

# WATERCARE SERVICES LIMITED

## AGENDA | Board meeting | 31/8/2016

<b>Venue</b>	Watercare Services Limited, 73 Remuera Road, Newmarket
<b>Time</b>	10:30am

### Open Public Meeting

Item	Spokesperson	Action sought at governance meeting	Supporting Material
1. Apologies	Chair	<ul style="list-style-type: none"> <li>Record Apologies</li> </ul>	
2. Minutes of Meeting	Chair	<ul style="list-style-type: none"> <li>Approve Board Meeting Minutes 1 August 2016</li> </ul>	Minutes 1 August 2016
3. Directors' Corporate Governance Items	Chair	<ul style="list-style-type: none"> <li>Corporate Planner and Work Plan</li> <li>Review Disclosure of Interests (Directors &amp; Executive Management)</li> </ul>	Corporate Planner and Work Plan Disclosure of Interests
4. Chief Executive's Report and Scorecard	R Jaduram	<ul style="list-style-type: none"> <li>Receive report</li> </ul>	Chief Executive's Report
5. Statement of Intent 2016-2019 – Final revisions	R Chenery	<ul style="list-style-type: none"> <li>For approval</li> </ul>	Paper
6. General Business	Chair		

Date of next Meeting – 29 September 2016

Location – Watercare Newmarket, 73 Remuera Road, Newmarket

# MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Watercare Services Limited, 73 Remuera Road, Remuera, Auckland
DATE	01 August 2016
TIME	11:00
STATUS	Open Session

	<p><b>Present:</b></p> <p>D Clarke (Chairman) M Allen (Deputy Chairman and Chair of the meeting) N Crauford C Harland J Hoare T Lanigan D Thomas</p>	<p><b>In Attendance:</b></p> <p>WSL R Fisher (Acting Chief Executive) M Bridge S Cunis R Fisher A Miller B Monk M Smith T Munro D Hawkins D Sellars R Chenery J Simperingham R Hughes I Gotelli  P Colmar (Customer survey)</p>	<p><b>Public in Attendance: None</b></p>
1.	<p><b>Apologies</b></p> <ul style="list-style-type: none"> <li>• P Drummond</li> <li>• R Jaduram</li> </ul>		
2.	<p><b>Minutes of Previous Meeting</b></p> <ul style="list-style-type: none"> <li>• The Board <b>resolved</b> that the Minutes of the public section of the Board meeting held on 27 June 2016 at 11:00 be confirmed as correct.</li> </ul>		
3.	<p><b>Directors Corporate Governance Items</b></p> <ul style="list-style-type: none"> <li>• Corporate Planner and Work Plan 2016 The corporate planner and work plan was noted.</li> <li>• Disclosure of Interests The Disclosure of Interests was reviewed.</li> </ul>		
4.	<p><b>Chief Executive's Report and Scorecard</b></p> <ul style="list-style-type: none"> <li>• Health and Safety  The Acting Chief Executive advised that there had been no lost-time injuries during June.  The Acting Chief Executive noted the reason for the increase in the total recordable injury frequency rate is related to ongoing improvements in data completeness (capture and quality) rather than being a reflection of an increasing number of injuries.</li> <li>• Proposed Auckland Unitary Plan  The Acting Chief Executive advised that Watercare has been approached by Auckland Council staff in relation to its ability to service areas that have been live zoned under the Proposed Auckland Unitary Plan. In all cases, Watercare is able to service the areas.</li> </ul>		

	<ul style="list-style-type: none"> <li>• Service Delivery S Cunis spoke to the report. Lake levels are currently at 93%. Management will provide an update on interim works at Huia Water Treatment Plant to increase capacity, and benefits to three day peak resilience at the 18 October 2016 Board meeting.</li> <li>• Finance B Monk spoke to the Finance report. Revenue for the financial year was above budget. Full year IGC revenue was \$62m against a budget of \$57m. Full financial year finished well ahead of budget for operating margins.</li> <li>• Communications R Hughes spoke to the report. Positive coverage in mainstream media in relation to Manukau Harbour and Watercare's Asset Management Plan. Two articles featuring R Jaduram were handed out.</li> </ul>
5.	<p><b>Customer Survey Results</b></p> <p>Pauline Colmar spoke to the customer, and developer, survey results presentation.</p> <p>The results are positive. Customer satisfaction has increased since 2013. The feedback from the development community was also positive.</p> <p>Management will conduct the next customer survey in 12 months' time.</p>
6.	<p><b>General Business</b></p> <ul style="list-style-type: none"> <li>• I Gotelli provided an update on the Independent Hearing Panel's recommendations on the Unitary Plan.</li> <li>• The meeting closed at 12:10pm.</li> </ul>

CERTIFIED AS A TRUE AND CORRECT RECORD

Mike Allen  
Chairman for the meeting

**WATERCARE BOARD PLANNER 2016**

	2016											
	January	February	March	April	May	June	July	August	September	October	November	December
Board Meeting		3 Feb Newmarket	3 March - Workshop Newmarket 1 April Rosedale WWTP	20 April Newmarket	24 May Newmarket*	27 June Newmarket	1 August Newmarket	31 Aug Newmarket	29 Sept Newmarket	18 Oct Newmarket*	14 November Newmarket	13 December Huia WTP
Health and Safety Committee Workshops			14 March Newmarket			28 June Ardmore WTP 2pm		26 August Newmarket 11am			1 November Mangere WWTP	
Health and Safety Site Visits			1 April Rosedale WWTP			28 June Ardmore WTP		26 August Hunua 4			1 November Mangere WWTP BNR Project	13 December Huia WTP
Audit and Risk Committee Meeting		3 Feb Newmarket (before Board meeting)			5 May Newmarket		11 August Newmarket (before Board meeting)	22 Aug Newmarket			8 Nov Newmarket	
Capital Projects Working Group		3 Feb Newmarket (after Board meeting)			23 May Newmarket			31 Aug Newmarket (after Board meeting)			14 Nov Newmarket (after Board meeting)	
Remuneration and Appointments Committee		5 Feb Newmarket		20 April Newmarket (before Board meeting)		27 June Newmarket (before Board meeting)		24 August Newmarket 4 - 6pm		18 October Newmarket (before Board meeting)		
Statement of Intent		Approval of Draft 2016-2019 SOI	1 March Draft SOI to shareholder		Present shareholder SOI feedback at public meeting	Final 2016-2019 SOI issued to shareholder				Work on 2017-2020 SOI Key dates yet to be advised by Auckland Council		
Shareholder Interaction			1 March - Quarterly Briefing to CCO Governance & Monitoring Committee		31 May 2016 - Replaces quarterly briefing				6 Sept - Quarterly Briefing to CCO Governance & Monitoring Committee			
Key Finance Decisions						27 June Approval of 2016/17 Budget						
Other		Qtr Statutory Compliance Reporting		Qtr Statutory Compliance Reporting			Qtr Statutory Compliance Reporting			Qtr Statutory Compliance Reporting		

\* Statutory public Board meeting - deputations invited

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

Board Work Plan 2016

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

## Report to the Board of Watercare Services Limited

**Subject:** Disclosure of Interests

**Date:** 24 August 2016

Section 140 of the Companies Act 1993 requires disclosure of interests of a director to the Board. Set out below are the disclosures of interests received as at the date of this report.

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

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

## 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:** 24 August 2016

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

### RECOMMENDATION

That the report be received.

Approved by:



R Jaduram  
**Chief Executive**



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

WATERCARE SCORECARD 2016/17

On budget, on time, within parameters

Unfavourable but within parameters

Major issue, needs attention

	SOI	2016/17 Target	Amber Threshold	Red Threshold	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	
<b>1 Safe and Reliable Water</b>																		
1a	<input checked="" type="checkbox"/>	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1b	<input checked="" type="checkbox"/>	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1c		100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1d		100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1e		100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1f		50%	n/a	<45%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1g		50%	n/a	<25%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1h		≥95%	93% to <95%	<93%	96%	96%	96%	96%	96%	96%	96%	96%	95%	95%	95%	95%	95%	95%
1i		≤10	>10 to 12	>12	6.6	6.4	6.2	5.9	5.6	5.5	5.4	5.4	4.9	4.8	4.7	4.6	4.5	
1j		Unrestricted	Subjective	Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
1k		Unrestricted	Subjective	Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
<b>2 Healthy Waterways</b>																		
2a		≤5	>5 to 7	>7	1.82	1.91	1.91	1.81	1.99	1.99	2.14	2.21	2.16	2.16	2.20	2.29	2.26	
2b	<input checked="" type="checkbox"/>	≤2 overflows per year per engineered overflow point	Low risk non-compliance	High risk non-compliance														
2c	<input checked="" type="checkbox"/>	≤10	>10 - ≤15	>15	0.03	0.03	0.04	0.03	0.05	0.05	0.03	0.03	0.03	0.03	0.03	0.04	0.4	
2d	<input checked="" type="checkbox"/>	a) ≤2 b) ≤2 c) ≤2 d) ≤2	n/a	>2 (for any)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2e		≤10	>10 to ≤12	>12	7.10	7.00	7.00	6.60	6.70	6.60	6.50	6.30	6.40	6.40	6.00	5.80	6.10	
2f		100%	98 to <100%	<98%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2g		35%	n/a	<35%	84%	84%	88%	87%	88%	88%	88%	89%	88%	88%	88%	88%	89%	
<b>3 Customer Satisfaction</b>																		
3a	<input checked="" type="checkbox"/>	≤60 mins	>60 - ≤90 mins	>90 mins	33 mins	34 mins	35 mins	35 mins	36 mins	37 mins	37 mins	39 mins	41 mins	42 mins	43 mins	44 mins	44 mins	
3b	<input checked="" type="checkbox"/>	≤5 hours	>5 - ≤8 hours	>8 hours	1.5 hours	1.5 hours	1.6 hours	1.6 hours	1.7 hours	1.8 hours	1.9 hours	2.1 hours	2.4 hours	2.7 hours	2.8 hours	3.0 hours	3.0 hours	
3c	<input checked="" type="checkbox"/>	≤3 days	>3 - ≤5 days	>5 days	1.2 days	1.2 days	1.3 days	1.8 days	1.9 days	2.1 days	2.1 days	2.2 days	2.6 days	2.8 days	2.9 days	3.0 days	3.0 days	
3d	<input checked="" type="checkbox"/>	≤6 days	>6 - ≤8 days	>8 days	2.2 days	2.3 days	2.7 days	2.9 days	3.0 days	3.1 days	3.1 days	3.2 days	3.6 days	3.9 days	4.1 days	4.8 days	4.3 days	
3e	<input checked="" type="checkbox"/>	≥80%	≥75% to <80%	<75%	84.6%	87.0%	86.0%	85.3%	85.1%	85.0%	84.8%	84.7%	84.9%	84.4%	84.4%	84.2%	84.3%	
3f	<input checked="" type="checkbox"/>	≤10	>10 - ≤15	>15	7	7	6.9	6.7	6.5	6.3	6.0	5.8	5.7	5.6	5.6	5.6	5.6	
3g	<input checked="" type="checkbox"/>	≤60 mins	>60 - ≤90 mins	>90 mins	40 mins	40 mins	41 mins	41 mins	41 mins	42 mins	42 mins	42 mins	44 mins	44 mins	45 mins	46 mins	47 mins	
3h	<input checked="" type="checkbox"/>	≤5 hours	>5 - ≤8 hours	>8 hours	2.3 hours	2.3 hours	2.3 hours	2.4 hours	2.4 hours	2.4 hours	2.4 hours	2.5 hours	2.7 hours	2.7 hours	2.8 hours	2.9 hours	2.9 hours	
3i	<input checked="" type="checkbox"/>	≤50	>50 - ≤75	>75	20.7	20.7	20.7	20.7	20.8	20.8	20.8	20.8	20.8	20.9	21.1	20.8	21.3	
3j		≤5	>5 to ≤5.5	>5.5	4.70	4.60	4.90	4.70	4.60	4.40	4.10	3.90	3.80	3.80	3.70	3.70	3.60	
3k	<input checked="" type="checkbox"/>	≥95%	≥90% to <95%	<90%	98.3%	98.9%	98.2%	97.4%	97.4%	97.1%	96.8%	97.0%	96.2%	95.6%	95.1%	93.50%	92.80%	
3l	<input checked="" type="checkbox"/>	100%			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

4

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

WATERCARE SCORECARD 2016/17

On budget, on time, within parameters

Unfavourable but within parameters

Major issue, needs attention

		SOI	2016/17 Target	Amber Threshold	Red Threshold	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	
<b>4 Health, Safety and Wellbeing</b>																			
4a	Last-time injury frequency rate per million hours worked (12 month rolling average)	☑	≤5	5 - 7	>7	6.4	5.8	5.23	4.63	3.55	2.99	3.03	3.06	3.73	3.75	2.51	1.92	1.9	
4b	Percentage of total hours absent due to illness (12 mth rolling average)		≤2.5%	>2.5 to 3.5%	>3.5%	2.10%	2.09%	2.15%	2.14%	2.15%	2.16%	2.14%	2.12%	2.12%	2.11%	2.14%	2.18%	2.19%	
4c	Percentage of voluntary leavers relative to number of permanent staff (12 mth rolling average)	☑	≤12%	>12 to 14%	>14%	11.16%	10.86%	11.45%	11.28%	11.72%	12.30%	12.01%	12.45%	11.92%	12.32%	12.74%	12.92%	12.15%	
4d	Total recordable injury frequency rate per million hours worked (12 month rolling average)	☑	<30	>30 to <33	>33	18.65	19.13	16.86	16.80	17.05	15.53	15.73	15.90	18.02	16.90	14.42	23.02	23.48	
<b>5 Financial Responsibility</b>																			
5a	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	☑	≥2.5	2.4 to <2.5	<2.4	3.69	3.51	3.62	3.62	3.56	3.63	3.71	3.65	3.69	3.69	3.71	3.71	3.89	
5b	Percentage of household expenditure on water supply services relative to the average household income	☑	≤1.5%	1.2 to <1.5	>1.5	0.83%	0.83%	0.83%	0.83%	0.84%	0.84%	0.85%	0.85%	0.85%	0.85%	0.86%	0.86%	0.86%	
5c	Water & wastewater revenue against budget YTD %		≥100%	≥98% to <100%	<98%	101%	101%	101%	102%	102%	102%	102%	102%	102%	102%	102%	102%	101%	
5d	Infrastructure growth charge revenue against budget YTD %		≥100%	≥95% to <100%	<95%	102%	108%	114%	102%	91%	94%	103%	105%	104%	102%	105%	108%	115%	
5e	Controllable costs against budget YTD %		≤100%	>100 to ≤102%	>102%	94%	95%	93%	93%	94%	95%	94%	95%	95%	95%	97%	99%	94%	
5f	Total contribution against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	3.09	8.30	13.72	17.74	18.62	22.06	30.99	30.11	31.35	33.40	35.65	37.55	4.80	
5g	Net surplus / deficit before tax against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	-21.81	-16.16	-27.62	-21.55	-20.52	4.06	-24.71	-64.68	-73.74	-73.92	-77.60	-108.02	-21.05	
5h	Net net borrowing against budget YTD (\$ millions)		Negative	\$0.1m to \$10m	> \$10m	-22.40	-15.20	-21.90	-40.20	-46.10	-51.30	-52.70	-72.00	-89.10	-92.70	-105.30	-92.00	10.60	
<b>6 Fully Sustainable</b>																			
6a	The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	☑	270 + / - 2.5%			271	271	271	271	272	273	272	272	272	272	273	272	272	
6b	Per capita consumption (litres / person / day) - Residential Monthly PCC		Information only			148	148	151	156	161	165	168	169	164	158			155	
6c	Non-Domestic Monthly Water Volume		Information only			2,845,386	2,863,774	2,846,259	3,117,438	3,134,161	3,191,872	3,174,802	3,244,017	3,305,826	3,081,359			3,137,157	
6d	Non-Revenue Water Percentage		Information only			16.7%	16.8%	16.8%	16.8%	16.7%	17.0%	16.7%	16.9%	16.7%	16.6%				
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	12.8%	12.9%	12.8%	12.7%	12.7%	13.0%	12.7%	12.8%	12.8%	12.9%	13.0%		Results to be reported when actual meter readings are available	
6f	Percentage of annual potable water transmission system losses (12 month rolling average)		No specific target - information only			1.7%	1.9%	1.8%	1.9%	1.8%	1.8%	1.7%	1.8%	1.8%	1.9%	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			10.7%	10.6%	10.5%	10.5%	10.5%	10.8%	10.6%	10.6%	10.6%	10.7%	10.6%			
6h	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of total volume		No specific target - information only			0.44%	0.44%	0.43%	0.42%	0.42%	0.42%	0.41%	0.42%	0.40%	0.39%	0.39%			
6i	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of rural volume		No specific target - information only			27.8%	27.7%	27.2%	26.7%	26.5%	26.7%	26.4%	26.5%	25.7%	25.0%	25.0%			
<b>7 Policy Compliance</b>																			
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	

## Watercare Services Limited

**Subject:** Chief Executive Report – July 2016

**Date:** 24 August 2016

### 1. HEALTH AND SAFETY

There were no lost-time injuries related to Watercare employees during July. The rolling 12 month lost-time injury frequency rate (LTIFR) is 0.38 (stated target max 1.0) per 200,000 hours. This equates to 1.90 per million hours, below the target maximum of 5.

