

# WATERCARE SERVICES LIMITED

## AGENDA | Board meeting | 29/10/2015

**Venue** Watercare Services Limited, 73 Remuera Road, Newmarket, Auckland

**Time** 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<ul style="list-style-type: none"><li>25 September 2015</li></ul></li></ul>	Minutes 25 September 2015
3. Directors' Corporate Governance Items	Chair	<ul style="list-style-type: none"><li>Corporate Planner 2015</li><li>Review Disclosure of Interests (Directors &amp; Executive Management)</li><li>Organisation Chart</li></ul>	Corporate Planner Disclosure of Interests  Organisation Chart
4. Chief Executive's Report and Scorecard	R Jaduram	<ul style="list-style-type: none"><li>Note the Chief Executive's report</li></ul>	Chief Executive's Report
5. Annual Performance Against Statement of Intent	R Chenery	<ul style="list-style-type: none"><li>Receive paper and presentation</li></ul>	Paper and presentation
6. Treatment of Algal Toxins	S Cunis	<ul style="list-style-type: none"><li>Receive presentation</li></ul>	Presentation (no pack content)
7. General Business	Chair		

Date of next Meeting – 19 November 2015

Location – Rosedale Wastewater Treatment Plant

# MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Watercare Services Limited, 73 Remuera Road, Remuera, Auckland
DATE	25 September 2015
TIME	11:00am
STATUS	Open Session

	<b>Present:</b>	<b>In Attendance:</b>	<b>Public in Attendance:</b>
	M Allen D Clarke (Chairman) N Crauford P Drummond C Harland D Thomas  M Kingi (Board Observer)	R Jaduram M Bridge R Chenery S Cunis B Monk J van Brink S Webster S Lewis	One
1.	<b>Apologies</b> <ul style="list-style-type: none"> <li>J Hoare</li> <li>T Lanigan</li> </ul>		
2.	<b>Minutes of Previous Meeting</b> <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 20 August 2015 be confirmed as correct.</li> </ul>		
3.	<b>Directors Corporate Governance Items</b> <ul style="list-style-type: none"> <li>Corporate Planner 2015</li> </ul> <p>The draft planner for 2016 will be prepared and circulated to the Board.</p>		
4.	<b>Chief Executive's Report and Scorecard</b> <ul style="list-style-type: none"> <li>Service Delivery</li> </ul> <p>Lake levels have reached 85% as of 25 September. A high level of take from the Waikato River continues so as to maximise the lake levels before the summer period begins.</p> <ul style="list-style-type: none"> <li>Execution of Documents</li> </ul> <p>Brian Monk advised that details of contracts will be published on the website in line with the approach taken by Council and Auckland Transport.</p>		
5.	<b>Desalination Plants</b> <ul style="list-style-type: none"> <li>The Board were given a presentation explaining the water desalination process.</li> </ul> <p>Shayne Cunis advised that Auckland has two potentially viable locations for a desalination plant. The estimated capital cost of a desalination plant would be approximately \$1.3 billion and the ongoing operational costs related to running a desalination plant would be significantly higher than that of the current water treatment plants. Management will continue to keep a watching brief on technology solutions.</p> <p>The Board received the presentation and noted that the long-term capital cost of a desalination plant is twice the cost of the Waikato Water Treatment Plant, and the operating costs are six to seven times that of the Waikato Water Treatment Plant.</p>		
6.	<b>Water Utility Consumer Assistance Trust Annual Report</b> <ul style="list-style-type: none"> <li>John Lusk, Chairman of the Water Utility Consumer Assistance Trust, presented the Trust's annual report.</li> </ul>		

	<p>He advised that in the 4 years since the Trust was established, 1079 applications have been made, 520 of these have been submitted to the Trust Board and of the 520, 504 were approved for financial relief with a total of \$411,626 being written off. In the 2014/15 financial year a total of 307 applications and \$131,021</p> <p>Brian Monk advised that Mr Lusk is retiring as Chair of the Trust and will be replaced as Chair by Jeff Morrison. The Board received the report and the Chairman thanked Mr Lusk, on behalf of the Board and Management, for his excellent contribution to the Trust during his tenure.</p>
7.	<p><b>General Business</b></p> <ul style="list-style-type: none"> <li>• The meeting closed at 12 noon.</li> </ul>

CERTIFIED AS A TRUE AND CORRECT RECORD

Chairman

## WATERCARE BOARD PLANNER 2015

	2015											
	January	February	March	April	May	June	July	August	September	October	November	December
<b>Board Meeting</b>		4 Feb Newmarket  26 Feb - Workshop Newmarket	19 March Mangere	30 April Newmarket	29 May Newmarket*	26 June Newmarket	31 July Newmarket	20 Aug Ardmore	25 Sept Newmarket	29 Oct Newmarket*	19 Nov Rosedale	16 Dec Newmarket
<b>Health &amp; Safety Committee Meeting</b>			19 March Mangere	30 April Newmarket	29 May Newmarket	26 June Newmarket						16 Dec Newmarket
<b>Health &amp; Safety Committee Workshops</b>		26 Feb Newmarket		2 April Newmarket	6 May Newmarket	4 June Newmarket	2 July Newmarket	6 Aug Newmarket	3 Sept Newmarket	1 Oct Newmarket	5 Nov Newmarket	3 Dec Newmarket
<b>Audit + Risk Committee Meeting</b>		^4 Feb Newmarket			6 May Newmarket		^31 July Newmarket	17 Aug Newmarket			10 Nov Newmarket	
<b>Capital Projects Working Group</b>		4 Feb Newmarket		30 April			15 July Newmarket			21 October Newmarket		
<b>Remuneration Committee</b>		26 Feb Newmarket						31 August Newmarket			19 Nov Newmarket	
<b>Statement of Intent</b>		Approval of Draft 2015-2018 SOI	1 March Draft SOI to shareholder		Present shareholder SOI feedback at public meeting	Final 2015- 2018 SOI issued to shareholder			Work on 2016- 2019 Sol Key dates yet to be advised by Auckland Council			
<b>Shareholder Interaction**</b>			3 March CCO Governance & Monitoring Committee		12 May CCO Governance & Monitoring Committee (Q3)			4 August CCO Governance & Monitoring Committee (Tentative)(Q4)				
<b>Key Finance Decisions</b>					29 May Approval of 2015/16 Budget							
<b>Other</b>		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

## Report to the Board of Watercare Services Limited

**Subject:** Disclosure of Interests

**Date:** 23 October 2015

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, Hawkins Watts Ltd</li> <li>– Director, Hynds Ltd</li> <li>– Chairman, Health Alliance NZ Limited</li> <li>– Chairman, Jucy Group 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>– Panel member , Fire Review, Dept Internal Affairs</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> </ul>
Tony Lanigan	<ul style="list-style-type: none"> <li>– Director and Shareholder, A G Lanigan &amp; Associates (2007) Limited</li> <li>– Shareholder, Fletcher Building</li> <li>– Director, Habitat for Humanity New Zealand Limited</li> <li>– Director and Shareholder, Lanigan Trustee Limited</li> <li>– Director and Shareholder, Lanison and Associates Limited</li> <li>– Director and Chair, Housing Foundation Limited</li> <li>– Director, Tamaki Makaurau Community Housing Limited</li> <li>– Director, NZ Transport Agency (NZTA)</li> <li>– Member, Ministry of Health Hospital Redevelopment Partnership Group for Canterbury</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> </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> </ul>

	<ul style="list-style-type: none"> <li>– Director, Port of Tauranga Limited</li> </ul>
Nicola Crauford	<ul style="list-style-type: none"> <li>– Chairman, Wellington Rural Fire Authority</li> <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> </ul>
David Thomas	<ul style="list-style-type: none"> <li>– Chairman, Ngati Whakaue Tribal Lands Inc</li> <li>– Council Member, Business New Zealand</li> <li>– Board Member, EMA (Northern)</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> </ul>

## RECOMMENDATION

That the report be noted.

Report prepared by:

Approved by:

R Fisher  
**General Counsel**

R Jaduram  
**Chief Executive**

## Report to the Board of Watercare Services Limited

**Subject:** Disclosure of Interests – Executive Management

**Date:** 23 October 2015

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<b><i>Executive</i></b>	<b><i>Interest</i></b>
Raveen Jaduram	Director – Wellington Water Limited Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Island 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
Peter Gaskin	Director - CPG Limited Director - Zebra Promotional Limited
Marlon Bridge	Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Island Trust

### RECOMMENDATION

That the report be noted.

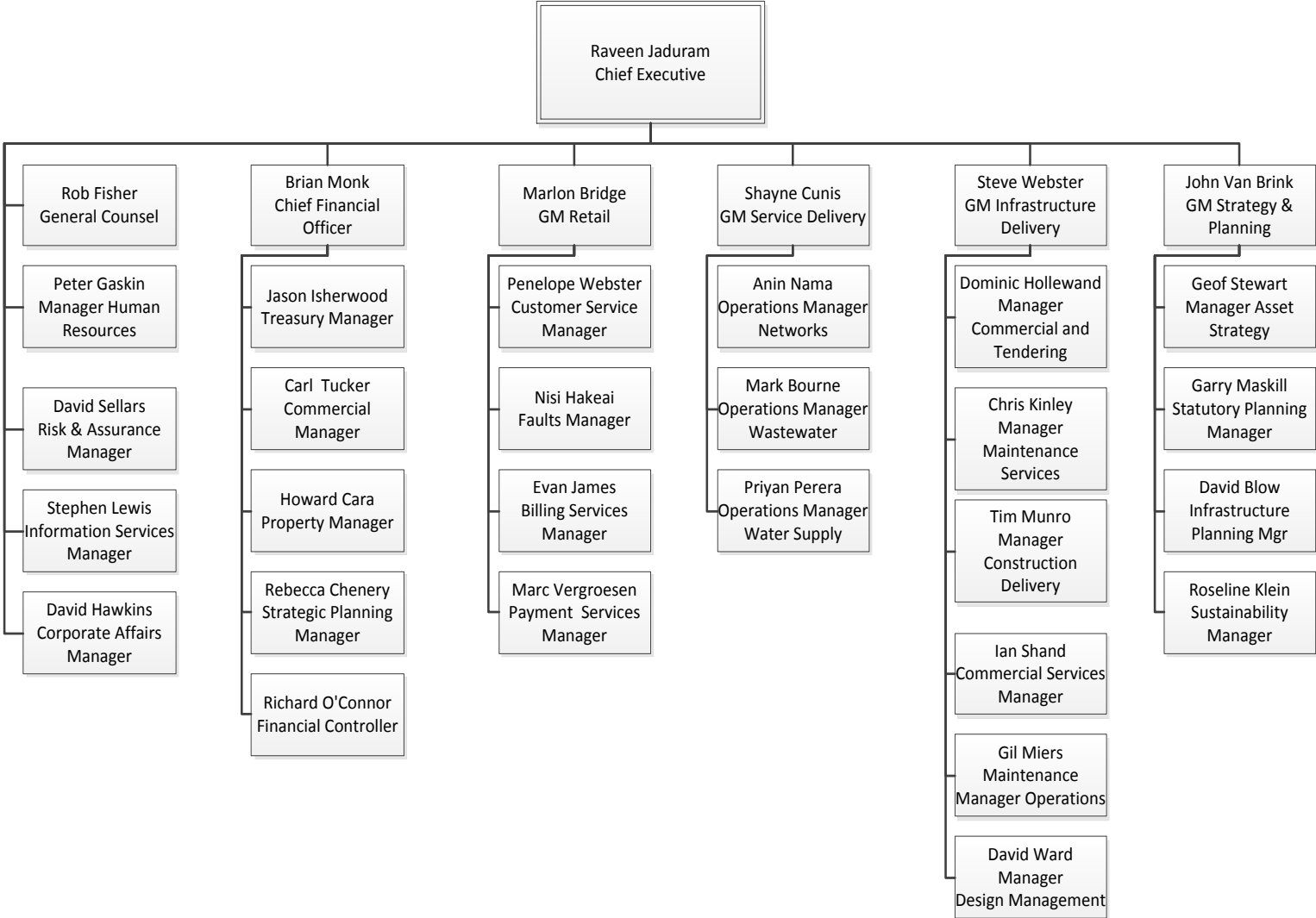
Report prepared by:

Approved by:

