Chenery	<ul style="list-style-type: none"> Receive report and presentation 	Report and presentation
7. Cyber Security Review	A Miller	<ul style="list-style-type: none"> Receive report 	No pack content
8. Technical presentation: Wastewater – Energy Neutrality	S Morgan	<ul style="list-style-type: none"> Receive presentation 	No pack content
9. Redoubt Road – security of supply	T Hawke	<ul style="list-style-type: none"> Receive presentation 	No pack content
10. General Business	Chair		

Date of next Meeting – 14 November 2016

Location – Watercare Newmarket, 73 Remuera Road, Newmarket

MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Watercare Services Limited, 73 Remuera Road, Remuera, Auckland
DATE	29 September 2016
TIME	11:00
STATUS	Open Session

	Present:	In Attendance:	Public in Attendance:
	D Clarke (Chairman) N Crauford M Devlin B Green P Drummond C Harland J Hoare D Thomas I Cronin-Knight (Board Observer)	M Bourne M Bridge R Chenery R Fisher A Miller B Monk (Acting Chief Executive) D Hawkins P Perera D Sellars J Simperingham S Webster	None
1.	Apologies: M Allen T Lanigan R Jaduram		
2.	Minutes of Previous Meeting <ul style="list-style-type: none"> The Board resolved that the Minutes of the public section of the Board meeting held on 31 August 2016 at 10:30 be confirmed as correct. 		
3.	Matters Arising <ul style="list-style-type: none"> The Matters Arising were noted. 		
4.	Directors Corporate Governance Items <ul style="list-style-type: none"> Corporate Planner and Work Plan 2016 The corporate planner and work plan was noted. Disclosure of Interests The Reports on the Disclosures of Interest were reviewed. 		
5.	Chief Executive's Report and Scorecard Scorecard <ul style="list-style-type: none"> Catherine Harland requested clarification of item 2b in the scorecard, relating to the average number of wet weather overflows per discharge location, and also item 5g regarding the net surplus/deficit before tax against budget YTD (\$ millions). Chief Executive's Report <ul style="list-style-type: none"> Customer Focus Watercare implemented the Voice of the Customer (VOC) to replace the previous survey of 400 customers per month over the phone. VOC is now surveying over 1000 customers each month, feedback is reviewed, key trends identified, the root cause is analysed and improvements made. The Board will receive a presentation on the VOC at the November Board meeting and thereafter on a quarterly basis. 		

	<ul style="list-style-type: none"> • Infrastructure Programme The infrastructure programme is on target year-to-date and it is expected to deliver \$304m against a budget of \$303m by year-end. • Food and Grocery Council Visit to Mangere Wastewater Treatment Plant Watercare hosted members of the Food and Grocery Council on a visit of the Mangere Wastewater Treatment Plant. The group included major manufacturers of wet wipes and similar products. The tour highlighted the issues that wet wipes cause to the wastewater system, and was a good opportunity to open dialogue with manufacturers on the prevention of wipes and similar products being disposed in the sewerage system. Discussions held immediately after the tour were positive. Katharine Rich, the CEO of the Food and Grocery Council, committed to raising the issue with the wider membership and gauging support on labelling and public awareness of the correct disposal of wipe products. • Finance Brian Monk advised that with the increase in construction activity, IGC revenue at \$15m in the first two months of the financial year was ahead of budget. Water and wastewater revenues were also up, most likely because of the continuing increase in the population of Auckland. Management continue to work with key customers on demand management measures. Year-to-date operating expenses were favourable to budget and the business is on track to make savings of \$5m. • Communications The Board received a presentation of the video entitled “Day in the Life – Faults Services Advisor, Talita Mavae.” This video is one of nine videos in the Day of the Life series, and five videos in the series are available on the website. Over 350 surveys were sent to properties on streets where Hunua 4 was constructed. People had been asked if they wished to receive daily emails on the progress of the works and these were commented on favourably by many of those surveyed. Access to individual properties during construction is an issue and the survey provided some learnings for future projects. A workshop for the new Council will be planned for the first quarter of 2017. • Havelock North Water Contamination Event Watercare made an offer of assistance to the Hastings District Council (HDC) following a major water supply contamination event that resulted in over 5,000 cases of illness in the Havelock North Water Supply area. The contamination of the three Brookvale Road bores (Havelock North’s raw water sources) has contributed to the single largest drinking water quality incident in New Zealand’s history. Following discussions with HDC, two mobile ultra violet light (UV) dosing systems were constructed within five days of the request. Site installation was cancelled by HDC following a decision to supply chlorinated water from the Hastings system (previously non-chlorinated) to the Havelock North system. Further assistance in the development of a water treatment solution for the Brookvale Road raw water sources has been requested by HDC. Watercare continues to offer assistance noting that the decisions are for the HDC to make. Consideration is being given to withdrawing the UV plants given the HDC has not utilised them.
6.	<p>General Business</p> <ul style="list-style-type: none"> • There was no general business. • The meeting was closed at 11:35.

CERTIFIED AS A TRUE AND CORRECT RECORD

David Clarke
Chairman

Matters Arising from Watercare Board Meeting – Public Session

	Ongoing Matters Arising	Board Meeting	Action By	Due Date	Status
1	Update on Havelock North Water Quality Event	31/08/16	S Cunis	29/09/16	Complete

WATERCARE BOARD PLANNER 2016

	2016											
	January	February	March	April	May	June	July	August	September	October	November	December
Board Meeting		3 Feb Newmarket	3 March - Workshop Newmarket 1 April Rosedale WWTP	20 April Newmarket	24 May Newmarket*	27 June Newmarket	1 August Newmarket	31 Aug Newmarket	29 Sept Newmarket	18 Oct Newmarket*	14 November Newmarket	13 December Huia WTP
Health and Safety Committee Workshops			14 March Newmarket			28 June Ardmore WTP 2pm		26 August Newmarket 11am			1 November Mangere WWTP	
Health and Safety Site Visits			1 April Rosedale WWTP			28 June Ardmore WTP		26 August Hunua 4			1 November Mangere WWTP BNR Project	13 December Huia WTP
Audit and Risk Committee Meeting		3 Feb Newmarket (before Board meeting)			5 May Newmarket		^1 August Newmarket (before Board meeting)	22 Aug Newmarket		28 October Newmarket		
Capital Projects Working Group		3 Feb Newmarket (after Board meeting)			23 May Newmarket			31 Aug Newmarket (after Board meeting)			14 Nov Newmarket (after Board meeting)	
Remuneration and Appointments Committee		5 Feb Newmarket		20 April Newmarket (before Board meeting)		27 June Newmarket (before Board meeting)		24 August Newmarket 4 - 6pm		18 October Newmarket (before Board meeting)		
Statement of Intent		Approval of Draft 2016-2019 SOI	1 March Draft SOI to shareholder		Present shareholder SOI feedback at public meeting	Final 2016-2019 SOI issued to shareholder						2017/18 Letter of Expectation to be received
Shareholder Interaction			1 March - Quarterly Briefing to CCO Governance & Monitoring Committee		31 May 2016 - Replaces quarterly briefing				6 Sept - Quarterly Briefing to CCO Governance & Monitoring Committee		11 Nov Q1 report due to CCO Governance and Monitoring Committee	
Key Finance Decisions						27 June Approval of 2016/17 Budget						
Other		Qtr Statutory Compliance Reporting		Qtr Statutory Compliance Reporting				Qtr Statutory Compliance Reporting		Qtr Statutory Compliance Reporting		

* Statutory public Board meeting - deputations invited

^ Extraordinary Audit & Risk and Board Meeting to meet shareholder half year and annual report timeline

Board Work Plan 2016

		February	March		April	May	June	July	August	September	October	November	December
Board Meeting Date		3-Feb	3-Mar (Workshop)	1-Apr	20-Apr	24-May	27-Jun	1-Aug	31-Aug	29-Sep	18-Oct	14-Nov	13-Dec
Governance	Charter Reviews											a) Review of Corporate Governance Charter and Committee Charters, b) Audit & Risk Charter Annual Review (Audit & Risk)	
	Policy Reviews				Treasury Policy Review								
	Delegations											Annual Review of Board Delegations to CE	
	Risk Reviews					Technology - Control and business systems cyber intrusion	Health and Safety - Process safety (loss of containment, fire and explosion) at major facilities	Quarterly risk report	Health and Safety - Significant operational hazards (confined spaces, working with vehicles and plant)	Service Delivery - Water sources / treatment capacity to meet water yield / 3 day peak demand	Quarterly risk report	People - Failure to attract and retain sufficient skilled and qualified resources	Key medium risks - all areas
	Compliance	Statutory Compliance Reporting			Statutory Compliance Reporting			Statutory Compliance Reporting			Statutory Compliance Reporting		
	Shareholder Interaction	CCO Quarterly Reporting					CCO Quarterly Reporting			CCO Quarterly Reporting			
	Board Performance												
Board Education	Board Training & Development												
	Technical Presentations						Wastewater: Digestors and Thermal Hydrolysis			Water: Waikato Water Treatment Plant and Huia Sludge Improvements	Wastewater: Energy Neutrality	Wastewater: Technology Solutions for Non-Metropolitan Wastewater Treatment Plants	
Business Strategy	Strategic Planning		Refresh Strategic Framework				2016/17 Business Plan						
	Strategic Programme Updates			Programme Update: Non-Revenue Water		Programme Update: Customer Focus		Programme Update: Business Excellence / People & Capability		Programme Update: Financial Responsibility		Programme Update: Customer Focus	
Business Planning	Key Finance Decisions	Final financial projections for draft Auckland Council 2016/2017 Annual Plan					Approve 2016/2017 budget	Approve year end accounts (Council Pack)	Approve Annual Report				
	Statement of Intent	Approve Draft 2016-19 SOI	Draft SOI submitted to Auckland Council by 1 March		Feedback on Draft SOI received from Auckland Council by 30 April		Approve final 2016-19 SOI for submission to Auckland Council		Auckland Council formally adopts draft SOI				
	Business Planning Approvals											a) Approve 2017 Internal Audit Plan b) Approve 2017 Insurance Programme Approach	
	Major Capex Project Approvals	Details to follow											

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests

Date: 11 October 2016

Section 140 of the Companies Act 1993 requires disclosure of interests of a director to the Board.

Set out below are the disclosures of interests received as at the date of this report.

Director	Interest
David Clarke	<ul style="list-style-type: none"> – Chairman, TRG Group Ltd – Radiology Services – Chairman, Skin Institute Limited – Director, Hynds Ltd – Chairman, Health Alliance NZ Limited – Chairman, Jucy Group Limited – Chairman, Predictive Medical Data Analytics Limited
Peter Drummond	<ul style="list-style-type: none"> – Chairman, Appliance Connexion Ltd – Chairman, Watercare Harbour Clean Up Trust – Chairman, Variety Medical Missions South Pacific – Director, NARTA New Zealand Ltd – Director, NARTA International PTY Ltd – Director, Fire Services Commission – Director, Port Marlborough New Zealand Limited – Director, Ngati Awa Group Holdings Limited
Catherine Harland	<ul style="list-style-type: none"> – Director, McHar Investments Ltd – Director, Interface Partners Ltd – Trustee, One Tree Hill Jubilee Educational Trust – Member, Auckland Regional Amenities Funding Board – Member, Water Allocation Technical Advisory Group
Tony Lanigan	<ul style="list-style-type: none"> – Director and Shareholder, A G Lanigan & Associates (2007) Limited – Director, Habitat for Humanity New Zealand Limited – Director and Shareholder, Lanigan Trustee Limited – Director and Chair, New Zealand Housing Foundation Limited – Director, Tamaki Makaurau Community Housing Limited – Member, Ministry of Health Hospital Redevelopment Partnership Group for Canterbury – Member, Ministry of Health Southern Partnership
Mike Allen	<ul style="list-style-type: none"> – Director, Coats Group PLC – Director, Godfrey Hirst Australia and related companies – Shareholder, Innoflow – Director, Tainui Group Holdings Limited – Director, Breakwater Consulting Limited – Director, China Construction Bank (New Zealand) Limited – Chairman, Investore Properties Limited – Director, Taumata Forests Limited

Julia Hoare	<ul style="list-style-type: none"> - Director, AWF Madison Group Limited - Director, New Zealand Post Limited - Deputy Chairman, The A2 Milk Company Limited - Director, Port of Tauranga Limited - Member, Auckland Committee, Institute of Directors - Member, Advisory Panel to External Reporting Board - Member, Institute of Directors National Council
Nicola Crauford	<ul style="list-style-type: none"> - Director, Environmental Protection Authority - Member of Electoral Authority - Cooperative Bank Limited - Senior Consultant - WorleyParsons New Zealand Ltd - Director and Shareholder - Riposte Consulting Limited - Director and Shareholder - Martin Crauford Limited - Director, Wellington Water Limited - Director, Orion New Zealand Limited - Member, Local Government Risk Management Agency Establishment Board - Chairman, GNS Science International Limited - Deputy Chairman, Fire Services Commission
David Thomas	<ul style="list-style-type: none"> - Chairman, Ngati Whakaue Tribal Lands Inc - Chairman, Gypsum Board Manufacturers of Australasia - Shareholder / Employee, Fletcher Building Limited - Director, New Zealand Ceiling & Drywall Supplies Limited - Director, Fanalco Limited

RECOMMENDATION

That the report be received.

Approved by:



R Jaduram
Chief Executive

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests – Executive Management

Date: 11 October 2016

Executive	Interest
Raveen Jaduram	Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust Steering Committee Member – Business Leaders' Health and Safety Forum
Rob Fisher	Deputy Chairman - Middlemore Foundation President - Auckland University Rugby Football Club Trustee - Watercare Harbour Clean Up Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust
Brian Monk	Deputy Chairman - MIT Chairman Audit and Compliance Committee - MIT Trustee - Watercare Harbour Clean Up Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust Director – EnterpriseMIT Ltd
Steve Webster	Director – Howick Swimgym Limited
Marlon Bridge	Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust
Martin Smith	Director – Heatley Smith Limited
Shayne Cunis	Nil
David Hawkins	Nil
Adrienne Miller	Nil
David Sellars	Nil
Rebecca Chenery	Nil

RECOMMENDATION

That the report be received.

