

WATERCARE SERVICES LIMITED

AGENDA | Board meeting | 01/03/2017

Venue	Watercare Services Limited, 73 Remuera Road, Newmarket
Time	11:30am

Open Public Meeting

Item	Spokesperson	Action sought at governance meeting	Supporting Material	Pages
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 26 January 2017	Minutes 26 January 2017	2 - 4
3. Directors' Corporate Governance Items	Chair	<ul style="list-style-type: none">Review Board PlannerReview Disclosure of Interests (Directors & Executive Management)	Board Planner Disclosure of Interests	5 6 - 8
4. Chief Executive's Report and Scorecard	R Jaduram	<ul style="list-style-type: none">Receive report	Chief Executive's Report	9 - 39
5. Draft Statement of Intent 2017-20	B Monk/R Chenery	<ul style="list-style-type: none">Approve Draft Statement of Intent		40 - 60
6. General Business	Chair			

Date of next Meeting – 27 March 2017

Location – Watercare Newmarket, 73 Remuera Road, Newmarket

MINUTES

DRAFT

SUBJECT WATERCARE SERVICES BOARD MEETING

VENUE Watercare Services Limited, 73 Remuera Road, Remuera, Auckland

DATE 26 January 2017

TIME 11:00 – Adjourned, Reconvened 1.00pm

STATUS Open Session

	Present: M Devlin (Chair) J Hoare N Crauford C Harland T Lanigan B Green D Thomas	In Attendance: R Jaduram R Fisher B Monk J Simperingham	Public in Attendance: None
1.	Apologies: I Cronin-Knight (Board Observer)		
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 13 December 2016 be confirmed as correct.		
3.	Directors Corporate Governance Items <ul style="list-style-type: none">Board Planner 2017 The Corporate Planner was noted.Disclosure of Interests The reports on the Disclosures of Interest were reviewed.		
4.	Chief Executive's Report and Scorecard <ul style="list-style-type: none">Health & Safety <p>There were no lost-time injuries related to Watercare employees during December. The rolling 12 month lost-time injury frequency rate (LTIFR) is 1.24 per million hours, below the target maximum of 5.</p><p>The total recordable injury frequency rate (TRIFR) is 14.3 per million hours.</p>Customer Focus <p>Performance against Statement of Intent measures for December was good with all customer service performance metrics above target for the month, except complaints resolution. The rolling 12 month average result for resolution of complaints within 10 working days was 94.1% against a target of 95%. Although Watercare did not meet the rolling 12 month target, 100% of complaints in December were resolved within 10 working days.</p><p>Customer satisfaction in December was 81.4% for the previous 12 months.</p>Infrastructure Programme <p>The infrastructure capital programme has delivered year to date \$148m against a budget of \$156m. The forecast to year end is to deliver \$284m against a budget of \$302m.</p>		

- Service Delivery

Metropolitan Total System Storage at month end was 89.0%, which is above the historical average storage for this time of year (81.8%).

- Auckland Unitary Plan

The Auckland Unitary Plan became operative in part on 15 November 2016. The parts that are not operative are those that are subject to appeals and those that require approval from the Minister of Conservation (the regional coastal plan). There are a total of 106 appeals, 39 of which are to the High Court (decisions made by the Independent Hearing Panel that were not changed by the Council). There are three categories of appeals to the High Court: 1) those that are subject to settlement discussions; 2) issues of zoning and scope, and 3) issue-specific appeals. The High Court is currently hearing the key appeals on issues of zoning and scope as that is pivotal to resolving a significant number of the appeals. The hearing commenced in November. The balance of the appeals are to the Environment Court. Hearings on appeals to the Environment Court are being postponed until the High Court has made its ruling on key issues. In the meantime, however, Environment Court mediation is proceeding on a number of matters.

Watercare is participating in several mediations as part of the Auckland Council team. In particular Watercare is involved in the appeal on the Residential zones (related to assessment criteria for water and wastewater services).

- Finance

Year to date revenue is \$12.3m favourable to budget with IGC revenue favourable \$6.8m. The IGC charges paid year to date are higher than budget by 22% driven primarily by large subdivisions at Hobsonville, Millwater and Flatbush and by retirement village and apartment developments particularly in Albany, Pukekohe and the CBD. Vested asset income is favourable \$6.0m; new developments revenue favourable \$1.0m. Water and wastewater revenue is favourable \$1.2m, with water volumes 0.8% higher than budget. Volumes can be volatile from month to month largely due to weather and non-domestic usage, and it is expected that water revenue will be on budget for the full year.

The Board noted that higher than budgeted water volumes are largely due to higher than expected non-domestic demand in the Manukau area. The Board were advised this was likely due to large customers producing beer and soda drinks. Management will look more closely at the customer volumes, emerging trends and seasonality.

- Board Correspondence

There was no correspondence during the month.

- Communications

The Board noted the correspondence and comment in media relating to the temporary closure of three water tanker filling stations in Rodney as a result of high demand from customers connected via the local network. While tanker drivers blamed the closure for the delay in supplying their customers with water, the Board noted the delay in supplying water to households was around three weeks before the temporary closure of the filling stations occurred and that had been the subject of an article in Mahurangi Matters in January.

Management will look at the location of the filling stations with a view to avoiding even temporary closures.

- Working with Local Boards

During December, invitations were sent to the Albert Eden and Waitemata Local Boards for representation on the Meola Community Liaison Group. This group was established as part of the Central Interceptor project's stakeholder communications.

Residents of Browns Bay in the area of Bushglen Reserve worked with the Hibiscus and Bays Local Board, Watercare and Auckland Council in response to a broken wastewater main.

Rodney and Hibiscus and Bays local boards held a workshop with Auckland Council and CCO staff in preparation for the development of their Local Board Plans. Other local boards will hold similar workshops in the new year. Watercare is working with the Local Board services staff to input to these plans as required.

	<ul style="list-style-type: none"> • Office of the Auditor General (OAG) – Service Performance Review <p>As reported at the October 2016 Board meeting, the Office of the Auditor General (OAG) completed a review of Watercare’s service performance which reflected positively on the improvements made in key customer related processes over the past two years. The OAG report provided 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 provided 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 are being addressed by Watercare as part of its ongoing improvements.</p> <p>After the OAG report was tabled with Parliament on the 11th of October, the OAG was called to present to the Local Government and Environment Select Committee on the 8th of December 2016 on the follow up report on Watercare. The Local Government and Environment Select Committee were comfortable that there was nothing in the report of any concern.</p> <ul style="list-style-type: none"> • Process for Charter Review <p>The relevant draft Charters of the Capital Projects Working Group and the Remuneration and Appointments Committee will be considered at the next meetings of the sub-committees before being recommended to the Board for approval.</p> <ul style="list-style-type: none"> • NIWA Secondment <p>NIWA has provided, at nil cost, a climate scientist to work with Watercare on secondment. Watercare will obtain updated climate information within the main catchments and NIWA will be able to demonstrate practical use of some of their theories. Having done so, NIWA may be able to secure additional research funding to develop new products to take to the market.</p> <p>The secondment will be over the period March to May and will:</p> <ul style="list-style-type: none"> ➢ Report on Watercare’s current use of weather and climate information to allow better forward planning of water supply augmentation projects. ➢ Provide a presentation on research into climatic drivers which will demonstrate what weather and climate patterns drive wet and dry spells for Auckland. ➢ Provide a summary of key case studies of how past events may have disrupted or impacted Watercare’s operations (with further emphasis on how outlooks and forecasting could have potentially minimised impacts). <p>The intention is to highlight the linkages between weather and climate variability and water demand, water supply and water quality. This will help to jointly develop a plan for new prediction tools in the future if required.</p>
5.	<p>General Business</p> <ul style="list-style-type: none"> • There was no general business. • The meeting was closed at 1.10pm.

CERTIFIED AS A TRUE AND CORRECT RECORD

M Devlin
Chair

Board planner 2017

		January	February	March	April	May	June	July	August	September	October	November	December
Meetings	Board	26 Jan [^]	1 Mar Newmarket	27 Mar Newmarket	20 Apr Newmarket	30 May* Newmarket	28 Jun Newmarket	31 Jul [^] Newmarket	29 Aug Newmarket	21 Sep Newmarket	26 Oct* Newmarket	28 Nov Newmarket	20 Dec Newmarket
	Audit and risk committee	26 Jan (Before board meeting)			26 Apr Newmarket			31 Jul (Before board meeting)	18 Aug Newmarket		26 Oct (Before Board meeting)		
	Capital projects working group			6 Mar Newmarket		10 May Newmarket			9 Aug Newmarket			1 Nov Newmarket	
	Remuneration and appointments committee	26 Jan (After board meeting)			20 Apr (After board meeting)	30 May (After board meeting)			29 Aug (Before board meeting)		26 Oct (After board meeting)		
	Management Health & Safety Workshops			7 Mar Newmarket			29 Jun Newmarket			22 Sep Newmarket			21 Dec Newmarket
Governance	Charter reviews										Annual review of charters		
	Policy reviews					Treasury policy review (via A&R)							
	Delegations											Annual review of board delegations to CE	
	Quarterly risk reviews				Risk report			Risk report			Risk report		
	Compliance	Statutory compliance			Statutory compliance			Statutory compliance			Statutory compliance		
	Shareholder interaction		27 Feb - CCO quarterly report due	21 Mar - Q2 briefing to F&P Committee		12 May - CCO quarterly report due				5 Sept - Quarterly briefing to F&P Committee, Auckland Council's A&R Committee			
	H&S Quarterly report	Oct-Dec 16 Report			Jan-Mar 17 Report			Apr-Jun 17 Report			Jul-Sept 17 Report		
Board Training	Board training & development			H&S Due Diligence refresher - TBC									
Business strategy	Strategic planning												
	Strategic programme updates			Non-revenue water		Customer focus		Business excellence / People & capability		Financial responsibility		Customer focus	
Business Planning	Key finance decisions	Approve half year accounts	a) approve financials for Draft SOI including projected 17/18 price increases, b) approve long term financials for Auckland Council modelling						a) approve 2016/17 accounts, b) delegate final sign off of 2016/17 Annual Report				
	Statement of intent		Approval of Draft 2017-2020 SOI			Present shareholder SOI feedback at public meeting	Final 2017-2020 SOI issued to shareholder						2018/19 Letter of Expectation to be received
	Business planning approvals						28 June Approval of 2017/18 Budget					Auckland Council LTP - review Watercare input >	Auckland Council LTP - approve Watercare input >

* Statutory public Board meeting - deputations invited

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

> Timetable/Plan not yet available

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests

Date: 22 February 2017

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.

<i>Director</i>	<i>Interest</i>
Margaret Devlin	<ul style="list-style-type: none"> – Chairman, Harrison Grierson Limited – Chairman, WEL Networks – Director, City Care Limited – Director, Meteorological Services of NZ – Director, Waikato Regional Airport – Director, IT Partners Group – Independent Chair of Audit and Risk Committee, Waikato District Council – Chairman, Women in Infrastructure Network
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
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 – 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, Altus NZ Limited
Brendon Green	<ul style="list-style-type: none">- Director, Kaitiaki Advisory Limited- Director, Tainui Kawhia Incorporation- Executive Director, Bay Dairy Limited- Executive Director, Advanced Biotech NZ- Executive, Te Runanganui o Ngati Hikairo- Contract with Mercury for stakeholder management of greenfield geothermal developments

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: 22 February 2017

<i>Executive</i>	<i>Interest</i>
Raveen Jaduram	Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust Steering Committee Member – Business Leaders’ Health and Safety Forum Chair - Centre for Infrastructure Research at University of Auckland
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 Director – Hunua Forests Ltd
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 Director – Hunua Forests 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	Board Member – Water New Zealand
David Hawkins	Nil
Adrienne Miller	Nil
David Sellars	Nil
Rebecca Chenery	Nil

RECOMMENDATION

That the report be received.

Approved by:



R Jaduram
Chief Executive

WATERCARE SCORECARD 2016/17

		On budget, on time, within	Unfavourable but within parameters	Major issue, needs attention	SOI	2016/17 Target	Amber Threshold	Red Threshold	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	
4	Health, Safety and Wellbeing																						
4a	Lost-time injury frequency rate per million hours worked (12 month rolling average)	☑	≤5	5 - 7	>7	2.99	3.03	3.06	3.73	3.75	2.51	1.92	1.9	1.25	1.25	1.25	1.26	1.24	1.87				
4b	Percentage of total hours absent due to illness (12 mth rolling average)		≤2.5%	>2.5 to 3.5%	>3.5%	2.16%	2.14%	2.12%	2.12%	2.11%	2.14%	2.18%	2.19%	2.15%	2.18%	2.19%	1.97%	2.08%	2.21%				
4c	Percentage of voluntary leavers relative to number of permanent staff (12 mth rolling average)	☑	≤12%	>12 to 14%	>14%	12.30%	12.01%	12.45%	11.92%	12.32%	12.74%	12.92%	12.15%	12.54%	12.18%	11.19%	10.66%	10.70%	11.31%				
4d	Total recordable injury frequency rate per million hours worked (12 month rolling average)	☑	<30	>30 to <33	>33	15.53	15.73	15.90	18.02	16.90	14.42	23.02	23.48	22.85	18.35	16.94	14.45	14.3	14.31				
5	Financial Responsibility																						
5a	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	☑	≥2.5	2.4 to <2.5	<2.4	3.63	3.71	3.65	3.69	3.69	3.71	3.71	3.89	3.94	3.92	3.91	3.98	3.92	3.95				
5b	Percentage of household expenditure on water supply services relative to the average household income	☑	≤1.5%	1.2 to <1.5	>1.5	0.84%	0.85%	0.85%	0.85%	0.85%	0.86%	0.86%	0.86%	0.87%	0.87%	0.87%	0.87%	0.88%	0.88%				
5c	Water & wastewater revenue against budget YTD %		≥100%	≥98% to <100%	<98%	102%	102%	102%	102%	102%	102%	102%	101%	101%	101%	101%	100%	101%	101%				
5d	Infrastructure growth charge revenue against budget YTD %		≥100%	≥95% to <100%	<95%	94%	103%	105%	104%	102%	105%	108%	115%	125%	113%	110%	116%	122%	121%				
5e	Controllable costs against budget YTD %		≤100%	>100 to ≤102%	>102%	95%	94%	95%	95%	97%	99%	94%	97%	95%	95%	94%	95%	95%	95%				
5f	Total contribution against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	22.06	30.99	30.11	31.35	33.40	35.65	37.55	4.80	6.84	7.88	11.86	15.86	17.5	23.34				
5g	Net surplus / deficit before tax against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	4.06	-24.71	-64.68	-73.74	-73.92	-77.60	-108.02	-21.05	-23.37	-15.53	36.58	92.07	118.33	134.22				
5h	Total net borrowing against budget YTD (\$ millions)		Negative	\$0.1m to \$10m	> \$10m	-51.30	-52.70	-72.00	-89.10	-92.70	-105.30	-92.00	10.60	14.70	9.80	6.70	4.10	1.60	14.20				
6	Fully Sustainable																						
6a	The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	☑	270 + / - 2.5%			273	272	272	272	272	273	272	272	273	273	273	272	272	272				
6b	Per capita consumption (litres / person / day) - Residential Monthly PCC		Information only			165	168	169	164	158	155	153	151	152	152	157	162						
6c	Non-Domestic Monthly Water Volume		Information only			3,191,872	3,174,802	3,244,017	3,305,826	3,081,359	3,137,157	2,970,236	2,910,688	2,911,727	2,906,628	2,984,463	3,044,237						
6d	Non-Revenue Water Percentage		Information only			17.0%	16.7%	16.9%	16.7%	16.6%	16.6%	16.6%	16.6%	16.6%	16.7%	16.8%	16.8%						
6e	The percentage of real water loss from the local authority's networked reticulation system (rolling 12 mth average)	☑	≤13%	>13 to 13.2%	>13.2	13.0%	12.7%	12.8%	12.8%	12.9%	13.0%	13.0%	12.9% *	13.0% *	13.1% *	13.2% *	13.2%						
6f	Percentage of annual potable water transmission system losses (12 month rolling average)		No specific target - information only			1.8%	1.7%	1.8%	1.8%	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%				
6g	Percentage of annual potable water network losses (12 mth rolling average) - Urban as a percentage of total volume		No specific target - information only			10.8%	10.6%	10.6%	10.6%	10.7%	10.6%	10.6%	10.6%	10.7%	10.8%	10.9%	10.9%						
6h	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of total volume		No specific target - information only			0.42%	0.41%	0.42%	0.40%	0.39%	0.38%	0.38%	0.37%	0.36%	0.35%	0.35%	0.34%						
6i	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of rural volume		No specific target - information only			26.7%	26.4%	26.5%	25.7%	25.0%	25.0%	24.9%	24.3%	24.0%	23.6%	23.3%	22.8%						
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	Within policy	Within policy

* Transmission system losses corrected to 2%

Accurate meter reading based calculations are only able to be done on a 2 month lag basis.

Watercare Services Limited

Subject: Chief Executive Report – January 2017

Date: 22 February 2017

1. HEALTH AND SAFETY

There was one lost-time injury related to Watercare employees during January. The rolling 12 month lost-time injury frequency rate (LTIFR) is 1.87 per million hours, below the target maximum of 5.

The total recordable injury frequency rate (TRIFR) is 14.31 per million hours.

2. CUSTOMER FOCUS

Performance against Statement of Intent measures for January was good with all customer service performance metrics above target for the month, except complaints resolution. The rolling 12 month average result for resolution of complaints within 10 working days was 94.6% against a target of 95%. Although Watercare did not meet the rolling 12 month target, 100% of complaints in January were resolved within 10 working days for the fifth month running. It is expected that Watercare will achieve the target in the next few months which will result in Watercare achieving the Statement of Intent measure at the end of the financial year.