The total recordable injury frequency rate (TRIFR) is 4.69 per 200,000 hours (23.48 per million hours). The increase in the total recordable injury frequency rate is related to ongoing improvements in data completeness (capture and quality) than being a reflection of an increasing number of injuries.

### 2. CUSTOMER FOCUS

Performance against Statement of Intent measures for July 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 92.8% against a target of 95%. The complaints are all acknowledged in a timely manner. However, the nature of some of the complaints are such that a full resolution requires more than 10 days. Although Watercare did not meet this target, it continued to reduce the overall volume of complaints during July. This is due to specialised teams implementing a first-call resolution approach to customer enquiries, thereby preventing repeated calls and escalation to complaints.

Customer satisfaction in July was in line with the 12 month average with satisfaction at 85.7% for fault management, 82.1% for the maintenance field crews and 85.2% for billing and general enquires. The rolling 12 month average for customer satisfaction is above the 80% target for all three areas.

### 3. INFRASTRUCTURE PROGRAMME

The infrastructure capital programme has delivered year to date \$25.2m against a budget of \$27.5m. The forecast to year end is to deliver \$301.5m against a budget of \$302.7m.

Highlights for the month include:

- Commissioning of the Hunua 4 section to Campbell Road (26km of pipeline). Commissioning of this section now reduces the dependency on Hunua 1 for maintaining the Campbell Road Reservoir supply, and provides a transmission alternative to Hunua 3 from Redoubt Road to Mt Smart.
- Hunua 4 Section 11, (Manukau Road to Khyber Pass Reservoir): The original three tenders have been reduced to two following a review of the RFP responses. Negotiations continue with the two selected parties.
- Army Bay Waste Water Treatment Outfall Upgrade tender closed and is in evaluation.
- Franklin Road Separation. A positive working relationship has been established with Auckland Council, Auckland Transport and Vector. This has resulted in a streamlined consenting process and a minimisation of stakeholder disruption.

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

**Watercare Infrastructure Industry Briefing**

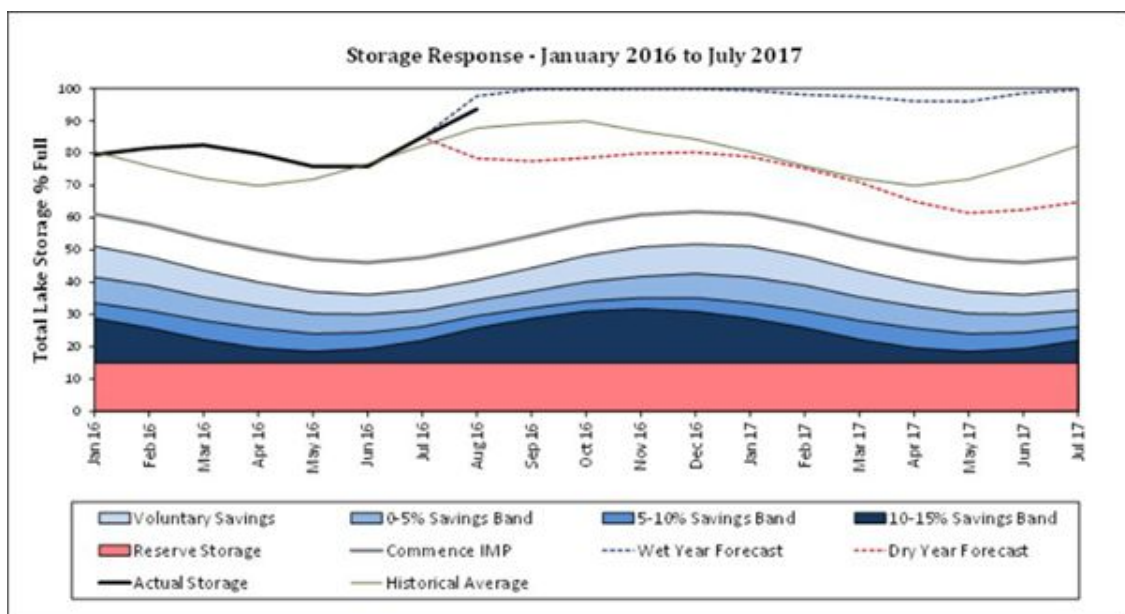
The six monthly Watercare Infrastructure Industry Briefing to Consultants and Contractors was held on 28 July at the Ellerslie Convention Centre. Seventy attendees were briefed on Watercare’s overall strategy, the AMP, Watercare’s safety expectations, the forward works programme, significant projects and how Watercare will be interacting with the market from procurement through design and construction. Feedback at, and following, the briefing has been extremely positive with an appreciation for the open and transparent nature of Watercare’s market interactions. Stephen Selwood, Chief Executive of the New Zealand Infrastructure Council commented “Delivering this programme provides the market with certainty in regards to planning and delivering projects for Watercare. It has given our members the ability to plan and rally resources in a way that was not possible before. This enables the market to deliver value to both Watercare and, ultimately, the communities it serves”.

**4. RAINFALL AND WATER RESOURCES**

Rainfall in July was above average across the Auckland region.

Waitakere Ranges	120% of average
Hunua Ranges	114% of average
Northern Non-metropolitan	107% of average
Southern Non-metropolitan	116% of average

This rain resulted in a significant increase in Metropolitan Total System Storage. At the end of July it had reached 93.6%, which is above the historical average storage for this time of year (88.1%). This has also resulted in an ongoing reduction in the utilisation of the Waikato WTP as there is no risk of shortfall for the coming summer period.



The current short range forecasts indicate that there will be near or above normal levels of rain within Auckland for August to September. There remains significant uncertainty over the forecast for October. Soil moisture content levels are now above normal for this time of year and are not forecast to reduce in the coming months. Therefore we can expect normal inflows to continue to the lakes for the next two months.

#### **Wellsford Water Treatment Plant Herbicide Event**

The herbicide MCPA was detected in raw and treated water samples collected on 11 July 2016 from the Wellsford Water Treatment Plant (WTP). In response to these results the WTP was shut down immediately, the treated water tank drained, and tankered water imported to supply customers. This contaminant was detected at several locations within the Wellsford water distribution system, but below the Maximum Acceptable Value for DWSNZ 2005 (Revised 2008). A significant programme of flushing was undertaken to remove this contaminant from the system, along with the installation of a temporary PAC dosing system at the Wellsford WTP to prevent further contamination of the treated water. After a week sampling confirmed that MCPA was below detection limits in the distribution system.

#### **Hillsborough Wastewater Rising Main Failure in Manukau Harbour Foreshore**

A dry weather overflow occurred on 3 July 2016 within the coastal marine area at the rear of 21 Frederick Street, Hillsborough. The overflow was a result of pipe failure on the PS23 wastewater rising main. This pipeline conveys wastewater to the Western Interceptor sewer in Hoskins Avenue, Hillsborough. The overflow was subsequently contained by the use of a temporary pump to prevent discharges to the environment. The works were substantially completed in early August, without incident or adverse media coverage.

### **5. NON-METROPOLITAN WASTEWATER TREATMENT PLANT CONSENTS**

#### **Pukekohe Wastewater Treatment Plant**

Significant progress has been made on the Pukekohe wastewater treatment plant project since the last briefing. During July, a hui was held that allowed Waikato-Tainui to present their cultural impact assessment to Watercare Executives. An alternate concept was presented to the group which improved treatment technology and allowed discharge directly to the local stream. Due to the potential for rehabilitation of the in-stream environment, and the alignment to the Waikato river vision and strategy, this option found favour and a number of consultation meetings have been held since early July to work through this option. A draft AEE and consent conditions are currently being finalized and will be circulated to Waikato-Tainui late August. The application will be lodged with Waikato Regional Council by 10 September.

#### **South-western Discharge Consent Project**

This project seeks consent for a non-metropolitan wastewater discharge servicing the growth anticipated in the Clarks Beach, Glenbrook Beach, Waiuku and Kingseat areas. The consent application and AEE was lodged with Auckland Council on 30 June. The application was considered sufficiently complete and was publically notified on 4 August. Public submissions close on 1 September. A site visit with Council regulatory staff and advisers is scheduled for 24 August.

### **Northern Wastewater Treatment Plant Discharge Consent Project**

The Northern wastewater treatment plant discharge consent project seeks consent for a non-metropolitan wastewater facility servicing the growth anticipated in the Warkworth and Snells Beach/Algies Bay. The consent application and AEE was lodged with Auckland Council on 27 June and was publically notified on 25 July. Public submissions close 22 August. A site visit with Council regulatory staff and advisers was held on 16 August.

### **Omaha Wastewater Treatment Plant Discharge Consent Project**

This project seeks consent for a wastewater facility servicing the growth anticipated in Omaha. The consent application and AEE was lodged with AC on 30 June and it was publically notified on 3 August. Public submissions will close 8 September. This project involved a significant degree of consultation with a representative stakeholder group and they have indicated a high level of support for the proposed project and have contributed to the developed of the draft consent conditions. A site visit was undertaken on 3 August with Council regulatory staff and advisers.

## **6. PROPOSED AUCKLAND UNITARY PLAN**

The Independent Hearing Panel (IHP) released its recommendations on the Proposed Auckland Unitary Plan on 22 July. The Council Unitary Plan team presented recommendations to the Auckland Council Governing Body for acceptance or rejection of the recommendations during several days of hearings. The Council accepted the view to largely accept the recommendations, with rejections limited to very specific policy and technical matters. Key outcomes for Watercare include:

- Growth – Acceptance of increased intensification throughout the urban area, an increase in Future Urban Zoned land, live zoning of selected areas of Future Urban Zoned land, and the devolution of the Rural Urban Boundary to the district plan level which will allow for changes to the location of the RUB by both public and private plan changes
- Infrastructure – Acceptance of the proposal by the Auckland Utility Operators Group (AUOG) to have a “combined network utility chapter” which includes the majority of provisions related to linear networks
- Water and wastewater – General acceptance of the policies signalling priority for municipal water supply and minor changes to the rule framework for wastewater discharges.

Auckland Council supported technical rejections to enable Watercare to manage increased stormwater flows to the combined sewer network and to include water supply and wastewater capacity as part of the assessment criteria for residential subdivision consents. These were seen as critical to support the management of water and wastewater network infrastructure in areas of growth.

Auckland Council released its final recommendations on 19 August 2016. There will be a 30-day appeal period. Any appeals on recommendations that have been accepted by Council will go to the High Court on points of law only whereas appeals on recommendation that have been rejected will go to the Environmental Court with full appeal rights. In addition, IHP recommendations that are considered to be “out of scope” will go to the Environment Court. The IHP has identified the specific areas (limited to only a select few) where it considers that its recommendations are out of scope. However, it is anticipated that this will be challenged by some groups, particularly those concerned about the wide spread upzoning of existing urban areas.

## 7. FINANCE

### Financial Performance

Figures (\$millions)	Current Month			Full Year		
	Actual	Budget	Var	Forecast	Budget	Var
Revenue	50.37	46.36	4.01	581.28	578.53	2.75
Operating Expenses	16.33	17.44	1.11	214.38	215.50	1.11
Depreciation	18.76	18.46	(0.30)	226.85	226.85	0.00
Interest expense	6.88	6.86	(0.01)	80.66	80.66	0.00
<b>Total Contribution</b>	<b>8.40</b>	<b>3.60</b>	<b>4.80</b>	<b>59.38</b>	<b>55.52</b>	<b>3.86</b>
Non-operating costs/(income)	0.91	0.64	(0.27)	8.00	8.00	0.00
Financial instruments revaluation - loss/(gain)	25.58	-	(25.58)	25.58	-	(25.58)
<b>Operating Surplus / (Deficit) Before Tax</b>	<b>(18.09)</b>	<b>2.96</b>	<b>(21.05)</b>	<b>25.80</b>	<b>47.52</b>	<b>(21.72)</b>
Current Tax - Expense/(Credit)	-	-	-	-	-	-
Deferred Tax - Expense/(Credit)	(5.06)	0.94	6.00	15.70	21.70	6.00
<b>Net Surplus / (Deficit) After Tax</b>	<b>(13.03)</b>	<b>2.02</b>	<b>(15.05)</b>	<b>10.11</b>	<b>25.82</b>	<b>(15.72)</b>
<b>FFO Ratio</b>				3.71	3.69	
<b>Operating EBITDAF</b>	34.04	28.92	5.12	366.90	363.03	3.86
<b>EBITDA</b>	7.56	28.28	(20.73)	333.32	355.03	(21.72)
<b>EBIT</b>	(11.21)	9.82	(21.03)	106.47	128.18	(21.72)
Leakage Allowance Granted	0.40	0.48	0.08	5.23	5.31	0.08

#### Month – Total Contribution of \$8.4m - favourable variance to budget of \$4.8m

Total revenue was favourable \$4.0m to budget due to; water revenue favourable by \$0.2m with water volumes 1% higher than budget, vested asset revenue favourable by \$2.8m and IGC revenue favourable by \$0.8m.

Operating expenses were favourable to budget \$1.1m with lower asset operating costs, lower professional services and other overheads, partly offset by lower capitalisation of labour costs.

Depreciation was unfavourable \$0.3m to budget.

Net Deficit after Tax was unfavourable \$15.1m due to the unfavourable revaluation of financial instruments of \$25.6m resulting from the decrease in medium to long term swap rates in July 2016 partially offset by a favourable operating contribution variance of \$4.8m and lower tax expense \$6.0m.

