

WATERCARE SERVICES LIMITED

AGENDA | Board meeting | 20/4/2016

Venue	Watercare Services Limited, 73 Remuera Road, Newmarket
Time	10:30am

Open Public Meeting

Item	Spokesperson	Action sought at governance meeting	Supporting Material
1. Apologies	Chair	<ul style="list-style-type: none"> Record Apologies 	
2. Minutes of Meeting	Chair	<ul style="list-style-type: none"> Approve Board Meeting Minutes 1 April 2016 	Minutes 1 April 2016
3. Directors' Corporate Governance Items	Chair	<ul style="list-style-type: none"> Corporate Planner and Work Plan Review Disclosure of Interests (Directors & Executive Management) 	Corporate Planner and Work Plan Disclosure of Interests
4. Chief Executive's Report and Scorecard	R Jaduram	<ul style="list-style-type: none"> Receive report 	Chief Executive's Report
5. Wastewater: Digesters & Thermal Hydrolysis	S Cunis / S Morgan	<ul style="list-style-type: none"> Receive presentation 	Presentation (no pack content)
6. General Business	Chair		

Date of next Meeting – 24 May 2016

Location – Watercare, 73 Remuera Road, Remuera

MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Watercare Services Limited, Rosedale Wastewater Treatment Plant, Auckland
DATE	01 April 2016
TIME	11:00
STATUS	Open Session

	<p>Present:</p> <p>M Allen (Deputy Chairman) P Drummond C Harland J Hoare T Lanigan D Thomas</p>	<p>In Attendance:</p> <p>M Bridge R Chenery S Cunis R Fisher R Jaduram A Miller B Monk D Sellars M Smith S Webster C Tucker</p>	<p>Public in Attendance: None</p>
1.	<p>Apologies</p> <ul style="list-style-type: none"> N Crauford D Clarke M Kingi (Board Observer) 		
2.	<p>Minutes of Previous Meeting</p> <ul style="list-style-type: none"> The Board resolved that the Minutes of the public section of the Board meeting held on 3 February 2016 at 11:00 be confirmed as correct. 		
3.	<p>Directors Corporate Governance Items</p> <ul style="list-style-type: none"> Corporate Planner 2015 The corporate planner was noted. Review Disclosure of Interests The Board noted the paper 		
4.	<p>Chief Executive's Report and Scorecard</p> <ul style="list-style-type: none"> Health and Safety There were no lost time injuries in the quarter to 29 February 2016. The rolling 12 month LTIFR and rolling 12 month TRIFR results were well within target maximums. Infrastructure Delivery A saving in the order of \$2.5m has been made by substituting the material type for the Pukekohe trunk sewer from PE to glass-reinforced pipe (GRP) with no degradation in quality standards for materials. The Board commended management for continued focus on ensuring that quality standards are maintained for all materials used, in spite of the increasing practice of substitution of materials in the market. Service Delivery <p>Biosolids Management Update</p> <p>An Expression of Interest (EOI) is being prepared to seek market participation from external parties who may be interested in alternative arrangements (non-landfill solutions) for biosolids.</p>		

	<p>Results of the EOI will be presented to the Board later this calendar year.</p> <p>Upper Nihotupu and Waitakere Raw Water Pipeline Tunnels</p> <p>Use of the Upper Nihotupu and Waitakere raw water pipeline tunnels by Watercare staff and contractors has been under review. As an outcome of the review, it has been determined that the tunnels present an unsafe working environment for Watercare staff and contractors. As a consequence, access to these sites by public, staff and other workers will not be permitted.</p> <ul style="list-style-type: none"> • Finance <p>Brian Monk spoke to the report. Water and wastewater revenue was above budget for the period; infrastructure growth charge revenue was also above budget; controllable costs were at or below budget; debt was \$70m below budget.</p> <ul style="list-style-type: none"> • Human Resources Update <p>A number of people-related initiatives are underway. A more detailed update on people and capability is scheduled for the July Board meeting.</p>
5.	<p>Funding for Infrastructure Growth</p> <ul style="list-style-type: none"> • R Jaduram spoke to the paper. <p>The Board received the report. Management will proceed with developing further detail on the establishment of an IGC appeal process and a draft charter.</p>
6.	<p>Health and Safety</p> <ul style="list-style-type: none"> • A Miller spoke to the presentation. <p>The Chief Executive explained that Management has taken a comprehensive approach to ensuring that all members of staff understand their obligations in respect health and safety and that Watercare is well prepared for the new Health and Safety at Work Act 2015.</p>
7.	<p>General Business</p> <p>There was no general business.</p> <ul style="list-style-type: none"> • The meeting closed at 12:05pm.

CERTIFIED AS A TRUE AND CORRECT RECORD

Chairman

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 Waikato WTP	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		26 August Newmarket 11am			1 November Mangere WWTP	
Health and Safety Site Visits			1 April Rosedale WWTP			27 June Waikato WTP 28 June Ardmore WTP		26 August Hunua 4			1 November Mangere WWTP BNR Project	13 December Huia WTP
Audit and Risk Committee Meeting		3 Feb Newmarket (before Board meeting)			5 May Newmarket		^1 August Newmarket (before Board meeting)	22 Aug Newmarket			8 Nov Newmarket	
Capital Projects Working Group		3 Feb Newmarket (after Board meeting)			24 May Newmarket (after Board meeting)			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 Waikato (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 Sol Key dates yet to be advised by Auckland Council		
Shareholder Interaction			1 March - Quarterly Briefing to CCO Governance & Monitoring Committee		TBC by Council - potentially workshop to replace 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	Septemeber	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				Refresh Audit & Risk Committee Charter Refresh Corporate Governance Charter						Audit & Risk Charter Annual Review (Audit & Risk)		
	Policy Reviews				Treasury Policy Review								
	Delegations				Annual Review of Board Delegations to CE								
	Risk Reviews	Details to follow											
	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		Wastewater: Energy Neutrality		Water: Huia Sludge Improvements	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	a) Approve half year accounts; b) Approve high level financial projections for draft Auckland Council 2016/2017 Annual Plan				a) Approve financial projections for final 2016/17 Annual Plan; b) Approve July 2016 price changes c) 2016/17 Treasury Strategy	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: 13 April 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"> – Chairman, TRG Group Ltd – Radiology Services – Chairman, Skin Institute Limited – Director, Hynds Ltd – Chairman, Health Alliance NZ Limited – Chairman, Jucy Group Limited
Peter Drummond	<ul style="list-style-type: none"> – Chairman, Appliance Connexion Ltd – Chairman, Watercare Harbour Clean Up Trust – Chairman, Variety Medical Missions South Pacific – Director, NARTA New Zealand Ltd – Director, NARTA International PTY Ltd – Director, Fire Services Commission – Director, Port Marlborough New Zealand Limited – Director, Ngati Awa Group Holdings Limited
Catherine Harland	<ul style="list-style-type: none"> – Director, McHar Investments Ltd – Director, Interface Partners Ltd – Trustee, One Tree Hill Jubilee Educational Trust – Member, Auckland Regional Amenities Funding Board
Tony Lanigan	<ul style="list-style-type: none"> – Director and Shareholder, A G Lanigan & Associates (2007) Limited – Director, Habitat for Humanity New Zealand Limited – Director and Shareholder, Lanigan Trustee Limited – Director and Chair, New Zealand Housing Foundation Limited – Director, Tamaki Makaurau Community Housing Limited – Member, Ministry of Health Hospital Redevelopment Partnership Group for Canterbury – Member, Ministry of Health Southern Partnership
Mike Allen	<ul style="list-style-type: none"> – Director, Coats Group PLC – Director, Godfrey Hirst Australia and related companies – Shareholder, Innoflow – Director, Tainui Group Holdings Limited – Director, Breakwater Consulting Limited – Director, China Construction Bank (New Zealand) Limited
Julia Hoare	<ul style="list-style-type: none"> – Director, AWF Madison Group Limited – Director, New Zealand Post Limited – Deputy Chairman, The A2 Milk Company Limited – Member, Auckland Committee, Institute of Directors – Member, External Reporting Advisory Board – Member, Institute of Directors National Council – Director, Port of Tauranga Limited

Nicola Crauford	<ul style="list-style-type: none"> - Director, Environmental Protection Authority - Member of Electoral Authority - Cooperative Bank Limited - Senior Consultant - WorleyParsons New Zealand Ltd - Director and Shareholder - Riposte Consulting Limited - Director and Shareholder - Crauford Robertson Consulting - Director and Shareholder - Martin Crauford Limited - Director, Wellington Water Limited - Director, Orion New Zealand Limited - Member, Local Government Risk Management Agency Establishment Board - Chairman, GNS Science International Limited - Deputy Chairman, Fire Services Commission
David Thomas	<ul style="list-style-type: none"> - Chairman, Ngati Whakaue Tribal Lands Inc - Council Member, Business New Zealand - Board Member, EMA (Northern) - Chairman, Gypsum Board Manufacturers of Australasia - Shareholder / Employee, Fletcher Building Limited - Director, New Zealand Ceiling & Drywall Supplies Limited

RECOMMENDATION

That the report be received.

Report prepared by:



R Fisher
Company Secretary

Approved by:



R Jaduram
Chief Executive

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests – Executive Management

Date: 13 April 2016

Executive	Interest
Raveen Jaduram	Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust Steering Committee Member – Business Leaders' Health and Safety Forum
Rob Fisher	Deputy Chairman - Middlemore Foundation President - Auckland University Rugby Football Club Trustee - Watercare Harbour Clean Up Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust
Brian Monk	Deputy Chairman - MIT Chairman Audit and Compliance Committee - MIT Trustee - Watercare Harbour Clean Up Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust
Steve Webster	Director – Howick Swimgym Limited
Shayne Cunis	Chairman – Kelston Boys High School Board of Trustees
Marlon Bridge	Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust
Martin Smith	Director – Heatley Smith Limited

RECOMMENDATION

That the report be noted.

Report prepared by:

R Chenery
Manager, Business Transformation

Approved by:

R Jaduram
Chief Executive

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

WATERCARE SCORECARD 2015/16

On budget, on time, within parameters Unfavourable but within parameters Major issue, needs attention

	SOI	2015/16 Target	Amber Threshold	Red Threshold	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	
1 Safe and Reliable Water																		
1a	☑	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1b	☑	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%	97%	97%	97%	96%	96%	96%	96%	96%	96%	96%	96%	96%	96%	95%
1i		≤10	>10 to 12	>12	7.2	7.0	6.8	6.6	6.6	6.4	6.2	5.9	5.6	5.5	5.4	5.4	4.9	
1j		Unrestricted	Subjective	Restrictions apply	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	
2 Healthy Waterways																		
2a		≤5	>5 to 7	>7	2.05	2.02	1.94	1.86	1.80	1.90	1.91	1.81	1.99	2.14	2.11	2.31	2.25	
2b	☑	≤ 2 overflows per year per engineered overflow point	Low risk non-compliance	High risk non-compliance														
2c	☑	≤10	>10 - ≤15	>15					0.03	0.03	0.04	0.03	0.05	0.05	0.03	0.03	0.03	
2d	☑	a) ≤2 b) ≤2 c) ≤2 d) ≤2	n/a	>2 (for any)					0	0	0	0	0	0	0	0	0	
2e		≤10	>10 to ≤12	>12	7.90	7.70	7.70	7.30	7.10	7.00	7.00	6.60	6.70	6.60	6.50	6.30	6.40	
2f		100%	98 to <100%	<98%				99.22%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
2g		35%	n/a	<35%				77%	84%	84%	88%	87%	88%	88%	88%	89%	88%	
3 Customer Satisfaction																		
3a	☑	≤ 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	
3b	☑	≤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	
3c	☑	≤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	
3d	☑	≤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	
3e	☑	≥80%	≥75% to <80%	<75%	83.5%	87.6%	84.4%	88.2%	84.6%	87.0%	86.0%	85.3%	85.1%	85.0%	84.8%	84.7%	84.9%	
3f	☑	≤ 10	>10 - ≤15	>15					7	7	6.9	6.7	6.5	6.3	6.0	5.8	5.7	
3g	☑	≤ 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	
3h	☑	≤ 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	
3i	☑	≤ 50	>50 - ≤75	>75					20.7	20.7	20.7	20.7	20.8	20.8	20.8	20.8	20.8	
3j		≤5	>5 to ≤5.5	>5.5	4.80	4.80	4.80	4.70	4.70	4.60	4.90	4.70	4.60	4.40	4.10	3.90	3.80	