The customer satisfaction score in January was 87.6% and the rolling 12 month average is 81.8% against a target of 80%.

3. INFRASTRUCTURE PROGRAMME

The infrastructure capital programme has delivered year to date \$163m against a budget of \$177m. The forecast to year end is to deliver \$286m against a budget of \$302m.

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

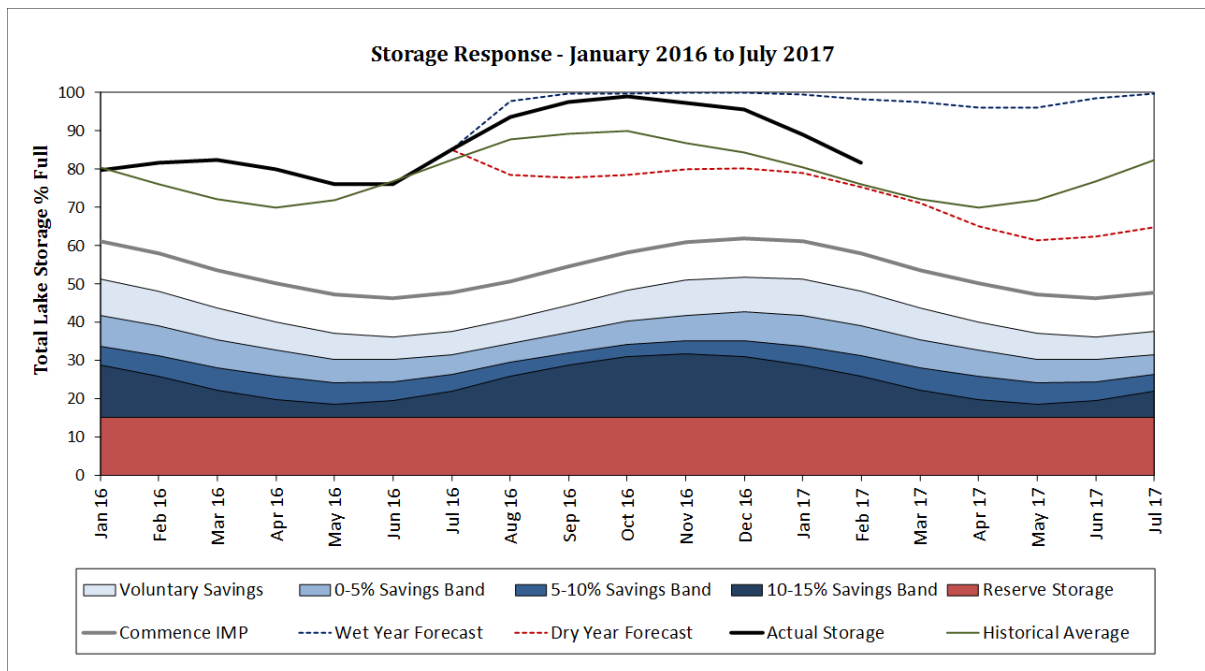
4. SERVICE DELIVERY

Rainfall and Water Resources

Rainfall in January was below average across the Auckland region.

Waitakere Ranges	82% of average
Hunua Ranges	70% of average
Northern Non-metropolitan	49% of average
Southern Non-metropolitan	69% of average

Metropolitan Total System Storage at month end was 81.7%, which is above the historical average storage for this time of year (77.1%) and is the highest storage at the end of January in the last five years.



Water demand during January was in line with budgeted levels. The remainder of summer will have normal or below normal rainfall, along with near average temperatures. The soil moisture levels remain well below average for this time of year, and therefore it will take significant rainfall to occur before the storage lakes are recharged.

High Wind Event

A high wind event on the evening of 21 January resulted in multiple power failures at numerous facilities across the region. Despite there being lengthy power outages, in no instances did these result in service disruptions to customers. There were four overflows from Wastewater Transmission pump stations. The incident placed significant demands on Watercare staff, and Watercare’s external service providers, and all performed to an exceptional standard.



Fallen tree at Mt Hobson Water Pump Station

Complete Loss of Production from the Ardmore Water Treatment Plant (“WTP”)

The storm event of the weekend of 21 January disrupted the overhead power supply to the Ardmore WTP. The WTP was operating fully on the underground supply while repairs were completed. However a failure of the underground supply early on 24 January, coupled with a fault on the standby generator, resulted in the stopping of all chemical dosing at the WTP. The WTP was proactively put into full diversion to prevent non-compliant water entering into supply. This resulted in a complete loss of system production, at the onset of the morning peak demand period. All other sources were immediately ramped up to full capacity, and reservoir storages utilised, to ensure there was no service disruptions to our customers. The cause of the generator fault was a failure of the fuel level sensor, which has been addressed at this, and other operating sites. Key points from this event were:

- There was a complete loss of production from Ardmore WTP for 3 hours, and output was progressively increased over the next 8 hours.
- Redoubt Rd Reservoir storage dropped to 52%, well outside its target operating range of 70-90%. A number of other critical reservoirs storages reduced to low levels.
- It took approximately 3 days to return the system to a balanced operation.

Overall, the response to this event indicated that Watercare’s contingency plans and resources were effective in ensuring water quality was not compromised, and that customers did not experience a widespread disruption.

The other significant lesson was that Watercare’s current staffing levels are based around automated operation of water treatment plants. The multiple incidents during the weekend due to power outages stretched resources to the limit. A review will be undertaken of resource capability to respond to multiple failures of automated facilities that require manual intervention.

5. AUCKLAND UNITARY PLAN

The process of addressing the appeals to the Auckland Plan is underway. The first major decision from the High Court was released on 13 February. A key challenge – particularly from Auckland 2040 and the Character Coalition - was whether the recommendations of the Independent Hearing Panel (IHP) were within the scope of submissions. Importantly, this question related to the significant challenge against the IHPs decision to “up-zone” significant areas that were considered “out of scope” of the submissions. The Court ruled that the IHP had acted correctly, and tested this in nine test cases. This paves the way for the majority of up-zoning to remain in place.

In parallel to the hearings in the High Court, mediation has been underway for the appeals in the Environment Court. Housing New Zealand appealed a key provision in the residential zones relating to water supply, wastewater, and stormwater servicing. Revised wording that

was acceptable to Watercare was agreed at the mediation and a consent order is being prepared for consideration by the Court.

6. FINANCE

Financial Performance

	Current Month			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Figures (\$millions)									
Revenue	53.0	48.5	4.5	347.1	330.4	16.8	589.0	578.5	10.4
Operating Expenses	16.5	17.6	1.1	118.1	124.8	6.7	209.7	215.5	5.8
Depreciation	19.0	19.2	0.2	133.2	132.6	(0.6)	227.2	226.9	(0.3)
Interest expense	6.9	6.9	0.0	47.5	47.9	0.5	81.2	80.7	(0.6)
Total Contribution	10.7	4.8	5.8	48.4	25.1	23.3	70.8	55.5	15.3
Non-operating costs/(income)	0.9	0.8	(0.0)	6.0	4.6	(1.3)	9.1	8.0	(1.1)
Financial instruments revaluation - loss/(gain)	(10.5)	-	10.5	(111.0)	-	111.0	(111.0)	-	111.0
Operating Surplus / (Deficit) Before Tax	20.3	4.0	16.3	153.4	20.4	133.0	172.7	47.5	125.2
Deferred Tax - Expense/(Credit)	5.7	1.1	(4.6)	41.4	10.0	(31.4)	50.5	21.7	(28.8)
Net Surplus / (Deficit) After Tax	14.6	2.9	11.7	112.0	10.4	101.6	122.2	25.8	96.4
FFO Ratio				3.95	3.57		3.83	3.69	
EBITDA	31.6	29.2	2.4	208.2	193.9	14.2	350.0	343.0	6.9
EBIT	27.1	10.9	16.2	200.9	68.3	132.5	253.9	128.2	125.8
Leakage Allowance Granted	0.2	0.2	0.0	2.0	1.8	(0.3)	3.9	3.7	(0.3)

Month – Total Contribution of \$10.7m - favourable variance to budget of \$5.8m

Total revenue was favourable \$4.5m to budget due to favourable IGC and new developments revenue (\$0.7m), asset revenue (\$3.2m) and water and wastewater revenue (\$0.5m) with water volumes 0.3% higher than budget.

Operating expenses were favourable to budget \$1.1m with lower asset operating costs, general overheads, net labour and professional services.

Depreciation was \$0.2m favourable to budget and interest expense was on budget.

Net surplus after tax was favourable \$11.7m due to; the favourable revaluation of financial instruments of \$10.5m resulting from the increase in medium to long term swap rates in January and the favourable operating contribution variance of \$5.8m, partially offset by tax expense of \$4.6m.

Year to date – Total Contribution of \$48.4m - favourable variance to budget of \$23.3m

Year to date revenue is \$16.8m favourable to budget with IGC revenue favourable \$7.4m. The IGC charges paid year to date are higher than budget by 21% driven primarily by large subdivisions at Hobsonville, Millwater and Flatbush and by retirement village and apartment developments particularly in Albany, Pukekohe and the CBD. Vested asset income is favourable \$9.2m; new developments revenue favourable \$1.1m. Water and wastewater revenue is favourable \$1.7m, with water volumes 0.7% higher than budget. Other revenue is unfavourable \$2.6m due to the reduction in FY16 subvention revenue from Auckland Council.

Operating expenses are \$6.7m favourable to budget with favourable variances for asset operating costs, professional services and general overheads partially offset by unfavourable net labour due to beneath budget labour capitalisation/recoveries.

Depreciation is unfavourable \$0.6m and interest expense is favourable \$0.5m.

Net surplus after tax year to date is \$112.0m a favourable variance to budget of \$101.6m primarily due to; the favourable revaluation of financial instruments of \$111.0m resulting from the increase in medium to long term swap rates between September 2016 and January 2017 and the favourable total contribution variance of \$23.3m partly offset by higher tax expense of \$31.4m.

Full year Forecast – Total Contribution of \$70.8m – favourable variance of \$15.3m

Full year revenue is forecast at \$589.0m, favourable by \$10.4m largely due to higher than budgeted, vested asset revenue favourable \$9.2m. New development revenues are expected to be favourable \$1.1m and water and wastewater revenue favourable \$3.0m partly offset by other revenues which are unfavourable \$2.8m.

Operating expenses are expected to be favourable to budget \$5.8m with favourable variances for asset operating costs, professional services and general overheads partially offset by higher net labour due to lower labour capitalisation.

Depreciation costs are forecast to be unfavourable to budget by \$0.3m at year end. Interest expense is expected to be unfavourable to budget at year end by \$0.6m due to lower capitalised interest than budgeted. Gross interest is expected to be \$1.6m beneath budget.

Financial Position

\$million	Actual Dec-16	Actual Jan-17	Monthly Movement	Budget Jan-17	Var from Budget
Non Current Assets	8,781.4	8,806.5	25.1	8,810.3	(3.8)
Current Assets	90.6	88.5	(2.1)	83.2	5.3
Total Assets	8,872.0	8,895.0	23.0	8,893.4	1.6
Other Liabilities	293.6	280.9	(12.7)	388.1	(107.2)
Deferred Tax Liability	1,033.9	1,039.6	5.7	1,017.8	21.8
Borrowings - Short Term	302.0	285.6	(16.4)	238.7	47.0
Borrowings - Long Term	1,311.5	1,343.3	31.9	1,376.0	(32.7)
Shareholders Funds	5,931.0	5,945.6	14.6	5,872.9	72.7
Total Liabilities and Shareholders Funds	8,872.0	8,895.0	23.0	8,893.4	1.6

The major movements in the Statement of Financial Position as at 31st January 2017 compared with 31st December 2016 were; the increase in noncurrent assets due to capital spend net of depreciation of \$25.1m, the increase in net debt of \$15.5m, the increase in

deferred tax liability of \$5.7m and the downward movement on other liabilities due to the revaluation of derivative financial instruments.

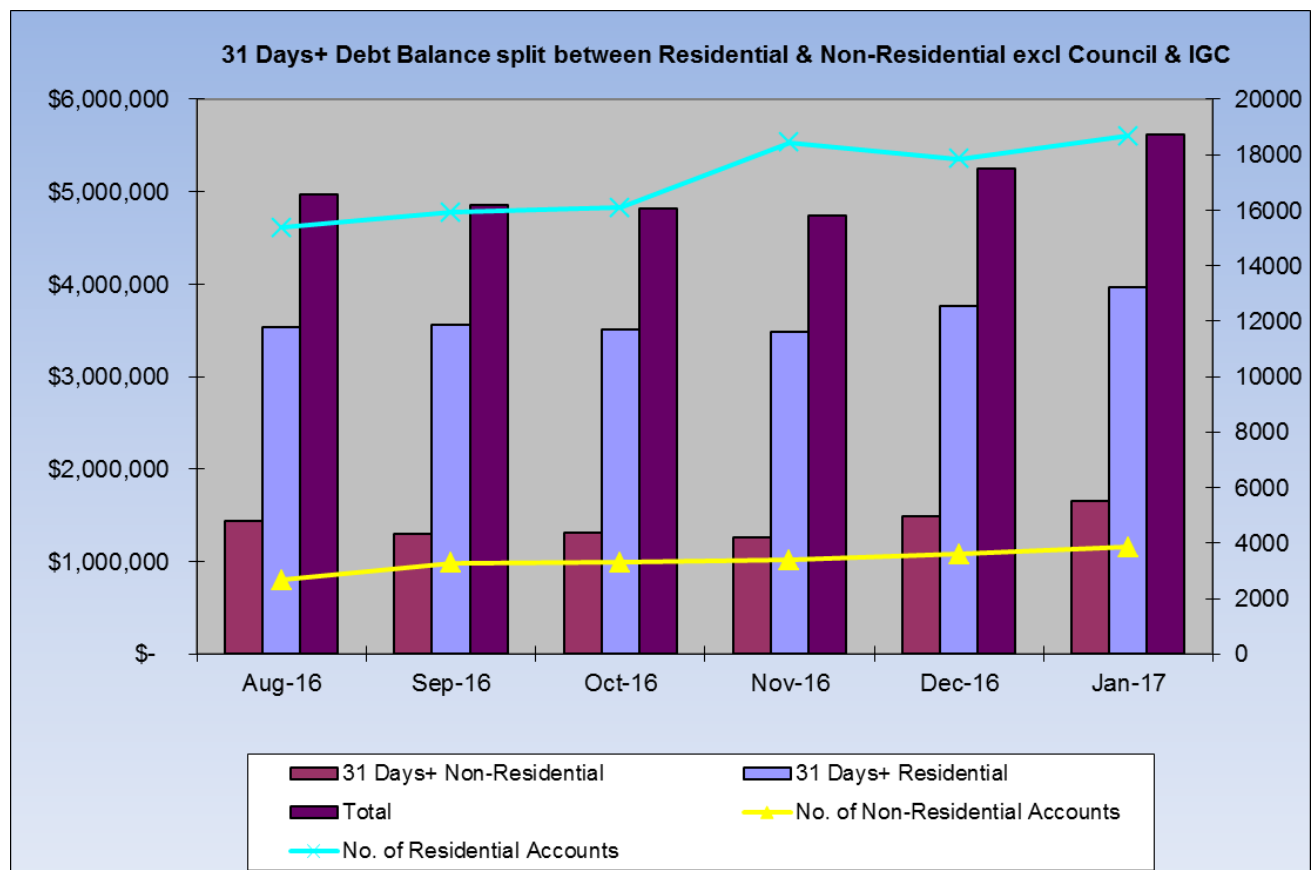
Compared with budget the material variances are largely in respect of, derivative financial instruments revaluations since July 2016 and a different opening position on 1 July 2016 than that assumed when the budget was set, including a lower level of revaluation of land and buildings than expected, lower retained earnings and revaluation of financial instruments.

Net debt at \$1,628.9m is \$14.2m above budget due to the unbudgeted purchase of the Hunua forests.

Aged Receivables

The 31 days+ debt balance at the end of January was \$5.62m, \$0.37m higher than December 2016.

The split of 31 days+ receivables between residential and non-residential is shown below:



Water Utility Consumer Assistance Trust (WUCAT)

WUCAT Summary			
Financial year	Trust approved applications (includes WSL additional write offs)		\$000's
Jun-12	33	\$	29
Jun-13	172	\$	196
Jun-14	123	\$	114
Jun-15	150	\$	149
Jun-16	118	\$	90
(YTD) Jun-17	73	\$	48
Total	669	\$	625

When the Trust approves hardship relief, it enters into an understanding with the customer as to how the customer will “earn” the relief. Often this might be that the customer agrees to pay their monthly bill for (say) six months, at the end of which all outstanding debt or arrears at the date the arrangement was entered into is agreed to be written off.

Most customers satisfy their obligation and the old debt is written off. Some customers, however, do not meet their obligations and therefore no write off occurs. At any point in time there will be a number of customers in the process of satisfying their side of the arrangement.

Jan-17

Summary of WUCAT Arrangement Approvals			
No. of Arrangements Entered Into	No. of Arrangements Fully Satisfied	No. of Arrangements Still Being Met	No. of Arrangements Lapsed Unfulfilled
669	516	74	79

Amount of Relief Approved \$	Amount of Relief Fully Earned \$	Relief Yet to be Fully Earned \$	Relief Voided due to Lapsed Unfulfilled Arrangement \$
\$625k	\$573k	\$52K	\$56k

The results of the last 3 WUCAT meetings have seen 41 applicants successfully complete the budget process and have \$17k of hardship relief approved by the Trust.

