

WATERCARE SERVICES LIMITED

AGENDA | Board meeting | 3/2/2016

Venue	Watercare Services Limited, 73 Remuera Road, Remuera
Time	11am

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 16 December 2015 	Minutes 16 December 2015
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. Draft Statement of Intent 2016-19	R Chenery	<ul style="list-style-type: none"> Receive report and provide feedback 	Report
6. General Business	Chair		

Date of next Meeting – 1 April 2016

Location – Watercare, 73 Remuera Road, Remuera

MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Watercare Services Limited, 73 Remuera Road, Remuera, Auckland
DATE	16 December 2015
TIME	10:30
STATUS	Open Session

	Present:	In Attendance:	Public in Attendance:
	M Allen D Clarke (Chairman) N Crauford P Drummond C Harland J Hoare D Thomas M Kingi (Board Observer)	M Bridge R Chenery S Cunis R Fisher R Jaduram B Monk D Sellars M Smith S Webster	Two members of the public
1.	Apologies <ul style="list-style-type: none"> T Lanigan 		
2.	Minutes of Previous Meeting <ul style="list-style-type: none"> The Board resolved that the Minutes of the public section of the Board meeting held on 19 November 2015 be confirmed as correct. 		
3.	Directors Corporate Governance Items <ul style="list-style-type: none"> Corporate Planner 2015 The corporate planner was noted. The Chairman advised that in 2016, some Board meetings would be held at Rosedale, Huia and Mangere sites. Peter Drummond advised that the February meetings of the Remuneration Committee would be rescheduled to a date to be advised. Review Disclosure of Interests The Board noted the paper. Organisational Chart The organisational chart was noted. 		
4.	Chief Executive's Report and Scorecard <ul style="list-style-type: none"> Health and Safety There were no lost time injuries (LTIs) in November 2015 and the rolling 12 month LTI and rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) were both well within the Statement of Intent targets. Service Delivery The Board noted that the Metropolitan total system storage was in line with the historical average storage for the end of November. Finance Brian Monk spoke to the report. He advised that IGC income was less than budgeted for having plateaued 		

	<p>in recent months.</p> <p>Water and wastewater revenues are slightly ahead of budget, expenses are below budget with continued savings in professional services, labour and general overheads.</p> <p>Debt levels are well below budget given the capital programme being behind schedule in some areas.</p>
5.	<p>Communication, Channel Strategy and Website Update</p> <ul style="list-style-type: none"> Rachel Hughes presented a video to be used for recruitment and other purposes. The video is one of a set highlighting various aspects of the business. <p>The video link for the videos will be forwarded to the Directors.</p> <p>The Board commended the video and noted the success of the public visits to Ardmore and Rosedale plants.</p>
6.	<p>El Nino Presentation</p> <ul style="list-style-type: none"> The Board received a presentation of El Nino from Belinda Storey. The presentation dealt with past occurrences and demonstrated that El Nino for the 2015/16 summer will be as severe as the strongest El Nino on record (1997/98). <p>The Board was advised that it is expected that neutral conditions would return mid-year.</p> <p>The Board noted that the presentation was in line with the information provided to the Board by NIWA.</p> <p>Shayne Cunis said with storage levels at the historical average, Auckland was well placed for the forthcoming summer months with the continued reliance on the extraction from the Waikato River.</p>
7.	<p>Wastewater Effluent Reuse</p> <ul style="list-style-type: none"> The Board received a presentation from Shane Morgan on wastewater effluent reuse as undertaken in California and other places where there is a severe water deficit. The costs of treatment and disposal are significantly higher than for traditional methods of treatment. Consideration will be given to a small pilot project being undertaken with the Kaawa aquifer in South Auckland.
8.	<p>General Business</p> <ul style="list-style-type: none"> The meeting closed at 11:35.

CERTIFIED AS A TRUE AND CORRECT RECORD

Chairman

WATERCARE BOARD CALENDAR 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 Newmarket	20 April Newmarket	24 May Newmarket*	27 June Newmarket	1 August Newmarket	31 Aug Newmarket	29 Sept Newmarket	18 Oct Newmarket*	14 Nov Newmarket	13 Dec Newmarket
Health and Safety Committee Workshops			8 March				5 July		8 September		1 November	
Health and Safety Site Visits												
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				20 April Newmarket (before Board meeting)		27 June Newmarket (before Board meeting)		31 August Newmarket (before Board meeting)		18 October Newmarket (before Board meeting)		
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			

* 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 3-Feb	March 3-Mar (Workshop)	1-Apr	April 20-Apr	May 24-May	June 27-Jun	July 1-Aug	August 31-Aug	Septemeber 29-Sep	October 18-Oct	November 14-Nov	December 13-Dec
Board Meeting Date												
Governance												
Charter Reviews				Refresh Corporate Governance Charter	Refresh Audit & Risk Committee Charter							Audit & Risk Charter Annual Review (Audit & Risk)
Policy Reviews					Treasury Policy Review							
Delegations					Annual Review of Board Delegations to CE							
Risk Reviews					Bi-Annual Review of risk categories 1-3							Bi-Annual Review of risk categories 1-3
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 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 Strateg.												
Strategic Planning		Refresh Strategic Framework										
Strategic Programme Updates			Programme Update: Fully Sustainable		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											Approve 2017 Internal Audit Plan	
Major Capex Project Approvals	Details to follow											

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests

Date: 27 January 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 – Panel member , Fire Review, Dept Internal Affairs – 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"> - Chairman, Wellington Rural Fire Authority - 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
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 noted.

Report prepared by:

Approved by:

R Fisher
Company Secretary

R Jaduram
Chief Executive

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests – Executive Management

Date: 27 January 2016

<i>Executive</i>	<i>Interest</i>
Raveen Jaduram	Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust Steering Committee Member – Business Leaders' Health and Safety Forum
Rob Fisher	Deputy Chairman - Middlemore Foundation President - Auckland University Rugby Football Club Trustee - Watercare Harbour Clean Up Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust
Brian Monk	Deputy Chairman - MIT Chairman Audit and Compliance Committee - MIT Trustee - Watercare Harbour Clean Up Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust
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:

Approved by:

R Chenery
Manager, Business Transformation

R Jaduram
Chief Executive

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

WATERCARE SCORECARD 2015/16

		SOI	2015/16 Target	Amber Threshold	Red Threshold	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	
1 Safe and Reliable Water																			
1a	The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	☑	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1b	The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	☑	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1c	Percentage compliance with M&H drinking water standards	☑	100%	n/a	<100%														
1d	Percentage of metropolitan water treatment plants achieving Grade A (annual measure)	☑	100%	n/a	<100%									100%	100%	100%	100%	100%	100%
1e	Percentage of metropolitan water supply reticulation achieving Grade A (annual measure)	☑	100%	n/a	<100%														
1f	Percentage of non-metropolitan water treatment plants achieving Grade A (annual measure)	☑	50%	n/a	<45%														
1g	Percentage of non-metropolitan water supply reticulation achieving Grade A (annual measure)	☑	50%	n/a	<25%														
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%	96%	96%	96%	96%	96%	96%	96%	96%
1i	Number of unplanned water interruptions per 1000 connected properties (12 mth rolling average)	☑	≤10	>10 to 12	>12	7.7	7.5	7.5	7.2	7.0	6.8	6.6	6.6	6.4	6.2	6.2	5.9	5.6	5.5
1j	Unrestricted demand - metropolitan		Unrestricted	Subjective	Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
1k	Unrestricted demand - non-metropolitan		Unrestricted	Subjective	Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
2 Healthy Waterways																			
2a	Number of dry weather sewer overflows per 100km of wastewater pipe length per year (12 mth rolling average)		≤5	>5 to 7	>7	2.06	2.16	2.10	2.05	2.02	1.94	1.86	1.80	1.90	1.91	1.81	1.99	2.14	
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														
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	0.03	0.05	0.05	
2d	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents	☑	a) ≤2 b) ≤2 c) ≤2 d) ≤2	n/a	>2 (for any)								0	0	0	0	0	0	
2e	Number of sewer bursts and chokes per 1000 properties (12 mth rolling average)	☑	≤10	>10 to ≤12	>12	8.30	8.20	8.20	7.90	7.70	7.70	7.30	7.10	7.00	7.00	6.60	6.70	6.60	
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%	100%	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%	87%	88%	88%	
3 Customer Satisfaction																			
3a	Median response time for attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site.	☑	≤60 mins	>60 - ≤90 mins	>90 mins								33 mins	34 mins	35 mins	35 mins	36 mins	37 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	1.6 hours	1.7 hours	1.8 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	1.8 days	1.9 days	2.1 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	2.9 days	3.0 days	3.1 days	
3e	Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	☑	≥80%	≥75% to <80%	<75%	87.0%	88.3%	86.1%	83.5%	87.6%	84.4%	88.2%	84.6%	87.0%	86.0%	85.3%	85.1%	85.0%	
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	6.7	6.5	6.3	
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	41 mins	41 mins	42 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	2.4 hours	2.4 hours	2.4 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	20.7	20.8	20.8	
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	5.7	5.3	4.80	4.80	4.80	4.80	4.70	4.70	4.60	4.90	4.70	4.60	4.40	
3k	Percentage of complaints being 'closed and resolved' within 10 working days (12 mth rolling average)	☑	≥95%	≥90% to <95%	<90%	96.3%	96.6%	96.8%	97.6%	98.1%	98.5%	98.3%	98.9%	98.2%	97.4%	97.4%	97.4%	97.1%	
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	Last-time injury frequency rate per million hours worked (12 month rolling average)	☑	≤5	5 - 7	>7	8.48	7.86	7.20	5.34	4.47	5.31	6.42	6.4	5.8	5.23	4.63	3.55	3	
4b	Percentage of total hours absent due to illness (12 mth rolling average)	☑	≤2.5%	>2.5 to 3.5%	>3.5%	2.03%	2.05%	2.08%	2.07%	2.07%	2.09%	2.10%	2.09%	2.15%	2.09%	2.14%	2.15%	2.16%	
4c	Percentage of voluntary leavers relative to number of permanent staff (12 mth rolling average)	☑	≤12%	>12 to 14%	>14%	9.64%	10.36%	10.68%	11.00%	11.19%	11.14%	10.84%	11.16%	10.86%	11.45%	11.28%	11.72%	12.30%	
4d	Total recordable injury frequency rate per million hours worked (12 month rolling average)	☑	≤30	>30 to <33	>33	18.78	15.11	19.79	17.20	18.33	19.45	19.84	18.65	19.13	16.86	16.80	17.05	15.53	
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	3.35	3.40	3.38	3.45	3.40	3.34	3.32	3.69	3.51	3.62	3.62	3.56	3.63	
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%	0.91%	0.91%	0.92%	0.92%	0.92%	0.87%	0.87%	0.87%	0.87%	0.87%	0.88%	0.88%	
5c	Water & wastewater revenue against budget YTD %	☑	≥100%	≥98% to <100%	<98%	99%	100%	100%	100%	100%	100%	100%	101%	101%	101%	102%	102%	102%	
5d	Infrastructure growth charge revenue against budget YTD %	☑	≥100%	≥95% to <100%	<95%	173%	164%	156%	156%	149%	146%	147%	102%	108%	102%	93%	91%	94%	
5e	Controllable costs against budget YTD %	☑	≤100%	>100 to <102%	>102%	99%	99%	98%	98%	101%	101%	101%	94%	95%	93%	94%	95%	95%	
5f	Total contribution against budget YTD (\$ millions)	☑	+	-\$0.1m to -\$2m	> -\$2m	22.37	26.79	27.94	26.76	24.98	22.53	26.13	3.09	8.30	13.72	17.74	18.62	22.06	
5g	Net surplus / deficit before tax against budget YTD (\$ millions)	☑	+	-\$0.1m to -\$2m	> -\$2m	-43.59	-90.04	-74.28	-76.19	-67.08	-63.05	-66.59	-21.81	-16.16	-27.62	-21.55	-20.52	4.06	
5h	Total net borrowing against budget YTD (\$ millions)	☑	Negative	\$0.1m to \$10m	> \$10m	-29.70	-34.80	-49.30	-71.70	-71.20	-86.10	-79.40	-22.40	-15.20	-21.90	-40.20	-46.10	-51.30	

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	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	
6	Fully Sustainable																					
6a	The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	<input checked="" type="checkbox"/>	272 +/- 2.5%						266	273	273	273	273	273	271	271	271	271	271	271	272	273
6b	Per capita consumption (litres / person / day) - Residential Monthly PCC		Information only						163	170	170	163	155	151	149	148	148	151	156		Reporting lag - data sourced from meter readings	
6c	Non-Domestic Monthly Water Volume		Information only						2,892,951	2,898,831	3,079,838	3,344,422	2,864,637	2,910,993	2,913,178	2,845,386	2,863,774	2,846,259	3,117,438		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%	
6e	The percentage of real water loss from the local authority's networked reticulation system (rolling 12 mth average)	<input checked="" type="checkbox"/>	≤13%	>13 to 13.2%	>13.2				13.66%	13.89%	13.66%	13.66%	13.50%	13.31%	12.95%	12.89%	13.00%	13.10%	13.04%	13.06%	13.40%	
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%	
6g	Percentage of annual potable water network losses (12 mth rolling average) - Urban as a percentage of total volume		No specific target - information only						13.40%	13.67%	13.40%	13.54%	13.38%	13.21%	12.85%	12.59%	12.73%	12.81%	12.82%	12.64%	12.97%	
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%	
6i	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of rural volume		No specific target - information only						25.19%	24.95%	23.92%	20.85%	20.35%	19.51%	19.06%	27.75%	27.67%	27.16%	26.62%	26.49%	27.01%	
7	Policy Compliance																					
7a	Compliance with Treasury Policy		Within policy	Planned outside policy	Unplanned outside policy				Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy

Watercare Services Limited

Subject: Chief Executive Report – December 2015

Date: 27 January 2016

1. HEALTH AND SAFETY

There were no Lost Time Injuries in December 2015. The rolling 12 month Lost Time Injury Frequency Rate (per million hours worked) was 3.0 against a target maximum of 5. The rolling 12 month Total Recordable Injury Frequency Rate (per million hours worked) was 15.55 (target maximum 30).