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

WATERCARE SCORECARD 2015/16

		On budget, on time, within parameters	Unfavourable but within parameters	Major issue, needs attention															
		SOI	2015/16 Target	Amber Threshold	Red Threshold	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	
3k	Percentage of complaints being 'closed and resolved' within 10 working days (12 mth rolling average)	☑	>95%	≥90% to <95%	<90%	97.6%	98.1%	98.5%	98.5%	98.3%	98.9%	98.2%	97.4%	97.4%	97.1%	96.8%	97.0%	96.2%	
3l	Percentage attendance at the quarterly meetings of the Mana Whenua Kaiiaki Forum	☑	100%			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
4	Health, Safety and Wellbeing																		
4a	Lost-time injury frequency rate per million hours worked (12 month rolling average)	☑	≤5	5 - 7	>7	5.34	4.47	5.31	6.42	6.4	5.8	5.23	4.63	3.55	2.99	3.03	3.06	3.73	
4b	Percentage of total hours absent due to illness (12 mth rolling average)		≤2.5%	>2.5 to 3.5%	>3.5%	2.08%	2.07%	2.07%	2.09%	2.10%	2.09%	2.15%	2.14%	2.15%	2.16%	2.14%	2.12%	2.12%	
4c	Percentage of voluntary leavers relative to number of permanent staff (12 mth rolling average)	☑	≤12%	>12 to 14%	>14%	11.00%	11.19%	11.14%	10.84%	11.16%	10.86%	11.45%	11.28%	11.72%	12.30%	12.01%	12.45%	11.92%	
4d	Total recordable injury frequency rate per million hours worked (12 month rolling average)	☑	<30	>30 to <33	>33	17.20	18.33	19.45	19.84	18.65	19.13	16.86	16.80	17.05	15.53	15.73	15.90	17.39	
5	Financial Responsibility																		
5a	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	☑	≥2.5	2.4 to <2.5	<2.4	3.45	3.40	3.34	3.32	3.69	3.51	3.62	3.62	3.56	3.63	3.71	3.65	3.69	
5b	Percentage of household expenditure on water supply services relative to the average household income	☑	≤1.5%	1.2 to <1.5	>1.5	0.92%	0.92%	0.92%	0.87%	0.87%	0.87%	0.87%	0.87%	0.88%	0.88%	0.88%	0.88%	0.88%	
5c	Water & wastewater revenue against budget YTD %		≥100%	≥98% to <100%	<98%	100%	100%	100%	100%	101%	101%	101%	102%	102%	102%	102%	102%	102%	
5d	Infrastructure growth charge revenue against budget YTD %		≥100%	≥95% to <100%	<95%	156%	149%	146%	147%	102%	108%	114%	102%	91%	94%	103%	105%	104%	
5e	Controllable costs against budget YTD %		≤100%	>100 to <102%	>102%	98%	99%	101%	101%	94%	95%	93%	93%	94%	95%	94%	95%	95%	
5f	Total contribution against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	26.76	24.98	22.53	26.13	3.09	8.30	13.72	17.74	18.62	22.06	30.99	30.11	31.35	
5g	Net surplus / deficit before tax against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	-76.19	-67.08	-63.05	-66.59	-21.81	-16.16	-27.62	-21.55	-20.52	4.06	-24.71	-64.58	-73.74	
5h	Total net borrowing against budget YTD (\$ millions)		Negative	\$0.1m to \$10m	> \$10m	-71.70	-71.20	-86.10	-79.40	-22.40	-15.20	-21.90	-40.20	-46.10	-51.30	-52.70	-72.00	-89.10	
6	Fully Sustainable																		
6a	The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	☑	272 +/- 2.5%			273	273	273	271	271	271	271	271	272	273	272	272	272	
6b	Per capita consumption (litres / person / day) - Residential Monthly PCC		Information only			163	155	151	149	148	148	151	156	161	165	168	Reporting lag - data sourced from meter readings		
6c	Non-Domestic Monthly Water Volume		Information only			3,344,422	2,864,637	2,910,993	2,913,178	2,845,386	2,863,774	2,846,259	3,117,438	3,134,161	3,191,872	3,174,802	Reporting lag - data sourced from meter readings		
6d	Non-Revenue Water Percentage		Information only							16.72%	16.80%	16.81%	16.76%	16.74%	17.00%	16.74%	16.93%	16.67%	
6e	The percentage of real water loss from the local authority's networked reticulation system (rolling 12 mth average)	☑	≤13%	>13 to 13.2%	>13.2	13.66%	13.50%	13.31%	12.95%	12.89%	13.00%	13.10%	13.04%	13.06%	13.40%	13.10%	13.20%	12.99%	
6f	Percentage of annual potable water transmission system losses (12 month rolling average)		No specific target - information only							1.70%	1.89%	1.85%	1.89%	1.86%	1.87%	1.77%	1.85%	2.01%	
6g	Percentage of annual potable water network losses (12 mth rolling average) - Urban as a percentage of total volume		No specific target - information only			13.54%	13.38%	13.21%	12.85%	12.59%	12.73%	12.81%	12.82%	12.64%	12.97%	12.70%	12.80%	12.63%	
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%	0.43%	0.43%	0.42%	0.40%	
6i	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of rural volume		No specific target - information only			20.85%	20.35%	19.51%	19.06%	27.75%	27.67%	27.16%	26.62%	26.49%	27.01%	26.95%	26.90%	25.81%	
7	Policy Compliance																		
7a	Compliance with Treasury Policy		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	

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Watercare Services Limited

Subject: Chief Executive Report – March 2016

Date: 13 April 2016

1. HEALTH AND SAFETY

There were two lost-time injuries during March. The rolling 12 month measure LTIFR is 0.75 (stated target max 1.0) per 200,000 hours. This equates to 3.75 per million hours. TRIFR is 3.48 per 200,000 hours (17.4 per million hours).

Health and safety remains of critical importance to the Board and as such, Directors work with management to ensure that Watercare has a healthy, safe and engaged team. Directors undertake site visits during which they make observations and have conversations with staff, including those related to health and safety. These conversations allow Directors to engage with staff members directly and to gauge the culture of the organisation for themselves.

Watercare has a Health and Safety Policy statement that is reviewed annually, the most recent review having been conducted in March 2016. The Chief Executive reinforces the vision, mission and values of the business– including those relating to safety – through his numerous interactions with staff and contractors which in addition to day to day interactions at various Watercare sites, also include inductions for new starters, quarterly roadshows and weekly email updates.

To ensure there are no conflicting messages to workers, and to give employees permission to literally “put safety first” the Chief Executive has issued a personal safety commitment card that categorically confirms that each and every staff member has the Chief Executive’s authority to stop any activity they consider unsafe. They are in turn asked to make a corresponding commitment confirming that they understand that they must not personally engage in unsafe activity.

Whilst responsibility for health and safety rests squarely with Management, support is provided by health and safety functional staff in the form of technical expertise, training, safety literature and ensuring relevant and accessible resources are available to operational people. The Executive Management Team holds dedicated monthly policy and strategy meetings specifically focussed on safety direction within the organisation.

Watercare is integrating health and safety responsibilities into its expectations of managers to ensure that there is clear understanding of safety outcomes and accountabilities. More is required, including broader cultural and safety leadership training and further systems development.

While there are a number of new initiatives being implemented via the new Health and Safety Plan which was approved by the Board on 1 April 2016, existing plant and site systems for managing safety considerations are being reviewed with a view to achieving better alignment between those controls across the business and developing a framework within which all elements of the safety system and specific categories of work can be drawn together and cross referenced. The process of analysis of controls will be continuously reviewed, assessed and reformulated in response to incident and other data being collected in the electronic reporting systems. Over time these will also enable a wider range of analytics to be conducted in assessing the business performance in respect of health and safety.

2. CUSTOMER SERVICE

Performance against Statement of Intent measures for March was good with all customer service performance metrics above target for the month. The rolling 12 month average result for resolution of complaints within 10 working days was 96.2% against a target of 95%. Customer satisfaction in March was in line with the 12 month average with satisfaction at 86.1% for fault management, 82.2% for the maintenance field crews and 86.3% for billing and general enquires. The rolling 12 month average for customer satisfaction is above the 80% target for all three areas.

A comparison of utility price increases for the period 2013 – 2015 is attached as Appendix E.

3. INFRASTRUCTURE PROGRAMME

The infrastructure capital programme has delivered year to date \$186m against a budget of \$272m. The forecast to year end is to deliver \$270m against a budget of \$375m, this has decreased \$3.5m from the February forecast.

The main contributors to the reduction in forecast are \$2.0m of deferred spend on the Wynyard Quarter Project with a significant unforeseen obstacle encountered underground delaying the pipe laying, a \$0.5m reduction in forecast for the Waikato 175MLD Expansion Project and \$0.875m of renewals with their priorities under further review.

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

4. STATUTORY PLANNING

Proposed Auckland Unitary Plan

The rezonings and precincts hearings are scheduled to be completed at the end of April. There have been a number of contentious hearings, particularly for greenfield areas where developers have requested live zoning. The Panel has indicated that it is unlikely to recommend large-scale live zoning of proposed Future Urban Land. A few remaining hearings are now scheduled to be held in May. Once the hearings are complete, the Independent Hearing Panel will have until July to make its recommendation to Auckland Council. Auckland Council will then have a very short period of time to review the recommendations and make a decision whether to accept them.

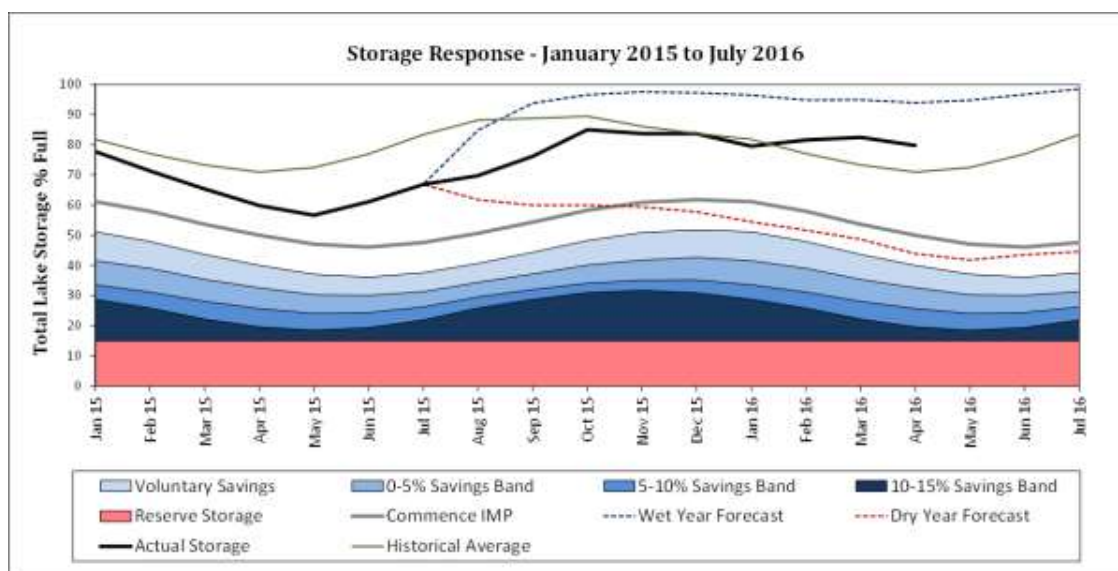
5. SERVICE DELIVERY

Rainfall and Water Resources

In March, below average rainfall was experienced in all catchments:

Waitakere Ranges	51% of average
Hunua Ranges	80% of average
Northern Non-metropolitan	48% of average
Southern Non-metropolitan	62% of average

However, rainfall across the region has been above average for the last 3 - 6 months. Metropolitan total system storage was 79.8% at the end of March, which is above the historical average storage for this time of year (73.3%).



Weather forecasts for April 2016 indicate rainfall is expected to be normal or above normal, temperature above average and soil moisture content to be near normal. Longer term, for April – June 2016, temperatures are most likely to be above average, with rainfall most likely to be normal or below normal.

El Niño conditions continue in the Tropical Pacific, but the event is clearly in a decaying phase. International guidance indicates that El Niño will continue, but weaken over the next three months. A return to normal conditions, or transition to La Niña, is expected by July-September.

There is an elevated likelihood that storage levels will reach 100% by the end of the recharge period. As such, the increased use of the Waikato and Onehunga sources has been reduced to hold storage levels around 80% for the next three months.