WUCAT Summary last 3 meetings		
Month	Trust approved applications	\$000's
Nov-16	11	\$ 8.05
Dec-16	11	\$ 8.74
Jan-17	19	\$ -
Total	41	\$ 17

Restrictions

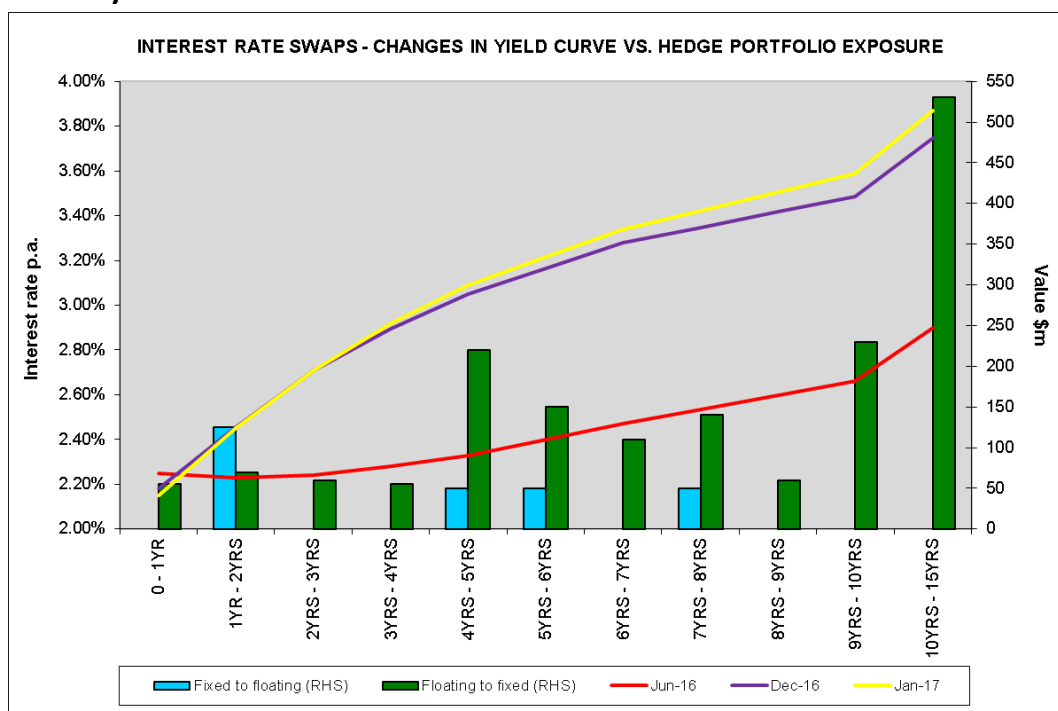
One water restriction was performed in the month of January. The table below summarizes the restrictions carried out by Watercare Services Limited.

Restriction Summary Year-ending	Commercial		Residential		Total	
	Restriction	De-restriction	Restriction	De-restriction	Restriction	De-restriction
30-Jun-12	1		5		6	0
30-Jun-13	13	11	6	4	19	15
30-Jun-14	20	20	17	14	37	34
30-Jun-15	31	30	53	39	84	69
30-Jun-16	8	9	16	17	24	26
(YTD) 30-Jun-17	6	2	1	6	7	8
Total	79	72	98	80	177	152
Restrictions currently	7		18		25	

The following restrictions remain in place:

- Four residential restrictions remain in place on vacant properties. Communications are ongoing with these customers and if the properties are tenanted in future, a resolution will be required.
- A further 14 residential restrictions remain in place on occupied properties and communication continues with these customers.
- Seven commercial properties remain restricted at the end of January and communication continues with these customers.

Treasury



Interest Analysis \$million	Current Month			Year to date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	6.9	6.9	0.0	47.5	47.9	0.5	81.2	80.7	(0.6)
Capitalised Interest	0.8	1.0	0.2	5.3	6.4	1.1	10.1	12.2	2.2
Gross Interest	7.7	7.9	0.3	52.8	54.4	1.6	91.3	92.9	1.6
Less Interest Income	-	-	-	0.0	-	(0.0)	0.0	-	(0.0)
Net Interest	7.7	7.9	0.3	52.7	54.4	1.6	91.3	92.9	1.6

For the month of January, gross interest was \$0.3m favourable to budget and capitalised interest was unfavourable \$0.2m, resulting in interest charged to the Statement of Financial Performance being on budget. Capitalised interest has been forecast at \$2.2m unfavourable to budget for the year, due to a combination of lower interest rates and lower capital spend.

Capital Expenditure

Summary Capital Expenditure (\$millions)	Jan-17			Year to Date			Full Year			Prior Month Forecast
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var	
Wastewater Projects										
Strategy & Planning	0.2	0.9	0.7	1.3	4.5	3.1	4.0	9.6	5.7	4.5
Infrastructure Delivery (excl Labs/MS)	12.8	13.1	0.4	105.0	108.3	3.3	180.1	183.7	3.6	180.1
Water Projects										
Strategy & Planning	0.1	0.4	0.4	3.7	3.4	(0.4)	8.3	8.2	(0.1)	5.8
Infrastructure Delivery (excl Labs/MS)	1.2	1.8	0.5	17.8	21.0	3.2	27.9	31.6	3.7	28.5
Service Delivery	5.3	5.5	0.2	32.4	37.7	5.3	61.8	63.9	2.1	60.9
Retail	1.0	1.0	(0.0)	6.4	7.2	0.8	13.4	11.8	(1.6)	12.9
Information Services	0.2	0.5	0.3	1.2	4.6	3.5	4.5	7.9	3.4	4.5
Other Projects	0.5	0.6	0.1	5.1	8.6	3.6	10.6	12.0	1.4	12.7
TOTAL	21.3	23.7	2.4	172.9	195.3	22.4	310.6	328.8	18.2	306.6
Includes Capitalised Interest of:										
Water Projects Capitalised Interest	0.1	0.2	0.1	1.0	1.5	0.5	1.8	2.7	0.9	1.8
Wastewater Projects Capitalised Interest	0.7	0.8	0.2	4.3	4.9	0.6	8.3	9.6	1.3	8.3
Total Capitalised Interest	0.8	1.0	0.2	5.3	6.4	1.1	10.1	12.2	2.2	10.1

Capital expenditure for the month was \$21.3m against a budget of \$23.7m. The full year forecast expenditure at \$310.6m is \$18.2m below budget primarily due to; deferral or delayed start to projects including Massey and Swanson Siphon Replacement, Army Bay Waste Water Treatment Plant and Chelsea Waste Water Pump Station, programme delays to projects in construction including the Waikato Expansion and the planned meter replacement programme, project efficiencies identified which will reduce forecast spend and, reprioritisation of IS initiatives resulting in a deferral of budgeted projects.

7. BOARD CORRESPONDENCE

There was no correspondence during the month.

8. EXECUTION OF DOCUMENTS

There were 7 documents executed during January in accordance with the delegated authority provided to the Chief Executive by the Board for deeds, instruments and other documents.

These included one renewal of a licence to occupy a Watercare property, four new water supply easements in favour of Watercare and two surrenders of redundant easements no longer required.

There were three Capex approval totaling \$15.090m 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 Chief Executive – January 2017		
C-11472a	Capacity Expansion of Sidmouth Pumping Station Mairangi Bay	\$14,630,000
C-11825 CR2	Radio Bearer Expansion Execution Phase	\$295,000
C-12600-02-06	Digital Workplace - Exchange Online	\$165,226

There was one contract over \$100,000 approved during January in accordance with the delegated authority provided to the Chief Executive by the Board in relation to Capex and Opex contract approvals.

Summary of Contract Awards – January 2017		
18/1/17	Ergo Consulting Ltd	Rosedale Waste Water Treatment Plant 11kV Reticulation Design

9. COMMUNICATIONS

Media summary

On 21 January, the New Zealand Herald began a 3-day series of articles focussing on water quality on Auckland's beaches by reporter Simon Collins.

Under a headline *There's something in the water*, the story focussed on wet-weather overflows from the combined network in older parts of the city such as St Marys Bay. A map showed overflows points around the central city. They also included a graph (supplied by Watercare), showing the wastewater content of a wet-weather overflow (less than 0.2% content comes from toilets) and how this will compare in 2035 once the Central Interceptor and Waterfront Interceptor are complete.

The Herald's Focus team, led by Tristram Clayton also produced on-line video stories. One video showed the reporter taking water samples at Cox's Creek and near Cox's Bay. The samples were tested by Watercare's lab and were found to contain high levels of E-coli. Cox's Bay is permanently on Auckland Council's list of beaches where permanent signs are up warning against swimming due to high levels of pollution.

The stories all carried a theme suggesting that growth and intensification will result in greater pollution. In an interview with NZ Herald's Bernard Orsman on 28 January, Auckland Mayor

Phil Goff expressed concern over polluted waterways but played down rate rises to fix the problem.

On 18 January, the Rodney Times reported that a “water crisis” was hitting north Auckland. Some private water delivery companies were receiving 100 phone calls a day from residents needing to fill up their rain tanks. News articles suggested that delays were exacerbated by the temporary closure of three Watercare filling stations (less than 20 hours) over one weekend. Watercare was quoted as saying this was done during peak demand in order to maintain supply to homes and businesses connected to networks within Auckland.

This story was also covered in the Mahurangi and Hibiscus Matters newspapers (print and on-line editions).

On 2 February, Watercare informed the Rodney Times that low levels of herbicide had been detected in the Warkworth treatment plant. Watercare staff were quoted as saying that levels were 800 times below the Ministry of Health’s maximum allowable value of 0.4mg/L, as defined in the Drinking Water Standards of New Zealand.

On 8 February, the NZ Herald covered a story about a sewage leak in Omaru Creek, Glen Innes which caused the deaths of dozens of fish, including eels. Watercare was quoted, saying that the spill was caused by a blockage created by local residents who flushed wet-wipes down the toilet. The article was accompanied by on-line video interview with a member of the Tamaki Estuary Protection Society, who expressed concern about water quality of the creek. We have sent local residents a Glen Innes Matters newsletter highlighting what caused the blockage and how the community needs to think about what the pour and flush down their drains.

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 new strategic priorities and respond to current issues/areas of interest.

Month	Activity	Status
January	Domestic customers received a bill insert on our support of Round the Bays.	Completed
February	Residents in Glen Innes received a Glen Innes Matters newsletter about protecting their local waterways, following a dry-weather overflow in the area.	Completed

March	Domestic and non-domestic customers will receive the autumn issue of Tapped In. This newsletter will be infrastructure-focused, emphasising our ability to accommodate growth and deliver better environmental outcomes – with all projects timed and delivered in an affordable manner.	Planned
April	Insert highlighting our range of payment options	Planned
May	Price changes	Planned
June	<p>Domestic and non-domestic customers will receive the winter issue of Tapped In. The primary focus will be on educating customers on how to avoid blockages in their pipes by correctly disposing of wet wipe products and fat, oil and grease. Also reminding people not to plant trees over sewer lines and the consequences of blockages on private property – cost to fix the issue, damage to property and risk to health.</p> <p>This ties into a media campaign that will run at the same time.</p> <p>Also reiterates price changes.</p>	Planned
July	What not to flush down your toilet (following on from the Tapped In newsletter campaign – why you should only flush pee, poo and toilet paper down the toilet and dispose of everything else in the bin).	Planned
August	Water consumer trust WUCAT	Planned
September	Tapped In (spring 2016) – outlining our energy efficiency strategy (Mangere and Rosedale plants to be energy neutral by 2025, gravity feeding for water network). Also featuring an updated ‘our projects’ spread for 2017.	Planned

Stakeholder Communications

Underway:

- Watercare Education Programme
 - Term one is fully booked.

- Franklin Road
 - Liaison and collaboration between Watercare, Auckland Transport (AT), Vector and Northpower continues to enable future upgrade works by AT.
 - Weekly project and stakeholder team meetings and Community Liaison Group meetings continue to be productive.
 - 3 wastewater crews and 1 water crew are now working on Franklin Rd and Collingwood St.
- Glen Eden
 - Planning underway for the community open day (planned for March 12)
 - Traffic management and diversions working well with minimal complaints received.
 - Articles on the project published on Stuff and shared on LinkedIn.
- Huia Water Treatment Plant
 - Clast community liaison group meeting held on 6 December.
 - Project newsletter completed and disseminated to the affected communities, politicians and community groups.
 - Project community information evenings arranged for 21 Feb and 1 March at Oratia, and 22 Feb at Titirangi.
- Wynyard Quarter
 - Rising main construction across Fanshawe Street continuing. Issues around underground obstacles and AT restrictions on traffic management are being worked through.
 - Victoria Street West works were completed on schedule.
 - Communication continues with businesses on Halsey Street in preparation for works in May.
- Fred Thomas Drive
 - Notification sent to residents regarding change in construction equipment.
 - Work on the pipeline will be moving into Taharoto Road in the coming weeks once Fred Thomas Drive works are complete.
- Mairangi Bay Storage Tank
 - Discussions with Parks, Local Board and Surf Club continues.
- Hunua 4 Section 11
 - Initial project meeting was held on 3 February to introduce project team
- Mt Hobson
 - New signs erected advising of the temporary pedestrian walkway
- Lake Road
 - Work underway on urgent works to replace the leaking rising main along Lake Road. No issues so far.

Coming Up:

- Network Discharge consent – information has been sent to the local boards on the development of the wastewater network strategy.
- Glen Eden Community Event (12 March)
- Huia WTP Project community information evenings

Other

- Hobsonville Road watermain replacement to begin in a few weeks. Residents and businesses notified.

Internal communications

Completed:

- OurPlace now has 104 stories and 47 leadership messages.
- A day in the life video on faults services advisor Talita Mavae was posted on OurPlace as well as on the company website.

Underway:

- Redesigning and refreshing the draft Statement of Intent to Auckland Council
- Communications planning for the launch of H&S Toolkit in March
- Preparation for a quarterly Yoursource to be distributed in April

Coming up:

- A chief executive's roadshow will be held in early March.
- Round the Bays will be held in early March. Over 500 staff and family members have signed up to participate.

10. WORKING WITH LOCAL BOARDS

During January, Watercare, Auckland Transport, NZTA, Auckland Council Parks and the Upper Harbour Local Board continued to work collaboratively on a joint initiative to develop a shared use bridge associated with the Albany to Pine Hill water main project and the Northern Motorway Corridor improvements. Several joint meetings have been held with the local board and final landowner approval for the project in Spencer Road Reserve is pending. This project represents an excellent example of the different agencies working together for mutual benefit of the community.

Waitemata Local Board requested a debrief in response to the NZ Herald articles on wastewater overflows from the combined stormwater and wastewater network. The meeting was constructive and Local Board members have been invited to join Watercare in Newmarket for a more comprehensive briefing including information on the regional network discharge consent.

Watercare also liaised with a number of local boards in response to network blockages from fats, oils, grease and wet wipes. The Chair of the Maungakiekie Tamaki Local Board also contributed a statement to a "Glen Innes" matters newsletter which was sent to 3000 households reminding people about how to care for wastewater drains and local waterways. Rodney Local Board was notified of the very low level herbicide detection in Warkworth water supply prior to a media release.

The Waitakere Ranges Local Board was provided with information on the Western Water Strategy and Huia Water Treatment Plant replacement in preparation for public information

evenings later in February. Local Board members have also been invited to the Glen Eden wastewater storage tank project open day at Harrold Moody Reserve on the 12th of March.

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



R Jaduram

CHIEF EXECUTIVE

WATERCARE SERVICES LIMITED

Jan-17

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

- Depreciation** - depreciation is above budget due to higher accelerated depreciation on assets identified for disposal.
- Net borrowings** - net debt is \$14.2m 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 \$1.1m under budget.
- Investing Cash flow** - other investments unfavourable by \$18.0m due to the purchase of the Hunua forests.