2. CUSTOMER SERVICES

Performance against Statement of Intent measures for December 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 99.8% against a target of 95%. Customer satisfaction in December was in line with the 12 month average with satisfaction at 86.3% for fault management, 82.6% for the maintenance field crews and 86% for billing and general enquires. The rolling 12 month average for customer satisfaction is above the 80% target for all three areas.

3. INFRASTRUCTURE PROGRAMME

The infrastructure capital programme has delivered year to date performance of \$125m against a budget of \$170m. The forecast to year end is to deliver \$284m against a budget of \$375.0m, 76%.

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

4. STATUTORY PLANNING

Auckland Proposed Unitary Plan

The major focus of the remaining hearings for the Proposed Auckland Unitary Plan is the Rural Urban Boundary, rezoning, and precinct. Hearings are currently underway on the Rural Urban Boundary. Although the focus of these hearings is on the physical location of the RUB, the Council continues to argue its case for retaining the Rural Urban Boundary at the Regional Policy Statement level. The Independent Hearing Panel has signalled that it favours moving the RUB to the Regional Plan level which will then enable private plan changes to the RUB. The hearings on rezoning and precincts will commence in mid-February and continue through April when the hearing process will be completed.

5. SERVICE DELIVERY

Rainfall and Water Resources

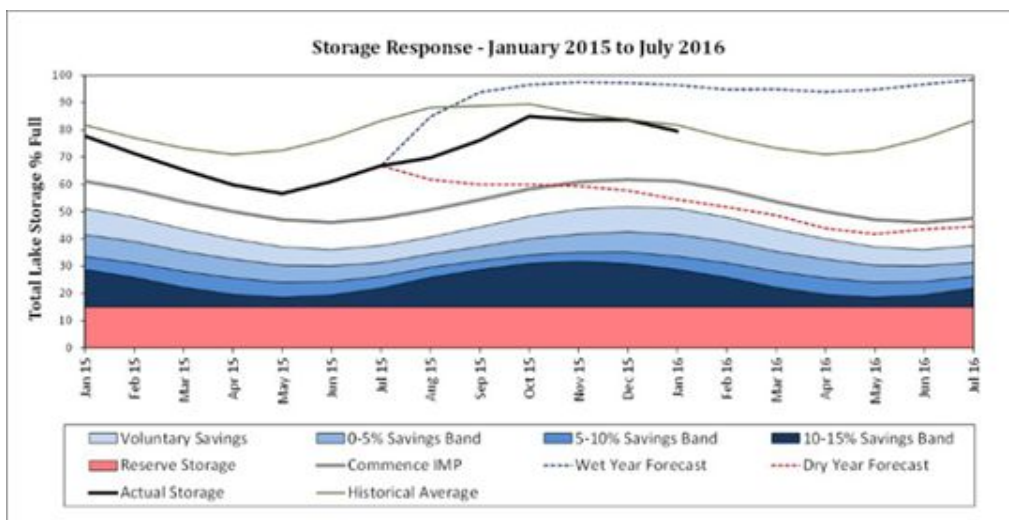
In December, below average rainfall was experienced in all catchments:

Waitakere Ranges	49% of average
Hunua Ranges	47% of average
Northern Non-metropolitan	52% of average
Southern Non-metropolitan	41% of average

Metropolitan total system storage remained stable at 81.8% over December, but heavy rain early in the New Year increased storage levels to 82.6% as of 27 January. For January – March 2016, temperatures are most likely to be near average, with rainfall most likely to be normal or below normal.

Strong El Niño conditions continue in the Tropical Pacific. There is general agreement among international experts that there will be a return to neutral conditions in June-August 2016. By some measures, the current event is on par with the 1997/98 El Niño (the strongest since 1950). As a result, there is an elevated risk of drought later this summer, in particular in the north and east of both islands.

Waikato WTP continues to be operated at higher flows to conserve stored water levels, along with minimising the production from the Ardmore WTP.



Wellsford Wastewater Treatment Plant Upgrade

The Wellsford Ultrafiltration (UF) plant produced its first batch of treated wastewater, as shown below. The UF plant will enable the plant to meet compliance in all parameters except for ammonia, and is part of the programme of works to achieve compliance with the resource consent conditions for the discharge. Further options to provide short-term improvements in ammonia levels are being investigated. The UF plant utilises the membranes originally from the Stage 1 Waikato WTP, and which had been used as an interim solution for the discoloured water at Pukekohe. Final commissioning works will be completed in January 2016.



Wastewater at Wellsford, pre and post membrane filtration.

Fluoride Information Request from Auckland Council

The Regional Strategy and Policy Committee of Auckland Council has requested an information report on fluoride treatment as currently practiced by Watercare. This report has been provided and it notes the communities that receive fluoridated water, the target of 0.7mg/L dosage and the controls in place to ensure quality standards are maintained. It also notes those communities that have historically and are currently not receiving fluoridated water.

6. FINANCE

Financial Performance

Figures (\$millions)	Current Month			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Revenue	49.70	46.16	3.53	277.97	264.05	13.92	548.65	537.17	11.48
Operating Expenses	17.11	16.97	(0.14)	100.11	105.82	5.72	208.84	212.77	3.93
Depreciation	18.09	18.22	0.13	107.05	108.28	1.24	217.06	217.12	0.06
Interest expense	6.75	6.66	(0.09)	38.35	39.53	1.18	78.63	78.21	(0.42)
Total Contribution	7.74	4.31	3.43	32.46	10.41	22.06	44.12	29.07	15.04
Non-operating costs/(income)	2.21	0.20	(2.01)	5.14	1.22	(3.92)	7.87	3.00	(4.87)
Financial instruments revaluation - loss/(gain)	(23.16)	-	23.16	14.08	-	(14.08)	14.08	-	(14.08)
Operating Surplus / (Deficit) Before Tax	28.69	4.11	24.59	13.25	9.19	4.06	22.17	26.07	(3.90)
Deferred Tax - Expense/(Credit)	10.55	5.04	(5.51)	11.40	10.51	(0.89)	21.62	21.49	(0.13)
Net Surplus / (Deficit) After Tax	18.15	(0.93)	19.08	1.85	(1.32)	3.17	0.56	4.58	(4.03)
FFO Ratio				3.63	3.20		3.50	2.94	
Operating EBITDAF	32.58	29.19	3.39	177.86	158.22	19.64	339.81	324.40	15.40
EBITDA	53.53	28.99	24.54	158.65	157.00	1.65	317.87	321.40	(3.54)
EBIT	35.44	10.77	24.67	51.60	48.72	2.88	100.80	104.28	(3.48)

Month – Total Contribution of \$7.74m - favourable variance to budget of \$3.43m

Total revenue was favourable \$3.53m to budget due to favourable IGC revenue \$0.6m, vested asset income favourable by \$1.5m and water and wastewater revenue favourable by \$1.5m.

Operating expenses were unfavourable \$0.14m to budget with unfavourable variances for net labour largely offset by asset operating costs.

Depreciation was favourable \$0.13m to budget.

Interest expense was \$0.09m unfavourable to budget.

Year to date – Total Contribution of \$32.46m - favourable variance of \$22.06m

Year to date revenue is \$13.92m favourable to budget primarily due to vested asset income favourable \$10.1m, water and wastewater revenue favourable \$5.1m partially offset by IGC revenue unfavourable \$1.6m. Water and wastewater year to date water volumes are 1.74% over budget.

Operating expenses are \$5.72m favourable to budget with favourable variances for asset operating costs, professional services and general overheads.

Depreciation is favourable \$1.24m to budget.

Interest expense is \$1.18m favourable to budget.

Year to Date – Net Surplus after Tax of \$1.85m – favourable variance of \$3.17m

The favourable variance of \$3.17m is primarily due to the \$22.06m favourable operating contribution partially offset by an unfavourable revaluation of financial instruments of \$14.08m resulting from the decrease in medium to long term swap rates since June 2015.

Full year Forecast – Operating Contribution of \$44.12m – favourable variance of \$15.04m

Full year revenue is forecast at \$548.6m, favourable by \$11.5m largely due to expected higher than budgeted vested asset revenue favourable \$10.1m partially offset by a reduced forecast for IGC revenue unfavourable \$3.1m. Water revenue forecast is being held at budgeted levels as we move into the high volume summer months and await the impact of summer weather on water volumes. The wastewater revenue forecast 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 favourable to budget \$3.9m with favourable variances for professional services and general overheads partially offset by asset operating costs.

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

Interest expensed through the P&L is expected to be \$0.4m higher than budget at year end; due to lower capitalised interest than budgeted partially offset by reduced interest cost largely due to lower debt than budgeted.

Financial Position

\$million	Actual Nov-15	Actual Dec-15	Monthly Movement	Budget Dec-15	Var from Budget
Non Current Assets	8,638.7	8,642.3	3.6	8,698.2	(55.9)
Current Assets	81.8	85.2	3.3	80.5	4.7
Total Assets	8,720.5	8,727.5	7.1	8,778.7	(51.2)
Other Liabilities	307.3	279.0	(28.3)	282.2	(3.2)
Deferred Tax Liability	1,012.0	1,022.5	10.4	1,030.3	(7.8)
Borrowings - Short Term	373.2	382.6	9.4	358.3	24.3
Borrowings - Long Term	1,169.7	1,166.8	(2.8)	1,242.4	(75.6)
Shareholders Funds	5,858.4	5,876.5	18.2	5,865.4	11.1
Total Liabilities and Shareholders Funds	8,720.5	8,727.5	7.1	8,778.7	(51.2)

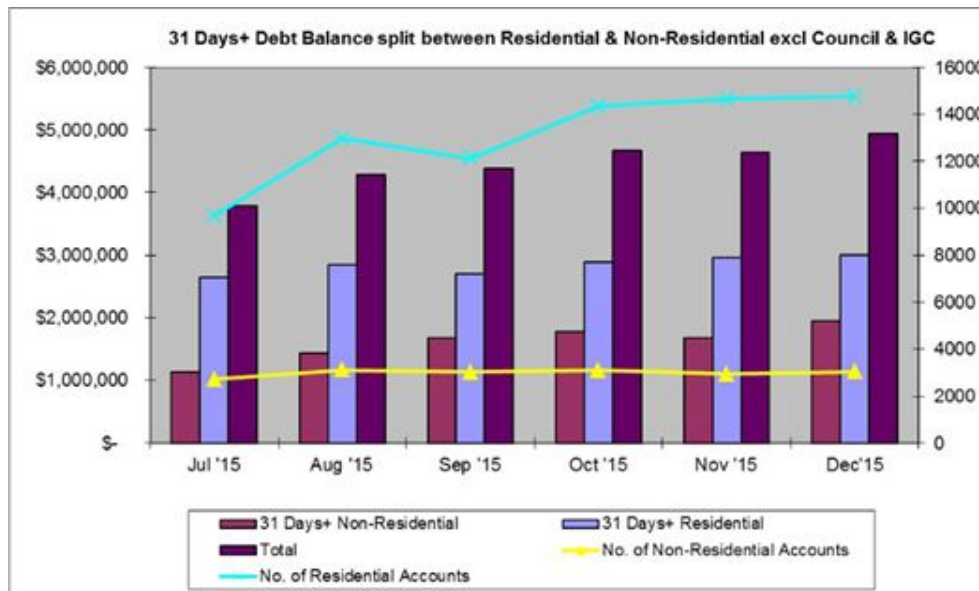
The major movement in the Statement of Financial Position as at 31 December 2015 compared with 30 November 2015 was the increase in non-current assets reflecting capital expenditure net of depreciation in the month and the movement in derivative financial instruments (Other liabilities).

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. 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 \$1,549m is \$51.3m beneath budget.

Aged Receivables

The 31 days+ debt balance at the end of December was \$4.9m, \$0.3m higher than November 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:

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	57	\$ 47
Total	535	\$ 534

WUCAT Summary last 3 meetings		
Month	Trust approved applications	\$000's
Oct-15	12	\$ 11.23
Nov-15	4	\$ 7.10
Dec-15	7	\$ 5.06
Total	23	\$ 23

A total of 535 applicants have successfully completed the budget advisor review process and these applicants have had \$534k of hardship relief approved by the Trust. This has resulted in \$434k being written-off as payment plans have been completed. For various reasons, 44 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 \$62k of approved hardship write-offs to be granted once they successfully complete their plan.