6. FINANCE

Financial Performance

	Current Month			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Figures (\$millions)									
Revenue	50.33	50.30	0.04	421.75	401.64	20.11	555.18	537.17	18.01
Operating Expenses	17.70	18.86	1.15	150.70	159.43	8.73	205.18	212.77	7.59
Depreciation	18.41	18.35	(0.06)	160.97	162.57	1.61	216.83	217.12	0.29
Interest expense	6.52	6.63	0.11	57.65	58.55	0.90	77.86	78.21	0.35
Total Contribution	7.70	6.45	1.24	52.43	21.08	31.35	55.31	29.07	26.23
Non-operating costs/(income)	1.30	0.24	(1.06)	7.73	2.28	(5.45)	8.93	3.00	(5.93)
Financial instruments revaluation - loss/(gain)	9.24	-	(9.24)	99.64	-	(99.64)	99.64	-	(99.64)
Operating Surplus / (Deficit) Before Tax	(2.84)	6.21	(9.06)	(54.94)	18.80	(73.74)	(53.26)	26.07	(79.33)
Deferred Tax - Expense/(Credit)	0.75	5.63	4.88	(11.38)	16.33	27.70	(7.05)	21.49	28.54
Net Surplus / (Deficit) After Tax	(3.60)	0.58	(4.18)	(43.56)	2.48	(46.04)	(46.21)	4.58	(50.79)
FFO Ratio				3.69	3.27		3.59	3.25	
Operating EBITDAF	32.63	31.44	1.19	271.06	242.21	28.84	350.00	324.40	25.59
EBITDA	22.09	31.20	(9.11)	163.69	239.93	(76.25)	241.43	321.40	(79.97)
EBIT	3.67	12.84	(9.17)	2.72	77.36	(74.64)	24.60	104.28	(79.68)

Month – Total Contribution of \$7.70m - favourable variance to budget of \$1.24m

Total revenue was favourable \$0.04m to budget due to favourable vested asset income \$1.5m partially offset by water and wastewater revenue unfavourable by \$1.2m.

Operating expenses were favourable \$1.15m to budget with favourable variances for asset operating costs and professional services partially offset by net labour.

Depreciation was unfavourable \$0.06m to budget.

Interest expense was \$0.11m favourable to budget.

Year to date – Total Contribution of \$52.43m - favourable variance of \$31.35m

Year to date revenue is \$20.11m favourable to budget primarily due to vested asset income favourable \$16.72m and IGC revenue favourable \$1.64m. Water and wastewater revenue is favourable \$4.03m and year to date water volumes are 0.59% over budget.

Operating expenses are \$8.73m favourable to budget with favourable variances for asset operating costs, professional services and general overheads partially offset by net labour.

Depreciation is favourable \$1.61m to budget.

Interest expense is \$0.90m favourable to budget.

Year to Date – Net Deficit after Tax of \$43.56m – unfavourable variance of \$46.04m

The unfavourable variance of \$46.04m is primarily due to the unfavourable revaluation of financial instruments of \$99.64m resulting from the decrease in medium to long term swap rates since June 2015 partially offset by a favourable operating contribution \$31.35m.

Full year Forecast – Operating Contribution of \$55.3m – favourable variance of \$26.2m

Full year revenue is forecast at \$555.2m, favourable by \$18.0m largely due to expected higher than budgeted vested asset revenue favourable \$16.7m. Water revenue forecast is being held at budgeted levels. The wastewater revenue is forecast to achieve budget in the second half of the year on top of the above budget performance the first half of the year.

Operating expenses are expected to be favourable to budget by \$7.6m with favourable variances for professional services, asset operating expenses and general overheads partially offset by net labour.

Depreciation costs are forecast to be consistent with budget at year end.

Interest expensed through the P&L is expected to be consistent with budget at year end; largely due to lower debt than budgeted offset by lower capitalised interest than budgeted.

Financial Position

\$million	Actual Feb-16	Actual Mar-16	Monthly Movement	Budget Mar-16	Var from Budget
Non Current Assets	8,660.3	8,667.5	7.2	8,745.7	(78.2)
Current Assets	85.8	79.1	(6.7)	84.3	(5.1)
Total Assets	8,746.2	8,746.6	0.5	8,830.0	(83.4)
Other Liabilities	362.1	370.9	8.7	290.7	80.2
Deferred Tax Liability	999.0	999.8	0.7	1,036.2	(36.4)
Borrowings - Short Term	405.9	406.6	0.7	358.3	48.4
Borrowings - Long Term	1,144.5	1,138.3	(6.2)	1,275.7	(137.4)
Shareholders Funds	5,834.7	5,831.1	(3.5)	5,869.2	(38.1)
Total Liabilities and Shareholders Funds	8,746.2	8,746.6	0.5	8,830.0	(83.4)

The major movement in the Statement of Financial Position as at 31 March 2016 compared with 29 February 2016 was the decrease in debt and trade debtors, increase in non-current assets reflecting capital expenditure net of depreciation in the month and the movement in derivative financial instruments (Other liabilities).

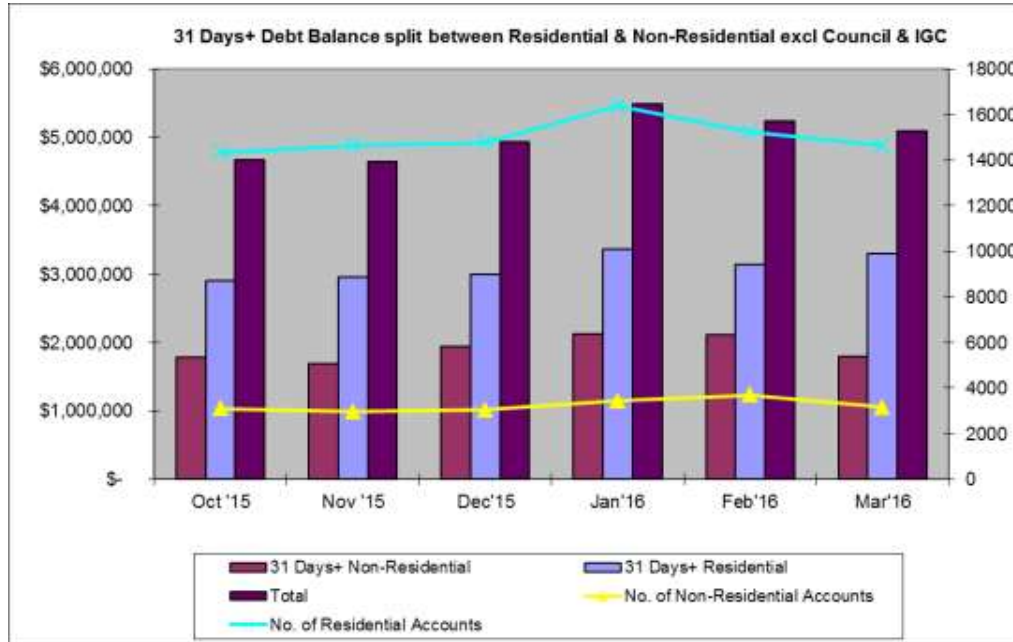
Compared with budget the material variances are largely in respect of the property, plant and equipment, deferred tax, derivative financial instruments (Other liabilities) and debt. In addition to

the impact of beneath budget capex spend the variances primarily reflect a different opening position on 1 July 2015 than that assumed when the budget was set, including a lower level of revaluation of property, plant and equipment than expected. Net debt at \$1,545m is \$89.0m beneath budget.

Aged Receivables

The 31 days+ debt balance at the end of March was \$5.1m, \$0.1m lower than February 2016.

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



Water Utility Consumer Assistance Trust (WUCAT) (Note: All figures supplied by WUCAT.)

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

WUCAT Summary			
Financial year	Trust approved applications (includes WSL additional write offs)		\$000's
Jun-12	33	\$	29
Jun-13	172	\$	196
Jun-14	123	\$	114
Jun-15	150	\$	149
(YTD) Jun-16	84	\$	69
Total	562	\$	556

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.

Mar-16

Summary of WUCAT Arrangement Approvals			
No. of Arrangements Entered Into	No. of Arrangements Fully Satisfied	No. of Arrangements Still Being Met	No. of Arrangements Lapsed Unfulfilled
562	435	55	72

Amount of Relief Approved \$	Amount of Relief Fully Earned \$	Relief Yet to be Fully Earned \$	Relief Voided due to Lapsed Unfulfilled Arrangement \$
\$556k	\$453k	\$57k	\$49k

The results of the last 3 WUCAT meetings have seen 27 applicants successfully complete the budget process and have \$22k of hardship relief approved by the Trust.

WUCAT Summary last 3 meetings		
Month	Trust approved applications	\$000's
Jan-16	0	\$ -
Feb-16	12	\$ 10.98
Mar-16	15	\$ 11.06
Total	27	\$ 22

Restrictions

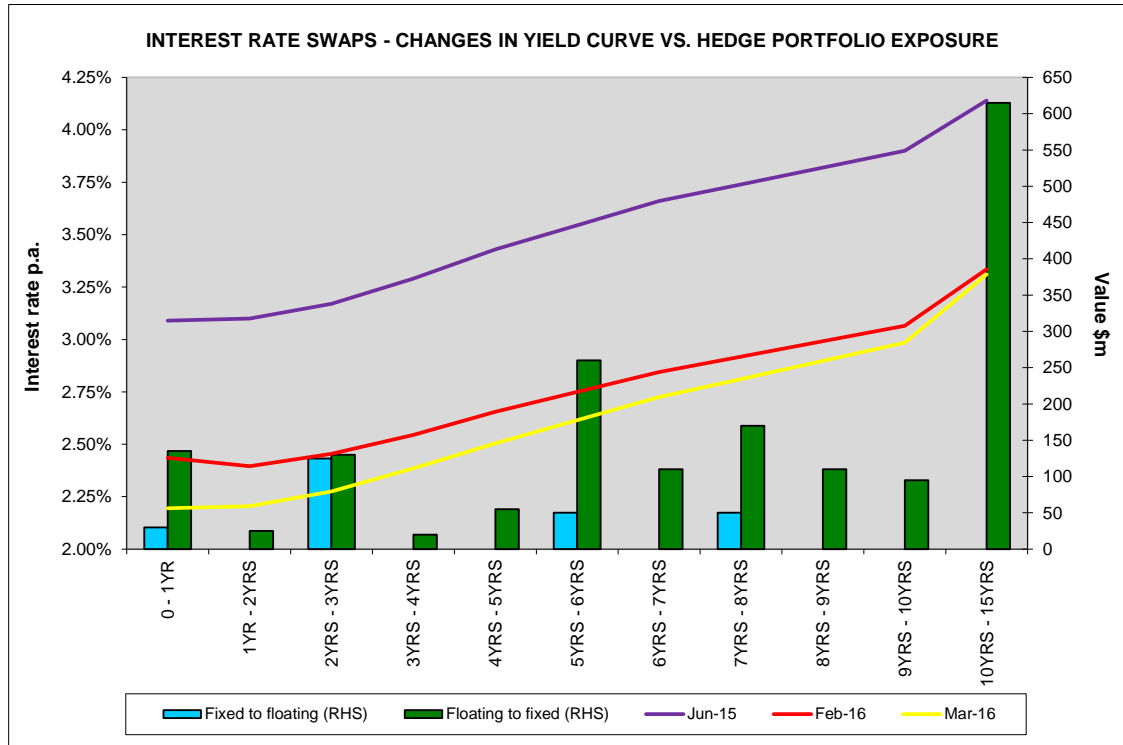
There was no change in the status of water restrictions during March. The table below summarises the restrictions carried out by Watercare Services Limited.

Restriction Summary Year-ending	Commercial		Residential		Total	
	Restriction	De-restriction	Restriction	De-restriction	Restriction	De-restriction
30-Jun-12	1		5		6	0
30-Jun-13	13	11	6	4	19	15
30-Jun-14	20	20	17	14	37	34
30-Jun-15	31	30	53	39	84	69
(YTD) 30-Jun-16	4	5	14	13	18	18
Total	69	66	95	70	164	136
Restrictions currently	3		25		28	

The following restrictions remain in place:

- Six 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 19 residential restrictions remain in place on occupied properties and communication continues with these customers.
- Three commercial properties remain restricted at the end of March and communication continues with these customers.

Treasury



Interest Analysis \$million	Current Month			Year to date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	6.52	6.63	0.11	57.65	58.55	0.90	77.86	78.21	0.35
Capitalised Interest	0.97	1.69	0.72	9.16	13.14	3.98	12.08	18.50	6.42
Gross Interest	7.49	8.32	0.83	66.81	71.70	4.88	89.94	96.71	6.77
Less Interest Income	0.00	-	(0.00)	0.02	-	(0.02)	0.02	-	(0.02)
Net Interest	7.49	8.32	0.83	66.79	71.70	4.90	89.92	96.71	6.79

For the month net interest is favourable to budget \$0.83m; largely due to lower debt than budgeted.