### Financial Position

Smillion	Actual Jun-16	Actual Jul-16	Monthly Movement	Budget Jul-16	Var from Budget
Non Current Assets	8,739.6	8,752.0	12.4	8,750.6	1.4
Current Assets	80.4	82.7	2.2	80.5	2.2
<b>Total Assets</b>	<b>8,820.0</b>	<b>8,834.6</b>	<b>14.7</b>	<b>8,831.1</b>	<b>3.6</b>
Other Liabilities	410.5	439.0	28.5	386.9	52.2
Deferred Tax Liability	998.2	993.1	(5.2)	1,008.7	(15.6)
Borrowings - Short Term	381.5	366.0	(15.5)	356.4	9.7
Borrowings - Long Term	1,196.2	1,215.9	19.7	1,214.6	1.3
Shareholders Funds	5,833.6	5,820.5	(12.9)	5,864.5	(43.9)
<b>Total Liabilities and Shareholders Funds</b>	<b>8,820.0</b>	<b>8,834.6</b>	<b>14.7</b>	<b>8,831.1</b>	<b>3.6</b>

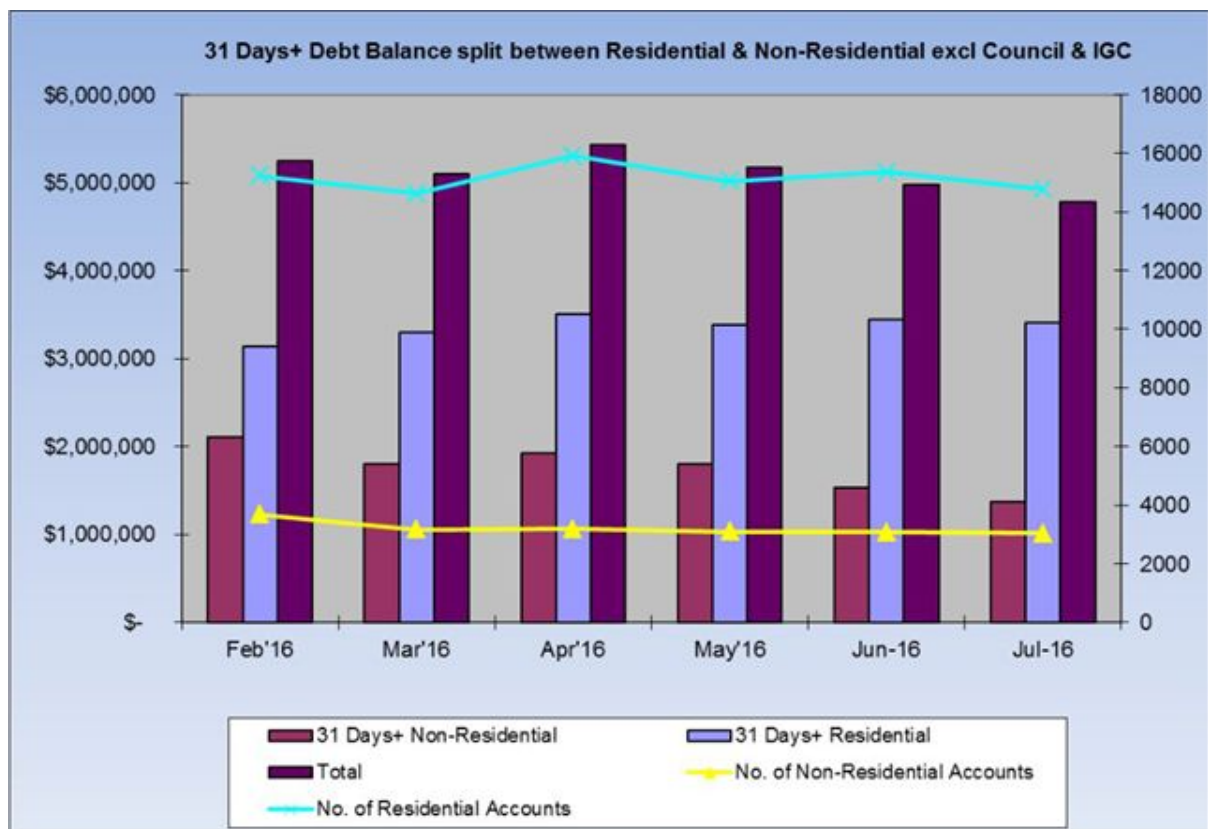
The major movements in the Statement of Financial Position as at 31 July 2016 compared with 30 June 2016 were; the increase in non-current assets reflecting capital expenditure net of depreciation in the month and the movement on other liabilities due to the revaluation of derivative financial instruments.

Compared with budget the material variances are largely in respect of, derivative financial instruments revaluations in June and 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, and lower retained earnings. Net debt at \$1,582m is \$10.9m above budget due to the budgeted opening debt position being lower than actual.

**Aged Receivables**

The 31 days+ debt balance at the end of July was \$4.8m, \$0.20m lower than June 2016.

**The split of 31 days+ receivables between residential and commercial is shown below:**





**Water Utility Consumer Assistance Trust (WUCAT)**

Please note: All figures supplied by WUCAT.

The following table summarizes the results of the Trust since it started in 2011/12:

<b>WUCAT Summary</b>			
<b>Financial year</b>	<b>Trust approved applications (includes WSL additional write offs)</b>	<b>\$000's</b>	
Jun-12	33	\$	29
Jun-13	172	\$	196
Jun-14	123	\$	114
Jun-15	150	\$	149
Jun-16	118	\$	90
(YTD) Jun-17	10	\$	9
<b>Total</b>	<b>606</b>	<b>\$</b>	<b>587</b>

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.

**Jul-16**

<b>Summary of WUCAT Arrangement Approvals</b>			
<b>No. of Arrangements Entered Into</b>	<b>No. of Arrangements Fully Satisfied</b>	<b>No. of Arrangements Still Being Met</b>	<b>No. of Arrangements Lapsed Unfulfilled</b>
606	457	76	73

<b>Amount of Relief Approved</b> \$	<b>Amount of Relief Fully Earned</b> \$	<b>Relief Yet to be Fully Earned</b> \$	<b>Relief Voided due to Lapsed Unfulfilled Arrangement</b> \$
\$587k	\$474k	\$60K	\$53k

The results of the last 3 WUCAT meetings have seen 32 applicants successfully complete the budget process and have \$24k of hardship relief approved by the Trust.

<b>WUCAT Summary last 3 meetings</b>			
<b>Month</b>	<b>Trust approved applications</b>	<b>\$000's</b>	
May-16	14	\$	9.95
Jun-16	8	\$	4.30
Jul-16	10	\$	9.46
<b>Total</b>	<b>32</b>	<b>\$</b>	<b>24</b>

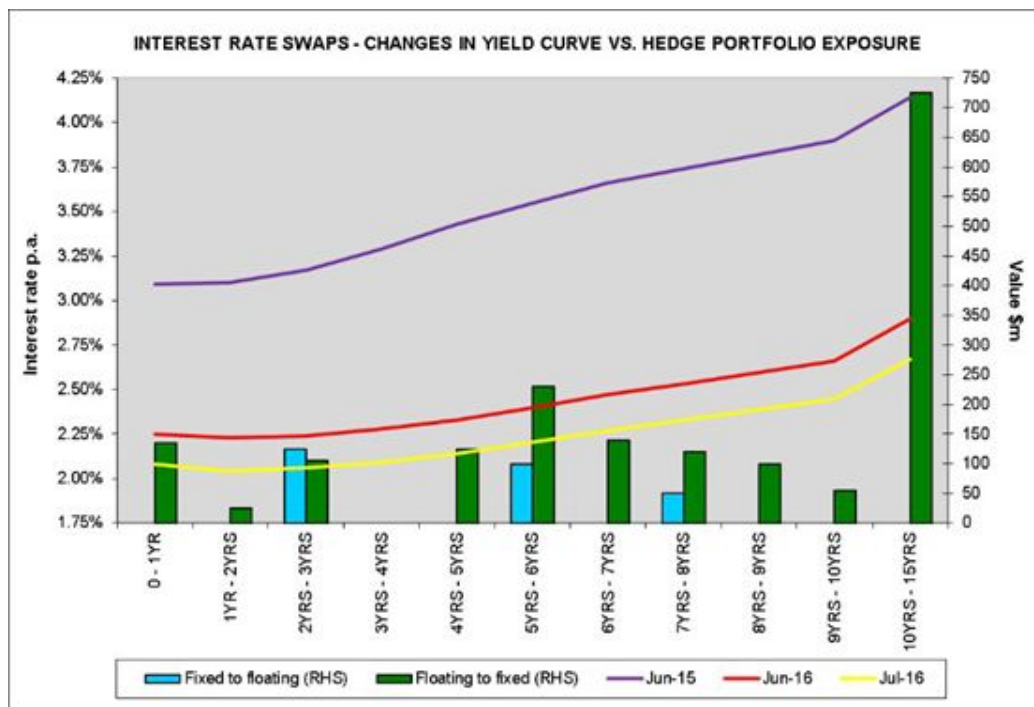
## Restrictions

Five water restrictions and three water de-restrictions were performed in the month of July.

A total of 28 restrictions remain in place, broken down as follows:

- Five 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 17 residential restrictions remain in place on occupied properties and communication continues with these customers.
- Six commercial properties remain restricted at the end of July and communication continues with these customers.

## Treasury



Interest Analysis Smillion	Current Month			Full Year		
	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	6.9	6.9	(0.0)	80.7	80.7	(0.0)
Capitalised Interest	0.7	0.9	0.1	12.1	12.2	0.1
Gross Interest	7.6	7.7	0.1	92.8	92.9	0.1
Less Interest Income	-	-	-	-	-	-
<b>Net Interest</b>	<b>7.6</b>	<b>7.7</b>	<b>0.1</b>	<b>92.8</b>	<b>92.9</b>	<b>0.1</b>

For the month gross interest is slightly favourable to budget by \$0.1m.

## Capital Expenditure

Summary Capital Expenditure (\$millions)	Month July 2016			Full Year		
	Actual	Budget	Var	Forecast	Budget	Var
Wastewater Projects						
Strategy & Planning	0.2	0.3	0.1	10.2	10.3	0.1
Infrastructure Delivery (excl Labs/MS)	13.8	12.7	(1.1)	183.0	182.8	(0.1)
Water Projects						
Strategy & Planning	0.1	0.2	0.1	8.4	9.2	0.8
Infrastructure Delivery (excl Labs/MS)	5.2	4.7	(0.6)	31.7	31.5	(0.2)
Service Delivery	4.6	5.7	1.1	63.0	63.2	0.3
Retail	0.3	1.4	1.1	11.8	11.8	(0.0)
Information Services	0.1	1.0	0.9	6.9	6.8	(0.0)
Other Projects	0.9	1.6	0.6	12.9	13.2	0.2
<b>TOTAL</b>	<b>25.2</b>	<b>27.5</b>	<b>2.3</b>	<b>327.8</b>	<b>328.8</b>	<b>1.0</b>
Includes Capitalised Interest of:						
Water Projects Capitalised Interest	0.2	0.3	0.0	2.7	2.7	0.0
Wastewater Projects Capitalised Interest	0.5	0.6	0.1	9.5	9.6	0.1
<b>Total Capitalised Interest</b>	<b>0.7</b>	<b>0.9</b>	<b>0.1</b>	<b>12.1</b>	<b>12.3</b>	<b>0.1</b>

Capital expenditure for the month was \$25.2m against a budget of \$27.5m. The full year forecast expenditure remains in line with budget.

### 8. BOARD CORRESPONDENCE

There was no correspondence during the month.

### 9. EXECUTION OF DOCUMENTS

There were 10 documents executed during July in accordance with the delegated authority provided to the Acting Chief Executive by the Board in relation to deeds, instruments and other documents. These included one agreement to grant rights to carry out works, one lease over Watercare land, one licence over Watercare land, and seven approvals to register water or right of way easements.

There were five Capex approvals totaling \$8.625m signed in accordance with the delegated authority provided to the Acting Chief Executive by the Board in relation to Capex approvals below a threshold of \$15m.

Summary of Capital Projects Approved by the Acting Chief Executive – July 2016		
C-10370-05	Mt Hobson Water Supply Upgrade: Mountain Works	\$2,775,000
C-11290b	Orakei Main Sewer Rehabilitation (Manhole 19 to 21)	\$2,132,086
C-12484	Te Atatu Interchange	\$742,511
C-12524	Warkworth Boosted Zone Implementation	\$2,818,000
C-12714-02-01	Neilson St Opportunistic Watermain Renewal	\$157,415

There were three contracts over \$100,000 awarded during July in accordance with the delegated authority provided to the Acting Chief Executive by the Board in relation to Capex and Opex contract approvals.

Summary of Contract Awards – July 2016		
Award date	Contractor name	Contract name
6/07/2016	City Contractors Limited	Viaduct Basin Watermain Reconfiguration
8/07/2016	Broadspectrum	DTMAN WTP Sludge Drying Bed Landfill Remedial Work Project
14/07/2016	Pipeline and Civil Limited	Northern Interceptor John Glenn Advanced Work Package

## 10. COMMUNICATIONS

### Media summary

Two in-depth features on the Chief Executive were the main highlights in media coverage over the past four weeks.

Water NZ magazine ran a four-page profile on the Chief Executive in their latest issue. Contributing Editor Vicki Jayne met with the Chief Executive and produced an insightful and informative piece on how he plans to ensure Auckland's water infrastructure remains resilient into the future.

IPENZ magazine *Engineering Insight* also featured a story on the Chief Executive in their latest issue which had a focus of 'diversity'. The piece looked at how the Chief Executive is actively working to change the culture of Watercare; reorienting the business towards the customer and developing a workplace that supports and encourages diversity.

More recently, Watercare's offer to provide ultraviolet light filters to the Hastings District Council has been picked up by a number of media outlets. The [Hastings District Council issued a press release](#) on August 16 saying Watercare is loaning them an ultraviolet light filter that will treat the Havelock North water. Information in Watercare's subsequent press release was picked up by TVNZ's online news, the NZ Herald, Otago Daily Times and NZ Doctor Online.

The Havelock North issues have highlighted the success of the Watercare model in that it is owned by Auckland Council but managed separately. The Taxpayers' Union reiterated this in a press release and on Newstalk ZB in Christchurch.

Local Wellsford media outlets were among the key stakeholders that were informed by Watercare of the Wellsford Water Treatment Plant's closure on 14 July. Watercare took the plant out of service after MCPA herbicide was detected at low levels during routine testing. The mayor's office, medical officer of health, local board and local media were informed. Updates were also posted on the Watercare website.

Radio New Zealand has been investigating the quality of the steel used in infrastructure projects throughout New Zealand, including NZTA's Huntly Bypass and Waterview tunnel as well as Lyttelton Port. Recently, they made enquiries to Watercare regarding the Digester 8 project at Mangere Wastewater Treatment Plant. Specifically, the reporter wanted to know where the steel strand was sourced from and if it was subject to independent testing. Watercare provided the reporter with the test certificates from the manufacturer in China – the steel was sourced through Brian Perry Civil, our contractor. Watercare provided the results of onsite testing. Watercare emphasised that during construction, independent monitoring was performed by CH2M Beca to level CM5 (the highest category under the IPENZ/ACENZ grading system). This meant CH2M Beca were onsite to constantly

review the following: work procedures; construction materials; and compliance with the requirements of the plans and specifications. The resulting news item brought into question the lack of independent testing in China but acknowledged the steel had passed onsite tests.

The Rodney Times and Mahurangi Matters both published the information on their websites with updates as new test results were received. The Rodney Times also published news of the plant's reopening in their 19 July newspaper issue.

#### Upcoming media coverage

In October, there will be a feature-length article on our stakeholder management initiatives in *Local Government NZ* magazine. This will feature Hunua 4 as a case study.

A Hunua 4 update covering the awarding of the next phase contract will also feature in *Contractor Magazine* in October.

Upcoming issues of Water NZ magazine and Engineering Insight will both include news of Watercare's forward works programme being welcomed by the construction industry.

#### **Customer communications programme**

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.

<b>Month</b>	<b>Activity</b>	<b>Status</b>
August	Domestic customers received a bill insert on the water ratings labelling scheme.	Currently being distributed.
September	Domestic and non-domestic customers will receive the Spring issue of Tapped In. The main focus for this issue will be on creating a water-efficient garden. It includes information on how much it costs customers to water their gardens for an hour – with an explanation of how water and wastewater charges are calculated, allowing for outdoor use year round.	Currently in production.
October	Domestic customers will receive a bill insert on the Watercare Coastal Walkway.	Planned.
November/December	First two weeks: Domestic customers will receive a bill insert on the Rosedale and Ardmore treatment plant tours.  Mid-November to Mid-December: domestic and non-domestic customers will receive the summer issue of Tapped In. The focus will be on conserving water.	Planned.

**Stakeholder communications**

## Completed:

- Pukekohe wastewater servicing: final newsletter drafted to be published alongside media release and consent submission at the end of August.
- Construction of the Glen Eden wastewater upgrades, including work in Harold Moody Reserve has begun. Pre-dawn iwi site blessing went very well. Watercare has engaged with the local school to produce art work for the project which will be printed and displayed around work perimeter fence and will be installed late August. The contractor McConnell Dowell's communications team will run stakeholder engagement on the ground in liaison with Watercare.
- Franklin Road upgrades: community BBQ held to kick off construction.