R Chenery  
**Strategic Planning Manager**

R Jaduram  
**Chief Executive**

# CHIEF EXECUTIVE, GENERAL MANAGER AND DIRECT REPORTS ORG STRUCTURE SEPTEMBER 2015





Watercare Performance Scorecard 2015/16

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

		SOI	2015/16 Target	Amber Threshold	Red Threshold	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
<b>1 Safe and Reliable Water</b>																		
1a	The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	☑	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1b	The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	☑	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1c	Percentage compliance with MoH drinking water standards		100%	n/a	<100%													100%
1d	Percentage of metropolitan water treatment plants achieving Grade A (annual measure)		100%	n/a	<100%													100%
1e	Percentage of metropolitan water supply reticulation achieving Grade A (annual measure)		100%	n/a	<100%													100%
1f	Percentage of non-metropolitan water treatment plants achieving Grade A (annual measure)		50%	n/a	<45%													100%
1g	Percentage of non-metropolitan water supply reticulation achieving Grade A (annual measure)		50%	n/a	<25%													100%
1h	Percentage of unplanned water shutdowns restored within five hours (12 mth rolling average)		>95%	93% to <95%	<93%	97%	97%	97%	97%	97%	97%	97%	97%	97%	96%	96%	96%	96%
1i	Number of unplanned water interruptions per 1000 connected properties (12 mth rolling average)		≤10	>10 to 12	>12	8.0	7.9	7.8	7.7	7.5	7.5	7.2	7.0	6.8	6.6	6.6	6.4	6.2
1j	Unrestricted demand - metropolitan		Unrestricted	Subjective	Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
1k	Unrestricted demand - non-metropolitan		Unrestricted	Subjective	Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
<b>2 Healthy Waterways</b>																		
2a	Number of dry weather sewer overflows per 100km of wastewater pipe length per year (12 mth rolling average)		≤5	>5 to 7	>7	1.93	2.04	2.00	2.06	2.16	2.10	2.05	2.02	1.94	1.86	1.80	1.90	1.91
2b	Average number of wet weather overflows per discharge location	☑	≤2 overflows per year per engineered overflow point	Low risk non-compliance	High risk non-compliance											Projected	Projected	Projected
2c	The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system	☑	≤10	>10 - ≤15	>15											0.03	0.03	0.04
2d	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents	☑	a) ≤2 b) ≤2 c) ≤2 d) ≤2	n/a	>2 (for any)											0	0	0
2e	Number of sewer bursts and chokes per 1000 properties (12 mth rolling average)		≤10	>10 to ≤12	>12	8.50	8.50	8.40	8.30	8.20	8.20	7.90	7.70	7.70	7.30	7.10	7.00	7.00
2f	Percentage of wastewater discharged that is compliant with consent discharge requirements for metropolitan areas		100%	98 to <100%	<98%										99.22%	100%	100%	100%
2g	Percentage of wastewater discharged that is compliant with consent discharge requirements for non-metropolitan areas		35%	n/a	<35%										77%	84%	84%	88%
<b>3 Customer Satisfaction</b>																		
3a	Median response time for attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site.	☑	≤60 mins	>60 - ≤90 mins	>90 mins											33 mins	34 mins	35 mins
3b	Median response time for resolution of urgent calls-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	☑	≤5 hours	>5 - ≤8 hours	>8 hours											1.5 hours	1.5 hours	1.6 hours
3c	Median response time for attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	☑	≤3 days	>3 - ≤5 days	>5 days											1.2 days	1.2 days	1.3 days
3d	Median response time for resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	☑	≤6 days	>6 - ≤8 days	>8 days											2.2 days	2.3 days	2.7 days
3e	Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	☑	≥80%	≥75% to <80%	<75%	85.8%	88.1%	88.8%	87.0%	88.3%	86.1%	83.5%	87.6%	84.4%	88.2%	84.6%	87.0%	86.0%
3f	The total number of complaints received by the local authority about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system	☑	≤10	>10 - ≤15	>15											7	7	6.9
3g	Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that the territorial authority receives notification to the time that service personnel reach the site	☑	≤60 mins	>60 - ≤90 mins	>90 mins											40 mins	40 mins	41 mins
3h	Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault	☑	≤5 hours	>5 - ≤8 hours	>8 hours											2.3 hours	2.3 hours	2.3 hours
3i	The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system expressed per 1000 connections to the territorial authority's sewerage system	☑	≤50	>50 - ≤75	>75											20.7	20.7	20.7
3j	Number of water quality complaints (taste, odour, appearance) per 1,000 water supply connections (12 mth rolling average)		≤5	>5 to ≤5.5	>5.5	6.0	5.9	5.8	5.7	5.3	4.80	4.80	4.80	4.80	4.70	4.70	4.60	4.90
3k	Percentage of complaints being 'closed and resolved' within 10 working days (12 mth rolling average)	☑	≥95%	≥90% to <95%	<90%	95.0%	95.0%	95.0%	96.3%	96.6%	96.8%	97.6%	98.1%	98.5%	98.3%	98.3%	98.9%	98.2%
3l	Percentage attendance at the quarterly meetings of the Mana Whenua Kaitiaki Forum	☑	100%	≥90%	<90%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>4 Health, Safety and Wellbeing</b>																		
4a	Lost-time injury frequency rate per million hours worked (12 month rolling average)	☑	≤5	5 - 7	>7	6.21	6.79	7.93	8.48	7.86	7.20	5.34	4.47	5.31	6.42	6.4	5.8	5.23
4b	Percentage of total hours absent due to illness (12 mth rolling average)		≤1.5%	>2.5 to 3.5%	>3.5%	2.09%	2.06%	2.04%	2.03%	2.05%	2.06%	2.06%	2.07%	2.07%	2.09%	2.10%	2.09%	2.15%
4c	Percentage of voluntary leavers relative to number of permanent staff (12 mth rolling average)	☑	≤12%	>12 to 14%	>14%	11.69%	11.09%	10.37%	9.64%	10.36%	10.68%	11.00%	11.19%	11.14%	10.84%	11.16%	10.86%	11.45%
4d	Total recordable injury frequency rate per million hours worked (12 month rolling average)	☑	<30	>30 to <33	>33	13.05	16.68	18.30	18.78	15.11	19.79	17.20	18.33	19.45	19.84	18.65	19.13	16.86
<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	3.46	3.38	3.32	3.35	3.40	3.38	3.45	3.40	3.34	3.32	3.69	3.51	3.62
5b	Percentage of household expenditure on water supply services relative to the average household income	☑	≤1.5%	1.2 to <1.5	>1.5	0.90%	0.90%	0.90%	0.90%	0.91%	0.91%	0.92%	0.92%	0.92%	0.87%	0.87%	0.87%	0.87%
5c	Water & wastewater revenue against budget YTD %		≥100%	≥98% to <100%	<98%	101%	101%	100%	99%	100%	100%	100%	100%	100%	100%	101%	101%	101%
5d	Infrastructure growth charge revenue against budget YTD %		≥100%	≥95% to <100%	<95%	206%	189%	167%	173%	164%	156%	146%	147%	102%	104%	108%	108%	114%
5e	Controllable costs against budget YTD %		≤100%	>100 to ≤102%	>102%	98%	99%	98%	99%	99%	98%	98%	99%	101%	101%	94%	95%	93%
5f	Total contribution against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	15.87	18.18	18.48	22.37	26.79	27.94	26.76	24.98	22.53	26.13	3.09	8.30	13.72
5g	Net surplus / deficit before tax against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	-4.63	-22.12	-28.00	-43.59	-90.04	-74.28	-76.19	-67.08	-63.05	-66.59	-21.81	-16.16	-27.62
5h	Total net borrowing against budget YTD (\$ millions)		Negative	\$0.1m to \$10m	> \$10m	-20.60	-20.40	-25.50	-29.70	-34.80	-49.30	-71.70	-71.20	-86.10	-79.40	-22.40	-15.20	-21.90



# Watercare Services Limited

**Subject: Chief Executive Report – September 2015**

**Date: 23 October 2015**

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## **1. HEALTH AND SAFETY**

There were no Lost Time Injuries in September 2015. The rolling 12 month Lost Time Injury Frequency Rate (per million hours worked) was 5.25 against a target maximum of 5. The rolling 12 month Total Recordable Injury Frequency Rate (per million hours worked) was 16.85 (target maximum 30).

## **2. CUSTOMER SERVICES**

Performance against Statement of Intent measures for September 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 98.2% against a target of 95%. Customer satisfaction in September was in line with the 12 month average with satisfaction at 86% for Contact Centre management of faults, 83% for the maintenance field crews and 86.7% for billing and general enquires. The rolling 12 month average for customer satisfaction is above the 80% target for all three areas.

## **3. INFRASTRUCTURE AND PLANNING**

The infrastructure capital programme has delivered year to date \$60.5m against a budget of \$86.6m. The forecast to year end is to deliver \$342.5m against a budget of \$375.0m, 91%.

Watercare staff continue to engage with Auckland Council around the implications of the Proposed Auckland Unitary Plan. The Draft Future Urban Land Supply Strategy is under review by Auckland Council following a call for submissions. Indications are that the sequencing of green fields land for development will be largely as proposed in the draft. Council staff are also revising their growth forecasts; these are not expected to be available until February next year. The outcome of both of the above initiatives will impact on phasing of growth related and upgrade works.

A Capital Expenditure Dashboard Report of all capital expenditure projects over \$2million is shown in Appendix C.

## **4. SERVICE DELIVERY**

### **Rainfall and Water Resources**

In September the Auckland region experienced below average rainfall in the metropolitan catchments, but above average rainfall in the non-metropolitan catchments:

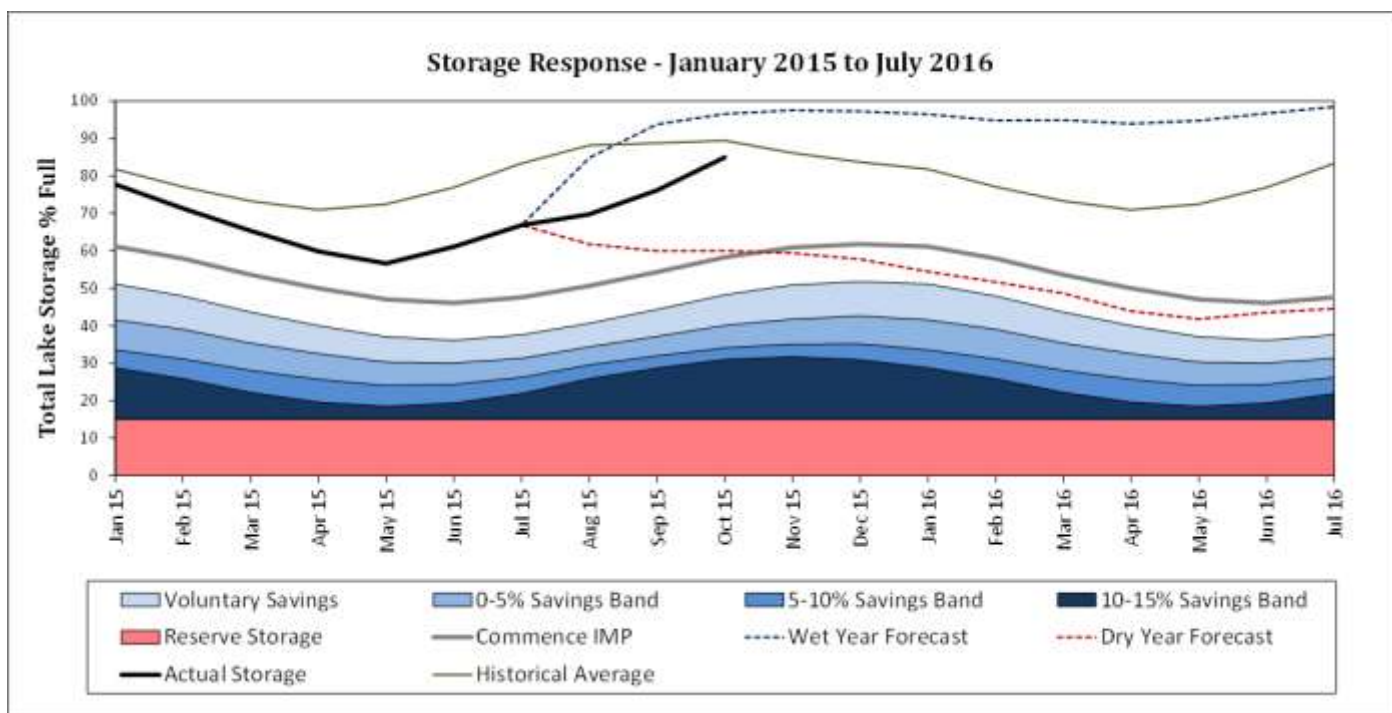
Waitakere Ranges	97% of average
Hunua Ranges	87% of average
Northern Non-metropolitan	118% of average
Southern Non-metropolitan	112% of average

Metropolitan total system storage increased from 76.2% to 85.0%. This is below the historical average storage for the end of September (89.4%). Weather forecasts for October 2015 indicate rainfall is

expected to be normal or below normal, and temperature to be near average. Longer term, for October – December 2015, temperatures are most likely to be near or below average, with rainfall most likely to be near or below normal.