Capital Expenditure

Summary Capital Expenditure (\$millions)	Month March 2016			Year to Date			Full Year			
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var	Prior Month Forecast
Wastewater Projects										
Strategy & Planning	0.4	1.7	1.4	3.4	10.6	7.2	4.1	16.7	12.6	4.3
Infrastructure Delivery (excl Labs/MS)	13.4	17.8	4.4	101.0	139.9	38.9	142.5	191.0	48.4	145.4
Water Projects										
Strategy & Planning	0.2	2.0	1.8	2.1	8.1	6.0	3.6	15.5	11.9	3.6
Infrastructure Delivery (excl Labs/MS)	7.2	7.4	0.3	62.0	68.8	6.8	82.8	90.5	7.7	82.7
Service Delivery	1.6	4.8	3.2	16.7	37.2	20.5	31.6	52.6	21.0	33.0
Retail	0.7	0.6	(0.1)	4.8	6.2	1.4	6.8	8.1	1.4	6.7
Information Services	0.5	0.4	(0.2)	4.7	6.3	1.6	8.1	7.4	(0.7)	7.9
Other Projects	0.8	1.0	0.2	5.4	12.1	6.6	9.2	15.0	5.8	9.2
TOTAL	24.8	35.9	11.0	200.1	289.2	89.1	288.6	396.7	108.1	292.9
Includes Capitalised Interest of:										
Water Projects Capitalised Interest	0.4	0.7	0.3	4.3	5.8	1.6	5.4	8.2	2.8	5.4
Wastewater Projects Capitalised Interest	0.6	1.0	0.4	4.9	7.3	2.4	6.7	10.3	3.6	6.6
Total Capitalised Interest	1.0	1.7	0.7	9.2	13.2	4.0	12.1	18.5	6.4	12.0

Capital expenditure for the month was \$24.8m against a budget of \$35.9m and full year forecast of \$288.6m has decreased by \$4.3m from prior month full year forecast. The forecast for the full year is \$108.1m beneath budget. The main contributors to this variance, as discussed in the February Board meeting are:

- a review of projects to ensure strategic asset needs are being met;
- project savings achieved;
- delays in project commencement partially offset by projects ahead of budgeted timetable; and
- a reduction in capitalised interest as a result of the reduced capital spend.

7. BOARD CORRESPONDENCE

There was no correspondence during the month.

8. EXECUTION OF DOCUMENTS

There were eight documents executed during March in accordance with the delegated authority provided to the Chief Executive by the Board in relation to deeds, instruments and other documents. These included five approvals to register easements, one to register a compensation certificate, one Sale and Purchase agreement to acquire land, and one Entry Agreement for access to construct.

There were five capex approvals totaling \$5.252m signed in accordance with the delegated authority provided to the Chief Executive by the Board in relation to capex approvals below a threshold of \$15m.

Summary of Capital Projects Approved by the Chief Executive – March 2016		
C-11067-03	Mairangi Bay Rising Main Replacement Stage 2B: Capex Extension	\$1,271,156
C-12500-04	UPS (x2)	\$61,230
C-12592-01	Planned Meter Replacement Programme	\$2,812,000
C-12683	Northern DeltaV sites upgrade from Version 10 to Version 12	\$517,000
C-12692	Waikato WTP Discharge Permit Replacements	\$465,000
C-12695	Accounts Payable Automation Solution	\$126,596

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

Summary of Contract Awards – March 2016		
4/03/2016	Pipeline and Civil	Kirkbride 355mm Network Connections
7/03/2016	McConnell Dowell	Upper Glen Eden Storage Tank and Branch Sewer Upgrades - Contractor Approval
23/03/2016	Ergo / WA Fisher / ControlWeb / NZ Controls / Tamaki Controls	NCU2 - Software Development and Commissioning Support

9. COMMUNICATIONS

Media summary

Media coverage has been light over the past few weeks. The Botany and Ormiston Times ran a positive article on checking for leaks in late March, based on the content in our customer newsletter *Tapped In*.

The Watercare Harbour Clean-Up Trust received favourable coverage in suburban newspapers as well as in the New Zealand Herald due to its involvement in clean up days in the Manukau Harbour during Seaweeek.

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.

Month	Activity	Status
April	Domestic customers are receiving a flyer on how we make bill payment easy. It includes information on the Water Utility Consumer Assistance Trust. We are currently working with the Trust to improve their collateral.	Distribution underway
	Mangere Bridge residents will receive a <i>Mangere Matters</i> after the open days in early April. It will cover the open days as well as the new road to Puketutu Island.	Planned
May	Depending on when the pricing for 2016/17 is confirmed, domestic and non-domestic customers will receive information on the price rise.	Planned
June	Domestic and non-domestic customers will receive the winter issue of <i>Tapped In</i> which will focus on we are meeting the needs of our communities and the environment, both now and into the future.	Planned

Within the customer area, work is being undertaken to improve customers' e-billing experience through the creation of a more engaging and interactive email template that aligns with our external branding. In addition, work is being undertaken to create welcome packs for new customers that have useful transactional, contractual and company information.

Stakeholder communications

Planned/underway:

- Public and stakeholder tours of the Mangere Wastewater Treatment Plant will be held on 8, 9 and 10 April. These tours will follow the same format as the Rosedale and Ardmore tours in 2015 however they will run across three days as we are expecting more than 200 visitors.
- Public information drop-in sessions for the North Harbour No. 2 and Northern Interceptor designation process will be held in April.
- Planning is underway for public information drop-in sessions for the south west wastewater servicing project.
- Work is underway to produce a book illustrating the water treatment and distribution process, from dam to tap.
- Our education programme continues to be positively received by both schools and media. With terms one and two fully booked, the education coordinator is now scheduling school visits for terms three and four.
- A 'World Water Day' information and education pack was developed and made available to schools through our website.

Internal communications

Completed:

- Staff received the newsletter *Your Source* and the H&S poster *Homesafe* in early April. The H&S poster focused on the benefits of the flu vaccine.
- Staff continued to receive weekly messages from the chief executive.

Underway:

- The new intranet will be launched in mid-May.

10. WORKING WITH LOCAL BOARDS

Over the past month Local Board briefings were given to a number of local boards. These included general briefings to Kaipatiki, Whau and Franklin Local Boards. Project specific workshops on the Central Interceptor and the North Harbour No. 2 and Northern Interceptor Designations were also held with the Albert Eden and Henderson Massey Local Boards respectively. Watercare also joined Auckland Council stormwater to provide information to the Maungakiekie Tamaki Local Board on works that will help improve the Omaru Creek Catchment. A workshop with the Upper Harbour Local Board helped to progress proposed works in Centorian Reserve which will help benefit Watercare and parks.

Local Board members from the Whau, Orakei and Waitemata Local Boards will join Watercare for the tour of Mangere Wastewater Treatment Plant on 8 April.

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

11. MAORI ENGAGEMENT PROGRAMME

15 Watercare staff were formally welcomed on to the Waikato Tainui Turangawaewae Marae on the 7th of April 2016 and hosted overnight at the Waikato-Tainui College for Research and Development at Hopuhopu, Ngaruawahia. On the 8th of April, ten Watercare staff members paddled 18 km by waka or were on the support boat with Waikato-Tainui down the Waikato River from the Elbow sportsground to Port Waikato. A reciprocal tour of southern Watercare sites occurred with Waikato-Tainui representatives on the 11th of April.

12. CYBER SECURITY

The Cyber-Risk Practice Guide issued by the Institute of Directors (IoD) and the National Cyber Security Centre (NCSC) Cyber Security and Risk Management Guidance has been reviewed and is being used to guide the development of a Cyber Security Framework for Watercare.

In line with the above guidance, the framework will cover all of the requirements to ensure the robustness of Watercare's critical IS systems in the event of a cyber-attack including:

- Prevention
- Protection
- Detection
- Response
- Recovery

The key components of the guidance include the deployment of anti-virus tools and software patching/updates. These are already in operation within Watercare. To supplement the existing controls, Management is following the IoD and NCSC Cyber Security guidance regarding:

- Detection procedures should IS systems be compromised
- Verification of cyber control environments for outsourced services
- Forensic support for response and recovery

A number of external reviews/tests have already been conducted including penetration testing, USB drops and patching. Cyber security is a rapidly developing and complex area and the capability of Watercare staff to provide this support is being assessed. Where we do not have appropriate internal experience and capability, we will retain external advice.



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R Jaduram
CHIEF EXECUTIVE

WATERCARE SERVICES LIMITED

Management Report

Mar-16

4

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● Statement of Financial Performance	A1
● Statement of Cash Flows	A2
● Statement of Financial Position	A4
2 Treasury Management	
● Treasury Risks & Interest Rate Performance	A5
● Counterparty Exposures, Debt Concentration & Covenant Compliance	A6
● Foreign Exchange & Commercial Paper Maturity	A7

WATERCARE SERVICES LIMITED**Mar-16****4****Key Financial Indicators**

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

Key to Financial performance, Financial position and cashflow measures

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



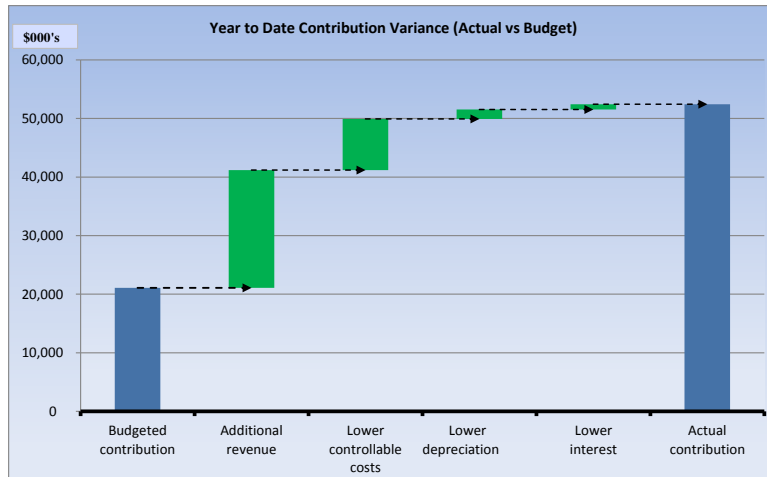
The recent downward revision to forecast debt increases has seen a consequential proportional decrease in the Treasury Policy fixed interest limits. As the fixed interest rate hedging profile was built up when forecast debt was much higher, this has caused the profile to exceed the Treasury Policy upper 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 \$63 million on \$1,633 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 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.

WATERCARE SERVICES LIMITED												Mar-16
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE												(\$000's)
	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
Wastewater revenue	25,889	26,532	(643)	✘	230,549	226,360	4,189	✔	304,475	300,286	4,189	✔
Water revenue	12,710	13,300	(590)	✘	107,995	108,344	(349)	✘	142,362	142,982	(619)	✘
Infrastructure growth charge revenue	5,704	5,858	(154)	✘	41,582	39,946	1,636	✔	57,520	57,520	0	↔
Other revenue	3,719	3,746	(26)	✘	17,411	19,240	(1,829)	✘	24,016	26,044	(2,028)	✘
Revenue from exchange transactions	48,022	49,435	(1,413)	✘	397,538	393,890	3,647	✔	528,373	526,832	1,541	✔
Vested assets revenue	2,312	861	1,450	✔	24,217	7,753	16,464	✔	26,802	10,338	16,464	✔
Revenue from non-exchange transactions	2,312	861	1,450	✔	24,217	7,753	16,464	✔	26,802	10,338	16,464	✔
Total revenue	50,334	50,297	37	✔	421,755	401,644	20,111	✔	555,176	537,170	18,006	✔
Labour	6,297	6,849	552	✔	54,044	58,003	3,959	✔	74,158	78,478	4,320	✔
Contract labour	294	202	(92)	✘	1,683	1,701	18	✔	2,517	2,274	(242)	✘
Oncosts	265	314	50	✔	2,341	2,775	434	✔	3,276	3,718	442	✔
Labour recoveries	(2,676)	(3,422)	(746)	✘	(23,608)	(29,181)	(5,573)	✘	(33,011)	(39,436)	(6,425)	✘
Net labour	4,180	3,943	(236)	✘	34,461	33,298	(1,162)	✘	46,940	45,035	(1,905)	✘
Materials & cost of sales	219	184	(35)	✘	1,625	1,584	(41)	✘	2,534	2,106	(429)	✘
Planned maintenance	1,366	1,912	547	✔	10,371	12,073	1,702	✔	14,634	16,002	1,368	✔
Unplanned maintenance	3,411	2,795	(616)	✘	27,693	24,634	(3,059)	✔	35,372	32,542	(2,830)	✘
Asset operating costs - chemicals	879	999	120	✔	7,930	7,907	(23)	✘	10,855	10,653	(202)	✘
Asset operating costs - energy	1,444	1,516	72	✔	12,984	12,814	(170)	✘	17,693	17,801	108	✔
Operating costs - other	2,980	3,744	765	✔	27,225	32,123	4,897	✔	38,347	42,855	4,509	✔
Depreciation and amortisation	18,415	18,354	(60)	✘	160,969	162,574	1,605	✔	216,832	217,122	290	✔
Asset operating costs	28,494	29,321	828	✔	247,172	252,125	4,953	✔	333,733	336,975	3,242	✔
Communications	32	164	133	✔	1,190	1,529	339	✔	1,677	2,019	342	✔
Professional services	732	1,239	507	✔	6,462	11,428	4,966	✔	9,216	14,637	5,421	✔
Interest	6,518	6,631	113	✔	57,652	58,554	902	✔	77,859	78,207	348	✔
General overheads	2,463	2,361	(102)	✘	20,758	22,041	1,283	✔	27,909	29,117	1,208	✔
Overheads	9,745	10,395	650	✔	86,062	93,552	7,490	✔	116,661	123,980	7,319	✔
Total expenses	42,637	43,843	1,207	✔	369,320	380,560	11,239	✔	499,869	508,096	8,227	✔
Total contribution/(loss)	7,698	6,454	1,244	✔	52,435	21,084	31,351	✔	55,307	29,074	26,233	✔
Gain/loss on disposal of fixed assets and other costs	1,300	240	(1,060)	✘	7,732	2,280	(5,452)	✘	8,926	3,000	(5,926)	✘
Gain/loss on revaluation of financial instruments	9,242	-	(9,242)	✘	99,638	-	(99,638)	✘	99,638	-	(99,638)	✘
Non operating (costs)/revenue	10,543	240	(10,303)	✘	107,370	2,280	(105,090)	✘	108,564	3,000	(105,564)	✘
Net surplus/(deficit) before tax	(2,845)	6,214	(9,059)	✘	(54,936)	18,804	(73,740)	✘	(53,258)	26,074	(79,332)	✘
Income Tax Expense/(benefit)	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	750	5,630	4,879	✔	(11,377)	16,327	27,704	✔	(7,050)	21,490	(28,540)	✘
Net surplus/(deficit) after tax	(3,595)	584	(4,179)	✘	(43,559)	2,477	(46,036)	✘	(46,208)	4,584	(50,792)	✘