Approved by:



R Jaduram
Chief Executive

Board - Public Session - Chief Executive's Report and Scorecard

WATERCARE SCORECARD 2016/17																						
On budget, on time, within		Unfavourable but within parameter		Major issue, needs attention		SOI	2016/17 Target	Amber Threshold	Red Threshold	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
1 Safe and Reliable Water																						
1a	The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	☑	100%	n/a	<100%		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1b	The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	☑	100%	n/a	<100%		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1c	Percentage compliance with MoH drinking water standards		100%	n/a	<100%		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1d	Percentage of metropolitan water treatment plants achieving Grade A (annual measure)		100%	n/a	<100%		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1e	Percentage of metropolitan water supply reticulation achieving Grade A (annual measure)		100%	n/a	<100%		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1f	Percentage of non-metropolitan water treatment plants achieving Grade A (annual measure)		50%	n/a	<45%		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1g	Percentage of non-metropolitan water supply reticulation achieving Grade A (annual measure)		50%	n/a	<25%		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1h	Percentage of unplanned water shutdowns restored within five hours (12 mth rolling average)		≥95%	93% to <95%	<93%		96%	96%	96%	96%	96%	96%	96%	96%	95%	95%	95%	95%	95%	95%	94%	94%
1i	Number of unplanned water interruptions per 1000 connected properties (12 mth rolling average)		≤10	>10 to 12	>12		6.2	5.9	5.6	5.5	5.4	5.4	4.9	4.8	4.7	4.6	4.5	4.6	4.5	4.6	6.3	6.3
1j	Unrestricted demand - metropolitan		Unrestricted	Subjective	Restrictions apply		Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
1k	Unrestricted demand - non-metropolitan		Unrestricted	Subjective	Restrictions apply		Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
2 Healthy Waterways																						
2a	Number of dry weather sewer overflows per 100km of wastewater pipe length per year (12 mth rolling average)		≤5	>5 to 7	>7		1.91	1.81	1.99	1.99			2.14	2.21	2.16	2.16	2.20	2.29	2.26	2.26	2.26	2.26
2b	Average number of wet weather overflows per discharge location	☑	≤2 overflows per year per engineered overflow point	Low risk non-compliance	High risk non-compliance													0.69	Projected	Projected	Projected	Projected
2c	The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system	☑	≤10	>10 - ≤15	>15		0.04	0.03	0.05	0.05	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.04	0.4	0.4	0.4	0.4
2d	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	n/a	>2 (for any)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2e	Number of sewer bursts and chokes per 1000 properties (12 mth rolling average)		≤10	>10 to ≤12	>12		7.00	6.60	6.70	6.60	6.50	6.30	6.40	6.40	6.00	5.80	6.10	6.40	6.60	6.60	6.60	6.60
2f	Percentage of wastewater discharged that is compliant with consent discharge requirements for metropolitan areas		100%	98 to <100%	<98%		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2g	Percentage of wastewater discharged that is compliant with consent discharge requirements for non-metropolitan areas		35%	n/a	<35%		88%	87%	88%	88%	88%	89%	88%	88%	88%	88%	88%	88%	89%	94%	90%	90%
3 Customer Satisfaction																						
3a	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	>60 - ≤90 mins	>90 mins		35 mins	35 mins	36 mins	37 mins	37 mins	39 mins	41 mins	42 mins	43 mins	44 mins	44 mins	44 mins	43 mins	43 mins	43 mins	43 mins
3b	Median response time for resolution of urgent calls-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	>5 - ≤8 hours	>8 hours		1.6 hours	1.6 hours	1.7 hours	1.8 hours	1.9 hours	2.1 hours	2.4 hours	2.7 hours	2.8 hours	3.0 hours	3.0 hours	3.0 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours
3c	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	>3 - ≤5 days	>5 days		1.3 days	1.8 days	1.9 days	2.1 days	2.1 days	2.2 days	2.6 days	2.8 days	2.9 days	3.0 days	3.0 days	2.9 days	2.9 days	2.9 days	2.9 days	2.9 days
3d	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	>6 - ≤8 days	>8 days		2.7 days	2.9 days	3.0 days	3.1 days	3.1 days	3.2 days	3.6 days	3.9 days	4.1 days	4.8 days	4.3 days	4.3 days	4.3 days	4.4 days	4.4 days	4.4 days
3e	Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	☑	≥80%	≥75% to <80%	<75%		86.0%	85.3%	85.1%	85.0%	84.8%	84.7%	84.9%	84.4%	84.4%	84.2%	84.3%	80.8%	80.9%	80.9%	80.9%	80.9%
3f	The total number of complaints received by the local authority about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues expressed per 1,000 connections to the local authority's networked reticulation	☑	≤10	>10 - ≤15	>15		6.9	6.7	6.5	6.3	6.0	5.8	5.7	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
3g	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	>60 - ≤90 mins	>90 mins		41 mins	41 mins	41 mins	42 mins	42 mins	44 mins	44 mins	45 mins	46 mins	47 mins	47 mins	47 mins	47 mins	47 mins	47 mins	48 mins
3h	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	>5 - ≤8 hours	>8 hours		2.3 hours	2.4 hours	2.4 hours	2.4 hours	2.4 hours	2.5 hours	2.7 hours	2.7 hours	2.8 hours	2.9 hours	2.9 hours	2.9 hours	2.9 hours	2.9 hours	2.9 hours	3.0 hours
3i	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 1,000 connections to the territorial authority's sewerage system	☑	≤50	>50 - ≤75	>75		20.7	20.7	20.8	20.8	20.8	20.8	20.8	20.9	21.1	20.8	21.3	21.3	21.7	21.7	21.7	21.7
3j	Number of water quality complaints (taste, odour, appearance) per 1,000 water supply connections (12 mth rolling average)		≤5	>5 to ≤5.5	>5.5		4.90	4.70	4.60	4.40	4.10	3.90	3.80	3.80	3.70	3.70	3.60	3.70	3.60	3.70	3.70	3.70
3k	Percentage of complaints being 'closed and resolved' within 10 working days (12 mth rolling average)	☑	≥95%	≥90% to <95%	<90%		98.2%	97.4%	97.4%	97.1%	96.8%	97.0%	96.2%	95.6%	95.1%	93.50%	92.80%	92.20%	92.90%	92.90%	92.90%	92.90%
3l	Percentage of the 19 lwi groups throughout Auckland that Watercare have entered into a Memorandum of Understanding with (target for end of FY16/17)	☑	≥60%																	15.70%	15.70%	15.70%

Board - Public Session - Chief Executive's Report and Scorecard

WATERCARE SCORECARD 2016/17																						
On budget, on time, within		Unfavourable but within parameter		Major issue, needs attention		SOI	2016/17 Target	Amber Threshold	Red Threshold	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
4 Health, Safety and Wellbeing																						
4a	Lost-time injury frequency rate per million hours worked (12 month rolling average)	<input checked="" type="checkbox"/>	≤5	5 - 7	>7		5.23	4.63	3.55	2.99	3.03	3.06	3.73	3.75	2.51	1.92	1.9	1.27	1.27			
4b	Percentage of total hours absent due to illness (12 mth rolling average)	<input checked="" type="checkbox"/>	≤2.5%	>2.5 to 3.5%	>3.5%		2.15%	2.14%	2.15%	2.16%	2.14%	2.12%	2.12%	2.11%	2.14%	2.18%	2.19%	2.15%	2.18%			
4c	Percentage of voluntary leavers relative to number of permanent staff (12 mth rolling average)	<input checked="" type="checkbox"/>	≤12%	>12 to 14%	>14%		11.45%	11.28%	11.72%	12.30%	12.01%	12.45%	11.92%	12.32%	12.74%	12.92%	12.15%	12.54%	12.18%			
4d	Total recordable injury frequency rate per million hours worked (12 month rolling average)	<input checked="" type="checkbox"/>	<30	>30 to <33	>33		16.86	16.80	17.05	15.53	15.73	15.90	18.02	16.90	14.42	23.02	23.48	22.85	18.35			
5 Financial Responsibility																						
5a	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	<input checked="" type="checkbox"/>	≥2.5	2.4 to <2.5	<2.4		3.62	3.62	3.56	3.63	3.71	3.65	3.69	3.69	3.71	3.71	3.89	3.94	3.92			
5b	Percentage of household expenditure on water supply services relative to the average household income	<input checked="" type="checkbox"/>	≤1.5%	1.2 to <1.5	>1.5		0.83%	0.83%	0.84%	0.84%	0.85%	0.85%	0.85%	0.85%	0.86%	0.86%	0.86%	0.87%	0.87%			
5c	Water & wastewater revenue against budget YTD %		≥100%	≥98% to <100%	<98%		101%	102%	102%	102%	102%	102%	102%	102%	102%	102%	102%	101%	101%			
5d	Infrastructure growth charge revenue against budget YTD %		≥100%	≥95% to <100%	<95%		114%	102%	91%	94%	103%	105%	104%	102%	105%	108%	115%	125%	113%			
5e	Controllable costs against budget YTD %		≤100%	>100 to ≤102%	>102%		93%	93%	94%	95%	94%	95%	95%	95%	97%	99%	94%	97%	95%			
5f	Total contribution against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m		13.72	17.74	18.62	22.06	30.99	30.11	31.35	33.40	35.65	37.55	4.80	6.84	7.88			
5g	Net surplus / deficit before tax against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m		-27.62	-21.55	-20.52	4.06	-24.71	-64.68	-73.74	-73.92	-77.60	-108.02	-21.05	-23.37	-15.53			
5h	Total net borrowing against budget YTD (\$ millions)		Negative	\$0.1m to \$10m	> \$10m		-21.90	-40.20	-46.10	-51.30	-52.70	-72.00	-89.10	-92.70	-105.30	-92.00	10.60	14.70	9.80			
6 Fully Sustainable																						
6a	The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	<input checked="" type="checkbox"/>	270 + / - 2.5%	270-x<276	>276		271	271	272	273	272	272	272	272	273	272	272	273	273			
6b	Per capita consumption (litres / person / day) - Residential Monthly PCC		Information only				151	156	161	165	168	169	164	158	155	153	151			Reporting lag - data sourced from meter readings		
6c	Non-Domestic Monthly Water Volume		Information only				2,846,259	3,117,438	3,134,161	3,191,872	3,174,802	3,244,017	3,305,826	3,081,359	3,137,157	2,970,236	2,910,688			Reporting lag - data sourced from meter readings		
6d	Non-Revenue Water Percentage		Information only				16.8%	16.8%	16.7%	17.0%	16.7%	16.9%	16.7%	16.6%	16.6%	16.6%	16.8%			Reporting lag - data sourced from meter readings		
6e	The percentage of real water loss from the local authority's networked reticulation system (rolling 12 mth average)	<input checked="" type="checkbox"/>	≤13%	>13 to 13.2%	>13.2		12.8%	12.7%	12.7%	13.0%	12.7%	12.8%	12.8%	12.9%	13.0%	13.0%	13.20%			Results to be reported when actual meter readings are available		
6f	Percentage of annual potable water transmission system losses (12 month rolling average)		No specific target - information only				1.8%	1.9%	1.8%	1.8%	1.7%	1.8%	1.8%	1.9%	2.0%	2.0%	2.1%	2.2%	2.3%			
6g	Percentage of annual potable water network losses (12 mth rolling average) - Urban as a percentage of total volume		No specific target - information only				10.5%	10.5%	10.5%	10.8%	10.6%	10.6%	10.6%	10.7%	10.6%	10.6%	10.7%			Results to be reported when actual meter readings are available		
6h	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of total volume		No specific target - information only				0.43%	0.42%	0.42%	0.42%	0.41%	0.42%	0.40%	0.39%	0.38%	0.37%	0.36%			Results to be reported when actual meter readings are available		
6i	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of rural volume		No specific target - information only				27.2%	26.7%	26.5%	26.7%	26.4%	26.5%	25.7%	25.0%	25.0%	24.9%	23.9%			Results to be reported when actual meter readings are available		
7 Policy Compliance																						
7a	Compliance with Treasury Policy		Within policy	Planned outside policy	Unplanned outside policy		Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy

5

Watercare Services Limited

Subject: Chief Executive Report – September 2016

Date: 11 October 2016

1. HEALTH AND SAFETY

There were no lost-time injuries related to Watercare employees during September. The rolling 12 month lost-time injury frequency rate (LTIFR) is 0.25 (stated target max 1.0) per 200,000 hours. This equates to 1.25 per million hours, below the target maximum of 5.

The total recordable injury frequency rate (TRIFR) is 3.67 per 200,000 hours (18.35 per million hours).

2. CUSTOMER FOCUS

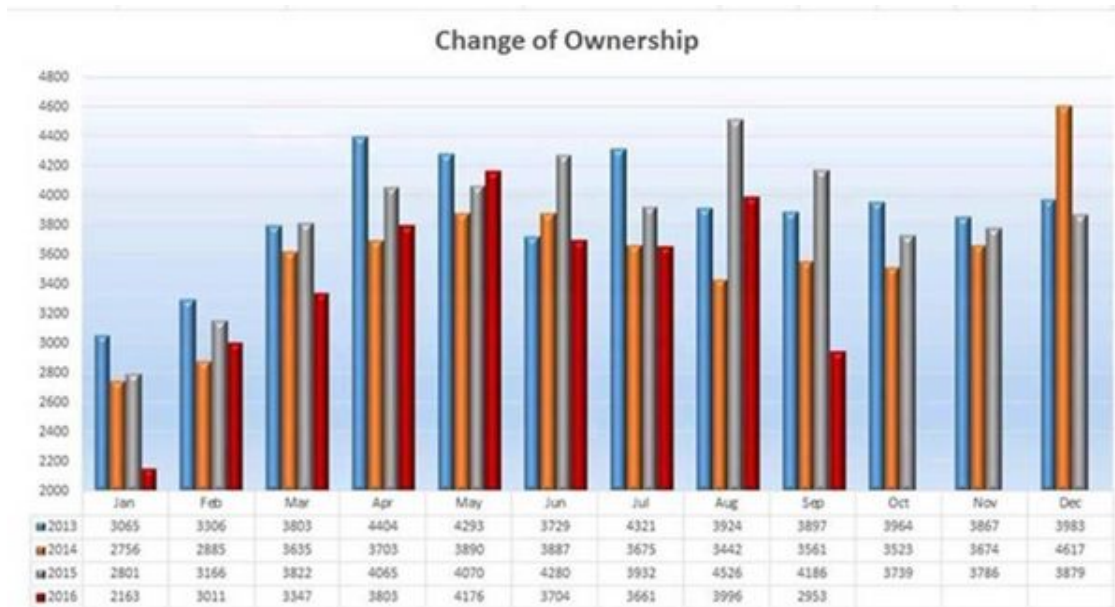
Performance

Performance against Statement of Intent measures for September was good with all customer service performance metrics above target for the month, with the exception of complaints resolution. The rolling 12 month average result for resolution of complaints within 10 working days was 92.9% against a target of 95%. Although Watercare did not meet the rolling 12 month target, 100% of complaints in September were resolved within 10 working days.

Customer satisfaction (as surveyed) in September was 80.9% on a 12 month rolling basis against a target of 80% or greater.

Decline in the Number of Changes of Property Ownership

The volume of changes of property ownership processed by Watercare reduced significantly in September. The volume processed in September was approximately 30% below the same time last year and reflected the lowest property sales required to be processed since February 2014 (excluding the January period which is traditionally low). More generally, the number of property sales during the 2016 calendar year is trending below the 2015 volumes.



3. INFRASTRUCTURE PROGRAMME

The infrastructure capital programme has delivered \$74m year to date against a budget of \$75m. The forecast to year end is to deliver \$297m against a budget of \$303m.

A Capital Expenditure Dashboard Report of all capital expenditure projects over \$15million is shown in Appendix C.