El Niño conditions have reached very strong levels in the tropical Pacific Ocean. It is the strongest El Niño seen since 1997/98. The atmosphere and the ocean are reinforcing one another, meaning that this El Niño is locked in and is likely to persist through into autumn 2016. The latest forecasts predict that this El Niño will strengthen further between now and Christmas, peaking around December, and should then ease during autumn.

Based on these predictions, the Waikato WTP continues to be operated at higher flows to conserve stored water levels, along with minimising the production from the Ardmore WTP. Year to date, the flow from this WTP is 91.4MLD compared to a budget flow of 30.5MLD. This has increased chemical and energy costs by \$537k, but this been offset by \$434k of savings in the other operating areas chemical and energy costs.



**Real Water Losses**

The 12 month rolling average for real losses is 13.1% against a Statement of Intent target maximum of 13%. There is a continued focus on the rollout of targeted leak detection programmes across the network to further reduce real losses.

**Auckland Council 1080 Programme**

The Cosseys and Mangatangi dams were isolated from supply to progress the final stage of Auckland Council’s application of 1080 in the Hunua Ranges Regional Park. Toxic bait was applied within these catchments. All water quality tests post application confirmed that 1080 was not present in the water. The Medical Officer of Health approved the return of these dams to service, which was undertaken on 21 September 2015, which brought the operation to a close.

This enabled the security measures that were implemented at major water treatment plants and service reservoirs over the course of the operation to be returned to normal. The cost of the additional security measures is approximately \$370k, which is to be borne by Watercare. These costs were increased due to the ongoing delays to the programme from the unsettled weather conditions. The cost of the water quality programme, which is to be recovered from Auckland Council, is approximately \$250k.

### Waiuku Arsenic Levels

Levels of arsenic were detected in one of Waiuku's three water sources. The levels detected were at slightly above the 50% of the Drinking Water Standards for New Zealand (DWSNZ) Maximum Acceptable Value (MAV) of 0.01mg/L. This resulted in the Medical Officer of Health assigning Arsenic as a Priority 2 Determinand for that source. This requires an increase in monitoring frequency, from annual to monthly. The Medical Officer of Health has also expressed an opinion that he would like to see the Arsenic level reduced over time.

The origin of the arsenic is from weathering of sub-surface rocks into the groundwater, and there are a number of water supplies in New Zealand that have this assigned as a P2 Determinand. At the current levels detected, this does not create a risk of non-compliance with DWSNZ or pose a health issue to the customers.

Treatment for the removal of arsenic is by the addition of a coagulant to form a solid and then removal through filtering. Due to issues with iron and manganese control at the Waiuku WTPs, a pilot plant is to be constructed in the first instance to ensure there is no detrimental impact to the existing process, by adding in the new process for Arsenic removal. It will also provide confirmation of the level of removal that will be achieved and the suitability of the technology selected. The current programme is to have this pilot plant operating before Christmas, and when operating, it is likely to reduce the level of Arsenic in the treated water to below 50% of the MAV. From this, the full treatment solutions can be confirmed for all three Waiuku WTPs.

## 5. FINANCE

### Financial Performance

	Current Month			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
<b>Figures (\$millions)</b>									
Revenue	46.11	43.08	3.03	137.05	129.37	7.67	544.84	537.17	7.67
Operating Expenses	15.68	17.89	2.21	48.94	52.78	3.84	209.51	212.77	3.26
Depreciation	17.81	17.89	0.08	52.37	53.90	1.53	215.59	217.12	1.53
Interest expense	6.26	6.36	0.10	19.06	19.73	0.67	77.54	78.21	0.67
<b>Total Contribution</b>	<b>6.35</b>	<b>0.94</b>	<b>5.41</b>	<b>16.68</b>	<b>2.96</b>	<b>13.72</b>	<b>42.21</b>	<b>29.07</b>	<b>13.13</b>
Non-operating costs/(income)	0.61	0.21	(0.41)	1.34	0.60	(0.74)	3.74	3.00	(0.74)
Financial instruments revaluation - loss/(gain)	7.81	-	(7.81)	40.60	-	(40.60)	40.60	-	(40.60)
<b>Operating Surplus / (Deficit) Before Tax</b>	<b>(2.07)</b>	<b>0.73</b>	<b>(2.80)</b>	<b>(25.26)</b>	<b>2.36</b>	<b>(27.62)</b>	<b>(2.13)</b>	<b>26.07</b>	<b>(28.21)</b>
Deferred Tax - Expense/(Credit)	11.67	4.66	(7.01)	3.82	5.47	1.64	19.84	21.49	1.64
<b>Net Surplus / (Deficit) After Tax</b>	<b>(13.73)</b>	<b>(3.92)</b>	<b>(9.81)</b>	<b>(29.08)</b>	<b>(3.11)</b>	<b>(25.98)</b>	<b>(21.98)</b>	<b>4.58</b>	<b>(26.56)</b>
<b>FFO Ratio</b>				3.62	3.13		3.36	2.94	
<b>Operating EBITDAF</b>	30.43	25.19	5.24	88.11	76.59	11.52	335.33	324.40	10.93
<b>EBITDA</b>	22.01	24.99	(2.98)	46.17	75.99	(29.82)	291.00	321.40	(30.41)
<b>EBIT</b>	4.20	7.10	(2.90)	(6.20)	22.09	(28.29)	75.40	104.28	(28.88)

## Month – Total Contribution of \$6.35 m - favourable variance to budget of \$5.41m

Total revenue was favourable \$3.03m to budget due to vested asset income favourable by \$1.2m, IGC revenue favourable \$1.1m and wastewater revenue favourable by \$0.6m.

Operating expenses were favourable \$2.21m to budget with favourable variances for net labour, asset operating costs, professional services and general overheads. Asset maintenance costs included \$0.56m of costs attributable to the 1080 drop by Auckland Council.

Depreciation was favourable \$0.08m to budget.

Interest expense was \$0.10m favourable to budget.

## Year to date – Total Contribution of \$16.68m - favourable variance of \$13.72m

Year to date revenue is \$7.67m favourable to budget primarily due to vested asset income favourable \$4.33m and IGC revenue favourable \$1.88m. Water and wastewater revenue is \$1.40m favourable to budget with year to date water volumes 0.73% over budget.

Operating expenses are \$3.84m favourable to budget with favourable variances for asset operating costs, professional services and general overheads.

Depreciation is favourable \$1.53m to budget.

Interest expense is \$0.67m favourable to budget.

## Year to Date – Net Deficit after Tax of \$29.08m – unfavourable variance of \$25.98m

The unfavourable variance of \$25.98m is primarily due to an unfavourable revaluation of financial instruments of \$40.6m resulting from the decrease in medium to long term swap rates since June 2015 partially offset by the \$13.72m favourable operating contribution.

## Financial Position

\$million	Actual Aug-15	Actual Sep-15	Monthly Movement	Budget Sep-15	Var from Budget
Non Current Assets	8,619.5	8,626.5	7.0	8,661.9	(35.4)
Current Assets	80.1	81.3	1.3	78.6	2.7
<b>Total Assets</b>	<b>8,699.6</b>	<b>8,707.8</b>	<b>8.3</b>	<b>8,740.6</b>	<b>(32.7)</b>
Other Liabilities	302.8	307.0	4.2	289.6	17.5
Deferred Tax Liability	1,003.3	1,015.0	11.6	1,025.3	(10.4)
Borrowings - Short Term	222.9	223.7	0.8	200.1	23.6
Borrowings - Long Term	1,311.2	1,316.5	5.3	1,362.0	(45.4)
Shareholders Funds	5,859.3	5,845.6	(13.6)	5,863.6	(18.0)
<b>Total Liabilities and Shareholders Funds</b>	<b>8,699.6</b>	<b>8,707.8</b>	<b>8.3</b>	<b>8,740.6</b>	<b>(32.7)</b>

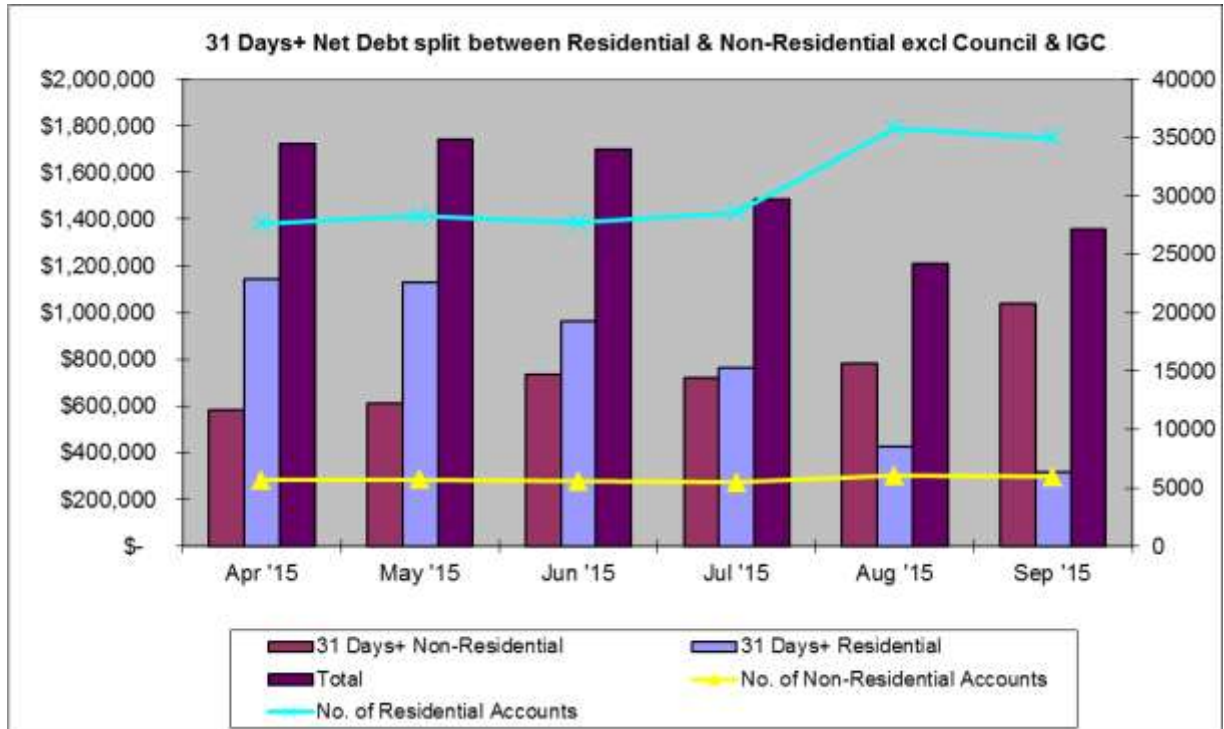
The major movements in the Statement of Financial Position as at 30 September 2015 compared with 31 August 2015 were the increase in non-current assets reflecting capital expenditure net of depreciation in the month, an increase in borrowings (\$6.1m) and an increase in deferred tax liability (\$11.6m).

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. 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 \$1,540m is \$21.8m beneath budget.

## Aged Receivables

The 31 days+ net debt at the end of September was \$1.4m, \$0.1m higher than August 2015.

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



## Water Utility Consumer Assistance Trust (WUCAT)

The following tables summarise the results of the Trust:

Sept 2015

WUCAT Summary		
Financial year	Board approved applications (includes WSL additional write offs)	\$000's
Jun-12	33	\$ 29
Jun-13	172	\$ 196
Jun-14	123	\$ 114
(YTD) Jun-15	184	\$ 172
<b>Total</b>	<b>512</b>	<b>\$ 510</b>

WUCAT Summary last 3 meetings		
Month	Board approved applications	\$000's
Jul-15	13	\$ 7.93
Aug-15	12	\$ 7.76
Sep-15	9	\$ 7.18
<b>Total</b>	<b>34</b>	<b>\$ 23</b>

512 applicants have successfully completed the budget advisor review process and these applicants have had \$510k of hardship relief approved by the Trust. This has resulted in \$418k being written-off as payment plans have been completed. For various reasons, 39 applicants did not fully complete their agreed payment plans. These applicants have foregone \$38k of approved hardship relief. A further 35 applicants continue with their payment arrangements, with a further \$54k of approved hardship write-offs to be granted once they successfully complete their plan.

The results of the last 3 WUCAT meetings have seen 34 applicants successfully complete the budget process and have \$23k of hardship relief approved by the Trust.

