

WATERCARE SERVICES LIMITED

AGENDA	BOARD MEETING	Tuesday, March 27, 2018
Venue	Watercare Services Limited, Level 3, 73 Remuera Road, Newmarket	
Time	9am	

Open Public Meeting

Item	Spokesperson	Action sought at governance meeting	Supporting Material
1 Apologies	Chair	Record apologies	
2 Minutes of Meeting	Chair	Approve Board Meeting Minutes 27 February 2018	Board Minutes 27 February 2018
3 Review Directors' Disclosure of Interests	Chair	For approval	Disclosure of Interests
4 For discussion			
4a Safety Moment	All	For sharing	Nil
4b Health & Safety Report	R Jaduram	For discussion	Report
4c Chief Executive's Report	R Jaduram	For discussion	Report
4d Board Committee Updates	Committee Chairs	For discussion	Nil
4d i AMP and Major Capex Committee Terms of Reference	R Fisher / E McBride	For discussion/approval	Report
5 For information			
5a Compliance			
i RMA Compliance	R Fisher	Receive reports	Report
5b Capital Programme			
i Infrastructure Dashboard	R Jaduram	Receive reports	Report
ii Traffic Light Variance Report	R Jaduram	Receive reports	Report
6 Strategy			
6a Non Revenue Water (Theme: The Value of Water)	S Webster	Presentation	Presentation
7 Directors' Corporate Governance Items			
7a Board Planner	Chair	For noting	Board Planner
7b Review Executive Management Disclosure of Interests	Chair	For noting	Disclosure of Interests
7c Director Appointment Terms and Committee Membership	Chair	For noting	Appointment Terms and Committee membership
8 General Business	Chair		
Date of next meeting	Tuesday 24 April 2018		
Venue	Watercare Services Limited, Level 3, 73 Remuera Road, Newmarket		

MINUTES

DRAFT

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Watercare Services Limited, 73 Remuera Road, Newmarket
DATE	27 February 2018
TIME	9.00am
STATUS	Open Session

	Present: M Devlin (Chair) J Hoare (Deputy Chair) N Crauford B Green C Harland Hon Dame A King D Thomas	In Attendance: R Jaduram (Chief Executive) B Monk R Fisher R Chenery E McBride M Bourne M Bridge S Webster R Klein M Bishop S Cunis J Glennon Paul Mahan, EY, for item 4c Roger McRae, for item 4d O Philpott for item 6	Public in Attendance: Nil
1.	Apologies There were no apologies.		
2.	Minutes of Previous Meeting The Board resolved that the minutes of the public section of the Board meeting held on 30 January 2018 be confirmed as correct.		
3.	Review Directors' Disclosure of Interests The Board noted the report.		
4	For Discussion 4a Health & Safety Report The Board noted the report. <ul style="list-style-type: none"> - The Chair requested that future agendas include a "safety moment". Lag indicators <ul style="list-style-type: none"> - There was a general discussion regarding the TRIFR. The TRIFR trend appears to be flat-lining. Management is continuing to consider opportunities to include the trends of other utilities in the Health & Safety report to provide additional external reference points. Watercare worker injuries <ul style="list-style-type: none"> - Watercare is awaiting the result of an investigation into whether the worker's shoulder injury is a new injury or a pre-existing injury. 		

Contractor Lead Indicator Statistics

- This table reports four contractors, being Watercare's largest or most complex construction sites.
- A summary of performance for all contractors will be provided going forward.

Health & Safety Incidents

- In light of the recent coverage regarding inappropriate behaviour at a leading law firm, the Chair advised that the Board has a zero-tolerance threshold in respect of bullying and harassment of any kind.
- J Glennon explained that Watercare has the following measures in place:
 - o PwC Whistleblower service – to date, the company has not yet had any calls to the service. Any calls are also notified to the Chair of the Audit and Risk Committee.
 - o A company policy regarding bullying and harassment. Management is discussing internal protocols with internal managers.
 - o EAP Support service.
- If the company was to have this type of incident, the Board requested that the company retain the services of an external, independent investigator to handle the complaint, rather than handling it solely in-house.
- The CE advised he would send an email to all staff, reminding staff of the company's "no tolerance" approach to bullying and harassment of any kind.

4b Chief Executive's Report**Scorecard**

The following was noted in relation to the Scorecard:

Unplanned water supply shutdowns restored within 5 hours – 93% (target is 95% or higher)

- The CE noted that the drier weather in January had resulted in a higher level of breaks, (50% higher than same time in 2017) which has slowed down response time. Traffic management requirements also add to time challenges.

NPS Score

- The score is now being reported as a 12 month rolling average.

Iwi who have signed a Memorandum of Understanding

- Watercare continues to work on signing Memoranda of Understanding with the 19 Iwi groups in Auckland. All relationships remain strong.

Illness absences

- There has been an increase in staff illness over December/January. This trend has been seen across the country.
- Staff will as usual be offered a free flu vaccine later in the year, once it becomes available.
- A King asked Management to consider offering staff over 60 years of age the shingles vaccine.

Dry Weather Wastewater Overflows

- It was noted that this figure has been trending upwards, but still remains within target. The blockages are due to fat and "flushable" wipes, which do not break-down in the wastewater system. Construction debris is also entering the system. The Communications team ran a campaign late last year, educating customers not to put grease, oil or wipes down their toilets.
- It was noted that this is not just an Auckland issue, it is a national and international issue as well.
- Management will discuss the issue with Water NZ, with a suggestion that Water NZ run a similar campaign.
- Water NZ have been invited to a future Board meeting.

Water Consumption per day, per resident (PCC) – 12 month rolling average

- This figure has risen as a result of higher demand during the hot weather. The eventual release of current population data through the upcoming census will allow Management to provide a more accurate view of current per capita consumption.

CE's Report

Infrastructure Delivery - p15

- It was noted that a number of the infrastructure projects are coming in below budget. In the case of the North Harbour project, these savings have been achieved by combining water and wastewater into one contract, thereby allowing the contractor to have scale on the project and pass on savings.
- Hunua 4 Section 11 involves the tunnelling in Newmarket/Khyber Pass. The project approach has sought to limit the traffic and subsequent congestion issues as much as possible, as the shafts are all on private land, some of which is now owned by Watercare. Management confirmed that the work will not involve road closures. The project contractor will be carefully managing the movement of trucks to ensure this occurs at non-peak times. There will be ongoing stakeholder engagement with those businesses most affected along the route.

S17A – Three Waters – p17-18

- A paper prepared by Auckland Council, Watercare and Auckland Transport will be tabled at the Finance and Performance Committee of Auckland Council today. A copy of the paper is available in the Boardbooks Resource Centre.
- C Harland noted that the Auckland Waters and s17A Three Waters are to be informed by the Department of Internal Affairs (DIA) Three Waters Review. The DIA website does not indicate when its review will be complete. It was noted that the timing of the DIA review has most possibly been impacted by the intervening Havelock North Inquiry.

S17A – Procurement – p18

- Management has received and is reviewing a second draft of the report, which now includes options and recommendations. A more detailed update will be provided to the March Board meeting.

Utilities Disputes Limited – p19

- Management estimated that approximately six complaints per year would be escalated to the disputes resolution service.

MSN Training Facility - p20

- The facility is now operational. The Board noted that this facility could provide Watercare with a future revenue stream.

Integrated reporting – p21

- C Harland's feedback regarding the business model has been incorporated into the model.

Mairangi Bay – p21

- Management advised a full report will be provided to the March 2018 Board meeting
- Management noted that at present, Watercare is trialling pressure loggers. The technology is still in testing phase.

Safeswim – wet-weather overflow composition – p22

- The graphic on p22 appeared in a Tapped in Newsletter and is also on the company's website.
- Management will explore the opportunity to make the graphic available on the Safeswim website.

	<p>Appendix B</p> <ul style="list-style-type: none"> - The Boil Water Notice has been updated as part of Watercare’s crisis response preparations. Written and video collateral is now available and would be sent immediately to customers in the event of a boil water notice needing to be issued. <p>4c Strategic Transformation Programme (STP)</p> <p>R Chenery spoke to the paper.</p> <p>P Mahan, EY, was also in attendance.</p> <p>Management noted the following:</p> <ul style="list-style-type: none"> - EY has been engaged to provide Independent Quality Assurance (IQA) across the programme. - Watercare is engaging with Auckland Council & Auckland Transport to identify areas where there is a shared need for capability across the group. A further update on this activity will be provided to the March Board meeting. - Management will work with the Chair of the newly formed STP Committee to finalise the terms of reference for the Committee and finalise the schedule of meetings. The Committee is effective 1 March 2018 and will be chaired by A King. <p>4d Central Interceptor (CI)</p> <p>S Cunis spoke to the report.</p> <p>The report was taken as read.</p> <p>The Board were also introduced to Roger McRae, Director of McRae Construction Services. Mr McRae was the Managing Director of McConnell Dowell for 30 years and has been involved in the Hobson Bay wastewater tunnel and the Waterview Tunnel projects. Mr McRae is a strategic advisor to Watercare for the CI project.</p> <p>There was a general discussion regarding the project.</p>
5.	<p>For Information</p> <p>5a Compliance</p> <p>(i) RMA Compliance</p> <p>The Board noted the report.</p> <p>5b Capital Programme</p> <p>(i) Infrastructure Dashboard</p> <p>The Board noted the report.</p> <p>(ii) Traffic Light Variance Report</p> <p>The Board noted the report.</p>
6.	<p>Strategy</p> <p>a) Climate Change & Natural Hazards</p> <p>R Klein, Sustainability Manager and M Bishop, Senior Policy Planner, made a presentation to the Board on Watercare’s approach to climate change – an update and next steps.</p> <p>Following the presentation, there was a general discussion regarding Watercare’s progress in relation to climate change. It was noted:</p> <ul style="list-style-type: none"> - Watercare is performing ahead of its targets. - Auckland Council have advised Watercare that they do not intend putting any targets into the Long Term Plan or the Auckland Plan.

	<ul style="list-style-type: none"> - Watercare is emerging as leaders in this area in New Zealand and have knowledge and experience that could help the national discussion around climate change and leading, for example, a “Resilient New Zealand”. - Watercare’s strategy document, due in October 2018, will be released before Auckland Council’s strategy. R Klein noted that Watercare is already working very closely with the Chief Sustainability Officer at Auckland Council. Watercare is also working with local Iwi and schools to raise awareness around climate change.
7.	<p>Directors’ Corporate Governance Items</p> <p>a) Board Planner</p> <ul style="list-style-type: none"> - Board strategy planning day is now 19 June. There will be no board meeting on this date. - The Governing Body Workshop day will now be 21 June, instead of 30 May. <p>b) Review Executive Management Disclosure of Interests</p> <p>The Board noted the report.</p> <p>c) Review Director Appointment Terms and Committee Membership</p> <p>The Board noted the report.</p>
8.	<p>General Business</p> <p>a) Site Visits</p> <p>Following the January Board meeting, A King, N Crauford, C Harland and B Green completed a day of site tours in Auckland’s South, visiting the Pukekohe Wastewater Treatment Plant, Waikato Water Treatment Plant, Ardmore Water Treatment Plant, and also viewing the significant developments taking place in growth areas around Karaka, Pokeno, Drury and Tuakau.</p> <p>A King also completed a site tour to the Auckland’s West and North, visiting Huia Water Treatment Plant, the Parker Road Site, Rosedale Wastewater Treatment Plant, and also areas of current and future growth such as Hobsonville Point and Redhills.</p> <p>The Directors did not notice any Health and Safety concerns on their tour and were impressed with the pride staff showed in the facilities. The Directors were also impressed with the new technologies being used, such as the sand separation process at the Waikato water treatment plant, and the standards to which water was being treated at Pukekohe.</p> <p>A King commented that there were full Health and Safety briefings given at each of the plants visited.</p> <p>For the March 2018 Board meeting, the Chair requested that consideration should be given to holding the Board meeting at the Mangere Wastewater Treatment Plant, followed by a site visit to the new BNR plant.</p>
	The meeting closed at 11.15am.

CERTIFIED AS A TRUE AND CORRECT RECORD

M Devlin
Chair

Report to the Board of Watercare Services Limited

Subject: Directors' Disclosure of Interests

Date: 20 March 2018

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.