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

Restrictions

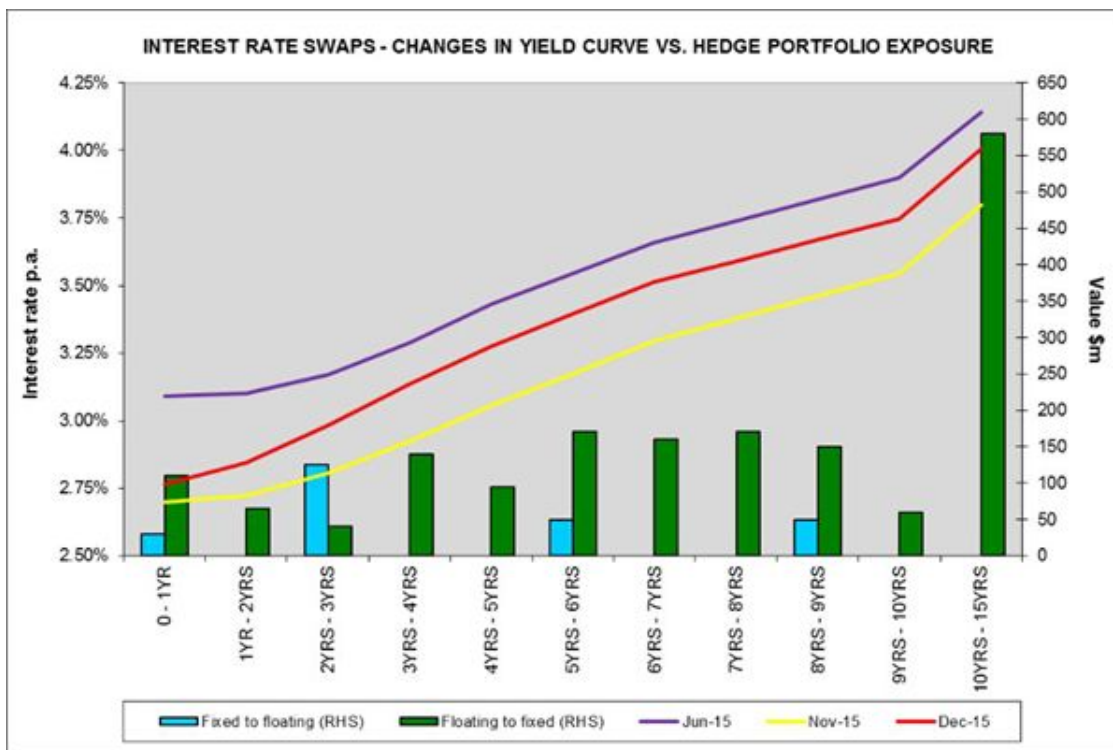
One water restriction was removed during the month of December. The table below summarises the restrictions carried out by Watercare Services Limited.

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	4	14	12	18	16
Total	69	65	95	69	164	134
Restrictions currently	4		26		30	

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 20 residential restrictions remain in place on occupied properties and communication continues with these customers.
- Four commercial properties remain restricted at the end of December and communication continues with these customers.

Treasury



Interest Analysis Smillion	Current Month			Year to date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	6.75	6.66	(0.09)	38.35	39.53	1.18	78.63	78.21	(0.42)
Capitalised Interest	0.80	1.50	0.71	6.41	8.24	1.83	12.65	18.50	5.85
Gross Interest	7.54	8.16	0.62	44.76	47.77	3.00	91.28	96.71	5.43
Less Interest Income	0.00	-	(0.00)	0.02	-	(0.02)	0.02	-	(0.02)
Net Interest	7.54	8.16	0.62	44.75	47.77	3.02	91.27	96.71	5.44

For the month net interest is favourable to budget \$0.62m; largely due to lower debt than budgeted.

Capital Expenditure

Capital expenditure for the month was \$21.4m against a budget of \$28.9m.

Summary Capital Expenditure (Millions)	Month December 2015			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Infrastructure Wastewater Projects	12.2	14.4	2.2	65.0	92.2	27.2	156.8	206.2	49.4
Infrastructure Water Projects	5.4	7.7	2.3	49.2	54.9	5.7	95.0	118.1	23.1
Operations	2.3	4.0	1.7	9.9	21.4	11.5	31.7	47.4	15.7
Maintenance Services	0.1	0.6	0.5	0.8	2.5	1.7	3.5	4.7	1.2
Information Services	0.5	0.9	0.4	3.5	5.3	1.8	7.7	7.4	(0.3)
Other Projects	0.9	1.3	0.4	4.3	7.3	3.0	8.5	12.9	4.4
TOTAL	21.4	28.9	7.5	132.7	183.6	50.9	303.2	396.7	93.5
Includes:									
Water Projects Capitalised Interest	0.4	0.7	0.3	3.0	3.7	0.7	5.7	8.2	2.5
Wastewater Projects Capitalised Interest	0.4	0.9	0.5	3.4	4.5	1.1	6.9	10.3	3.4
Total Capitalised Interest	0.8	1.5	0.7	6.4	8.2	1.8	12.7	18.5	5.9

7. BOARD CORRESPONDENCE

There was no Board correspondence during December.

8. EXECUTION OF DOCUMENTS

There were seven documents executed during December in accordance with the delegated authority provided to the Chief Executive by the Board in relation to deeds, instruments and other documents. These included four approvals to register easements, an approval to register a reverse sensitivity covenant, an offer to purchase land and a sale and purchase agreement.

There were 20 capex approval totaling \$20.711m 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 – December 2015		
C-10854-08a	Non-Metropolitan Wastewater Servicing Projects: Discharge Consents Budget and Procurement Strategy Approval Request - Denehurst	\$100,000
C-11658a	Non-Metropolitan Wastewater Servicing Projects: Discharge Consents Budget and Procurement Strategy Approval Request - Wellsford	\$870,000
C-12001-04-01	The Snells Algies WWTP Outfall Pipeline Replacement - Early Works	\$425,000
C-12372b	Omaha	\$1,689,000
C-12457b	MS Field Service Management Mobility	\$1,300,000
C-12488-02	Waikato WTP 175 MLD Expansion Work Packages 5 & 7	\$8,580,000
C-12513	Local water network planned renewals 2016	\$3,553,017
C-12518a	Waipa St Watermain Upgrade	\$87,450
C-12574-01	Purchase of Replacement Motor Vehicles for MSO	\$805,000
C-12588-04	Viaduct Harbour Tunnel Pipe	\$218,504
C-12596	Non-Metropolitan Wastewater Servicing Projects: Discharge Consents Budget and Procurement Strategy Approval Request - South-West Project (Clarks Beach, Waiuku, Kingseat, Glenbrook Beach)	\$1,260,000
C-12632a	Brains Rd Watermain Upgrade	\$23,700

C-12672	Non-Metropolitan Wastewater Servicing Projects: Discharge Consents Budget and Procurement Strategy Approval Request - Warkworth/Snells Algies	\$1,800,000
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There was one contract over \$100,000 was awarded during December 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 – December 2015		
16/12/2015	Ergo Consulting	NCU - Phase 2. Hardware Design - Package 5

9. COMMUNICATIONS

Media summary

Watercare received positive coverage in the NZ Herald and in numerous suburban newspapers over the holiday period as a result of proactive media engagement in the preceding months.

This coverage included a full-page profile on Raveen Jaduram in the NZ Herald on 31 December. Written by Sarah Dann in the *12 Questions* format, it covered: Raveen's background; leadership style; relationship with Mark Ford; health and safety; and delivering value for money.

The holiday coverage also included a positive feature on the Mangere Wastewater Treatment Plant which ran in five suburban papers and on www.stuff.co.nz in late December and early January. The primary focus was operation technician Chris Garton who measures odour levels at the plant using his calibrated nose. The secondary focus was on the history of the plant, including the benefits of Project Manukau.

Further coverage included articles in the NZ Herald and Manukau Courier highlighting our Watercare Coastal Walkway. The story in the Manukau Courier opened with: *"Tired of city life and wanting some peace this summer? You don't have to look far to find it. Watercare's Coastal Walkway in Mangere and on Puketutu Island could feel like hundreds of miles away from Auckland's busy traffic but it's only a few kilometres from the heart of the CBD."*

In mid-January, Radio NZ and the NZ Herald ran stories on Living Earth after it was granted consent to build a food composting facility on Puketutu Island. Watercare was mentioned in these stories as one of the organisations that gave its approval. The correct position is that we did not oppose the application. We required additional conditions on the consent to better manage traffic to provide a safer environment for access to the island.

We are responding to a negative story that ran in Mahurangi Matters in mid-January. The story was written by a Steve Reynolds who runs a water filter company and its content was not checked by the publication. While Watercare was not the focus of the story, Mr Reynolds gave a detailed account of his customer's experience with our contact centre. We contacted Mr Reynolds and he admitted fabricating the women's experience with Watercare.

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
Mid-Nov to mid-Dec	Domestic and non-domestic customers received the summer issue of <i>Tapped In</i> which focused on using water wisely over the summer months. The front page featured a case study on a young family who have benefited from our water advice line. This case study also ran as an article in the <i>Western Leader</i> , prompting further calls to our advice line.	Distribution complete
Mid-Jan to mid-Feb	Domestic customers are receiving a flyer on our involvement in Round the Bays.	Distribution in progress
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. The front page will feature a case study on a couple who received a 'high water use' card from their meter reader, prompting them to check for leaks and subsequently apply for a leak allowance. The newsletter will also feature an article on how we seek to nurture and develop our future workforce by running a summer intern programme.	In development
April	Domestic customers will receive a flyer on the Water Utility Consumer Assistance Trust. Residents in Helensville will receive a Helensville Matters to update them on our investigations into a future water source and our wastewater treatment plant upgrades.	Planned Planned
May	Residents in Mangere will receive a Mangere Matters heading of an event to mark the opening of the new road to the treatment plant. Depending on when the pricing for 2016/17 is confirmed, domestic and non-domestic customers will receive information on the price rise.	Planned 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

Stakeholder communications

Completed:

- The videography project is complete. The 'Welcome to Watercare' and treatment videos are available on our website and intranet. The day in the life videos will be released to staff bimonthly as part of our internal communications programme. They will also be included in the 'World Water Day' information packs provided to schools in Auckland in March. As requested

at the previous Board meeting, a day in the life video on Robert Sadgrove, a water reactive leading hand at MSN, will be screened during the board meeting.

- Hunua 4 was installed under Green Lane West over the Christmas period. In order to minimise disruption to traffic, the community and commuters were advised of the work prior to and during the work. The crossing went smoothly and was completed ahead of schedule. In late January, bold graphics that communicate the project's scale and purpose will be printed on large scrim panels and attached to the construction fencing, in addition to the routine stakeholder engagement activities.
- Information on the following projects was provided to communities via targeted newsletters and uploaded to the website: South-West Wastewater Options Assessment; Franklin Road Water and Wastewater Upgrade Project; Warkworth and Snells Algies Wastewater Servicing Project; Huia Water Treatment Plant Upgrade Project; Manukau Wastewater Upgrade Project; Fred Thomas Drive Pump Station and Storage Tank Project; and Central Interceptor Project.

Planned/underway:

- A community liaison group meeting will be held in February to further discuss the process that will be undertaken in order to identify a location for the new Huia Water Treatment Plant.
- Work is underway to plan public tours of the Mangere Wastewater Treatment Plant. These tours will follow the same format as the Rosedale and Ardmore tours in 2015 however they will run across two days as we anticipate a high level of interest.
- An event to mark the opening of the new road to the Mangere Wastewater Treatment Plant is being planned for May.
- Work to update the information at the Mangatangi Visitors Centre continues.
- Work is underway to produce a book illustrating the water treatment and distribution process, from dam to tap.
- Our education programme continues to be well received by schools in Auckland. Term one and two are close to fully booked.

10. WORKING WITH LOCAL BOARDS

Over December Watercare joined Auckland Council parks staff at a Waitemata Local Board business meeting where landowner approval was granted for wastewater works along the edge of Victoria Park enabling planned development of Wynyard quarter to continue. A business meeting of the Mangere Otahuhu Local Board was also attended where the naming of the access road to the Mangere Wastewater Treatment Plant and Puketutu Island was discussed. Watercare is to report back to the local board for a final decision in February.

Workshop briefings were held with Hibiscus and Bays and Upper Harbour Local Boards on Watercare's education programme and the East Coast watermain project respectively. Watercare also attended the Kaipatiki Local Board Infrastructure committee workshop.

Public newsletters on the South-West wastewater servicing project (Waiuku, Clarks Beach and Kingseat), North East wastewater servicing Project (Warkworth, Snells-Algies) and the Huia Water Treatment plant upgrade were shared with the respective local boards in advance of public information sessions early in 2016.

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

11. MAORI ENGAGEMENT

Watercare continues to engage with Te Waka Angamua on the development of a Maori Responsiveness Plan (MRP). Watercare has worked extensively with Maori to identify ways to establish and improve:

- Our relationship at a governance level.
- Our relationship with iwi environmental managers across the 19 iwi entities of Auckland.
- The process we have in place for engaging with iwi on our resource consents
- Education and training of Watercare staff in Maori protocols and language
- Marae water and wastewater facilities - pilot project
- Maori economic development where relevant

The plan will incorporate the areas above as well as additional opportunities where Watercare can further improve Maori responsiveness.

12. ENERGY EFFICIENCY

Watercare is amongst New Zealand’s 50 largest electricity users, with an overall consumption of 167 gigawatt hours (GWh). Mangere and Rosedale wastewater treatment plants account for half of the electricity used by Watercare. Servicing a growing city has resulted in energy consumption increasing year on year. Watercare recognises this as an area for improvement and is focused on becoming an industry-leader in energy efficiency and reduction of greenhouse gas emissions. To this end a programme of work is now underway to achieve an energy saving of 8GWh (5% of 2014/15 overall energy consumption) across all Watercare sites within the next three years. Included in this is a drive towards achieving energy-neutral sites at Mangere and Rosedale Wastewater Treatment Plants. Achievement of energy-neutral operations at Mangere and Rosedale WWTP’s would see a reduction in electricity consumption in the order of 37GWh within 10 years.

Watercare is partnering with the Energy Efficiency Conservation Authority (EECA) to reach these ambitious goals.