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



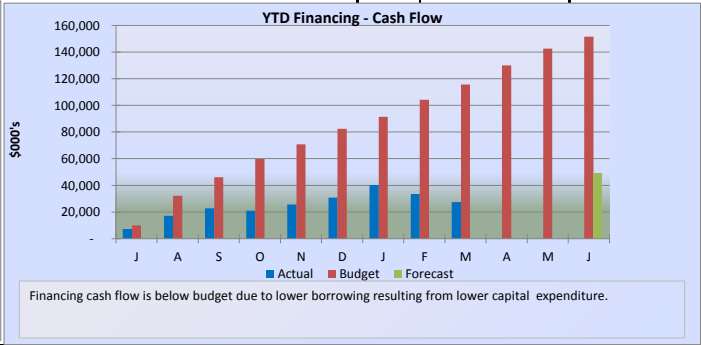
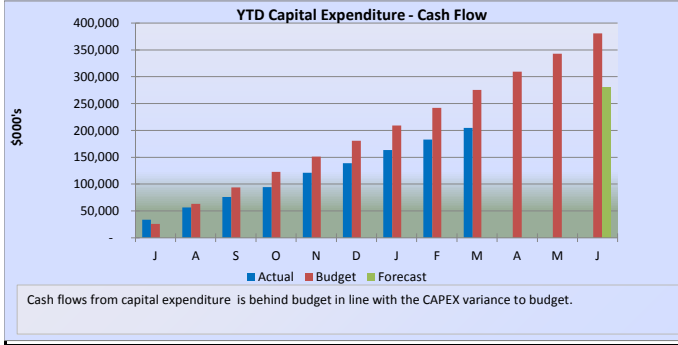
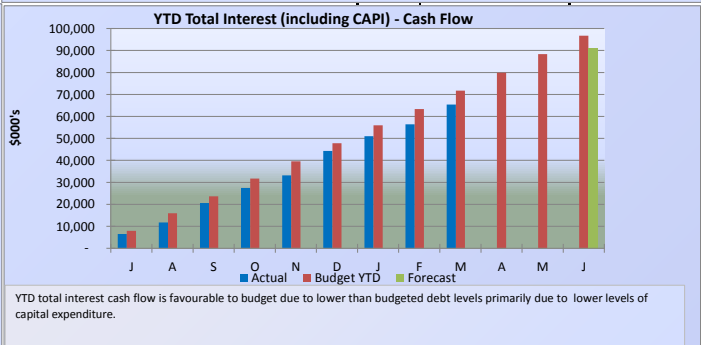
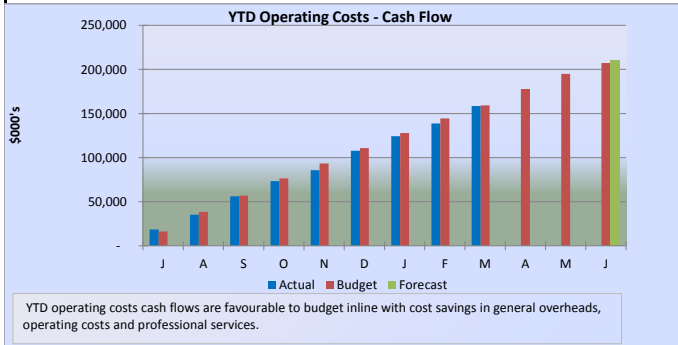
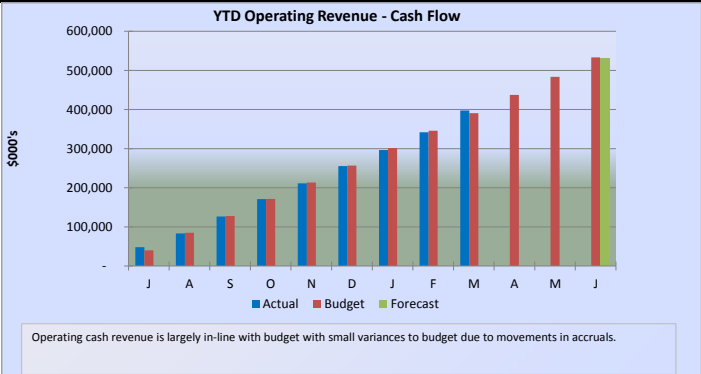
WATERCARE SERVICES LIMITED
STATEMENT OF CASH FLOWS

Mar-16

(\$000's)												
NZ \$000s	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
Operating Cash flow:												
Operating Revenue	55,624	45,043	10,581	✓	397,596	390,689	6,907	✓	530,071	533,286	(3,214)	✗
Operating Costs	(19,616)	(14,862)	(4,754)	✗	(158,384)	(159,295)	911	✓	(210,437)	(207,334)	(3,103)	✗
Interest Paid	(7,956)	(6,631)	(1,325)	✗	(56,211)	(58,554)	2,343	✓	(78,927)	(78,207)	(720)	✗
OPERATING CASH FLOW	28,052	23,551	4,502	✓	183,001	172,840	10,161	✓	240,707	247,745	(7,037)	✗
Investing Cash flow:												
Capital Expenditure	(21,913)	(33,432)	11,519	✓	(204,773)	(275,365)	70,592	✓	(281,104)	(380,773)	99,669	✓
Capitalised Interest (CAPI)	(970)	(1,689)	719	✓	(9,162)	(13,143)	3,981	✓	(12,082)	(18,501)	6,419	✓
INVESTING CASH FLOW	(22,883)	(35,122)	12,239	✓	(213,935)	(288,508)	74,573	✓	(293,186)	(399,274)	106,088	✓
Financing Cash flow:												
Short Term Advances/(Repaid)	(6,000)	(6,000)	-	✓	5,500	5,500	-	✓	5,500	5,500	-	✓
Commercial Paper Issued/(Repaid)	39	39	-	✓	340	340	-	✓	340	340	-	✓
Auckland Council Borrowings/(Repaid)	(172)	17,532	(17,704)	✓	21,598	109,828	(88,230)	✓	43,142	145,689	(102,547)	✓
FINANCING CASH FLOW	(6,133)	11,571	(17,704)	✓	27,438	115,668	(88,230)	✓	48,982	151,529	(102,547)	✓
Net Increase (Decrease) in Cash and Cash Equivalents	(964)	-	(964)	✗	(3,496)	-	(3,496)	✗	(3,497)	-	(3,497)	✗
Opening Cash Balance/(Overdraft)	260	-	260	✓	2,792	-	2,792	✓	2,792	-	2,792	✓
Ending Cash Balance/(Overdraft)	(704)	-	(704)	✗	(704)	-	(704)	✗	(704)	-	(704)	✗

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

Reconciliation Operating Cashflow (\$000's)					
	Current Month		Year to Date		
	Actual	Budget	Actual	Budget	Variance
Net Surplus (Deficit) After Tax	(3,595)	584	(43,559)	2,477	(46,036)
Add back non cash items:					
Depreciation and amortisation	18,415	18,354	160,969	162,574	(1,605)
Financial instruments revaluation	9,242	-	99,638	-	99,638
Vested assets revenue	(2,312)	(861)	(24,217)	(7,753)	(16,464)
Other non-operating exp/(inc)	1,300	240	7,346	2,280	5,066
Income Tax Expense/(Benefit)	750	5,630	(11,377)	16,327	(27,704)
Movements in Working Capital	4,252	(396)	(5,799)	(3,064)	(2,735)
OPERATING CASH FLOW	28,052	23,551	183,001	172,840	10,161