## Restrictions

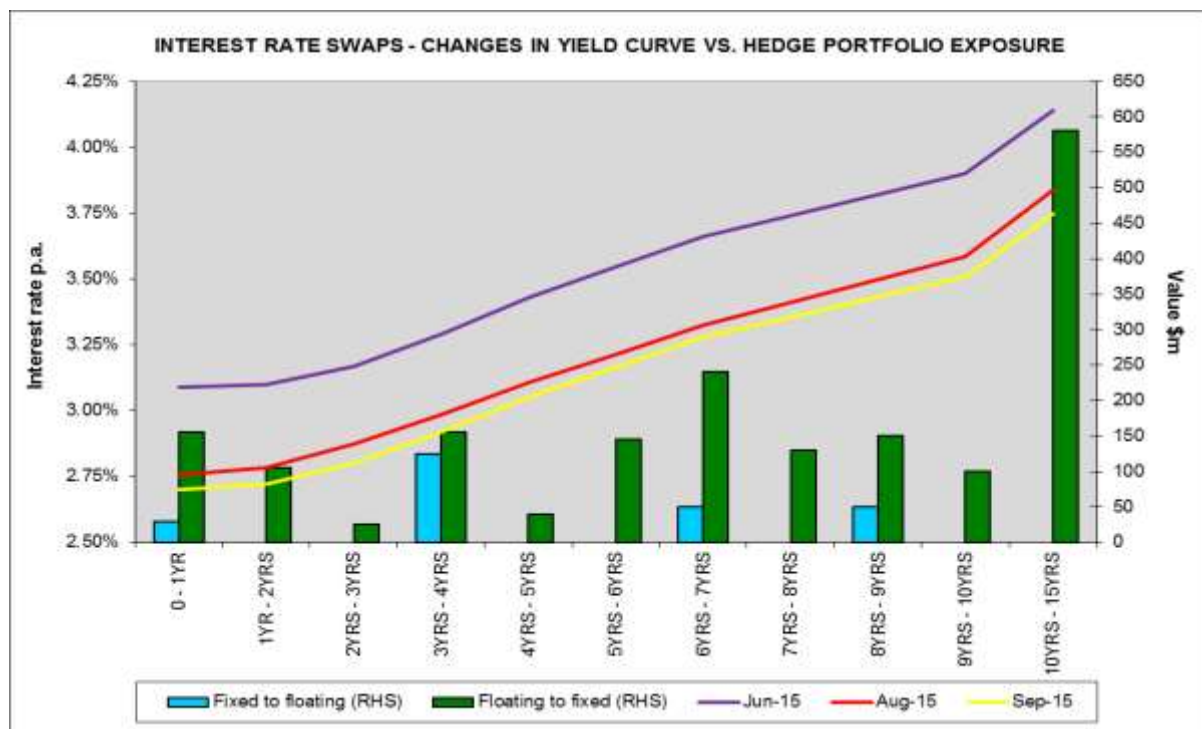
Six new water restrictions were actioned during the month and three restrictions were removed. The table below summarises the restrictions carried out by Watercare Services Limited.

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	3	4	13	5	16	9
<b>Total</b>	<b>68</b>	<b>65</b>	<b>94</b>	<b>62</b>	<b>162</b>	<b>127</b>
<b>Restrictions currently</b>	<b>3</b>		<b>32</b>		<b>35</b>	

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 26 residential restrictions remain in place on occupied properties and communication continues with these customers.
- Three commercial properties remain restricted at the end of September 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	6.26	6.36	0.10	19.06	19.73	0.67	77.54	78.21	0.67
Capitalised Interest	1.11	1.39	0.28	3.38	3.94	0.56	17.94	18.50	0.56
Gross Interest	7.38	7.76	0.38	22.44	23.67	1.24	95.47	96.71	1.24
Less Interest Income	0.00	-	(0.00)	0.02	-	(0.02)	0.02	-	(0.02)
<b>Net Interest</b>	<b>7.38</b>	<b>7.76</b>	<b>0.38</b>	<b>22.42</b>	<b>23.67</b>	<b>1.25</b>	<b>95.46</b>	<b>96.71</b>	<b>1.25</b>

For the month net interest is favourable to budget \$0.38m; largely due to lower debt than budgeted.

## Capital Expenditure

Capital expenditure for the month was \$21.9m against a budget of \$29.0m.

Summary Capital Expenditure (\$millions)	Month September 2015			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Infrastructure Wastewater Projects	8.4	15.3	6.9	29.9	45.4	15.5	185.7	206.2	20.5
Infrastructure Water Projects	10.4	8.0	(2.4)	26.9	29.7	2.8	114.8	118.2	3.4
Operations	1.5	3.1	1.6	3.6	11.3	7.7	40.5	47.3	6.8
Maintenance Services	0.1	0.5	0.4	0.4	1.2	0.8	4.1	4.7	0.6
Information Services	0.7	0.9	0.2	1.9	2.6	0.7	6.6	7.4	0.8
Other Projects	0.8	1.2	0.4	1.9	3.2	1.3	10.0	13.0	3.0
<b>TOTAL</b>	<b>21.9</b>	<b>29.0</b>	<b>7.1</b>	<b>64.6</b>	<b>93.4</b>	<b>28.8</b>	<b>361.7</b>	<b>396.8</b>	<b>35.1</b>
Includes:									
Water Projects Capitalised Interest	0.5	0.6	0.1	1.5	1.8	0.3	7.9	8.2	0.3
Wastewater Projects Capitalised Interest	0.6	0.8	0.1	1.9	2.1	0.3	10.1	10.3	0.3
<b>Total Capitalised Interest</b>	<b>1.1</b>	<b>1.4</b>	<b>0.3</b>	<b>3.4</b>	<b>3.9</b>	<b>0.6</b>	<b>17.9</b>	<b>18.5</b>	<b>0.6</b>

## 6. BOARD CORRESPONDENCE

There was one piece of board correspondence during the month, a letter from the Waitakere Tramline Society to the Chairman.

## 7. EXECUTION OF DOCUMENTS

There were seven documents executed during September in accordance with the delegated authority provided to the Chief Executive by the Board in relation to deeds, instruments and other documents. These included two approvals to register easements, two lease and licence reviews and renewals, one Public Works Act 1981 Notice to acquire land, an approval to vest land to Watercare for a pump station and an agreement to dispose of infrastructure no longer required by Watercare.

There were 14 capex approvals totaling \$25.353m signed in accordance with the delegated authority provided to the Chief Executive by the Board in relation to capex approvals below a threshold of \$15m.

Summary of Capital Projects approved by Chief Executive – September 2015		
C-10028	Cathodic protection on steel watermains - Stage 3	\$2,214,730
C-11338a	Miranda Reserve Pipe Bridge Repair - extension	\$1,235,898
C-11844a	Army Bay WWTP Odour Extraction System Upgrade - Capex extension	\$825,000
C-12192a	Wynyard Quarter Pump Station and Rising Main - Stage 2	\$12,966,626
C-12290a	Wynyard Quarter Gravity Sewers - Stage 2	\$6,763,385
C-12492a	Watermain Replacement: 66 - 102 Gray Avenue & Orakau Road, Papatoetoe	\$598,000
C-12501-01	Replacement Vehicles - 4x4	\$45,000
C-12586-02-01	Long Drive Watermain Renewal	\$274,900
C-12618 – C-12623	Various IS projects	\$430,420

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

Summary of Contract Awards – September 2015		
3/09/2015	CPL	Warkworth Wells Pilot Plant 50kW Abstraction Pump Installation
4/09/2015	Lynn Electrical Limited	Supply and deliver a new switchboard for Hobbs Bay Wastewater Pump Station
7/09/2015	Tonkin and Taylor	Huia No.1 Watermain Replacement Geotechnical and Contaminated Land Investigations
9/09/2015	Ergo Consulting	Mangere WTP - Screenings Area Control Cabinets
9/09/2015	Opus International Consultants	Mairangi Bay Rising Main Site Supervision VR2
10/09/2015	Stockman General Contractors Limited	CT6082: VO1 - Herd Road Watermain Renewal
20/09/2015	CPL	Huia WTP - Site Alternatives Assessment
21/09/2015	MWH	NCU Phase 2 - Hardware Design Package 4

## 8. COMMUNICATIONS

### Media Summary

The spring issue of *Tapped In*, which featured information on what people should and shouldn't pour down their drains or flush down their toilets, generated strong coverage in the NZ Herald, the Botany and Ormiston Times and the Howick and Pakuranga Times. These publications reinforced the key messages in the newsletter. Further coverage is expected in the Manukau Courier.

In Te Atatu Peninsula, a wet-weather overflow at Taipari Strand generated local concern with a community meeting held and a petition raised. Watercare representatives attended the community meeting and met with a journalist from the Western Leader to explain the reason for the overflows, which is largely due to inflow and infiltration via private pipes. The spring issue of *Tapped In* was used as a tool to explain how stormwater can enter the wastewater network. The subsequent media coverage was neutral – a good outcome. The residents are currently receiving a newsletter called *Te Atatu Matters* with their bills which reinforces the messages in the earlier newsletter regarding inflow and infiltration.

The owner of an antique lace shop contacted the suburban newspapers saying the disruption caused by the Hunua 4 project resulted in a 70 per cent drop in business for him. The story – which ran in three papers in September – said he was seeking compensation from Watercare as he is behind in his rent payments. We responded by saying that while we appreciate the project was disruptive, we made every effort to inform residents and commuters that businesses were still open, including erecting signs and distributing flyers. We noted that we do not offer compensation.

In early October, we proactively contacted the Waiuku Post to inform the editor that we were increasing the frequency of our water monitoring programme in Waiuku after very low levels of arsenic were detected. This resulted in two articles on the topic, both of which were balanced and carried key information from our media release.

Watercare was included in an article in the NZ Herald on council salaries in October. Overall, the article was positive saying that the pay rises awarded to the top executives slowed down this year.

### Customer Communications Programme

The table below outlines the indicative forward 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
September	Domestic and non-domestic customers received the spring issue of <i>Tapped In</i> which had a wastewater focus. Of particular note, it featured a cross-section of a house with information on how customers can protect both their own plumbing and our wastewater network.	Distribution complete
October	Domestic customers are receiving a flyer on the Ministry for the Environment's water efficiency labelling scheme.  Domestic customers in Te Atatu Peninsula are receiving a newsletter with their bills in response to community concern over an overflow point in the area. Its purpose is to educate home owners on the significant impact stormwater has on our network. We explain how private wastewater drains are a major contributor to wet-weather overflows and the role homeowners can play in reducing them.	Being distributed
Mid-Nov to mid-Dec	Domestic and non-domestic customers will receive the summer issue of <i>Tapped In</i> which will focus on using water wisely.	Planned
Mid-Jan to mid-Feb	Domestic customers will receive a flyer on Watercare's involvement in Round the Bays.  Domestic customers in Helensville will receive an update on Watercare's work to secure a new water supply and to upgrade the local wastewater treatment plant.	Planned
Mid-Feb to mid-March	Domestic and non-domestic customers will receive the autumn issue of <i>Tapped In</i> which will focus on leaks.	Planned

### Internal Communications

Ongoing:

- Staff continued to receive weekly emails from the chief executive as well as the monthly publications *YourSource* and *HomeSafe*.

Planned:

- Watercare's fifth birthday on 1 November will be recognised with a cake for staff and special-edition *YourSource*.

## **Stakeholder Communications**

### Completed:

- In September, the annual report was published online.
- In September, an open information session regarding the proposed Runciman Road reservoirs was attended by 20 local residents and the Local Board Chair Andy Baker. A few weeks later, the Franklin County News ran two articles on the project in the same paper: one giving a clear outline of the project and why the reservoirs are required; and the other focusing on one resident who is concerned about the impact the reservoirs will have on her property. The assessment of environmental effects will soon be released for consultation.

### Planned:

- Work is underway to produce a book illustrating the water treatment and distribution process, from dam to tap. This book will be distributed to all primary schools and libraries in Auckland and it will be made available on our website for download. It will be communicated through traditional and social media, and through the local boards.
- A videography project is underway to produce nine videos: one will welcome new staff to Watercare; two will cover water and wastewater treatment; and six will cover the day in the life of employees. With the exception of the induction video, these videos will be uploaded online and promoted internally and externally. They will serve as stakeholder engagement, educational and recruitment tools.
- Public tours of Ardmore Water Treatment Plant and Rosedale Wastewater Treatment Plant are planned for early November.

## **9. WORKING WITH LOCAL BOARDS**

Local Board workshop briefings were held with the Hibiscus and Bays, Mangere Otahuhu, Otara and Waitakere Ranges Local Boards on a number of Watercare projects.

Auckland Transport, Parks and Watercare also joined the Waitemata Local Board for a workshop on the proposal to place a wastewater pipe along the eastern edge of Victoria Park in the city to service further development in the Wynyard quarter. Watercare is due to present the proposal to a business meeting of the local board in November where a decision will be made on the granting of land owner approval. Landowner approval was also obtained from Franklin Local Board for works in Hill Road Reserve.

General information was provided to local board chairs and members in the interests of no surprises and in response to a range of question on issues including, growth, developer enquiries and project updates. Further details of interaction are provided in the attached tables.