.....
R Jaduram
CHIEF EXECUTIVE

WATERCARE SERVICES LIMITED

Dec-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

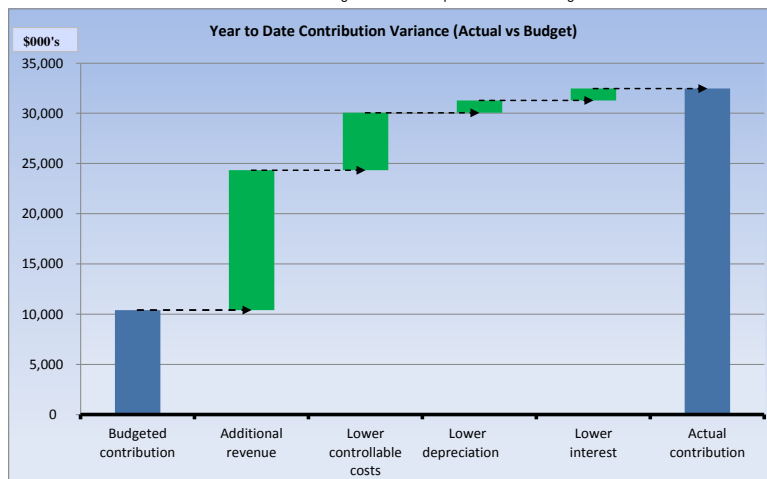
Key to Treasury policy compliance

- Full compliance
- Non compliance

WATERCARE SERVICES LIMITED												Dec-15
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	27,177	25,881	1,295	✓	153,593	149,027	4,566	✓	304,852	300,286	4,566	✓
Water revenue	12,564	12,360	204	✓	70,404	69,837	567	✓	142,999	142,982	18	✓
Infrastructure growth charge revenue	4,177	3,599	578	✓	25,386	26,966	(1,580)	✗	54,439	57,520	(3,080)	✗
Other revenue	3,456	3,462	(6)	✗	13,584	13,046	537	✓	26,185	26,044	140	✓
Revenue from exchange transactions	47,373	45,303	2,071	✓	262,967	258,877	4,090	✓	528,476	526,832	1,644	✓
Vested assets revenue	2,322	861	1,460	✓	15,003	5,169	9,834	✓	20,172	10,338	9,834	✓
Revenue from non-exchange transactions	2,322	861	1,460	✓	15,003	5,169	9,834	✓	20,172	10,338	9,834	✓
Total revenue	49,695	46,164	3,531	✓	277,970	264,046	13,924	✓	548,648	537,170	11,478	✓
Labour	6,136	6,541	404	✓	35,875	38,727	2,852	✓	74,758	78,478	3,720	✓
Contract labour	300	186	(113)	✗	1,012	1,146	134	✓	2,419	2,274	(144)	✗
Oncosts	274	316	42	✓	1,540	1,827	287	✓	3,425	3,718	294	✓
Labour recoveries	(2,382)	(3,200)	(818)	✗	(16,127)	(19,519)	(3,392)	✗	(35,294)	(39,436)	(4,142)	✗
Net labour	4,329	3,843	(486)	✗	22,300	22,181	(119)	✗	45,307	45,035	(273)	✗
Materials & cost of sales	145	185	40	✓	1,043	1,056	13	✓	2,129	2,106	(23)	✗
Planned maintenance	1,597	1,267	(330)	✗	6,997	7,851	855	✓	16,811	16,002	(809)	✗
Unplanned maintenance	2,315	2,596	282	✓	18,473	16,443	(2,030)	✗	35,494	32,542	(2,953)	✗
Asset operating costs - chemicals	1,077	961	(117)	✗	5,097	5,158	61	✓	11,072	10,653	(419)	✗
Asset operating costs - energy	1,385	1,324	(61)	✗	8,807	8,538	(270)	✗	18,367	17,801	(566)	✗
Operating costs - other	3,006	3,528	522	✓	18,069	21,051	2,982	✓	39,898	42,855	2,957	✓
Depreciation and amortisation	18,092	18,223	131	✓	107,048	108,285	1,237	✓	217,061	217,122	61	✓
Asset operating costs	27,472	27,899	427	✓	164,491	167,326	2,835	✓	338,703	336,975	(1,729)	✗
Communications	146	178	32	✓	853	1,036	183	✓	1,832	2,019	187	✓
Professional services	964	993	29	✓	4,690	7,946	3,256	✓	9,826	14,637	4,812	✓
Interest	6,745	6,659	(86)	✗	38,352	39,531	1,179	✓	78,631	78,207	(424)	✗
General overheads	2,152	2,100	(52)	✗	13,777	14,563	786	✓	28,104	29,117	1,013	✓
Overheads	10,007	9,929	(78)	✗	57,672	63,076	5,404	✓	118,393	123,980	5,588	✓
Total expenses	41,952	41,856	(96)	✗	245,506	253,639	8,133	✓	504,532	508,096	3,563	✓
Total contribution/(loss)	7,743	4,309	3,435	✓	32,464	10,407	22,057	✓	44,115	29,074	15,041	✓
Gain/loss on disposal of fixed assets and other costs	2,211	200	(2,011)	✗	5,137	1,220	(3,917)	✗	7,865	3,000	(4,865)	✗
Gain/loss on revaluation of financial instruments	(23,163)	-	23,163	✓	14,076	-	(14,076)	✗	14,076	-	(14,076)	✗
Non operating (costs)/revenue	(20,951)	200	21,151	✓	19,213	1,220	(17,993)	✗	21,941	3,000	(18,941)	✗
Net surplus/(deficit) before tax	28,695	4,109	24,586	✓	13,251	9,187	4,063	✓	22,174	26,074	(3,900)	✗
Income Tax Expense/(benefit)	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	10,547	5,040	(5,507)	✗	11,399	10,507	(892)	✗	21,618	21,490	128	✓
Net surplus/(deficit) after tax	18,148	(931)	19,079	✓	1,851	(1,320)	3,171	✓	556	4,584	(4,028)	✗

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



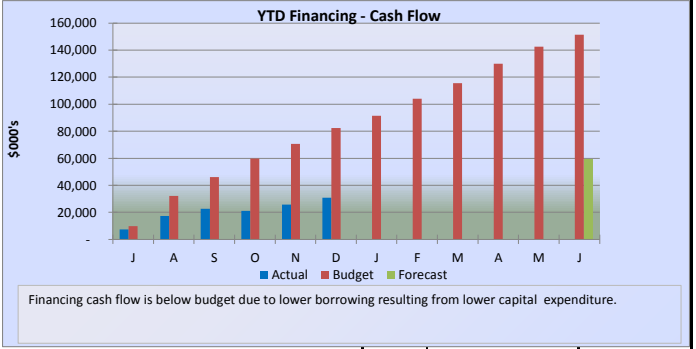
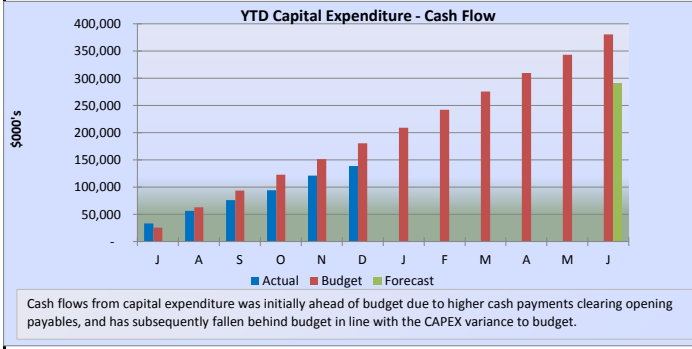
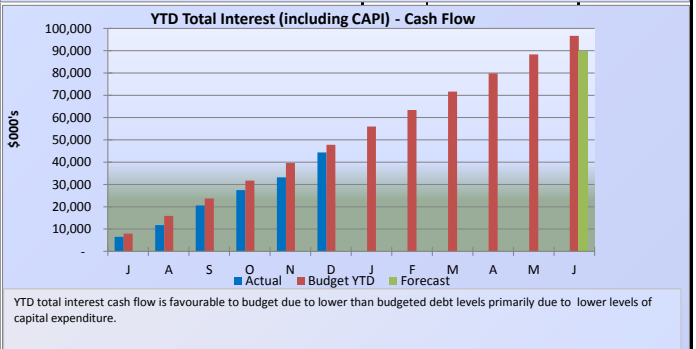
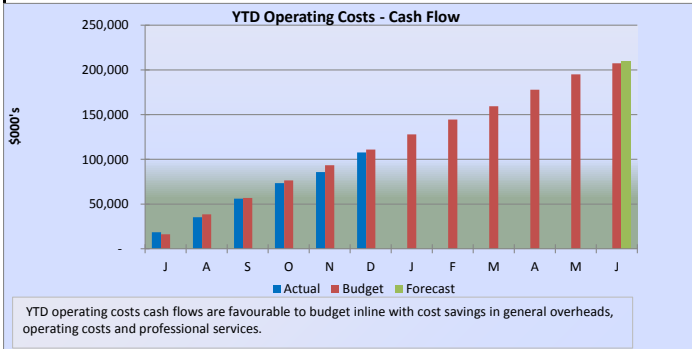
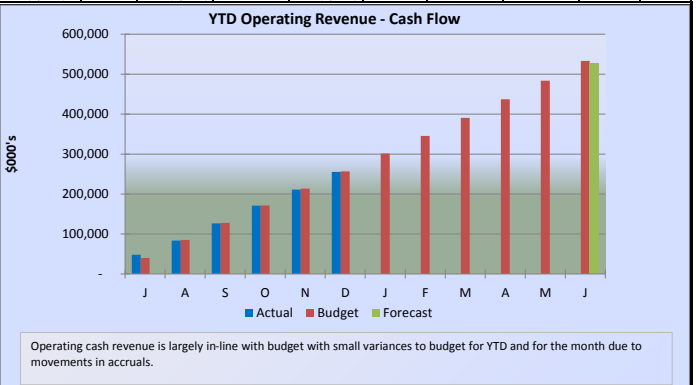
WATERCARE SERVICES LIMITED
STATEMENT OF CASH FLOWS

Dec-15

(\$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	44,355	43,155	1,200	✓	255,420	256,605	(1,184)	*	527,320	533,286	(5,966)	*
Operating Costs	(21,905)	(17,502)	(4,403)	*	(107,705)	(110,842)	3,137	✓	(209,544)	(207,334)	(2,210)	*
Interest Paid	(10,369)	(6,659)	(3,711)	*	(37,920)	(39,531)	1,611	✓	(76,983)	(78,207)	1,224	✓
OPERATING CASH FLOW	12,081	18,995	(6,914)	*	109,795	106,231	3,564	✓	240,793	247,745	(6,952)	*
Investing Cash flow:												
Capital Expenditure	(17,859)	(29,226)	11,367	✓	(138,766)	(180,407)	41,641	✓	(290,496)	(380,773)	90,277	✓
Capitalised Interest (CAPI)	(799)	(1,505)	706	✓	(6,412)	(8,237)	1,825	✓	(12,651)	(18,501)	5,850	✓
INVESTING CASH FLOW	(18,658)	(30,731)	12,073	✓	(145,178)	(188,644)	43,466	✓	(303,147)	(399,274)	96,127	✓
Financing Cash flow:												
Short Term Advances/(Repaid)	(18,000)	(18,000)	-	✓	8,500	8,500	-	✓	8,500	8,500	-	✓
Commercial Paper Issued/(Repaid)	(43)	(43)	-	✓	198	198	-	✓	198	198	-	✓
Auckland Council Borrowings/(Repaid)	23,109	29,779	(6,670)	✓	22,114	73,715	(51,601)	✓	50,864	142,831	(91,967)	✓
FINANCING CASH FLOW	5,066	11,736	(6,670)	✓	30,812	82,413	(51,601)	✓	59,562	151,529	(91,967)	✓
Net Increase (Decrease) in Cash and Cash Equivalents	(1,511)	-	(1,511)	*	(4,571)	-	(4,571)	*	(2,792)	-	(2,792)	*
Opening Cash Balance/(Overdraft)	(268)	-	(268)	*	2,792	-	2,792	✓	2,792	-	2,792	✓
Ending Cash Balance/(Overdraft)	(1,779)	-	(1,779)	*	(1,779)	-	(1,779)	*	-	-	-	✓

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	18,148	892	1,851	(1,320)	3,171
Add back non cash items:					
Depreciation and amortisation	18,092	18,223	107,048	108,285	(1,237)
Financial instruments revaluation	(23,163)	-	14,076	-	14,076
Vested assets revenue	(2,322)	(861)	(15,003)	(5,169)	(9,834)
Other non-operating exp/(inc)	1,982	200	4,799	1,220	3,579
Income Tax Expense/(Benefit)	10,547	5,040	11,399	10,507	892
Movements in Working Capital	(11,204)	(4,499)	(14,376)	(7,292)	(7,084)
OPERATING CASH FLOW	12,081	18,995	109,795	106,231	3,564