Director	Interest
Margaret Devlin	<ul style="list-style-type: none"> - Chairman, Harrison Grierson Limited - Director, Meteorological Services of NZ Limited - Director, Waikato Regional Airport - Chair, Titanium Park (wholly owned subsidiary of Waikato Regional Airport) - Director, IT Partners Group - Director, Aurora Energy - Independent Chair of Audit and Risk Committee, Waikato District Council - Chairman, Women in Infrastructure Network - Councillor, Wintec Council - Councillor The University of Waikato Council - Member, Audit and Risk Committee of The University of Waikato - Chairman, Waikato Spatial Plan Joint Committee
Catherine Harland	<ul style="list-style-type: none"> - Director, McHar Investments Ltd - Director, Interface Partners Ltd - Trustee, One Tree Hill Jubilee Educational Trust - Member, Auckland Regional Amenities Funding Board - Member, Water Allocation Technical Advisory Group
Julia Hoare	<ul style="list-style-type: none"> - Director, AWF Madison Group Limited - Director, New Zealand Post Limited - Deputy Chairman, The a2 Milk Company Limited - Director, The a2 Milk Company (New Zealand) Limited - Director, Port of Tauranga Limited - Director, Auckland International Airport Limited - Chair, Auckland Committee, Institute of Directors - Member, Advisory Panel to External Reporting Board - Member, Institute of Directors National Council
Nicola Crauford	<ul style="list-style-type: none"> - Director, Environmental Protection Authority - Member of Electoral Authority, Cooperative Bank Limited - Specialist Advisor, WorleyParsons New Zealand Ltd - Director and Shareholder - Riposte Consulting Limited - Director, Wellington Water Limited - Director, Orion New Zealand Limited - Chairman, GNS Science Limited - Deputy Chairman, Fire and Emergency New Zealand

David Thomas	<ul style="list-style-type: none"> - Chair, Ngati Whakaue Tribal Lands Inc - Chair, Gypsum Board Manufacturers of Australasia - Shareholder / Employee, Fletcher Building Limited - Director, New Zealand Ceiling & Drywall Supplies Limited - Chair, Altus NZ Limited - Director, Delcon Holdings (No.8) Ltd - Director, Fletcher Building Products Ltd - Director, Fletcher Concrete and Infrastructure Ltd - Director, Home&Dry Ltd - Director, Iplex Pipelines NZ Ltd - Director, Pinkfit Ltd - Director, Selwyn Quarries Ltd - Director, Tasman Insulation New Zealand Ltd - Director, Winstone Wallboards Ltd
Brendon Green	<ul style="list-style-type: none"> - Director, Kaitiaki Advisory Limited - Director, Tainui Kawhia Incorporation - Director, Peak2Peak - Executive Director, Bay Dairy Limited - Executive Director, Advanced Biotech NZ - Executive, Te Runanganui o Ngati Hikairo - Management contract, Tainui Kawhia Minerals - Representative of Waipapa Marae, Kawhia, Te Whakakitenga o Waikato Tainui.
Hon Dame Annette King	<ul style="list-style-type: none"> - Chair, Life Flight Trust Wellington. - Interim Chair, Earthquake Commission (EQC)

RECOMMENDATION

That the report be received.

Approved by:



R Jaduram
Chief Executive

Report to the Board of Watercare Services Limited

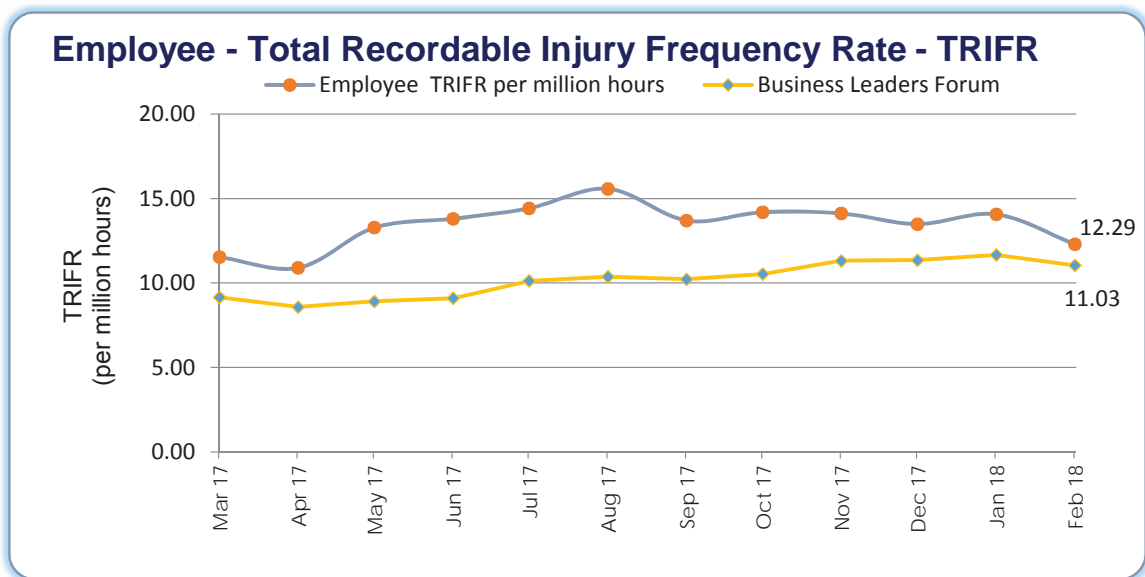
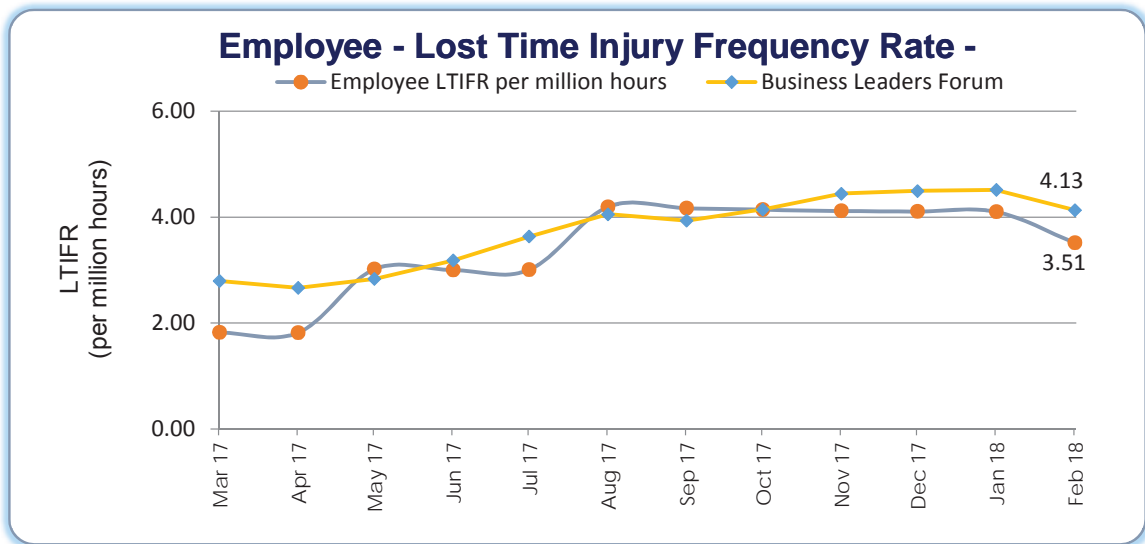
Subject: Health and Safety Report – February 2018

Date: 20 March 2018

1. LAG INDICATORS

There were no Lost Time Injuries (LTI), Restricted Duties Injuries (RDI) or Medical Treatment Injuries (MTI) involving Watercare employees during February. As a result the rolling 12 month Lost Time Injury Frequency Rate (LTIFR) for employees has reduced to 3.51 per million hours and remains below the Statement of Intent target of ≤ 5 .

The rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) is 12.29 per million hours, also below the Statement of Intent target of ≤ 20 .



(Note –Discussions in the context of the previous Business Leaders Forum comparator anomalies we had identified suggests that some members are not entering data monthly thereby leading to historical aggregated results changing over time).

2. WATERCARE WORKER INJURIES

As previously reported, a maintenance serviceman sustained a shoulder injury that was possibly related to a non-work pre-existing condition. ACC has subsequently confirmed that the injury has been accepted as work related. The injury will remain recorded as a Lost Time Injury.

3. CONTRACTOR WORKER INJURIES

A meter reader sprained his back when lifting a water meter lid. The worker was declared unfit for normal duties for a period of three days. Multi meter units with heavy lids such as these have been moved to a 2 person reading route. There is an on-going programme to identify such meters and get them onto the correct reading route. Workers were reminded of safe lifting and manual handling practices, and to report such meters and seek assistance.

While conducting pipe laying activities on a construction site, a worker fell three meters into a trench and sustained a fracture to his neck. The worker was declared unfit for work for a period of 4-6 weeks. The contractor stopped work activities on site and Worksafe was notified. The incident investigation identified a number of causal factors, including a lack of direct supervision, poor change management and inadequate edge protection. Remedial actions included installation of hand rails on both sides of the excavation, ensuring adequate direct supervision at all times, changes to procedure to ensure any changes to planned works or site conditions are adequately managed, and a buddy system was reinforced to ensure workers look out for one another. The Watercare project team are following up on actions implemented and have engaged an independent H&S specialist to review site systems and processes.

4. SIGNIFICANT INCIDENTS/HAZARDS/NEAR MISSES

During reconciliation of explosives prior to detonation, a blasting contractor discovered that a booster cartridge had been misplaced. The area was secured with a new risk assessment and controls put in place. Worksafe was notified and subsequently cleared the site to continue. A misfire procedure was put in place as the booster was not found. After 24 hours the area was detonated as the risk of primed area outweighed continuing the search. The investigation revealed that a worker lost the booster down a firing hole and failed to report this to his supervisor. Watercare ensured that the contractor reviewed its training programme and conducted refresher SOP training for all workers. Staff were reminded to report any deviation to process immediately.

A waratah penetrated a 50mm gas main while a contractor was installing a silt fence. The area was cordoned off and the power utility and fire services were called to assist with control and repairs. Watercare has strenuously reinforced the requirement for accurate service location identification and for excavation permit requirements to include ground penetration activities. Work procedures have been updated and communicated. The Watercare and contractor project managers will ensure that all actions implemented are consistent with ongoing work practices.

A 30 ton Articulated Dump Truck (ADT) load bin fell onto its side when the operator reversed down a haul road ramp on site, after accessing the ramp in the wrong direction. The contractor's site activities were stopped, the area made safe and a recovery plan was implemented. The truck was safely recovered and the operator exited unharmed. The site traffic management plan and driving rules were reinforced to prevent a recurrence. Watercare project management have formally addressed the incident with the contractor to emphasise Watercare's expectations regarding health and safety on site.

5. INSPECTIONS

A table setting out Watercare business unit targeted versus completed inspections for the current reporting period is appended as Appendix A. Watercare is implementing any improvements that have been identified by these inspections and have not reported any trends of significance arising from these inspections.

Also included is a table reflecting contractor lead indicator statistics for Watercare construction project sites. Overall this indicates a positive culture of monitoring of activities and equipment.

6. INDEPENDENT AUDIT REVIEWS

An independent review of our Major Hazard Facility Safety Case has been conducted. The safety case is being finalised and there will be a final debrief session with the consultant prior to submission to Worksafe.

The audit scheduled for the Waikato Water Treatment Plant on 06 March was conducted and was largely positive. We now await the audit report.

The next audit scheduled is the Telarc revalidation assessment which will take place in May.

7. HEALTH AND SAFETY TRAINING

In-house training workshops for Incident Management has been concluded. As at the end of February, 63 managers have attended the training. Attendance and feedback remain positive. Contractor Management workshops are being prepared and scheduled to commence in April.

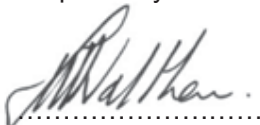
8. CONTRACTOR MANAGEMENT AND ENGAGEMENT

The current contractor forum has been reviewed, and a meeting scheduled for April 2018.

9. RECOMMENDATION

That the Board receives this report.

Prepared by:



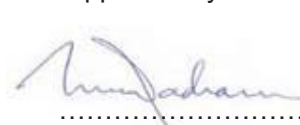
S Walthew
Health and Safety Manager

Reviewed by:



Jason Glennon
Chief People Officer

Approved by:



R Jaduram
Chief Executive

Appendix A

Inspections – Targets were set with business units for Health and Safety Inspections for the 2017-2018 financial year. In part this was done to identify new hazards and risk, but also as a way of embedding a culture of enquiry and vigilance around safety. The information below reflects a level of activity that indicates a positive ongoing culture of monitoring of activities and equipment.