Key to Treasury policy compliance

- Full compliance
- Non compliance

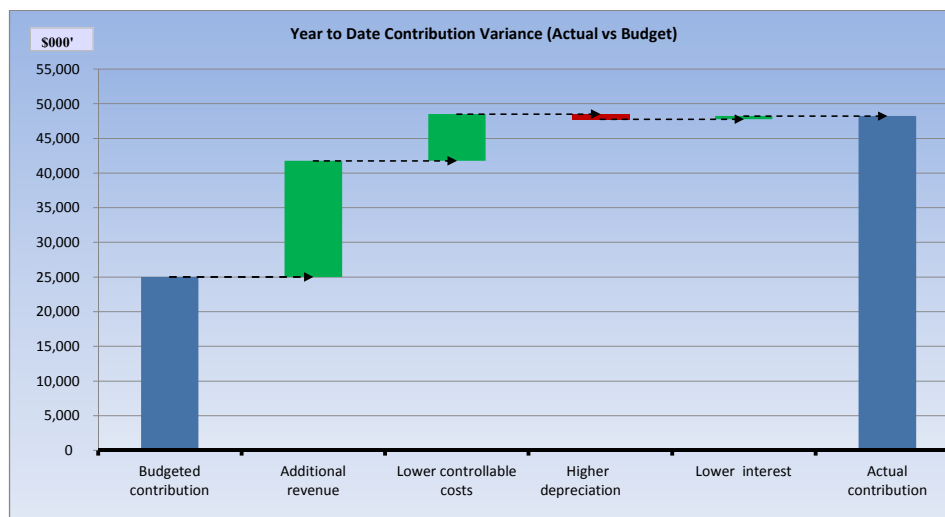
WATERCARE SERVICES LIMITED
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Jan-17
(\$000's)

	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
Wastewater revenue	28,412	27,970	443	✓	184,923	184,490	433	✓	319,062	316,025	3,037	✓
Water revenue	13,361	13,299	62	✓	87,235	85,911	1,324	✓	147,682	147,682	0	✓
Infrastructure growth charge revenue	4,778	4,171	607	✓	42,212	34,828	7,384	✓	70,282	70,282	(0)	✗
Other revenue	1,569	1,416	153	✓	11,844	13,479	(1,635)	✗	22,686	24,543	(1,858)	✗
Revenue from exchange transactions	48,120	46,855	1,265	✓	326,214	318,708	7,505	✓	559,712	558,533	1,179	✓
Vested assets revenue	4,887	1,667	3,220	✓	20,912	11,667	9,246	✓	29,246	20,000	9,246	✓
Revenue from non-exchange transactions	4,887	1,667	3,220	✓	20,912	11,667	9,246	✓	29,246	20,000	9,246	✓
Total revenue	53,007	48,522	4,485	✓	347,126	330,375	16,751	✓	588,957	578,533	10,425	✓
Labour	6,482	6,594	112	✓	46,687	45,995	(692)	✗	81,711	81,489	(222)	✗
Contract labour	(138)	215	353	✓	1,079	1,720	640	✓	2,472	2,717	245	✓
Oncosts	288	311	22	✓	1,541	2,096	556	✓	3,055	3,653	598	✓
Labour recoveries	(2,725)	(3,102)	(377)	✗	(19,840)	(22,314)	(2,474)	✗	(35,658)	(39,186)	(3,528)	✗
Net labour	3,907	4,018	110	✓	29,467	27,497	(1,970)	✗	51,579	48,673	(2,906)	✗
Materials & cost of sales	181	185	4	✓	1,199	1,278	79	✓	2,074	2,196	122	✓
Planned maintenance	1,117	1,358	241	✓	8,966	10,320	1,354	✓	16,500	17,348	848	✓
Unplanned maintenance	2,645	2,603	(42)	✗	17,958	18,416	458	✓	31,700	31,505	(194)	✗
Asset operating costs - chemicals	823	1,097	275	✓	5,877	6,578	701	✓	10,374	11,202	827	✓
Asset operating costs - energy	1,352	1,407	55	✓	9,502	10,029	527	✓	17,099	18,175	1,076	✓
Operating costs - other	3,406	3,461	55	✓	21,250	24,799	3,549	✓	39,029	42,015	2,986	✓
Depreciation and amortisation	18,964	19,157	193	✓	133,210	132,602	(608)	✗	227,159	226,852	(307)	✗
Asset operating costs	28,307	29,084	777	✓	196,763	202,743	5,981	✓	341,861	347,096	5,235	✓
Communications	147	166	19	✓	1,080	1,248	168	✓	1,837	2,082	246	✓
Professional services	593	939	346	✓	7,018	7,442	424	✓	12,284	12,992	707	✓
Interest	6,855	6,901	46	✓	47,457	47,914	457	✓	81,242	80,663	(579)	✗
General overheads	2,347	2,403	56	✓	15,745	17,193	1,448	✓	27,270	29,311	2,042	✓
Overheads	9,942	10,409	466	✓	71,300	73,798	2,498	✓	122,632	125,048	2,416	✓
Total expenses	42,338	43,695	1,358	✓	298,728	305,316	6,589	✓	518,146	523,013	4,866	✓
Total contribution/(loss)	10,670	4,827	5,843	✓	48,398	25,059	23,339	✓	70,811	55,520	15,291	✓
Gain/loss on disposal of fixed assets and other costs	852	811	(41)	✗	5,964	4,629	(1,336)	✗	9,121	8,000	(1,121)	✗
Gain/loss on revaluation of financial instruments	(10,476)	-	10,476	✓	(111,003)	-	111,003	✓	(111,003)	-	111,003	✓
Non operating costs/(revenue)	(9,623)	811	10,434	✓	(105,038)	4,629	109,667	✓	(101,882)	8,000	109,882	✓
Net surplus/(deficit) before tax	20,293	4,016	16,277	✓	153,436	20,430	133,006	✓	172,693	47,520	125,173	✓
Income Tax Expense/(benefit)	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	5,682	1,078	(4,604)	✗	41,408	10,024	(31,383)	✗	50,464	21,698	28,765	✓
Net surplus/(deficit) after tax	14,611	2,937	11,673	✓	112,029	10,406	101,623	✓	122,229	25,822	96,407	✓

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

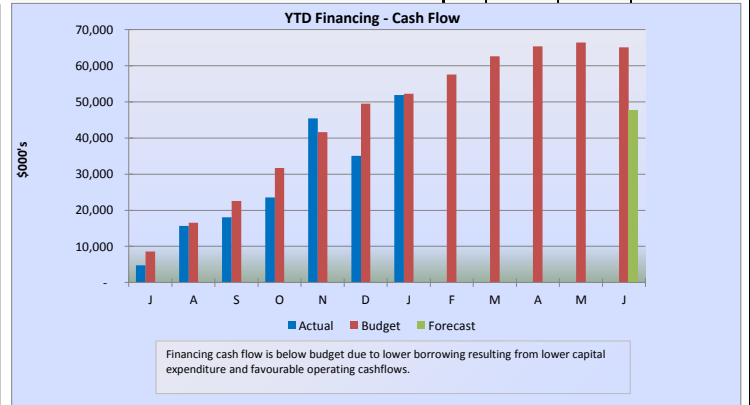
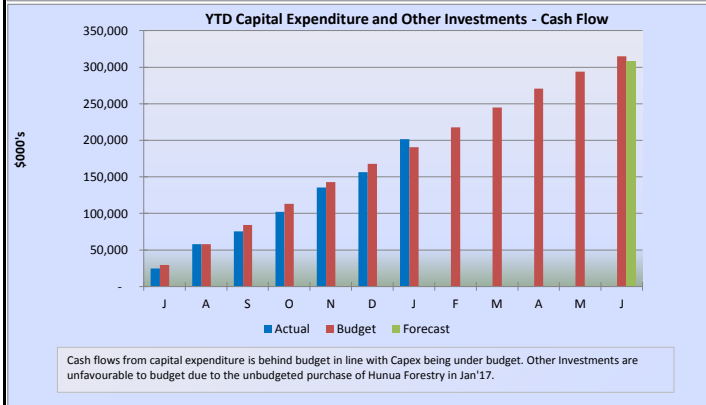
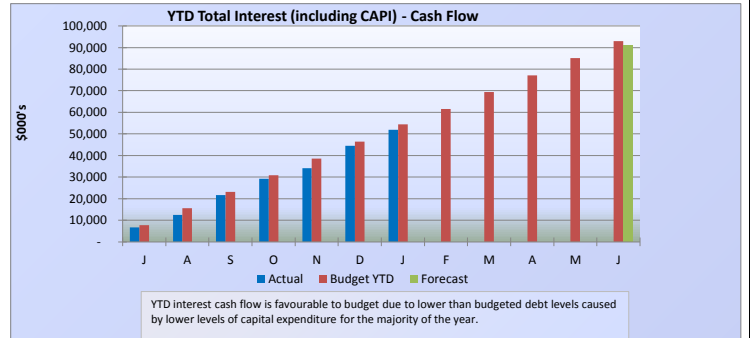
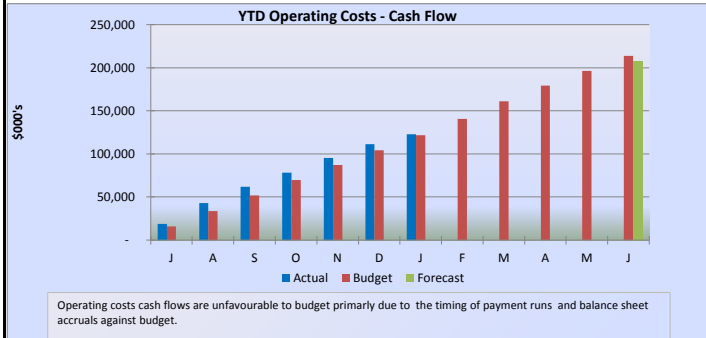
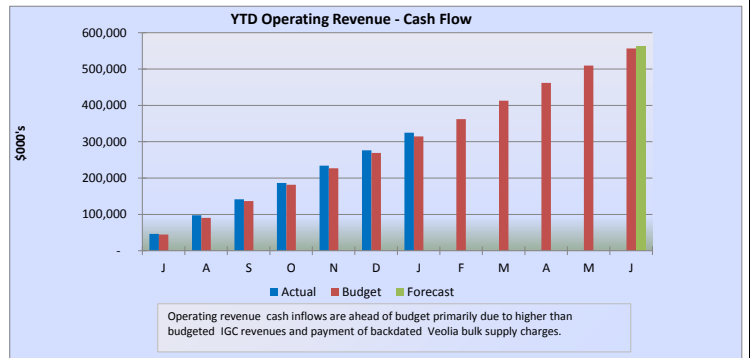
Jan-17
(\$000's)

NZ \$000s	Current Month				Year To Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
Operating Cash flow:												
Operating Revenue	48,574	45,293	3,281	✓	324,899	314,620	10,279	✓	562,320	556,737	5,583	✓
Operating Costs	(11,664)	(17,438)	5,774	✓	(122,859)	(121,830)	(1,029)	✗	(207,774)	(213,925)	6,151	✓
Interest Paid	(6,592)	(6,901)	309	✓	(46,556)	(47,914)	1,358	✓	(81,161)	(80,663)	(498)	✗
OPERATING CASH FLOW	30,318	20,955	9,363	✓	155,484	144,876	10,609	✓	273,385	262,149	11,236	✓
Investing Cash flow:												
Capital Expenditure	(26,961)	(22,690)	(4,271)	✗	(183,504)	(190,673)	7,169	✓	(307,951)	(315,057)	7,106	✓
Other Investments	(18,000)	-	(18,000)	✗	(18,000)	-	(18,000)	✗	(2,500)	-	(2,500)	✗
Capitalised Interest	(800)	(1,034)	234	✓	(5,320)	(6,445)	1,125	✓	(10,082)	(12,243)	2,161	✓
INVESTING CASH FLOW	(45,761)	(23,724)	(22,037)	✗	(206,824)	(197,117)	(9,707)	✗	(320,533)	(327,300)	6,767	✓
Financing Cash flow:												
Bonds/Term Debt Issued/(Repaid)	-	-	-	✓	(150,000)	(150,000)	-	✓	(150,000)	(150,000)	-	✓
Short Term Advances/(Repaid)	32,000	32,000	-	✓	27,500	27,500	-	✓	27,500	27,500	-	✓
Commercial Paper Issued/(Repaid)	9,975	9,975	-	✓	191	191	-	✓	191	191	-	✓
Auckland Council Borrowings/(Repaid)	(25,165)	(39,206)	14,041	✓	174,218	174,551	(333)	✓	170,042	187,460	(17,418)	✓
FINANCING CASH FLOW	16,810	2,769	14,041	✓	51,909	52,242	(333)	✓	47,733	65,151	(17,418)	✓
Net Increase (Decrease) in Cash and Cash Equivalents	1,367	-	1,367	✓	568	-	568	✓	584	-	584	✓
Opening Cash Balance/(Overdraft)	(1,383)	-	(1,383)	✗	(584)	-	(584)	✗	(584)	-	(584)	✗
Ending Cash Balance/(Overdraft)	(16)	-	(16)	✗	(16)	-	(16)	✗	-	-	-	✓

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

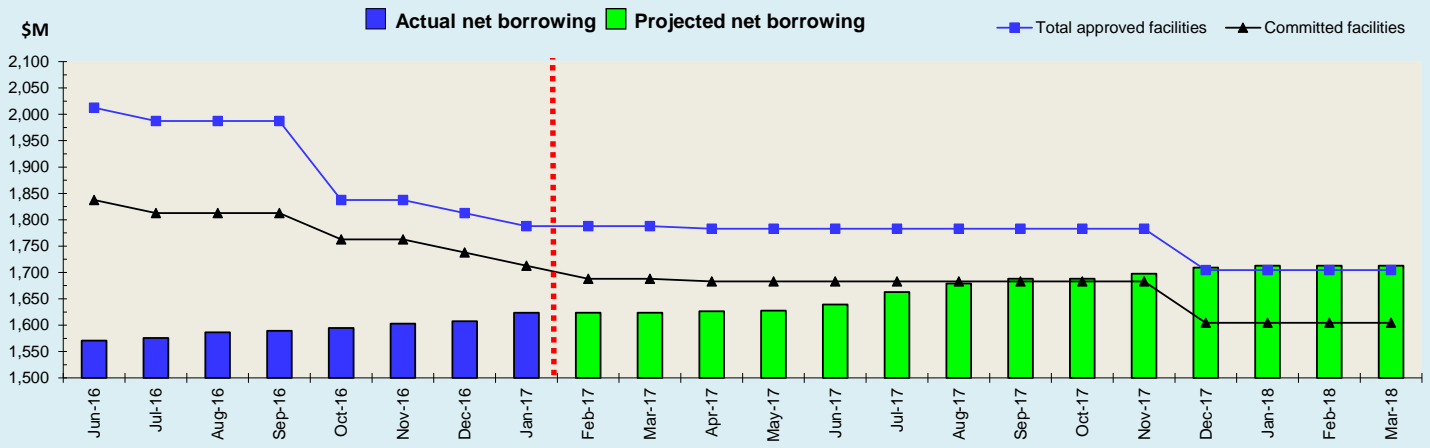
Reconciliation Operating Cashflow (\$000's)					
	Current Month		Year To Date		
	Actual	Budget	Actual	Budget	Variance
Net Surplus (Deficit) After Tax	14,611	2,937	112,029	10,406	101,623
Add back non cash items:					
Depreciation and amortisation	18,964	19,157	133,210	132,602	608
Financial instruments revaluation	(10,476)	-	(111,003)	-	(111,003)
Vested assets revenue	(4,881)	(1,667)	(20,785)	(11,667)	(9,118)
Other non-operating exp/(inc)	852	811	5,774	4,629	1,145
Income Tax Expense/(Benefit)	5,682	1,078	41,408	10,024	31,383
Movements in Working Capital	5,565	(1,363)	(5,150)	(1,119)	(4,031)
OPERATING CASH FLOW	30,318	20,955	155,484	144,876	10,609



		WATERCARE SERVICES LIMITED							Jan-17
		STATEMENT OF FINANCIAL POSITION							(\$000's)
June 2016 Actual	December 2016 Actual		January			June 2017			
			Actual	Budget	Variance	Forecast	Budget	Variance	
		Current assets							
-	-	Cash and cash equivalents	-	-	-	-	-	-	
47,137	47,844	Trade and other receivables from exchange transactions	49,729	49,500	229	47,137	49,500	(2,363)	
20,871	23,592	Unbilled revenue accrual	22,923	22,113	810	21,593	19,822	1,771	
3,332	5,655	Prepaid expenses	3,526	2,019	1,507	2,819	3,415	(595)	
5,895	9,525	Inventories	9,355	5,736	3,619	2,700	5,818	(3,118)	
3,206	4,009	Derivative financial instruments	2,957	3,793	(836)	2,957	3,793	(836)	
80,440	90,625	Total current assets	88,491	83,161	5,330	77,207	82,348	(5,141)	
		Non-current assets							
8,430,699	8,655,071	Property, plant and equipment	8,688,589	8,640,630	47,959	8,817,645	8,827,174	(9,528)	
454,247	390,225	Construction/work-in-progress	400,450	449,578	(49,128)	414,214	455,852	(41,637)	
(230,843)	(339,040)	Provision for depreciation	(357,831)	(364,551)	6,720	(448,693)	(60,603)	(388,091)	
8,654,103	8,706,257	Total property, plant and equipment	8,731,207	8,725,656	5,551	8,783,166	9,222,422	(439,256)	
42,714	39,180	Intangible assets	38,654	44,429	(5,775)	39,068	44,659	(5,591)	
23,244	23,019	Prepaid expenses	22,983	23,245	(262)	22,798	23,245	(447)	
4,373	4,231	Inventories	4,171	4,356	(185)	10,231	4,356	5,875	
15,138	8,699	Derivative financial instruments	9,497	12,590	(3,093)	9,497	12,590	(3,093)	
8,739,572	8,781,386	Total non-current assets	8,806,512	8,810,276	(3,764)	8,864,759	9,307,272	(442,512)	
8,820,012	8,872,010	Total assets	8,895,002	8,893,437	1,565	8,941,966	9,389,620	(447,653)	
		Current liabilities							
582	1,383	Bank Overdraft	16	-	16	-	-	-	
149,067	139,283	Commercial paper	149,258	149,071	188	149,258	149,071	188	
-	285	Bonds	286	279	7	286	279	7	
150,000	-	Term loan	-	-	-	-	-	-	
81,883	161,091	Auckland council loan	136,049	89,303	46,745	136,049	95,431	40,618	
381,532	302,041	Total debt current	285,609	238,653	46,956	285,593	244,780	40,813	
17,047	17,976	Trade and other payables for exchange transactions	12,301	17,099	(4,798)	17,450	20,398	(2,947)	
10,614	11,345	Interest accrued	13,406	11,255	2,150	12,586	11,337	1,250	
52,582	40,257	Other accrued expenses	42,245	59,747	(17,502)	54,387	59,747	(5,360)	
8,314	8,813	Provision for staff benefits	8,508	7,463	1,045	8,508	7,463	1,045	
906	166	Other provisions	166	545	(379)	166	545	(379)	
33,276	35,853	Derivative financial instruments	36,270	31,189	5,081	36,270	31,189	5,081	
504,271	416,451	Total current liabilities	398,504	365,950	32,554	414,960	375,459	39,503	
		Non-current liabilities							
75,000	75,000	Bonds (26/10/18)	75,000	75,000	-	75,000	75,075	(75)	
50,389	50,244	Bonds (26/10/18)	50,219	50,297	(78)	50,219	50,290	(71)	
19,000	14,500	Bank revolving credit facility	46,500	28,000	18,500	46,500	-	46,500	
1,051,816	1,171,714	Auckland council loan	1,171,591	1,222,726	(51,135)	1,182,815	1,257,442	(74,627)	
1,196,205	1,311,458	Total debt non-current	1,343,310	1,376,023	(32,713)	1,354,534	1,382,806	(28,273)	
14,301	14,333	Other accrued expenses	14,273	18,116	(3,843)	14,301	18,116	(3,815)	
3,470	3,569	Other Provisions	3,569	3,569	-	3,569	3,569	-	
1,291	1,321	Provision for staff benefits	1,321	1,532	(211)	1,321	1,532	(211)	
268,697	159,958	Derivative financial instruments	148,811	237,552	(88,741)	148,811	237,552	(88,741)	
998,200	1,033,926	Deferred tax liability	1,039,608	1,017,831	21,777	1,048,664	1,156,289	(107,625)	
2,482,165	2,524,565	Total non-current liabilities	2,550,893	2,654,624	(103,731)	2,571,200	2,799,865	(228,665)	
2,986,436	2,941,016	Total liabilities	2,949,397	3,020,574	(71,177)	2,986,160	3,175,324	(189,162)	
		Equity							
260,693	260,693	Issued capital	260,693	260,693	-	260,693	260,693	-	
1,839,927	1,838,141	Revaluation reserve	1,837,680	1,851,332	(13,652)	1,837,680	2,177,348	(339,668)	
3,800,122	3,734,742	Retained earnings	3,735,204	3,750,433	(15,229)	3,735,204	3,750,433	(15,229)	
(67,166)	97,418	Current year earnings after tax	112,029	10,406	101,623	122,229	25,822	96,407	
5,833,576	5,930,994	Total equity	5,945,605	5,872,863	72,742	5,955,806	6,214,296	(258,490)	
8,820,012	8,872,010	Total equity and liabilities	8,895,002	8,893,437	1,565	8,941,966	9,389,620	(447,653)	