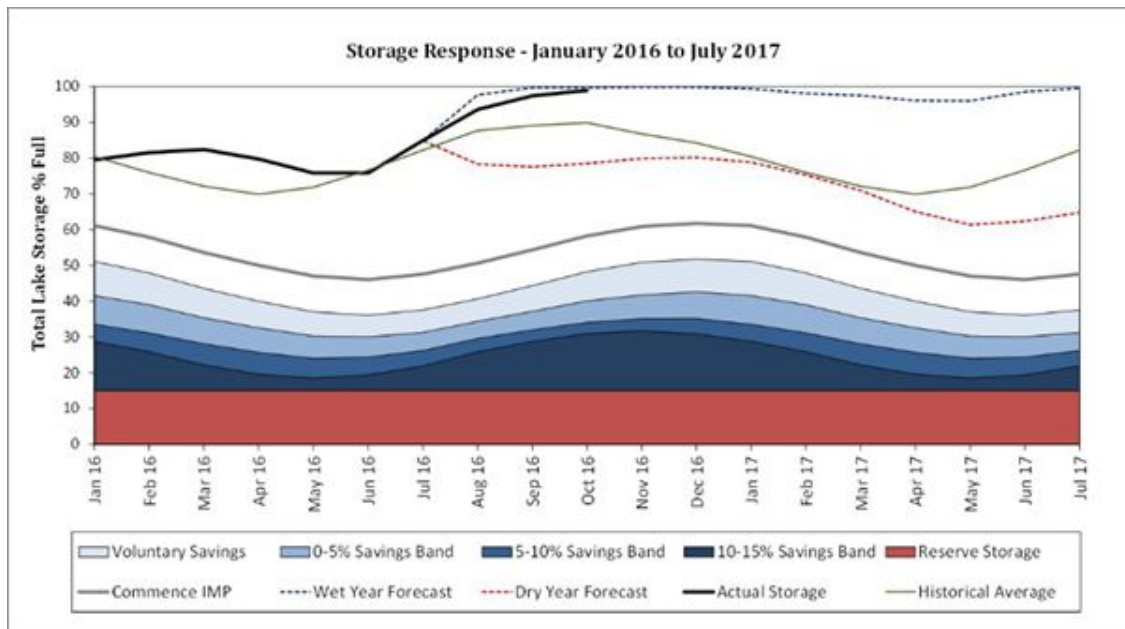
4. SERVICE DELIVERY

Rainfall and Water Resources

Rainfall in September was well above average across the Auckland region.

Waitakere Ranges	168% of average
Hunua Ranges	168% of average
Northern Non-metropolitan	163% of average
Southern Non-metropolitan	145% of average

Metropolitan Total System Storage reached 99.0%, which is above the historical average storage for this time of year (89.4%), and is the highest storage level since 2012.



Only Cosseys and Wairoa Dams are not spilling at this time. This allows a reduction in production from the Waikato water treatment plant in favour of other sources.

The forecasts indicate that there will be normal or above normal levels of rain within Auckland for the next three months. This coupled with current soil moisture content levels means that there is no risk of shortfall over the coming summer.

Forestry Herbicide Application in Wairoa Dam Catchment

The Wairoa Dam, which had been out of service for 14 weeks, was cleared for use by the Auckland Regional Public Health Service in September. The clearance followed favourable test results for elements previously detected in the water post herbicide being applied by Waytemore Forests Limited.

Puketutu Island Rehabilitation Project

To date, the Puketutu Island Rehabilitation Project has met all its goals and remains a lowest cost outcome for Watercare. The current disposal rate is in the order of 300 to 500 wet tonnes/day of biosolids from the Mangere WWTP. The current capacity of the monofill to receive biosolids will be reached in mid-2017, therefore work will commence this summer to expand capacity of the site to allow biosolids placement for the next 18 months. Progressive stages of expansion will result in an ultimate capacity of 4.6Mm³, which will enable the 35 year lifetime to be achieved. This is consistent with the original assumptions for the project.



Current State of Puketutu Island Rehabilitation Project

After 6 months of operation, the rate of filling was substantially higher than originally anticipated, which had the potential to shorten the life of the monofill. However in the ensuing 12 months of operation, a number of measures were implemented to ensure that the original assumptions regarding service life are achieved, and potentially exceeded. Alternatively, measures taken may enable additional sources of fill to be imported, if a decision is made to close the monofill after 35 years.

Ongoing efforts are focussed on producing a drier biosolids to significantly remove or eliminate the need for lime to be added before disposal, and to sterilise the biosolids, which eliminates the need for daily cover. This will increase the available void space, and reduce operational cost.

Water Losses

Real water losses have increased slightly in recent months, with the 12 month rolling average being 13.2%, which is above the SOI target of 13%. Investigations have shown that the increase primarily relates to losses within the transmission system. We are investigating areas which may be contributing to the increased losses, and identifying actions required to reduce water losses. Our efforts to reduce real losses in the networks are ongoing, with a particular focus on leak detection programmes in the CBD, Central and Southern metropolitan areas along with the proactive water meter replacement programme.

5. PROPOSED AUCKLAND UNITARY PLAN

There were 106 appeals on the Unitary Plan to the Environment Court and the High Court. Most of the appeals related to specific sites or specific provisions of the Plan. However, a joint appeal lodged by Auckland 2040 and the Character Coalition is very broad in scope and has the potential to impact residential development across Auckland.

The Auckland Council Unitary Plan team is assessing the appeals to determine their impact and the extent to which parts of the Plan can become operative. The timeline for resolving the appeals will be determined by the Courts. In the meantime, any resource consents will need to be assessed against both the Unitary Plan, and the current plans.

6. FINANCE

Financial Performance

	Current Month			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Figures (\$millions)									
Revenue	45.7	46.4	(0.7)	145.4	140.2	5.2	579.3	578.5	0.7
Operating Expenses	16.7	18.4	1.7	51.2	53.9	2.6	215.0	215.5	0.5
Depreciation	18.9	19.0	0.0	56.4	56.4	0.0	226.9	226.9	(0.0)
Interest expense	6.7	6.6	(0.0)	20.4	20.4	(0.0)	81.8	80.7	(1.1)
Total Contribution	3.4	2.3	1.0	17.4	9.5	7.9	55.6	55.5	0.1
Non-operating costs/(income)	0.8	0.6	(0.2)	2.3	1.9	(0.4)	8.4	8.0	(0.4)
Financial instruments revaluation - loss/(gain)	(7.0)	-	7.0	23.0	-	(23.0)	23.0	-	(23.0)
Operating Surplus / (Deficit) Before Tax	9.6	1.7	7.8	(7.9)	7.6	(15.5)	24.2	47.5	(23.3)
Deferred Tax - Expense/(Credit)	6.4	2.7	(3.8)	1.7	4.5	2.8	18.9	21.7	2.8
Net Surplus / (Deficit) After Tax	3.2	(0.9)	4.1	(9.7)	3.1	(12.8)	5.2	25.8	(20.6)
FFO Ratio				3.92	3.52		3.72	3.69	
Operating EBITDAF	29.0	28.0	1.0	94.2	86.3	7.9	364.3	363.0	1.2
EBITDA	35.2	27.3	7.8	68.9	84.4	(15.5)	332.8	355.0	(22.2)
EBIT	16.2	8.3	7.9	12.5	28.0	(15.5)	106.0	128.2	(22.2)
Leakage Allowance Granted	0.5	0.4	(0.1)	1.4	1.2	(0.2)	5.5	5.3	(0.2)

Month – Total Contribution of \$3.4m - favourable variance to budget of \$1.0m

Total revenue was unfavourable \$0.7m to budget due to; wastewater revenue unfavourable by \$0.2m, IGC revenue unfavourable by \$0.7m and vested asset revenue unfavourable \$1.2m, partly offset by, water revenue favourable \$0.3m with water volumes 1.5% higher than budget.

Operating expenses were favourable to budget \$1.7m with lower asset operating costs and lower professional services and general overheads.

Depreciation and Interest Expense are on budget.

Net Surplus after Tax was favourable \$4.1m due to; the favourable revaluation of financial instruments of \$7.0m resulting from the increase in medium to long term swap rates in September (refer section 3 forward curve graph) and a favourable operating contribution variance of \$1.0m, partially offset by higher tax expense of \$3.8m.

Year to date – Total Contribution of \$17.4m - favourable variance to budget of \$7.9m

Year to date revenue is \$5.2m favourable to budget primarily due to; IGC revenue favourable \$2.2m, vested asset income favourable \$0.7m and new developments revenue favourable \$0.8m. Water and wastewater revenue is favourable \$0.7m, with water volumes 1.4% higher than budget.

Operating expenses are \$2.6m favourable to budget with favourable variances for asset operating costs, professional services and general overheads partially offset by unfavourable net labour.

Depreciation and Interest expense are on budget.

Net Deficit after Tax year to date is \$9.7m an unfavourable variance to budget of \$12.8m primarily due to; the unfavourable revaluation of financial instruments of \$23.0m resulting

from the decrease in medium to long term swap rates since July 2016 (refer section 3 forward curve graph) partially offset by a favourable operating contribution variance of \$7.9m and lower tax expense of \$2.8m.

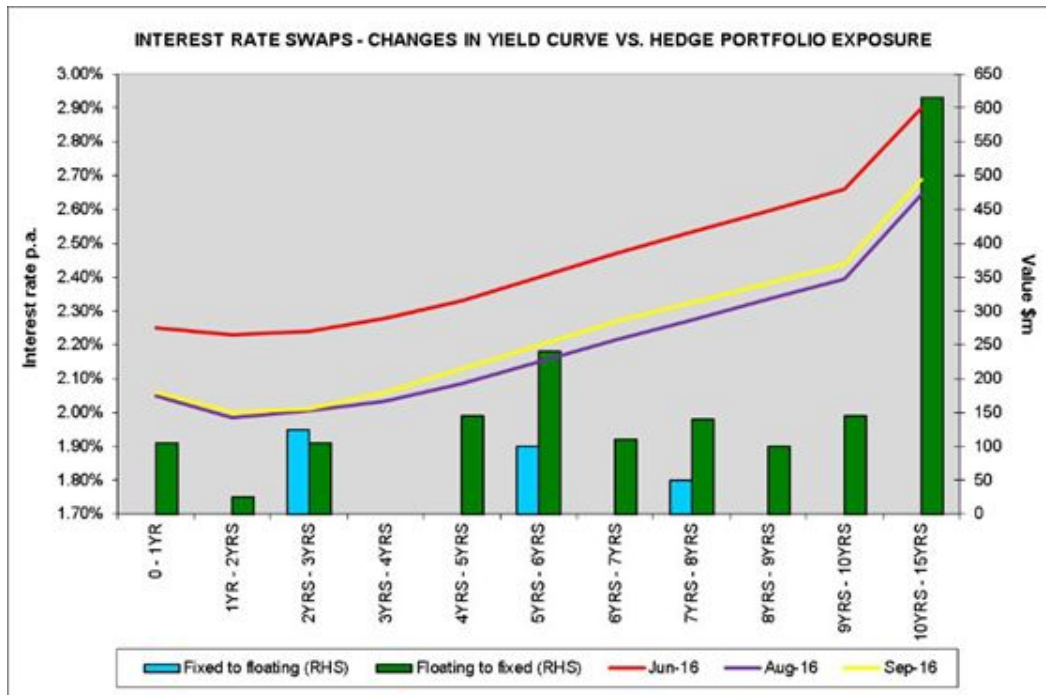
Financial Position

Smillion	Actual Aug-16	Actual Sep-16	Monthly Movement	Budget Sep-16	Var from Budget
Non Current Assets	8,762.4	8,765.6	3.2	8,771.8	(6.2)
Current Assets	81.9	84.4	2.5	78.6	5.8
Total Assets	8,844.3	8,850.0	5.8	8,850.3	(0.4)
Other Liabilities	436.3	431.0	(5.3)	387.5	43.6
Deferred Tax Liability	993.5	999.9	6.3	1,012.3	(12.4)
Borrowings - Short Term	367.1	366.4	(0.7)	356.4	10.0
Borrowings - Long Term	1,226.6	1,228.8	2.2	1,228.7	0.1
Shareholders Funds	5,820.7	5,823.9	3.3	5,865.5	(41.6)
Total Liabilities and Shareholders Funds	8,844.3	8,850.0	5.8	8,850.3	(0.4)

The major movements in the Statement of Financial Position as at 30 September 2016 compared with 31 August 2016 were; the increase in non-current assets reflecting capital expenditure net of depreciation in the month, the increase in deferred tax liability and the downward movement on other liabilities due to the revaluation of derivative financial instruments.

Compared with budget the material variances are largely in respect of, derivative financial instruments revaluations since July 2016 and a different opening position on 1 July 2016 than that assumed when the budget was set, including a lower level of revaluation of land and buildings than expected, lower retained earnings and revaluation of financial instruments. Net debt at \$1,595m is \$10.1m above budget due to the actual opening debt position being higher than budgeted.

Treasury



Watercare remained in breach of its Treasury Policy upper limit for fixed interest rate risk as at the end of September, although the size of the breach is insignificant relative to forecast debt (peaking at \$13m in September/October 2017 on forecast debt of \$1,678m). Management's strategy is to take no further action and let the situation self-rectify, which we expect to occur in December.

Interest Analysis Smillion	Current Month			Year to date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	6.7	6.6	(0.0)	20.4	20.4	(0.0)	81.8	80.7	(1.1)
Capitalised Interest	0.7	0.9	0.2	2.2	2.7	0.5	10.6	12.2	1.6
Gross Interest	7.4	7.6	0.2	22.6	23.1	0.5	92.4	92.9	0.5
Less Interest Income	0.0	-	(0.0)	0.0	-	(0.0)	0.0	-	(0.0)
Net Interest	7.4	7.6	0.2	22.6	23.1	0.5	92.4	92.9	0.5

For the month gross interest is favourable to budget by \$0.2m but capitalised interest is unfavourable by \$0.2m resulting in interest charged to the Statement of Financial Performance being on budget. Capitalised Interest has been reforecast for the year at \$1.6m lower than budget due to lower interest rates.

Capital Expenditure

Summary Capital Expenditure (Millions)	Sep-16			Year to Date			Full Year			Prior Month Forecast
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var	
Wastewater Projects										
Strategy & Planning	0.2	0.6	0.4	0.6	1.4	0.8	10.6	10.9	0.3	10.6
Infrastructure Delivery (excl Labs/MS)	16.3	15.3	(1.1)	47.1	43.5	(3.6)	181.6	182.4	0.9	183.5
Water Projects										
Strategy & Planning	0.2	0.6	0.4	0.4	1.2	0.8	6.9	8.5	1.6	7.4
Infrastructure Delivery (excl Labs/MS)	0.4	3.0	2.6	13.0	12.6	(0.3)	31.3	31.3	0.0	34.6
Service Delivery	5.0	4.4	(0.5)	12.0	15.0	3.0	62.4	63.9	1.6	61.9
Retail	1.9	1.1	(0.8)	2.3	3.6	1.3	12.5	11.8	(0.7)	10.7
Information Services	0.1	0.7	0.6	0.2	2.6	2.3	4.6	6.8	2.2	5.9
Other Projects	0.9	1.6	0.7	2.4	4.6	2.2	10.2	11.8	1.6	12.4
TOTAL	25.0	27.4	2.4	78.0	84.6	6.6	320.1	327.4	7.3	326.9
Includes Capitalised Interest of:										
Water Projects Capitalised Interest	0.2	0.3	0.1	0.6	0.9	0.2	2.2	2.7	0.5	2.7
Wastewater Projects Capitalised Interest	0.5	0.6	0.1	1.5	1.8	0.3	8.4	9.6	1.2	8.1
Total Capitalised Interest	0.7	0.9	0.2	2.2	2.7	0.5	10.6	12.2	1.6	10.8

Capital expenditure for the month was \$25.0m against a budget of \$27.4m. The full year forecast expenditure remains broadly in line with budget.