Business Unit	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Total	Target for 2017-18	% Complete
Watercare House	0	0	0	1	1	1	0	0					3	6	50
Retail	20	17	18	15	22	12	19	31					154	130	119
Infrastructure Delivery															
Construction Delivery	13	13	13	27	23	23	18	24					154	230	67
Laboratory Services	9	13	15	10	6	10	11	8					82	104	80
MSO	10	14	4	16	16	4	6	18					88	138	64
MSN	30	40	47	60	46	30	35	33					321	180	178
Total	62	80	79	113	91	67	70	83					645	652	99
Service Delivery															
Networks	12	10	13	10	9	2	31	28					115	150	77
Asset Protection & Engineering Performance	4	4	7	5	5	2	2	2					31	40	78
Water Supply	19	30	27	23	22	15	17	16					169	192	88
Wastewater	21	20	21	25	30	13	18	23					172	232	74
Total	56	64	68	63	66	21	59	69					486	614	79
Watercare Total	138	161	165	192	180	112	157	183					1288	1414	91

Business units are implementing any improvements they have identified and there have not been any trends of significance coming out of these inspections. The improved system categorisation options for those completing inspections is under ongoing monitoring and review (enabling those inputting data to pre-categorise matters so as to improve the granularity of automated reporting available to us).

Contractor lead indicator statistics

The table below is a reflection of contractor statistics for the previous three months on a selection of four construction project sites followed by a summation of February lead indicators for all contractors.

This indicates a positive culture of monitoring of activities and equipment. Contractors are reviewing hazards to ensure controls remain adequate and implementing actions where required. Safe behavioural observations indicate that contractors are also looking at 'what is going right' at site operational level. No significant trends have been identified. As requested, an additional column for "Corrective Actions Raised" has been added and this information is now being provided by our contractors.

2017 / 2018	Hours Worked	Audits	Inspections	Hazards Identified	Corrective Actions Raised	Corrective Actions completed	Safe Behaviour Observation	Safety Meetings held
North Shore Trunk Sewer 8 Upgrade								
December		1	1	1	-	2	22	40
January		4	1	5	-	2	34	54
February	3675	4	6	6	18	16	32	45
Albany-Pinehill Watermain								
January		2	0	10	-	0	2	20
February	630	1	0	10	31	31	0	17
Glen Eden Wastewater Storage Tank								
December		0	2	9	-	9	3	3
January		3	2	2	-	2	0	48
February	1320	0	2	2	2	2	0	22
Army Bay WWTP Outfall Upgrade								
December		0	5	48	-	48	3	19
January		1	4	79	-	79	6	18
February	8680	1	8	86	6	4	6	57
Sub-Total of above projects – February	14305	6	16	104	57	53	38	141
All projects – February	79296	43	121	236	163	127	276	442

WATERCARE SCORECARD 2017/2018

On budget, on time, within parameters	SOI	2017/18 Target	Major issues, needs attention	Amber Threshold	Red Threshold	2017-18												
						Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
1 Safe and Reliable Water																		
1a	<input checked="" type="checkbox"/>	100%	n/a	<100%	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1b	<input checked="" type="checkbox"/>	100%	n/a	<100%	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1c	<input checked="" type="checkbox"/>	100%	n/a	<100%	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1d	<input checked="" type="checkbox"/>	100%	n/a	<100%	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1e	<input checked="" type="checkbox"/>	100%	n/a	<100%	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1f	<input checked="" type="checkbox"/>	50%	n/a	<45%	<45%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1g	<input checked="" type="checkbox"/>	50%	n/a	<25%	<25%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1h	<input checked="" type="checkbox"/>	>95%	93% to <95%	<93%	<93%	96%	96%	96%	95%	95%	94%	93%	93%	93%	93%	93%	93%	93%
1i	<input checked="" type="checkbox"/>	≤10	>10 to 12	>12	>12	5.4	5.7	5.7	5.9	6.0	6.0	6.0	6.1	6.0	6.2	6.0	6.0	5.9
1j	<input checked="" type="checkbox"/>	Unrestricted	Subjective	Restrictions apply	Restrictions apply	Unrestricted	Subjective	Subjective	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
1k	<input checked="" type="checkbox"/>	Unrestricted	Subjective	Restrictions apply	Restrictions apply	Unrestricted	Subjective	Subjective	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
2 Healthy Waterways																		
2a	<input checked="" type="checkbox"/>	≤5	>5 to 7	>7	>7	1.60	1.86	1.89	1.90	1.92	2.09	2.28	2.37	2.42	2.28	2.25	2.25	2.2
2b	<input checked="" type="checkbox"/>	≤2 overflows per year per engineered overflow point	Low risk non-compliance	High risk non-compliance	High risk non-compliance	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
2c	<input checked="" type="checkbox"/>	≤10	>10 - ≤15	>15	>15	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
2d	<input checked="" type="checkbox"/>	a) ≤2 b) ≤2 c) ≤2 d) 0	n/a	>2 (for any)	>2 (for any)	0	0	0	0	0	0	0	0	0	0	0	0	0
2e	<input checked="" type="checkbox"/>	≤10	>10 to ≤12	>12	>12	8.00	8.40	9.00	9.20	9.28	9.36	9.26	9.17	9.20	9.07	8.83	8.60	8.50
2f	<input checked="" type="checkbox"/>	100%	98 to <100%	<98%	<98%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2g	<input checked="" type="checkbox"/>	35%	n/a	<35%	<35%	85%	87%	86%	80%	87%	76%	76%	79%	86%	83%	79%	80%	78%
3 Customer Satisfaction																		
3a	<input checked="" type="checkbox"/>	≤60 mins	>60 - ≤90 mins	>90 mins	>90 mins	41 mins	41 mins	41 mins	41 mins	41 mins	41 mins	44 mins	45 min	46 min	49 min	51 min	53 min	57min
3b	<input checked="" type="checkbox"/>	≤5 hours	>5 - ≤8 hours	>8 hours	>8 hours	3.0 hours	2.9 hours	2.9 hours	2.8 hours	2.8 hours	2.7 hours	2.7 hours	2.7 hours	2.8 hours	2.8 hours	2.9 hours	3.0 hours	3.0 hours
3c	<input checked="" type="checkbox"/>	≤3 days	>3 - ≤5 days	>5 days	>5 days	1.2 days	1.1 days	1.0 days	1.0 days	1.0 days	1.0 days	1.1 days	1.1 days	1.2 days	1.9 days	2.1 days	2.8 days	2.9 days
3d	<input checked="" type="checkbox"/>	≤6 days	>6 - ≤8 days	>8 days	>8 days	2.9 days	2.3 days	2.1 days	2.0 days	2.1 days	2.1 days	2.0 days	2.1 days	2.1 days	2.8 days	3.1 days	3.8 days	4.1 days
3e	<input checked="" type="checkbox"/>	≥80%	≥75% to <80%	<75%	<75%	82.1%	82.2%	82.2%	82.4%	82.4%	82.8%	83.4%	83.7%	83.7%	83.5%	83.4%	80.0%	82.7%
3f	<input checked="" type="checkbox"/>	≤10	>10 - ≤15	>15	>15	6.0	5.8	5.9	5.7	5.6	5.4	5.3	5.1	5.1	5.1	5.1	5.1	5.1
3g	<input checked="" type="checkbox"/>	≤60 mins	>60 - ≤90 mins	>90 mins	>90 mins	49 mins	49 mins	50 mins	50 mins	50 mins	51 mins	51 mins	51 min	51 min	52 min	51 min	51 min	51 min

WATERCARE SCORECARD 2017/2018

On budget, on time, within parameters		Major issues, needs attention		2017/18 Target												
SOI	2017/18 Target	Amber Threshold	Red Threshold	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
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	>8 hours	>5 - <= 8 hours	3.0 hours	3.1 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours	3.2 hours
3i	The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system blockages 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	>75	>50 - <= 75	22.1	23.2	24.5	24.4	24.1	23.5	22.6	22.4	22.4	22.3	22.3	22.3
3j	Number of water quality complaints (taste, odour, appearance) per 1,000 water supply connections (12 mth rolling average)	<= 5	>5.5	>5 to <= 5.5	3.50	3.37	3.30	3.50	3.46	3.48	3.46	3.47	3.56	3.55	3.53	3.60
3k	Percentage of complaints being 'closed and resolved' within 10 working days (12 mth rolling average)	>= 95%	< 90%	> 90% to < 95%	96.9%	96.9%	97.6%	97.9%	98.1%	98.9%	99.4%	99.4%	99.4%	99.3%	99.1%	99.0%
3l	Net Promoter Score (12 month rolling average)	> 30	< 26	26-29					28	30	32	31	30	30	29	30
3m	Percentage of the 19 Iwi groups throughout Auckland that Watercare have entered into a Memorandum of Understanding with (target for end of FY16/17)	> 75%					Annual measure	16.00%	21.05%	21.05%	21.05%	26.32%	26.32%	26.32%	26.32%	26.32%
4 Health, Safety and Wellbeing																
4a	Lost-time injury frequency rate per million hours worked (12 month rolling average)	<= 5	> 7	6 - 7	2.47	1.82	2.42	2.41	2.4	2.4	4.19	4.14	4.11	4.1	4.1	3.51
4b	Percentage of total hours absent due to illness (12 mth rolling average)	<= 5.5%	> 3.5%	> 2.5 to < 3.5%	2.19%	2.23%	2.28%	2.28%	2.28%	2.29%	2.37%	2.37%	2.81%	2.94%	2.97%	2.94%
4c	Percentage of voluntary leavers relative to number of permanent staff (12 mth rolling average)	<= 12%	> 14%	> 12 to < 14%	10.67%	10.04%	10.76%	11.15%	12.00%	12.38%	11.88%	12.90%	12.78%	13.28%	12.71%	13.54%
4d	Total recordable injury frequency rate per million hours worked (12 month rolling average)	< 20	> 23	> 20 to < 23	12.95	10.93	10.9	12.06	13.2	13.81	15.44	14.19	14.11	13.48	14.05	12.29
5 Financial Responsibility																
5a	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	>= 2.5	< 2.4	2.4 to < 2.5	4.02	3.99	3.92	3.91	3.94	4.53	4.10	3.97	4.00	4.09	4.09	4.12
5b	Percentage of household expenditure on water supply services relative to the average household income	<= 1.5%	> 1.5	1.2 to < 1.5	0.86%	0.86%	0.87%	0.86%	0.86%	0.89%	0.85%	0.86%	0.87%	0.92%	0.94%	0.95%
5c	Water & wastewater revenue against budget YTD %	>= 100%	< 98%	> 95% to < 100%	101%	100%	100%	101%	101%	101%	102%	101%	101%	103%	103%	102%
5d	Infrastructure growth charge revenue against budget YTD %	>= 100%	< 95%	> 95% to < 100%	127%	120%	112%	111%	113%	118%	113%	107%	108%	101%	96%	97%
5e	Controllable costs against budget YTD %	<= 100%	> 102%	> 100 to <= 102%	94%	96%	97%	98%	99%	101%	104%	102%	101%	101%	100%	99%
5f	Total contribution against budget YTD (\$ millions)	+	> -\$2m	-\$0.1m to -\$2m	\$2.39	\$1.39	\$2.7	\$2.2	\$3.1	\$2.9	\$2.7	\$2.5	\$2.02	\$1.09	\$1.16	\$1.37
5g	Net surplus / deficit before tax against budget YTD (\$ millions)	+	> -\$2m	-\$0.1m to -\$2m	\$13.4	\$129.31	\$120.4	\$109.99	\$141.84	\$0.8	\$-11.9	\$-9.9	\$-12.0	\$-1.1	\$7.2	\$5.40
5h	Total net borrowing against budget YTD (\$ millions)	Negative	> \$10m	\$0.1m to \$10m	0.70	-11.30	-20.70	-26.60	-23.50	-6.80	-7.50	-14.50	-15.90	-10.00	-23.20	-26.20
6 Fully Sustainable																
6a	The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	268 +/- 2.5%		> 274.7	271	271	272	272	272	272	273	273	273	276	276	276
6b	Per capita consumption (litres / person / day) - Residential Monthly PCC	Information only			168	162	154	152	152	150	147	153	162	169	169	169
6c	Non-Domestic Monthly Water Volume	Information only			3,091,670	3,223,550	2,905,975	2,948,602	2,887,411	2,869,036	2,953,759	3,005,935	3,186,122	3,406,703	3,406,703	3,406,703
6d	Non-Revenue Water Percentage	Information only			16.9%	16.9%	17.1%	17.0%	17.1%	17.2%	17.2%	17.3%	17.4%	17.9%	17.9%	17.9%
6e	The percentage of real water loss from the local authority's networked reticulation system (rolling 12 mth average)	<= 13%	> 13.2	> 13 to < 13.2%	11.7%	11.7%	11.9%	11.8%	11.9%	12.0%	12.1%	12.1%	12.3%	12.8%	12.8%	12.8%
6f	Percentage of annual potable water transmission system losses (12 month rolling average)	No specific target - information only			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
6g	Percentage of annual potable water network losses (12 mth rolling average) - Urban as a percentage of total volume	No specific target - information only			11.1%	11.1%	9.7%	9.5%	9.6%	9.7%	9.8%	9.8%	10.0%	10.5%	10.5%	10.5%
6h	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of total volume	No specific target - information only			0.34%	0.34%	0.33%	0.31%	0.31%	0.32%	0.34%	0.35%	0.35%	0.37%	0.37%	0.37%
6i	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of rural volume	No specific target - information only			22.4%	22.4%	21.8%	20.7%	20.8%	21.3%	22.3%	22.6%	22.8%	23.9%	23.9%	23.9%
7 Policy Compliance																
7a	Compliance with Treasury Policy	Within policy	Unplanned outside policy	Planned 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

Report to the Board of Watercare Services Limited

Subject: Chief Executive Report – February 2018

Date: 20 March 2018

HEALTH AND SAFETY

1. HEALTH AND SAFETY SNAPSHOT

There were no Lost Time Injuries (LTI), Restricted Duties Injuries (RDI) or Medical Treatment Injuries (MTI) involving Watercare employees during February. As a result, the rolling 12 month Lost Time Injury Frequency Rate (LTIFR) for employees has moved to 3.51 per million hours and remains below the Statement of Intent target of ≤ 5 .