## Ongoing:

- Franklin Road: Community Liaison Group meetings continue in preparation for Watercare's establishment of site late August. Stage 1 works scheduled to begin on the 5 August. Newsletter and notification letters about to be distributed.
- Glen Eden storage tank: Organising pupils from Glen Eden Primary to form a mini project team to mirror six main roles on the job.
- Watercare's education programme continues to be delivered in schools across Auckland.

**Internal communications**

## Completed:

- Since the launch of the new intranet on 25 May, 43 stories and 24 leadership blogs have been added to OurPlace. Staff are continuing to engage with the new medium by adding comments to stories and blogs, and participating in discussions in the community space.

## Underway:

- Communication plans are being developed for health and safety, the rollout of Microsoft Office 365 and corporate telephony project.
- Work on the annual report is underway.
- The next Chief Executive roadshow will be held in September.
- The next round of 'day in the life' videos will be filmed in September.

**11. WORKING WITH LOCAL BOARDS**

During the past month landowner approval was obtained from the Maungakiekie Tamaki Local Board for works in Local Parks associated with the Glendowie wastewater project.

Hibiscus and Bays Local Board was briefed on local water and wastewater projects.

Relevant local boards were informed of the resource consent notifications for the Warkworth, Snells-Algies wastewater servicing, Omaha and South-West wastewater servicing projects. Franklin Local Board representatives also joined Watercare at an open evening in Pukekohe for the public to find out

more about wastewater servicing and the associated resource consent application. The Local Board was also advised of appeals against the Pukekohe East Reservoir Project.

The Puketāpapa Local Board was kept advised of progress on fixing a wastewater leak on the Manukau foreshore from the Hillsborough pipeline and was appreciative of the transparency and timely information shared.

The Whau Local Board was notified of a low pressure incident in New Lynn. Rodney Local Board also received regular notice of the response to a low level herbicide reading in the Wellsford Water supply.

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

## 12. HAVELOCK NORTH WATER QUALITY EVENT

A serious outbreak of gastroenteritis occurred in Havelock North around 11 August 2016. It became apparent that due to the severity and extent of the outbreak, it had emanated from the water supply and the primary cause appeared to be campylobacter. A boil water notice was issued, along with the implementation of chlorination of the water supplies late on 12 August. Of the 11,623 people connected to supply, it has been reported that approximately 3,500 became sick by 18 August 2016, a number were admitted to Hospital, and one death has been referred to the Coroner for investigation as to whether it was related to this event. The Government has announced it will conduct an official inquiry into this incident.














In summary, the Havelock North Area is supplied by two bores, which were thought to be a secure groundwater and not influenced by surface or climate effects. This was coupled with no disinfection of the water abstracted. Therefore when the faecal contamination entered the water supply there was no barrier to prevent it reaching the customers. Watercare offered assistance to Hastings District Council, particularly around the installation of portable treatment facilities. Shayne Cunis (GM – Service Delivery), Priyan Perera (Operations Manager – Water Supply) and others went to Hastings on 18 August to confirm how and when treatment facilities could be installed.

Hastings District Council were very impressed with the professional team Watercare brought to Hastings and also confirmed that it wished to proceed with the installation of a UV treatment facility on its supply. Watercare had envisaged that this was the case and had commenced construction of the units to have these operational site by 26 August.





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R Jaduram  
CHIEF EXECUTIVE



**WATERCARE SERVICES LIMITED****Jul-16****Key Financial Indicators**

<b>Financial performance</b>	<b>YTD</b>	<b>Page Ref</b>
Total Revenue		A1
Operating Costs		A1
Interest expense		A1
Depreciation		A1
Net Contribution		A1
<b>Financial position</b>		
Net Borrowings		A4
<b>Cashflow</b>		
Operating cashflow		A2
Investing cashflow		A2
<b>Treasury policy</b>	<b>Compliance</b>	<b>Page Ref</b>
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 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 investing cash flow

**Key to Treasury policy compliance**

-  Full compliance
-  The recent downward revision to forecast debt increases has seen a consequential proportional decrease in the Treasury Policy fixed interest limits. As the fixed interest rate hedging profile was built up when forecast debt was much higher, this has caused the profile to exceed the Treasury Policy upper limit for fixed interest rate risk between one and three years.  
The size of the breach is relatively small when compared to total forecast debt (peaking at \$13 million on \$1,677 million of debt). Management could resolve this issue by restructuring parts of the hedging profile, pushing the hedges further into the future, but we are reluctant to do this now, as we feel that interest rates are likely to move lower in the near term. In the meantime, we recommend running with the out-of-policy position.

**Net Borrowings**

-  Net debt is \$10m above budget due to an opening difference in the forecast June balance sheet debt against the actual June balance of \$14m unfavourable. The actual variance for July is \$4m favourable to budget as per the A2 Statement of Cash Flows.



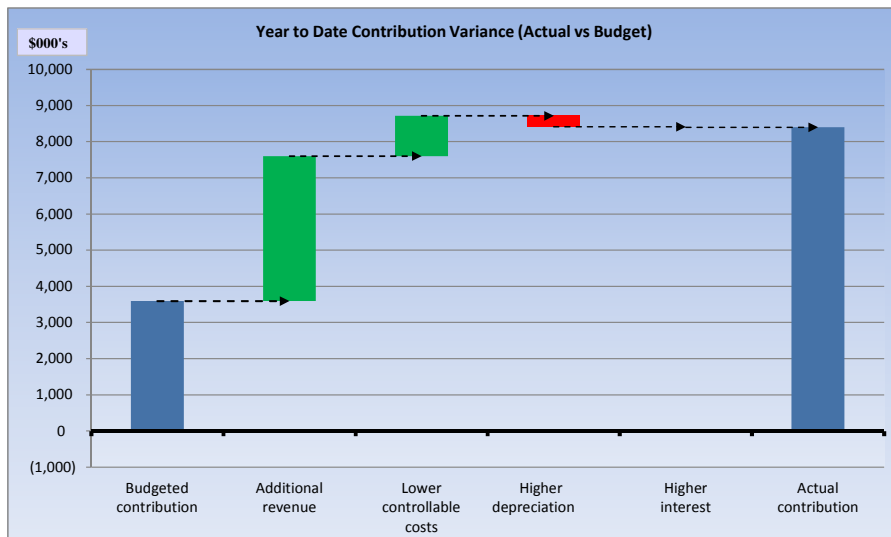
**WATERCARE SERVICES LIMITED**  
**STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE**

**Jul-16**  
**(\$'000's)**

	Current Month				Year to Date				Full Year
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	
Wastewater revenue	25,710	25,806	(96)	✘	25,710	25,806	(96)	✘	316,025
Water revenue	12,051	11,825	226	✔	12,051	11,825	226	✔	147,682
Infrastructure growth charge revenue	6,400	5,562	838	✔	6,400	5,562	838	✔	70,282
Other revenue	1,788	1,503	285	✔	1,788	1,503	285	✔	24,543
Revenue from exchange transactions	45,948	44,696	1,253	✔	45,948	44,696	1,252	✔	558,533
Vested assets revenue	4,421	1,667	2,755	✔	4,421	1,667	2,755	✔	20,000
Revenue from non-exchange transactions	4,421	1,667	2,755	✔	4,421	1,667	2,755	✔	20,000
<b>Total revenue</b>	<b>50,370</b>	<b>46,363</b>	<b>4,007</b>	<b>✔</b>	<b>50,370</b>	<b>46,363</b>	<b>4,007</b>	<b>✔</b>	<b>578,533</b>
Labour	6,409	6,371	(37)	✘	6,409	6,371	(37)	✘	81,489
Contract labour	151	282	131	✔	151	282	131	✔	2,717
Oncosts	268	288	20	✔	268	288	20	✔	3,653
Labour recoveries	(2,766)	(3,127)	(361)	✔	(2,766)	(3,127)	(361)	✔	(39,186)
Net labour	4,061	3,814	(247)	✘	4,061	3,814	(247)	✘	48,673
Materials & cost of sales	139	174	35	✔	139	174	35	✔	2,196
Planned maintenance	1,378	1,172	(207)	✘	1,378	1,172	(207)	✘	17,348
Unplanned maintenance	2,871	2,594	(278)	✘	2,871	2,594	(278)	✘	31,505
Asset operating costs - chemicals	567	865	298	✔	567	865	298	✔	11,202
Asset operating costs - energy	1,711	1,609	(102)	✔	1,711	1,609	(102)	✔	18,175
Operating costs - other	2,560	3,551	992	✔	2,560	3,551	992	✔	42,015
Depreciation and amortisation	18,763	18,460	(303)	✘	18,763	18,460	(303)	✘	226,852
Asset operating costs	27,851	28,251	401	✔	27,851	28,251	401	✔	347,096
Communications	156	180	24	✔	156	180	24	✔	2,082
Professional services	745	962	217	✔	745	962	217	✔	12,992
Interest	6,878	6,865	(14)	✘	6,878	6,865	(14)	✘	80,663
General overheads	2,140	2,522	382	✔	2,140	2,522	382	✔	29,311
Overheads	9,919	10,528	609	✔	9,919	10,528	609	✔	125,048
<b>Total expenses</b>	<b>41,970</b>	<b>42,767</b>	<b>798</b>	<b>✔</b>	<b>41,970</b>	<b>42,767</b>	<b>798</b>	<b>✔</b>	<b>523,013</b>
<b>Total contribution/(loss)</b>	<b>8,400</b>	<b>3,595</b>	<b>4,805</b>	<b>✔</b>	<b>8,400</b>	<b>3,595</b>	<b>4,805</b>	<b>✔</b>	<b>55,520</b>
Gain/loss on disposal of fixed assets and other costs	907	636	(271)	✘	907	636	(271)	✘	8,000
Gain/loss on revaluation of financial instruments	25,579	-	(25,579)	✘	25,579	-	(25,579)	✘	-
Non operating (costs)/revenue	26,486	636	(25,850)	✘	26,486	636	(25,850)	✘	8,000
Net surplus/(deficit) before tax	(18,086)	2,959	(21,045)	✘	(18,086)	2,959	(21,045)	✘	47,520
Income Tax Expense/(benefit)	-	-	-	-	-	-	-	-	-
Deferred tax	(5,057)	943	5,999	✔	(5,057)	943	5,999	✔	21,698
Net surplus/(deficit) after tax	(13,030)	2,016	(15,046)	✘	(13,030)	2,016	(15,046)	✘	25,822

**Key: Financial performance result**

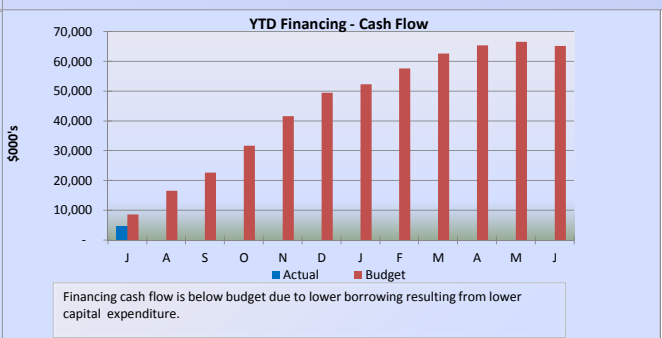
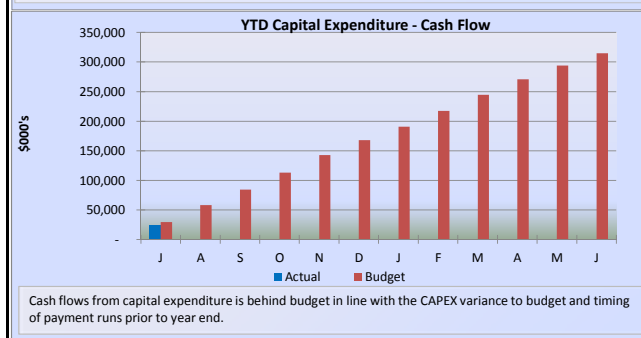
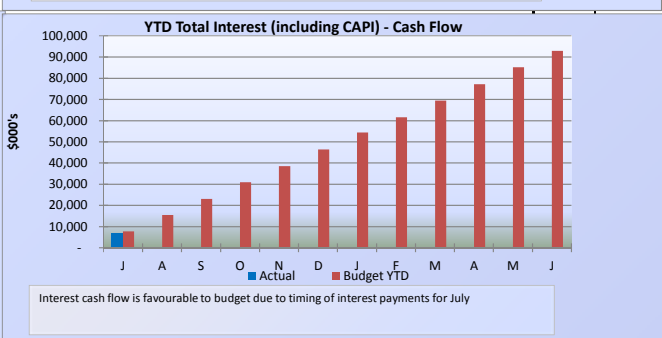
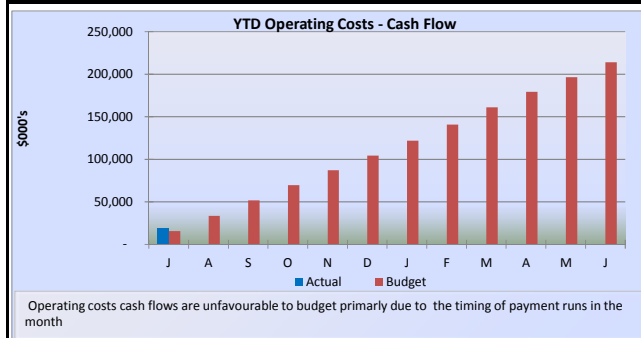
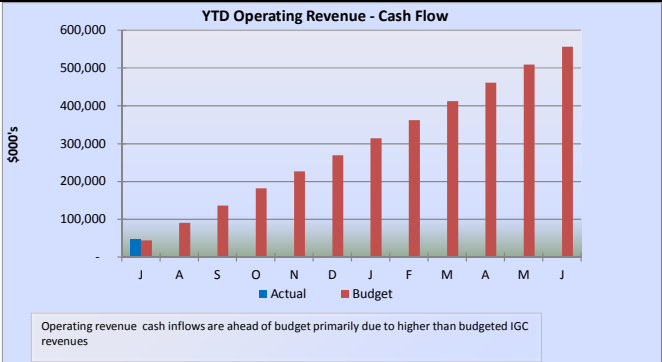
- ✔ Favourable variance - actual income on or above budget and actual expenditure on or below budget
- ✘ Unfavourable variance - actual income below budget and actual expenditure above budget



WATERCARE SERVICES LIMITED									
STATEMENT OF CASH FLOWS									
(\$000's)									
(\$000's)									
NZ \$000s	Current Month				Year To Date				
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Budget
<b>Operating Cash flow:</b>									
Operating Revenue	46,166	44,447	1,719	✓	46,166	44,447	1,719	✓	556,737
Operating Costs	(18,854)	(15,669)	(3,185)	✗	(18,854)	(15,669)	(3,185)	✗	(213,925)
Interest Paid	(6,015)	(6,865)	850	✓	(6,015)	(6,865)	850	✓	(80,663)
<b>OPERATING CASH FLOW</b>	<b>21,297</b>	<b>21,913</b>	<b>(616)</b>	<b>✗</b>	<b>21,297</b>	<b>21,913</b>	<b>(616)</b>	<b>✗</b>	<b>262,149</b>
<b>Investing Cash flow:</b>									
Capital Expenditure	(24,513)	(29,626)	5,113	✓	(24,513)	(29,626)	5,113	✓	(315,057)
Capitalised Interest (CAPI)	(730)	(854)	124	✓	(730)	(854)	124	✓	(12,243)
<b>INVESTING CASH FLOW</b>	<b>(25,243)</b>	<b>(30,480)</b>	<b>5,237</b>	<b>✓</b>	<b>(25,243)</b>	<b>(30,480)</b>	<b>5,237</b>	<b>✓</b>	<b>(327,300)</b>
<b>Financing Cash flow:</b>									
Short Term Advances/(Repaid)	20,000	20,000	-	✓	20,000	20,000	-	✓	-
Commercial Paper Issued/(Repaid)	9,950	9,950	-	✓	9,950	9,950	-	✓	-
Auckland Council Borrowings/(Repaid)	(25,158)	(21,384)	(3,774)	✓	(25,158)	(21,384)	(3,774)	✓	65,151
<b>FINANCING CASH FLOW</b>	<b>4,792</b>	<b>8,566</b>	<b>(3,774)</b>	<b>✓</b>	<b>4,792</b>	<b>8,566</b>	<b>(3,774)</b>	<b>✓</b>	<b>65,151</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>846</b>	<b>-</b>	<b>846</b>	<b>✓</b>	<b>846</b>	<b>-</b>	<b>846</b>	<b>✓</b>	<b>-</b>
Opening Cash Balance/(Overdraft)	(584)	-	(584)	✗	(584)	-	(584)	✗	-
<b>Ending Cash Balance/(Overdraft)</b>	<b>262</b>	<b>-</b>	<b>262</b>	<b>✓</b>	<b>262</b>	<b>-</b>	<b>262</b>	<b>✓</b>	<b>-</b>