7. BOARD CORRESPONDENCE

There was no correspondence during the month.

8. EXECUTION OF DOCUMENTS

There were 15 documents executed during September in accordance with the delegated authority provided to the Chief Executive by the Board for deeds, instruments and other documents. These included one notice of surrender of desire to acquire; one surrender of an easement; one agreement for a licence to occupy; one approval of exchange of Watercare land with Auckland Council land; three approvals to dispose of surplus land; six creation of water supply easements in favour of Watercare; one approval for the acquisition and transfer of land to Watercare, and one surrender of forestry cutting rights.

There were eleven Capex approvals totaling \$17.457m signed in accordance with the delegated authority provided to the Chief Executive by the Board in relation to Capex approvals below a threshold of \$15m.

Summary of Capital Projects Approved by the Chief Executive – September 2016		
C-10923	Northcote Branch Sewer Upgrade	\$10,350,000
C-11793b	Lower Huia Standby Generator Variation 2	\$200,000
C-12329	Onehunga Groundwater Renewal Permits - cost variation	\$93,000
C-12599-02	FY 2017 Workstation Refresh	\$660,000
C-12599-04	FY 2017 Mobile Device Refresh	\$225,000
C-12600-02	Digital Workplace - Office 2016 and OneDrive for Business	\$247,940

C-12600-03	Hydrological & Dam Inspections Mobility Solution	\$114,566
C-12650	Northcote Rising Main Replacement at Lake Road	\$2,400,000
C-12734-01	Single Telephony Solution	\$1,150,000
C-12757	Inventory Store Relocation & New CLS Pipe Storage Facility	\$1,120,000
C-12777	Drury South BSP	\$896,500

There were no contracts over \$100,000 awarded during September in accordance with the delegated authority provided to the Chief Executive by the Board in relation to Capex and Opex contract approvals.

9. COMMUNICATIONS

Media summary

During September, Watercare staff were the focus of a number of positive articles with exceptional customer-service and professionalism as recurring themes.

An inspirational article on drainage serviceperson Leonora Marsh-Ngatai ran in School Leavers magazine which will be distributed to all secondary school leavers in New Zealand in October. Leonora gained her New Zealand Certificate in Infrastructure Works earlier this year and has since gained full-time employment at Watercare. She says her next goal is to complete her studies, enabling her to continue her career advancement at Watercare: "The team at Watercare is so supportive and I enjoying working in wastewater reticulation, it's awesome knowing that I play a role in helping Watercare deliver Auckland's wastewater safely to the treatment plants."

Plant operator Heath Gordon and Downer serviceperson Alan Williams were recognised in suburban publications for exceptional customer service. Heath received a chocolate gift basket from the Mahurangi Matters for helping a woman with a flat tyre. Meanwhile, Alan was the focus of a letter to the editor of the Rodney Times for his professionalism when responding to a water outage: "I was very impressed by his standard of communication and ability to deal with a very intense situation in such a calm, positive, friendly and professional manner....this was truly outstanding service from Downer/Watercare."

Water NZ magazine (September/October issue) ran the following:

- a feature on Northern Networks Manager Suzanne Naylor after she won the inspirational leader award at the Connexis Celebration of Women in Infrastructure event. Talking about her role at Watercare, Suzanne says: "I do love a challenge – I love fixing things, building in more efficiency, employing new technologies and asking 'how can we make this service the best for everybody: the best for users, good for contractors, easy for my team to manage.'"

- an article on Watercare's forward works programme saying that we have made sweeping changes to the way we engage with the construction industry in an effort to be more transparent in the tendering and delivery of Watercare's capital projects. New Zealand Council for Infrastructure Development chief executive Stephen Selwood says Watercare's programme has been universally welcomed by its members: "Developing this programme provides the market with certainty in regards to planning and delivering projects for Watercare. It has given our members the ability to plan and rally resources in a way that was not possible before. This enables the market to deliver value to both Watercare and, ultimately, the communities it serves."
- articles on Watercare's participation in a 'water taster' programme for secondary school students who are considering a career in the industry as well as a short profile on Raveen Jaduram as he will be a keynote speaker at the Water NZ conference in October.

The local body elections have prompted coverage and debate regarding the services delivered by council and CCOs. Common themes included the efficiency and size of council as well as how Auckland's transport and housing issues will be addressed.

We are expecting a feature on effective stakeholder engagement to run in an upcoming issue of Local Government magazine.

Corporate communications

The annual report was published online on 30 September. Printed copies are available on request.

Customer communications

The table below outlines the indicative customer communications programme. This programme is dynamic and will be adapted as appropriate to align to the strategic priorities and respond to current issues/areas of interest.

Month	Activity	Status
September	Domestic and non-domestic customers received the spring issue of Tapped In. The main focus for this issue was on creating a water-efficient garden. It included information on how much it costs customers to water their gardens for an hour – with an explanation of how water and wastewater charges are calculated, allowing for outdoor use year round.	Complete
October	Domestic customers are receiving a bill insert on the Watercare Coastal Walkway. This insert highlights the opening of Mark Ford Drive. From mid-October to mid-November, domestic customers in Pukekohe will receive a 'Pukekohe Matters' newsletter	Currently being distributed Underway

	<p>regarding inflow and infiltration investigations in the area as well as upgrades to the local wastewater treatment plant.</p> <p>Information to communicate the inflow and infiltration process to customers is currently being finalised. This collateral will be used for both reactive and proactive Inflow and Infiltration (I&I) investigations.</p>	Underway
November December	<p>Mid-November to mid-December: domestic and non-domestic customers will receive the summer issue of Tapped In. The focus will be on how we treat Auckland's drinking water to a high standard and conserving water for summer.</p>	Planned

Stakeholder communications

Underway:

- Mangere Wastewater Treatment Plant BNR project
 - Flyer completed regarding closure of Island Road closure and opening of Mark Ford Drive
- Franklin Road
 - Site office established and construction underway
 - Weekly project and stakeholder team meetings proving very useful
 - Community Liaison Group meetings ongoing
- Glen Eden
 - First stage of caisson (tank ring) construction almost complete
 - Construction of directional drilling pits under way. Very few community issues in response to traffic management
 - Contractor stakeholder team working well – includes weekly project meeting with Watercare
 - Media information prepared on children's artwork and submitted to Western Leader
- Hunua 4
 - Feedback letter from Raveen Jaduram sent out with QR code linking to the Voice of Customer survey page. Over 30 responses were received from the public in two days with the majority being positive and complimentary to Watercare and the contractors

- Watercare will work with the contractor stakeholder team to review feedback and look for opportunities for improvement.
- Fred Thomas Drive
 - Construction ongoing
 - Project Manager John McCann carried out a site visit for Rosmini College students. Article written for local media
 - Some issues around the establishment of the Esmonde Road worksite mainly around the temporary removal of the cycle lane. All issues addressed with the community and more robust processes put into place for the future.

Coming up:

- Wellsford Wastewater Treatment Plant discharge consent – public open day 12 October
- Pukekohe Wastewater Treatment Plant discharge consent – the third newsletter developed for post submission
- Ardmore chlorine gas storage – community flyer being prepared regarding the chlorine gas storage facility in accordance with Health and Safety at Work (Major Hazard Facilities) Regulations 2016 (regulation 68). We will invite the neighbours to the plant for a 'meet the neighbours' event
- Ponsonby Reservoir upgrade – engagement plan produced and key stakeholders identified
- In November, we will have public open days at Rosedale Wastewater Treatment Plant and Ardmore Water Treatment Plant, following the same format as the previous year

Internal communications

Completed:

- Since the launch of the new intranet OurPlace on 25 May, 61 stories and 32 leadership blogs have been added to the site. Staff are continuing to engage with the new medium by adding comments to stories and blogs, and participating in discussions in the community space
- Chief Executive roadshows for staff were held at Newmarket, Waikato, Mangere, Huia, Penrose and Rosedale in September
- E3 – the new performance conversation programme – was launched to staff on Monday 3 October
- Raveen Jaduram emailed staff regarding Watercare's compliance with the Holidays Act 2003 and a Q&A has been posted on OurPlace
- Three new 'day in the life' videos have been produced and will be rolled out to staff at a rate of one per month.

Underway:

- Communications for the rollout of Microsoft Office 365 are underway.

10. WORKING WITH LOCAL BOARDS

Rodney Local Board received a briefing on the Omaha wastewater discharge consent application. This was the last interaction with the Local Boards prior to the elections.

Escalated complaints from Local Boards and Councillors are still being received and responded to. Puketapapa Local Board also received an update to questions on the Central Interceptor project.

Watercare joined other CCOs and Council staff for a drop-in session with Local Board services staff in preparation for the new Local Board Plans in the new term.

A full schedule of local board interactions over the month is attached as Appendix D.

11. RECOGNITION OF WATERCARE'S RISK MANAGEMENT CAPABILITY

In September, Watercare received the award for Excellence in Building Risk Management Capability at the 2016 RiskNZ Awards of Excellence.

The award identifies Watercare as an organisation with the requisite risk management skills, knowledge and resources to enhance its business performance.

The judges said that Watercare's whole-of-organisation approach and focus on developing and implementing a sound risk culture and systems is the epitome of what the RiskNZ award is about.

Watercare's project to upgrade the biological nutrient removal process at Mangere Wastewater Treatment Plant was also recognised at the awards, receiving a commendation for the collaborative approach taken by CH2M Beca, Watercare and the McConnell Dowell/HEB Joint venture in managing the project's risks.

12. OFFICE OF THE AUDITOR GENERAL (OAG) – SERVICE PERFORMANCE REVIEW

The Office of the Auditor General (OAG) has completed its review of Watercare's service performance. The review was a follow up of the OAG's 2014 report on service performance, which examined and made recommendations for improvements in five customer related processes as follows:

- Tariffs
- Contact centre operations
- Monthly billing
- Meter reading, and
- Customer debt management practices.

The 2014 report from the OAG made several recommendations for improvement, and the 2016 review was focused on the remedial actions taken by management, with supporting evidence as required.

The 2016 report was tabled in Parliament on 11 October 2016, and reflects positively on the improvements made in key customer related processes over the past two years. The OAG now describes its further recommendations as minor improvements which could further enhance our service performance. The OAG provides positive comment on Watercare's improved customer communications processes, and the quality and timeliness of information provided on tariff regimes and price changes. It also provides positive feedback on improvements in communication on meter readings processes; the Debt Management Code of Practice, and the enhanced customer satisfaction surveys achieved under the Voice of the Customer process.

The recommendations made in the 2016 report are relatively minor and will be addressed by the Customer team as part of its ongoing improvements. We also note the positive relationship with the OAG, which has recorded its thanks to management for the way we have managed the interaction with its staff. A copy of the report is appended as Appendix E, and we have also provided a copy to the Auckland Council.



R Jaduram














CHIEF EXECUTIVE

WATERCARE SERVICES LIMITED

Sep-16

5

Key Financial Indicators

Financial performance	YTD	Page Ref
Total Revenue		A1
Operating Costs		A1
Interest expense		A1
Depreciation		A1
Net Contribution		A1
Financial position		
Net Borrowings		A4
Cashflow		
Operating cashflow		A2
Investing cashflow		A2
Treasury policy	Compliance	Page Ref
Committed facilities (liquidity risk)		A5
Fixed interest rate risk		A5
Credit risk		A6
Funding risk		A6, A7
Foreign exchange risk		A7

Key to Financial performance, Financial position and cashflow measures

Favourable variance - actual result on or above budget for total revenue, net contribution, operating cash flow and actual result below budget for operating expenses, interest, depreciation, net borrowings and operating and investing cash flow



Unfavourable variance - actual result below budget for total revenue, net contribution, operating cash flow and actual result above budget for operating expenses, interest, depreciation, net borrowings and operating and investing cash flow



Interest expense - interest expense is \$23,000 unfavourable to budget due to lower capitalised interest than expected of \$0.5m during the year.



Net borrowings - net debt is \$9.8m above budget due to an opening difference in the forecast June balance sheet debt against the actual June balance (actual was \$15.3m higher than forecast). Normalised for the opening balance differences net debt is \$5.5m under budget.



Operating cashflow - operating cash flow is over budget due to the timing of payment runs compared to budget.

Key to Treasury policy compliance

Full compliance



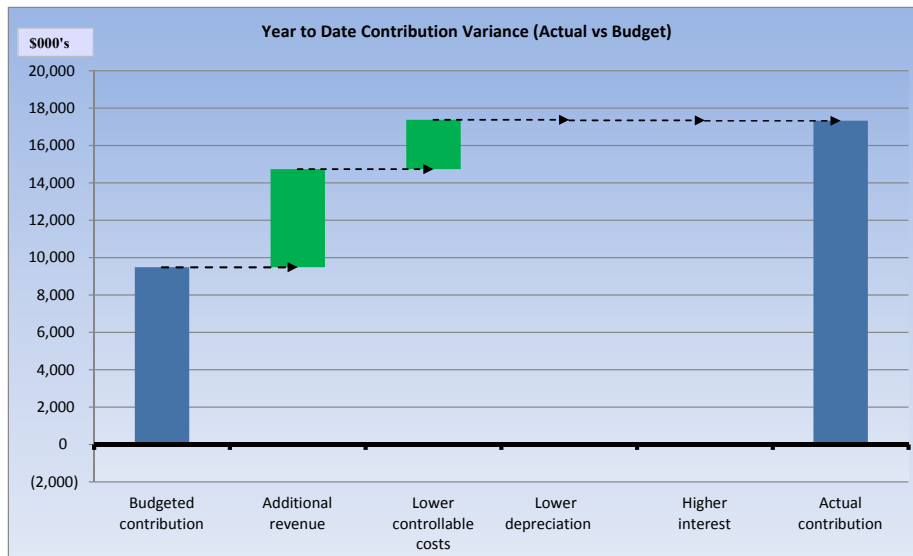
The downward revision to forecast debt increases has seen a consequential proportional decrease in the Treasury Policy fixed interest limits. As the fixed interest rate hedging profile was built up when forecast debt was much higher, this has caused the profile to exceed the Treasury Policy upper limit for fixed interest rate risk between one and three years.

The size of the breach is relatively small when compared to total forecast debt (peaking at \$13 million on \$1,678 million of debt). Actions have been taken to bring Watercare's fixed rate profile closer to the upper policy limit. The out of policy limit is expected to rectify in December 2016, as the policy limit time buckets 'shift right'. Bancorp Treasury Services concurs with this approach.