Two contractors sustained injuries in February. Full details are in the separate Health and Safety Report. The more serious injury involved a construction contractor who fell three meters into a trench and sustained a fracture to his neck. The contractor stopped work activities on site and Worksafe was notified. The incident investigation identified a number of causal factors, including a lack of direct supervision, poor change management and inadequate edge protection. Remedial actions included installation of handrails on both sides of the excavation, ensuring adequate direct supervision at all times, changes to procedure to ensure any changes to planned works or site conditions are adequately managed, and a buddy system was reinforced to ensure workers look out for one another. The Watercare project team are following up on actions implemented and have engaged an independent H&S specialist to review site systems and processes.

As reported last month, a maintenance worker sustained a shoulder injury in January 2018, that was possibly related to a non-work pre-existing condition. ACC has subsequently confirmed that the injury is work related, so the injury will remain recorded as an LTI.

The rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) is 12.29 per million hours, also below the Statement of Intent target of ≤ 20 .

STRATEGIC OBJECTIVES

2. DIGITAL AND SELF SERVICE

Watercare has prioritised the use of digital channels and digital technologies to enhance the customer experience, provide customers with more choice as to how to interact with Watercare, and to more efficiently manage high volume transactions. This approach aligns with the Customer Focus and Business Excellence strategic objectives.

As part of the digital improvements, the new Watercare website launched in late 2017 and will continue to be enhanced on an ongoing basis. During March 2018, new self-service functionality was released on the website allowing customers to report a fault online. The new functionality has been designed as a 'mobile first' experience, which allows customers to easily submit the required

information to report a fault through a digital channel as an alternative to phoning Watercare. The adoption rate for customers has been good and the feedback on usability has been positive.

The next enhancement, allowing customers to request a new connection, is in development and will be released by the end of March 2018. Further future enhancements will include a spatial view of water outages and availability of simplified engineering standards information.

3. PEOPLE AND CAPABILITIES

The Targeted Operating Model (TOM) has entered the implementation stage. This involves a review of the structure, capability and talent of Watercare and includes regular check-in sessions to maintain alignment across the Executive Management Team. This process will be complete by the end of April 2018 with further changes taking effect before the beginning of FY19.

This is a critical juncture in the TOM process, as upcoming decisions will affect the structure of Watercare, with the ultimate aim of enabling the company to deliver to the strategy of “Customer First”.

In parallel with the TOM, Management are continuing transformational work around Watercare’s culture. 150 people leaders across all areas of Watercare have now been through the Leadership programme, resulting in a large network of managers who have stronger cross-functional relationships. This is an important development as strengthening these network connections within the business will help the company through future structure changes.

The Leadership programme’s next stage focuses on “Leading through change”. This is designed to embed the first year’s competencies of “Adapt” and “Take Action”, which will be critical over the next three years and beyond.

There will be significant change over the coming months, so Management expects there to be a noticeable impact on the “Ask Your Team” business survey scheduled for May 2018.

While the company works through this transition, non-essential recruitment is on “lock down”.

Watercare’s Bullying and Harassment Policy is undergoing a refresh, and will be re-launched in the coming weeks.

4. AUCKLAND COUNCIL’S LONG TERM PLAN

Auckland Council is currently consulting the public on its draft 2018-2028 Long Term Plan and the Draft Auckland Plan. The Public consultation period ends on 28 March 2018, after which, Watercare will review all submissions relating to the company and its operations. Following this, Management will provide the Board with an update on the feedback received.

5. WAIKATO DISTRICT COUNCIL'S LONG TERM PLANS

Waikato District Council has released its draft Long Term Plans for public consultation. It is considering four different ways to provide water and wastewater services to residents. The preferred option is a professional Council-appointed Waters Governance Board, which would include Waikato-Tainui representation. Watercare would supply the District's water services through a contract of supply, but the Waikato District Council would retain ownership of the infrastructure, and provide background corporate support.

Watercare Management has had preliminary discussions with the Waikato City and District Councils regarding a contract of supply. Management is conscious that Watercare's primary responsibility is to serve the people of Auckland. However, at the same time, Watercare does draw water from the Waikato River and already services some townships in the Waikato region, which are experiencing growth, and therefore we have a strong role to play in the water utility sector.

CUSTOMER FOCUS

6. STRATEGIC TRANSFORMATION PROGRAMME (STP) UPDATE

The discovery phase of the STP continues as planned with the focus on the initial six months of the programme and ensuring the roadmap for the remainder of the programme continues to be refined at a high level.

The STP governance model proposed and outlined at the February 2018 board is being progressed with the STP Committee to ensure continual alignment of the programme to the business vision and strategy, with a telephone briefing with the STP Committee scheduled for 22 March 2018.

The proposed Terms of Reference for the STP Committee are being developed and will be tabled for approval at the April 2018 Board meeting.

Work is underway to generate a Council family understanding of future asset capability requirements. An ongoing and a further update will be provided at the April 2018 Board meeting.

7. CUSTOMER SATISFACTION

In February, the customer satisfaction score rose to 82.2%. The 12-month rolling average remains above target, with an average score of 82.7%, against a target of 80%.

Complaint resolution was 98.6% for February. The rolling 12-month average is 99%, against a target of 95%.

The Net Promoter Score (NPS) 12 month rolling average was 30, against a target of >30.

8. WSAA AND WATER NEW ZEALAND SURVEY RESULTS

Watercare was included in two large scale customer research surveys recently conducted by Water NZ and Water Services Association of Australia (WSAA).

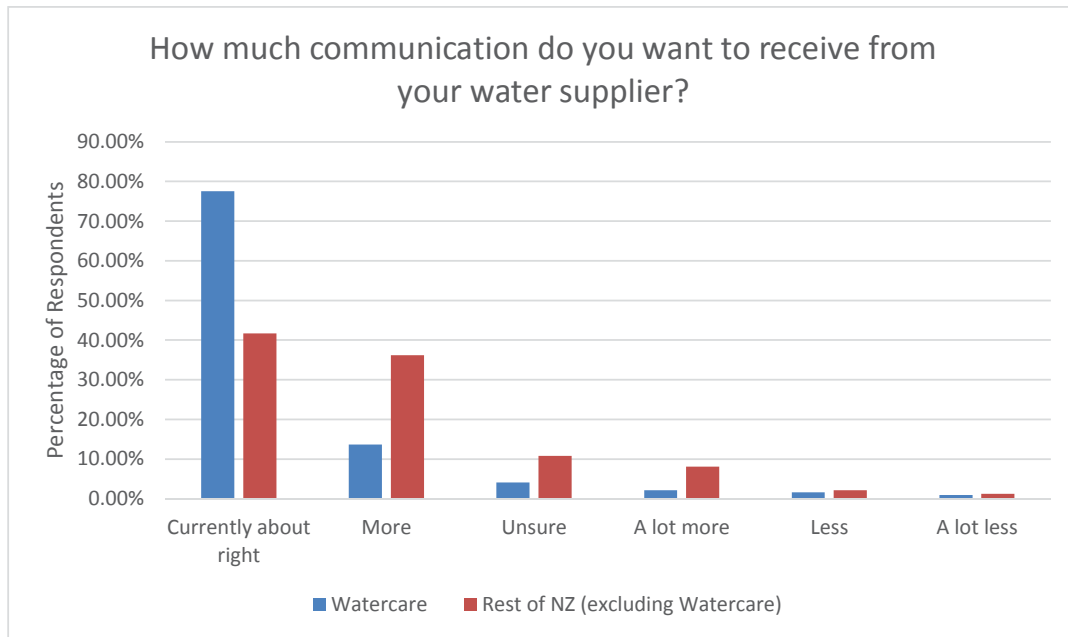
The Water NZ survey incorporated most of the water utilities within New Zealand. The WSAA survey incorporated 38 water utilities across Australasia; only Watercare and Wellington Water were represented from New Zealand.

These surveys were primarily designed to understand customer needs so water companies could prioritise their improvement efforts. A secondary purpose was to understand customers’ views on environmental issues, especially those related to water, so water companies could understand the cultural context they are working within.

Water NZ Summary

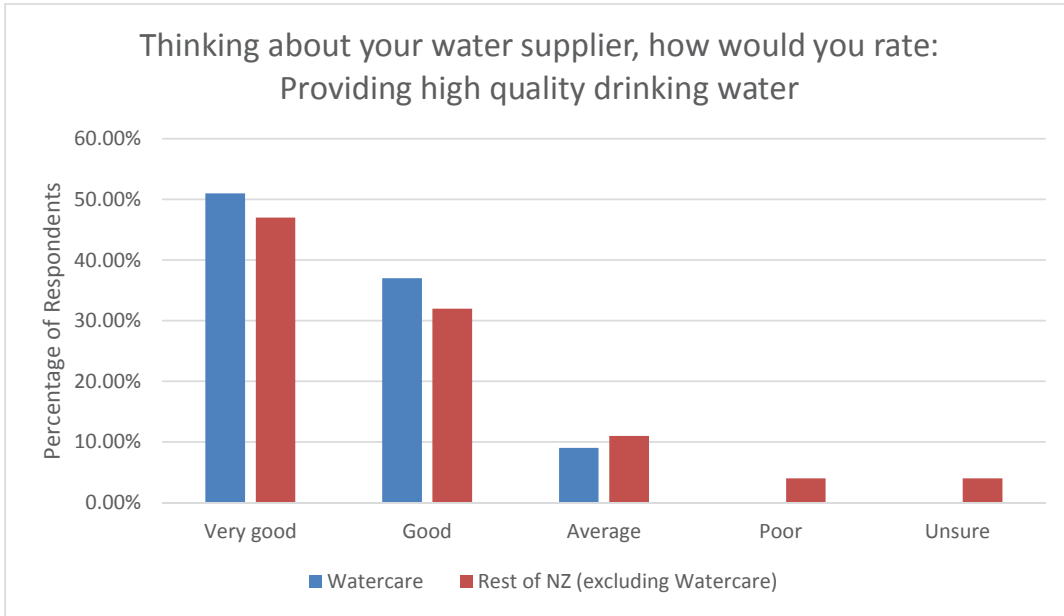
Communications

Approximately 75% of Aucklanders felt the amount of communication from Watercare was just right, while the majority of the remainder wanted more communication.