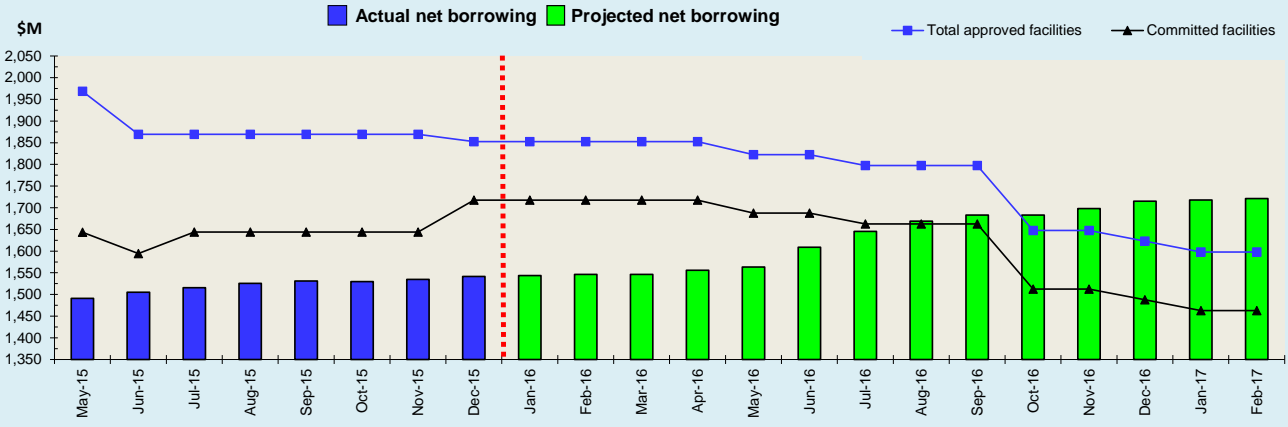


WATERCARE SERVICES LIMITED								Dec-15
STATEMENT OF FINANCIAL POSITION								(\$000's)
June 2015	November		December			June 2016		
			Actual	Budget	Variance	Forecast	Budget	Variance
Actual	Actual							
		Current assets						
2,792	-	Cash and cash equivalents	-	-	-	-	-	-
47,826	46,061	Trade and other receivables from exchange transactions	49,051	49,718	(668)	48,000	51,198	(3,198)
19,524	23,865	Unbilled revenue accrual	24,792	21,730	3,062	19,451	20,044	(593)
3,000	3,890	Prepaid expenses	3,321	1,949	1,372	3,124	2,307	818
4,058	4,914	Inventories	5,820	4,539	1,281	5,820	4,539	1,281
2,310	3,098	Derivative financial instruments	2,187	2,526	(339)	2,187	2,526	(339)
79,511	81,827	Total current assets	85,171	80,462	4,709	78,583	80,614	(2,031)
		Non-current assets						
8,172,155	8,263,198	Property, plant and equipment	8,261,133	8,313,150	(52,017)	8,417,141	8,607,480	(190,339)
383,539	409,767	Construction/work-in-progress	434,980	441,568	(6,588)	452,043	462,687	(10,645)
(27,673)	(110,797)	Provision for depreciation	(129,363)	(135,005)	5,642	(235,695)	(240,925)	5,230
8,528,021	8,562,168	Total property, plant and equipment	8,566,750	8,619,713	(52,963)	8,633,489	8,829,243	(195,754)
40,184	38,392	Intangible assets	38,150	43,709	(5,558)	37,046	42,838	(5,792)
23,692	23,552	Prepaid expenses	23,468	23,496	(28)	23,246	23,274	(28)
3,884	4,295	Inventories	4,360	3,504	856	4,360	3,504	856
9,086	10,276	Derivative financial instruments	9,595	7,794	1,801	9,595	7,794	1,801
8,604,867	8,638,683	Total non-current assets	8,642,323	8,698,215	(55,892)	8,707,736	8,906,653	(198,917)
8,684,378	8,720,510	Total assets	8,727,494	8,778,677	(51,183)	8,786,319	8,987,267	(200,948)
		Current liabilities						
-	269	Bank Overdraft	1,779	-	1,779	-	-	-
148,693	148,934	Commercial paper	148,891	148,640	251	148,891	148,640	251
30,264	30,270	Bonds (18/05/16)	30,271	30,271	-	30,271	30,263	8
-	150,000	Term loan	150,000	150,000	-	150,000	150,000	-
18,918	43,713	Auckland council loan	51,648	29,370	22,278	51,648	29,328	22,321
197,875	373,186	Total debt current	382,589	358,281	24,308	380,810	358,231	22,580
19,407	13,668	Trade and other payables for exchange transactions	17,722	16,979	742	27,797	25,228	2,568
10,380	14,318	Interest accrued	10,812	12,898	(2,086)	10,812	15,216	(4,403)
58,862	49,354	Other accrued expenses	46,048	51,113	(5,065)	58,688	50,316	8,372
6,926	6,711	Provision for staff benefits	6,527	4,560	1,967	6,527	4,953	1,574
5,170	4,170	Other provisions	3,806	5,572	(1,766)	3,278	9,149	(5,871)
22,179	27,261	Derivative financial instruments	27,145	19,441	7,705	27,145	19,441	7,705
320,799	488,668	Total current liabilities	494,649	468,845	25,804	515,057	482,533	32,525
		Non-current liabilities						
75,000	75,000	Bonds (26/10/18)	75,000	75,000	-	75,000	75,000	-
50,667	50,552	Bonds (26/10/18)	50,529	50,681	(152)	50,529	50,689	(160)
150,000	-	Term loan (13/10/16)	-	-	-	-	-	-
-	26,500	Bank revolving credit facility	8,500	8,500	-	8,500	21,500	(13,000)
1,043,422	1,017,631	Auckland council loan	1,032,805	1,108,232	(75,427)	1,061,435	1,164,392	(102,956)
1,319,089	1,169,683	Total debt non-current	1,166,834	1,242,413	(75,579)	1,195,464	1,311,581	(116,116)
18,700	17,614	Other accrued expenses	17,353	29,292	(11,939)	18,353	29,684	(11,331)
3,484	3,530	Other Provisions	3,577	3,577	-	3,439	-	3,439
1,267	1,284	Provision for staff benefits	1,296	1,594	(298)	1,296	1,751	(455)
135,247	169,382	Derivative financial instruments	144,743	137,203	7,540	144,743	137,203	7,540
1,011,130	1,011,980	Deferred tax liability	1,022,527	1,030,349	(7,822)	1,032,746	1,072,657	(39,911)
2,488,917	2,373,474	Total non-current liabilities	2,356,329	2,444,429	(88,100)	2,396,041	2,552,875	(156,834)
2,809,715	2,862,142	Total liabilities	2,850,978	2,913,274	(62,296)	2,911,098	3,035,408	(124,309)
		Equity						
260,693	260,693	Issued capital	260,693	260,693	-	260,693	260,693	-
1,812,971	1,813,303	Revaluation reserve	1,813,045	1,812,974	71	1,813,045	1,893,526	(80,481)
3,856,351	3,800,670	Retained earnings	3,800,927	3,793,056	7,871	3,800,927	3,793,056	7,871
(55,352)	(16,298)	Current year earnings after tax	1,851	(1,320)	3,171	556	4,584	(4,028)
5,874,663	5,858,368	Total equity	5,876,516	5,865,403	11,113	5,875,221	5,951,859	(76,638)
8,684,378	8,720,510	Total equity and liabilities	8,727,494	8,778,677	(51,183)	8,786,319	8,987,267	(200,947)

TREASURY RISKS AND INTEREST RATE PERFORMANCE

Dec-15

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Interest rates

	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	4.94%	4.36%	4.93%
Weighted averages (incl. fees and margins)	6.02%	N/A	6.00%

Debt (\$m)

	Actual	Budget	Variance
Short-term borrowings	382.6	358.3	24.3
Long-term borrowings	1,166.8	1,242.4	(75.6)
Total gross debt	1,549.4	1,600.7	(51.3)
Less cash & deposits	-	-	-
Total net borrowing	1,549.4	1,600.7	(51.3)

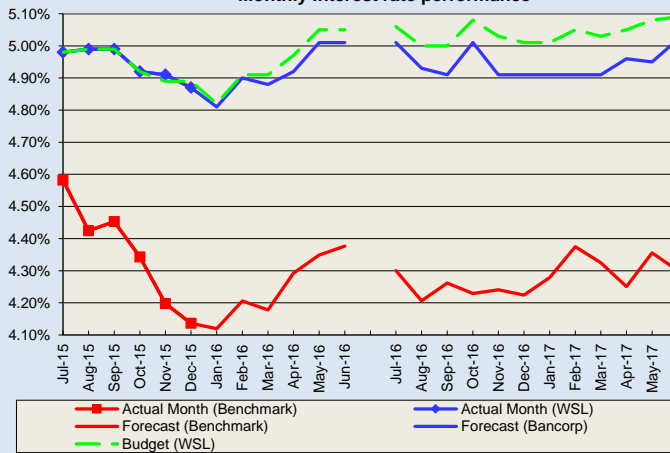
Committed facilities

- 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 December	\$1,718 million

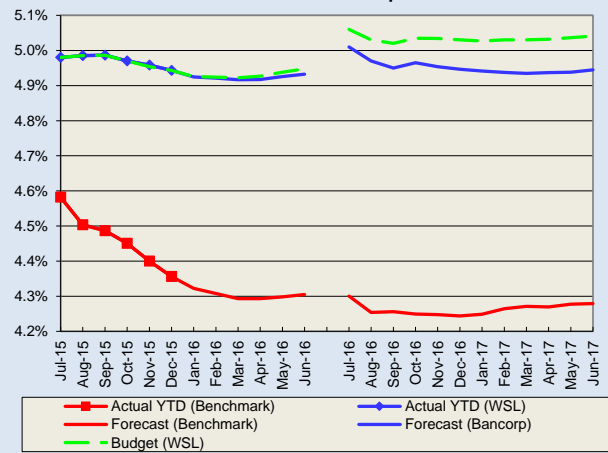
Additional approved facilities

- 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 December	\$1,853 million

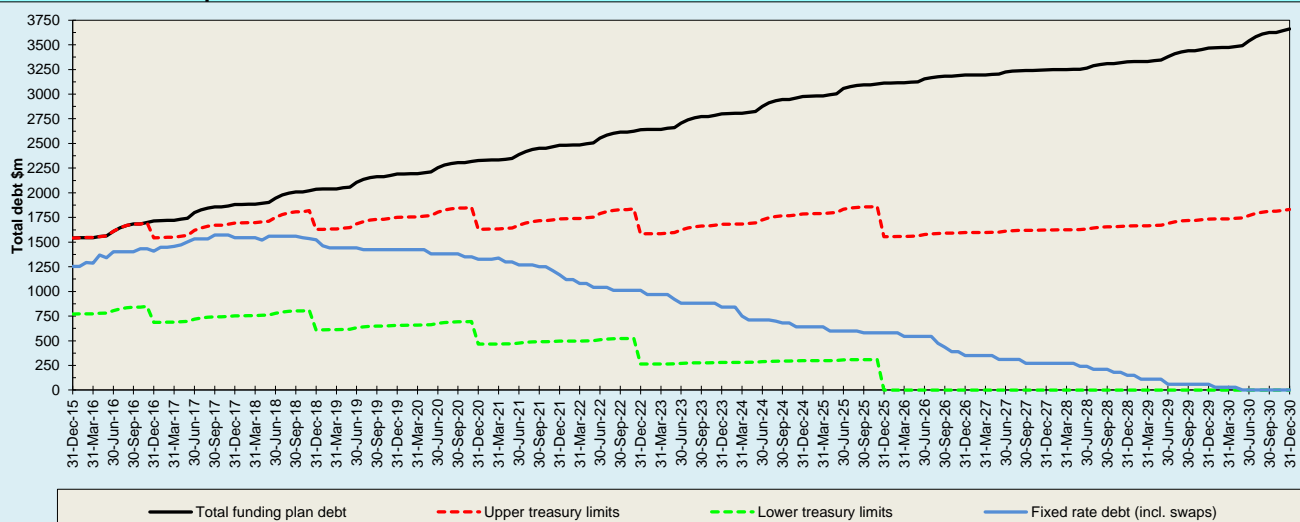
Monthly interest rate performance



Year to date interest rate performance



Forecast total debt profile



COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & COVENANT COMPLIANCE							Dec-15	
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-	675,000	3,199	100,000	Limit OK		✓
Bank of New Zealand		A1+ / AA-	615,969	16,134	100,000	Limit OK		✓
Commonwealth Bank of Australia		A1+ / AA-	115,000	1,620	100,000	Limit OK		✓
Kiwibank		A1 / A+	25,000	889	75,000	Limit OK		✓
Westpac Institutional Bank		A1+ / AA-	565,299	30	100,000	Limit OK		✓
			1,996,268	21,872				
<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	49,668	108,368	2,243	230,000	52,243	735,000	1,177,522
Total committed debt facilities		229,668	283,368	187,243	230,000	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		229,668	283,368	187,243	230,000	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						8,500	8,500
		0	150,000	0	0	0	8,500	158,500
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%			32.81%	✓		
Total liabilities (including contingent) / total tangible assets - maximum		65%			32.81%	✓		
Shareholders funds - minimum (\$000)		500,000			5,876,517	✓		
EBITDA : funding costs ratio - minimum		1.75			4.24	✓		
Funds from operations : interest cover ratio - minimum		2.00			3.63	✓		
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							Dec-15		
Foreign currency exposures (NZ\$000) including hedging for chemical purchases							USD	EUR	Total
Total exposure to be hedged							707	561	1,268
Foreign exchange hedging							707	561	1,268
Percentage cover							100%	100%	100%
Treasury policy							100%	100%	100%
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
Treasury policy									<= 5,000
Treasury policy compliance									✓
Commercial paper maturities									
Issue #	\$000	BKBM	Interest rate	Bid cover (x)	Term (days)	Maturity date			
285	50,000	2.960%	3.080%	3.20	91	29-Jan-16	50		
286	50,000	2.870%	2.941%	3.22	92	25-Feb-16	50		
287	50,000	2.820%	2.910%	2.00	91	9-Mar-16	50		
150,000		2.977%							
<i>Note: BKBM is the banks' mid-rate for bank bills of a similar term on the CP issue date.</i>									
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Beyond Jun-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								<= 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		
Treasury policy: Undrawn standby facilities >= 50% of outstanding CP and other uncommitted short-term debt repayable within 60 days									
Treasury policy compliance		✓	✓	✓	✓	✓	✓		
Electricity hedging (NZ\$000)		0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	30-36 months	36-42 months	42-48 months
Contract maturity									
Contract length									
Total value of outstanding contracts			0						
Treasury policy for maximum value of outstanding contracts			<= 10,000						
Treasury policy compliance			✓						
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WATERCARE SERVICES LIMITED

Management Report

Dec-15

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Section B

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- Monthly Statistics Update

B9

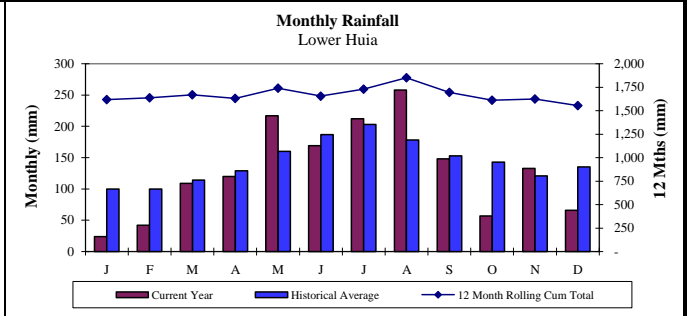
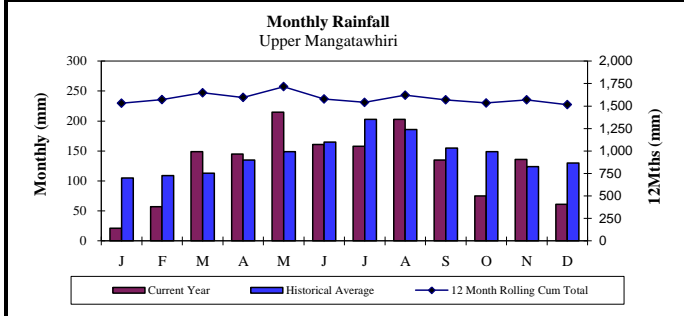
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Management Report **WATERCARE SERVICES LIMITED**
Monthly Statistics Update **Dec-15**