WATERCARE SERVICES LIMITED									Sep-16
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE									(\$000's)
	Current Month				Year to Date				Full Year
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Budget
Wastewater revenue	24,794	25,000	(205)	✓	76,673	76,742	(70)	✗	316,025
Water revenue	11,826	11,500	326	✓	36,026	35,262	764	✓	147,682
Infrastructure growth charge revenue	4,872	5,562	(690)	✗	19,679	17,448	2,231	✓	70,282
Other revenue	3,770	2,666	1,105	✓	7,318	5,715	1,603	✓	24,543
Revenue from exchange transactions	45,262	44,727	536	✓	139,695	135,167	4,528	✓	558,533
Vested assets revenue	452	1,667	(1,214)	✗	5,718	5,000	718	✓	20,000
Revenue from non-exchange transactions	452	1,667	(1,214)	✗	5,718	5,000	718	✓	20,000
Total revenue	45,715	46,393	(679)	✗	145,414	140,167	5,246	✓	578,533
Labour	6,656	6,680	25	✓	19,675	19,589	(86)	✗	81,489
Contract labour	287	266	(21)	✗	615	845	230	✓	2,717
Oncosts	307	297	(10)	✗	411	876	465	✓	3,653
Labour recoveries	(3,133)	(3,228)	(95)	✗	(8,616)	(9,564)	(948)	✗	(39,186)
Net labour	4,117	4,015	(102)	✗	12,085	11,747	(338)	✗	48,673
Materials & cost of sales	175	181	6	✓	468	533	65	✓	2,196
Planned maintenance	1,086	1,718	632	✓	4,128	4,360	232	✓	17,348
Unplanned maintenance	2,598	2,667	69	✓	8,842	7,886	(956)	✗	31,505
Asset operating costs - chemicals	890	894	4	✓	2,435	2,638	202	✓	11,202
Asset operating costs - energy	1,346	1,511	165	✓	4,621	4,749	128	✓	18,175
Operating costs - other	3,079	3,719	640	✓	8,550	10,766	2,216	✓	42,015
Depreciation and amortisation	18,947	18,995	48	✓	56,401	56,419	18	✓	226,852
Asset operating costs	27,946	29,504	1,558	✓	84,976	86,817	1,841	✓	347,096
Communications	150	180	31	✓	445	543	97	✓	2,082
Professional services	999	1,222	223	✓	2,885	3,315	430	✓	12,992
Interest	6,682	6,633	(50)	✗	20,403	20,380	(23)	✗	80,663
General overheads	2,251	2,312	61	✓	6,775	7,340	565	✓	29,311
Overheads	10,082	10,347	265	✓	30,509	31,578	1,070	✓	125,048
Total expenses	42,320	44,046	1,727	✓	128,038	130,675	2,637	✓	523,013
Total contribution/(loss)	3,395	2,347	1,048	✓	17,376	9,492	7,884	✓	55,520
Gain/loss on disposal of fixed assets and other costs	797	636	(160)	✗	2,306	1,909	(397)	✗	8,000
Gain/loss on revaluation of financial instruments	(6,956)	-	6,956	✓	23,016	-	(23,016)	✗	-
Non operating (costs)/revenue	(6,159)	636	6,795	✓	25,322	1,909	(23,413)	✗	8,000
Net surplus/(deficit) before tax	9,554	1,711	7,843	✓	(7,946)	7,583	(15,529)	✗	47,520
Income Tax Expense/(benefit)	-	-	-	-	-	-	-	-	-
Deferred tax	6,402	2,650	(3,751)	✗	1,746	4,506	2,760	✓	21,698
Net surplus/(deficit) after tax	3,152	(939)	4,092	✓	(9,692)	3,078	(12,769)	✗	25,822

Key: Financial performance result

- ✓ Favourable variance - actual income on or above budget and actual expenditure on or below budget
- ✗ Unfavourable variance - actual income below budget and actual expenditure above budget



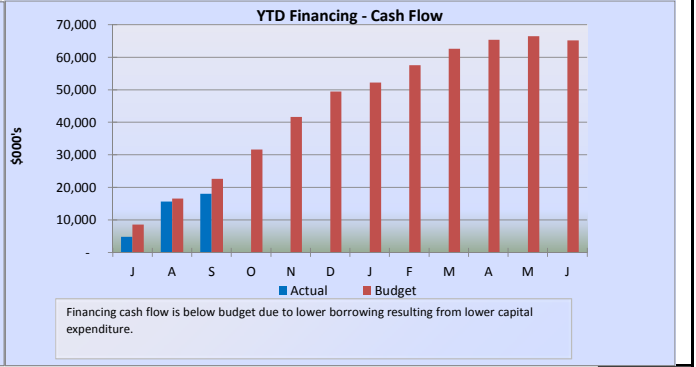
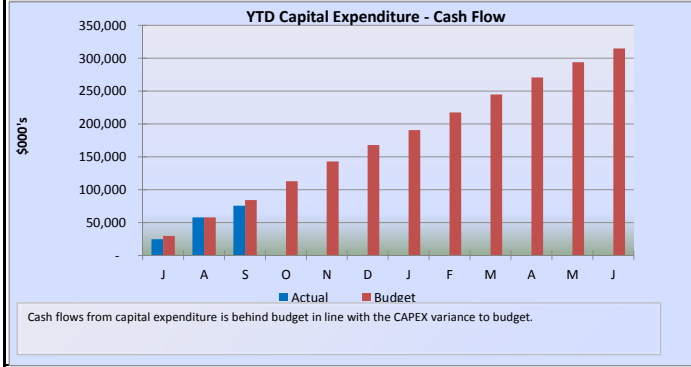
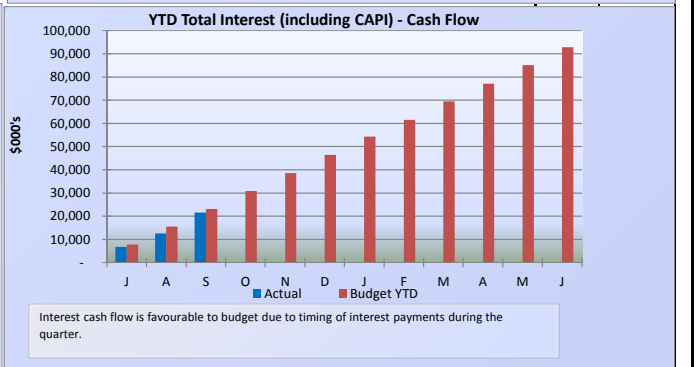
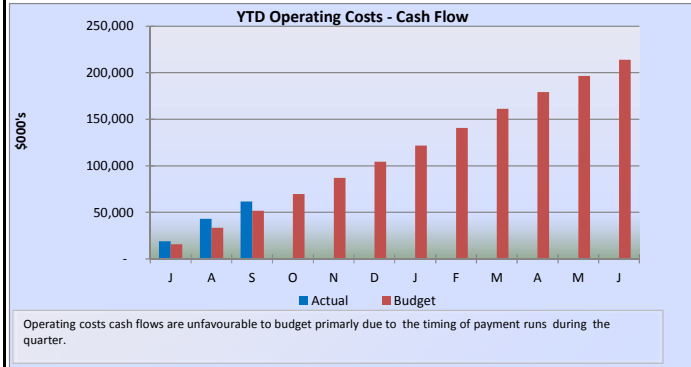
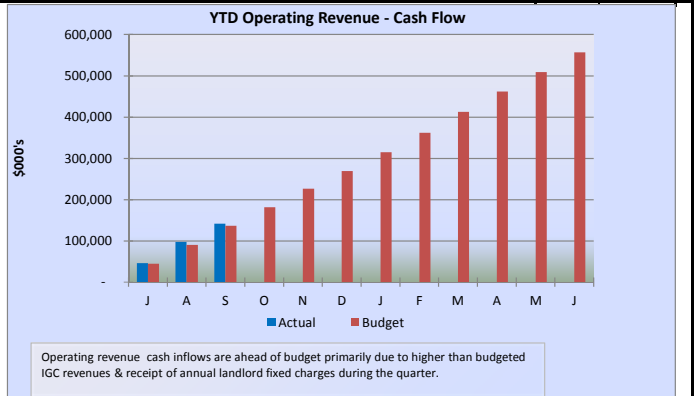
WATERCARE SERVICES LIMITED
STATEMENT OF CASH FLOWS

Sep-16
(\$000's)

NZ \$000s	Current Month				Year To Date				Full Year
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Budget
Operating Cash flow:									
Operating Revenue	44,206	45,909	(1,703)	*	141,643	136,461	5,182	✓	556,737
Operating Costs	(18,645)	(18,219)	(426)	*	(61,733)	(51,704)	(10,029)	*	(213,925)
Interest Paid	(8,420)	(6,633)	(1,787)	*	(19,420)	(20,380)	961	✓	(80,663)
OPERATING CASH FLOW	17,141	21,057	(3,916)	*	60,490	64,376	(3,886)	*	262,149
Investing Cash flow:									
Capital Expenditure	(17,619)	(26,165)	8,546	✓	(75,481)	(84,290)	8,809	✓	(315,057)
Capitalised Interest	(703)	(930)	227	✓	(2,187)	(2,686)	499	✓	(12,243)
INVESTING CASH FLOW	(18,322)	(27,095)	8,773	✓	(77,668)	(86,976)	9,308	✓	(327,300)
Financing Cash flow:									
Bonds/Term Debt Issued/(Repaid)	-	-	-	✓	-	-	-	✓	-
Short Term Advances/(Repaid)	2,500	2,500	-	✓	(16,500)	(16,500)	-	✓	-
Commercial Paper Issued/(Repaid)	52	52	-	✓	10,028	10,028	-	✓	-
Auckland Council Borrowings/(Repaid)	(158)	3,486	(3,644)	✓	24,525	29,072	(4,547)	✓	65,151
FINANCING CASH FLOW	2,394	6,038	(3,644)	✓	18,053	22,600	(4,547)	✓	65,151
Net Increase (Decrease) in Cash and Cash Equivalents	1,213	-	1,213	✓	875	-	875	✓	-
Opening Cash Balance/(Overdraft)	(922)	-	(922)	*	(584)	-	(584)	*	-
Ending Cash Balance/(Overdraft)	291	-	291	✓	291	-	291	✓	-

Key: Financial performance result
 ✓ Favourable variance - actual income above budget or actual expenditure below budget
 * Unfavourable variance - actual income below budget or actual expenditure above budget

Reconciliation Operating Cashflow (\$000's)					
	Current Month		Year To Date		
	Actual	Budget	Actual	Budget	Variance
Net Surplus (Deficit) After Tax	3,152	(939)	(9,692)	3,078	(12,769)
Add back non cash items:					
Depreciation and amortisation	18,947	18,995	56,401	56,419	(18)
Financial instruments revaluation	(6,956)	-	23,016	-	23,016
Vested assets revenue	(452)	(1,667)	(5,643)	(5,000)	(643)
Other non-operating exp/(inc)	797	636	2,116	1,909	207
Income Tax Expense/(Benefit)	6,402	2,650	1,746	4,506	(2,760)
Movements in Working Capital	(4,749)	1,382	(7,453)	3,466	(10,918)
OPERATING CASH FLOW	17,141	21,057	60,490	64,376	(3,886)

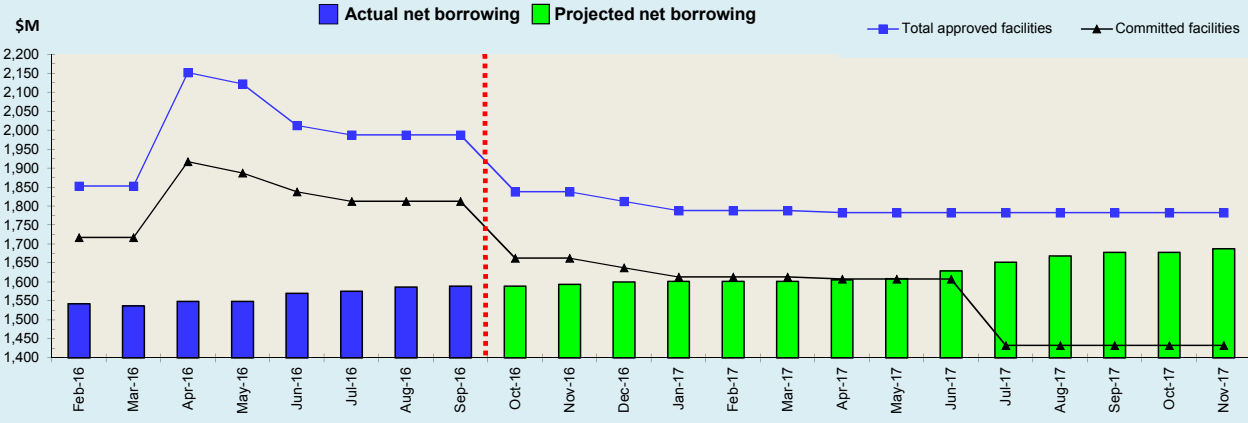


		WATERCARE SERVICES LIMITED				Sep-16
		STATEMENT OF FINANCIAL POSITION				(\$000's)
June 2016 Actual	August 2016 Actual		September			
			Actual	Budget	Variance	
		Current assets				
-	-	Cash and cash equivalents	291	-	291	
47,137	45,380	Trade and other receivables from exchange transactions	47,848	46,500	1,349	
20,871	24,149	Unbilled revenue accrual	21,226	19,731	1,495	
3,332	3,537	Prepaid expenses	3,750	2,816	934	
5,895	6,579	Inventories	8,131	5,736	2,395	
3,206	2,246	Derivative financial instruments	3,154	3,793	(640)	
80,440	81,891	Total current assets	84,400	78,576	5,824	
		Non-current assets				
8,430,699	8,562,602	Property, plant and equipment	8,580,203	8,533,225	46,978	
454,247	377,840	Construction/work-in-progress	384,633	444,330	(59,698)	
(230,843)	(265,910)	Provision for depreciation	(283,879)	(289,960)	6,082	
8,654,103	8,674,533	Total property, plant and equipment	8,680,957	8,687,595	(6,639)	
42,714	41,625	Intangible assets	40,932	43,987	(3,055)	
23,244	23,961	Prepaid expenses	23,617	23,245	372	
4,373	4,013	Inventories	4,045	4,356	(311)	
15,138	18,237	Derivative financial instruments	16,038	12,590	3,448	
8,739,572	8,762,368	Total non-current assets	8,765,589	8,771,773	(6,184)	
8,820,012	8,844,259	Total assets	8,849,989	8,850,349	(360)	
		Current liabilities				
582	925	Bank Overdraft	-	-	-	
149,067	159,043	Commercial paper	159,095	149,071	10,024	
-	280	Bonds	281	279	2	
150,000	150,000	Term loan	150,000	150,000	-	
81,883	56,867	Auckland council loan	56,998	57,013	(15)	
381,532	367,115	Total debt current	366,374	356,363	10,011	
17,047	12,488	Trade and other payables for exchange transactions	17,341	16,499	842	
10,614	15,115	Interest accrued	12,734	11,255	1,479	
52,582	46,167	Other accrued expenses	46,371	59,747	(13,376)	
8,314	8,586	Provision for staff benefits	8,276	7,463	813	
906	906	Other provisions	906	545	361	
33,276	34,657	Derivative financial instruments	34,817	31,189	3,629	
504,271	485,034	Total current liabilities	486,819	483,060	3,759	
		Non-current liabilities				
75,000	75,000	Bonds (26/10/18)	75,000	75,000	-	
50,389	50,341	Bonds (26/10/18)	50,317	50,317	-	
19,000	-	Bank revolving credit facility	2,500	2,500	-	
1,051,816	1,101,238	Auckland council loan	1,100,949	1,100,856	93	
1,196,205	1,226,579	Total debt non-current	1,228,766	1,228,673	94	
14,301	14,180	Other accrued expenses	14,742	18,165	(3,423)	
3,470	3,470	Other Provisions	3,520	3,520	-	
1,291	1,291	Provision for staff benefits	1,291	1,532	(241)	
268,697	299,428	Derivative financial instruments	291,020	237,552	53,468	
998,200	993,544	Deferred tax liability	999,946	1,012,312	(12,366)	
2,482,165	2,538,492	Total non-current liabilities	2,539,285	2,501,754	37,531	
2,986,436	3,023,526	Total liabilities	3,026,104	2,984,814	41,290	
		Equity				
260,693	260,693	Issued capital	260,693	260,693	-	
1,839,927	1,839,506	Revaluation reserve	1,839,331	1,851,332	(12,001)	
3,800,122	3,733,378	Retained earnings	3,733,553	3,750,433	(16,880)	
(67,166)	(12,844)	Current year earnings after tax	(9,692)	3,078	(12,769)	
5,833,576	5,820,733	Total equity	5,823,885	5,865,535	(41,650)	
8,820,012	8,844,259	Total equity and liabilities	8,849,989	8,850,349	(360)	