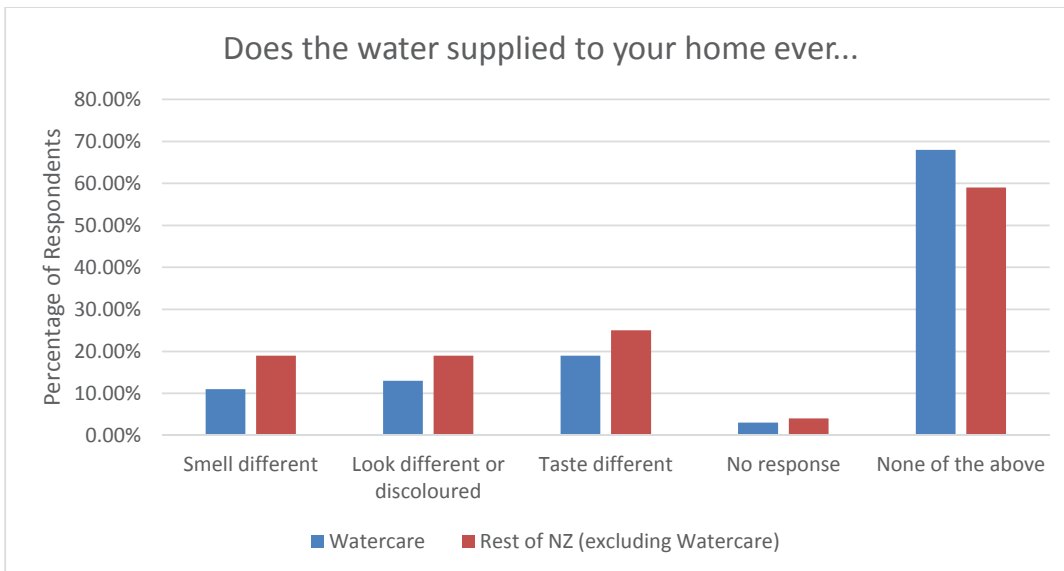
Water Quality

The majority of Aucklanders are happy with the water that Watercare provides. For both water quality and reliability of service, Watercare is rated more highly than other water companies in New Zealand. 88% rate Auckland water as Good or Very Good.



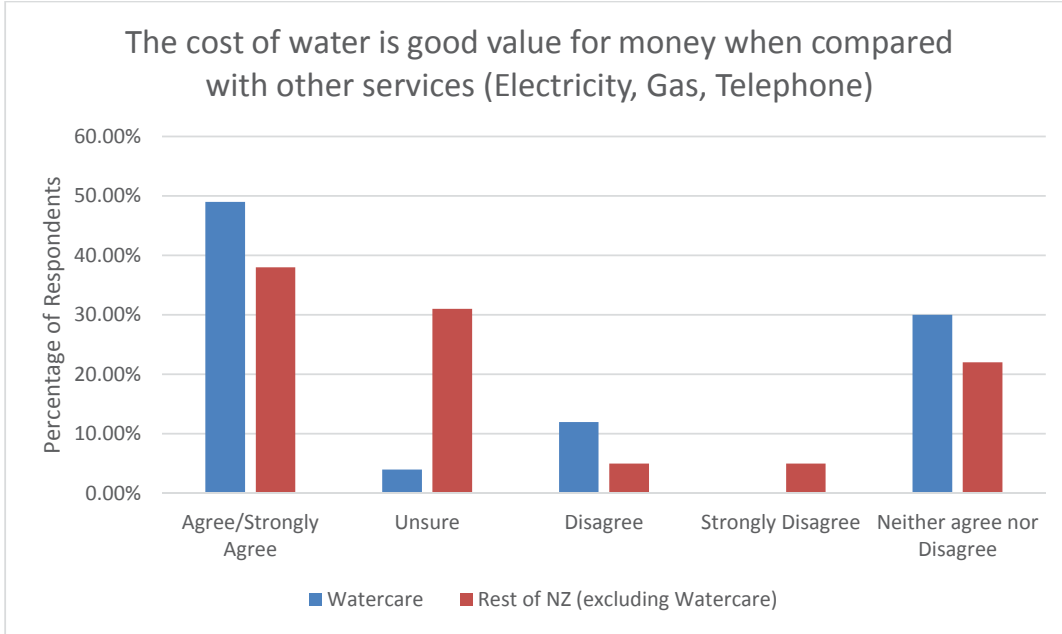
Taste, smell and appearance

Compared to the rest of New Zealand, Auckland has higher rating on taste, smell and appearance.



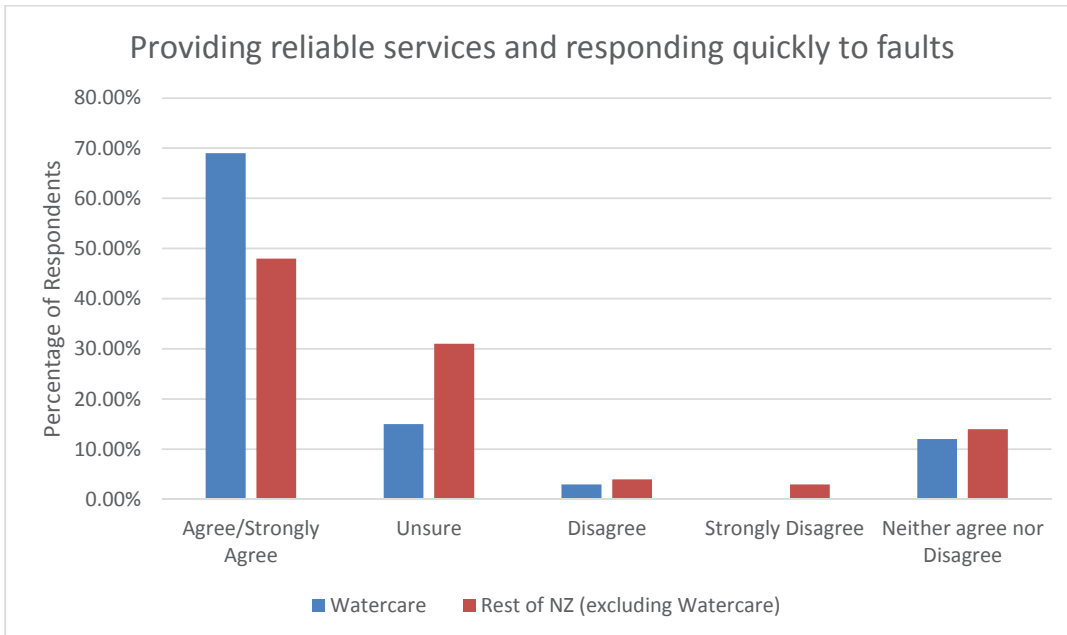
Value for money

76% of Auckland believe that Watercare provides high quality customer service. For the rest of NZ, this was 53% for regional centres and 49% for rural communities.



Reliability

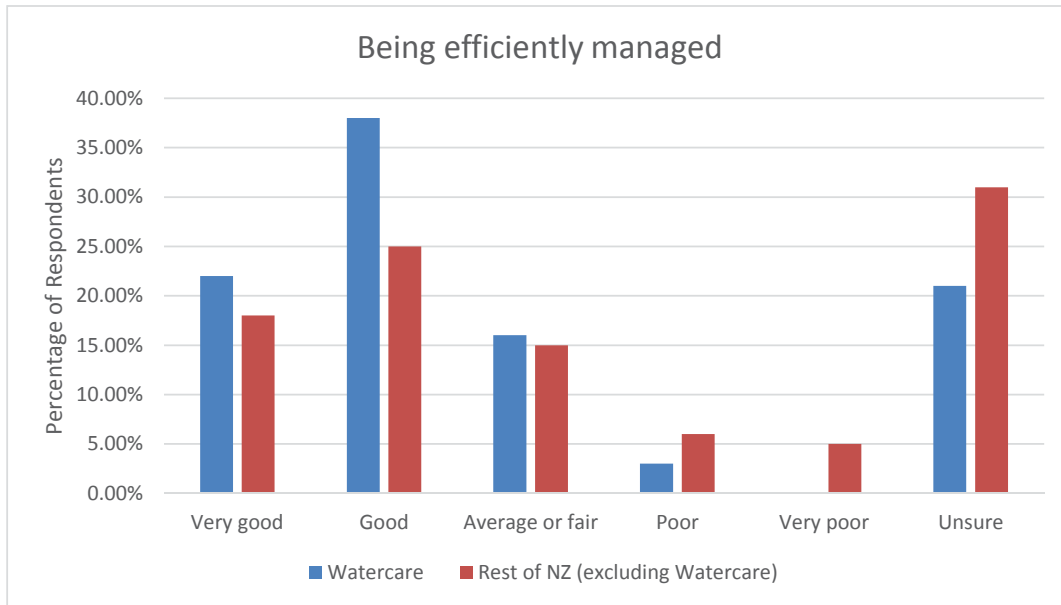
69% said that Watercare provides reliable services and responds quickly to faults. Those in the rest of NZ were far less trusting in the reliability of their water companies (48).



These results aligned with the results in the WSAA survey, where 67% said Watercare provides a reliable service.

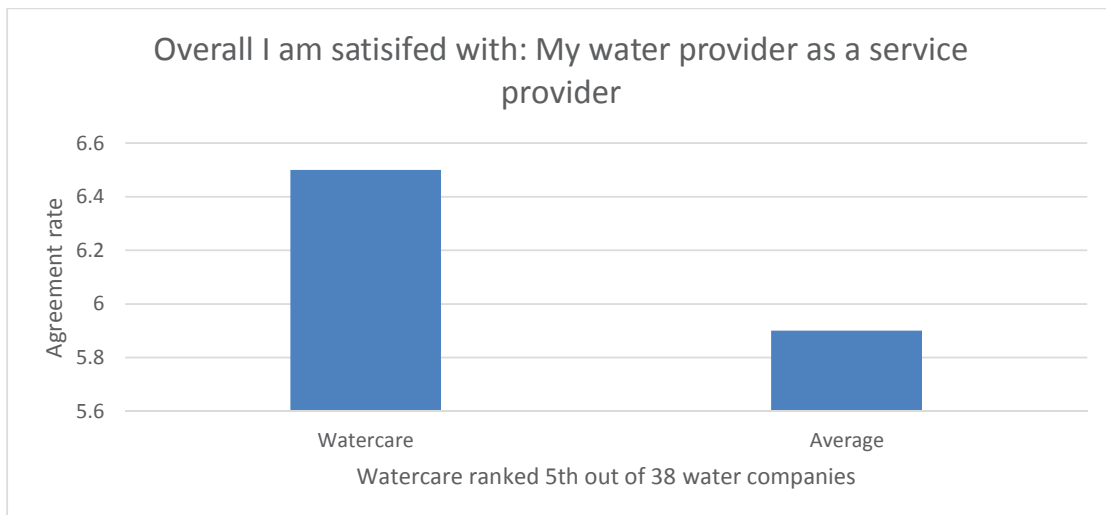
Efficiency

60% of Aucklanders think Watercare is efficiently managed, vs 43% of the rest of New Zealand about their water companies (Water NZ).



WSAA Survey Summary

In the WSAA survey, Watercare ranked in the top 5 of 38 water companies across Australasia in all of the main categories identified. These were overall customer satisfaction (#5), trust (#3), value for money (#4), community reputation (#5), efficient and well managed (#5) and effective planning for the future (#4).



The most frequent words to describe Watercare were 'reliable', 'clean' and 'efficient' and 'expensive'. The same four words were also frequently used to describe Wellington Water's services.

An area the surveys highlighted for improvement related to Watercare’s processes for dealing with customers directly. However, STP is addressing these issues, so Management expect the scores in these areas to improve over the coming years.

Both surveys show excellent results as Watercare continues to strive for further improvement with the advent of STP.

SHAREHOLDER AND STAKEHOLDERS

9. MAORI RESPONSIVENESS PLAN

The Auckland Plan provides a strategic mandate for the Council family, which is “A Māori identity that is a point of difference in the world”. This supports the key transformational shift, which is to “significantly lift Māori social and economic wellbeing” as well as enabling customary rights and meeting Treaty of Waitangi obligations.

All CCOs are required to provide a Māori Responsiveness Plan (MRP). MRPs must:

- Set out how we assess our current activities and capability and explain how we will deliver on our statutory obligations to Māori under the Local Government (Auckland Council) Act 2009, the Local Government Act 2002 and the Resource Management Act 1991 and other statutes.
- Include a three year plan to enhance delivery of our relationship commitments to Māori.

Watercare has a draft MRP that includes the use of our former Māori Advisory Group, the development of the Manawhenua Kaitiaki Forum and Kaitiaki Managers Forum, and assessment of our current operational relationships, our plans and how we will deliver and report to Tete Waka Anga Mua ki Uta.