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

## **10. STATUTORY PLANNING**

### **Auckland Proposed Unitary Plan**

The upcoming Proposed Auckland Unitary Plan hearings of interest to Watercare are residential zones (October) and designations (end November-December). Watercare has approximately 250 designations for water supply and wastewater infrastructure that have been rolled over from the legacy plans into the Unitary Plan. Most of the submissions on Watercare's designations have now been resolved. The key submissions still to be resolved are Ngati Tamatera Treaty Settlement Trust, Heritage New Zealand, and Cornwall Park Trust Board. We expect that the Ngati Tamatera and Heritage New Zealand's submissions will be resolved before the hearing evidence is due on 21 October 2015. Any matters that cannot be resolved will go to a hearing. Council is also working on the submissions related to rezoning, precinct, and RUB realignment; these topics will be heard early next year. Watercare will be providing evidence for the RUB realignment hearing.

## **11. MAORI ENGAGEMENT**

### **Watercare and Waikato Tainui Board Workshop**

Following the 28 August meeting of Watercare and Waikato Tainui Board members and executives, an Agreement in Principle has been drafted for consideration by a joint sub-group of Board members. Planning is also underway for the tira hoe (waka paddle) of the Waikato River and tour of the Turanagawiwi, with the probable date February/March 2016. A tour is being planned for the New Year to introduce Waikato Tainui to Watercare's operations. This will include visits to selected Watercare sites and presentations by Watercare staff.

### **Mana Whenua Kaitiaki Forum**

The Forum met on the 8th October for its fourth quarterly meeting of the year. Items on the agenda included:

- a) An update by Watercare on our Waikato River Water take application
- b) An update on the land and Water Forums draft Fourth Report
- c) An update on the Waikato Plan Change on water quality in the Waikato River
- d) A progress report on broadening the role of the Mana Whenua Kaitiaki Forum to cover other functions of the Council family in addition to water
- e) A presentation on maori rights and interests in freshwater by Marama Lanning of the Auckland University
- f) Watercare's approach to asbestos cement pipes including our policy on redundant pipes
- g) Heritage NZ requirements for iwi support for archaeologists working on projects which involve cultural heritage

### **Working on the Maunga**

Watercare, Auckland Council Parks and Tūpuna Maunga o Tamaki Makaurau Authority (Maunga Authority) have been working together over the past three months to develop a relationship agreement between the Maunga Authority and Watercare. The agreement is designed ensure Watercare can continue to operate and maintain its assets on the Maunga in an efficient manner. It will be broadly split into two sections:

- Acknowledging the visions and values of the two organisations and defining principles that should guide activities on the Maunga.
- Operational protocols such as standard operating procedures, process flow charts for undertaking works on the Maunga and key contact lists.

The document is under review and it is planned for endorsement by all parties at the Maunga Authority Hui on the 7th December.

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R Jaduram  
CHIEF EXECUTIVE

# **WATERCARE SERVICES LIMITED**

## **Management Report**

**Sep-15**

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# WATERCARE SERVICES LIMITED

Sep-15

## 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
- Non compliance



## WATERCARE SERVICES LIMITED

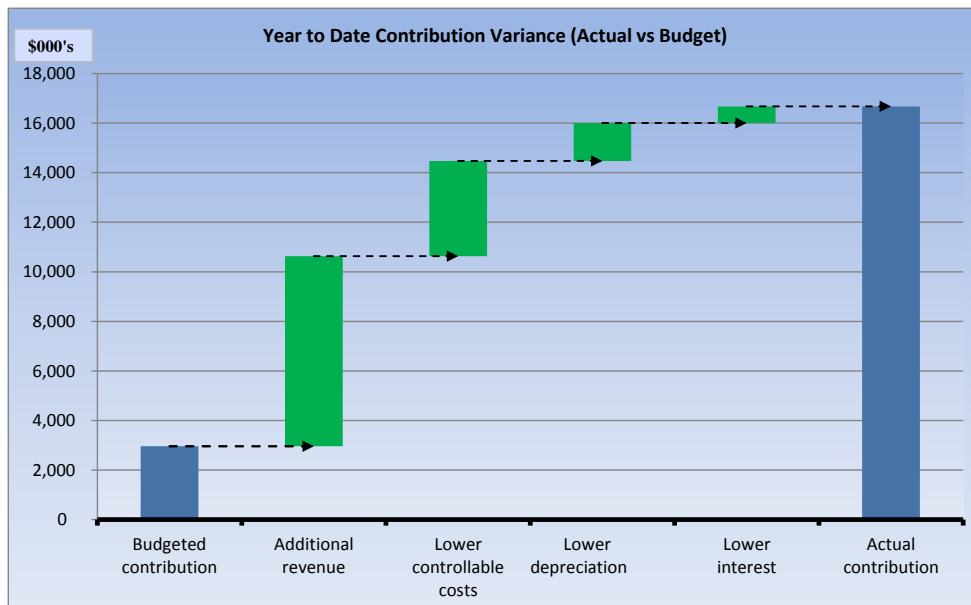
### STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

**Sep-15**  
**(\$000's)**

	Current Month				Year to Date				Full Year
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Budget
Wastewater revenue	24,356	23,872	484	✓	74,120	72,727	1,393	✓	300,286
Water revenue	11,106	11,014	92	✓	33,917	33,912	4	✓	142,982
Infrastructure growth charge revenue	4,676	3,622	1,055	✓	15,305	13,420	1,885	✓	57,520
Other revenue	3,879	3,712	167	✓	6,793	6,730	63	✓	26,044
<b>Revenue from exchange transactions</b>	<b>44,017</b>	<b>42,219</b>	<b>1,798</b>	<b>✓</b>	<b>130,135</b>	<b>126,790</b>	<b>3,345</b>	<b>✓</b>	<b>526,832</b>
Vested assets revenue	2,091	861	1,229	✓	6,911	2,584	4,327	✓	10,338
<b>Revenue from non-exchange transactions</b>	<b>2,091</b>	<b>861</b>	<b>1,229</b>	<b>✓</b>	<b>6,911</b>	<b>2,584</b>	<b>4,327</b>	<b>✓</b>	<b>10,338</b>
<b>Total revenue</b>	<b>46,108</b>	<b>43,081</b>	<b>3,027</b>	<b>✓</b>	<b>137,046</b>	<b>129,374</b>	<b>7,672</b>	<b>✓</b>	<b>537,170</b>
Labour	5,919	6,459	541	✓	18,171	19,175	1,004	✓	78,478
Contract labour	115	188	73	✓	408	586	178	✓	2,274
Oncosts	310	303	(7)	✗	736	896	160	✓	3,718
Labour recoveries	(3,016)	(3,228)	(212)	✗	(8,624)	(9,735)	(1,111)	✗	(39,436)
<b>Net labour</b>	<b>3,327</b>	<b>3,722</b>	<b>394</b>	<b>✓</b>	<b>10,691</b>	<b>10,922</b>	<b>230</b>	<b>✓</b>	<b>45,035</b>
Materials & cost of sales	213	179	(34)	✗	537	522	(15)	✗	2,106
Planned maintenance	1,149	1,293	144	✓	3,719	3,367	(352)	✗	16,002
Unplanned maintenance	3,267	2,646	(621)	✗	7,732	8,524	791	✓	32,542
Asset operating costs - chemicals	548	873	325	✗	2,202	2,339	138	✓	10,653
Asset operating costs - energy	1,559	1,509	(51)	✓	4,821	4,603	(217)	✗	17,801
Operating costs - other	2,551	3,357	806	✓	9,896	10,223	327	✓	42,855
Depreciation and amortisation	17,811	17,888	77	✓	52,371	53,901	1,530	✓	217,122
<b>Asset operating costs</b>	<b>26,884</b>	<b>27,564</b>	<b>680</b>	<b>✓</b>	<b>80,741</b>	<b>82,958</b>	<b>2,217</b>	<b>✓</b>	<b>336,975</b>
Communications	149	168	18	✓	512	506	(6)	✗	2,019
Professional services	811	1,551	740	✓	2,205	4,283	2,078	✓	14,637
Interest	6,264	6,365	101	✓	19,060	19,731	671	✓	78,207
General overheads	2,105	2,593	488	✓	6,624	7,493	869	✓	29,117
<b>Overheads</b>	<b>9,330</b>	<b>10,677</b>	<b>1,347</b>	<b>✓</b>	<b>28,401</b>	<b>32,013</b>	<b>3,613</b>	<b>✓</b>	<b>123,980</b>
<b>Total expenses</b>	<b>39,754</b>	<b>42,142</b>	<b>2,388</b>	<b>✓</b>	<b>120,370</b>	<b>126,415</b>	<b>6,045</b>	<b>✓</b>	<b>508,096</b>
<b>Total contribution/(loss)</b>	<b>6,353</b>	<b>939</b>	<b>5,415</b>	<b>✓</b>	<b>16,676</b>	<b>2,959</b>	<b>13,717</b>	<b>✓</b>	<b>29,074</b>
Gain/loss on disposal of fixed assets and other costs	611	205	(406)	✗	1,341	600	(741)	✗	3,000
Gain/loss on revaluation of financial instruments	7,810	-	(7,810)	✗	40,597	-	(40,597)	✗	-
<b>Non operating (costs)/revenue</b>	<b>8,422</b>	<b>205</b>	<b>(8,217)</b>	<b>✗</b>	<b>41,938</b>	<b>600</b>	<b>(41,338)</b>	<b>✗</b>	<b>3,000</b>
<b>Net surplus/(deficit) before tax</b>	<b>(2,068)</b>	<b>734</b>	<b>(2,802)</b>	<b>✗</b>	<b>(25,262)</b>	<b>2,359</b>	<b>(27,621)</b>	<b>✗</b>	<b>26,074</b>
Deferred tax	11,666	4,655	(7,010)	✗	3,823	5,468	1,645	✓	21,490
<b>Net surplus/(deficit) after tax</b>	<b>(13,734)</b>	<b>(3,922)</b>	<b>(9,812)</b>	<b>✗</b>	<b>(29,085)</b>	<b>(3,108)</b>	<b>(25,976)</b>	<b>✗</b>	<b>4,584</b>

**Key: Financial performance result**

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



**WATERCARE SERVICES LIMITED**  
**STATEMENT OF CASH FLOWS**

Sep-15

(\$000's)

NZ \$000s	Current Month				Year to Date			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result
<b>Operating Cash flow:</b>								
Operating Revenue	43,034	41,609	1,425	✓	126,398	127,910	(1,512)	*
Operating Costs	(20,785)	(18,345)	(2,440)	*	(56,059)	(56,854)	795	✓
Interest Paid	(7,723)	(6,365)	(1,358)	*	(17,233)	(19,731)	2,498	✓
<b>OPERATING CASH FLOW</b>	<b>14,526</b>	<b>16,899</b>	<b>(2,373)</b>	<b>* </b>	<b>53,106</b>	<b>51,324</b>	<b>1,781</b>	<b>✓</b>
<b>Investing Cash flow:</b>								
Capital Expenditure	(19,611)	(30,599)	10,988	✓	(75,878)	(93,479)	17,601	✓
Capitalised Interest (CAPI)	(1,114)	(1,392)	278	✓	(3,378)	(3,942)	564	✓
<b>INVESTING CASH FLOW</b>	<b>(20,725)</b>	<b>(31,990)</b>	<b>11,265</b>	<b>✓</b>	<b>(79,256)</b>	<b>(97,421)</b>	<b>18,165</b>	<b>✓</b>
<b>Financing Cash flow:</b>								
Short Term Advances/(Repaid)	5,500	5,500	-	✓	23,000	23,000	-	✓
Commercial Paper Issued/(Repaid)	91	91	-	✓	223	223	-	✓
Auckland Council Borrowings/(Repaid)	(199)	9,500	(9,699)	*	(597)	22,874	(23,471)	✓
<b>FINANCING CASH FLOW</b>	<b>5,392</b>	<b>15,091</b>	<b>(9,699)</b>	<b>✓</b>	<b>22,626</b>	<b>46,097</b>	<b>(23,471)</b>	<b>✓</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(807)</b>	<b>-</b>	<b>(807)</b>	<b>* </b>	<b>(3,524)</b>	<b>-</b>	<b>(3,524)</b>	<b>* </b>
Opening Cash Balance/(Overdraft)	75	-	75	✓	2,792	-	2,792	✓
<b>Ending Cash Balance/(Overdraft)</b>	<b>(732)</b>	<b>-</b>	<b>(732)</b>	<b>* </b>	<b>(732)</b>	<b>-</b>	<b>(732)</b>	<b>* </b>