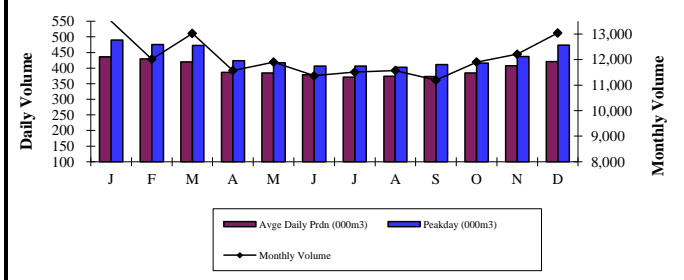
4

Rainfall

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
Actual - Upper Mangatawhiri	61 mm	1516 mm	Actual - Lower Huia	66 mm	1555 mm

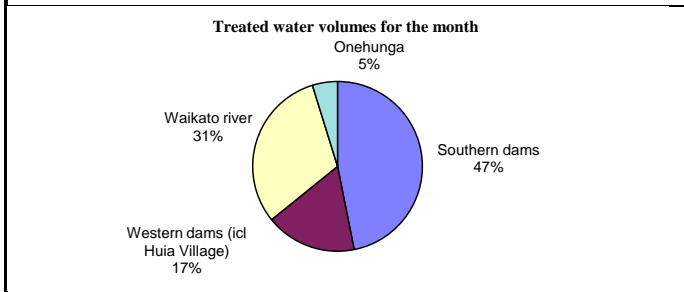


Water Production - Metropolitan Supply



Treated water volumes (000m ³)	Current Month	12 Month Rolling Ave
Monthly Volume	13,042	13,042
Average Daily Production	421	12,068
Peak Day	474	490 ¹

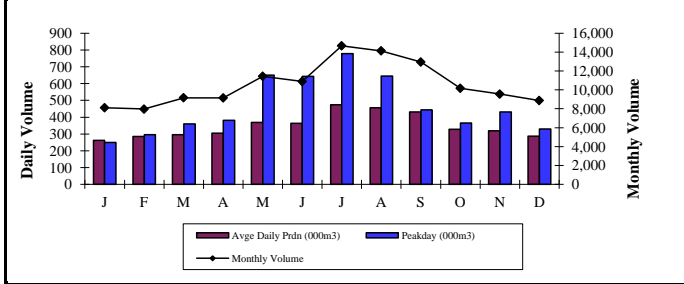
1. Max peak day in past 12 months



Treated water volumes (000m ³)	Current Month		Year to Date		
	Actual	% Budget	Actual	% Budget	Budget
Southern dams	6,111	47%	32,988	46%	47,808
Western dams	2,259	17%	15,057	21%	14,196
Waikato river	4,049	31%	19,799	28%	6,448
Onehunga aquifer	624	5%	3,588	5%	1,802
Total	13,042	100%	71,431	100%	70,254

By utilising the Waikato river and Onehunga above budget, total dam storage level achieved at 83%

Wastewater Treatment - Metropolitan Treatment



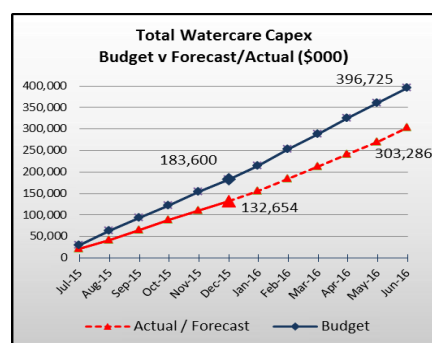
	Current Month	12 Month Rolling Ave
Monthly Volume (000m ³)	8,875	10,589
Average Daily Production	286	348
Peak Day	329	779 ²

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	2,316	9,968	6,870	34,929
Infrastructure Delivery	105,646	129,463	230,673	269,001
Service Delivery	10,602	22,416	34,160	52,569
Retail	2,920	4,704	6,420	8,150
Information Services	3,502	5,303	7,732	7,380
Other	1,256	3,508	4,779	6,195
Capitalised Interest	6,412	8,237	12,651	18,501
Watercare Total	132,654	183,600	303,286	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	385,441	53,192	50,514		
North Harbour Watermain Duplication	240,000	239,992	4,802	7,265		
Waikato 175MLD Expansion Stage Ultimate	48,880	46,838	10,000	12,000		
Huia No 1 Watermain Replacement	42,103	42,104	2,686	4,423		
Ardmore WTP Treated Water Resilience	32,120	32,230	818	1,503		
Wastewater Projects >\$15 Million						
Central Interceptor Feasibility Design	960,470	960,470	12,342	14,471		
Northern Interceptor - Stage 1	148,200	148,144	1,870	4,414		
Mangere WWTP BNR Capacity	141,040	141,957	52,132	51,500		
Mangere WWTP Solids Stream Upgrade	74,800	74,862	10,309	11,960		
Rosedale WWTP Expansion Project	63,954	63,954	1,633	2,985		
Pukekohe WWTP Upgrade	59,000	59,000	4,729	5,422		
Pukekohe Trunk Sewer Upgrade	37,000	37,000	7,042	4,755		
Puketutu Island Rehabilitation	29,385	22,201	1,286	10,000		
Fred Thomas Drive WW PS & Storage Tank	27,546	27,554	4,861	6,976		
Army Bay WWTP Outfall Upgrade	27,500	27,584	963	758		
Glendowie Branch Sewer Upgrade	17,845	17,726	899	880		
Shared Services >\$15 Million						
Networks Controls Upgrade	19,944	20,000	2,783	3,500		
Capex Programme (Design / Execution)						
>\$15 Million	2,355,159	2,347,057	172,346	193,325		
>\$2 Million <\$15 Million	172,661	179,240	35,856	50,659		
<\$2 Million	68,458	84,088	32,546	35,426		
TOTAL	2,596,278	2,610,385	240,748	279,411		

Watercare Services Ltd
Financial Summary 2015-16
Report Period December 2015
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

Local Board	Chair	Deputy Chair	November-15	December-15	January-15
Albert - Eden	Peter Haynes	Glenda Fryer	'Tapped In' newsletter (17 Nov). Local Board Workshop on Central Interceptor (17 Nov).	Notice of Christmas works in Green Lane – Hunua 4 crossing (3 Dec)	
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)	'Tapped In' newsletter (17 Nov).	Notice of works in Rutland Road (3 Dec)	Notification of wastewater overflow at Milford (11 Jan)
Franklin	Andy Baker	Jill Naysmith	Notice of Runciman Reservoir Resource Consent Notification (2 Nov). Ongoing communication regarding campervan dump Station application (2 Nov). Meeting with Malcolm Bell and Angela Fulljames regarding Clevedon wastewater servicing (13 Nov). 'Tapped In' newsletter (17 Nov). Mangere Matters (20 Nov). Local Board Briefing (24 Nov). Update on Pukekohe pipeline works (26 Nov).	Response to escalation regarding water connection (17 Dec). South West Wastewater Servicing Newsletter No. 2 (22 Dec)	
Great Barrier	Izzy Fordham	Susan Daly	'Tapped In' newsletter (17 Nov).		
Henderson - Massey	Vanessa Neeson	Shane Henderson	'Tapped In' newsletter (17 Nov).		Information re geotech investigations in Lowtherst Reserve for Northern Interceptor project (13 Jan)
Hibiscus and Bays	Julia Parfitt	Greg Sayers	'Tapped In' newsletter (17 Nov).	Local Board workshop re Watercare's Education Programme (9 Dec). Information to Janet Fitzgerrald on water connections in Stanmore Bay (14 Dec). Conversation with Julia Parfitt re car park for the new Marae in Silverdale (23 Dec).	
Howick	David Collings	Adele White	Information on works in Larne Ave Pakuranga Heights (3 Nov). 'Tapped In' newsletter (17 Nov).		
Kaipatiki	Kay McIntyre	Ann Hartley	'Tapped In' newsletter (17 Nov).	Infrastructure Committee briefing (16 Dec).	
Mangere - Otahuhu	Lydia Sosene	Carrol Elliott	'Tapped In' newsletter (17 Nov). Mangere Matters (20 Nov).	Local Board Business Meeting regarding naming of Mark Ford Drive (9 Dec). Information on proposed naming of Mark Ford Drive (14 Dec).	
Manurewa	Angela Dalton	Simeon Brown	Mangere Matters (20 Nov).		
Maungakiekie - Tamaki	Simon Randall	Chris Makoare	'Tapped In' newsletter (17 Nov). Mangere Matters (20 Nov).		

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

Local Board	Chair	Deputy Chair	November-15	December-15	January-15
Orakei	Desley Simpson	Kit Parkinson, Colin Davis (Watercare Rep)	Information on reinstatement at Madills Farm Park (10 Nov 15). 'Tapped In' newsletter (17 Nov). Information for Kit Parkinson and Parks staff on a private connection and easements in Michaels Ave Reserve (20 Nov.)		
Otara - Papatoetoe	Fa'anānā Efeso (Efeso) Collins	Ross Robertson	'Tapped In' newsletter (17 Nov).		
Papakura	Bill McEntee	Michael Turner	'Tapped In' newsletter (17 Nov). Mangere Matters (20 Nov).		
Puketapapa	Julie Fairey	Harry Doig	'Tapped In' newsletter (17 Nov). Mangere Matters (20 Nov).		
Rodney	Brenda Steele	Stephen Garner	'Tapped In' newsletter (17 Nov).	Information to Greg Sayers regarding air quality testing in Rodney (14 Dec). Information on North East Wastewater Servicing (18 Dec).	Notice of works in Snells Beach (11 Jan). Information on the Sanderson Road bore and servicing future growth in the Warkworth area (11 Jan).
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)	'Tapped In' newsletter (17 Nov).	Local Board briefing on East Coast wastewater main (17 Dec).	
Waiheke	Paul Walden	Shirin Brown	Media information on Waiheke Wastewater sent to Chairman (17 Nov). 'Tapped In' newsletter (17 Nov).		
Waitakere Ranges	Sandra Coney	Denise Yates	Invitation to Huia Water Treatment Plant Stakeholder meeting (9 Nov). 'Tapped In' newsletter (17 Nov). Stakeholder meeting re Huia Water Treatment Plant Upgrade (18 Nov.). Mangere Matters (20 Nov).		
Waitemata	Shale Chambers	Pippa Coom	Information on the Central Interceptor and pump station development in Wynyard quarter (4 Nov). 'Tapped In' newsletter (17 Nov).	Local Board Business Meeting – Landowner approval for Victoria Park wastewater main (8 Dec).	
Whau	Catherine Farmer	Susan Zhu	'Tapped In' newsletter (17 Nov).		
Manukau Harbour Forum	Jill Naysmith		'Tapped In' newsletter (17 Nov). Mangere Matters (20 Nov). Auckland Council Watercare and Iwi Manawhenua Hui (27 Nov).	South West Wastewater Servicing Newsletter No. 2 (22 Dec)	

Report to the Board of Watercare Services Limited

Subject: Statement of Intent 2016-2019

Date: 27 January 2016

1. INTRODUCTION

Watercare is required, under Section 64 of the Local Government Act 2002 (the Act), to produce a Statement of Intent (SOI) for a period of three years, the purpose of which is to provide:

- A public statement of its activities, intentions and objectives;
- An opportunity for the shareholder to influence the direction of the organisation; and
- An accountability basis of the directors for the shareholder.

Schedule 8 of the Act sets out the required contents of the SOI and requires that a draft is to be presented to the shareholder by 1 March each year.

Not only does the SOI set out the intended strategic direction for Watercare, but some of the operational performance measures in the SOI form part of the performance measures that are included in Auckland Council's long term plan (LTP).

The SOI and associated performance measures as well as annual performance reporting are all subject to audit by the Auditor General.

2. AUCKLAND COUNCIL REQUIREMENTS AND TIMETABLE FOR COMPLETION

The SOI process begins with the Mayor's Letter of Expectation (refer Appendix A) which was received by Watercare in December 2015 and distributed to the Board in December board papers.

Following receipt of the Mayor's Letter of Expectation, a draft 2016/19 SOI has been prepared and is attached as Appendix C. The approved draft 2016/19 SOI must be submitted to Auckland Council by 1 March.

After receiving the Watercare draft 2016/19 SOI, Auckland Council will consult with the Local Boards and the Independent Maori Statutory Board (IMSB). Auckland Council is then scheduled to hold discussions with Watercare about any proposed changes and report back to Watercare by 30 April 2016.

Watercare is required to provide an opportunity for the public to comment on the 2016/19 SOI (24 May 2016 Board meeting) and deliver to Auckland Council its approved draft 2016/19 SOI by 30 June 2016.

The approved SOI will then be formally adopted by the Auckland Council Governance and Monitoring Committee in August 2016.

3. LINKAGE TO MAYOR'S LETTER OF EXPECTATION

The Mayor's Letter of Expectation (LoE) is intended to provide direction on issues that are important to Auckland Council and to assist in the development of Watercare's SOI.