TREASURY RISKS AND INTEREST RATE PERFORMANCE

Sep-16

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Interest rates

	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	4.80%	4.18%	4.81%
Weighted averages (incl. fees and margins)	5.84%	N/A	5.77%

Debt (\$m)

	Actual	Budget	Variance
Short-term borrowings	366.4	356.4	10.0
Long-term borrowings	1,228.8	1,228.7	0.1
Total gross debt	1,595.2	1,585.1	10.1
Bank overdraft / (cash & deposits)	(0.3)	-	(0.3)
Total net borrowing	1,594.9	1,585.1	9.8

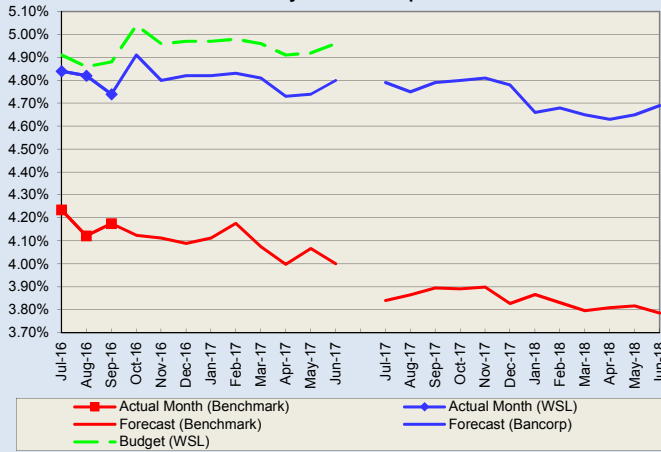
Committed facilities

- Westpac Term Loan facility \$150 million
- BNZ CP Standby facility \$175 million
- Westpac Revolving Credit facility \$60 million
- Medium term notes \$125 million
- Auckland Council \$1,303 million
- Total committed facilities as at 30 September \$1,813 million**

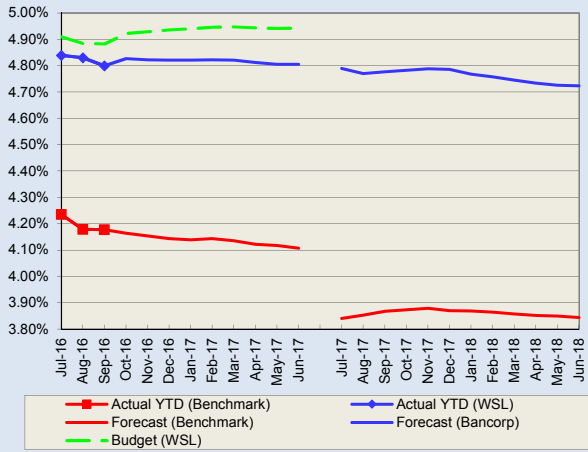
Additional approved facilities

- Approved new funding from Auckland Council \$100 million
- Approved CP issuance, over and above CP Standby facility \$75 million
- Total approved facilities as at 30 September \$1,988 million**

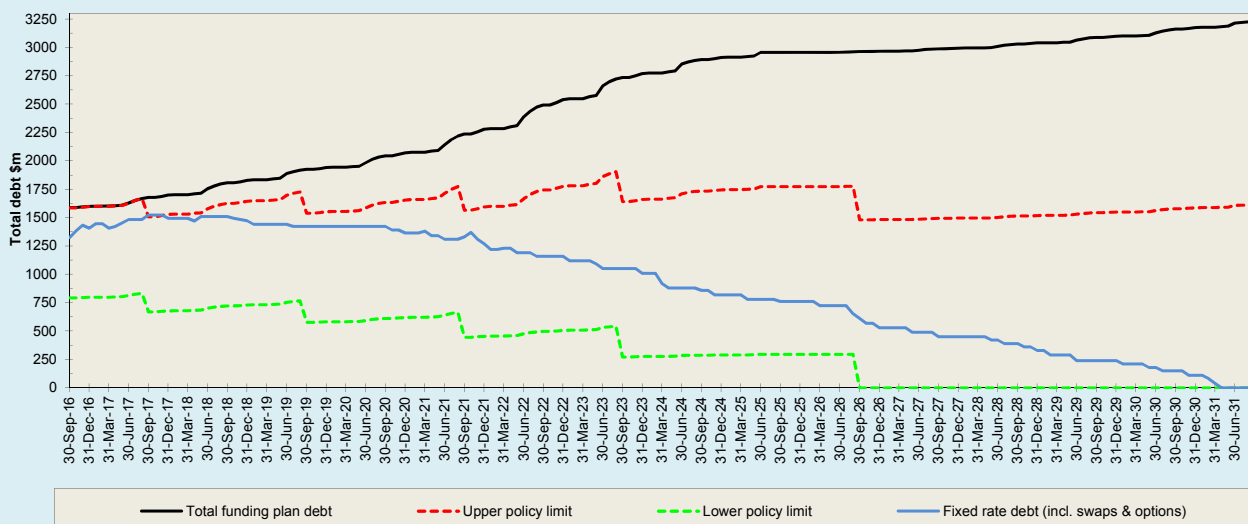
Monthly interest rate performance



Year to date interest rate performance



Forecast total debt profile



COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & COVENANT COMPLIANCE						Sep-16		
Counterparty exposures	S&P credit rating	Face value	Credit exposures	Limit	Limit OK / exceeded			
	Short / long term	\$000	\$000	\$000				
Obligations of registered banks								
ANZ Bank	A1+ / AA-	620,000	923	100,000	Limit OK	✓		
Bank of New Zealand	A1+ / AA-	655,653	23,060	100,000	Limit OK	✓		
Commonwealth Bank of Australia	A1+ / AA-	90,000	674	100,000	Limit OK	✓		
Kiwibank	A1 / A+	75,000	2,254	75,000	Limit OK	✓		
Westpac Institutional Bank	A1+ / AA-	565,000	0	100,000	Limit OK	✓		
		2,005,653	26,912					
<i>Note: Credit exposures are the aggregate of direct exposures, 10% of the 'face' value of forward foreign exchange contracts, 15% of the 'face' value of electricity hedging contracts, and the sum of the MTM value of interest rate derivative contracts plus a 3% 'risk' factor (if this produces a positive value).</i>								
Debt concentration \$000								
Committed debt facilities	Maturity	0-12 months	12-24 months	24-36 months	36-48 months	48-60 months	> 60 months	Total
Westpac Term Loan facility	13/10/16	150,000						150,000
BNZ CP Standby facility	1/07/17	175,000						175,000
Westpac Revolving Credit facility	30/11/18			60,000				60,000
Medium-term notes	26/10/18			125,000				125,000
Auckland Council	Various	54,668	78,368	82,243	200,000	132,243	755,000	1,302,522
Total committed debt facilities		379,668	78,368	267,243	200,000	132,243	755,000	1,812,522
Treasury policy - total committed debt facilities		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000		
Treasury policy compliance		✓	✓	✓	✓	✓		
Approved new funding from Auckland Council							100,000	100,000
Approved CP issuance, over and above CP Standby							75,000	75,000
Total committed and approved debt facilities		379,668	78,368	267,243	200,000	132,243	930,000	1,987,522
Drawn bank facilities	Maturity	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	> 30 months	Total
Westpac Term Loan facility (\$150m)	13/10/16	150,000						150,000
BNZ CP Standby facility (\$175m)	1/07/17							0
Westpac Revolving Credit facility (\$60m)	30/11/18					2,500		2,500
		150,000	0	0	0	2,500	0	152,500
Treasury policy for drawn bank facilities		<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	
Treasury policy compliance		✓	✓	✓	✓	✓	✓	
Other facilities								
BNZ overdraft	On demand	2,000						2,000
		2,000	0	0	0	0	0	2,000
Counterparty exposure in relation to borrowing facilities	Westpac	BNZ	ANZ	CBA	Kiwibank			
Term loan facility	150,000							
Revolving credit facility	60,000							
CP standby facility		175,000						
	210,000	175,000	0	0	0			
Treasury policy	<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000		
Treasury policy compliance	✓	✓	✓	✓	✓	✓		
Compliance with financial covenants and ratios under the Negative Pledge Deed and Guarantee Facility Deed								
Covenant / ratio	Benchmark/target measure	Outcome	Compliance					
Security interests / total tangible assets - maximum	5%	0.00%	✓					
Total liabilities / total tangible assets - maximum	60%	34.35%	✓					
Total liabilities (including contingent) / total tangible assets - maximum	65%	34.35%	✓					
Shareholders funds - minimum (\$000)	500,000	5,823,885	✓					
EBITDA : funding costs ratio - minimum	1.75	4.34	✓					
Funds from operations : interest cover ratio - minimum	2.00	3.92	✓					
Total tangible assets of borrowing group / total tangible assets - minimum	90%	100.00%	✓					
Loans, guarantees etc to related companies / total tangible assets - maximum	5%	0.00%	✓					
External debt maturing in less than 5 years - minimum	50%	100.00%	✓					
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WATERCARE SERVICES LIMITED

Management Report

Sep-16

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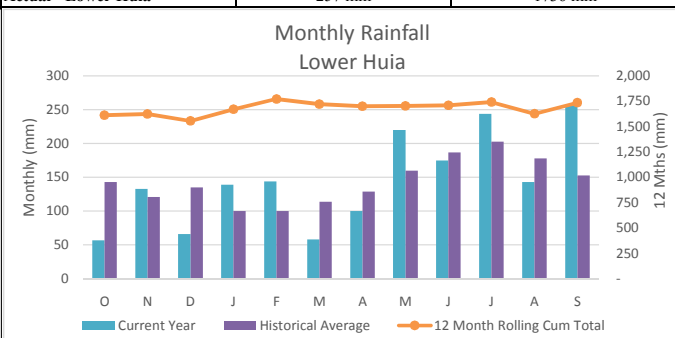
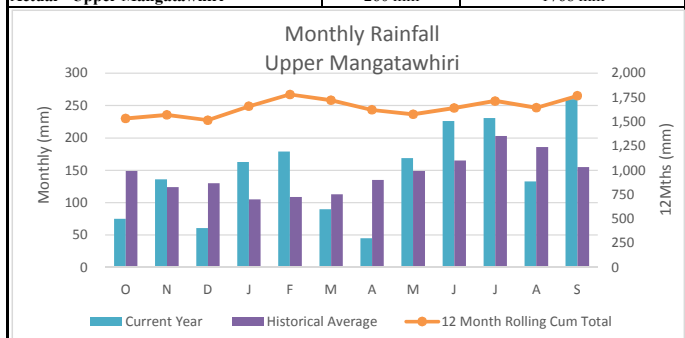
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• Monthly Statistics Update	B9

Confidential

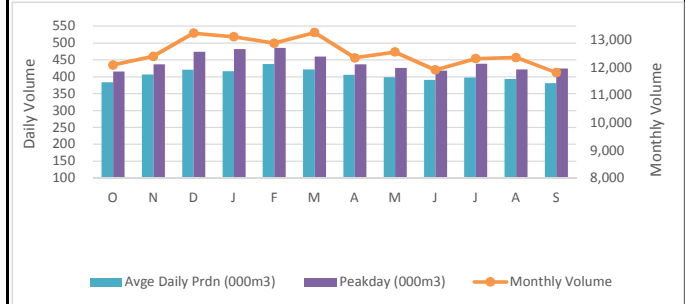
Management Report **WATERCARE SERVICES LIMITED**
Monthly Statistics Update **Sep-16**

Rainfall

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
Actual - Upper Mangatawhiri	260 mm	1768 mm	Actual - Lower Huia	257 mm	1736 mm



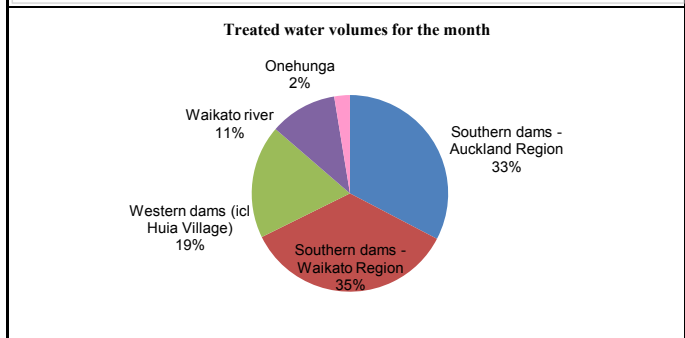
Water Production - Total Supply



Treated water volumes (000m ³)	Current Month	12 Month Rolling Ave
Monthly Volume	11,820	12,530
- Metro	11,652	12,343
- Non-metro	168 ¹	187
Average Daily Production	381	411
Peak Day	425	486 ²

1. Non-metro plants are:
Wellsford, Warkworth, Snells/Algies, Helensville, Muriwai, Huia Village, Cornwall Road, Victoria Road, Waiuku, Bombay.