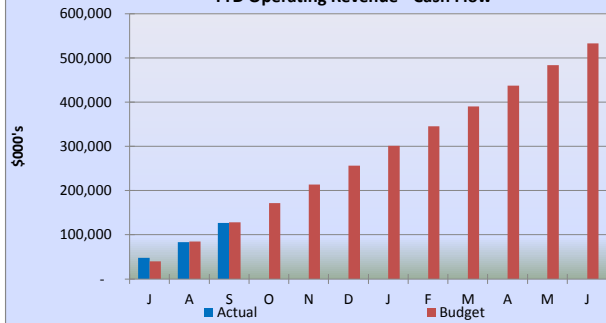
**Key: Financial performance result**

- ✓ 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)**

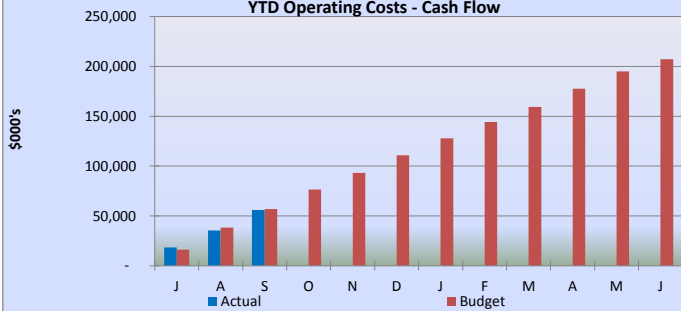
	Current Month		Year to Date		
	Actual	Budget	Actual	Budget	Variance
Net Surplus (Deficit) After Tax	(13,734)	(3,922)	(29,085)	(3,108)	(25,976)
Add back non cash items:					
Depreciation and amortisation	17,811	17,888	52,371	53,901	(1,530)
Financial instruments revaluation	7,810	-	40,597	-	40,597
Vested assets revenue	(2,091)	(861)	(6,911)	(2,584)	(4,327)
Other non-operating exp/(inc)	611	205	1,271	600	671
Income Tax Expense/(Benefit)	11,666	4,655	3,823	5,468	(1,645)
Movements in Working Capital	(7,547)	(1,066)	(8,959)	(2,951)	(6,008)
<b>OPERATING CASH FLOW</b>	<b>14,526</b>	<b>16,899</b>	<b>53,106</b>	<b>51,324</b>	<b>1,781</b>

**YTD Operating Revenue - Cash Flow**



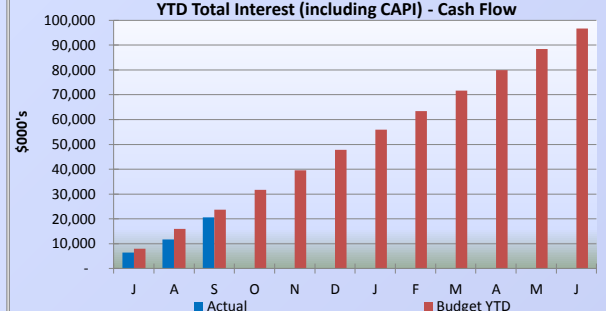
Operating cash revenue is behind budget slightly due to a higher than budgeted unbilled revenue accrual at September.

**YTD Operating Costs - Cash Flow**



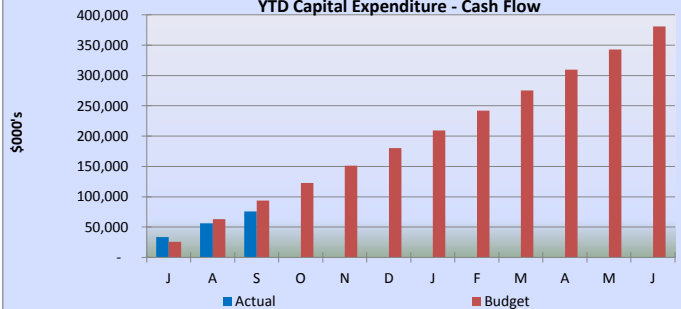
YTD operating costs cash flows are in line with budgeted cash flows

**YTD Total Interest (including CAPI) - Cash Flow**



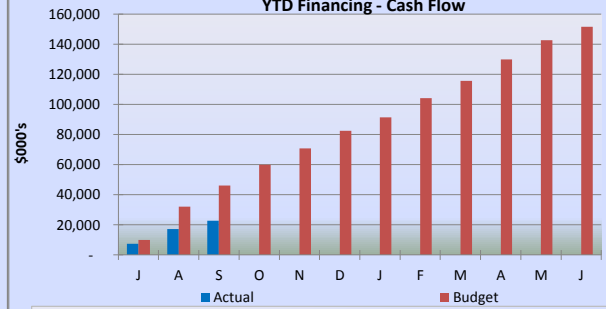
YTD total interest cash flow is favourable to budget despite interest expense in the statement of comprehensive revenue and expense being in line with budget due to an opening low interest accrual

**YTD Capital Expenditure - Cash Flow**



Cash flows from capital expenditure was initially ahead of budget due to higher cash payments clearing opening payables, and has subsequently fallen behind budget in line with the CAPEX variance to budget.

**YTD Financing - Cash Flow**



Financing cash flow is below budget due to lower borrowing resulting from lower capital expenditure.

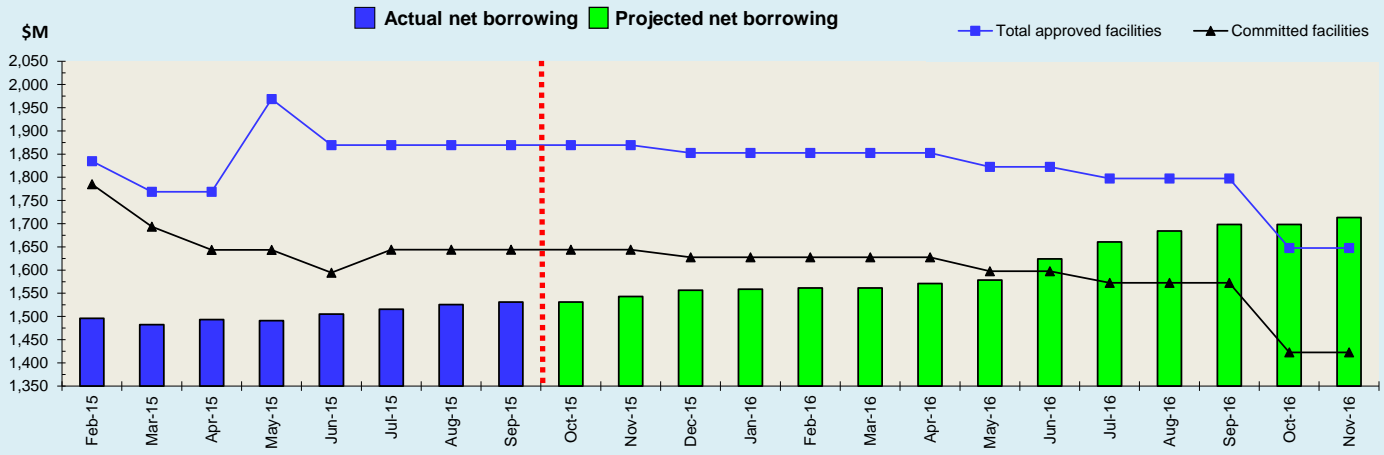
**WATERCARE SERVICES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

**Sep-15**  
**(\$000's)**

June 2015 Actual	August Actual		September		
			Actual	Budget	Variance
		<b>Current assets</b>			
2,792	75	Cash and cash equivalents	-	-	-
47,826	48,741	Trade and other receivables from exchange transactions	49,241	47,810	1,431
19,524	22,199	Unbilled revenue accrual	21,536	19,814	1,722
3,000	3,345	Prepaid expenses	4,238	2,635	1,602
4,058	4,043	Inventories	4,044	4,539	(495)
2,310	1,674	Derivative financial instruments	2,278	2,526	(248)
79,511	80,077	<b>Total current assets</b>	81,338	77,325	4,013
		<b>Non-current assets</b>			
8,172,155	8,192,116	Property, plant and equipment	8,196,645	8,233,695	(37,050)
383,539	408,425	Construction/work-in-progress	429,140	432,821	(3,681)
(27,673)	(60,238)	Provision for depreciation	(77,523)	(82,106)	4,582
8,528,021	8,540,302	<b>Total property, plant and equipment</b>	8,548,262	8,584,410	(36,148)
40,184	38,989	Intangible assets	38,398	42,599	(4,201)
23,692	23,618	Prepaid expenses	23,625	23,606	19
3,884	4,001	Inventories	4,001	3,504	497
9,086	12,593	Derivative financial instruments	12,196	7,794	4,402
8,604,867	8,619,503	<b>Total non-current assets</b>	8,626,482	8,661,914	(35,432)
8,684,378	8,699,580	<b>Total assets</b>	8,707,820	8,739,239	(31,419)
		<b>Current liabilities</b>			
-	-	Bank Overdraft	732	-	732
148,693	148,825	Commercial paper	148,916	148,640	276
30,264	30,266	Bonds (18/05/16)	30,267	30,263	3
18,918	43,836	Auckland council loan	43,795	21,185	22,610
197,875	222,926	<b>Total debt current</b>	223,710	200,088	23,622
19,407	13,691	Trade and other payables for exchange transactions	11,967	20,372	(8,405)
10,380	15,518	Interest accrued	13,200	14,020	(820)
58,862	44,925	Other accrued expenses	46,248	50,662	(4,414)
6,926	7,109	Provision for staff benefits	6,800	4,475	2,325
5,170	5,170	Other provisions	5,170	5,549	(379)
22,179	25,850	Derivative financial instruments	26,971	19,441	7,530
320,799	335,189	<b>Total current liabilities</b>	334,067	314,607	19,460
		<b>Non-current liabilities</b>			
75,000	75,000	Bonds (26/10/18)	75,000	75,000	-
50,667	50,621	Bonds (26/10/18)	50,599	50,689	(90)
150,000	150,000	Term loan (13/10/16)	150,000	150,000	-
-	17,500	Bank revolving credit facility	23,000	23,000	-
1,043,422	1,018,105	Auckland council loan	1,017,947	1,065,601	(47,654)
1,319,089	1,311,226	<b>Total debt non-current</b>	1,316,546	1,364,290	(47,744)
18,700	18,581	Other accrued expenses	17,732	29,096	(11,364)
3,484	3,484	Other Provisions	3,530	3,600	(70)
1,267	1,267	Provision for staff benefits	1,284	1,518	(234)
135,247	167,233	Derivative financial instruments	174,129	137,203	36,926
1,011,130	1,003,285	Deferred tax liability	1,014,951	1,025,310	(10,359)
2,488,917	2,505,076	<b>Total non-current liabilities</b>	2,528,172	2,561,017	(32,845)
2,809,715	2,840,265	<b>Total liabilities</b>	2,862,239	2,875,624	(13,385)
		<b>Equity</b>			
260,693	260,693	Issued capital	260,693	260,693	-
1,812,971	1,812,974	Revaluation reserve	1,812,274	1,812,974	(700)
3,856,351	3,800,999	Retained earnings	3,801,699	3,793,056	8,643
(55,352)	(15,351)	Current year earnings after tax	(29,085)	(3,108)	(25,976)
5,874,663	5,859,315	<b>Total equity</b>	5,845,581	5,863,615	(18,034)
8,684,378	8,699,580	<b>Total equity and liabilities</b>	8,707,820	8,739,239	(31,419)

# TREASURY RISKS AND INTEREST RATE PERFORMANCE

Sep-15



## Interest rates

		Actual YTD	Benchmark	Year end forecast
Weighted averages (excl. fees and margins)	*	4.99%	4.49%	4.91%
Weighted averages (incl. fees and margins)		6.06%	N/A	5.96%

## Debt (\$m)

	Actual	Budget	Variance
Short-term borrowings	223.7	200.1	23.6
Long-term borrowings	1,316.5	1,362.0	(45.5)
<b>Total gross debt</b>	<b>1,540.2</b>	<b>1,562.1</b>	<b>(21.9)</b>
Less cash & deposits	-	-	-
<b>Total net borrowing</b>	<b>1,540.2</b>	<b>1,562.1</b>	<b>(21.9)</b>

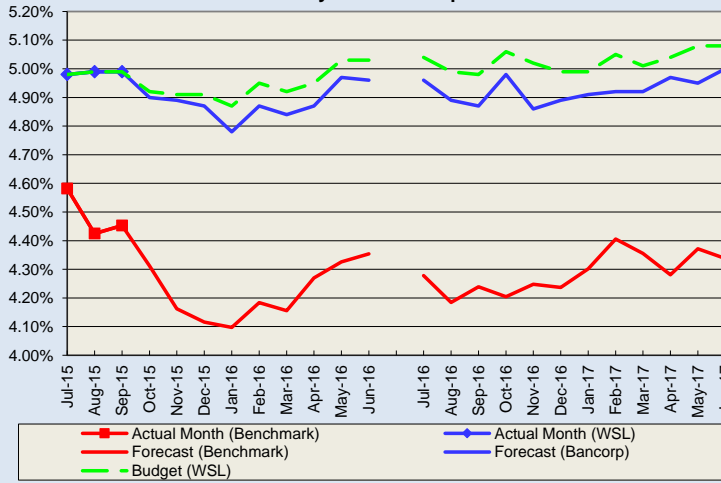
## Committed facilities

- 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	<u>\$1,104 million</u>
<b>Total committed facilities as at 30 September</b>	<b>\$1,644 million</b>