TREASURY RISKS AND INTEREST RATE PERFORMANCE

Jan-17



Interest rates

	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	4.79%	4.15%	4.78%
Weighted averages (incl. fees and margins)	5.79%	N/A	5.81%

Debt (\$m)

	Actual	Budget	Variance
Short-term borrowings	285.6	238.7	46.9
Long-term borrowings	1,343.3	1,376.0	(32.7)
Total gross debt	1,628.9	1,614.7	14.2
Bank overdraft / (cash & deposits)	-	-	-
Total net borrowing	1,628.9	1,614.7	14.2

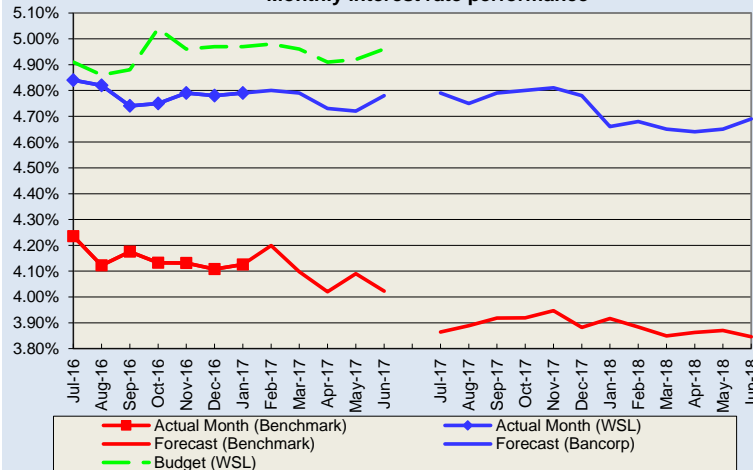
Committed facilities

- BNZ CP Standby facility	\$175 million
- Westpac Revolving Credit facility	\$60 million
- Medium term notes	\$125 million
- Auckland Council	\$1,353 million
Total committed facilities as at 31 January	\$1,713 million

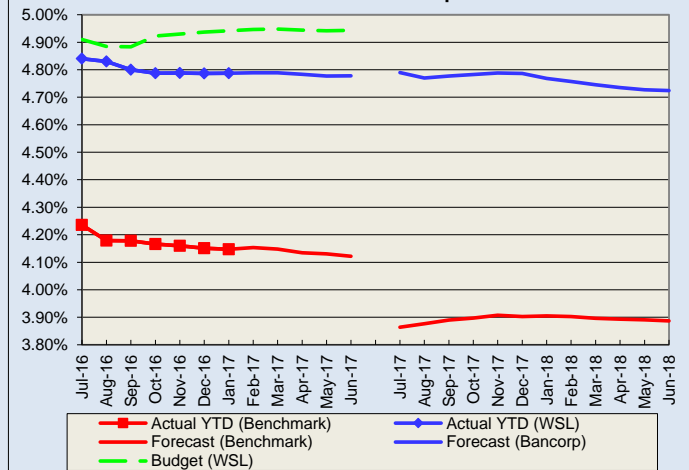
Additional approved facilities

- Approved CP issuance, over and above CP Standby facility	\$75 million
Total approved facilities as at 31 January	\$1,788 million

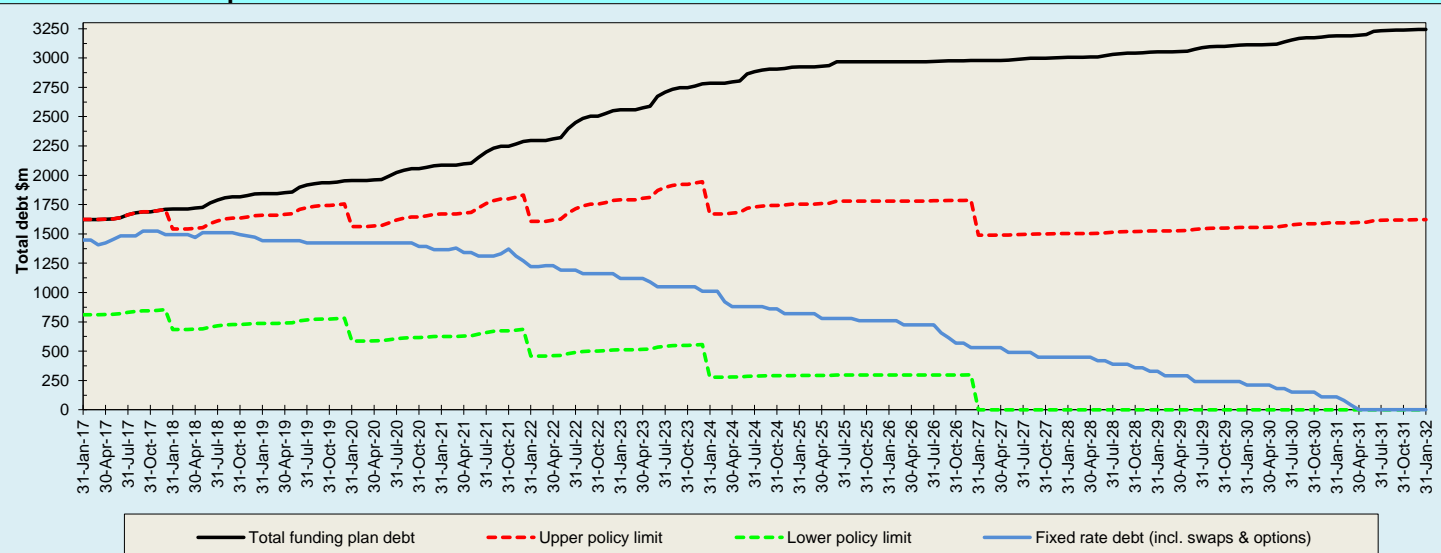
Monthly interest rate performance



Year to date interest rate performance



Forecast total debt profile



COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & COVENANT COMPLIANCE

Jan-17

Counterparty exposures	S&P credit rating Short / long term	Face value	Credit exposures	Limit	Limit OK / exceeded	
		\$000	\$000	\$000		
Obligations of registered banks						
ANZ Bank	A1+ / AA-	580,000	0	100,000	Limit OK	✓
Bank of New Zealand	A1+ / AA-	645,121	17,849	100,000	Limit OK	✓
Commonwealth Bank of Australia	A1+ / AA-	90,000	1,004	100,000	Limit OK	✓
Kiwibank	A1 / A+	75,000	461	75,000	Limit OK	✓
Westpac Institutional Bank	A1+ / AA-	565,000	0	100,000	Limit OK	✓
		1,955,121	19,314			

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).

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
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	133,368	2,243	230,000	52,243	130,000	805,000	1,352,854
Total committed debt facilities		308,368	187,243	230,000	52,243	130,000	805,000	1,712,854
Treasury policy - total committed debt facilities		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000		
Treasury policy compliance		✓	✓	✓	✓	✓		
Approved CP issuance, over and above CP Standby							75,000	75,000
Total committed and approved debt facilities		308,368	187,243	230,000	52,243	130,000	880,000	1,787,854

Drawn bank facilities	Maturity	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	> 30 months	Total
BNZ CP Standby facility (\$175m)	1/07/17							0
Westpac Revolving Credit facility (\$60m)	30/11/18				46,500			46,500
		0	0	0	46,500	0	0	46,500
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	
Revolving credit facility	60,000					
CP standby facility		175,000				
	60,000	175,000	0	0	0	
Treasury policy	<= 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%	33.30%	✓
Total liabilities (including contingent) / total tangible assets - maximum	65%	33.30%	✓
Shareholders funds - minimum (\$000)	500,000	5,945,605	✓
EBITDA : funding costs ratio - minimum	1.75	4.39	✓
Funds from operations : interest cover ratio - minimum	2.00	3.95	✓
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%	✓

FOREIGN EXCHANGE, COMMERCIAL PAPER & ELECTRICITY HEDGING

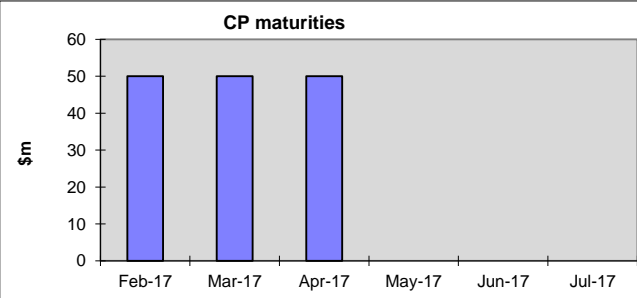
Jan-17

Foreign currency exposures (NZ\$000) including hedging for chemical purchases	USD	Total
Total exposure to be hedged	120.5	120.5
Foreign exchange hedging	120.5	120.5
Percentage cover	100%	100%
Treasury policy	100%	100%
Treasury policy compliance	✓	✓

Hedging for chemical purchases (US\$000)	Mar-17	Sep-17	Mar-18	Sep-18	Total
Chemicals forward foreign exchange hedging					0
Treasury policy					<= 5,000
Treasury policy compliance					✓

Commercial paper maturities

Issue #	\$000	BKBM	Interest rate	Bid cover (x)	Term (days)	Maturity date
298	50,000	2.030%	2.087%	1.63	87	20-Feb-17
299	50,000	2.035%	2.097%	1.62	88	10-Mar-17
300	50,000	1.990%	2.045%	2.91	87	28-Apr-17
	150,000		2.076%			



Note: BKBM is the banks' mid-rate for bank bills of a similar term on the CP issue date.

	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Beyond Jul-17	Total
Outstanding CP	50,000	50,000	50,000	0	0	0	0	150,000
Uncommitted short-term debt								0
	50,000	50,000	50,000	0	0	0	0	150,000

Treasury policy for maximum amount of CP outstanding **<= 250,000**
 Treasury policy compliance ✓

Undrawn committed standby facilities	1 month	1-2 months	2-3 months	3-4 months	4-5 months	5-6 months	> 6 months
Undrawn committed standby facility - CP facility	175,000	175,000	175,000	175,000	175,000	0	0
50% of CP and other short-term debt repayable within 60 days	50,000	50,000	25,000	0	0	0	
Treasury policy: Undrawn standby facilities >= 50% of outstanding CP and other uncommitted short-term debt repayable within 60 days							
Treasury policy compliance	✓	✓	✓	✓	✓	✓	

Electricity hedging (NZ\$000)	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	30-36 months	36-42 months	42-48 months
Contract maturity								
Contract length								
Total value of outstanding contracts	0							
Treasury policy for maximum value of outstanding contracts	<= 10,000							
Treasury policy compliance	✓							

WATERCARE SERVICES LIMITED

Management Report

Jan-17

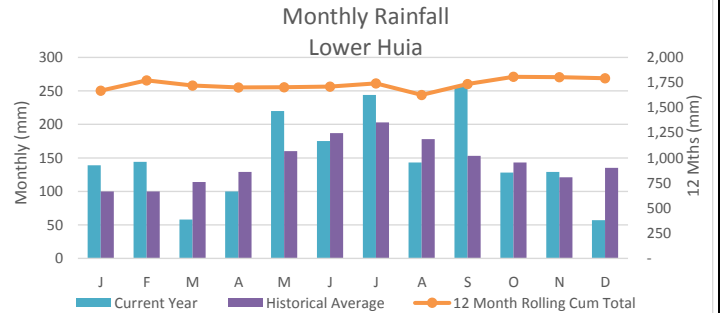
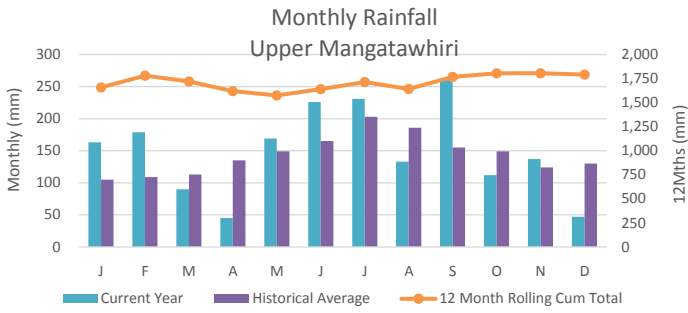
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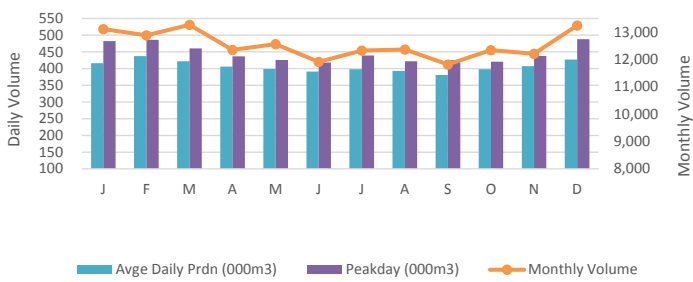
Confidential

Rainfall

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
Actual - Upper Mangatawhiri	47 mm	1792 mm	Actual - Lower Huia	57 mm	1794 mm



Water Production - Total Supply

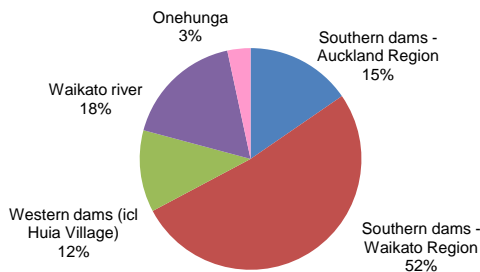


Treated water volumes (000m ³)	Current Month	12 Month Rolling Ave
Monthly Volume	13,247	12,534
- Metro	13,038	12,346
- Non-metro	209 ¹	188
Average Daily Production	427	411
Peak Day	488	488 ²

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

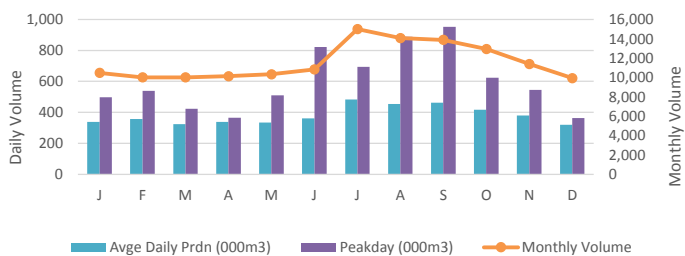
Treated water volumes for the month



Treated water volumes (000m ³)	Current Month		Year to Date			
	Actual	%	Budget	Actual	%	Budget
Southern dams - Auckland Region	2,010	15%	1,192	12,471	17%	7,203
Southern dams - Waikato Region	6,756	51%	5,390	36,628	49%	28,204
Western dams	1,558	12%	2,251	12,791	17%	13,278
Waikato river	2,276	17%	2,387	10,274	14%	19,800
Onehunga aquifer	440	3%	560	1,746	2%	3,588
Rodney	128	1.0%	103	674	0.9%	634
Franklin	80	0.6%	81	421	0.6%	502
Total	13,247	100%	11,965	75,006	100%	73,208

Lake levels at month end was 89%

Wastewater Treatment - Metropolitan Treatment



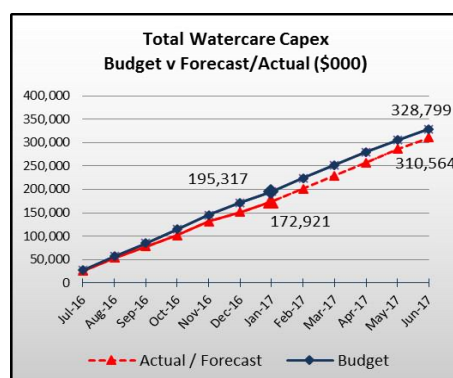
	Current Month	12 Month Rolling Ave
Monthly Volume (000m³)	9,935	11,587
Average Daily Production	320	381
Peak Day	364	952 ²