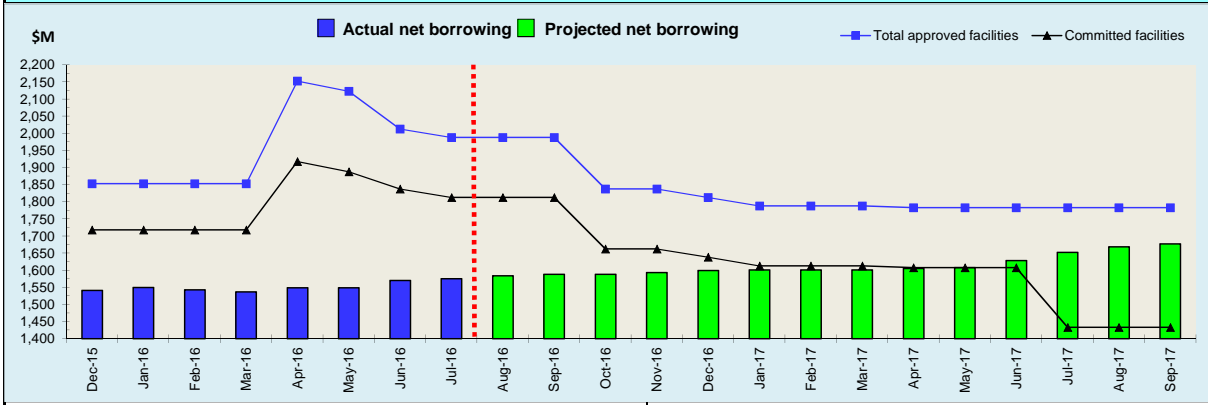
**Key: Financial performance result**  
 ✓ Favourable variance - actual income above budget or actual expenditure below budget  
 ✗ Unfavourable variance - actual income below budget or actual expenditure above budget

Reconciliation Operating Cashflow (\$000's)					
	Current Month		Full Year		
	Actual	Budget	Actual	Budget	Variance
Net Surplus (Deficit) After Tax	(13,030)	2,016	(13,030)	2,016	(15,046)
Add back non cash items:					
Depreciation and amortisation	18,763	18,460	18,763	18,460	303
Financial instruments revaluation	25,579	-	25,579	-	25,579
Vested assets revenue	(4,421)	(1,667)	(4,421)	(1,667)	(2,755)
Other non-operating exp/(inc)	907	636	907	636	271
Income Tax Expense/(Benefit)	(5,057)	943	(5,057)	943	(5,999)
Movements in Working Capital	(1,445)	1,525	(1,445)	1,524	(2,969)
<b>OPERATING CASH FLOW</b>	<b>21,297</b>	<b>21,913</b>	<b>21,297</b>	<b>21,913</b>	<b>(616)</b>



<b>WATERCARE SERVICES LIMITED</b>		<b>Jul-16</b>		
<b>STATEMENT OF FINANCIAL POSITION</b>		<b>(\$000's)</b>		
<b>June 2016 Actual</b>		<b>July</b>		
		<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
	<b>Current assets</b>			
-	Cash and cash equivalents	264	-	264
47,137	Trade and other receivables from exchange transactions	50,520	47,500	3,020
20,871	Unbilled revenue accrual	19,408	20,273	(866)
3,332	Prepaid expenses	3,545	3,215	330
5,895	Inventories	6,574	5,736	838
3,206	Derivative financial instruments	2,361	3,793	(1,432)
<b>80,440</b>	<b>Total current assets</b>	<b>82,672</b>	<b>80,518</b>	<b>2,154</b>
	<b>Non-current assets</b>			
8,430,699	Property, plant and equipment	8,534,146	8,477,905	56,241
454,247	Construction/work-in-progress	378,748	441,647	(62,899)
(230,843)	Provision for depreciation	(248,281)	(252,315)	4,034
<b>8,654,103</b>	<b>Total property, plant and equipment</b>	<b>8,664,613</b>	<b>8,667,237</b>	<b>(2,624)</b>
42,714	Intangible assets	42,136	43,146	(1,010)
23,244	Prepaid expenses	23,309	23,245	64
4,373	Inventories	4,316	4,356	(40)
15,138	Derivative financial instruments	17,603	12,590	5,013
<b>8,739,572</b>	<b>Total non-current assets</b>	<b>8,751,977</b>	<b>8,750,574</b>	<b>1,403</b>
<b>8,820,012</b>	<b>Total assets</b>	<b>8,834,649</b>	<b>8,831,092</b>	<b>3,557</b>
	<b>Current liabilities</b>			
582	Bank Overdraft	-	-	-
149,067	Commercial paper	159,017	149,071	9,946
-	Bonds	279	279	-
150,000	Term loan	150,000	150,000	-
81,883	Auckland council loan	56,737	57,013	(277)
<b>381,532</b>	<b>Total debt current</b>	<b>366,033</b>	<b>356,363</b>	<b>9,670</b>
17,047	Trade and other payables for exchange transactions	17,130	15,898	1,232
10,614	Interest accrued	13,158	11,255	1,902
52,582	Other accrued expenses	51,229	59,747	(8,518)
8,314	Provision for staff benefits	8,436	7,463	973
906	Other provisions	906	545	361
33,276	Derivative financial instruments	34,574	31,189	3,385
<b>504,271</b>	<b>Total current liabilities</b>	<b>491,465</b>	<b>482,460</b>	<b>9,005</b>
	<b>Non-current liabilities</b>			
75,000	Bonds (26/10/18)	75,000	75,000	-
50,389	Bonds (26/10/18)	50,365	50,365	0
19,000	Bank revolving credit facility	39,000	39,000	(0)
1,051,816	Auckland council loan	1,051,527	1,050,274	1,253
<b>1,196,205</b>	<b>Total debt non-current</b>	<b>1,215,892</b>	<b>1,214,639</b>	<b>1,253</b>
14,301	Other accrued expenses	14,240	18,215	(3,975)
3,470	Other Provisions	3,470	3,470	0
1,291	Provision for staff benefits	1,291	1,532	(242)
268,697	Derivative financial instruments	294,600	237,552	57,048
998,200	Deferred tax liability	993,144	1,008,749	(15,605)
<b>2,482,165</b>	<b>Total non-current liabilities</b>	<b>2,522,637</b>	<b>2,484,158</b>	<b>38,479</b>
<b>2,986,436</b>	<b>Total liabilities</b>	<b>3,014,102</b>	<b>2,966,618</b>	<b>47,484</b>
	<b>Equity</b>			
260,693	Issued capital	260,693	260,693	-
1,839,927	Revaluation reserve	1,839,894	1,851,332	(11,438)
3,800,122	Retained earnings	3,732,990	3,750,433	(17,443)
(67,166)	Current year earnings after tax	(13,030)	2,016	(15,046)
<b>5,833,576</b>	<b>Total equity</b>	<b>5,820,547</b>	<b>5,864,474</b>	<b>(43,927)</b>
<b>8,820,012</b>	<b>Total equity and liabilities</b>	<b>8,834,649</b>	<b>8,831,092</b>	<b>3,557</b>

## TREASURY RISKS AND INTEREST RATE PERFORMANCE Jul-16

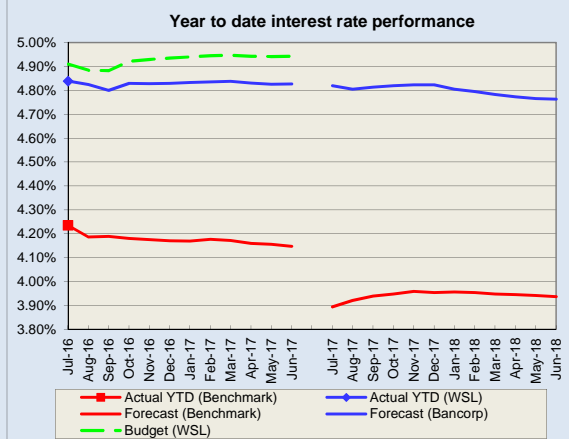
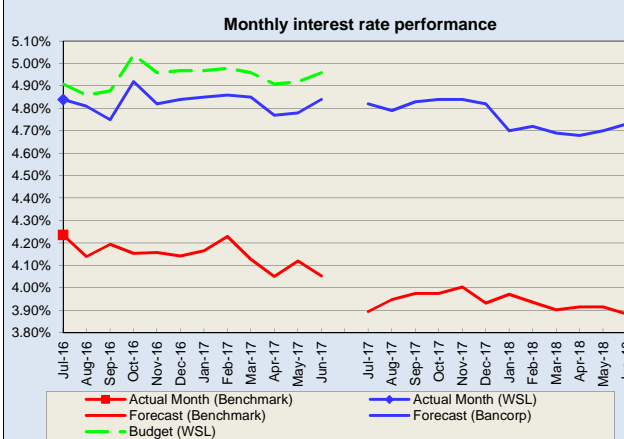


Interest rates			
	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	4.84%	4.24%	4.83%
Weighted averages (incl. fees and margins)	5.88%	N/A	5.78%

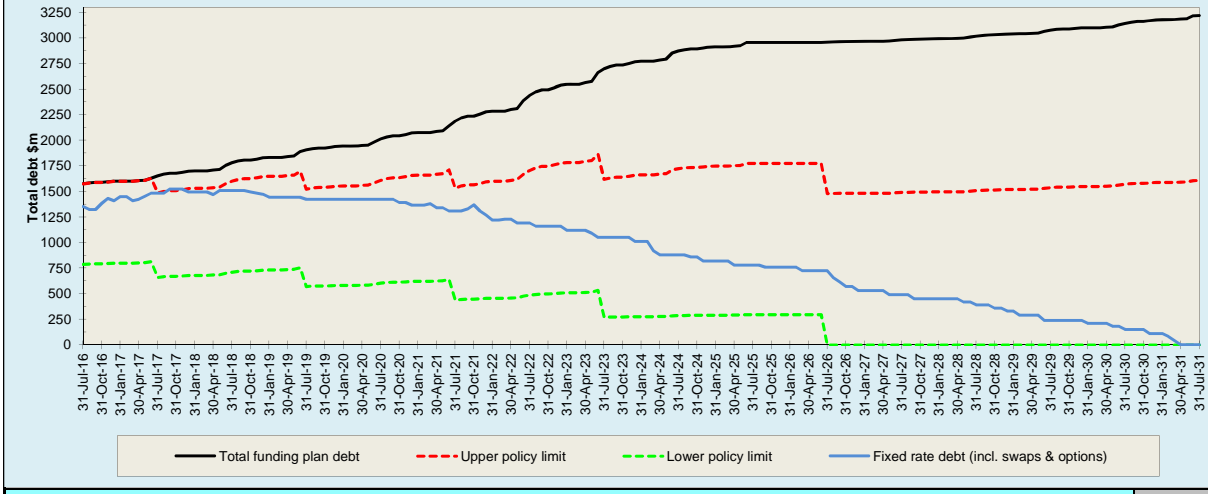
Committed facilities	
- Westpac Term Loan facility	\$150 million
- BNZ CP Standby facility	\$175 million
- Westpac Revolving Credit facility	\$60 million
- Medium term notes	\$125 million
- Auckland Council	\$1,303 million
<b>Total committed facilities as at 31 July</b>	<b>\$1,813 million</b>

Debt (\$m)			
	Actual	Budget	Variance
Short-term borrowings	366.0	356.4	9.6
Long-term borrowings	1,215.9	1,214.6	1.3
<b>Total gross debt</b>	<b>1,581.9</b>	<b>1,571.0</b>	<b>10.9</b>
Bank overdraft / (cash & deposits)	(0.3)	-	(0.3)
<b>Total net borrowing</b>	<b>1,581.6</b>	<b>1,571.0</b>	<b>10.6</b>

Additional approved facilities	
- Approved new funding from Auckland Council	\$100 million
- Approved CP issuance, over and above CP Standby facility	\$75 million
<b>Total approved facilities as at 31 July</b>	<b>\$1,988 million</b>



### Forecast total debt profile



COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & COVENANT COMPLIANCE						Jul-16		
<b>Counterparty exposures</b>	<b>S&amp;P credit rating</b> Short / long term	<b>Face value</b> \$000	<b>Credit exposures</b> \$000	<b>Limit</b> \$000	<b>Limit</b> OK / exceeded			
<b>Obligations of registered banks</b>								
ANZ Bank	A1+ / AA-	620,350	705	100,000	Limit OK	✓		
Bank of New Zealand	A1+ / AA-	685,627	24,386	100,000	Limit OK	✓		
Commonwealth Bank of Australia	A1+ / AA-	90,000	668	100,000	Limit OK	✓		
Kiwibank	A1 / A+	75,000	2,199	75,000	Limit OK	✓		
Westpac Institutional Bank	A1+ / AA-	565,350	35	100,000	Limit OK	✓		
		<b>2,036,327</b>	<b>27,993</b>					
<i>Note: Credit exposures are the aggregate of direct exposures, 10% of the 'face' value of forward foreign exchange contracts, 15% of the 'face' value of electricity hedging contracts, and the sum of the MTM value of interest rate derivative contracts plus a 3% 'risk' factor (if this produces a positive value).</i>								
<b>Debt concentration \$000</b>								
<b>Committed debt facilities</b>	<b>Maturity</b>	<b>0-12 months</b>	<b>12-24 months</b>	<b>24-36 months</b>	<b>36-48 months</b>	<b>48-60 months</b>	<b>&gt; 60 months</b>	<b>Total</b>
Westpac Term Loan facility	13/10/16	150,000						150,000
BNZ CP Standby facility	1/07/17	175,000						175,000
Westpac Revolving Credit facility	30/11/18			60,000				60,000
Medium-term notes	26/10/18			125,000				125,000
Auckland Council	Various	54,668	78,368	82,243	200,000	132,243	755,000	1,302,522
<b>Total committed debt facilities</b>		<b>379,668</b>	<b>78,368</b>	<b>267,243</b>	<b>200,000</b>	<b>132,243</b>	<b>755,000</b>	<b>1,812,522</b>
<b>Treasury policy - total committed debt facilities</b>		<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>		
Treasury policy compliance		✓	✓	✓	✓	✓		
Approved new funding from Auckland Council							100,000	100,000
Approved CP issuance, over and above CP Standby							75,000	75,000
<b>Total committed and approved debt facilities</b>		<b>379,668</b>	<b>78,368</b>	<b>267,243</b>	<b>200,000</b>	<b>132,243</b>	<b>930,000</b>	<b>1,987,522</b>
<b>Drawn bank facilities</b>	<b>Maturity</b>	<b>0-6 months</b>	<b>6-12 months</b>	<b>12-18 months</b>	<b>18-24 months</b>	<b>24-30 months</b>	<b>&gt; 30 months</b>	<b>Total</b>
Westpac Term Loan facility (\$150m)	13/10/16	150,000						150,000
BNZ CP Standby facility (\$175m)	1/07/17							0
Westpac Revolving Credit facility (\$60m)	30/11/18					39,000		39,000
		150,000	0	0	0	39,000	0	189,000
<b>Treasury policy for drawn bank facilities</b>		<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	
Treasury policy compliance		✓	✓	✓	✓	✓	✓	
<b>Other facilities</b>								
BNZ overdraft	On demand	2,000						2,000
		2,000	0	0	0	0	0	2,000
<b>Counterparty exposure in relation to borrowing facilities</b>		<b>Westpac</b>	<b>BNZ</b>	<b>ANZ</b>	<b>CBA</b>	<b>Kiwibank</b>		
Term loan facility		150,000						
Revolving credit facility		60,000						
CP standby facility			175,000					
		210,000	175,000	0	0	0		
<b>Treasury policy</b>		<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>		
Treasury policy compliance		✓	✓	✓	✓	✓		
<b>Compliance with financial covenants and ratios under the Negative Pledge Deed and Guarantee Facility Deed</b>								
<b>Covenant / ratio</b>		<b>Benchmark/target measure</b>		<b>Outcome</b>		<b>Compliance</b>		
Security interests / total tangible assets - maximum		5%		0.00%		✓		
Total liabilities / total tangible assets - maximum		60%		34.28%		✓		
Total liabilities (including contingent) / total tangible assets - maximum		65%		34.28%		✓		
Shareholders funds - minimum (\$000)		500,000		5,820,547		✓		
EBITDA : funding costs ratio - minimum		1.75		4.31		✓		
Funds from operations : interest cover ratio - minimum		2.00		3.89		✓		
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%		✓		
								Page A6