10. WHENUAPAI AND REDHILLS WASTEWATER SCHEME, HOUSING INFRASTRUCTURE FUND (HIF)

The NZ Government Housing Infrastructure Fund (HIF) has allocated \$300m for a 10-year interest free loan to Auckland Council, including CCOs, to bring forward the transport, stormwater and wastewater infrastructure investments in Whenuapai and Redhills. Watercare’s component is \$120M of the \$300M. Watercare has been successfully working with Auckland Transport and Auckland Council to align the respective investments in these areas.

The financing of this programme is being managed by the Ministry of Business Innovation and Employment (MBIE). Watercare’s primary engagement with MBIE is via Auckland Council who are co-ordinating the application for financing from the HIF for the combined infrastructure programme. The detailed business case from Auckland Council to MBIE is due in April 2018 and MBIE approval is anticipated in the later part of the year. Following the receipt of MBIE approval, capital expenditure approval from the Watercare Board will be sought.

11. CLIMATE CHANGE

As reported last month, the Mayor requested details of how Watercare considered climate change in its planning and operational processes. A copy of Watercare's response to Mayor Goff is attached as **Appendix B**.

Mayor Goff was extremely impressed with Watercare's initiatives and achievements to date, and subsequently requested permission to share Watercare's letter with the Minister for the Environment.

12. QUARTERLY REPORT TO COUNCIL

Watercare's Quarterly Report, for the period 1 October 2017 to 31 December 2017, was submitted to Auckland Council in late February 2018. The report was well received at a presentation to Auckland Council's Finance and Performance Committee on 12 March 2018. A copy of the report is available in the Resource Centre.

13. S17A VALUE FOR MONEY UPDATES***Aucklands' Waters Strategy, including Three Waters***

A political reference group has been formed, which includes the Chair of Watercare. The group is currently drafting its terms of reference. In the meantime, Three Waters (which is now part of the Aucklands' Waters Strategy), is at the stage where Watercare is due to report back to the Community and Environmental Committee in May 2018. This report will investigate the following recommendations:

- Consolidated capital planning
- Joint procurement
- Stormwater operations and maintenance to Watercare.

Communications & Engagement

Auckland Council and the CCOs have now met and agreed a framework to guide Council Group communications and engagement collaboration. The Auckland Council Communications team is leading the finalisation of this framework.

14. HUIA WATER TREATMENT PLANT – PUBLIC CONSULTATION UPDATE

Consultation continues with the local community regarding the Huia water treatment plant. To date, consultation has included:

- In March 2017, Watercare launched a Huia project web page on the Watercare website, with a comprehensive update released in February 2018 to display the volume of shared information, including future consent application documents.
- Since launch, the Huia web page has been viewed 5,804 times with 9,324 individual "Huia" page views.

- In October 2017, we helped form a Community Liaison Group, which meets on a regular basis. Minutes are posted to the Huia project web page.
- Watercare has responded to over 1,600 emails sent to Huiawtpproject@water.co.nz.
- In February 2018 project update flyers were distributed to surrounding residents and advertised public open days.
- In early March 2018, Watercare held two drop-in sessions at Lopdell House, Titirangi. A team of 14 Watercare staff and experts on ecology, plant design, heritage, landscape and traffic attended to answer questions on all aspects of the proposed plant and how it could impact local residents and the environment. Around 140 residents attended the two sessions. Main concerns included the selection of the Manuka Road site in Waima, and the impact on vegetation caused by construction, including management of kauri dieback. Questions and answers from the drop in sessions will be loaded onto the Huia web page.

15. HOUSING NEW ZEALAND/HOMES.LAND.COMMUNITY (H.L.C) REDEVELOPMENT PROJECT

Housing NZ has mandated HLC (formerly Hobsonville Land Company) to undertake three large-scale urban redevelopment projects to develop a combination of social, affordable end market priced houses (20,000 plus re-developed and new houses) in Northcote, Mt Roskill and Mangere. Auckland Council, via its Development Project Office, is coordinating a collaborative effort between HLC, Housing New Zealand, Auckland Council and the Council Group (including Watercare, ATEED and Healthy Waters) to deliver these major transformation projects over the next 10-15 years.

The Council and HLC are currently working towards an umbrella Memorandum of Understanding (which will include all of the members of the Council family) to set up the basics of a working relationship for the improved and more efficient delivery of these programmes.

Watercare is also engaging directly with HLC to undertake joint planning to identify water and wastewater infrastructure requirements to service these areas, both in the short to medium term.

16. INTERACTION WITH LOCAL BOARDS FOR MARCH

- The Franklin Local Board received a presentation from Watercare on the water and wastewater servicing proposed for Clevedon and the safe management of chlorine at Ardmore Water Treatment Plant which is a requirement of the Major Hazard Facilities legislation.
- Watercare joined the Takapuna Devonport Local Board, Healthy Waters and the Medical Officer of Health at a public meeting in Milford to discuss the response to wastewater overflows and a recent break in a local rising main.
- Rodney and Hibiscus and Bays Local Boards received a presentation from Fulton Hogan on the Mildale Wastewater Tunnel. Watercare attended in support and to answer any questions.
- A meeting was held with the Chair and Deputy Chair of the Upper Harbour Local Board along with parks staff to discuss works in Centorian Reserve, Rosedale.
- The Waitakere Ranges Local Board members were provided with information and updates on the Huia Water Treatment Plant replacement project open days held in early March which was attended by more than 140 people.

- In the interests of no surprises, the Mangere Otahuhu Local Board members were also kept informed of the water supply situation associated with the recent NZ Fire Service response to the industrial fire in Otahuhu. The fire caused a significant increase in water demand which had the potential to result in some discolouration for surrounding residents.
- Local boards also received notification of the Central Interceptor contractor short list.

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

17. SAFESWIM

The Safeswim programme run by Auckland Council is embedded as business as usual. Council is now proposing to extend the programme to include further beaches.

Watercare is working with Council to increase robustness and confidence in the model, in preparation for the next swimming season.

18. SOUTHWEST SUB-REGIONAL WASTEWATER SERVICING PROJECT

Watercare received a favourable decision for the Southwest Sub-Regional Wastewater Servicing Project with a 35-year term. This is a particularly important decision, with a discharge to the Manukau Harbour providing a strong signal for the future consenting of the Mangere WWTP. A comprehensive appeal has been lodged against the decision by The Manukau Harbour Restoration Society Incorporated, who are legally represented by Dr Grant Hewison, as well as Mr Whyborn, who has also joined the appeal in February. Mr Whyborn was a submitter in opposition at the Council hearing. Several meetings with the appellants have been held in an attempt to mediate areas of concern ahead of the Environment Court mediation scheduled for the week of 9 April.

BUSINESS UPDATE

19. FINANCE

Financial Performance

Figures (\$millions)	Current Month			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Revenue	49.1	51.2	(2.1)	415.8	406.6	9.2	637.7	617.5	20.2
Operating Expenses	16.7	18.6	1.9	142.0	144.0	1.9	213.9	213.6	(0.3)
Depreciation	18.7	18.4	(0.3)	146.6	149.7	3.1	229.8	230.0	0.2
Interest expense	6.7	6.4	(0.3)	53.6	52.7	(0.9)	83.0	82.0	(0.9)
Total Contribution	7.0	7.8	(0.8)	73.6	60.2	13.4	111.0	91.9	19.1
Non-operating costs/(income)	1.2	0.7	(0.5)	8.3	5.3	(3.0)	(4.5)	8.0	12.5
Financial instruments revaluation -	0.6	-	(0.6)	5.0	-	(5.0)	4.9	-	(4.9)
Operating Surplus / (Deficit) Before Tax	5.2	7.1	(1.9)	60.3	54.9	5.4	110.4	83.9	26.5
Deferred Tax - Expense/(Credit)	1.8	1.8	0.0	23.8	20.5	(3.3)	45.0	35.6	(9.4)
Net Surplus / (Deficit) After Tax	3.4	5.3	(1.9)	36.5	34.4	2.1	65.4	48.3	17.1
FFO Ratio				4.12	4.01		4.22	4.06	
EBITDA	31.5	31.0	0.5	255.8	249.3	6.5	399.2	383.9	15.3
EBIT	12.0	13.6	(1.6)	113.9	107.6	6.2	193.5	165.9	27.6
Leakage Allowance Granted	0.7	0.6	(0.1)	4.0	3.3	(0.7)	6.4	5.6	(0.8)

Month – Total Contribution of \$7.0m - unfavourable variance to budget of \$0.8m

Total revenue was unfavourable \$2.1m to budget due to; water and wastewater revenue unfavourable \$1.7m to budget; with water volumes at an average of 437 mld, 4.4% lower than budget. Vested asset revenue was also unfavourable \$0.8m, along with new developments revenue \$0.2m. These were offset by IGC revenue which was favourable \$0.3m and sundry revenue which was favourable \$0.3m.

Operating expenses were \$1.9m favourable to budget due to lower professional services and other operating costs. These favourable costs were partly offset by higher than budgeted unplanned maintenance and energy costs.

Depreciation expense was unfavourable \$0.3m to budget. Interest expense was unfavourable \$0.3m.

Net surplus after tax was unfavourable \$1.9m due to; the unfavourable revaluation of financial instruments of \$0.6m resulting from the decrease in medium to long term swap rates in February (refer section 3 forward curve graph), the unfavourable total contribution of \$0.8m and the unfavourable loss on disposal of fixed assets \$0.5m.

Year to date – Total Contribution of \$73.6m - favourable variance to budget of \$13.4m

Year to date revenue is \$9.2m favourable with; water and wastewater revenue favourable \$5.6m with volumes 1.5% higher than budget, vested asset income favourable \$4.6m and sundry customer charges favourable \$0.5m; partly offset by IGC revenue unfavourable \$1.5m.

Operating expenses are \$1.9m favourable with favourable variances for; planned maintenance costs, chemical costs and other operating costs. These have been offset by unfavourable unplanned maintenance costs, energy costs and net labour due to beneath budget labour capitalisation/recoveries.

Depreciation is favourable \$3.1m and interest expense unfavourable \$0.9m.

Net surplus after tax year to date is \$36.5m, a favourable variance to budget of \$2.1m primarily due to; favourable total contribution of \$13.4m partly offset by the unfavourable revaluation of financial instruments of \$5.0m resulting from the decrease in medium to long term swap rates over this financial year (refer section 3 forward curve graph), the unfavourable loss of disposal of fixed assets of \$3.0m and a higher tax expense of \$3.3m.

Full year Forecast – Total Contribution of \$111.0m – favourable variance of \$19.1m

Full year revenue is forecast at \$637.7m, favourable by \$20.2m, largely due to higher than budgeted water and wastewater revenues of \$5.7m, IGC revenue \$8.8m and vested asset revenue \$4.6m.

Forecast water and wastewater revenues assume an on budget position for the remaining months of the year. Forecast IGC revenue reflects the expected \$14m of additional revenue from Veolia partially offset by a \$5.2m reduction in other IGC revenue softness over the last few months.

Operating expenses are expected to be unfavourable to budget \$0.3m, an improvement of \$0.5m since the previous month forecast, with unfavourable variances for unplanned maintenance, professional services, general overheads and net labour due to lower labour capitalisation.

Depreciation costs are forecast to be favourable by \$0.2m to budget and interest expense is expected to be unfavourable to budget at year end by \$0.9m due to lower capitalised interest than budgeted.