2. Max peak day in past 12 months

WATERCARE PUBLIC REPORT CAPITAL EXPENDITURE



TOTAL WATERCARE EXPENDITURE	Year to Date		Annual Performance	
	Actual	Budget	Actual + Forecast	Budget
Strategy & Planning	5,081	7,850	12,238	18,049
Infrastructure Delivery	120,254	125,617	202,372	207,393
Service Delivery	32,372	37,663	61,826	63,936
Retail	6,405	7,216	13,362	11,808
Information Services	1,153	4,634	4,507	7,943
Other	2,336	5,892	6,177	7,428
Capitalised Interest	5,320	6,445	10,082	12,243
Watercare Total	172,921	195,317	310,564	328,799



Project / Programme Infrastructure Related Projects (Phase: Design / Execution)	Project	Annual Performance		Status	
	Current Forecast	Forecast	Budget	Time	Cost

Water Projects >\$15 Million

Ardmore WTP Treated Water Resilience	27,606	4,203	3,840		
North Harbour Watermain Duplication	54,300	2,835	4,651		
Albany Pinehill WM & PS	15,700	1,762	2,258		
Hunua No 4 Programme	375,901	13,190	12,427		
Waikato 175MLD Expansion Stage Ultimate	31,505	14,287	16,240		

Wastewater Projects >\$15 Million

Mangere WWTP BNR Capacity	141,036	47,418	48,000		
Mangere WWTP Solids Stream Upgrade	53,395	12,892	12,900		
Central Interceptor Feasibility Design	60,880	9,884	7,654		
Northern Interceptor - Stage 1	107,844	2,709	3,541		
Pukekohe WWTP Upgrade	65,783	1,077	2,040		
Pukekohe Trunk Sewer Upgrade	47,193	30,323	27,854		
Rosedale WWTP Expansion Project	62,277	(202)	3,966		
East Coast Bays Link Sewer Upgrade Prjct	27,200	2,550	0		
Army Bay WWTP Outfall Upgrade	38,850	2,392	3,824		
Wairau Wastewater Pump Station	21,391	269	480		
Fred Thomas Drive WW PS & Storage Tank	27,721	14,506	10,310		
Snells Algies WWTP Ocean Outfall	3,995	277	22		
Glendowie Branch Sewer Upgrade	28,752	1,092	805		
Glen Eden Storage & Pipe Upgrade	17,319	10,298	10,131		

Shared Services >\$15 Million

Networks Controls Upgrade	19,944	3,766	3,900		
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Capex Programme (Design / Execution)

>\$15 Million	1,228,590	175,526	174,843
>\$2 Million <\$15 Million	132,230	31,723	36,673
<\$2 Million	49,615	11,076	12,167
TOTAL	1,410,435	218,325	223,682

Watercare Services Ltd
Financial Summary 2016-17
Report Period January 2017
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 project approval (-10%)

Local Board Interaction (As at 14 Feb 2016)

Local Board	Chair	Deputy Chair	Dec 16	Jan 17	Feb 17
Albert - Eden	Peter Haynes	Glenda Fryer	Invitation to the Meola Community Liaison Group meeting for the Central Interceptor project (8 Dec).	Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan). OIA request regarding Three Kings Quarry (31 Jan)	Responded to escalated complaint on service following water main break (13 Feb)
Devonport - Takapuna	Grant Gillon (26 October 2016 to 22 April 2018) George Wood (23 April 2018 to the end of the 2016-2019 political term)	George Wood (26 October 2016 to 22 April 2018) Grant Gillon (23 April 2018 to the end of the 2016-2019 political term)		Response to enquiry regarding works in Nile Rd (18 Jan). Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	Coordination with Health Waters on Notice of Motion from Local Board on combined wastewater overflows (14 Feb).
Franklin	Angela Fulljames	Andy Baker		Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	Information on servicing growth areas in Franklin (1 Feb). Information on dam water levels and the Waikato River water take (2 Feb).
Great Barrier	Izzy Fordham	Luke Coles			
Henderson - Massey	Shane Henderson	Peter Chan		Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	Responded to an escalated complaint regarding odours in Royal Rd. Coordinate response to build biofilter pending landowner approval from the Local Board (14 Feb)
Hibiscus and Bays	Julia Parfitt	Janet Fitzgerald	Information on new water connections for public facilities (5 Dec). Information shared with local board and residents in response to an overflow issue in Bushglen Reserve Browns Bay (8 Dec). Draft Local Board Plan input workshop (14 Dec). Local Board business meeting to respond to Mairangi Bay Surf Club deputation (14 Dec).	Meeting with Local Board and Surf Club regarding shed storage and pump station in Sidmouth Street (17 Jan). Feedback on enquiries about water tanker filling stations on the Hibiscus Coast (20 Jan). Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	
Howick	David Collings	Katrina Bungard	Information on IGC's sent to John Spiller (1 Dec).	Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	Summary in response to media item on overflow at Melons Bay (3 Feb). Information sent to the local Board on the Melons Bay wastewater storage tanks operation (10 Feb)
Kaipatiki	Danielle Grant (2 Nov 2016 to 28 Feb 2018) John Gillon (1 March 2018 to the end of the 2016-2019 political term)	John Gillon (2 Nov 2016 to 28 Feb 2018) Danielle Grant (1 March 2018 to the end of the 2016-2019 political term)	Notification of works on Lake Road in January to March 2017 (14 Dec)	Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	

Local Board	Chair	Deputy Chair	Dec 16	Jan 17	Feb 17
		of the 2016-2019 political term)			
Mangere - Otahuhu	Lydia Sosene	Walter Togiama		Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	
Manurewa	Angela Dalton	Rangi McLean		Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	
Maungakiekie - Tamaki	Josephine Bartley - until 22 April 2018, to be replaced by Chris Makoare on 23 April 2018.	Don Allan - until 29 October 2017. Debbie Burrows - 30 October 2017 to 28 October 2018. Bernie Driver – 29 October 2018 until end of the term.		Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	Liaison with the Chair regarding fat blockages and overflows in Glen Innes (8 Feb). Glen Innes Matters newsletter sent to local community with information on correct disposal of fats oils and grease to help protect local waterways (13 Feb). Responded to escalated complaint regarding wastewater overflows to Oamaru Creek, Tamaki (13 Feb).
Orakei	Colin Davis - After 18 months Kit Parkinson will Chair.	Kit Parkinson - After 18 months Carmel Claridge will be Deputy Chair		Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	
Otara - Papatoetoe	Lotu Fuli	Ross Robertson		Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	
Papakura	Brent Catchpole	Felicity Auva'a		Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	
Puketapapa	Harry Doig	Julie Fairey		Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	
Rodney	Beth Houlbrooke	Phelan Pirrie	Draft Local Board Plan input workshop (14 Dec). responded to enquiry from Chair after escalation from Sandpit R&R regarding North East wastewater servicing project (14 Dec). Response to IGC escalation for laundromat in Helensville (15 Dec).	Watercare information in preparation for Local Board induction tour (16 Jan)	Notification of extremely low level herbicide detection in Warkworth water supply (2 Feb). Water and wastewater information provided for Local Board induction tour (3 Feb).

Local Board	Chair	Deputy Chair	Dec 16	Jan 17	Feb 17
			Information on Omaha Airfield and LIL cutting rights for the Eucalyptus trees (21 Dec)		
Upper Harbour	Lisa Whyte (31 October 2016 to 1 June 2018) Margaret Miles (2 June 2018 to the end of the 2016-2019 political term)	Margaret Miles 31 October 2016 to 1 June 2018) Lisa Whyte (2 June to the end of the 2016-2019 political term)		Input to letter responding to customer complaint in Upper Harbour Drive (19 Jan). Meeting with local board staff regarding input to Local Board Plan (20 Jan).	Landowner approval workshop for Watercare, AT and NZTA works on combined walkway, cycleway and watermain bridge (9 Feb).
Waiheke	Paul Walden (26 October 2016 to Sunday, 22 April 2018) Cath Handley (23 April 2018 to the end of the 2016-2019 political term)	Cath Handley (26 October 2016 to Sunday, 22 April 2018) Paul Walden (23 April 2018 to the end of the 2016-2019 political term)		Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	
Waitakere Ranges	Greg Presland	Saffron Toms	Notice of media item on the Glen Eden wastewater storage tank (7 Dec)	Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan). Information on Exhibition Drive and rain forest express (31 Jan)	Email update to Greg Presland on a range of issues in the Waitakere Ranges including invitations to public information sessions on the replacement of the Huia Water Treatment Plant (3 Feb). Information on Exhibition Drive provided to the Local Board (10 Feb).
Waitemata	Pippa Coom	Shale Chambers	Invitation to the Meola Community Liaison Group meeting for the Central Interceptor project (8 Dec). Discussion with relationship manager regarding works in Halsey Street (8 Dec). Further information on Kelmarna Ave and Meola Liaison group (12 Dec). Information provided on the use of operational assets such as reservoirs roofs for public recreation (20 Dec).	Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	Local Board Workshop (7 Feb)
Whau	Tracey Mulholland	Susan Zhu		Information on the Regional Network Discharge Consent consultation and advance notice and information on NZ Herald weekend articles on wastewater overflows (20 Jan).	Information on timing of Hui no. 1 watermain works (2 Feb)

Report to the Board of Watercare Services Limited

Subject: Statement of Intent 2017-2020

Date: 22 February 2017

1. BACKGROUND

The draft Statement of Intent for 2017 – 2020 (SOI) was tabled at the 26th of January 2017 Board meeting. Since that time, Management has worked in collaboration with the Chair and nominated Directors to revise the structure of the SOI and incorporate feedback from the Board.

The revised SOI is appended as Appendix A.

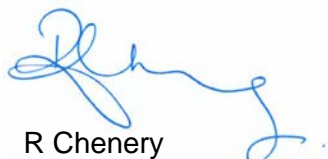
2. TIMETABLE FOR COMPLETION

The Local Government Act 2002 requires that the draft SOI is submitted to Auckland Council on or before the 1st of March 2017. Auckland Council is then required to provide feedback to Watercare by the 30th of April 2017, with the feedback being discussed at the public session of the Watercare Board meeting on the 30th of May.

3. RECOMMENDATION

It is recommended that the Board approves the final draft SOI, incorporating the separately approved financials, for submission to Auckland Council on the 1st of March.

Report prepared by:



R Chenery
Business Transformation Manager

Recommended by:



B Monk
Chief Financial Officer

Approved for submission by:



R Jaduram
Chief Executive

Statement of Intent

2017–2020



He mihi

Tuia te rangi e tū nei, tuia te papa e takoto nei.

Kia tau iho te korowai atawhai o te wāhi ngaro ki runga i a tātou katoa.

E ngā maunga whakahī, e ngā wai tākunukunu, e ngā tōpūtanga tāngata nui rawa o Tāmaki Makaurau, Tāmaki herenga waka, tēnā rā koutou katoa.

E manakohia kia piki ake o ā tātou mahi ngātahi āmuri ake nei. Anei rā te tāuaki hei tātaki i aua manako, heoi anō, inā kē te nui o ngā mahi hei kawae ake e eke ai tō mātou wawata.

*Unite thus the heavens above, unite thus the land beneath us;
we acknowledge the cloak of grief, those whom have passed on,
and we acknowledge their influence upon us.*

*To thy mountains, thy cool sequential waters, the many ethnicities and
peoples throughout Tāmaki Makaurau, warm and heartfelt greetings to you all.*

*We come together to seek a new way forward, united in our shared
responsibilities, and committed to achieving. Clearly, much is yet
to be done if we are to give credence to our vision.*

Contents

01	He mihi	09	Engaging with our communities
02	Message from the Chair	11	Managing and measuring our performance
02	Purpose of Statement of Intent	12	INSIGHT: Continuous improvement delivers value for customers
03	Who we are	13	Driving efficient, transparent and stable financial management
04	Where we operate	15	Appendix A Our legislative framework
05	Working together to achieve the vision for Auckland	16	Appendix B Our performance measures
06	INSIGHT: Managing demand in a growing city		
07	Enabling growth		

Cover: Henry, who is in Room 3 at Bairds Mainfreight Primary School, enjoys a glass of 'Aa'-graded drinking water straight from the tap. Every day, 1.4 million other Aucklanders do the same.

Message from the Chair

As Auckland’s water and wastewater services provider, Watercare has a significant role to play in helping Auckland Council reach its vision for the city. Our Board welcomes the opportunity to work collaboratively with the Mayor and Councillors to jointly develop strategies and policies which achieve efficiencies and provide greater benefit to our customers and the ratepayers of Auckland.

This Statement of Intent (SOI) sets out Watercare’s obligations and how we intend to fulfil our mission to provide safe, reliable and efficient water and wastewater services to all of Auckland. It also voices our commitment to working with Council and other infrastructure providers to enable the region’s sustainable growth and development.

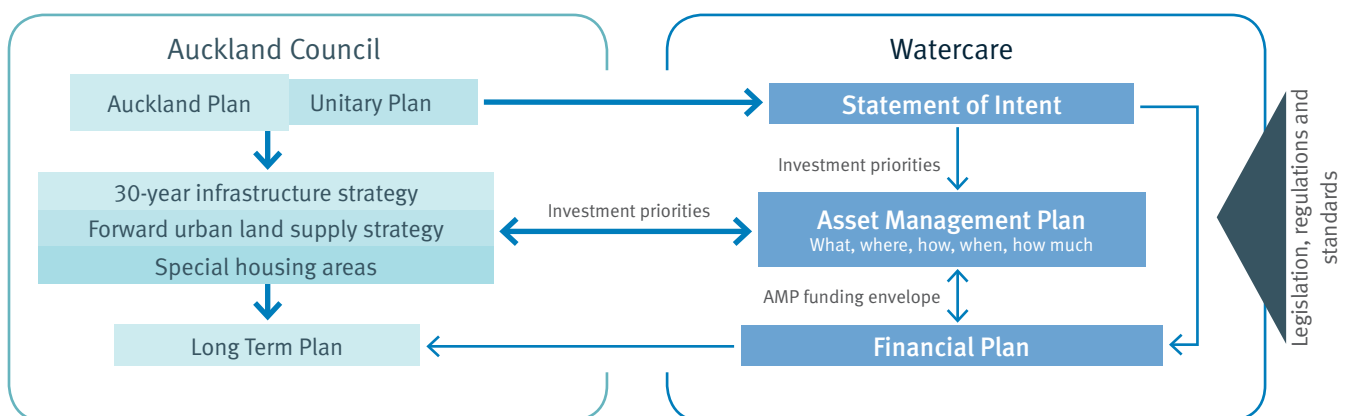
MARGARET DEVLIN

Chair

Purpose of Statement of Intent

In accordance with the Schedule 8 of the Local Government Act 2002, our annual Statement of Intent (SOI) publicly states the activities and intentions of Watercare Services Limited (Watercare) for the next three years, and the objectives that those activities will contribute to.

Our SOI provides an opportunity for our shareholder to influence the direction of the company and provides a basis for the accountability of directors for performance of the organisation.



See *Our legislative framework* in Appendix A (page 15) for more information on our legal responsibilities.

Who we are

Our vision

Trusted by our communities for exceptional performance every day.

Better tomorrow than we are today | Pai ake apōpō atu i tēnei rā

Our mission

Reliable, safe and efficient water and wastewater services.

Watercare is a utility that provides essential services to Auckland. Our water supply and wastewater services are critical to the economic, social and environmental health and well-being of our communities.

Our company has over 900 staff, with \$8.8 billion worth of assets and achieved a revenue of \$570 million in 2015/16. Each day, we supply around 354 million litres of drinking water to the people of Auckland and treat around 392 million litres of wastewater to a high standard. We also carry out significant work to upgrade and construct infrastructure in order to maintain levels of service and provide capacity for the rapidly growing population.

Watercare is a Council-controlled organisation (CCO), wholly owned by Auckland Council. Our company-specific vision drives us to continuously improve our performance day-to-day and we actively work with the Council Group to deliver on the vision set in the Council's Auckland Plan. We do this by ensuring our plans align with and give effect to Council's development and growth plans.

Watercare will continue to collaborate at a strategic level and balance Council group's aspirations with Watercare's operational and growth requirements.