FOREIGN EXCHANGE, COMMERCIAL PAPER & ELECTRICITY HEDGING							Jul-16					
<b>Foreign currency exposures (NZ\$000) including hedging for chemical purchases</b>							<b>USD</b>	<b>EUR</b>	<b>Total</b>			
Total exposure to be hedged							820.6	246.7	1,067.3			
Foreign exchange hedging							820.6	246.7	1,067.3			
Percentage cover							100%	100%	100%			
<b>Treasury policy</b>							<b>100%</b>	<b>100%</b>	<b>100%</b>			
Treasury policy compliance							✓	✓	✓			
<b>Hedging for chemical purchases (US\$000)</b>					<b>Sep-16</b>	<b>Mar-17</b>	<b>Sep-17</b>	<b>Mar-18</b>	<b>Total</b>			
Chemicals forward foreign exchange hedging					500				500			
<b>Treasury policy</b>									0			
Treasury policy compliance									<= 5,000			
									✓			
<b>Commercial paper maturities</b>												
<b>Issue #</b>	<b>\$000</b>	<b>BKBM</b>	<b>Interest rate</b>	<b>Bid cover (x)</b>	<b>Term (days)</b>	<b>Maturity date</b>	<b>CP maturities</b>					
292	50,000	2.395%	2.443%	2.07	92	25-Aug-16						
293	50,000	2.420%	2.458%	1.83	97	14-Sep-16						
294	60,000	2.275%	2.295%	2.50	94	31-Oct-16						
	<b>160,000</b>		<b>2.392%</b>									
<p>Note: BKBM is the banks' mid-rate for bank bills of a similar term on the CP issue date.</p>												
					<b>Aug-16</b>	<b>Sep-16</b>	<b>Oct-16</b>	<b>Nov-16</b>	<b>Dec-16</b>	<b>Jan-17</b>	<b>Beyond Jan-17</b>	<b>Total</b>
Outstanding CP					50,000	50,000	60,000	0	0	0	0	160,000
Uncommitted short-term debt												0
					<b>50,000</b>	<b>50,000</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>160,000</b>
<b>Treasury policy for maximum amount of CP outstanding</b>											<= 250,000	
Treasury policy compliance											✓	
<b>Undrawn committed standby facilities</b>				<b>1 month</b>	<b>1-2 months</b>	<b>2-3 months</b>	<b>3-4 months</b>	<b>4-5 months</b>	<b>5-6 months</b>	<b>&gt; 6 months</b>		
Undrawn committed standby facility - CP facility				175,000	175,000	175,000	175,000	175,000	175,000	175,000		
50% of CP and other short-term debt repayable within 60 days				50,000	55,000	30,000	0	0	0			
<b>Treasury policy:</b> Undrawn standby facilities >= 50% of outstanding CP and other uncommitted short-term debt repayable within 60 days												
<b>Treasury policy compliance</b>				✓	✓	✓	✓	✓	✓			
<b>Electricity hedging (NZ\$000)</b>				<b>0-6 months</b>	<b>6-12 months</b>	<b>12-18 months</b>	<b>18-24 months</b>	<b>24-30 months</b>	<b>30-36 months</b>	<b>36-42 months</b>	<b>42-48 months</b>	
Contract maturity												
Contract length												
<b>Total value of outstanding contracts</b>				0								
<b>Treasury policy for maximum value of outstanding contracts</b>				<= 10,000								
Treasury policy compliance				✓								
											Page A7	

# WATERCARE SERVICES LIMITED

## Management Report

Jul-16

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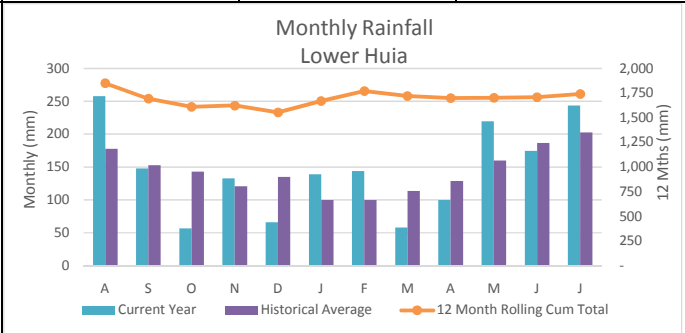
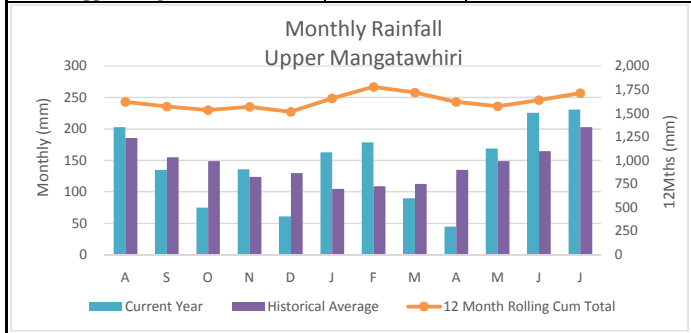
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*Confidential*

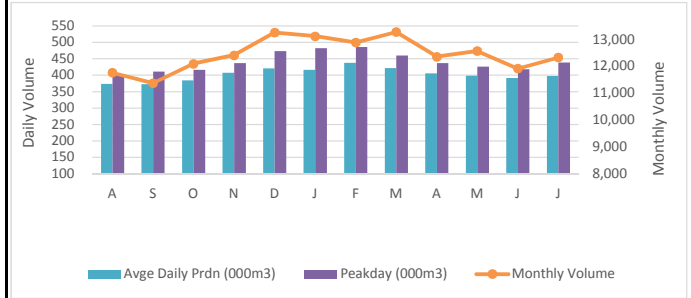
**Management Report** **WATERCARE SERVICES LIMITED** **Jul-16**  
**Monthly Statistics Update**

**Rainfall**

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
<b>Actual - Upper Mangatawhiri</b>	231 mm	1713 mm	<b>Actual - Lower Huia</b>	244 mm	1742 mm



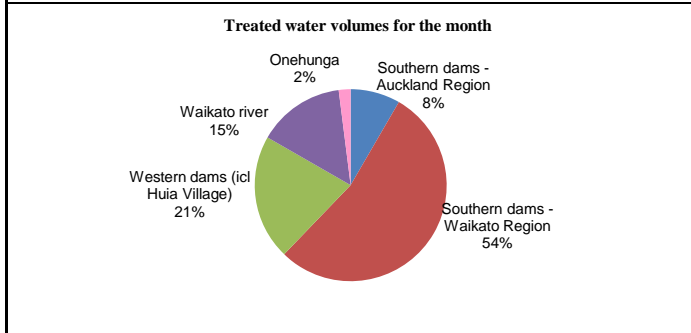
**Water Production - Total Supply**



Treated water volumes (000m <sup>3</sup> )	Current Month	12 Month Rolling Ave
<b>Monthly Volume</b>	12,328	12,442
- Metro	12,157	12,253
- Non-metro	171 <sup>1</sup>	188
<b>Average Daily Production</b>	398	408
<b>Peak Day</b>	439	486 <sup>2</sup>

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

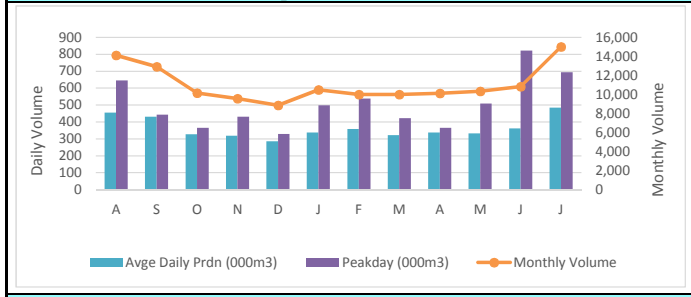
2. Max peak day in past 12 months



Treated water volumes (000m <sup>3</sup> )	Year to Date					
	Current Month		Year to Date			
	Actual	%	Budget	Actual	%	Budget
Southern dams - Auckland Region	1,031	8%	1,192	1,031	8%	1,192
Southern dams - Waikato Region	6,637	54%	5,390	6,637	54%	5,390
Western dams	2,599	21%	2,251	2,599	21%	2,251
Waikato river	1,817	15%	2,387	1,817	15%	2,387
Onehunga aquifer	245	2%	560	245	2%	560
<b>Total</b>	<b>12,328</b>	<b>100%</b>	<b>11,781</b>	<b>12,328</b>	<b>100%</b>	<b>11,781</b>

Lake levels at month end was 93.6%

**Wastewater Treatment - Metropolitan Treatment**



Wastewater Treatment (000m <sup>3</sup> )	Current Month	12 Month Rolling Ave
<b>Monthly Volume</b>	15,002	11,040
<b>Average Daily Production</b>	484	363
<b>Peak Day</b>	694	822 <sup>2</sup>

2. Max peak day in past 12 months

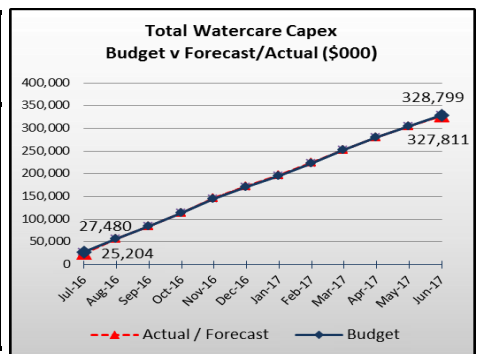


# WATERCARE PUBLIC REPORT

## CAPITAL EXPENDITURE



TOTAL WATERCARE EXPENDITURE	Year to Date		Annual Performance	
	Actual	Budget	Actual + Forecast	Budget
Strategy & Planning	352	586	18,539	19,453
Infrastructure Delivery	18,830	17,009	207,847	207,824
Service Delivery	4,604	5,660	62,973	63,236
Retail	255	1,356	11,832	11,808
Information Services	66	968	6,854	6,808
Other	369	1,048	7,646	7,428
Capitalised Interest	730	854	12,119	12,243
<b>Watercare Total</b>	<b>25,204</b>	<b>27,480</b>	<b>327,811</b>	<b>328,799</b>



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

### Water Projects >\$15 Million

Hunua No 4 Programme	318,172	12,427	12,427		
North Harbour Watermain Duplication	38,620	4,667	4,651		
Waikato 175MLD Expansion Stage Ultimate	31,505	15,901	16,240		
Huia No 1 Watermain Replacement	4,711	450	455		
Ardmore WTP Treated Water Resilience	2,910	3,865	3,840		

### Wastewater Projects >\$15 Million

Central Interceptor Feasibility Design	60,880	7,621	7,654		
Mangere WWTP BNR Capacity	141,033	47,809	48,000		
Northern Interceptor - Stage 1	107,792	3,374	3,541		
Pukekohe WWTP Upgrade	66,060	2,093	2,040		
Rosedale WWTP Expansion Project	6,330	3,915	3,966		
Mangere WWTP Solids Stream Upgrade	53,400	12,950	12,900		
Pukekohe Trunk Sewer Upgrade	48,074	27,982	27,854		
Snells Algies WWTP Ocean Outfall	3,995	132	022		
Puketutu Island Rehabilitation	29,385	9,927	10,000		
Glendowie Branch Sewer Upgrade	28,623	774	805		
Fred Thomas Drive WW PS & Storage Tank	27,121	10,280	10,310		
Army Bay WWTP Outfall Upgrade	27,500	3,792	3,824		
Glen Eden Storage & Pipe Upgrade	17,617	10,105	10,131		

### Shared Services >\$15 Million

Networks Controls Upgrade	19,931	4,443	3,900		
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### Capex Programme (Design / Execution)

>\$15 Million	1,033,659	182,507	182,560		
>\$2 Million <\$15 Million	130,469	34,667	34,823		
<\$2 Million	79,384	21,635	20,266		
<b>TOTAL</b>	<b>1,243,512</b>	<b>238,809</b>	<b>237,649</b>		

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

#### Traffic light Key:

On target / No adverse Service Delivery impact  
 Short to medium term issues that may impact on outcomes or targets / Minor Service Delivery Impacts  
 Medium to long term issues that are impacting on outcomes or targets / Risk of significant Service Delivery Impact  
 Underspend on the capex variance (-10%)  
 No approved capex or the project is "in-service" indicating the issue is not critical

## Local Board Interaction (As at 19 August 2016)

Local Board	Chair	Deputy Chair	June-16	July-16	Aug -16
Albert - Eden	Peter Haynes	Glenda Fryer	Watercare AMP Summary Documents (28 June)	Respond to questions on wet areas on Mt Albert Reservoir roof affecting dog exercising (14 July).	
Devonport - Takapuna	Joseph Bergen Watercare Rep (5 May 2015 to end of the 2013-2016 term)	Grant Gillion (5 May 2015 to end of the 2013-2016 term)	Information on Watercare videos (17 June). Watercare AMP Summary Documents (28 June)	Local Board and parks meeting regarding possible use of parks land for temporary contractor parking (12 July). Information re play Ground construction in Takapuna and requirement for works over consent (21 July).	
Franklin	Andy Baker	Jill Naysmith	South West Wastewater Flyer (9 June). Manukau Harbour Forum Symposium (10 June). Open evening on South West Wastewater Servicing (14 June). Watercare AMP Summary Documents (28 June)	Notification of final decision on South West Wastewater Servicing (1 July). Presentation to Councils Rural Advisory Panel on South West wastewater servicing (8 July). Information sent on the Clarks Beach Reservoir and water outages during power surges over the initial commissioning phase (11 July). Update on South West Wastewater Servicing (12 July). Information on the Pukekohe Wastewater Treatment Plant discharge consent application (14 July). Pukekohe Wastewater Treatment Plant consent open day (18 July).	Notice of South West Wastewater consent notification and Pukekohe East Reservoir appeals (2 Aug)
Great Barrier	Izzy Fordham	Susan Daly			
Henderson - Massey	Vanessa Neeson	Shane Henderson	Watercare AMP Summary Documents (28 June).		
Hibiscus and Bays	Julia Parfitt	Greg Sayers	Information provided on Waiwera Wastewater Servicing (23 June). Response to escalated complaint on debt collection (24 June). Watercare AMP Summary Documents (28 June)	Update on Sidmouth Street wastewater leak (15 July).	Local Board briefing (10 Aug)
Howick	David Collings	Adele White	Watercare AMP Summary Documents (28 June)		
Kaipatiki	Kay McIntyre	Ann Hartley	Watercare AMP Summary Documents (28 June)		Response to escalated complaint regarding water and slippery footpath. Issue investigated and handed over to Stormwater (4 Aug).
Mangere - Otahuhu	Lydia Sosene	Carrol Elliott	Local Board workshop briefing (1 June). Manukau Harbour Forum Symposium (10 June). Watercare AMP Summary Documents (28 June)		