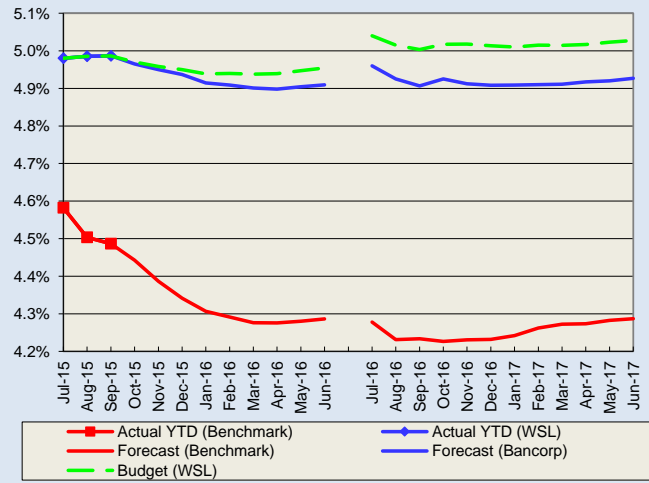
## Additional approved facilities

- Approved new funding from Auckland Council	\$150 million
- Approved CP issuance, over and above CP Standby facility	<u>\$75 million</u>
<b>Total approved facilities as at 30 September</b>	<b>\$1,869 million</b>

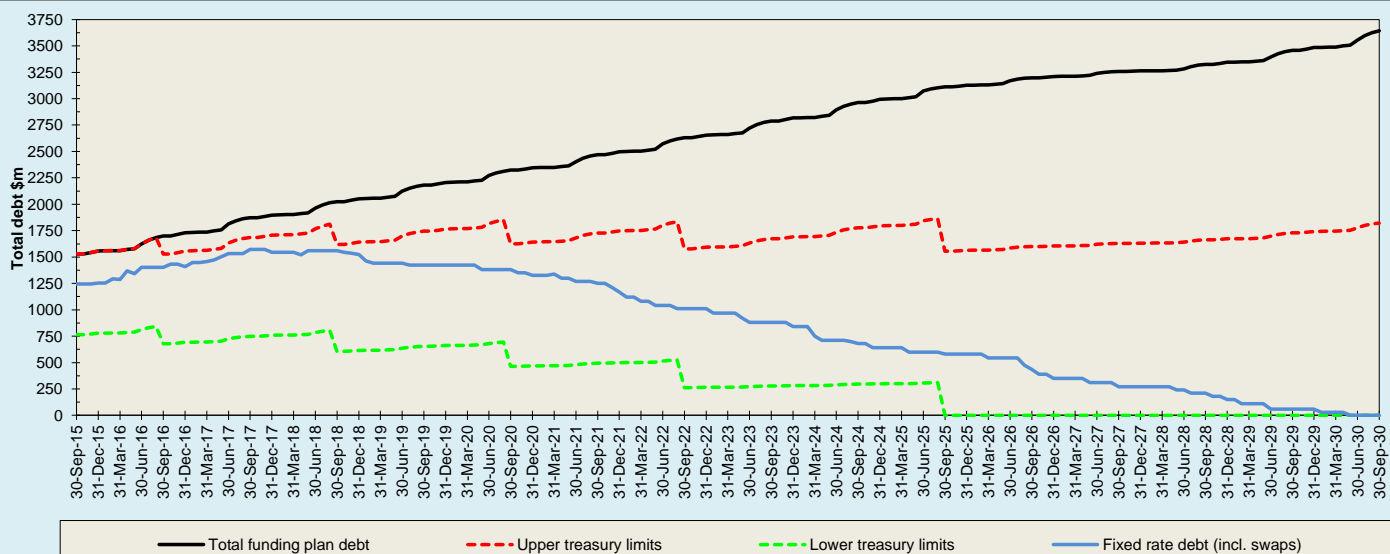
## Monthly interest rate performance



## Year to date interest rate performance



## Forecast total debt profile



## COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & COVENANT COMPLIANCE

Sep-15

Counterparty exposures	S&P credit rating Short / long term	Face value \$000	Credit exposures \$000	Limit \$000	Limit OK / exceeded	
<b>Obligations of registered banks</b>						
ANZ Bank	A1+ / AA-	730,000	4,471	100,000	Limit OK	✓
Bank of New Zealand	A1+ / AA-	647,230	19,244	100,000	Limit OK	✓
Commonwealth Bank of Australia	A1+ / AA-	115,000	1,459	100,000	Limit OK	✓
Kiwibank	A1 / A+	25,000	695	75,000	Limit OK	✓
Westpac Institutional Bank	A1+ / AA-	565,299	30	100,000	Limit OK	✓
		<b>2,082,529</b>	<b>25,899</b>			

*Note: Credit exposures are the aggregate of direct exposures, 10% of the 'face' value of forward foreign exchange contracts, 15% of the 'face' value of electricity hedging contracts, and the sum of the MTM value of interest rate derivative contracts plus a 3% 'risk' factor (if this produces a positive value).*

Debt concentration \$000								
Committed debt facilities	Maturity	0-12 months	12-24 months	24-36 months	36-48 months	48-60 months	> 60 months	Total
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	41,692	54,668	78,368	82,243	200,000	647,243	1,104,214
<b>Total committed debt facilities</b>		<b>71,692</b>	<b>379,668</b>	<b>78,368</b>	<b>267,243</b>	<b>200,000</b>	<b>647,243</b>	<b>1,644,214</b>
Approved new funding from Auckland Council							150,000	150,000
Approved CP issuance, over and above CP Standby							75,000	75,000
<b>Total committed and approved debt facilities</b>		<b>71,692</b>	<b>379,668</b>	<b>78,368</b>	<b>267,243</b>	<b>200,000</b>	<b>872,243</b>	<b>1,869,214</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		✓	✓	✓	✓	✓		
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						23,000	23,000
		0	0	150,000	0	0	23,000	173,000
<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		✓	✓	✓	✓	✓	✓	
Other facilities	Maturity	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	> 30 months	Total
BNZ overdraft	On demand	2,000						2,000
		2,000	0	0	0	0	0	2,000
Counterparty exposure in relation to borrowing facilities	Maturity	Westpac	BNZ	ANZ	CBA	Kiwibank	Total	Compliance
Term loan facility		150,000						
Revolving credit facility		60,000						
CP standby facility			175,000					
		<b>210,000</b>	<b>175,000</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<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		✓	✓	✓	✓	✓		

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%	33.02%	✓
Total liabilities (including contingent) / total tangible assets - maximum	65%	33.02%	✓
Shareholders funds - minimum (\$000)	500,000	5,845,581	✓
EBITDA : funding costs ratio - minimum	1.75	4.31	✓
Funds from operations : interest cover ratio - minimum	2.00	3.62	✓
Total tangible assets of borrowing group / total tangible assets - minimum	90%	100.00%	✓
Loans, guarantees etc to related companies / total tangible assets - maximum	5%	0.00%	✓
External debt maturing in less than 5 years - minimum	50%	100.00%	✓

# FOREIGN EXCHANGE, COMMERCIAL PAPER & ELECTRICITY HEDGING

Sep-15

Foreign currency exposures (NZ\$000) including hedging for chemical purchases	USD	Total
Total exposure to be hedged	2,529	2,529
Foreign exchange hedging	2,529	2,529
Percentage cover	100%	100%
<b>Treasury policy</b>	<b>100%</b>	<b>100%</b>
Treasury policy compliance	✓	✓

Hedging for chemical purchases (US\$000)	Mar-16	Sep-16	Mar-17	Sep-17	Total
Chemicals forward foreign exchange hedging	250				250
<b>Treasury policy</b>					<= 5,000
Treasury policy compliance					✓

## Commercial paper maturities

Issue #	\$000	BKBM	Interest rate	Bid cover (x)	Term (days)	Maturity date
282	50,000	3.080%	3.151%	1.32	92	30-Oct-15
283	50,000	2.910%	2.981%	2.98	92	25-Nov-15
284	50,000	2.834%	2.983%	2.16	78	9-Dec-15
	<b>150,000</b>		<b>3.038%</b>			

Month	Amount (\$M)
Oct-15	50
Nov-15	50
Dec-15	50
Jan-16	0
Feb-16	0
Mar-16	0

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

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Beyond Mar-16	Total
Outstanding CP	50,000	50,000	50,000	0	0	0	0	150,000
Uncommitted short-term debt								0
	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>150,000</b>

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

Undrawn committed standby facilities	1 month	1-2 months	2-3 months	3-4 months	4-5 months	5-6 months	> 6 months
Undrawn committed standby facility - CP facility	175,000	175,000	175,000	175,000	175,000	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	
<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>	✓	✓	✓	✓	✓	✓	

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								
<b>Total value of outstanding contracts</b>	<b>0</b>							
<b>Treasury policy for maximum value of outstanding contracts</b>	<b>&lt;= 10,000</b>							
Treasury policy compliance	✓							

# WATERCARE SERVICES LIMITED

Management Report

Sep-15

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- Monthly Statistics Update

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# Management Report

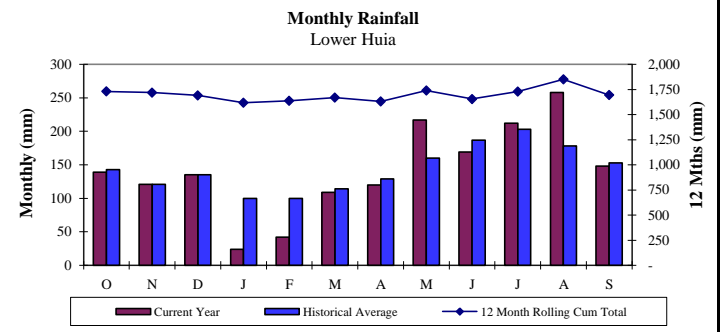
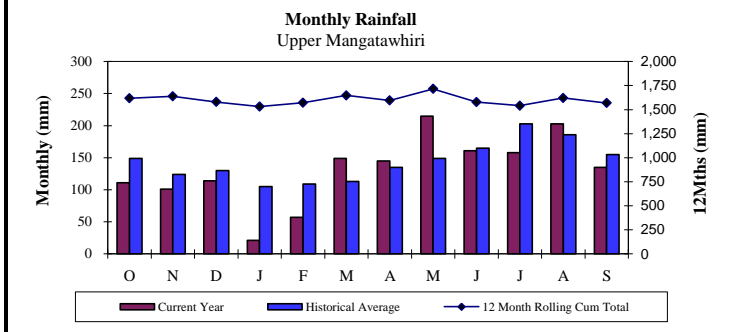
## Monthly Statistics Update

WATERCARE SERVICES LIMITED

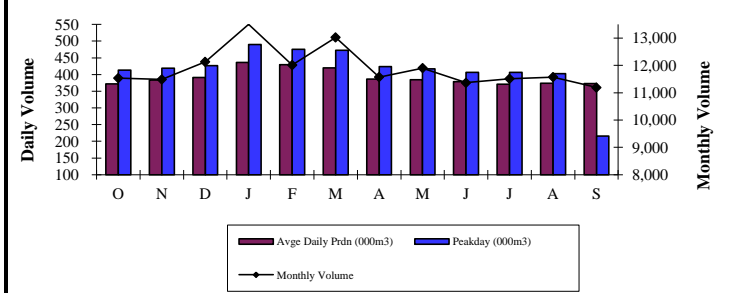
Sep-15

### Rainfall

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
<b>Actual - Upper Mangatawhiri</b>	135 mm	1570 mm	<b>Actual - Lower Huia</b>	148 mm	1694 mm



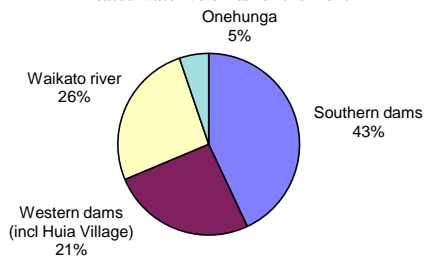
### Water Production - Metropolitan Supply



Treated water volumes (000m <sup>3</sup> )	Current Month	12 Month Rolling Ave
<b>Monthly Volume</b>	11,191	11,901
<b>Average Daily Production</b>	373	391
<b>Peak Day</b>	216	490 <sup>1</sup>