Financial Position

\$million	Actual Jan-18	Actual Feb-18	Monthly Movement	Budget Feb-18	Var from Budget
Non Current Assets	8,922.2	8,933.8	11.6	8,923.1	10.7
Current Assets	103.2	99.4	(3.8)	89.3	10.1
Total Assets	9,025.4	9,033.2	7.8	9,012.4	20.8
Other Liabilities	318.4	325.5	7.1	316.8	8.7
Deferred Tax Liability	1,082.3	1,084.1	1.8	1,066.9	17.2
Borrowings - Short Term	315.4	310.8	(4.6)	357.9	(47.1)
Borrowings - Long Term	1,318.0	1,318.0	-	1,297.4	20.6
Shareholders Funds	5,991.3	5,994.8	3.5	5,973.4	21.4
Total Liabilities and Shareholders Funds	9,025.4	9,033.2	7.8	9,012.4	20.8

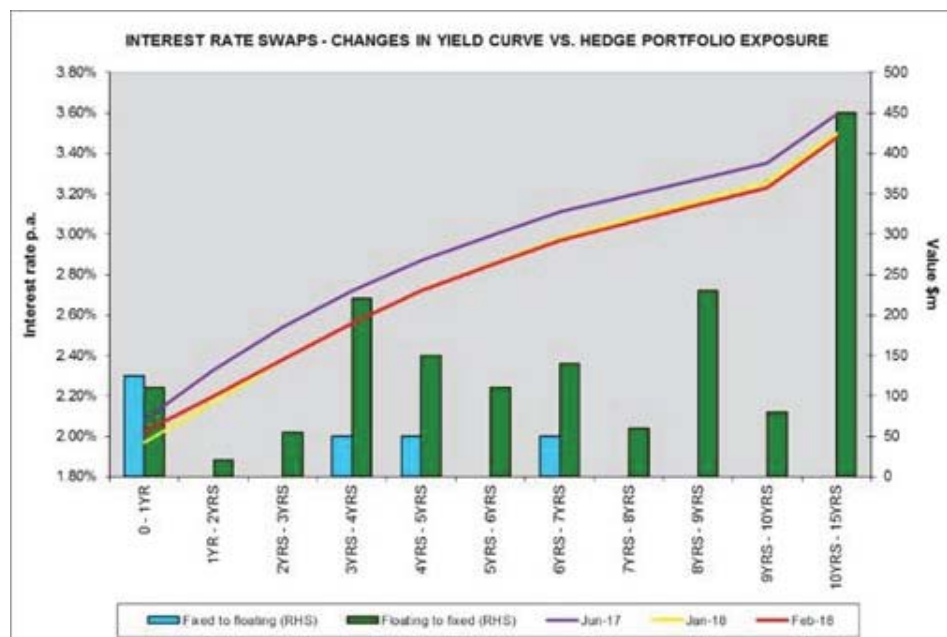
The major movements in the Statement of Financial Position as at 28th February 2018 compared with 31st January 2018 were the decrease in current assets reflecting an decrease in trade receivables, the upward movement on other liabilities due to the revaluation of derivative financial instruments and a decrease in borrowings.

Compared with budget the material variances were largely in respect of a different opening position than assumed when the budget was set including higher retained earnings, higher property plant and equipment, higher deferred tax liability and a lower level of debt than anticipated. Net debt at \$1,628.8m was \$26.5m below budget.

Forecast year end debt is now \$1,622m compared with the budgeted \$1,682m. This saving primarily reflects:

- lower debt at 1 July 2017 than expected at the time the budget was set - \$9m
- above budgeted revenues - \$18m
- beneath budget cash spend on capex - \$18m
- unbudgeted land disposals \$15m.

Treasury



As at the end of February Watercare was compliant with all requirements of the Treasury Policy.

As noted by the Board at the February meeting, we are going to be in technical breach of the liquidity risk management parameter (Treasury Policy section 3.2) as at the end of April. The liquidity risk management parameter stipulates that *“Watercare will maintain available capacity under its committed facilities to at least cover its total projected debt requirements for the next six month period”*. The out-of-policy position is going to arise because at that time it will be less than six months until the maturity of the \$125 million 26/10/18 medium-term note (MTN) issue.

Due to the impending integration of Watercare’s treasury function into Auckland Council, there are no plans to put new committed facilities in place to address this eventuality, so the out-of-policy position will remain in place for the remainder of FY 2017/18. Note that the breach is purely technical in nature (i.e. does not pose immediate risk), as the MTNs mature after Auckland Council assumes Watercare’s treasury functionality.

Interest Analysis \$million	Current Month			Year to date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	6.7	6.4	(0.3)	53.6	52.7	(0.9)	83.0	82.0	(1.0)
Capitalised Interest	0.6	0.9	0.3	8.5	9.5	1.0	11.5	12.5	1.0
Gross Interest	7.3	7.3	(0.0)	62.1	62.2	0.1	94.5	94.5	(0.0)
Less Interest Income	0.0	-	(0.0)	0.0	-	(0.0)	0.0	-	(0.0)
Net Interest	7.3	7.3	(0.0)	62.1	62.2	0.1	94.5	94.5	(0.0)

For the month of February gross interest was on budget while capitalised interest was favourable to budget (\$0.3m). For the full year forecast gross interest is on budget.

Capital Expenditure

Summary Capital Expenditure (\$millions)	Feb-18			Year to Date			Full Year			
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var	Previous Forecast
Wastewater Projects										
Strategy & Planning	0.3	1.2	1.0	2.3	7.2	4.9	5.6	18.9	13.4	6.8
Infrastructure Delivery (excl Labs/MS)	8.8	12.5	3.7	89.5	97.1	7.6	148.2	153.3	5.2	147.9
Service Delivery	6.7	3.6	(3.1)	23.4	21.5	(1.9)	37.7	34.6	(3.1)	34.0
Wastewater Projects Capitalised Interest	0.4	0.7	0.3	6.9	7.8	0.9	9.0	10.0	1.0	9.3
Water Projects										
Strategy & Planning	0.2	1.3	1.2	1.9	8.4	6.4	4.2	13.3	9.0	3.8
Infrastructure Delivery (excl Labs/MS)	4.5	3.4	(1.1)	30.7	33.6	2.9	50.6	48.6	(2.0)	49.0
Service Delivery	3.1	3.9	0.9	31.3	32.5	1.2	50.0	48.9	(1.1)	51.1
Water Projects Capitalised Interest	0.2	0.2	0.0	1.6	1.7	0.1	2.5	2.6	0.0	2.6
Retail	1.4	0.7	(0.6)	7.9	8.2	0.1	13.2	12.3	(0.9)	13.3
Information Services	0.4	0.7	0.3	1.9	5.7	3.8	5.4	7.6	2.2	5.7
Other Projects	4.2	1.5	(2.7)	11.2	10.1	(1.1)	23.6	21.0	(2.6)	24.4
TOTAL	29.9	29.7	(0.2)	208.6	233.8	25.2	350.0	371.1	21.1	347.9
Includes Capitalised Interest of:										
Water Projects Capitalised Interest	0.2	0.2	0.0	1.6	1.7	0.1	2.5	2.5	0.0	2.6
Wastewater Projects Capitalised Interest	0.4	0.7	0.3	6.9	7.8	0.9	9.0	10.0	1.0	9.3
Total Capitalised Interest	0.6	0.9	0.3	8.5	9.5	1.0	11.5	12.5	1.0	11.9

The full year forecast at \$350m is \$21.1m below budget primarily due to:

- Consenting delays or purchase deferrals (\$12.0m) on Waitakere North Western strategy, Huia Water Treatment Plant, Huia and Nihotupu No. 1 Replacement Stage 2, Helensville WWTP improvements and Mangere Wastewater Strategic Model Area;

- Procurement deferrals to gain bundling and cost efficiencies (\$18.1m) on the Snells Algies WWTP Outfall, Local SCADA Networks, three package waste water treatment plants and Mangere Digester Electrical Upgrades;
- Clevedon Water and Wastewater servicing deferred to FY19 start as a result of developer delays (\$2.5m)
- Orewa No.1 Watermain replacement (\$1.7m) has been deferred to future years to align with growth requirements;
- Reduction in risk allowance on the Pukekohe Trunk Sewer Upgrade (\$1.6m) and contract saving on Siphon Replacement project (\$1.6m);
- Redoubt Road Reservoir Expansion, (\$1.2m), design occurring in FY19; and
- Forecast reduction resulting from reprioritisation of works and design/construction delays at Ardmore, Waikato 175MLD, Glendowie Branch Sewer, Rosedale WWTP and Snells Wastewater Upgrades, Pukekohe East Reservoir and the Albany Pinehill Watermain and Reservoir projects (\$28.5m).

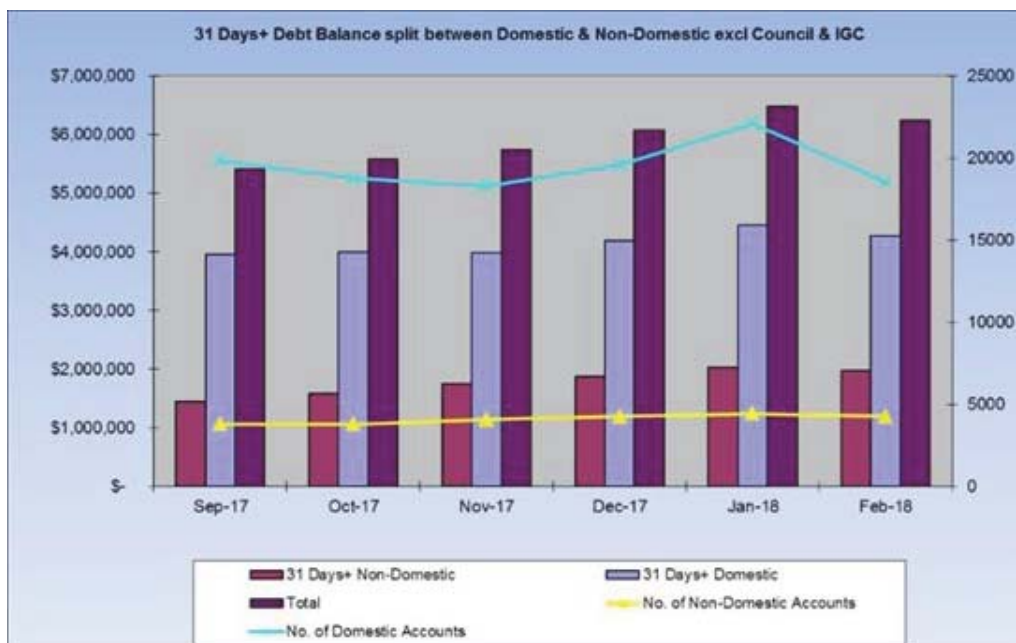
These have been partially offset by higher spend on a Hunua 4 Section 11 land purchase and advanced works (\$4.6m), the acceleration of the Army Bay WWTP Outfall (\$16.4m), a revised forecast for the Strategic Transformation Programme, STP, (\$6.5m), upgrades to the Warkworth Water Network (\$8.5m) and advancement of the Water Pipeline renewal program (\$6.4m).

The infrastructure capital programme has delivered year to date \$189m against a budget of \$211m. The year end forecast is \$318 against a budget of \$336.

Aged Receivables

The 31 days+ debt balance at the end of February was \$6.2m, \$0.24m lower than January 2018.

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

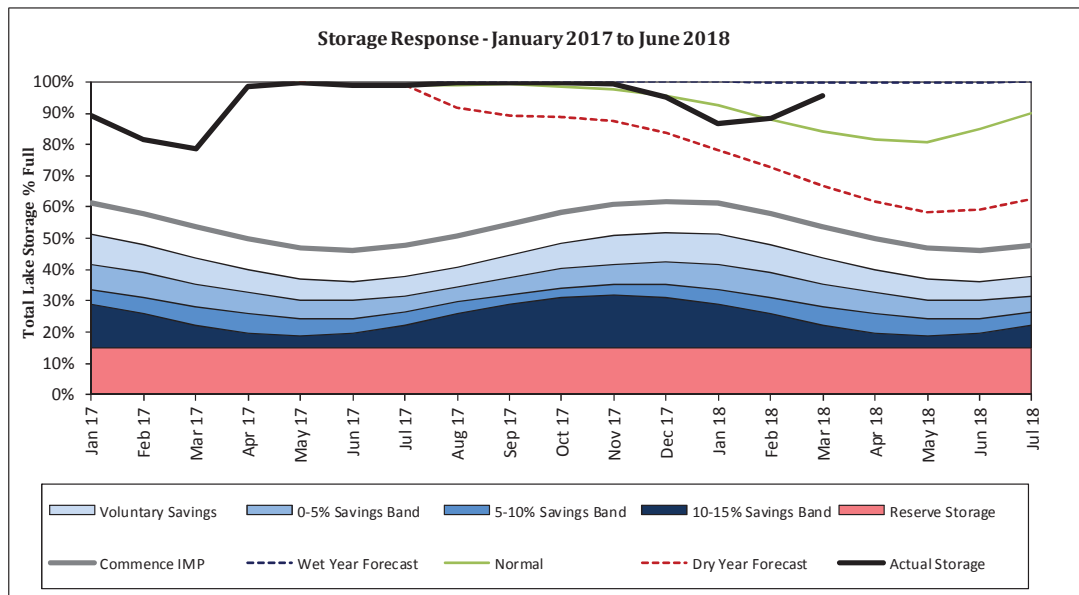


20. SERVICE DELIVERY

Rainfall and Water Resources

Rainfall for the month was above normal for all areas in the Auckland region. Waitakere Ranges was 211% of average and the Hunua Ranges was 128% of average. Franklin and Rodney recorded 228% and 270% of average respectively.