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

Local Board	Chair	Deputy Chair	June-16	July-16	Aug -16
<b>Manurewa</b>	Angela Dalton	Simeon Brown	Manukau Harbour Forum Symposium (10 June). Information on Local Board support for the local mare in dealing with the homeless (14 June). Watercare AMP Summary Documents (28 June)		
<b>Maungakiekie - Tamaki</b>	Simon Randall	Chris Makoare	Manukau Harbour Forum Symposium (10 June). Update on Hunua 4 Campbell Rd works (28 June). Watercare AMP Summary Documents (28 June)	Local Board Landowner Approval for Glendowie Project (21 July).	
<b>Orakei</b>	Desley Simpson	Kit Parkinson, Colin Davis (Watercare Rep)	Watercare AMP Summary Documents (28 June)	Information on Glendowie wastewater upgrade project sent to Local Board (11 July). Information on Watercare videos sent to Local Board (12 July)	
<b>Otara - Papatoetoe</b>	Fa'anānā Efeso (Efeso) Collins	Ross Robertson	Manukau Harbour Forum Symposium (10 June). Watercare AMP Summary Documents (28 June)		
<b>Papakura</b>	Bill McEntee	Michael Turner	Manukau Harbour Forum Symposium (10 June). Watercare AMP Summary Documents (28 June)		
<b>Puketapapa</b>	Julie Fairey	Harry Doig	Discussions on CI works in local parks (17 June). Watercare AMP Summary Documents (28 June)	Media release shared on leaking Hillsborough pipeline (6 July). Update on leaking pipe repairs (11 July). Local Board workshop briefing on the central Interceptor (12 July). Follow up information on Watercare videos also sent (12 July)	Update on leaking pipe repairs (3 August).
<b>Rodney</b>	Brenda Steele	Stephen Garner	Open evening on North East Wastewater Servicing (14 June). Watercare AMP Summary Documents (28 June)	Presentation to Councils Rural Advisory Panel on South West wastewater servicing (8 July). Discussion with Thomas Grace re Helensville future water supply (11 July). Update on Warkworth Snells Algies wastewater servicing (12 July). Notification of herbicide reading in water tests (14 July). Wellsford water test update (15 July). Notice of Warkworth Snells Algies and Omaha consent notification (27 July)	Presentation to Warkworth Rotary (18 Aug)
<b>Upper Harbour</b>	Lisa Whyte (5 May 2015 to end of the 2013-2016 term)	Brian Neeson (5 May 2015 to end of the 2013-2016 term)	Watercare AMP Summary Documents (28 June)	Local Board workshop briefing (19 July)	
<b>Waiheke</b>	Paul Walden	Shirin Brown	Watercare AMP Summary Documents (28 June)		
<b>Waitakere Ranges</b>	Sandra Coney	Denise Yates	Manukau Harbour Forum Symposium (10 June). Notice of Glen Eden wastewater upgrades project start (28 June). Watercare	Notification of delays in decision making on Huia Water Treatment Plant (20 July). Invitation to dawn blessing for Glen Eden	

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

Local Board	Chair	Deputy Chair	June-16	July-16	Aug -16
			AMP Summary Documents (28 June).	wastewater project (28 July).	
<b>Waitemata</b>	Shale Chambers	Pippa Coom	Watercare AMP Summary Documents (28 June).		
<b>Whau</b>	Catherine Farmer	Susan Zhu	Local Board workshop on detailed design of CI works in parks (2 June). Manukau Harbour Forum Symposium (10 June). Information on network discharge consent (14 June). Watercare AMP Summary Documents (28 June).	Information to Derek Battersby on reinstatement (14 July).	Notice of water leak and low pressure in New Lynn (12 August). Information in response to social media discussion on Avondale watermain breaks (18 Aug).
<b>Manukau Harbour Forum</b>	Jill Naysmith		Full day public symposium (10 June) South West Wastewater Servicing Update (13 June)	Notification of final decision on South West Wastewater Servicing (1 July). Media release shared on leaking Hillsborough pipeline (6 July). Update on leaking pipe repairs (11 July).	Update on leaking pipe repairs (3 Aug).

## Report to the Board of Watercare Services Limited

**Subject:** Statement of Intent 2016-19: Further Revisions

**Date:** 24 August 2016

### 1. INTRODUCTION

The final 2016/19 Statement of Intent was approved by the Board at the May Board meeting and submitted to Auckland Council in June as required by Section 64 of the Local Government Act 2002.

Since that time, Watercare's 2016/19 Statement of Intent has been reviewed by the Auckland Council CCO Governance and Monitoring Committee. Following this review, Watercare has received further feedback from the Committee regarding areas that they did not feel were adequately addressed in the Statement of Intent approved by the Board

At its meeting of the 2<sup>nd</sup> of August, the CCO Governance and Monitoring Committee resolved to adopt the Watercare 2016/19 Statement of Intent subject to the following amendments being made:

***Extract from the unconfirmed minutes of the CCO Governance and Monitoring Committee meeting of the 2<sup>nd</sup> of August 2016:***

**“...the inclusion of changes to its three-year work programme table, the addition of planning for growth across the region as a strategic priority, a commitment to developing an improved measure for engagement with mana whenua, and the removal of the caveat to the commitment to act in accordance with the Auckland Council Governance Manual for Substantive Council Controlled Organisations in its 2016-2019 Statement of Intent.”**

### 2. PROPOSED AMENDMENTS

It is proposed that the following amendments are made to the 2016/19 Statement of Intent in order to address the feedback provided by the Auckland Council CCO Governance and Monitoring Committee:

	CCO Governance and Monitoring Committee Feedback	Proposed Watercare Response:
1	Inclusion of changes to the three-year work programme table.	Section 5 (Three Year Work Plan) be amended to provide additional detail on the expected progress for each project during the 2016-19 period.
2	The addition of planning for growth across the region as a strategic priority.	Section 4 (Watercare's Strategic Priorities) be amended to include the following:  “Planning and Providing for Growth – Watercare works closely with Auckland Council and its stakeholders to ensure planning for, and timely provision of, new infrastructure to support growth across Auckland and North Waikato.”

3	A commitment to developing an improved measure for engagement with Mana Whenua	<p>The existing performance measure regarding engagement with Mana Whenua (“Percentage attendance at the quarterly meetings of the Mana Whenua Kaitiaki Forum”) be replaced with the following:</p> <p>Percentage of the 19 Iwi groups throughout Auckland that Watercare have entered into a Memorandum of Understanding with</p>
4	Removal of the caveat to the commitment to act in accordance with the Auckland Council Governance Manual for Substantive Council Controlled Organisations	<p>The caveat (highlighted below) be removed:</p> <p>Watercare acts in accordance with the CCO Governance Manual except in any situations where acting in accordance with the CCO Governance Manual would be in conflict with the statutory and fiduciary requirements for Directors or the organisation, or would be in conflict with Watercare’s own governance documents including the constitution and governance charter.</p>

**3. RECOMMENDATION**

An updated 2016/19 SOI, reflecting the amendments proposed above, appended as Appendix 1. It is recommended that the proposed amendments to the 2016/19 SOI be approved.

Report prepared by:

Recommended by:

R Chenery  
**Manager, Business Transformation**

R Jaduram  
**Chief Executive**

# **WATERCARE SERVICES LIMITED**

## **STATEMENT OF INTENT 2016 - 2019**



## INTRODUCTION

*Me mihi ki te whenua, me tangi hoki mō rātou kua okioki*

*E ngā mana, e ngā reo, e ngā huihuinga tāngata puta noa Tāmaki Makaurau Tāmaki Whānui hoki tēnā koutou i raro i te pikinga ake o Matariki o Puanga hoki. E manakohia nei kia pērā ano hoki te pikinga ake o ā tātou mahi ngātahi āmuri ake nei. Anei rā te tauāki hei tātaki i aua manako. Kāti ake.*

*We greet the land beneath us; we grieve for those who have gone before us, and we acknowledge their influence upon us.*

*To you the leaders, you the spokespeople, and to all the people throughout Tāmaki Makaurau, warm and heartfelt greetings in this time of Matariki.*

*As the New Year dawns, we come together to seek a new way forward, united in our shared responsibilities, and committed to achieving our collective vision.*

This Statement of Intent (SOI) sets out Watercare’s obligations and commitments, how it intends to meet those, and the measures by which its shareholder, the Auckland Council, can assess the company’s success.

Watercare’s mission is to provide safe, reliable and efficient water and wastewater services. The company’s ability to deliver on its mission every day is recognised as a vital prerequisite in making Auckland one of the most liveable cities in the world.

This Statement of Intent (SOI) sets out how Watercare intends to meet its obligations and commitments as well as how its shareholder, the Auckland Council, will measure the company’s success.

The important and mutually dependent relationship that exists between Auckland Council and Watercare is acknowledged in this SOI. Auckland Council requires the company to give effect to its strategic intent and enable the region’s sustainable growth and development, with particular emphasis on Special Housing Areas. Meanwhile, Watercare relies on council to provide a policy and regulatory environment that enables the development and operation of the infrastructure necessary to achieve this.

**DAVID CLARKE**

**JUNE 2016**

**CHAIRMAN**



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## 1. PURPOSE OF STATEMENT OF INTENT

In accordance with the Local Government Act 2002, this annual Statement of Intent (SOI) publicly states the activities and intentions of Watercare Services Limited for the next three years, and the objectives that those activities will contribute to. This SOI takes shareholder comments into consideration and includes performance measures and targets as the basis of organisational accountability.

## 2. ABOUT WATERCARE SERVICES LIMITED

Each day, Watercare Services Limited (Watercare) supplies around 326 million litres of water to the people of Auckland and collects, treats and discharges around 400 million litres of wastewater in an environmentally sustainable fashion.

Watercare is a council-controlled organisation (CCO), wholly owned by Auckland Council. It funds all of its activities itself, receives no money from the Council or central government and is prohibited by statute from paying a dividend to the Council.

As Auckland's water and wastewater services provider, Watercare has a significant role to play in making Auckland one of the most liveable cities in the world. Our mission is to deliver safe, reliable and efficient water and wastewater services to our customers. We are committed to ensuring the health and well-being of the people of Auckland and the environment while keeping the costs of service to our customers, collectively, at minimum levels. Our staff work seamlessly around the clock to make sure that when our customers turn the tap on or flush the toilet, they can do so with confidence and certainty.

The company's obligations to deliver water and wastewater services for Auckland, are set out in Part 5 section 57(1) of the Local Government (Auckland Council) Act 2009 which stipulates amongst others, that an Auckland water organisation:

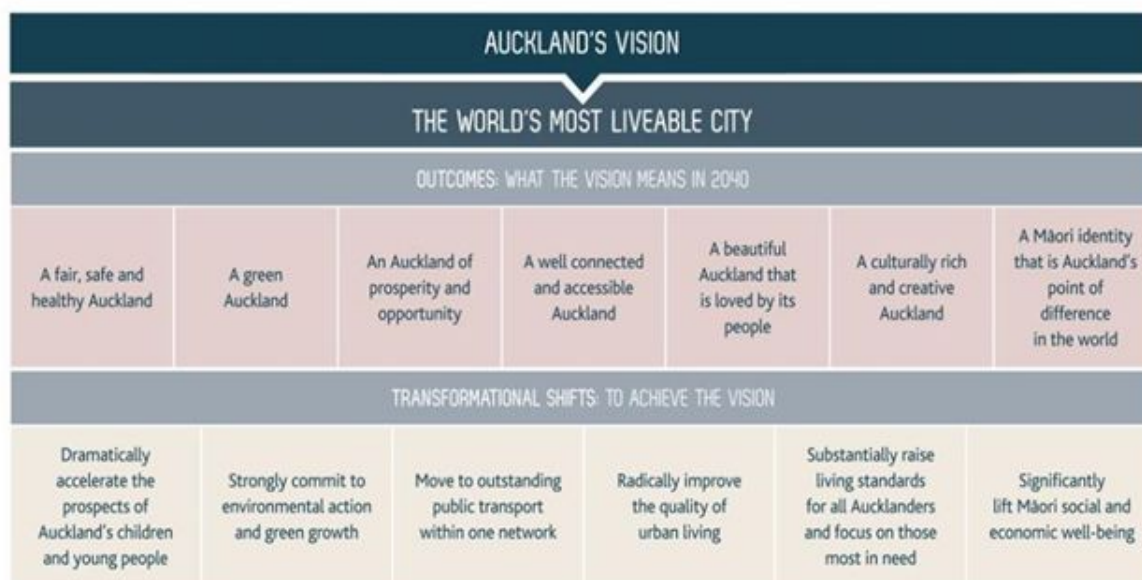
- (a) Must manage its operations efficiently with a view to keeping the overall costs of water supply and wastewater services to its customers (collectively) at the minimum levels consistent with the effective conduct of its undertakings and the maintenance of the long-term integrity of its assets; and
- (b) Must not pay any dividend or distribute any surplus in any way, directly or indirectly, to any owner or shareholder; and
- (c) Is not required to comply with section 68(b) of the Local Government Act 2002; and
- (d) Must have regard for public safety (for example, the safety of children in urban areas) in relation to its structures.

This SOI has been prepared in accordance with Schedule 8 of the Local Government Act 2002 and covers a three-year term from 1 July 2016 to 30 June 2019.

## 3. WATERCARE'S CONTRIBUTION TO THE WORLD'S MOST LIVEABLE CITY

The Auckland Plan is the roadmap to deliver on Auckland's vision to be the world's most liveable city. This is a thirty year plan that is under pinned by a set of outcomes and transformational shifts

to achieve this vision which help ensure we focus on the right things.



The Auckland Plan sets strategic direction and transformational shifts to achieve actions, targets and outcomes that are required to achieve the vision to be the world's most liveable city.

Watercare plays a critical part in delivering on actions and targets. In particular, Watercare actions which contribute to the outcomes are outlined in the table below:

Auckland Plan Transformational Shift	Degree of contribution	How Watercare contributes
Quality urban living	Primary	Watercare will continue to provide effective and efficient water and wastewater networks that support growth, including in Special Housing Areas (SHAs), Spatial Priorities Areas (SPAs) and Future Urban Zones. Watercare will contribute to this transformational shift by aligning the timing and sequencing of investment in its networks to support Auckland Council's Future Urban Land Supply Strategy.
Environmental action & green growth	Primary	<p>Effective treatment of wastewater is very important to safeguard human health and to protect our harbours and waterways. Watercare continuously strives to improve its wastewater collection process, reduce overflows, and ensure wastewater is treated to a standard that protects public health, and the local environment.</p> <p>Through its Waterwise Advice line and Be Waterwise programme, Watercare is promoting water-efficient behaviours to consumers and making every effort to reduce the demand for water services, detailed in the Auckland Regional Water Demand Management Plan.</p> <p>Watercare regularly consults with the specially created Environmental Advisory Group whose experts advise on how the company's activities affect the environment.</p> <p>Watercare's free education programme offers Auckland primary and intermediate school pupils the opportunity to take part in a range of</p>

Auckland Plan Transformational Shift	Degree of contribution	How Watercare contributes
		exciting and hands-on lessons that teaches them about water, wastewater and their local environment.
Raised living standards	Secondary	<p>Watercare is committed to providing safe, reliable and efficient water and wastewater services. It has continued to expand its service network to the wider Auckland region, making every effort to supply all Aucklanders with the same quality of service.</p> <p>Watercare is working closely with Auckland Council to ensure that where possible, water and wastewater infrastructure is available in the Special Housing Areas (SHA's). The Watercare Utility Consumer Assistance Trust provides financial support to residential customers of Watercare who are struggling to manage their water and wastewater costs.</p>
Māori social and economic wellbeing	Secondary	<p>Watercare has a close relationship with Māori and recognises the importance of natural resources to mana whenua. Watercare acts in accordance with relevant statutory provisions and Treaty of Waitangi principles. Watercare provides funding for and is a member of the Mana Whenua Kaitiaki Forum. As a member, Watercare attends the quarterly meetings of the forum with the intention of gaining a direct understanding of the issues and objectives of Mana Whenua with respect to Watercare. The Chairman of the Mana Whenua Kaitiaki Forum will continue to have the opportunity to present the annual report of the Forum to the Watercare Board and to prepare a statement for inclusion in the Watercare Annual Report. The Chairman of the of the Mana Whenua Kaitiaki Forum and the Watercare Chief Executive will meet annually with the Chairman and Deputy Chairman of the IMSB to consider Watercare's performance with regards to engagement with Mana Whenua.</p> <p>Watercare will continue to engage with mana whenua to provide technical advice and support for marae development and papakainga housing.</p> <p>In doing so Watercare will support Māori representation to Government for funding of infrastructure for those rural marae in the Auckland region.</p>
Children & young people	Secondary	Children and young people benefit from a high quality, reliable supply of drinking water.
Outstanding public transport	Not applicable	

Degree of contribution: Primary/ Secondary / Not applicable

#### 4. WATERCARE'S STRATEGIC PRIORITIES

Watercare will continue to support the development of, and give effect to, Auckland Council plans and policies and will continue to actively engage with Auckland Council (and other infrastructure providers) to ensure that, where possible, investment in water and wastewater infrastructure is made in a timely manner to support and service growth.