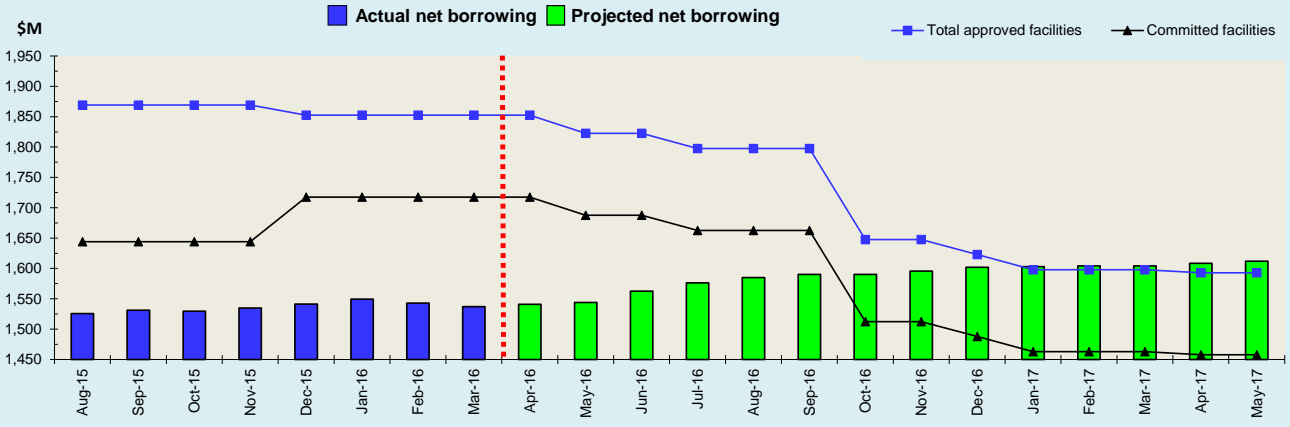


WATERCARE SERVICES LIMITED								Mar-16
STATEMENT OF FINANCIAL POSITION								(\$000's)
June 2015 Actual	February Actual		March			June 2016		
			Actual	Budget	Variance	Forecast	Budget	Variance
		Current assets						
2,792	260	Cash and cash equivalents		-	-	-	-	-
47,826	52,097	Trade and other receivables from exchange transactions	45,904	51,557	(5,653)	48,000	51,198	(3,198)
19,524	23,312	Unbilled revenue accrual	22,338	22,640	(302)	18,602	20,044	(1,442)
3,000	2,961	Prepaid expenses	2,692	2,993	(301)	2,260	2,307	(47)
4,058	5,728	Inventories	5,768	4,539	1,229	5,768	4,539	1,229
2,310	1,489	Derivative financial instruments	2,409	2,526	(117)	2,409	2,526	(117)
79,511	85,848	Total current assets	79,111	84,255	(5,144)	77,039	80,614	(3,575)
		Non-current assets						
8,172,155	8,301,480	Property, plant and equipment	8,318,949	8,403,587	(84,638)	8,399,988	8,607,480	(207,493)
383,539	443,192	Construction/work-in-progress	445,287	452,027	(6,740)	454,137	462,687	(8,550)
(27,673)	(163,936)	Provision for depreciation	(181,497)	(187,835)	6,338	(235,578)	(240,925)	5,347
8,528,021	8,580,736	Total property, plant and equipment	8,582,739	8,667,779	(85,040)	8,618,548	8,829,243	(210,696)
40,184	36,940	Intangible assets	42,342	43,273	(931)	43,136	42,838	299
23,692	23,394	Prepaid expenses	23,356	23,385	(29)	23,245	23,274	(29)
3,884	4,439	Inventories	4,446	3,504	942	4,446	3,504	942
9,086	14,825	Derivative financial instruments	14,624	7,794	6,830	14,624	7,794	6,830
8,604,867	8,660,334	Total non-current assets	8,667,507	8,745,735	(78,228)	8,703,999	8,906,653	(202,654)
8,684,378	8,746,182	Total assets	8,746,618	8,829,990	(83,372)	8,781,038	8,987,267	(206,229)
		Current liabilities						
-	-	Bank Overdraft	705	-	705	705	-	705
148,693	148,994	Commercial paper	149,033	148,640	393	149,033	148,640	393
30,264	30,272	Bonds (18/05/16)	30,274	30,272	2	30,274	30,263	10
-	150,000	Term loan	150,000	150,000	-	150,000	150,000	-
18,918	76,634	Auckland council loan	76,627	29,349	47,278	76,627	29,328	47,299
197,875	405,900	Total debt current	406,639	358,261	48,378	406,639	358,231	48,407
19,407	16,563	Trade and other payables for exchange transactions	12,841	23,971	(11,130)	18,898	25,228	(6,330)
10,380	15,072	Interest accrued	12,828	14,035	(1,207)	10,380	15,216	(4,836)
58,862	47,075	Other accrued expenses	51,611	50,268	1,343	58,593	50,316	8,277
6,926	6,509	Provision for staff benefits	6,685	5,442	1,243	6,685	4,953	1,732
5,170	2,056	Other provisions	2,056	5,525	(3,469)	1,792	9,149	(7,357)
22,179	30,318	Derivative financial instruments	32,974	19,441	13,533	32,974	19,441	13,533
320,799	523,493	Total current liabilities	525,634	476,943	48,691	535,961	482,533	53,426
		Non-current liabilities						
75,000	75,000	Bonds (26/10/18)	75,000	75,000	-	75,000	75,000	-
50,667	50,484	Bonds (26/10/18)	50,460	50,681	(221)	50,460	50,689	(229)
150,000	-	Term loan (13/10/16)	-	-	-	-	-	-
-	11,500	Bank revolving credit facility	5,500	5,500	-	5,500	21,500	(16,000)
1,043,422	1,007,475	Auckland council loan	1,007,310	1,144,508	(137,198)	1,028,795	1,164,392	(135,597)
1,319,089	1,144,459	Total debt non-current	1,138,270	1,275,689	(137,419)	1,159,755	1,311,581	(151,826)
18,700	17,232	Other accrued expenses	17,203	29,489	(12,286)	18,203	29,683	(11,480)
3,484	3,577	Other Provisions	3,624	3,624	-	3,555	-	3,555
1,267	1,296	Provision for staff benefits	1,302	1,673	(370)	1,302	1,751	(448)
135,247	222,422	Derivative financial instruments	229,726	137,203	92,523	229,726	137,203	92,523
1,011,130	999,001	Deferred tax liability	999,751	1,036,169	(36,419)	1,004,078	1,072,657	(68,579)
2,488,917	2,387,987	Total non-current liabilities	2,389,877	2,483,847	(93,970)	2,416,619	2,552,875	(136,254)
2,809,715	2,911,480	Total liabilities	2,915,511	2,960,790	(45,279)	2,952,580	3,035,408	(82,828)
		Equity						
260,693	260,693	Issued capital	260,693	260,693	-	260,693	260,693	-
1,812,971	1,814,421	Revaluation reserve	1,814,575	1,812,974	1,601	1,814,575	1,893,526	(78,951)
3,856,351	3,799,551	Retained earnings	3,799,398	3,793,056	6,342	3,799,398	3,793,056	6,342
(55,352)	(39,963)	Current year earnings after tax	(43,559)	2,477	(46,036)	(46,208)	4,584	(50,792)
5,874,663	5,834,702	Total equity	5,831,107	5,869,200	(38,093)	5,828,458	5,951,859	(123,401)
8,684,378	8,746,182	Total equity and liabilities	8,746,618	8,829,990	(83,372)	8,781,038	8,987,267	(206,229)

TREASURY RISKS AND INTEREST RATE PERFORMANCE

Mar-16

4



Interest rates

	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	4.91%	4.28%	4.89%
Weighted averages (incl. fees and margins)	5.98%	N/A	5.96%

Debt (\$m)

	Actual	Budget	Variance
Short-term borrowings	405.9	358.3	47.6
Long-term borrowings	1,138.3	1,275.7	(137.4)
Total gross debt	1,544.2	1,634.0	(89.8)
Bank overdraft / (cash & deposits)	0.7	-	0.7
Total net borrowing	1,544.9	1,634.0	(89.1)

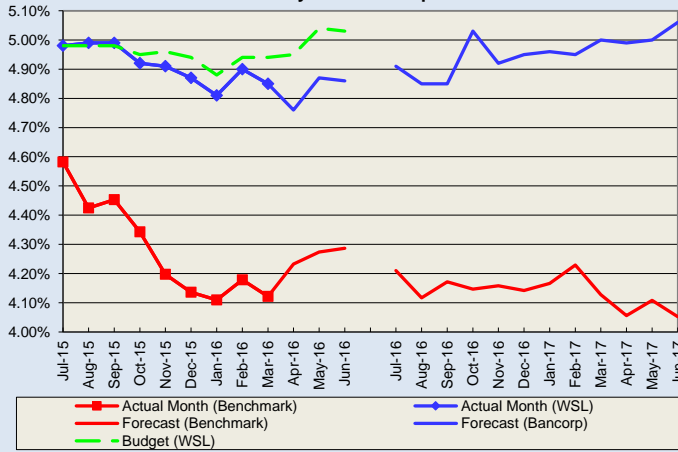
Committed facilities

- Westpac Term Loan facility	\$150 million
- BNZ CP Standby facility	\$175 million
- Westpac Revolving Credit facility	\$60 million
- Medium term notes	\$155 million
- Auckland Council	\$1,178 million
Total committed facilities as at 31 March	\$1,718 million

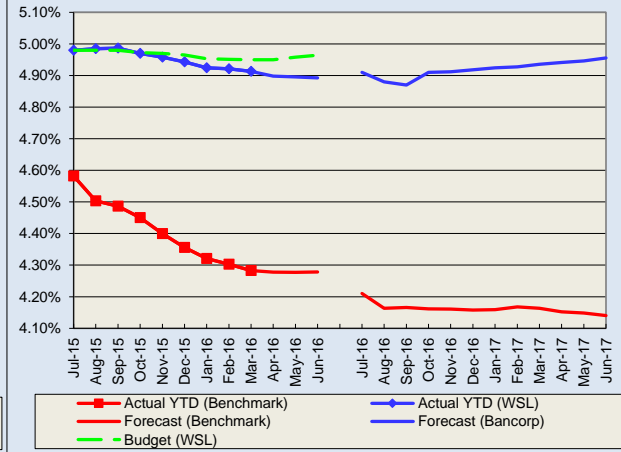
Additional approved facilities

- Approved new funding from Auckland Council	\$60 million
- Approved CP issuance, over and above CP Standby facility	\$75 million
Total approved facilities as at 31 March	\$1,853 million

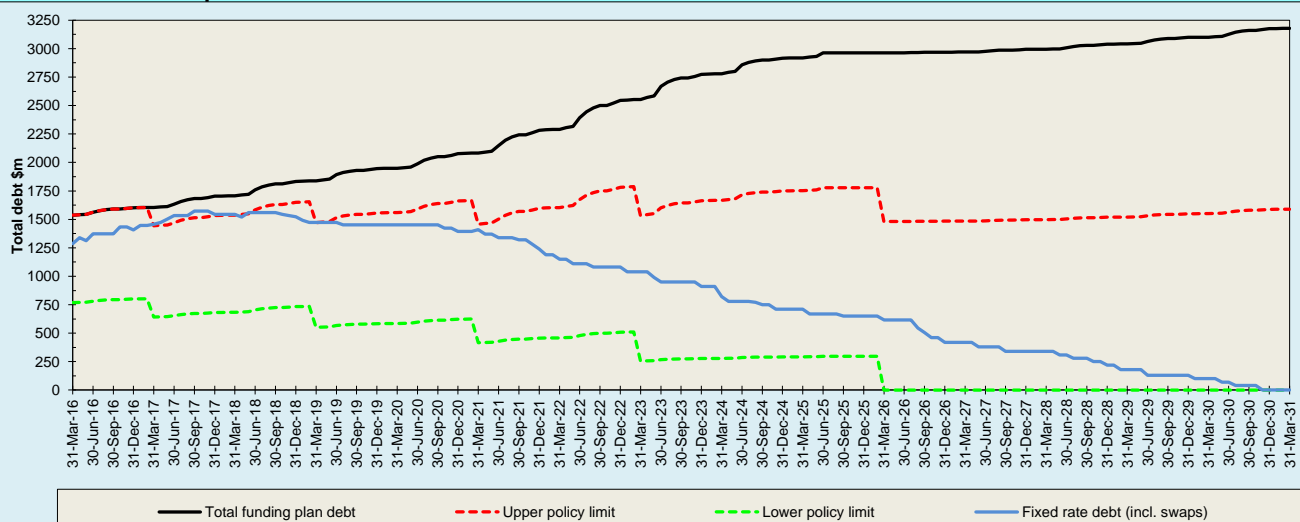
Monthly interest rate performance



Year to date interest rate performance



Forecast total debt profile



COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & COVENANT COMPLIANCE						Mar-16		
Counterparty exposures		S&P credit rating	Face value	Credit exposures	Limit	Limit OK / exceeded		
		Short / long term	\$000	\$000	\$000			
Obligations of registered banks								
ANZ Bank		A1+ / AA-	660,000	2,549	100,000	Limit OK	✓	
Bank of New Zealand		A1+ / AA-	615,671	21,202	100,000	Limit OK	✓	
Commonwealth Bank of Australia		A1+ / AA-	115,000	1,204	100,000	Limit OK	✓	
Kiwibank		A1 / A+	25,000	5	75,000	Limit OK	✓	
Westpac Institutional Bank		A1+ / AA-	565,000	0	100,000	Limit OK	✓	
			1,980,671	24,959				
<i>Note: Credit exposures are the aggregate of direct exposures, 10% of the 'face' value of forward foreign exchange contracts, 15% of the 'face' value of electricity hedging contracts, and the sum of the MTM value of interest rate derivative contracts plus a 3% 'risk' factor (if this produces a positive value).</i>								
Debt concentration		\$000						
Committed debt facilities	Maturity	0-12 months	12-24 months	24-36 months	36-48 months	48-60 months	> 60 months	Total
Westpac Term Loan facility	13/10/16	150,000						150,000
BNZ CP Standby facility	1/07/17		175,000					175,000
Westpac Revolving Credit facility	30/11/18			60,000				60,000
Medium-term notes	Various	30,000		125,000				155,000
Auckland Council	Various	74,668	83,368	62,243	170,000	52,243	735,000	1,177,522
Total committed debt facilities		254,668	258,368	247,243	170,000	52,243	735,000	1,717,522
Approved new funding from Auckland Council							60,000	60,000
Approved CP issuance, over and above CP Standby							75,000	75,000
Total committed and approved debt facilities		254,668	258,368	247,243	170,000	52,243	870,000	1,852,522
Treasury policy - total committed debt facilities		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000		
Treasury policy compliance		✓	✓	✓	✓	✓		
Drawn bank facilities	Maturity	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	> 30 months	Total
Westpac Term Loan facility (\$150m)	13/10/16		150,000					150,000
BNZ CP Standby facility (\$175m)	1/07/17							0
Westpac Revolving Credit facility (\$60m)	30/11/18						5,500	5,500
		0	150,000	0	0	0	5,500	155,500
Treasury policy for drawn bank facilities		<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	
Treasury policy compliance		✓	✓	✓	✓	✓	✓	
Other facilities								
BNZ overdraft	On demand	2,000						2,000
		2,000	0	0	0	0	0	2,000
Counterparty exposure in relation to borrowing facilities		Westpac	BNZ	ANZ	CBA	Kiwibank		
Term loan facility		150,000						
Revolving credit facility		60,000						
CP standby facility			175,000					
		210,000	175,000	0	0	0		
Treasury policy		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000		
Treasury policy compliance		✓	✓	✓	✓	✓		
Compliance with financial covenants and ratios under the Negative Pledge Deed and Guarantee Facility Deed								
Covenant / ratio		Benchmark/target measure			Outcome	Compliance		
Security interests / total tangible assets - maximum		5%			0.00%	✓		
Total liabilities / total tangible assets - maximum		60%			33.50%	✓		
Total liabilities (including contingent) / total tangible assets - maximum		65%			33.50%	✓		
Shareholders funds - minimum (\$000)		500,000			5,831,107	✓		
EBITDA : funding costs ratio - minimum		1.75			4.28	✓		
Funds from operations : interest cover ratio - minimum		2.00			3.69	✓		
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							Mar-16				
Foreign currency exposures (NZ\$000) including hedging for chemical purchases							USD	EUR	Total		
Total exposure to be hedged							334.6	336.7	671.3		
Foreign exchange hedging							334.6	336.7	671.3		
Percentage cover							100%	100%	100%		
Treasury policy							100%	100%	100%		
Treasury policy compliance							✓	✓	✓		
Hedging for chemical purchases (US\$000)					Sep-16	Mar-17	Sep-17	Mar-18	Total		
Chemicals forward foreign exchange hedging									0		
Treasury policy									<= 5,000		
Treasury policy compliance									✓		
Commercial paper maturities											
Issue #	\$000	BKBM	Interest rate	Bid cover (x)	Term (days)	Maturity date					
288	50,000	2.700%	2.695%	2.48	91	29-Apr-16					
289	50,000	2.575%	2.550%	3.00	90	25-May-16					
290	50,000	2.560%	2.559%	2.68	92	9-Jun-16					
	150,000		2.601%								
<i>Note: BKBM is the banks' mid-rate for bank bills of a similar term on the CP issue date.</i>											
				Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Beyond Sep-16	Total
Outstanding CP				50,000	50,000	50,000	0	0	0	0	150,000
Uncommitted short-term debt											0
				50,000	50,000	50,000	0	0	0	0	150,000
Treasury policy for maximum amount of CP outstanding											
Treasury policy compliance											
<= 250,000											
✓											
Undrawn committed standby facilities											
	1 month	1-2 months	2-3 months	3-4 months	4-5 months	5-6 months	> 6 months				
Undrawn committed standby facility - CP facility											
	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000			
50% of CP and other short-term debt repayable within 60 days											
	50,000	50,000	25,000	0	0	0					
Treasury policy: Undrawn standby facilities >= 50% of outstanding CP and other uncommitted short-term debt repayable within 60 days											
Treasury policy compliance											
	✓	✓	✓	✓	✓	✓					
Electricity hedging (NZ\$000)											
	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	30-36 months	36-42 months	42-48 months			
Contract maturity											
Contract length											
Total value of outstanding contracts											
0											
Treasury policy for maximum value of outstanding contracts											
Treasury policy compliance											
<= 10,000											
✓											
										Page A7	