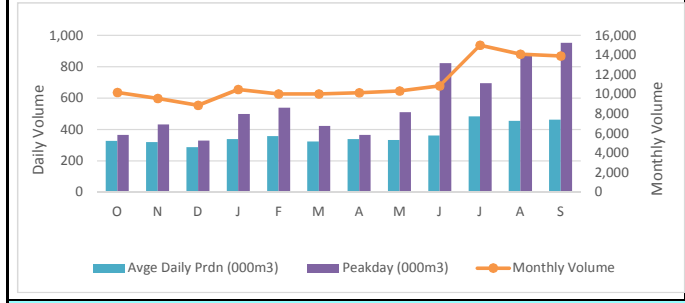
2. Max peak day in past 12 months



Treated water volumes (000m ³)	Year to Date					
	Current Month		Year to Date			
	Actual	%	Budget	Actual	%	Budget
Southern dams - Auckland Region	3,860	33%	1,192	3,814	10%	3,191
Southern dams - Waikato Region	4,143	35%	5,390	20,815	56%	15,071
Western dams	2,201	19%	2,251	7,510	20%	6,650
Waikato river	1,310	11%	2,387	4,224	11%	8,397
Onehunga aquifer	305	3%	560	695	2%	1,744
Total	11,820	100%	11,781	37,059	100%	35,054

Lake levels at month end was 99%

Wastewater Treatment - Metropolitan Treatment



	Current Month	12 Month Rolling Ave
Monthly Volume (000m³)	13,894	11,115
Average Daily Production	463	365
Peak Day	952	952 ²

2. Max peak day in past 12 months

5

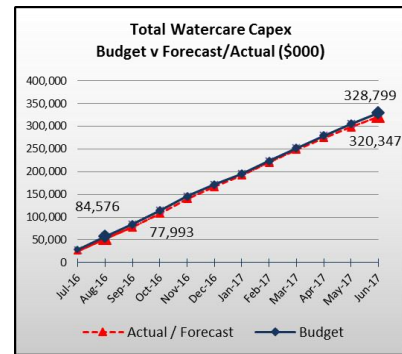
Appendix C

WATERCARE PUBLIC REPORT

CAPITAL EXPENDITURE



TOTAL WATERCARE EXPENDITURE	Year to Date		Annual Performance	
	Actual	Budget	Actual + Forecast	Budget
Strategy & Planning	949	2,614	17,770	20,749
Infrastructure Delivery	59,388	54,951	206,709	205,828
Service Delivery	11,952	14,974	62,364	63,936
Retail	2,339	3,607	12,549	11,808
Information Services	222	2,565	4,623	6,808
Other	956	3,179	5,704	7,428
Capitalised Interest	2,187	2,686	10,628	12,243
Watercare Total	77,993	84,576	320,347	328,799



Project / Programme Infrastructure Related Projects (Phase: Design / Execution)	Project	Annual Performance		Status	
	Current Forecast	Forecast	Budget	Time	Cost
Water Projects >\$15 Million					
Hunua No 4 Programme	318,172	13,980	12,427		
North Harbour Watermain Duplication	38,620	4,475	4,651		
Waikato 175MLD Expansion Stage Ultimate	31,505	15,814	16,240		
Ardmore WTP Treated Water Resilience	2,910	3,844	3,840		
Wastewater Projects >\$15 Million					
Central Interceptor Feasibility Design	60,880	8,594	7,654		
Mangere WWTP BNR Capacity	140,592	47,368	48,000		
Northern Interceptor - Stage 1	108,000	3,846	3,541		
Pukekohe WWTP Upgrade	66,000	1,780	2,040		
Rosedale WWTP Expansion Project	6,330	(522)	3,966		
Mangere WWTP Solids Stream Upgrade	53,400	12,903	12,900		
Pukekohe Trunk Sewer Upgrade	46,725	28,483	27,854		
Snells Algies WWTP Ocean Outfall	3,995	340	22		
Puketutu Island Rehabilitation	29,385	9,570	10,000		
Glendowie Branch Sewer Upgrade	28,755	1,116	805		
Fred Thomas Drive WW PS & Storage Tank	27,721	14,545	10,310		
Army Bay WWTP Outfall Upgrade	27,500	3,782	3,824		
Glen Eden Storage & Pipe Upgrade	17,067	10,130	10,131		
Shared Services >\$15 Million					
Networks Controls Upgrade	19,868	3,830	3,900		
Capex Programme (Design / Execution)					
>\$15 Million	1,027,425	183,877	182,105		
>\$2 Million <\$15 Million	88,237	29,664	31,740		
<\$2 Million	62,656	18,601	18,687		
TOTAL	1,178,318	232,142	232,532		

Watercare Services Ltd
Financial Summary 2016-17
Report Period September 2016
Infrastructure Related Projects: Strategy & Planning / Infrastructure Delivery / Service Delivery

Traffic light Key:

On target / No adverse Service Delivery impact

Short to medium term issues that may impact on outcomes or targets / Minor Service Delivery Impacts

Medium to long term issues that are impacting on outcomes or targets / Risk of significant Service Delivery Impact

Underspend on the capex variance (-10%)

No approved capex or the project is "in-service" indicating the issue is not critical

Local Board Interaction (As at 2 Oct 2016)

Local Board	Chair	Deputy Chair	July-16	Aug -16	Sept -16
Albert - Eden	Peter Haynes	Glenda Fryer	Respond to questions on wet areas on Mt Albert Reservoir roof affecting dog exercising (14 July).		Tapped in – Spring Edition (1 Sept)
Devonport - Takapuna	Joseph Bergen Watercare Rep (5 May 2015 to end of the 2013-2016 term)	Grant Gillion (5 May 2015 to end of the 2013-2016 term)	Local Board and parks meeting regarding possible use of parks land for temporary contractor parking (12 July). Information re play Ground construction in Takapuna and requirement for works over consent (21 July).		Tapped in – Spring Edition (1 Sept). Update on Fred Thomas laydown area (12 Sept).
Franklin	Andy Baker	Jill Naysmith	Notification of final decision on South West Wastewater Servicing (1 July). Presentation to Councils Rural Advisory Panel on South West wastewater servicing (8 July). Information sent on the Clarks Beach Reservoir and water outages during power surges over the initial commissioning phase (11 July). Update on South West Wastewater Servicing (12 July). Information on the Pukekohe Wastewater Treatment Plant discharge consent application (14 July). Pukekohe Wastewater Treatment Plant consent open day (18 July).	Notice of South West Wastewater consent notification and Pukekohe East Reservoir appeals (2 Aug)	Tapped in – Spring Edition (1 Sept). Notification of water outage in Pukekohe (14 Sept)
Great Barrier	Izzy Fordham	Susan Daly			Tapped in – Spring Edition (1 Sept)
Henderson - Massey	Vanessa Neeson	Shane Henderson			Tapped in – Spring Edition (1 Sept)
Hibiscus and Bays	Julia Parfitt	Greg Sayers	Update on Sidmouth Street wastewater leak (15 July).	Local Board briefing (10 Aug). Mairangi Bay wastewater leak update (25 Aug).	Tapped in – Spring Edition (1 Sept). Information on walkway signage sent to Parks Committee members (7 Sept). Log watermain break from Local Board Chair (20 Sept)
Howick	David Collings	Adele White			Tapped in – Spring Edition (1 Sept)
Kaipatiki	Kay McIntyre	Ann Hartley		Response to escalated complaint regarding water and slippery footpath. Issue investigated and handed over to Stormwater (4 Aug). Notice of wastewater main repair in Island Bay (23 Aug)	Tapped in – Spring Edition (1 Sept). Notice of maintenance works at Island Bay (12 Sept)

Appendix D

Local Board	Chair	Deputy Chair	July-16	Aug -16	Sept -16
Mangere - Otahuhu	Lydia Sosene	Carrol Elliott			Tapped in – Spring Edition (1 Sept). Information on opening of Mark Ford Drive and Closure of Island Rd (26 Sept)
Manurewa	Angela Dalton	Simeon Brown			Tapped in – Spring Edition (1 Sept)
Maungakiekie - Tamaki	Simon Randall	Chris Makoare	Local Board Landowner Approval for Glendowie Project (21 July).		Tapped in – Spring Edition (1 Sept)
Orakei	Desley Simpson	Kit Parkinson, Colin Davis (Watercare Rep)	Information on Glendowie wastewater upgrade project sent to Local Board (11 July). Information on Watercare videos sent to Local Board (12 July)		Tapped in – Spring Edition (1 Sept)
Otara - Papatoetoe	Fa'anānā Efeso (Efeso) Collins	Ross Robertson			Tapped in – Spring Edition (1 Sept)
Papakura	Bill McEntee	Michael Turner			Tapped in – Spring Edition (1 Sept)
Puketapapa	Julie Fairey	Harry Doig	Media release shared on leaking Hillsborough pipeline (6 July). Update on leaking pipe repairs (11 July). Local Board workshop briefing on the central Interceptor (12 July). Follow up information on Watercare videos also sent (12 July)	Update on leaking pipe repairs (3 August).	Tapped in – Spring Edition (1 Sept). Information provided in response to questions on the Central Interceptor project (27 Sept)
Rodney	Brenda Steele	Stephen Garner	Presentation to Councils Rural Advisory Panel on South West wastewater servicing (8 July). Discussion with Thomas Grace re Helensville future water supply (11 July). Update on Warkworth Snells Algies wastewater servicing (12 July). Notification of herbicide reading in water tests (14 July). Wellsford water test update (15 July). Notice of Warkworth Snells Algies and Omaha consent notification (27 July)	Presentation to Warkworth Rotary (18 Aug). Response to question from member on Helensville water supply quality (23 Aug).	Tapped in – Spring Edition (1 Sept). Local Board briefing re Omaha wastewater discharge and proposed easement over golf course (6 Sept).
Upper Harbour	Lisa Whyte (5 May 2015 to end of the 2013-2016 term)	Brian Neeson (5 May 2015 to end of the 2013-2016 term)	Local Board workshop briefing (19 July)		Tapped in – Spring Edition (1 Sept)
Waiheke	Paul Walden	Shirin Brown			Tapped in – Spring Edition (1 Sept). Respond to issue on Waiheke Wastewater Servicing (2 Sept)
Waitakere Ranges	Sandra Coney	Denise Yates	Notification of delays in decision making on Huia Water Treatment Plant (20 July). Invitation to dawn blessing for Glen Eden wastewater project (28 July).	Local Board Briefing – NI and NH2	Tapped in – Spring Edition (1 Sept). Update on the Glen Eden wastewater project (20 Sept).

Appendix D

Local Board	Chair	Deputy Chair	July-16	Aug -16	Sept -16
Waitemata	Shale Chambers	Pippa Coom			Tapped in – Spring Edition (1 Sept). Information on Central and Waterfront Interceptor (12 Sept).
Whau	Catherine Farmer	Susan Zhu	Information to Derek Battersby on reinstatement (14 July).	Notice of water leak and low pressure in New Lynn (12 August). Information in response to social media discussion on Avondale watermain breaks (18 Aug).	Tapped in – Spring Edition (1 Sept)
Manukau Harbour Forum	Jill Naysmith		Notification of final decision on South West Wastewater Servicing (1 July). Media release shared on leaking Hillsborough pipeline (6 July). Update on leaking pipe repairs (11 July).	Update on leaking pipe repairs (3 Aug).	Tapped in – Spring Edition (1 Sept)



B.29[16t]

Watercare Services Limited: Review of service performance

Progress in responding to
the Auditor-General's
recommendations



Watercare Services Limited: Review of service performance

Progress in responding to the
Auditor-General's
recommendations

Presented to the House of
Representatives under section 20 of
the Public Audit Act 2001.

October 2016

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Our 2014 findings and recommendations	5
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Watercare has improved the information it provides to customers	6
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Introduction

- 1.1 In May 2014, we published a review that looked at how well Watercare Services Limited (Watercare) was serving the public. Watercare is the council-controlled organisation that has been responsible for supplying all water and wastewater services in the Auckland region since November 2010. Watercare currently supplies its services to about 1.4 million people. In the 2015/16 financial year, its total revenue was \$570.4 million.
- 1.2 We carried out our 2014 review under section 104 of the Local Government (Auckland Council) Act 2009. This section requires the Auditor-General, from time to time, to review the service performance of Auckland Council and each of its council-controlled organisations. Our review of Watercare's service performance was the first such review.
- 1.3 Overall, our 2014 review found that Watercare had been largely successful in providing its customers with good customer service. We identified that Watercare could improve some aspects of its performance – in particular, by providing its customers with better information about how it operates and what customers can expect. As part of our review, we made six recommendations.
- 1.4 Since our review, Watercare has done extensive work to improve its customer focus. By dividing its contact centre staff into specialist teams, Watercare has clarified who is responsible for resolving incoming calls. This has led to improved staff productivity and customer satisfaction. Watercare has also established a Customer Innovations team, which explores opportunities for improvement. Such changes show that Watercare is committed to providing customers with a high level of service, and that it is continuing to improve that service.
- 1.5 This report reviews the progress that Watercare has made in response to our 2014 recommendations. It does not look in detail at all the areas of service performance covered in our last report, but focuses instead on what Watercare has done to address the six recommendations we made in 2014.
- 1.6 Watercare has made some good progress in addressing the recommendations from our last report. The amount and quality of information Watercare provides to customers has improved. Watercare has also improved the way it reports service performance information. There are some further minor improvements Watercare could make to ensure that it continues to enhance its overall service performance.

Our 2014 findings and recommendations

- 1.7 As part of our 2014 review, we looked at five aspects of Watercare's performance:
- tariffs;
 - the operation of its contact centre;
 - the introduction of monthly billing;
 - meter reading; and
 - its customer debt management practices.
- 1.8 We identified a number of positive aspects to Watercare's operations, including that:
- Watercare had standardised tariffs to address inconsistency throughout the Auckland region;
 - Watercare's customer contact centre was working well;
 - Watercare's staff were well trained and had access to a knowledge base that was up to date, clear, and concise; and
 - Watercare's meter reading process was efficient.
- 1.9 Our report also identified where Watercare could improve. In particular, we found that Watercare needed to provide more relevant information to customers. Our six recommendations were that Watercare:
1. better explain to customers the reasons for increases to water or wastewater tariffs;
 2. improve the accuracy of how it reports its service performance by:
 - reporting the number of customers who are satisfied with its performance levels, rather than reporting average customer scores;
 - reporting actual performance, where appropriate, rather than reporting the percentage of a target achieved;
 - increasing the size and nature of the sample for its customer satisfaction surveys; and
 - reviewing its water affordability measure to keep the measure relevant and meaningful;
 3. revise its invoice form to clearly and accurately state the date from which late payment penalties apply;
 4. amend its customer contract to correctly reflect the process and frequency for estimating meter readings and tell customers how they can request an invoice based on an actual reading;
 5. prepare a Code of Practice for dealing with customer debt, setting out its approach to debt recovery and customers' rights and obligations; and

6. update its water restriction policy and practice such that the policy reflects current practice and specifically requires Watercare managers to confirm that any water restriction meets the requirements of the Local Government Act 2002 and the Health Act 1956.

Summary of progress since 2014

- 1.10 During our follow-up review, we found that:
- Watercare is now providing customers with better information about how it operates;
 - Watercare has improved how it reports its service performance;
 - Watercare has reviewed its water affordability measure and its water restriction policy, and made improvements where necessary; and
 - there are some minor ways in which Watercare could continue to improve, such as by communicating some information more clearly.
- 1.11 Overall, we are satisfied that Watercare has made good progress since our 2014 report. We will continue to monitor Watercare's progress in addressing our recommendations through our annual audit process.
- 1.12 The following sections describe Watercare's progress in addressing our 2014 recommendations.