When planning for growth, size and location matter. Watercare has been working closely with Auckland Council to identify areas where there is sufficient water and wastewater capacity to support growth in the short term, and has been focussing on aligning the planning of new or upgraded infrastructure to meet Auckland Council's spatial development priorities.

Watercare has four strategic priorities – these priorities reflect the organisation's focus on becoming a more customer-centric business and continuing to consistently deliver reliable, safe and efficient water and wastewater services.

- *Customer Focus – Putting customers at the heart of our business by aligning processes, people and systems to deliver exceptional performance at minimum cost.*
- *Business Excellence - We deliver positive customer outcomes by being a commercially-savvy, performance-based organisation that prioritises the development and well-being of our people and the long-term resilience of our assets.*
- *Financial Responsibility - We are a financially responsible, efficient business, balancing our long-term financial obligations with our requirement to be a minimum cost service provider.*
- *Fully Sustainable - As custodians of the environment, and responsible members of the community, we effectively manage and minimise the impact of our operations on the environment and embed sustainability into all aspects of our business.*
- *Planning and Providing for Growth – Watercare works closely with Auckland Council and its stakeholders to ensure planning for, and timely provision of, new infrastructure to support growth across Auckland and North Waikato.*

## 5. THREE YEAR WORKPLAN TO DELIVER ON STRATEGIC DIRECTION

Watercare's significant capital work programme is a key enabler of the future growth of Auckland. Consequently, Watercare will continue to maintain a strong focus on delivery of the programme. The following are the key initiatives/projects to deliver on Watercare strategic objectives:

Key project and initiatives	Description	Contribution to strategic objectives	Expected three year progress during 2016-2019 period
<b>Water</b>			
Hunua No.4 Watermain Extension	The Hunua watermain will be extended through to the Khyber reservoirs in the central city.	<b>Growth</b> , service level expectations, resilience	Now commissioned from Redoubt Road, Manukau to Campbell Road, One Tree Hill. Campbell Road to Market Road to be completed and commissioned late 2016. Market Road to Khyber

Key project and initiatives	Description	Contribution to strategic objectives	Expected three year progress during 2016-2019 period
			Reservoirs under construction 2018 to 2020.
North Harbour Watermain Duplication	Duplicates the North Harbour watermain from a new Titirangi No.3 reservoir to the Albany reservoir.	<b>Growth</b> , service level expectations, sustainability, resilience	Route designated. Duplication of watermain over Upper Waitemata Harbour at Greenhithe to be completed 2018/19. Resource consent obtained. Upper Harbour to Albany stage could be under construction during the period. Remainder to be completed progressively to 2026.
Pukekohe East Reservoir	The provision of additional storage reservoir capacity to maintain security of supply standards for increasing water demand arising from <b>growth</b> .	<b>Growth</b> , service level expectations, resilience	Resource consents obtained, currently subject to land owner appeals. Plan to complete detailed design and commence construction of additional storage reservoirs during the period.
Waikato Water Treatment Plant Expansion	Expansion of the capacity of the existing water treatment plant to cater for additional water demand arising from <b>growth</b> .	<b>Growth</b> , service level expectations, resilience	Complete the upgrade from 150MLD to 175MLD during the period.
Waikato Water Treatment Plant	The provision of additional water abstraction, treatment and conveyance capacity from the Waikato River to cater for additional water demand arising from <b>growth</b> .	<b>Growth</b> , service level expectations, resilience	Consent for an additional take from the Waikato River filed with Waikato Regional Council in December 2013. Presently queued. Awaiting public notification. Not expected before mid-2017.
Hunua No.1 and Huia No. 1 Watermains	The replacement of critical watermains which are nearing the end of their design lives.	Service level expectations, resilience	Complete preliminary design and obtain consents and any land owner approvals.  Huia 1 watermain is linked to Huia Water Treatment Plant upgrade.
Huia Water Treatment Plant Upgrade	The replacement of the Huia Water Treatment Plan which is reaching the end of its design life and the provision of improved treatment processes which will maintain supply and improve levels of service.	<b>Growth</b> , service level expectations, sustainability, resilience	Site location for the new treatment plant will be finalised, consent process complete and detailed design commenced.
<b>Wastewater</b>			

Key project and initiatives	Description	Contribution to strategic objectives	Expected three year progress during 2016-2019 period
Central Interceptor	A new wastewater conveyance and storage pipeline to service central Auckland as well as the isthmus, east and south.	<b>Growth</b> , sustainability, resilience	Design to be completed, tendering and procurement to be undertaken and completed, contract let and construction planned to commence in 2019.
Northern Interceptor Hobsonville to Rosedale	A new wastewater pipeline which will divert flows from Mangere Wastewater Treatment Plant catchment to Rosedale Wastewater Treatment Plant.	<b>Growth</b> , service level expectations, sustainability, resilience	Completion of the detailed design and commencement of construction activity. Resource consent has been obtained for this stage of the project.
Northern Interceptor Westgate to Hobsonville	Diverts 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.	<b>Growth</b>	Obtaining the necessary consents and land owner approvals for the proposed works.
Mangere Wastewater Treatment Plant Solids Stream Upgrade	Provides additional solids treatment capacity to cater for increased population <b>growth</b> .	<b>Growth</b> , service level expectations, sustainability, resilience	Completed and commissioned.
Rosedale Wastewater Treatment Plant Upgrade	Provision of additional treatment capacity to cater for population <b>growth</b> on the North Shore, and the completion of the Northern Interceptor project that will deliver flows from West Auckland catchments. Catchments that are currently served by the Mangere Waste Water Treatment Plant.	<b>Growth</b> , service level expectation, resilience	Commence construction on the East Coast Bays Link Sewer and the Rosedale Treatment Plant Expansion during the period.
Pukekohe Wastewater Treatment Plant Upgrade	Additional trunk network and treatment capacity to cater for population <b>growth</b> in the Pukekohe Wastewater Treatment Plan catchment.	<b>Growth</b> , service level expectations, sustainability, resilience.	Commence construction during the period. Application for discharge to Waikato River to be filed shortly with consenting construction commencing within the 3 years.
Mangere Wastewater Treatment Plant Biological Nutrient Removal	Provides additional biological nutrient removal to comply with resource consent conditions.	<b>Growth</b> , service level expectations, sustainability, resilience.	Completed and commissioned.

Key project and initiatives	Description	Contribution to strategic objectives	Expected three year progress during 2016-2019 period
Puketutu Island	Restoration of Puketutu Island through biosolids deposition.	<b>Growth</b> , sustainability, service level expectations, resilience.	Continuation of monofill operation associated with the Puketutu Island Rehabilitation Project.

### Specific projects delivering on Māori outcomes

Watercare is working collaboratively with the Mana Whenua Kaitiaki Forum and the Independent Māori Statutory Board (IMSB) to identify further opportunities for Watercare to contribute positively to achieving better outcomes for and with Māori. This contribution to date includes the provision of technical advice related to water supply and septic tanks, the development of Māori scholarships and apprenticeships and the ongoing up skilling and training of Watercare staff.

Watercare acknowledges and supports the Council's work on development of a Te Reo framework and will utilise the framework at such time as it is finalised and available.

Key project and initiatives	Description	Contributions to Māori outcomes
Mana Whenua Kaitiaki Forum	Watercare has engaged with 19 Iwi groups throughout Auckland to establish the Mana Whenua Kaitiaki Forum. The emergence of the Kaitiaki Forum resulted from a collective desire for proactive engagement between Iwi and Watercare in order to build strong and enduring relationships and to enhance business efficiencies.  Watercare engages with all Mana Whenua entities individually as well as through the Forum, in some cases on a regularly scheduled basis and in other cases, as need arises.	Watercare consults with the Mana Whenua Kaitiaki Forum on infrastructure projects, operations and business decisions that may affect the interests of mana whenua.

## 6. PERFORMANCE OUTLOOK

Watercare has 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 accordance with the CCO Governance Manual. These include the new mandatory DIA measures agreed as part of the Long-term Plan 2015-2025.

Service Level Statement	Measure	2014/15 Actual	2015/16 Annual Plan	2016/17	2017/18	2018/19
Provide uninterrupted access to safe, clean and	The extent to which Watercare's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	100%	100%	100%	100%



Service Level Statement	Measure	2014/15 Actual	2015/16 Annual Plan	2016/17	2017/18	2018/19
drinkable water.						
	The extent to which Watercare's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	100%	100%	100%	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.	New measure	≤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	New measure	≤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	New measure	≤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	New measure	≤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	New measure	≤10	≤10	≤10	≤10

Service Level Statement	Measure	2014/15 Actual	2015/16 Annual Plan	2016/17	2017/18	2018/19
	c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) Watercare's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system					
	The percentage of real water loss from Watercare's networked reticulation system	13.9%	≤13%	≤13%	≤13%	≤13%
	The average consumption of drinking water per day per resident	270	272 +/- 2.5%	270 +/- 2.5%	268 +/- 2.5%	253 +/- 2.5%
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	New measure	≤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	New measure	≤60 mins	≤60 mins	≤60 mins	≤60 mins

Service Level Statement	Measure	2014/15 Actual	2015/16 Annual Plan	2016/17	2017/18	2018/19
	that Watercare receives notification to the time that service personnel reach the site					
	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	New measure	≤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 d) the Watercare's response to issues with its sewerage system expressed per 1000 connections to the Watercare's sewerage system	New measure	≤50	≤50	≤50	≤50
	Average number of wet weather overflows per discharge location	WW network discharge consent lodged and operational	≤2 overflows per year per engineered overflow point	≤2 overflows per year per engineered overflow point	≤2 overflows per year per engineered overflow point	≤2 overflows per year per engineered overflow point
Health, Safety and Well-being	Lost-time injury frequency rate per million hours worked	2.53	≤5	≤5	≤5	≤5
	Total recordable injury frequency rate per million hours worked	19.84	≤30	≤20	≤20	≤20

Service Level Statement	Measure	2014/15 Actual	2015/16 Annual Plan	2016/17	2017/18	2018/19
	Percentage of voluntary leavers relative to number of permanent staff	12.5%	≤12%	≤12%	≤12%	≤12%
Customer Satisfaction	Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	84.7%	≥80%	≥80%	≥80%	≥80%
	Percentage of complaints 'resolved and closed' within 10 working days	94.2%	≥95%	≥95%	≥95%	≥95%
	Percentage of the 19 Iwi groups throughout Auckland that Watercare have entered into a Memorandum of Understanding with	New measure	New measure	60%	75%	85%
Financial	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	3.30	≥2.5	≥2.5	≥2.5	≥2.5
	Percentage of household expenditure on water supply services relative to the average household income	0.90%	≤1.5%	≤1.5%	≤1.5%	≤1.5%

## 7. SUMMARY OF FINANCIALS

Watercare acknowledges that the Council is looking for financial savings and will continue to work with the Council on co-procurement initiatives.

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

**Operating expenditure (\$ millions)**

Operating expenditure (\$ millions)	2014/15 Actual	2015/16 LTP	2016/17 Annual Plan	2017/18 SOI	2018/19 SOI
Personnel costs	58	69	75	78	81
Other expenses	147	144	140	144	132
Interest expense	74	78	81	83	84
Depreciation	209	217	227	243	246
Total operating expenditure	488	508	523	548	543
Operating expenditure to be funded	279	291	296	305	297
Funded by:					
External revenue	451	469	488	511	536
Grants/ subsidies					
Auckland Council funding					
Total	451	469	488	511	536
Surplus/ (deficit)	172	178	192	206	239

**Capital expenditure (\$ millions)**

Capital expenditure (\$ millions)	2014/15 Actual	2015/16 LTP	2016/17 Annual Plan	2017/18 SOI	2018/19 SOI
Growth	116	200	199	264	255
Level of service	80	88	17	23	38
Renewals	82	93	110	125	138
Capital expenditure excluding capitalised interest	278	381	326	412	431
Capitalised interest	14	19	11	14	20
Total capital expenditure including cap int	292	400	337	426	451
Funded by:					
Operating surplus	172	178	192	206	239
Infrastructure growth charges	50	58	70	87	96
Debt	70	164	75	133	116
Grants / subsidies					
Auckland Council funding					
Total	292	400	337	426	451

**Specific expenditure towards Māori outcomes (\$ 000s)**

Initiative	2014/15 Actual (000'S)	2015/16 Annual Plan (000'S)	2016/17 LTP (000'S)	2017/18 LTP (000'S)	2018/19 LTP (000'S)
Mana Whenua Kaitiaki Forum	140	140	140	140	140
Iwi Engagement on Watercare Projects	869	1059	1,059	1,059	1,059
<b>Total expenditure</b>	<b>\$1,009</b>	<b>\$1,199</b>	<b>\$1,199</b>	<b>\$1,199</b>	<b>\$1,199</b>

### Other financial information

<b>Current value of assets</b>	The current value of Watercare Services Limited assets as at 30 June 2015 is \$8,685 million.	
<b>Shareholder equity ratio</b>	The latest shareholder equity ratio for Watercare Services Limited as at 30 June 2015 is 68%.	
<b>Accounting Policies</b>	Watercare Services Limited accounting policies are consistent with those of the Auckland Council group policies with nominated exceptions (e.g. interest capitalisation).	
<b>Financial Reporting</b>	Watercare Services Limited financial reporting is in accordance with requirements of the CCO Governance Manual.	
<b>Asset sales (\$ million)</b>		
	2014/15 Actual	<i>\$nil</i>
	2015/16 LTP	<i>\$nil</i>
	2016/17 LTP	<i>\$nil</i>
	2017/18 LTP	<i>\$nil</i>
	2018/19 LTP	<i>\$nil</i>

## 8. APPROACH TO GOVERNANCE

Auckland Council works in partnership with its CCOs and the agreed approach to governance is outlined within the CCO Governance Manual which sits alongside this SOI and also forms part of the annual binding agreement between council and Watercare.

Watercare acts in accordance with the CCO Governance Manual.

Watercare acknowledges the Council's desire for consistent branding and communication and will continue to adhere to the Brand Navigation Guidelines.

Watercare acknowledges the Council's requirement for timely communication and will ensure that all communication is in accordance with the 'no surprises' approach.

Watercare board meetings are open to members of the public. Watercare also meets the public meetings requirement of the Local Government (Auckland Council) Act 2009 which requires Auckland Council CCOs to hold two public meetings a year:

<b>Purpose</b>	<b>Date</b>	<b>Form of Public Notification</b>
Consider shareholder comments on draft SOI	24 May 2016	Public notice
Consider performance against SOI targets	18 October 2016	Public notice
Consider shareholder comments on draft SOI	May 2017	Public notice