Our strategic priorities

Customer focus

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

Business excellence

4. We have a safe and engaged team
5. We are a commercially savvy business
6. We are responsible stewards of our assets
7. We continually strive for process excellence

Financial responsibility

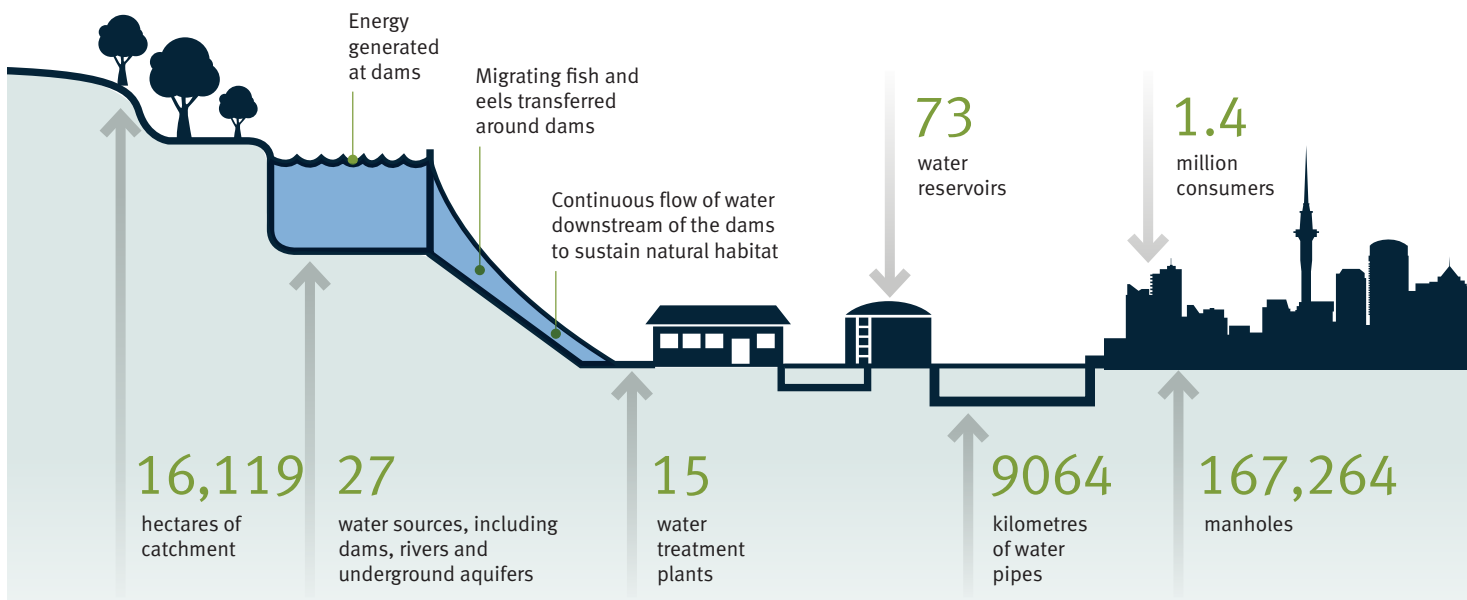
8. We are a minimum-cost service provider
9. We are financially stable over the long term

Fully sustainable

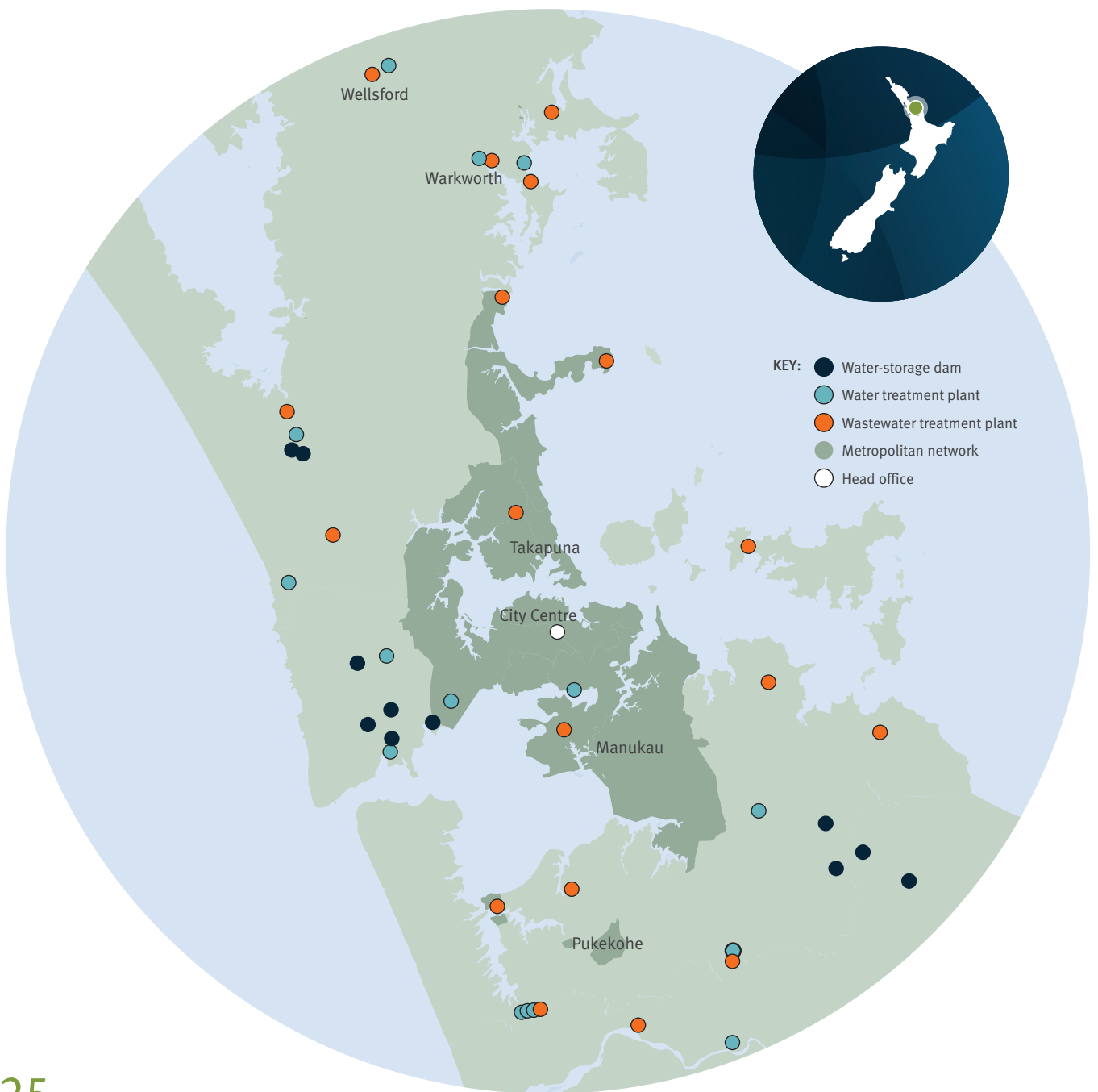
10. We are a socially responsible business
11. We protect and enhance our natural environment
12. We meet all our legal and regulatory obligations

From sky to sea

An overview of Watercare's assets and operations



Where we operate



7925

pupils participate in free education programme

504

wastewater pump stations

Energy generated using biogas at two wastewater treatment plants

Bird roosts along the Watercare Coastal Walkway attract many species of birds

Harbour clean-up activity sponsored



7981

kilometres of wastewater pipes

18

wastewater treatment plants

Working together to achieve the vision for Auckland

Our company is fully committed to working with Auckland Council Group and the development community to deliver the vision, outcomes and transformational shifts set out in Council's 30-year road map, the Auckland Plan.

Auckland's vision: The world's most liveable city						
Outcomes: what the vision means in 2040						
A fair, safe and healthy Auckland	A green Auckland	An Auckland of prosperity and opportunity	A well-connected and accessible Auckland	A beautiful Auckland, loved by its people	A culturally rich and creative Auckland	A Māori identity that is Auckland's point of difference with the world
Transformational shifts: to achieve the vision						
Dramatically accelerate the prospects of Auckland's children and young people	Strongly commit to environmental action and green growth	Move to outstanding public transport within one network	Radically improve the quality of urban living	Substantially raise living standards for all Aucklanders and focus on those most in need	Significantly lift Māori social and economic well-being	
How Watercare is contributing to the transformational shifts						
Secondary	Primary	Secondary	Primary	Secondary	Secondary	
<ul style="list-style-type: none"> By reliably delivering 'Aa' grade water to all customers, including young people 	<ul style="list-style-type: none"> By collecting and treating wastewater effectively By actively promoting water-efficient behaviours to consumers By working to reduce water demand through operational improvements By encouraging pupils to take an active interest in their local environment through our education programme 	<ul style="list-style-type: none"> By ensuring we work with Auckland Transport to align infrastructure projects wherever possible, to minimise impact on traffic 	<ul style="list-style-type: none"> By reliably delivering 'Aa' grade water to all customers By enabling growth through the timely delivery of infrastructure in areas identified by Council 	<ul style="list-style-type: none"> By being efficient in order to ensure that household expenditure on water and wastewater services continues to represent less than 1.5% of the average household income By ensuring customers experiencing financial hardship can access support through the Watercare-funded Water Utility Consumer Assistance Trust By investing in critical water and wastewater infrastructure and shaping Auckland 	<ul style="list-style-type: none"> By actively fostering and maintaining relationships with local Māori. See page 9 for information on the Mana Whenua Kaitiaki Forum By providing technical advice related to water supply and septic tanks in marae and the development of Māori scholarships 	



Glen Eden resident Shelley Scarlett with her son Ben. Shelley registered for Watercare's free water efficiency programme last year. After undergoing a water audit at her house and armed with customised advice to reduce waste, Shelley is well on her way to becoming a waterwise consumer.

Managing demand in a growing city

Today, Watercare services about 1.4 million people living in Auckland. Over the next 30 years the population will grow significantly. Statistics New Zealand has projected medium population growth of 700,000 and high population growth of one million people for Auckland. We have adopted the medium population forecast for our planning purposes.

Our challenge is to meet the demands of that growth without compromising our mission to deliver reliable, safe and efficient water. Watercare is addressing this challenge with an asset management strategy and a demand management plan that is reviewed annually and updated every three years.

Over the next decade Watercare will invest \$4.9 billion to build new infrastructure and renew ageing assets.

The asset management strategy details the projects that have been planned and sequenced for the next 10 years to ensure our water network continues to have sufficient capacity to meet demand and provide resilience. The timely construction of treated water storage reservoirs will ensure we continue to meet the public health grading requirement to have 24 hours of storage as a contingency to disruption within supply zones.

To meet the city's anticipated growth, we have lodged an application with Waikato Regional Council to access additional water from the Waikato River. We are also investigating new water sources for the Helensville, Parakai and Warkworth communities.

Watercare has also been working with customers to reduce per-person

demand through a range of initiatives such as the Be Waterwise water efficiency resources for residential and business customers, a free water advice line and water audits for residential customers.

The demand management plan will be updated during 2017 to ensure Watercare's strategies for demand management deliver the Auckland Plan target of reducing gross per capita consumption from 2004 levels by 15 per cent by 2025.



Enabling growth

We acknowledge that when planning for growth, size and location matter. Watercare has been working closely with the Council Group to identify areas where there is sufficient capacity to support growth in the short term. We have also been aligning the planning of new or upgraded infrastructure to meet Council's spatial development priorities and give effect to the Long Term Plan. That means our infrastructure will enable growth in the areas identified for development by Council. We also ensure our decision making is influenced by local place making and urban regeneration priorities.

Watercare funds all of its operating costs and capital projects through water and wastewater service charges, infrastructure

growth charges and borrowings. That means we self-fund what we deliver and do not receive rates money from Auckland Council. Our financial position enables us to fulfil the \$4.9 billion commitment we have made to the Auckland community in our Asset Management Plan.

The map below sets out the major projects we will undertake over the next three years in order to: increase the capacity of our networks to support future growth; improve the levels of service for customers; and renew ageing assets. These projects will ensure the continued safety and reliability of our services as well as deliver environmental improvements.



Enabling growth

	Major water projects	Description	Work to be carried out over the next three years
1	Hunua 4 Watermain	Construction of a 32-kilometre-long watermain that will run from Manukau to central Auckland	Construction of the sections from Redoubt Road in Manukau City to Market Road in Epsom are now complete. All roads have been reinstated and the pipeline is ready for commissioning. Detailed design of the final section of the Hunua 4 Watermain, from Market Road to Watercare's Khyber Pass Reservoirs on Upper Symonds Street, will commence in 2017.
2	North Harbour Watermain duplication	Construction of the North Harbour No. 2 Watermain, which will run for 33 kilometres from Titirangi to Albany	Route has been designated and resource consents have been granted. Duplication of the watermain over Upper Waitemata Harbour at Greenhithe to be completed in 2018/19. The section from Upper Harbour to Albany to be constructed during the next three years, with the remainder to be completed progressively by 2026.
3	Pukekohe East Reservoirs	Construction of two additional water storage reservoirs to maintain security of supply and cater to growth	Resource consents have been granted and are currently subject to landowner appeals. Plan to complete detailed design and commence construction during the period.
4	Waikato Water Treatment Plant expansion 1	Expansion of the capacity of the existing water treatment plant to cater for additional demand arising from growth	Complete the upgrade from 150 MLD to 175 MLD during the period.
5	Waikato Water Treatment Plant expansion 2	Provision of additional water abstraction, treatment and conveyance capacity from the Waikato River to cater for additional demand arising from growth	Consent for an additional take from the Waikato River filed with Waikato Regional Council in December 2013. The application is in a queue awaiting public notification. Not expected before mid-2017.
6	Hunua No. 1 and Huia No. 1 Watermains replacement	Replacement of two critical watermains which are nearing the end of their design lives	Complete preliminary design and obtain consents and any landowner approvals. Huia No. 1 Watermain is linked to Huia Water Treatment Plant upgrade.
7	Huia Water Treatment Plant upgrade	Replacement of the Huia Water Treatment Plant which is reaching the end of its design life, and the provision of improved treatment processes that will maintain supply and improve levels of service	Site location for the new treatment plant will be finalised, consent process to be completed and detailed design commenced.
Major wastewater projects			
8	Central Interceptor	Construction of a new wastewater conveyance and storage pipeline to service central Auckland as well as the isthmus, east and south	Design to be completed, tendering and procurement to be undertaken and completed, contract let and construction planned to commence in 2019.
9	Northern Interceptor: Hobsonville to Rosedale phase	Construction of a new wastewater pipeline which will divert flows from Mangere Wastewater Treatment Plant to Rosedale Wastewater Treatment Plant	Completion of the detailed design and commencement of construction activity. Resource consent has been obtained for this stage of the project.
10	Northern Interceptor: Westgate to Hobsonville phase	Construction of the second stage of Northern Interceptor to divert wastewater flows from Swanson, Massey and Glen Eden catchments to the Rosedale Wastewater Treatment Plant. This project is dependent on the delivery of the Northern Interceptor from Hobsonville to Rosedale	Obtaining the necessary consents and land owner approvals for the proposed works.
11	Mangere Wastewater Treatment Plant solids stream upgrade	Provision of additional capacity for solids treatment to cater for population growth	Completed and commissioned.
12	Rosedale Wastewater Treatment Plant upgrade	Provision of additional treatment capacity to cater for population growth on the North Shore and treat diverted wastewater flows from West Auckland, which are currently served by the Mangere Wastewater Treatment Plant	Commence construction on the Rosedale Treatment Plant Expansion during the period.
13	Pukekohe Wastewater Treatment Plant upgrade	Construction of additional trunk network and treatment capacity to cater for population growth in the Pukekohe Wastewater Treatment Plant catchment	Commence construction during the period. Application for discharge to Waikato River to be filed shortly with consenting and construction commencing within the 3 years.
14	Mangere Wastewater Treatment Plant Biological Nutrient Removal	Provision of additional biological nutrient removal capacity to cater for projected growth in population	The BNR plant is estimated to be complete and commissioned by end of 2018.
15	Puketutu Island rehabilitation	Restoration of Puketutu Island using treated biosolids from the adjacent Mangere Wastewater Treatment Plant	Continue the monofill operation to rehabilitate Puketutu Island.
16	Warkworth-Snells-Algies Wastewater services	Construction of a new wastewater treatment plant, new wastewater pipeline, pump stations and ocean outfall at Snells Beach	Consents have been lodged, awaiting hearings in March 2017.

Engaging with our communities

As Auckland's main provider of water and wastewater services, what we do directly and indirectly affects the quality of life for all Aucklanders, all visitors and, by extension, the economic, social and environmental well-being of New Zealand as a whole. Recognising this, we engage with our stakeholders through a wide range of forums. We will continue to reinforce Watercare's identity as a 'Council organisation' in our branding, signage and marketing collateral.

Customers

We engage by:

- Making information available through our website, direct mail, newsletters and by phone
- Consulting with customers on topics that affect them to ensure their needs are understood and considered
- Analysing complaint types and looking at what we can do better or differently to reduce issues and complaints
- Collecting feedback through regular customer experience surveys and using the feedback to drive business improvements
- Conducting annual customer focus groups and an online survey.

Tangata whenua (Māori)

We engage by:

- Promoting and supporting Mana Whenua relationships. From 1 July 2016 the Mana Whenua Kaitiaki Forum (MWKF) expanded its role to integrated decision-making on matters significant to Māori across the Auckland Council Group. We will maintain our relationship with MWKF through quarterly meetings with the Mana Whenua Kaitiaki Managers' Group – Water Sector – and will expand this sector's work by facilitating group meetings with other stakeholders working in this area
- Developing, working and maintaining relationships with Mana Whenua affected by Watercare operations and initiatives
- Increasing the understanding of Māori values and cultural impact throughout Watercare
- Providing technical advice related to water supply and septic tanks and the development of Māori scholarships
- Supporting Auckland Council's work on development of a te reo framework
- Watercare has built a strong relationship with the Waikato Tainui Board and Executive Management team. The relationship commenced when Watercare first applied to take water from the Waikato River to assist in meeting Auckland's need for water. With the projected growth for Auckland, a second application to take water has been lodged. Watercare is working closely with Waikato Tainui to ensure that the health and wellbeing of the Waikato River is not adversely affected.

Local residents and community groups that neighbour our worksites

We engage by:

- Using a variety of channels to ensure there are no surprises regarding potentially disruptive works. Information is communicated via various channels, including: flyers, newsletters, door-to-door communication, advertisements, signage, Time Saver Traffic broadcasts, local resident and business association information meetings, community open days, and direct mail
- Sharing relevant information with communities during the planning of new infrastructure upgrades to minimise delays during statutory approval processes under the Resource Management Act

Local Boards

Watercare engages by:

- Building enduring relationships with Local Board chairs and representatives
- Working with Auckland Parks and Local Boards in their capacity as parks' landowners to obtain landowner approval for Watercare-related infrastructure
- Continuing involvement in the development of Local Board plans to ensure that Local Boards have the best information available while their plans are in the formative stages
- Sharing information on Watercare-related matters ahead of infrastructure projects so there are no surprises.