WATERCARE SERVICES LIMITED

Management Report

Mar-16

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Confidential

Management Report
Monthly Statistics Update

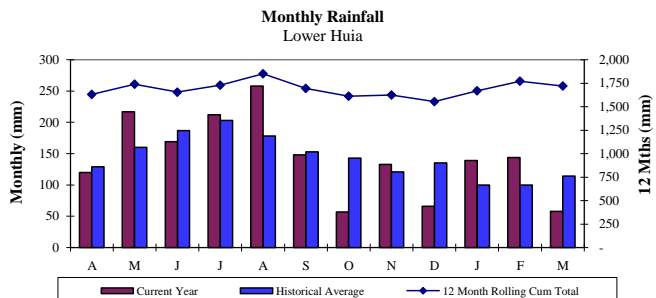
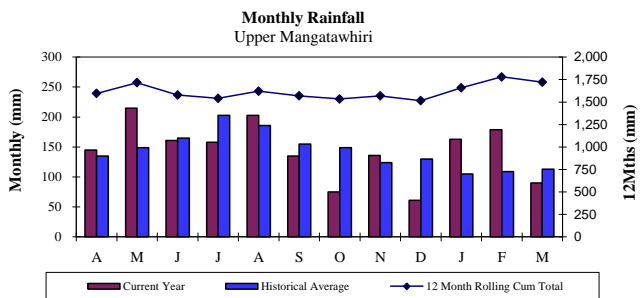
WATERCARE SERVICES LIMITED

Mar-16

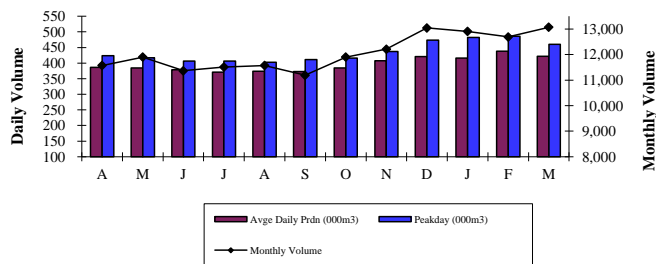
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Rainfall

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
Actual - Upper Mangatawhiri	90 mm	1721 mm	Actual - Lower Huia	58 mm	1721 mm



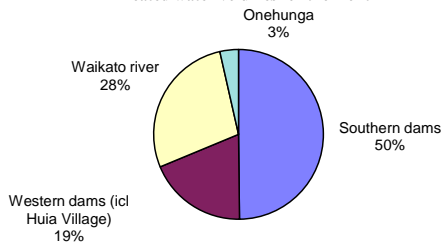
Water Production - Metropolitan Supply



Treated water volumes (000m ³)	Current Month	12 Month Rolling Ave
Monthly Volume	13,073	13,073
Average Daily Production	422	12,079
Peak Day	460	486 ¹

1. Max peak day in past 12 months

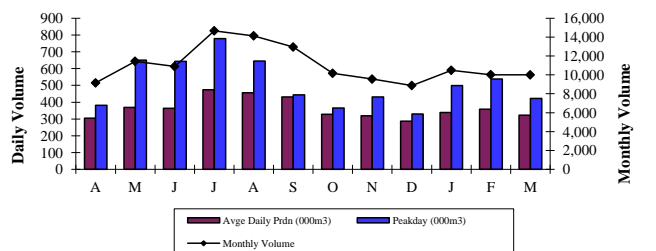
Treated water volumes for the month



Treated water volumes (000m ³)	Current Month			Year to Date		
	Actual	%	Budget	Actual	%	Budget
Southern dams	6,513	50%	7,551	51,727	47%	74,164
Western dams	2,474	19%	2,317	22,155	20%	21,130
Waikato river	3,623	28%	947	31,234	28%	11,372
Onehunga aquifer	463	4%	254	4,986	5%	2,924
Total	13,073	100%	11,069	110,103	100%	109,590

Lake levels at month end was 79%. Waikato and Onehunga sources will be reduced from April onwards to reduce risk of lake spilling.

Wastewater Treatment - Metropolitan Treatment



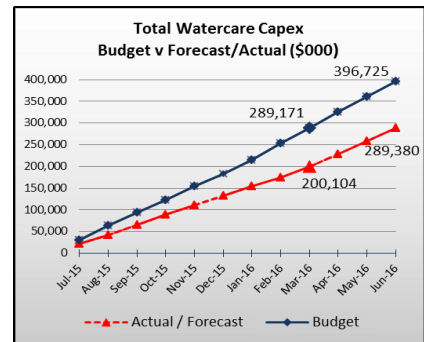
	Current Month	12 Month Rolling Ave
Monthly Volume (000m ³)	10,008	11,027
Average Daily Production	323	362
Peak Day	423	779 ²

2. Max peak day in past 12 months

WATERCARE PUBLIC REPORT CAPITAL EXPENDITURE



TOTAL WATERCARE EXPENDITURE	Year to Date		Annual Performance	
	Actual	Budget	Actual + Forecast	Budget
Strategy & Planning	5,497	18,658	7,669	32,209
Infrastructure Delivery	157,227	202,739	218,984	271,721
Service Delivery	16,698	37,201	31,558	52,569
Retail	4,775	6,196	6,756	8,150
Information Services	4,740	6,336	8,126	7,380
Other	2,004	4,897	4,204	6,195
Capitalised Interest	9,163	13,143	12,083	18,501
Watercare Total	200,104	289,171	289,380	396,725



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

Water Projects >\$15 Million

Hunua No 4 Programme	385,372	385,428	57,799	50,514		
North Harbour Watermain Duplication	240,000	239,967	3,915	7,265		
Waikato 175MLD Expansion Stage Ultimate	48,880	48,336	9,498	12,000		
Huia No 1 Watermain Replacement	42,103	42,062	1,089	4,423		
Ardmore WTP Treated Water Resilience	32,120	31,805	435	1,503		

Wastewater Projects >\$15 Million

Central Interceptor Feasibility Design	960,470	960,470	9,472	14,471		
Northern Interceptor - Stage 1	148,200	148,108	3,331	4,414		
Mangere WWTP BNR Capacity	141,040	141,040	52,304	51,500		
Mangere WWTP Solids Stream Upgrade	74,800	50,803	11,636	11,960		
Rosedale WWTP Expansion Project	63,954	63,954	2,152	2,985		
Pukekohe WWTP Upgrade	59,000	59,000	3,458	5,422		
Pukekohe Trunk Sewer Upgrade	53,000	48,060	6,618	4,755		
Puketutu Island Rehabilitation	29,385	29,385	1,812	10,000		
Fred Thomas Drive WW PS & Storage Tank	27,721	27,721	4,296	6,976		
Army Bay WWTP Outfall Upgrade	27,500	27,466	952	758		

Shared Services >\$15 Million

Networks Controls Upgrade	19,944	19,928	2,882	3,500		
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Capex Programme (Design / Execution)

>\$15 Million	2,353,489	2,323,534	171,648	192,445
>\$2 Million <\$15 Million	135,284	141,064	20,234	40,398
<\$2 Million	66,788	85,964	26,489	32,924
TOTAL	2,555,561	2,550,562	218,371	265,767

Watercare Services Ltd
Financial Summary 2015-16
Report Period March 2016
Infrastructure Related Projects: Strategy & Planning / Infrastructure Delivery / Service Delivery

Traffic light Key:

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

Local Board Interaction (As at 1 April 2016)