Watercare has improved the information it provides to customers

Reasons for tariff increases

- 1.13 In 2014, we found that, although Watercare was notifying customers about tariff increases, it was not providing customers with reasons for the increases. Since then, Watercare has begun informing customers about reasons for increases to water and wastewater tariffs. Watercare now announces price increases and the reasons for them in the New Zealand Herald, on its website, and in Tapped In, the quarterly newsletter that accompanies customer invoices.
- 1.14 This is an improvement since our last report. Customers now have access to better information about tariffs, which should help them understand why tariffs have increased. It would be useful for Watercare to seek information from customers about whether this information meets their needs. This would help give Watercare confidence that customers are now getting useful information about price increases, and help Watercare identify where additional information would be valuable. We understand that Watercare intends to use customer focus groups in 2017 to seek feedback on the information it provides about tariffs.

Late payment fees

- 1.15 In 2014, Watercare's invoice for domestic customers inaccurately indicated when customers might be charged a late payment fee. Its invoice suggested that Watercare could impose a late payment charge for any balance unpaid after the due date. The invoice did not make it clear that Watercare did not impose late payment penalties until 24 days after an invoice's due date. We suggested that Watercare state in its invoices the date from which late payment fees apply.
- 1.16 Watercare has considered our recommendation but chosen not to implement it. Watercare believes that adding another date to its invoice would not provide clarity to customers about when payment is due. Watercare is also concerned that focusing customers' attention on the date the late payment fee will be applied may encourage customers to be less prompt with their payments.
- 1.17 Although invoices do not state the date from which late payment fees apply, Watercare does send customers written reminders before it charges late payment fees. These reminders are intended to ensure that customers receive adequate notice before late payment fees are applied. We understand why Watercare has chosen not to implement this recommendation, and are satisfied that Watercare is giving customers the information they need about late payment fees before these fees are applied.

Estimated meter readings

- 1.18 In our 2014 report, we recommended that Watercare provide its customers with more information about the estimation process to help them understand the invoices they receive. Watercare uses estimated meter readings every second month, but this was not clearly communicated to customers.
- 1.19 Better information is now available on Watercare's website about the estimation process and about how customers can request an actual meter reading. Watercare's website clearly states that every second month, customers' invoices are based on an estimation of their water usage, rather than an actual meter reading. Its website explains how the estimated reading is calculated, and says that customers can contact Watercare to provide Watercare with their own meter reading if they think their invoice is not right. This information should help customers understand the invoices they receive from Watercare.
- 1.20 Watercare has also updated its customer contract since our 2014 review. The latest version, published in July 2016, says:
- Every second month, your bill may be based on an estimate of your water usage, rather than an actual reading of your meter.*

- 1.21 This wording differs slightly from the wording used to explain estimated meter readings on Watercare's website. While the customer contract says that invoices "may" be based on an estimated reading every second month, the website indicates that two-monthly estimated readings are standard practice for Watercare.
- 1.22 Watercare told us that it deliberately uses different styles of communication in its customer contract and on its website. Watercare said that it does this because the website is a customer information and support tool, while the contract is a legal document.
- 1.23 In our view, the different wording Watercare uses on its website and customer contract to explain estimated meter readings could be a source of confusion for customers. To avoid this, Watercare needs to ensure that the information about when estimated meter readings are used is clear and consistent both on its website and in its customer contract.

Debt management code of practice

- 1.24 In 2014, we said that Watercare should develop a code of practice to fully inform customers of its approach to debt recovery and what it expects of its customers. We made a number of suggestions about what this code might include.
- 1.25 Watercare has now produced a debt management code of practice. Watercare's debt management code of practice explains what Watercare can do to help customers when they are struggling to pay, and what Watercare might do when a customer does not pay. Information in Watercare's debt management code of practice is expressed clearly and concisely. Watercare told us that the code is accessed on its website, on average, five times a day.
- 1.26 This is an improvement since our last report. The code should help to ensure that Watercare's customers are aware of their obligations to pay their invoices, and what they can do if they have problems paying on time.

Watercare's reporting on service performance

Improvements made

- 1.27 Watercare has improved the way it reports service performance information.
- 1.28 In our last report, we said that the way Watercare was reporting its performance was likely to confuse readers. Watercare was reporting its performance as a percentage of a target achieved when the target may itself be a percentage. For example, if a particular performance target was, say, 80% and Watercare achieved that target, it reported its performance as 100%.

- 1.29 In its 2015 annual report, Watercare improved the way it reported its performance, in keeping with our recommendation. Instead of reporting its performance as a percentage of a target achieved, Watercare reported its actual performance. For example, one of Watercare's performance measures was answering customer calls within 20 seconds. The 2015 annual report stated that the target performance was to answer 80% of calls within 20 seconds, and that Watercare had succeeded in answering 85.5% of calls within that time frame.
- 1.30 We also said in our 2014 report that Watercare was not sampling a wide enough range of customers to meaningfully measure and report on customer satisfaction. Watercare was then measuring overall customer satisfaction with water and wastewater services by surveying only the customers who called about faults.
- 1.31 In December 2015, Watercare implemented a new platform for surveying customer satisfaction called Voice of the Customer (VoC). Under the previous system, about 400 customers were sampled each month. With VoC, the monthly sample size has been increased to more than 1000 customers. All customers who call Watercare about billing, faults, connections, payments, networks, and their experience on the Watercare website are invited to take part in the survey. VoC also allows Watercare to respond to negative feedback in a timely way. Watercare is currently doing further work to expand the range of services customers are surveyed about.
- 1.32 This represents a significant improvement since our last report, and should help Watercare to meaningfully report on customer satisfaction. However, because the new platform was only recently implemented, it will not be used for reporting until 2017.

Reporting customer satisfaction

- 1.33 Our 2014 report noted that in its 2011 and 2013 annual reports, Watercare measured customer satisfaction using the average satisfaction score of all customers surveyed. We recommended that Watercare report the number of customers who are satisfied with its performance levels.
- 1.34 In its 2015 annual report, Watercare reported that its overall average customer satisfaction score was 7.7 out of 9, and that 85.1% of customers were satisfied with its delivery of water and wastewater services. Watercare used the unrounded customer satisfaction score of 7.66 out of 9 to calculate that 85.1% of customers were satisfied with its services.

- 1.35 In 2015, Watercare also included a statement in its annual report that “the sample of customers satisfied with the service was 2653 respondents out of 3121 surveyed.” Watercare explained to us that 3121 surveys were sent to customers, with 2653 completed surveys received back.
- 1.36 Watercare could be clearer about the number of customers who are satisfied with its service, and is yet to fully implement our 2014 recommendation. In our view, Watercare could better explain that it is reporting on customer satisfaction using the average satisfaction rating of its customers. We understand that Watercare is now reviewing the way it reports customer satisfaction in its annual report.

Watercare’s review of its water affordability measure and its water restriction policy

Water affordability measure

- 1.37 In our 2014 report, we said that Watercare could usefully review its water affordability measure to ensure that it is relevant and meaningful. We considered that customers might also find it useful to know how Watercare determines its water affordability measure.
- 1.38 Since our last report, Watercare has regularly reviewed its water affordability measure. We were told that Watercare reviews the measure annually. Watercare has also looked at how water affordability is measured internationally, and at how its water prices compare with prices for other utilities in the Auckland region, such as electricity.
- 1.39 Based on this analysis, Watercare is confident that its current measure is the best one available. This means that, as in 2014, Watercare considers that water prices are affordable for customers when its prices are less than or equal to 1.5% of the average household income.
- 1.40 The amount of work Watercare has put into ensuring that its water affordability measure is appropriate is positive. However, it is important that Watercare continues to review its water affordability measure to ensure that it remains relevant and meaningful. We understand that Watercare intends to include information about how it has determined its water affordability measure in future reporting. This should give customers a better understanding of how Watercare assesses the affordability of its services.

Water restrictions

- 1.41 In 2014, Watercare applied water restrictions to a property only after staff had an excellent understanding of a customer's situation. However, we considered that Watercare's water restriction policy should specifically require Watercare managers to confirm that any water restriction meets the requirements of the Local Government Act 2002 and the Health Act 1956.
- 1.42 Watercare has updated its water restriction policy since our last audit. Watercare told us that the new policy has been reviewed by the Auckland Regional Public Health Service (ARPHS), which had no adverse comments about it. Watercare also now reports all restrictions to the ARPHS to check whether they are causing conflicts with the Health Act. Watercare has received only one request from the ARPHS to remove a restriction, which Watercare acted on immediately.
- 1.43 Since our last review, Watercare has also updated its internal approval form. The form now requires managers recommending a water restriction to confirm that the requirements of the Local Government Act and the Health Act have been met.
- 1.44 It is encouraging that Watercare is involving the ARPHS in water restriction decisions, and that Watercare has updated its internal approval form. Watercare can now be more confident that its water restrictions comply with the law. Watercare should also consider stating in its water restriction policy that managers approving a water restriction must confirm that the requirements of both Acts have been met. This would help ensure that managers understand their responsibilities.

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Report to the Board of Watercare Services Ltd

Subject: Performance under the 2015/16 Statement of Intent

Date: 11 October 2016

1. Introduction

The Local Government (Auckland Council) Act 2009 (“Act”) states that council-controlled organisations (CCO’s) of the Auckland Council must nominate two Board meetings per year to be open to the public.

One of these meetings must be held after 1 July each year for the purpose of considering the organisations performance under its Statement of Intent in the previous financial year. Under the Act, the Board must allocate time for members of the public attending the meeting to address the Board in relation to the subject matter of the meeting.

2. Performance under the 2015/16 Statement of Intent

The Statement of Intent (SOI) represents Watercare’s public expression of activities, intentions and objectives, and the legislative expression of accountability to its shareholder, the Auckland Council.

Performance against the 2015/16 SOI was reported on a quarterly basis to the shareholder during the year and is recorded in the Statement of Service Performance (SSP) included in Watercare’s 2016 Annual Report. The Annual Report was published and distributed on 30 September 2016.

Copies of the Annual Report will be available in the Watercare Boardroom, Level 4, 73 Remuera Road, Newmarket on 18 October 2016 for people attending the October Board meeting. Copies have been supplied to all Auckland Councillors and Local Board Chairs, to the local news media and other interested parties. An online version is available on the Watercare website.

Performance reporting against the 2015/16 SOI is aligned to Watercare’s strategic priorities: Customer Focus, Business Excellence, Financial Responsibility and Fully Sustainable.

An overview of the company’s performance under the 2015/16 Statement of Intent will be presented at the meeting.

Report prepared by:



.....
R Chenery
**Business Transformation
Manager**

Reviewed by:



.....
B Monk
Chief Financial Officer

Approved for submission by:



.....
R Jaduram
Chief Executive

Watercare Services Limited Annual Performance 2015/16

18 October 2016

Annual Performance Summary

Watercare measures its performance across four strategic priorities:



Customer focus



Business excellence



Financial responsibility



Fully sustainable

Statement of Intent Measures

- **21 of 23 Statement of Intent performance measures were achieved**
- **Measures not achieved:**
 - Percentage of voluntary staff turnover: Target 12% or less; Result 12.9%
 - *During the year Watercare undertook a significant restructure to better align the business to deliver on customer outcomes. A slight increase in the level of voluntary staff turnover is not unusual in this context. A number of recruitment and retention initiatives are now underway with a focus on continuing to build strong staff engagement.*
 - Percentage of complaints ‘resolved and closed’ within 10 working days: Target 95% or greater; Result 93.5%
 - *While this target was not met, the overall volume of complaints reduced by 55.7% (to 742) compared to the prior year. The reduction in the volume of complaints was achieved by utilising specialised teams to implement a first-call resolution approach to customer enquiries thereby preventing repeated calls and escalations.*

Strategic
priority
one

Customer focus

Even though they may not have a billing relationship with us, everyone who uses our services or is impacted by our operations is viewed as our customer. We are seeking to understand these customers and be responsive to their needs. We believe all staff at Watercare have a role to play in ensuring positive customer experiences.

Outcomes for this strategic priority:

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

2015/16 Achievements:

- Supplied 'Aa' graded drinking water that was fully compliant with the Ministry of Health's drinking water standards, to 1.4 million people throughout Auckland;
- Reduced the number of customer complaints by more than half by adopting a first-call resolution approach to customer enquiries;
- Strengthened the engagement with property developers and informed them about Watercare's plans to respond to growth and supporting housing development in Auckland;
- Introduced a new payment option for landlords that makes it easier for them to pass charges on to their tenants.

Strategic
priority
two

Business excellence

Business excellence refers to the internal elements and support necessary to deliver positive customer and business outcomes.

At Watercare, we believe the drivers for business excellence are threefold: recruiting and retaining talented staff; keeping them safe and well; and implementing smart processes and fit-for-purpose technology.

Outcomes for this strategic priority:

- 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.

2015/16 Achievements:

- Met all SOI targets related to health and safety;
- Achieved a participation score of 90% and an engagement score of 69 in the annual staff engagement survey;
- Published the forward works programme to inform the consulting and contracting market of upcoming capital works as part of strengthening our engagement with them;
- Commenced upgrades of both the Huia and Waikato water treatment plants to increase maximum production capacities, improve process reliability and provide operational resilience.

Strategic
priority
three

Financial responsibility

Our customers expect us to be financially responsible as every dollar we spend has an impact on the price they pay for water and wastewater services. Staff throughout the company are encouraged to be efficient and cost-conscious. Our financial management is underpinned by robust plans and policies, supported by a comprehensive risk and audit programme.

Outcomes for this strategic priority:

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

2015/16 Achievements:

- Achieved savings of \$4.4m through the procurement process for mobile, voice and data services and solid waste disposal from wastewater treatment plants;
- Implemented the final phase of the standardised wastewater tariff for non-domestic customers;
- Completed the Water Services Association of Australia (WSAA) benchmarking exercise to compare our operating costs metrics with our Australian peers and identify areas for improvement;
- Released a 20-year Asset Management Plan that outlines \$11 billion of capital investment to cater for Auckland's growing population, asset renewals and improving levels of service.

Strategic
priority
four

Fully sustainable

Watercare's business is intrinsically linked to the natural environment and our operations can impact upon local communities.

Integrating sustainability into everything we do is key to our role as a trusted community and iwi partner.

Outcomes for this strategic priority:

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

2015/16 Achievements:

- Signed a three-year agreement with the Energy Efficiency and Conservation Authority (EECA) to achieve energy-efficiency gains of 8GWh within three years;
- Generated 26% of total energy needs through co-generation and hydro turbines at water and wastewater treatment plants;
- Committed to making the Rosedale and Mangere wastewater treatment plants energy neutral by 2025;
- Committed to funding and developing scientific research by the National Institute of Water and Atmospheric Research (NIWA) on water quality of the Manukau Harbour through hydrodynamic modelling.