Infrastructure providers

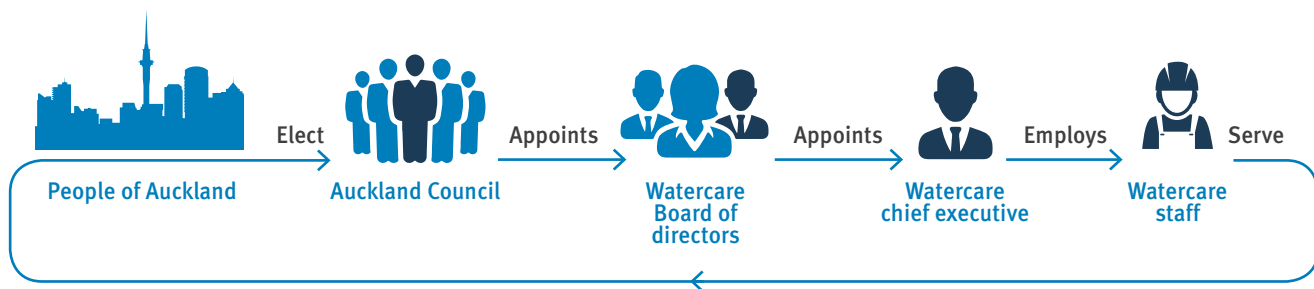
Watercare engages by:

- Participating in the Auckland Infrastructure and Procurement Group forums and working groups
- Continuing to work closely at technical and managerial levels with Auckland Transport, the Auckland Motorway Alliance, New Zealand Transport Authority (NZTA) and other infrastructure providers to plan and deliver complex infrastructure solutions in the road and motorway corridors
- Co-ordinating planned major works with Auckland Transport teams to ensure 'best for Auckland' outcomes
- Working closely with industry experts and attending regular sessions with Civil Contractors New Zealand and the Association of Consulting Engineers New Zealand to ensure safe, practicable and sustainable outcomes.



Visitors look at the toys collected during the solid screening and removal process over the years, at the Rosedale Wastewater Treatment Plant. Around 60 people were given a guided tour of the Rosedale plant by Watercare staff in November 2016.

Managing and measuring our performance



Watercare’s Board is ultimately responsible for all decision-making by the company. Its Directors and our management team are committed to ensuring the company applies best-practice governance policies and procedures. It has three subcommittees: Audit and Risk; Capital Projects Working Group; Remuneration and Appointments. Regular Health and Safety management meetings are held and reporting on these matters goes to the full Board.

Watercare ensures we fulfil the public meetings stipulation of the Local Government (Auckland Council) Act 2009 which requires Auckland Council CCOs to hold two public meetings a year and the timing for these is set out below. However, Watercare’s Board has adopted that as a minimum requirement, so all Board Meetings have an open, public session. Dates and times are publicly notified in advance with agendas and minutes made available on our website.

Date	Purpose	Form of public notification
30 May 2017	Consider shareholder comments on draft SOI	Public notice
26 October 2017	Consider performance against SOI targets	Public notice
May 2018	Consider shareholder comments on draft SOI	Public notice

Managing risk

We have an established risk management policy and framework, which follows the guidance of the ISO 3100 risk management standard. Risks are identified and evaluated using likelihood and consequence scores and ranked. The highest ranked and significant emerging risks are reviewed by senior management and the Board via management and Board-level reporting.

The Internal Audit function produces an annual plan that is approved by our Audit and Risk Committee with quarterly reporting by management against the plan for the committee.

The Audit and Risk Committee maintains oversight of progress and must be satisfied that recommendations arising from Internal Audit’s work are fully addressed by management.

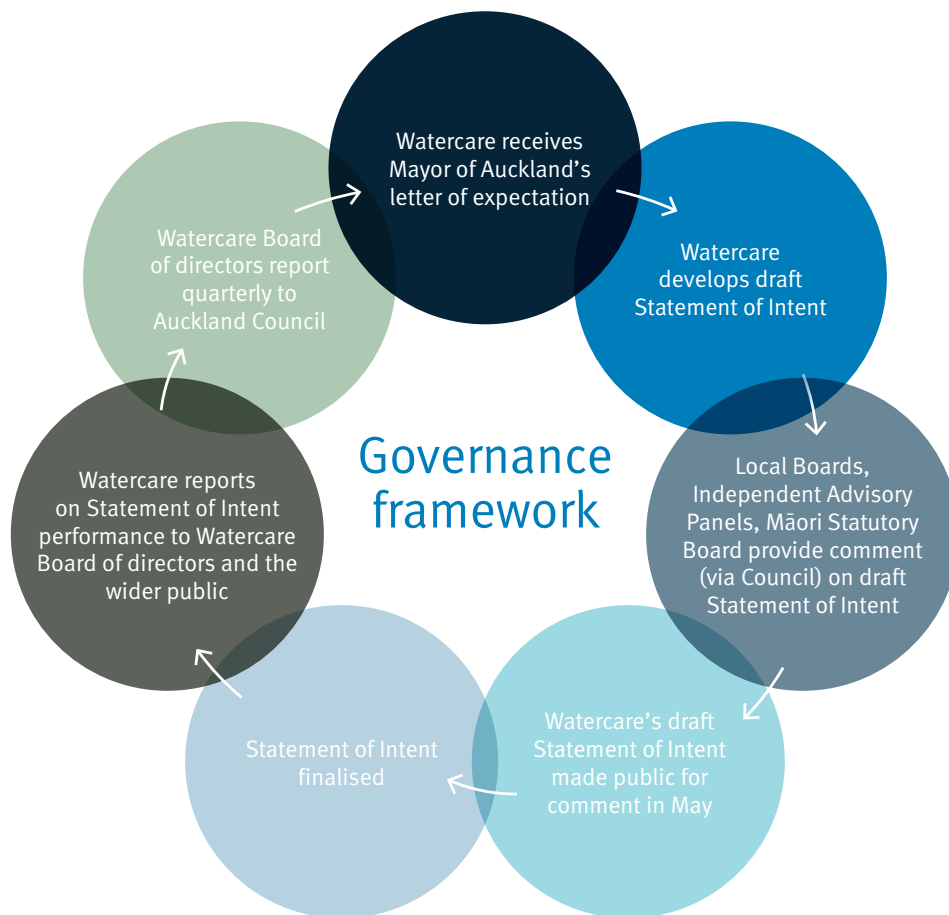
Watercare works diligently to meet our legal obligations and act in accordance with the CCO governance manual, which sits alongside this SOI and forms part of the annual binding agreement between Council and Watercare. We are committed to participating in the design and implementation of group-wide policies as well as to working collaboratively in relation to ‘out of sequence’ future urban development.

See *Our legislative framework* in Appendix A (page 15) for more information on our legal responsibilities.

Measuring our performance

We have an agreed set of performance measures and targets which form the basis for accountability to delivering on Council’s strategic direction, priorities and targets. These are reported on a quarterly basis in accord with the CCO governance manual. The measures and targets include the Department of Internal Affairs-mandated measures and those that were agreed with Council as part of the Long Term Plan 2015–2025. See *Our performance measures* in the Appendix B (page 16) for the table of measures.

Watercare is committed to contributing to the development of new metrics and indicators which will measure our impact and align with the refreshed Auckland Plan and the Long Term Plan 2018–2028.



Continuous improvement delivers value for customers

Watercare continues to introduce initiatives to increase our engagement with customers.

We are seeking to understand their needs and be responsive to them. We believe all staff at Watercare have a role to play in ensuring positive customer experiences.

Over the past two years, the overall volume of customer complaints reduced by 55 per cent. This was due to specialised teams implementing a first-call resolution approach to customer enquiries. Staff were encouraged to make decisions and take action in order to reduce the volume of repeat phone calls and escalated complaints.

Watercare's Voice of Customer (VoC), a programme that enables continuous, real-time feedback from customers relating to our processes and people, was also rolled out to our infrastructure projects. VoC enables the community to give constructive feedback on how we and our contractors are doing and how we could improve when delivering projects.

Our focus over the next three years is to strengthen Watercare's capability to provide interactive, digital

solutions for our customers including real-time usage information, an enhanced website and self-service experience, and real-time service outage information.

INSIGHT



Payment services advisor Isobelle Sione fields a customer call. Watercare responds to as many as 2000 phone calls, letters and emails every day.

Driving efficient, transparent and stable financial management

We understand and appreciate that 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.

Our financial management is underpinned by robust plans and policies, supported by a comprehensive risk and audit programme.

Since we became a vertically integrated supplier of water and wastewater services on 1 November 2010, we have achieved on average \$107 million in annual savings, and operated with significantly fewer staff than the previous Councils and Local Network Operators at time of integration. We have standardised water and wastewater charges for both domestic and

The following summary of financials supports the delivery of the strategic objectives and performance targets for Watercare.

\$000 Financial year ending 30 June	2017/18 Annual Plan	2018/19 SOI	2019/20 SOI
Revenue			
Fees and user charges			
Infrastructure growth charges			
Vested assets			
Other revenue			
Total revenue			
Expenditure			
Employee benefits			
Depreciation and amortisation			
Grants, contributions and sponsorship			
Other operating expenses			
Total expenses			
Finance income			
Finance expense			
Net operating income			
Net other gains/(losses)			
Surplus/(deficit) before income tax			
Income tax expense			
Surplus/(deficit) after income tax			
Capital expenditure			
Comprised of:			
Growth			
Improve level of service			
Renewals			
Total capital expenditure			
Source of capital funding:			
Operating surplus/(deficit) – excluding Infrastructure growth charges			
Infrastructure growth changes			
Borrowings to fund capital expenditure			
Total capital funding			
Capital funding surplus/(deficit)			
Shareholders equity ratio			

non-domestic customers, making them more transparent and easier to understand. Today, most customers are paying less for water than they were paying in 2010.

Since integration, we have undertaken capital works of around \$1.5 billion and only increased the level of debt by \$350 million.

Watercare has implemented efficiency initiatives across major areas of expenditure, including a network efficiency programme and a capital delivery optimisation programme. The network efficiency programme is focussed on reducing the cost of operating and maintaining our retail network while maintaining the appropriate level of service. The capital delivery optimisation programme includes the introduction of a revised capital projects delivery business model and a target to deliver five per cent savings in capital spend.

Our commitment

Watercare supports the Council's drive to greater transparency in budgeting and reporting and is committed to:

- benchmarking frontline and back-office expenditure, including regularly publishing results on the company's website
- holding administrative and corporate spending at or below 2016/17 levels
- exploring alternative operating revenue streams wherever possible
- collaborating with, and at times leading, Council-group shared services and procurement activity
- actively co-operating with any service delivery reviews (Section 17A, Local Government Act) relating to Watercare
- Communicating clearly and in plain-English with all of our customers and stakeholders.

Specific expenditure towards Māori outcomes

Initiative	2017/18 SOI (\$000s)	2018/19 SOI (\$000s)	2019/20 SOI (\$000s)
Iwi engagement on Watercare projects	1,190	1,240	1,290

Other financial information

Current value of assets	The current value of Watercare Services Limited's assets as at 30 June 2016 is \$8.8 billion.	
Shareholder equity ratio	The latest shareholder equity ratio for Watercare Services Limited as at 30 June 2016 is 67%.	
Accounting policies	Watercare Services Limited's accounting policies are consistent with those of Auckland Council Group policies with nominated exceptions (e.g. interest capitalisation).	
Financial reporting	Watercare Services Limited's financial reporting is in accordance with the requirements of the CCO governance manual.	
Asset sales (\$ million)	2015/16 Actual	\$nil
	2016/17 LTP	\$nil
	2017/18 LTP	\$nil
	2018/19 LTP	\$nil

Appendix A

Our legislative framework

Watercare is a limited liability company registered under the Companies Act 1993, and a local government organisation under the Local Government Act 2002. Watercare is subject to regulation governing planning, health and environmental matters.

The principal regulators include Auckland Council, Waikato Regional Council and the Ministry of Health. We provide these and other regulatory bodies with information on the impacts of existing policy and regulation on our activities. We also contribute and respond to the development of relevant statutory and regulatory changes affecting water, wastewater and the lifeline utility sector.

The legislative framework enabling and governing our operations as the provider of water and wastewater services in Auckland is found largely in six Acts and amendments:

- Local Government Act 2002
- Local Government (Tāmaki Makaurau Reorganisation) Act 2009
- Local Government (Auckland Council) Act 2009
- Local Government (Auckland Transitional Provisions) Act 2010
- Companies Act 1993
- Health Act 1956 and the Health (Drinking-Water) Amendment Act 2007.

Our obligations to deliver water and wastewater services for Auckland are established under Part 5, Section 57(1), of the Local Government (Auckland Council) Act 2009, which stipulates that an Auckland water organisation:

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

- Must not pay any dividend or distribute any surplus in any way, directly or indirectly, to any owner or shareholder
- Is not required to comply with Section 68(b) of the Local Government Act 2002 (avoiding the requirement to pay a dividend)
- Must have regard for public safety (for example, the safety of children in urban areas) in relation to its structures.

Also under the legislative framework:

- We became a substantive Council-controlled organisation (CCO) on 1 July 2012.
- We must give effect to the relevant aspects of the Council's Long Term Plan (LTP), act consistently with other specified plans and strategies of the Council and ensure compliance at all times with Section 57, Section 58 of the Local Government (Auckland Council) Act 2009.
- At least two Board meetings a year are required to be held in public: one before 30 June to consider the Council's comments on the draft Statement of Intent (SOI) for the upcoming financial year, and one after 1 July to consider our performance under the SOI for the previous financial year. In practice, all Board meetings have a session open to the public.
- Our financial statements, the SOI and specified long-term plans must be audited by the Auditor-General, or by an auditor acting on behalf of the Auditor-General.

The Auditor-General is the auditor of Watercare's financial statements. The Auditor-General has appointed Andrew Burgess, using the staff and resources of Deloitte, to undertake the external audit work on behalf of the Auditor-General, in accordance with the Auditor-General's Audit Standards, which incorporate New Zealand Auditing Standards. Deloitte must satisfy the independence requirements of the Auditor-General and External Reporting Board.

Appendix B

Our performance measures

Service Level Statement	Measure	2015/16 Actual	2016/17 Target	2017/18	2018/19	2019/20
Provide uninterrupted access to safe, clean and drinkable water.	The extent to which Watercare's drinking water supply complies with Part 4 of the Drinking Water Standards New Zealand (bacteria compliance criteria)	100%	100%	100%	100%	100%
	The extent to which Watercare's drinking water supply complies with Part 5 of the Drinking Water Standards New Zealand (protozoal compliance criteria)	100%	100%	100%	100%	100%
	Median response time for attendance for urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site	44 mins	≤60 mins	≤60 mins	≤60 mins	≤60 mins
	Median response time for resolution of urgent calls-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	3.1 hours	≤5 hours	≤5 hours	≤5 hours	≤5 hours
	Median response time for attendance for non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site	3 days	≤3 days	≤3 days	≤3 days	≤3 days
	Median response time for resolution of non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	4.3 days	≤6 days	≤6 days	≤6 days	≤6 days
	The total number of complaints received by Watercare about any of the following: a) drinking water clarity; b) drinking water taste; c) drinking water odour; d) drinking water pressure or flow; e) continuity of supply; and f) Watercare's response to any of these issues; expressed per 1000 connections to the local authority's networked reticulation system	5.6	≤10	≤10	≤10	≤10
	The percentage of real water loss from Watercare's networked reticulation system	12.94%	≤13%	≤13%	≤13%	≤13%
	The average consumption of drinking water per day per resident	272.05	270 +/- 2.5%	268	266	264
Provide reliable wastewater services and manage discharges to maintain or improve the health of the environment	The number of dry-weather overflows from Watercare's sewerage system, expressed per 1000 sewerage connections to that sewerage system	0.45	≤10	≤10	≤10	≤10
	Compliance with the Watercare's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by Watercare in relation to those resource consents	a) 0 b) 0 c) 0 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0
	Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance – from the time that Watercare receives notification to the time that service personnel reach the site	46 mins	≤60 mins	≤60 mins	≤60 mins	≤60 mins
	Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution – from the time that Watercare receives notification to the time that service personnel confirm resolution of the blockage or other fault	2.9 hours	≤5 hours	≤5 hours	≤5 hours	≤5 hours
	The total number of complaints received by Watercare about any of the following: a) sewerage odour; b) sewerage system faults; c) sewerage system blockages; and d) Watercare's response to issues with its sewerage system; expressed per 1000 connections to the Watercare's sewerage system	20.8	≤50	≤50	≤50	≤50
	Average number of wet-weather overflows per engineered overflow point per discharge location in the transmission system	0.69	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year

Appendix B

Our performance measures *continued*

Service Level Statement	Measure	2015/16 Actual	2016/17 Target	2017/18	2018/19	2019/20
Health, Safety and Well-being	Lost-time injury frequency rate per million hours worked	1.92	≤5	≤5	≤5	≤5
	Total recordable injury frequency rate per million hours worked	23.02	≤30	≤20	≤20	≤20
	Percentage of voluntary leavers relative to number of permanent staff	12.9%	≤12%	≤12%	≤12%	≤12%
Customer Satisfaction	Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	83.7%	≥80%	≥80%	≥80%	≥80%
	Percentage of complaints 'resolved and closed' within 10 working days	93.5%	≥95%	≥95%	≥95%	≥95%
	Percentage of the 19 lwi groups throughout Auckland that Watercare have entered into a Memorandum of Understanding with	New measure	60%	75%	85%	85%
Financial	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	3.71	≥2.5	≥2.5	≥2.5	≥2.5
	Percentage of household expenditure on water supply services relative to the average household income	0.86%	≤1.5%	≤1.5%	≤1.5%	≤1.5%

Watercare Services Limited

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