The LoE is largely consistent with prior years although it does note a number of specific 'key focus areas' for 2016/17. The key focus areas and Watercare's response are summarised in the table below:

	Key Focus Area (per LoE)	Watercare Response:
1	Watercare will continue to have an important role in the implementation of key council strategies and policies, particularly the Future Urban Land Supply Strategy, as well as those relating to the achievement of environmental and urban development outcomes. We expect that Watercare proactively supports the development of these strategies and that it consequentially acts in a manner that ensures the alignment, integration, consistency and implementation of the regional infrastructure development objectives contained within them.	Added wording: <i>Watercare will continue to support the development of, and give effect to, Auckland Council plans and policies and will continue to actively engage with Auckland Council (and other infrastructure providers) to ensure that, where possible, water and wastewater infrastructure is available in a timely manner to service growth. (pg. 7)</i>
2	Council expects that Watercare will continue to maintain a strong focus on the delivery of its capital expenditure programme.	Added wording: <i>Watercare's significant capital work programme is a key enabler of the future growth of Auckland. Consequently, Watercare will continue to maintain a strong focus on delivery of the programme. (pg. 8)</i>
3	It is expected that prudent financial management is at the forefront of decision-making and that Watercare delivers strong 'value for money' through its undertakings. In particular we expect you to contribute to council's drive towards greater use of shared services and to actively engage in council's Alternative Financing Project, as appropriate.	No change to SOI. The essence of financial prudence, efficiency and 'value for money' are captured in Watercare's 'Financial Responsibility' strategic objective. (pg. 7)
4	Council expects that Watercare will continue to focus strongly on managing demand for water services.	No change to SOI. Addressed in commentary on 'Environmental action and green growth' (pg. 6)
5	It is important to Council that consistent branding and communication with the public reinforces Auckland's understanding that the legislative responsibility for the provision of water ultimately rests with council. Council has previously resolved to facilitate the delivery of the Brand Identity Guidelines through the Brand Navigation Group (BNG). Council expects Watercare to proactively support and participate in the BNG.	Added wording: <i>Watercare acknowledges the Council's desire for consistent branding and communication and will continue to adhere to the Brand Navigation Guidelines. (pg. 7)</i>

In addition to the changes summarised above, minor editorial amendments have been made where appropriate.

3.1 Financial

The draft 2016/19 SOI includes high level financial projections for 2016/17, 2017/18 and 2018/19 including specific expenditure towards Maori outcomes. These financial projections (in greater detail) will be provided to Auckland Council on 26 February for inclusion in Auckland Council's Annual Plan process. Appendix B provides detail underlying these financial projections.

Any changes to the financial projections approved by the Board during the Auckland Council Annual Plan process will be reflected in the SOI being delivered to Auckland Council in June 2016.

3.2 Performance Measures and Targets

Management has reviewed the current SOI performance measures and targets and considers that measures and targets are appropriate. Consequently, performance measures and targets remain unchanged from the 2015/18 SOI.

5

4. ATTACHMENTS

Appendix A – Mayor’s Letter of Expectation

Appendix B – Financial Projections

Appendix C – Draft 2016/19 SOI

5. RECOMMENDATION

It is recommended that the Board:

- Note the report and provide feedback on the draft 2016/19 SOI.
- Delegate to the Chairman and the Chief Executive, the approval of the final draft SOI to be submitted to Auckland Council by 1 March 2015.

Report prepared by:

Recommended by:

.....
R Chenery
Manager, Business Transformation

.....
B Monk
Chief Financial Officer

Approved for submission by:

.....
R Jaduram
Chief Executive



9 December 2015

Mr David Clarke
Chair
Watercare Services Ltd

Tēnā koe David,

RE: Letter of Expectation 2016/2017

Auckland Council continues to value the important contribution that Watercare makes towards the vision of Auckland becoming the world's most liveable city, through the delivery of the Auckland Plan.

Watercare is a significant member of the council group of entities. Your capital work programme is the second largest of the council group and a key enabler of the future growth of Auckland. It is important that we continue to work closely together to align Watercare's capital programme and other key activities with the council's priorities. It is also important that we continue to reinforce the integrated nature of the council and its Council Controlled Organisations (CCOs) through our branding.

This Letter of Expectation builds on the good work that was done in the Long-term Plan 2015-25 (LTP) and previous Statements of Intent (SOI), and outlines those areas of importance to us for the next SOI.

Key focus areas for 2016/2017 for Watercare

- Watercare will continue to have an important role in the implementation of key council strategies and policies, particularly the Future Urban Land Supply Strategy, as well as those relating to the achievement of environmental and urban development outcomes. We expect that Watercare proactively support the development of these strategies and that it consequentially acts in a manner that ensures the alignment, integration, consistency and implementation of the regional infrastructure development objectives contained within them.
- Council expects that Watercare will continue to maintain a strong focus on the delivery of its capital expenditure programme.
- It is expected that prudent financial management is at the forefront of decision-making and that Watercare delivers strong 'value for money' through its undertakings. In particular we expect you to contribute to council's drive towards greater use of shared services and to actively engage in council's Alternative Financing project, as appropriate.
- Council expects that Watercare will continue to focus strongly on managing demand for water services.
- It is important to council that consistent branding and communication with the public re-enforces Auckland's understanding that the legislative responsibility for the provision of

water services ultimately rests with council. Council has previously resolved to facilitate the delivery the Brand Identity Guidelines through the Brand Navigation Group (BNG). Council expects Watercare to proactively support and participate in the BNG.

The new CCO Governance Manual

As part of the CCO Review, council took the opportunity to review the enduring expectations that it had outlined in its Shareholders Expectation Guide and to bring these forward into the new Governance Manual. It is important that the board reviews the manual to ensure its ability to comply with those expectations including the 'no surprises policy', the Brand Identity Guidelines, our expectations on working with local boards, the new expectations on signage, and supporting the Te Toa Takatini work programme.

I look forward to receiving the draft SOI by 1 March 2016.

Sincerely,



Len Brown
MAYOR OF AUCKLAND

- cc. Deputy Mayor Penny Hulse, Chair, CCO Governance and Monitoring Committee
- cc. Stephen Town, Chief Executive Auckland Council
- cc. Raveen Jaduram, Chief Executive, Watercare Services Ltd

Overview of Proposed Financial Projections 2016/17, 2017/18 and 2018/19

INTRODUCTION

The projected financials for 2016/17, 2017/18 and 2018/19 are based on the latest forecasted performance for 2015/16 and position as at 30 June 2016 and also later revisions to the AMP.

The baseline for comparison are the Watercare financials for years 2, 3 and 4 incorporated into Auckland Council's 2015-25 LTP.

P&L

Proposed P&L financials compared against the baseline LTP financials are as per Table 1 below.

Table 1

(\$millions)	2015/16		2016/17		2017/18		2018/19	
	Annual Plan	Latest Forecast	LTP	Draft SOI	LTP	Draft SOI	LTP	Draft SOI
Wastewater Revenue	300.3	304.9	310.7	316.0	325.1	330.8	340.2	346.2
Water Revenue	143.0	143.0	147.7	147.7	154.5	154.5	161.7	161.7
IGC Revenue	57.5	54.4	84.0	70.3	100.7	86.6	110.5	95.8
Vested Asset Revenue	10.3	20.2	10.7	20.0	11.1	20.0	11.5	20.0
Other Revenue	26.1	26.2	27.0	24.5	28.6	26.2	31.0	28.6
Total Revenue	537.2	548.7	580.1	578.5	620.0	618.1	654.9	652.3
Net Labour	69.4	74.0	71.2	75.7	73.3	78.1	75.5	80.5
Maintenance	35.5	36.4	36.7	38.4	38.0	39.5	39.4	41.0
Asset Operating Costs	62.7	59.2	64.0	61.1	66.7	63.3	69.6	66.0
Other Expenses	45.2	39.2	46.7	40.3	48.4	41.5	50.2	43.1
Total Operating Costs	212.8	208.8	218.6	215.5	226.4	222.4	234.7	230.6
Depreciation	217.1	217.1	228.0	227.0	244.2	243.4	252.8	246.3
Interest	78.2	78.6	77.8	81.3	82.1	82.8	78.7	83.7
Asset Write Off	3.0	7.9	3.0	8.0	3.0	8.0	3.0	8.0
Loss on reval. financial instruments	-	14.0	-	-	-	-	-	-
Total Costs	511.1	526.5	527.4	531.8	555.7	556.6	569.2	568.6
Earnings Before Tax	26.1	22.2	52.7	46.7	64.3	61.5	85.7	83.7
Tax	21.5	21.6	24.8	20.5	30.2	26.9	39.4	36.4
Net Surplus/(Deficit)	4.6	0.6	27.9	26.2	34.1	34.6	46.3	47.3

Key assumptions are as per Table 2 below.

Table 2

Key Assumptions	2016/17	2017/18	2018/19
Water and Wastewater price increases	2.5%	3.6%	3.6%
IGC price increases	2.8%	2.7%	2.9%
Auckland Council medium growth scenario and planned reduction in per capita consumption generates water net volume increases of	0.81%	1.05%	1.02%
Number of full IGC equivalents charged	6,352	7,600	8,162
CPI:	1.9%	2.1%	2.6%
CGPI:	2.8%	2.7%	2.9%
Average Interest Rate	5.69%	5.64%	5.65%
Revenue from Sale of Tax Losses	\$6.7m	\$7.9m	\$9.6m

Other key points to highlight are:

- Favourable trends in wastewater revenue occurring in 2015/16 are expected to continue in 2016/17
- IGC revenue projections have been reduced by approximately 1,300 IGC equivalents per annum over the period 2016/17, 2017/18 and 2018/19 reflecting a slower increase in the rate of new housing activity than previously forecast
- Vested asset revenue of \$20m p.a. is now projected, consistent with the last three years' actual
- Other revenue has been forecast down from LTP levels due to lower revenue from tax loss subvention payments – as advised by Auckland Council
- Lower projected capital expenditure is resulting in lower labour being capitalised and hence higher net labour in the P&L
- Maintenance costs are projected at levels consistent with the current year
- Total interest cost is now projected well beneath LTP levels due to lower debt and interest rate assumptions. The impact of reduced capital expenditure, however, is a reduction in interest capitalised and an increase in the share of interest charged to the P&L

CAPITAL EXPENDITURE

Capital expenditure as projected in the latest revised AMP (on 3 February agenda of Capital Projects Working Group) compared with the LTP projections are as per Table 3 below.

Table 3

(\$millions)	2015/16		2016/17		2017/18		2018/19	
	Annual Plan	Latest Forecast	LTP	Draft SOI	LTP	Draft SOI	LTP	Draft SOI
Capital Expenditure								
- Growth	199.8	145.1	204.0	187.4	172.4	228.5	199.6	207.0
- Levels of Service	88.6	18.5	112.4	22.3	105.5	18.9	106.7	25.3
- Renewals	93.2	127.0	124.1	139.0	133.3	145.8	148.5	153.1
Capital Expenditure (excluding Capitalised Interest)	381.6	290.6	440.5	348.7	411.2	393.2	454.8	385.4
Capitalised Interest	18.5	12.7	29.5	11.1	30.3	14.5	39.3	19.5
Total Capital Expenditure	400.1	303.3	470.0	359.8	441.5	407.7	494.1	404.9

DEBT & FFO

Projected year end debt and FFO ratio compared with LTP financials are as per Table 4 below.

Table 4

	2015/16		2016/17		2017/18		2018/19	
	Annual Plan	Latest Forecast	LTP	Draft SOI	LTP	Draft SOI	LTP	Draft SOI
Net Debt (\$millions)	1682.5	1576.3	1873.2	1668.2	2012.2	1780.8	2180.8	1871.2
FFO Ratio	3.25	3.50	3.27	3.71	3.40	3.86	3.46	3.89

EXPENDITURE TOWARDS MAORI OUTCOMES

Auckland Council require separate identification of expenditure that contributes towards Maori outcomes. Historically we have separately identified our Mana Whenua Kaitiaki Forum costs and then also a projection of cost of time incurred by staff engaging with iwi on Watercare projects.

Proposed expenditure compared against the baseline LTP financials are as per Table 4 below.

Table 5

(\$ thousands)	2015/16		2016/17		2017/18		2018/19	
	Annual Plan	Latest Forecast	LTP	Draft SOI	LTP	Draft SOI	LTP	Draft SOI
Mana Whenua Kaitiaki Forum	140.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0
Iwi Engagement on Watercare Projects	1059.0	1059.0	1059.0	1059.0	1059.0	1059.0	1059.0	1059.0
Total Expenditure	1199.0	1199.0	1199.0	1199.0	1199.0	1199.0	1199.0	1199.0



WATERCARE SERVICES LIMITED

STATEMENT OF INTENT

2016 - 2019

<insert picture>

INTRODUCTION

Matariki tāpuapua	Pleiades, harbinger of growth.
Puanga kai rau e	Rigel, symbol of the harvest.
Tihei Mauriora	Let there be life.
Me mihi ki te whenua, me tangi hoki mō rātou kua okioki	We greet the land beneath us; we grieve for those who have gone before us, and we acknowledge their influence on us.
E ngā mana, e ngā reo, e ngā huihuinga tāngata puta noa Tāmaki Makaurau Tāmaki Whānui hoki tēnā koutou i raro i te pikinga ake o Matariki o Puanga hoki. E manakohia nei kia pērā ano hoki te pikinga ake o ā tātou mahi ngātahi āmuri ake nei. Anei rā te tauāki hei tātaki i aua manako. Kāti ake.	To you the leaders, you the spokespeople, and to all the people throughout Tāmaki Makaurau, warm and heartfelt greetings in this time of Matariki. As the New Year dawns, we come together to seek a new way forward, united in our shared responsibilities, and committed to achieving our collective vision.

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

This SOI recognises the important relationship that exists between Watercare and the Auckland Council, and that the success of each is dependent on the actions of the other. Auckland Council requires Watercare to give effect to its strategic intent and facilitate the regions sustainable growth and development, with particular emphasis on Special Housing Areas. Watercare’s proposal to increase the net water take from the Waikato River progressively over the next 35 years, from the current 150 million to 350 million litres per day will secure Auckland’s water supply for more than 30 years. Watercare relies on the Auckland Council providing a policy and regulatory environment that enables the development and operation of the infrastructure necessary to achieve this.