<sup>1</sup> Peak day in past 12 months

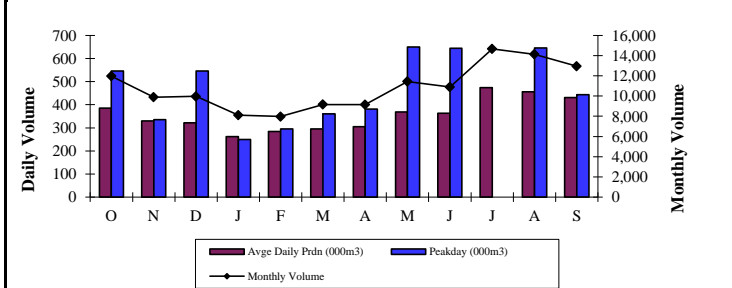
#### Treated water volumes for the month



	Current Month			Year to Date		
	Actual	%	Budget	Actual	%	Budget
Southern dams	4,814	43%	7,551	16,367	48%	23,664
Western dams	2,870	26%	2,317	7,741	23%	6,977
Waikato river	2,924	26%	947	8,423	25%	2,807
Onehunga aquifer	583	5%	254	1,744	5%	712
<b>Total</b>	<b>11,191</b>	<b>100%</b>	<b>11,069</b>	<b>34,275</b>	<b>100%</b>	<b>34,160</b>

By utilising the Waikato river and Onehunga above budget, total dam storage level achieved at 85%

### Wastewater Treatment - Metropolitan Treatment



	Current Month	12 Month Cumulative Ave
<b>Monthly Volume (000m<sup>3</sup>)</b>	12,939	10,857
<b>Average Daily Production</b>	431	356
<b>Peak Day Mangere</b>	443	425

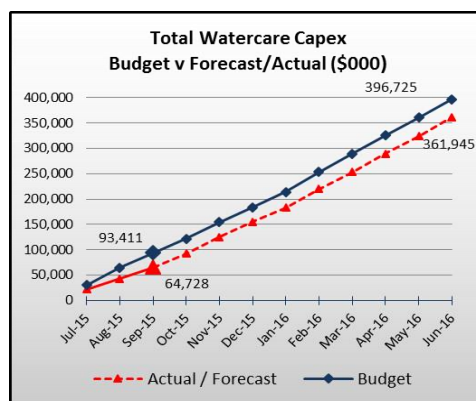


# WATERCARE PUBLIC REPORT

## CAPITAL EXPENDITURE



TOTAL WATERCARE EXPENDITURE	Year to Date		Annual Performance	
	Actual	Budget	Actual + Forecast	Budget
Strategy & Planning	517	3,210	30,005	42,199
Infrastructure Delivery	53,001	68,142	253,987	266,918
Service Delivery	3,610	11,364	40,578	47,382
Retail	1,645	2,370	7,506	8,150
Information Services	1,986	2,559	6,655	7,380
Other	591	1,823	5,277	6,195
Capitalised Interest	3,378	3,942	17,937	18,501
<b>Watercare Total</b>	<b>64,728</b>	<b>93,411</b>	<b>361,945</b>	<b>396,725</b>



Project / Programme Infrastructure Related Projects (Phase: Design / Execution)	Project Performance		Annual Performance		Status	
	Capex Outturn Estimate	Current Forecast	Forecast	Budget	Time	Cost
<b>Water Projects &gt;\$15 Million</b>						
Hunua No 4 Programme	385,372	385,411	50,570	50,514		
North Harbour Watermain Duplication	240,000	239,996	7,259	7,265		
Waikato 175MLD Expansion Stage Ultimate	48,880	48,880	11,708	12,000		
Huia No 1 Watermain Replacement	42,103	42,054	4,343	4,423		
Ardmore WTP Treated Water Resilience	32,120	32,120	847	1,503		
<b>Wastewater Projects &gt;\$15 Million</b>						
Central Interceptor Feasibility Design	960,470	960,470	14,471	14,471		
Northern Interceptor - Stage 1	148,200	147,922	3,498	4,414		
Mangere WWTP BNR Capacity	141,040	141,040	51,488	51,500		
Mangere WWTP Solids Stream Upgrade	74,800	74,800	11,756	11,960		
Rosedale WWTP Expansion Project	63,954	77,199	2,732	2,985		
Pukekohe WWTP Upgrade	59,000	56,900	4,610	5,422		
Pukekohe Trunk Sewer Upgrade	37,000	35,461	5,360	4,755		
Pond 2 Landfill Development	29,234	27,414	(166)	0		
Army Bay WWTP Outfall Upgrade	27,500	27,500	856	758		
Glendowie Branch Sewer Upgrade	17,845	17,835	874	880		
<b>Shared Services &gt;\$15 Million</b>						
Networks Control Upgrade	19,944	19,928	3,262	3,500		
<b>Capex Programme (Design / Execution)</b>						
>\$15 Million	2,327,462	2,334,930	173,466	176,349		
>\$2 Million <\$15 Million	207,718	213,888	47,897	52,512		
<\$2 Million	74,530	88,757	37,095	36,167		
<b>TOTAL</b>	<b>2,609,709</b>	<b>2,637,576</b>	<b>258,459</b>	<b>265,028</b>		

<b>Watercare Services Ltd</b>
<b>Financial Summary</b> 2015-16
<b>Report Period</b> September 2015
<b>Infrastructure Related Projects:</b> Strategy & Planning / Infrastructure Delivery / Service Delivery

<b>Traffic light Key:</b>
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 Oct).**

Local Board	Chair	Deputy Chair	August-15	September-15	October-15
<b>Albert - Eden</b>	Peter Haynes	Glenda Fryer	Information flyer on the Huia No. 1 Watermain (21 August). Invitation to view Central Interceptor drop shaft testing at Auckland University (27 August).	Site visit to Auckland University Engineering school to observe model of the drop-shaft tunnel (8 Sept).	
<b>Devonport - Takapuna</b>	Joseph Bergen <i>Watercare Rep (5 May 2015 to end of the 2013-2016 term)</i>	Grant Gillion <i>(5 May 2015 to end of the 2013-2016 term)</i>	Meeting regarding Special Housing Areas (25 August). Escalation regarding private property water leak (31 August)	Information on fats, oils and grease disposal (2 Sept).	Notification of works in Domain Road Devonport (12 Oct).
<b>Franklin</b>	Andy Baker	Jill Naysmith	Notification of herbicide detection in Cosseys Reservoir (3 August). Information to Jill Naysmith on the SHA servicing at Glenbrook Beach (20 August)	Information on fats, oils and grease disposal (2 Sept). Information regarding landowner approval for installation of bulk water meter at Hill Road Reserve (8 Sept). Runciman Reservoirs open evening (24 Sept). Information on developer query sent to Local Board Chair (28 Sept)	Information on wastewater servicing and Whitford landfill leachate (5 Oct). Information on South western wastewater servicing to Alan Cole (8 Oct).
<b>Great Barrier</b>	Izzy Fordham	Susan Daly			
<b>Henderson - Massey</b>	Vanessa Neeson	Shane Henderson	Public meeting regarding wastewater overflows at Taipari Strand near Roy Ranby Boardwalk (19 August). Local Board briefing on growth related issues (25 August). Information on Taipari Strand Overflows (27 August)	Local Board visit to Watercare to hear more about inflow and infiltration programmes and to see the Control Room (30 Sept).	Notice of Northern Interceptor Stage 3 discussions with parks (16 Oct).
<b>Hibiscus and Bays</b>	Julia Parfitt	Greg Sayers			Local Board Briefing (14 Oct).
<b>Howick</b>	David Collings	Adele White		Flyer on wastewater works in Studfall Street and Hope Farm Avenue (10 Sept). Tamaki Estuary Environment Forum (16 Sept).	
<b>Kaipatiki</b>	Kay McIntyre	Ann Hartley		Presentation to infrastructure committee on Wairau Road project (16 Sept). Information on Trunk Sewer 8 Project (17 Sept). Update on Maunganui Storage Tank works (18 Sept).	
<b>Mangere - Otahuhu</b>	Lydia Sosene	Carrol Elliott	Central Interceptor drop shaft testing at Auckland University (27 August).	Site visit to Auckland University Engineering school to observe model of the drop-shaft tunnel (10 Sept). Flyer on works at Ascot and Montgomerie Roads (10 Sept).	Local Board Briefing (14 Oct).
<b>Manurewa</b>	Angela Dalton	Simeon Brown		Escalated complaint response regarding completion of works in Wattle Farm Road (7 Sept).	

Local Board	Chair	Deputy Chair	August-15	September-15	October-15
<b>Maungakiekie - Tamaki</b>	Simon Randall	Chris Makoare	Site meeting regarding Van Dammes Lagoon opening (1 September)	Site visit regarding Van Dammes Lagoon work sign off (1 Sept). Notice of works in Queens Road Panmure (14 Sept). Tamaki Estuary Environment Forum (16 Sept).	Letter to the chairman regarding works at Van Dammes Lagoon (5 Oct). Information on the Glen Innes wastewater project and effect on the Adult Literary Centre Lease (7 Oct). Information on Fluoridation and the Onehunga water supply (15 Oct).
<b>Orakei</b>	Desley Simpson	Kit Parkinson, Colin Davis (Watercare Rep)	Site meeting in St Heliers to discuss future wastewater planning (14 August). Liaison with Kit Parkinson regarding Madills wastewater project and transition of construction site to stormwater (24 August). Escalation regarding property LIM and wastewater separation (31 August).	Update to Local Board on St Heliers Bay Wastewater Project deferral (1 Sept). St Heliers Residents and Ratepayers and Orakei Local Board presentation (8 Sept). Response to query about water leaks in Paritai Drive (14 Sept). Tamaki Estuary Environment Forum (16 Sept).	
<b>Otara - Papatoetoe</b>	Fa'anānā Efeso (Efeso) Collins	Ross Robertson	Placemaking Otara Waterways & Lake Project Steering group with Stephen Grey (13 August).	Otara Waterways and Lakes Steering Group Presentation (16 Sept).	
<b>Papakura</b>	Bill McEntee	Michael Turner			
<b>Puketapapa</b>	Julie Fairey	Harry Doig	Information flyer on the Huia No. 1 Watermain (21 August). Central Interceptor drop shaft testing at Auckland University (27 August).	Notification of local pipeline renewal works in Hillsborough (3 Sept). Site visit to Auckland University Engineering school to observe model of the drop-shaft tunnel (8 Sept). Information on local watermain upgrade in Herd Road sent to Harry Doig (18 Sept).	
<b>Rodney</b>	Brenda Steele	Stephen Garner	Steven Garner assisted Watercare with public Unitary Plan designation discussions (11 August). Escalated complaint regarding fixed wastewater charging (27 August). Update regarding watermain upgrades in Muriwai (28 August).		
<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)			Local Board Briefing (6 Oct). Greenhithe Residents and Ratepayers meeting re Northern Interceptor project (6 Oct).
<b>Waiheke</b>	Paul Walden	Shirin Brown			
<b>Waitakere Ranges</b>	Sandra Coney	Denise Yates	Information flyer on the Huia No. 1 Watermain (21 August)		Local Board Briefing (15 Oct)
<b>Waitemata</b>	Shale Chambers	Pippa Coom	Central Interceptor drop shaft testing at Auckland University (27 August).	Information on fats, oils and grease disposal (2 Sept). Notice of works in Ardmore Road Ponsonby (28 Sept). Workshop for landowner approval of pipe works in Victoria Park (29 Sept).	

Local Board	Chair	Deputy Chair	August-15	September-15	October-15
Whau	Catherine Farmer	Susan Zhu	Information flyer on the Huia No. 1 Watermain (21 August)		Information on investigation works at Browns Bay roundabout for the Huia No. 1 watermain project (6 Oct).
Manukau Harbour Forum	Jill Naysmith			Information on fats, oils and grease disposal (2 Sept).	Proposal for presentation on South Western Wastewater Servicing (15 Oct).

# Report to the Board of Watercare Services Ltd

**Subject: Performance under the 2014/15 Statement of Intent**

**Date: 23 October 2015**

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## 1. Introduction

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

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

## 2. Performance under the 2014/15 Statement of Intent

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

Performance against the 2014/15 SOI was reported on a quarterly basis to the shareholder during the year and is recorded in the Statement of Service Performance (SSP) included in Watercare’s 2015 Annual Report. The Annual Report was published and distributed on 30 September 2015.

Copies of the Annual Report will be available in the Watercare Boardroom, Level 2, 73 Remuera Road, Newmarket on 29 October 2015 for people attending the October Board meeting. Copies have been supplied to all Auckland Councillors and Local Board Chairs, to the local news media and other interested parties. An online version is available on the Watercare website.

The 2014/15 SOI outlined performance measures in the following areas: safe and reliable water; healthy waterways; health, safety and wellbeing; customer satisfaction; sustainable environment; effective asset management; and sound financial management.

An overview of the company’s performance under the 2014/15 Statement of Intent will be presented at the meeting.

Report prepared by:

Reviewed by:

Approved for submission by:

.....  
R Chenery  
**Strategic Planning  
Manager**

.....  
B Monk  
**Chief Financial  
Officer**

.....  
R Jaduram  
**Chief Executive**