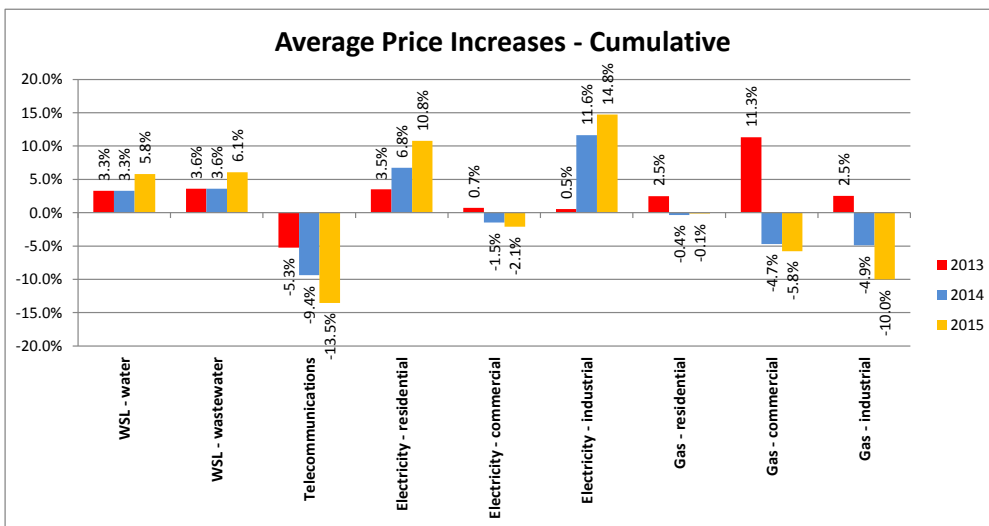
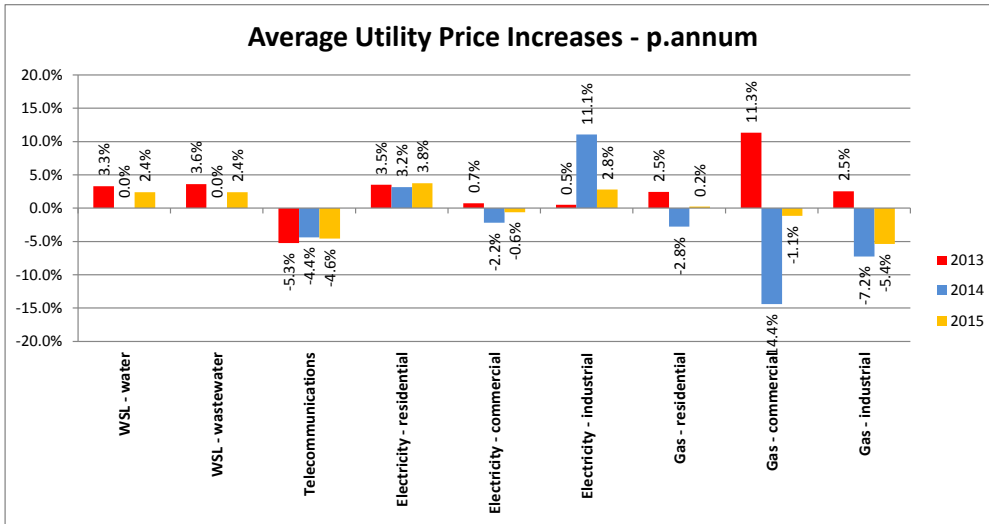
Local Board	Chair	Deputy Chair	January-16	February -16	March-16
Albert - Eden	Peter Haynes	Glenda Fryer	Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan). Information on reservoir roof replacement and opening date (28 Jan 16). Escalation of wastewater overflow issue – resolved (29 Jan)		Notification of pending H4 works in Campbell Road (8 Mar). Response to Chairman re opening of Dog Walking area in Owiraka (10 Mar). Local Board briefing on Central Interceptor (31 Mar).
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)	Notification of wastewater overflow at Milford (11 Jan). Media opportunity re Fred Thomas Drive Pump Station (22 Jan)	Notice of start of works at Fred Thomas Drive (18 Feb).	
Franklin	Andy Baker	Jill Naysmith	Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan)	Information in response to customer complaint on the fixed wastewater charge (16 Feb).	Update on new bore being installed at Waiuku water treatment plant (18 Mar). Escalation re odour at Franklin Road pump station (21 Mar). Local Board Briefing (29 Mar). Notice of meter replacements underway in Waiuku (31 Mar)
Great Barrier	Izzy Fordham	Susan Daly			
Henderson - Massey	Vanessa Neeson	Shane Henderson	Information re geotech investigations in Lowtherst Reserve for Northern Interceptor project (13 Jan). Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan)		Local Board Briefing (29 Mar).
Hibiscus and Bays	Julia Parfitt	Greg Sayers		Update on works at Orewa Reserve (26 Feb)	Follow up on works at Orewa Reserve (3 Mar). Update on escalated odour complaint at Millwater (18 Mar). Escalation re water leak rebate (21 March).
Howick	David Collings	Adele White	Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan)	Flyer on the Howick Wastewater Pump Station Upgrade (18 Feb)	Notification of pending H4 works in Campbell Road (8 Mar). Tamaki Estuary Environment Forum presentation with Watercare and Stormwater (9 Mar)
Kaipatiki	Kay McIntyre	Ann Hartley	Notice of local watermain upgrades in Waipa Street (22 Jan)		Respond to escalated customer complaint re road works (10 Mar). Local Board Infrastructure Committee briefing (16 Mar)
Mangere - Otahuhu	Lydia Sosene	Carrol Elliott	Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan)	Discussions with local board over name for new access road to Mangere Wastewater Treatment Plant (15 Feb)	Notification of pending H4 works in Campbell Road (8 Mar)
Manurewa	Angela Dalton	Simeon Brown	Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan)		

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

Local Board	Chair	Deputy Chair	January-16	February -16	March-16
Maungakiekie - Tamaki	Simon Randall	Chris Makoare	Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan)	Attendance at Local Board meeting on SHA's (18 Feb)	Letter on proposed wastewater works in Glen Innes sent to Simon Randall (4 Mar). Notification of pending H4 works in Campbell Road (8 Mar). Tamaki Estuary Environment Forum presentation with Watercare and Stormwater (9 Mar).
Orakei	Desley Simpson	Kit Parkinson, Colin Davis (Watercare Rep)	Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan)		Notification of pending H4 works in Campbell Road (8 Mar)
Otara - Papatoetoe	Fa'anānā Efeso (Efeso) Collins	Ross Robertson	Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan)		
Papakura	Bill McEntee	Michael Turner	Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan)		
Puketapapa	Julie Fairey	Harry Doig	Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan)		Notification of pending H4 works in Campbell Road (8 Mar)
Rodney	Brenda Steele	Stephen Garner	Notice of works in Snells Beach (11 Jan). Information on the Sanderson Road bore and servicing future growth in the Warkworth area (11 Jan). Notice of Glycophosphate detection in Mahurangi River water supply (22 Jan).	Information on Kumeu wastewater treatment (9 Feb). North East wastewater servicing – newsletter 2 (10 Feb). Notification of Warkworth Community Liaison meeting (26 Feb)	Community Liaison Briefing in Warkworth (2 Mar). Local Board boat trip and open evenings on Warkworth Snells Algies wastewater servicing (16 Mar, 18 Mar)
Upper Harbour	Lisa Whyte (5 May 2015 to end of the 2013-2016 term)	Brian Neeson (5 May 2015 to end of the 2013-2016 term)		Notification of watermain break in Albany (9 Feb). Information on Northern Interceptor project to Lisa Whyte (16 Feb)	Local Board Parks Portfolio briefing (17 Mar). New chain and locks put on road access to pump station at request of Local Board to improve public safety (22 Mar).
Waiheke	Paul Walden	Shirin Brown		Letter to Chairman Paul Weldon on wastewater services on Waiheke Island (12 Feb)	
Waitakere Ranges	Sandra Coney	Denise Yates	Information on rail tunnels in the Waitakere ranges plus update on Glen Eden wastewater and Huia Water Treatment Projects (19 Jan). Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan). Information on maintenance of the Waitakere tunnels and affects on wildlife (29 Jan)		
Waitemata	Shale Chambers	Pippa Coom	Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan)		Information provided for Annual Plan - local board Watercare advocacy issues (8 Mar). Notification of pending H4 works in Campbell Road (8 Mar). Information on the status of Reservoir parking at the Khyber Reservoir Complex (24 Mar).

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

Local Board	Chair	Deputy Chair	January-16	February -16	March-16
					Notice of mural to be painted over – Ponsoy Reservoir (24 Mar)
Whau	Catherine Farmer	Susan Zhu	Notice of local watermain upgrades in Brains Rd (22 Jan). Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan)	Derek Battersby regarding local residents water issue (16 Feb)	Local Board briefing (31 Mar)
Manukau Harbour Forum	Jill Naysmith		Invite for Mangere Wastewater Treatment Plant Open Day event (26 Jan).		



Graph data:

Average Utility Price Increases - p. annum	Note	2013	2014	2015
WSL - water		3.3%	0.0%	2.4%
WSL - wastewater		3.6%	0.0%	2.4%
Telecommunications	1	-5.3%	-4.4%	-4.6%
Electricity - residential	2	3.5%	3.2%	3.8%
Electricity - commercial	2	0.7%	-2.2%	-0.6%
Electricity - industrial	2	0.5%	11.1%	2.8%
Gas - residential	2	2.5%	-2.8%	0.2%
Gas - commercial	2	11.3%	-14.4%	-1.1%
Gas - industrial	2	2.5%	-7.2%	-5.4%

Average Price Increases - Cumulative	2013	2014	2015
WSL - water	3.3%	3.3%	5.8%
WSL - wastewater	3.6%	3.6%	6.1%
Telecommunications	-5.3%	-9.4%	-13.5%
Electricity - residential	3.5%	6.8%	10.8%
Electricity - commercial	0.7%	-1.5%	-2.1%
Electricity - industrial	0.5%	11.6%	14.8%
Gas - residential	2.5%	-0.4%	-0.1%
Gas - commercial	11.3%	-4.7%	-5.8%
Gas - industrial	2.5%	-4.9%	-10.0%

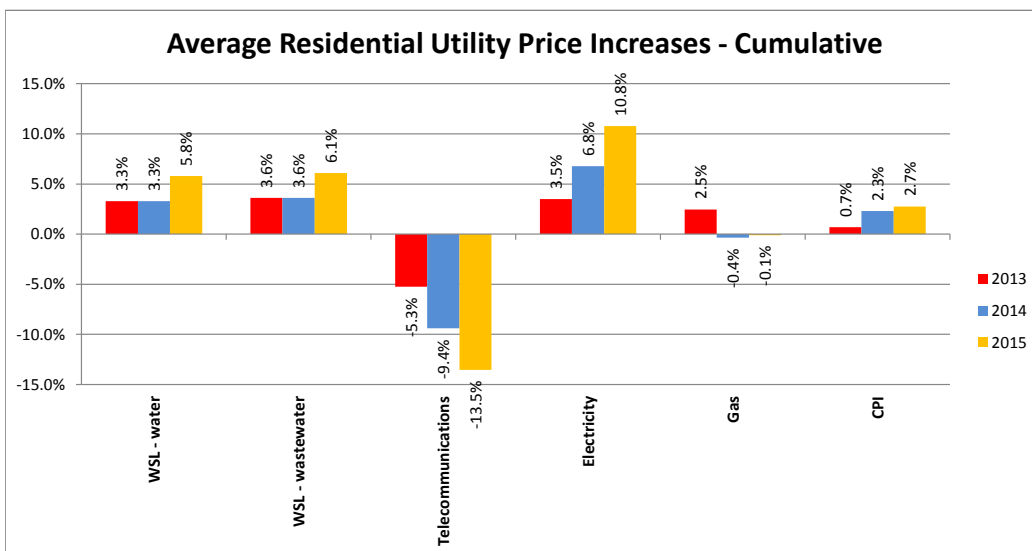
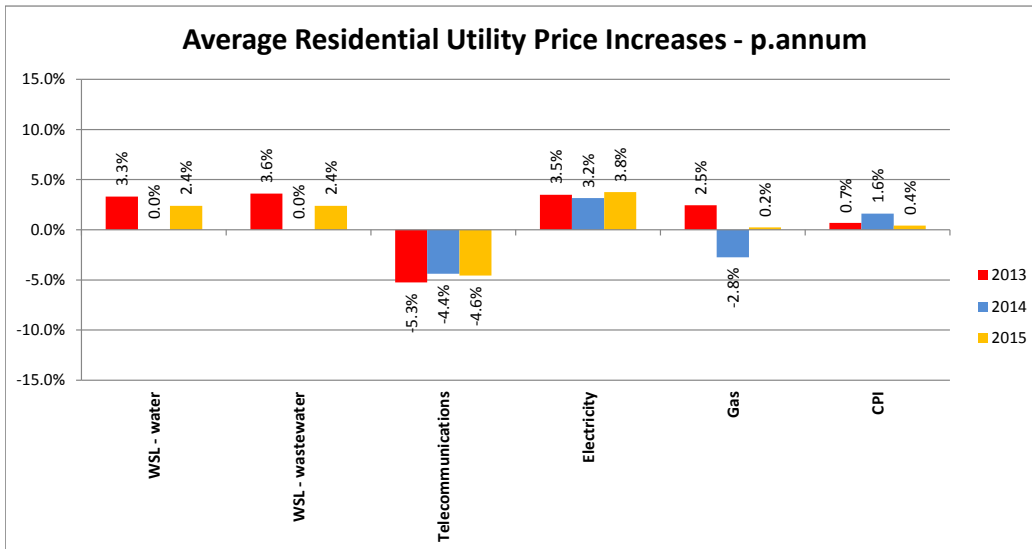
Notes

1 Producers Price Index. Telecommunication, Internet, and library services index. (NB. residential and other). The Commerce Commission "Annual Telecommunications Monitoring Report 2014" notes that;

"The rapidly changing nature of the broadband market makes it difficult to find a consistent time series to track over time to observe trends (in prices)" and

"Nearly all mobile phone users buy a bundle of minutes, texts and data. Furthermore, the bundles purchased have 'buckets' of minutes, texts and data that often never come close to being 'emptied'. This makes it challenging to separately price these components on a consistent basis."

2 Ministry of Business, Innovation and Employment. Annual Average Fuel Prices in NZ

**Graph data:**

Average Residential Utility Price Increases - p.annum		Note	2013	2014	2015
WSL - water			3.3%	0.0%	2.4%
WSL - wastewater			3.6%	0.0%	2.4%
Telecommunications	1		-5.3%	-4.4%	-4.6%
Electricity	2		3.5%	3.2%	3.8%
Gas	2		2.5%	-2.8%	0.2%
CPI	3		0.7%	1.6%	0.4%

Average Residential Utility Price Increases - Cumulative		2013	2014	2015
WSL - water		3.3%	3.3%	5.8%
WSL - wastewater		3.6%	3.6%	6.1%
Telecommunications		-5.3%	-9.4%	-13.5%
Electricity		3.5%	6.8%	10.8%
Gas		2.5%	-0.4%	-0.1%
CPI		0.7%	2.3%	2.7%

Notes

- 1 Producers Price Index. Telecommunication, Internet, and library services index. (NB. residential and other). The Commerce Commission "Annual Telecommunications Monitoring Report 2014" notes that;

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- 2 Ministry of Business, Innovation and Employment. Annual Average Fuel Prices in NZ
3 Consumer Price Index. NZ Department of Statistics