DAVID CLARKE

JUNE 2016

CHAIRMAN

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1. PURPOSE OF STATEMENT OF INTENT

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

2. ABOUT WATERCARE SERVICES LIMITED

Each day, Watercare Services Limited (Watercare) supplies around 326 million litres of water to the people of Auckland and collects, treats and discharges around ~~378~~400 million litres of wastewater in an environmentally sustainable fashion.

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

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

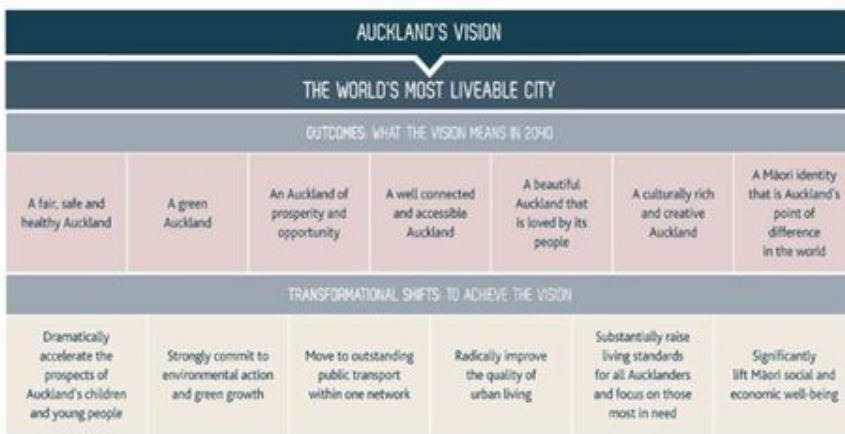
The company's obligations to deliver water and wastewater services for Auckland, are set out in Part 5 section 57(1) of the Local Government (Auckland Council) Act 2009 which stipulates amongst others, that an Auckland water organisation:

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

This SOI has been prepared in accordance with Schedule 8 of the Local Government Act 2002 and covers a three-year term from 1 July 201~~6~~5 to 30 June 201~~9~~8.

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

The Auckland Plan is the roadmap to deliver on Auckland's vision to be the world's most liveable city. This is a thirty year plan that is under pinned by a set of outcomes and transformational shifts to achieve this vision which help ensure we focus on the right things.



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

Watercare's Asset Management Plan 2015-2025 provides for \$2.2 billion of expenditure on water and wastewater infrastructure to service growth in the Auckland region.

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

Auckland Plan Transformational Shift	Degree of contribution	How Watercare contributes
Quality urban living	Primary	Watercare is facilitating this outcome by providing Aucklanders with a high-quality, reliable supply of drinking water. Every effort is made to ensure that the quality of drinking water is maintained at every stage of its journey to the customer's taps. By ensuring that stringent standards are applied in collecting, treating and discharging wastewater, the environment is preserved and Auckland waterway's are available for the enjoyment of Aucklanders.

Auckland Plan Transformational Shift	Degree of contribution	How Watercare contributes
Environmental action & green growth	Primary	<p>Effective treatment of wastewater is very important to safeguard human health and to protect our harbours and waterways. Watercare continuously strives to improve its wastewater collection process, reduce overflows, and ensure wastewater is treated to a standard that protects public health, and the local environment.</p> <p>Through its Waterwise Advice line and Be Waterwise programme, Watercare is promoting water-efficient behaviours to consumers and making every effort to reduce the demand for water services, detailed in the Auckland Regional Water Demand Management Plan.</p> <p>Watercare regularly consults with the specially created Environmental Advisory Group whose experts advise on how the company's activities affect the environment.</p> <p>Watercare's free education programme offers Auckland primary and intermediate school pupils the opportunity to take part in a range of exciting and hands-on lessons that teaches them about water, wastewater and their local environment.</p>
Raised living standards	Secondary	<p>Watercare is committed to providing safe, reliable and efficient water and wastewater services. It has continued to expand its service network to the wider Auckland region, making every effort to supply all Aucklanders with the same quality of service.</p> <p>Watercare is working closely with Auckland Council to ensure that where possible, water and wastewater infrastructure is available in the Special Housing Areas (SHA's). The Watercare Utility Consumer Assistance Trust provides financial support to residential customers of Watercare who are struggling to manage their water and wastewater costs.</p>
Māori social and economic wellbeing	Secondary	<p>Watercare has a close relationship with Maori and recognises the importance of natural resources to mana whenua. Watercare acts in accordance with relevant statutory provisions and Treaty of Waitangi principles. Watercare provides funding for and is a member of the Mana Whenua Kaitiaki Forum. As a member, Watercare attends the quarterly meetings of the forum with the intention of gaining a direct understanding of the issues and objectives of Mana Whenua with respect to Watercare. The Chairman of the Mana Whenua Kaitiaki Forum will continue to have the opportunity to present the annual report of the Forum to the Watercare Board and to prepare a statement for inclusion in the Watercare Annual Report. The Chairman of the of the Mana Whenua Kaitiaki Forum and the Watercare Chief Executive will meet annually with the Chairman and</p>

Auckland Plan Transformational Shift	Degree of contribution	How Watercare contributes
		Deputy Chairman of the IMSB to consider Watercare's performance with regards to engagement with Mana Whenua. Watercare will continue to engage with mana whenua to provide technical advice and support for marae development and papakainga housing. In doing so Watercare will support Maori representation to Government for funding of infrastructure for those rural marae in the Auckland region.
Children & young people	Secondary	Children and young people benefit from a high quality, reliable supply of drinking water.
Outstanding public transport	Not applicable	

Degree of contribution: Primary/ Secondary / Not applicable

Watercare will continue to support the development of, and give effect to, Auckland Council plans and policies and will continue to ~~will~~ actively engage with Auckland Council (and other infrastructure providers) ~~through the Housing Project Office, the Spatial Priority Areas Steering Group and the Auckland Plan Oversight Group to understand the regional growth priorities and~~ to ensure that, where possible, water and wastewater infrastructure is available in a timely manner to service growth.

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

4. WATERCARE'S STRATEGIC ~~OBJECTIVES~~ PRIORITIES

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

- Customer Focus – *Putting customers at the heart of our business by aligning processes, people and systems to deliver exceptional performance at minimum cost.*
- Business Excellence - *We deliver positive customer outcomes by being a commercially-savvy, performance-based organisation that prioritises the development and well-being of our people and the long-term resilience of our assets.*
- Financial Responsibility - *We are a financially responsible, efficient business, balancing our long-term financial obligations with our requirement to be a minimum cost service provider.*

- Fully Sustainable - *As custodians of the environment, and responsible members of the community, we effectively manage and minimise the impact of our operations on the environment and embed sustainability into all aspects of our business.*

5. THREE YEAR WORKPLAN TO DELIVER ON STRATEGIC DIRECTION

Watercare’s significant capital work programme is a key enabler of the future growth of Auckland. Consequently, Watercare will continue to maintain a strong focus on delivery of the programme.

The following are the key initiatives/projects to deliver on Watercare strategic objectives:

Key project and initiatives	Description	Contribution to strategic objectives
Second Waikato River Take	Watercare proposes to increase the net water take from the Waikato River progressively over the next 35 years, from the current 150 million to 350 million litres per day. Watercare lodged its resource consent application with the Waikato Regional Council in December 2013 and continues to consult with stakeholders. Watercare decided to apply for additional take from the Waikato River as that was the only viable option available to sustain the supply of drinking water to Auckland in the future. Once the consent is granted, Watercare will plan a staged expansion of the Waikato Water Treatment Plant and the construction of a second pipeline from the plant. This will secure Auckland’s water supply for more than 30 years.	Watercare is focused on consistently delivering exceptional and reliable products and service to customers. By increasing the net water take from the Waikato River, Watercare will ensure that Auckland’s water supply is secured for more than 30 years so that Aucklanders will continue to receive safe and reliable water – now and in to the future.
Central Interceptor	The Central Interceptor will carry wastewater and stormwater 13-kilometres from Western Springs to the Mangere Wastewater Treatment Plant. This \$950-million project will replace the ageing Hillsborough Tunnel and Manukau Siphon that are nearing the end of their life, reduce overflows significantly and cater for population growth. Watercare received resource consent in November 2013 and is currently working on a detailed design as well as confirming the construction methodology. The construction is expected to take six years to complete.	Watercare’s business is intrinsically linked to the environment – protecting the health of our waterways is essential to the long-term sustainability of the business and key to our role as custodians of the environment. The Central Interceptor will significantly reduce the number of overflows in to the Waitemata and Manukau Harbours, greatly improving the health of waterways as well as providing additional capacity to cater for Auckland’s growth.

Specific projects delivering on Māori outcomes

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

6. PERFORMANCE OUTLOOK

Watercare has an agreed set of performance measures and targets which form the basis for accountability to delivering on council's strategic direction, priorities and targets. These are reported on a quarterly basis, in accordance with the CCO Governance Manual. These include the new mandatory DIA measures agreed as part of the Long-term Plan 2015-2025.

Service Level Statement	Measure	2014/15 Actual	2015/16 Annual Plan	2016/17	2017/18	2018/19
Provide uninterrupted access to safe, clean and drinkable water.	The extent to which Watercare's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	100%	100%	100%	100%
	The extent to which Watercare's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	100%	100%	100%	100%
	Median response time for attendance for urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site.	New measure	≤60 mins	≤60 mins	≤60 mins	≤60 mins

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Service Level Statement	Measure	2014/15 Actual	2015/16 Annual Plan	2016/17	2017/18	2018/19
	Median response time for resolution of urgent call-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	New measure	≤5 hours	≤5 hours	≤5 hours	≤5 hours
	Median response time for attendance for non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site	New measure	≤3 days	≤3 days	≤3 days	≤3 days
	Median response time for resolution of non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	New measure	≤6 days	≤6 days	≤6 days	≤6 days
	The total number of complaints received by Watercare about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) Watercare's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system	New measure	≤10	≤10	≤10	≤10

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Service Level Statement	Measure	2014/15 Actual	2015/16 Annual Plan	2016/17	2017/18	2018/19
	The percentage of real water loss from Watercare's networked reticulation system	13.9%	≤13%	≤13%	≤13%	≤13%
	The average consumption of drinking water per day per resident	270	272 +/- 2.5%	272 +/- 2.5%	270 +/- 2.5%	268 +/- 2.5%
Provide reliable wastewater services and manage discharges to maintain or improve the health of the environment	The number of dry weather overflows from Watercare's sewerage system, expressed per 1000 sewerage connections to that sewerage system	New measure	≤10	≤10	≤10	≤10
	Compliance with the Watercare's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by Watercare in relation to those resource consents	a) 0 b) 0 c) 0 d) 0	a) 0 b) 0 c) 0 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0
	Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that Watercare receives notification to the time that service personnel reach the site	New measure	≤60 mins	≤60 mins	≤60 mins	≤60 mins
	Attendance at sewerage overflows resulting from	New measure	≤5 hours	≤5 hours	≤5 hours	≤5 hours

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Service Level Statement	Measure	2014/15 Actual	2015/16 Annual Plan	2016/17	2017/18	2018/19
	blockages or other faults: median response time for resolution - from the time that Watercare receives notification to the time that service personnel confirm resolution of the blockage or other fault					
	The total number of complaints received by Watercare about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the Watercare's response to issues with its sewerage system expressed per 1000 connections to the Watercare's sewerage system	New measure	≤50	≤50	≤50	≤50
	Average number of wet weather overflows per discharge location	WW network discharge consent lodged and operational	≤2 overflows per year per engineered overflow point	≤2 overflows per year per engineered overflow point	≤2 overflows per year per engineered overflow point	≤2 overflows per year per engineered overflow point
Health, Safety and Well-being	Lost-time injury frequency rate per million hours worked	2.53	≤5	≤5	≤5	≤5
	Total recordable injury frequency rate per million hours worked	19.84	≤30	≤30	≤30	≤30
	Percentage of voluntary leavers relative to number of permanent staff	12.5%	≤12%	≤12%	≤12%	≤12%

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Service Level Statement	Measure	2014/15 Actual	2015/16 Annual Plan	2016/17	2017/18	2018/19
Customer Satisfaction	Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	84.7%	≥80%	≥80%	≥80%	≥80%
	Percentage of complaints 'resolved and closed' within 10 working days	94.2%	≥95%	≥95%	≥95%	≥95%
	Percentage attendance at the quarterly meetings of the Mana Whenua Kaitiaki Forum	100%	100%	100%	100%	100%
Financial	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	3.30	≥2.5	≥2.5	≥2.5	≥2.5
	Percentage of household expenditure on water supply services relative to the average household income	0.90%	≤1.5%	≤1.5%	≤1.5%	≤1.5%

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7. SUMMARY OF FINANCIALS

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

Operating expenditure (\$ millions)

<insert financials as per board paper appendix>

Capital expenditure (\$ millions)

<insert financials as per board paper appendix>

Specific expenditure towards Māori outcomes (\$ 000s)

<insert financials as per board paper appendix>

Other financial information

Current value of assets	The current value of Watercare Services Limited assets as at 30 June 2015 ⁴ is \$8,685 9,386 million.	
Shareholder equity ratio	The latest shareholder equity ratio for Watercare Services Limited as at 30 June 2015 ⁴ is 69 68 %.	
Accounting Policies	Watercare Services Limited accounting policies are consistent with those of the Auckland Council group policies with nominated exceptions (e.g. interest capitalisation).	
Financial Reporting	Watercare Services Limited financial reporting is in accordance with requirements of the CCO Governance Manual.	
Asset sales (\$ million)	2013/14 Actual	\$0.2 million
	2014/15 Annual Plan Actual	\$nil
	2015/16 LTP	\$nil
	2016/17 LTP	\$nil
	2017/18 LTP	\$nil
	2018/19 LTP	\$nil

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8. APPROACH TO GOVERNANCE

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

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

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