Metropolitan total system storage ended February at 95.6%, up from 88.3%. Above average rainfall this month has put us well above the historical average (72.2%) and is tracking above the normal storage response.



A heavy rainfall event occurred in the Waitakere Ranges during early February, affecting a number of catchments in the area, including Watercare’s Waitakere Dam catchment, as well as a neighbouring, but separate natural catchment, which leads to the Cascades Falls and Stream

During the heavy rainfall, two young men died whilst trying to cross the swollen Cascade’s Stream, beneath the Cascades Falls. Police investigating the deaths have spoken with local residents and businesses, including Watercare. Watercare has provided the Police with information regarding the operation of the Waitakere Reservoir and Dam at the time, which had no part to play in the unfortunate deaths.

21. ASSET MANAGEMENT PLAN (AMP) REVIEW

The Board approved the financial forecasts for the AMP in December 2017. The forecasts were then incorporated into the AMP however the AMP was not published. The AMP is being further revised in style, narrative and timing to align with the approval and publication of Council’s 2018 long term plan (LTP).

The AMP narrative will be broadly based on examples from the United Kingdom, with a point of difference that Watercare's revised AMP will be a hybrid document outlining Watercare's five and 20-year strategies. The five-year plan will outline the required work programmes in detail while the 20-year discussion will be more general and include aspirational discussions. The intent is to align the asset management systems with the international standard, ISO 55000, and Watercare will partner with a comparable international water and wastewater utility that is recognised as a leader in this field to identify an improvement plan for Watercare's asset management systems.

The UK strategies have a strong customer focus, use plain English and a very personal style. They identify the main concerns for the customer and list business responses showing how the concerns will be addressed over time. Watercare will emulate this style, and will also identify any risks and trade-offs within those business responses. The updated AMP will have a stronger focus on the why, rather than the how of what we do.

The intention is to have the revised narrative with a new style completed for approval by July 2018. The completed document will be published in September 2018, subject to the LTP financial information being approved by August 2018. A draft contents page has been prepared and will be presented for discussion at the first CI and Major Capital Committee meeting in April 2018.

22. MILFORD UPDATE

On the evening of 6 March 2018, a resident affected by the Milford Anniversary Weekend wastewater incident made contact with Watercare and reported what he thought was a similar wastewater overflow. Due to the nature of the incident, and the urgency expressed by the resident, the Alma Road pump station was closed-down and a wastewater repair crew were despatched to site. Once on site, the crew ascertained the burst pipe was actually a local water pipe (and therefore not the large wastewater rising main which had previously failed). The Alma Road pump station was restarted and no overflow of wastewater occurred.

The wastewater repair crew made the area safe and diverted the overland flow of water away from the three private properties impacted and into the stormwater system. The pipe that failed was a 50mm diameter local water pipe. The repair was very quickly undertaken once the water crew and traffic management arrived on site.

The water pipe burst is typical of the incidents that occur at this time of the year, particularly on the North Shore where the clay soils are prone to shrink and swell. There was some media interest in this incident due to the close proximity to the previous wastewater pipe failure.

In the meantime, the Anniversary Weekend Milford wastewater incident report is complete. The root cause of the pipe failure was unable to be ascertained, and could have been a result of poor pipe laying techniques (when the pipe was constructed in 1961) or alternatively an external force, after installation, by parties unknown. Due to the importance of the rising wastewater main, proximity to residential properties, and the impact on bathing beaches, an investigation will commence to consider the future management of this pipe. The investigation will include additional condition assessment, future population growth, route options, and potential re-use of the existing pipeline.

23. COMMUNICATIONS UPDATE

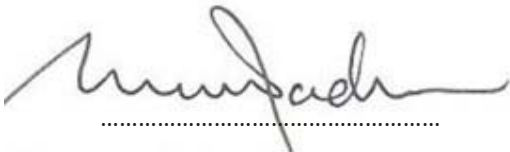
A snapshot of recent and planned communications activity and stakeholder engagement is attached as **Appendix D**.

24. INFRASTRUCTURE PROJECT UPDATES

Appended as **Appendix E** is a summary of significant infrastructure projects.

25. EXECUTION OF DOCUMENTS

Appended as **Appendix F** is a summary of the documents executed in February, including Capital Expenditure and Operational Expenditure approvals.

A handwritten signature in black ink, appearing to read 'R. Jaduram', is written over a horizontal dotted line.

R Jaduram

CHIEF EXECUTIVE


WATERCARE SERVICES LIMITED


Feb-18


Key Financial Indicators


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

Key to Financial performance, Financial position and cashflow measures


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

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

 **Interest expense** - interest expense was \$872k unfavourable to budget mainly due to lower capitalised interest than expected.

 **Operating cashflow** - operating cashflow was unfavourable to budget by \$2.9m due to higher payment of trade payables and interest expense.

Key to Treasury policy compliance

 Full compliance

 Non compliance

WATERCARE SERVICES LIMITED												Feb-18	
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE												(S000's)	
	Current Month				Year to Date				Full Year	Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result	
Wastewater revenue	25,720	26,969	(1,249)	✘	222,005	219,401	2,603	✔	331,532	328,928	2,603	✔	
Water revenue	12,684	13,092	(408)	✘	105,319	102,287	3,033	✔	156,531	153,499	3,032	✔	
Infrastructure growth charge revenue	8,076	7,759	317	✔	52,511	54,044	(1,533)	✘	95,327	86,487	8,840	✔	
Other revenue	1,734	1,728	6	✔	17,997	17,485	512	✔	29,716	28,541	1,175	✔	
Revenue from exchange transactions	48,214	49,548	(1,334)	✘	397,832	393,217	4,615	✔	613,106	597,455	15,650	✔	
Vested assets revenue	883	1,667	(784)	✘	17,927	13,333	4,594	✔	24,594	20,000	4,594	✔	
Revenue from non-exchange transactions	883	1,667	(784)	✘	17,927	13,333	4,594	✔	24,594	20,000	4,594	✔	
Total revenue	49,097	51,215	(2,118)	✘	415,759	406,551	9,208	✔	637,700	617,455	20,244	✔	
Labour	7,040	7,206	166	✔	55,159	55,728	568	✔	83,093	84,284	1,191	✔	
Contract labour	167	47	(120)	✔	1,355	548	(807)	✔	2,344	865	(1,479)	✔	
Oncosts	298	317	19	✔	2,329	2,496	167	✔	3,549	3,755	206	✔	
Labour recoveries	(3,361)	(3,437)	(76)	✔	(25,061)	(26,462)	(1,402)	✔	(39,948)	(40,746)	(798)	✔	
Net labour	4,145	4,133	(12)	✔	33,782	32,309	(1,473)	✔	49,039	48,158	(880)	✔	
Materials & cost of sales	176	187	12	✔	1,383	1,350	(33)	✔	2,150	2,094	(56)	✔	
Planned maintenance	963	1,874	911	✔	11,262	13,377	2,115	✔	16,763	18,905	2,141	✔	
Unplanned maintenance	3,006	2,882	(123)	✔	24,922	23,066	(1,856)	✔	37,555	34,525	(3,031)	✔	
Asset operating costs - chemicals	1,061	1,218	157	✔	7,481	8,161	680	✔	11,487	12,222	734	✔	
Asset operating costs - energy	1,443	1,383	(60)	✔	11,532	11,310	(222)	✔	17,637	17,545	(93)	✔	
Operating costs - other	3,081	3,597	516	✔	25,562	27,822	2,260	✔	39,803	41,036	1,234	✔	
Depreciation and amortisation	18,673	18,443	(230)	✔	146,552	149,655	3,103	✔	229,804	230,000	196	✔	
Asset operating costs	28,227	29,398	1,171	✔	227,311	233,391	6,080	✔	353,049	354,231	1,182	✔	
Communications	111	131	20	✔	719	1,043	323	✔	1,161	1,563	402	✔	
Professional services	621	968	347	✔	7,264	7,389	125	✔	11,170	10,685	(486)	✔	
Interest	6,627	6,370	(258)	✔	53,593	52,721	(872)	✔	82,962	81,963	(998)	✔	
General overheads	2,126	2,179	53	✔	18,111	18,125	13	✔	27,154	26,860	(295)	✔	
Overheads	9,485	9,648	163	✔	79,688	79,278	(411)	✔	122,447	121,071	(1,377)	✔	
Total expenses	42,033	43,367	1,334	✔	342,164	346,327	4,163	✔	526,685	525,554	(1,131)	✔	
Total contribution/(loss)	7,064	7,848	(784)	✘	73,595	60,223	13,372	✔	111,015	91,902	19,113	✔	
(Gain)/loss on disposal of fixed assets and other costs	1,163	667	(497)	✘	8,296	5,333	(2,962)	✘	(4,515)	8,000	12,515	✔	
(Gain)/loss on revaluation of financial instruments	575	-	(575)	✘	5,031	-	(5,031)	✘	5,031	-	(5,031)	✔	
Non operating costs/(revenue)	1,739	667	(1,072)	✘	13,327	5,333	(7,994)	✘	516	8,000	7,484	✔	
Net surplus/(deficit) before tax	5,325	7,182	(1,856)	✘	60,268	54,890	5,378	✔	110,499	83,902	26,597	✔	
Income Tax Expense/(benefit)	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred tax	1,844	1,846	3	✔	23,760	20,523	(3,237)	✘	45,014	35,591	9,423	✔	
Net surplus/(deficit) after tax	3,481	5,335	(1,854)	✘	36,508	34,367	2,141	✔	65,485	48,311	17,174	✔	

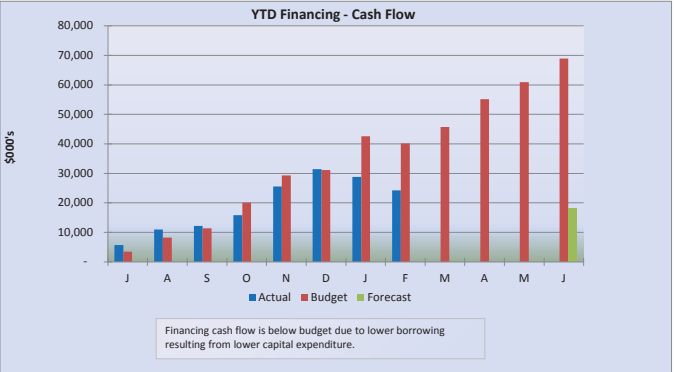
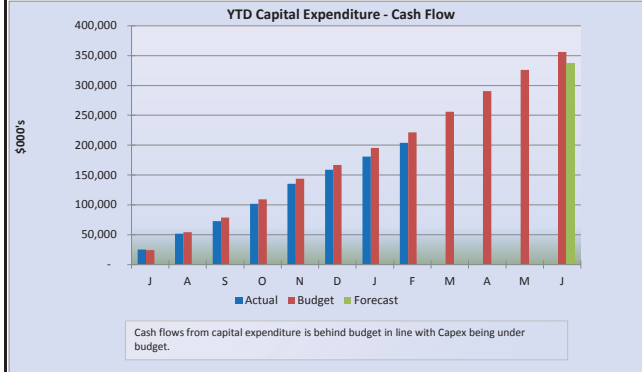
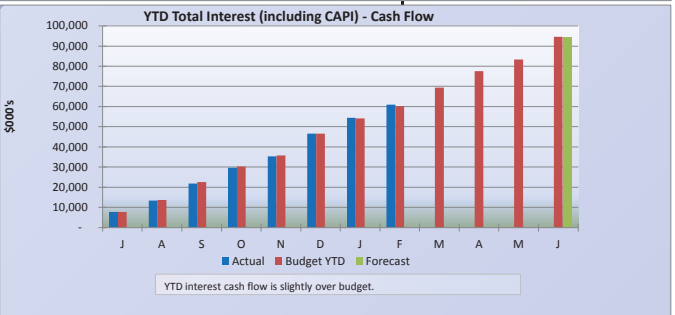
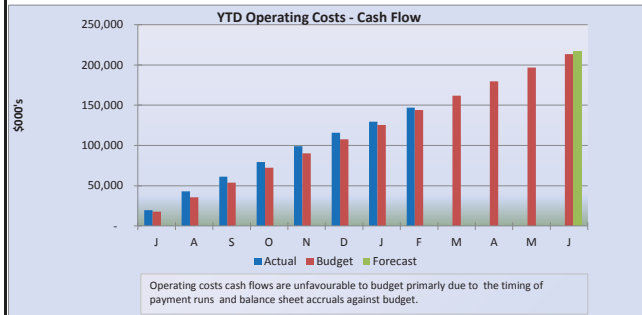
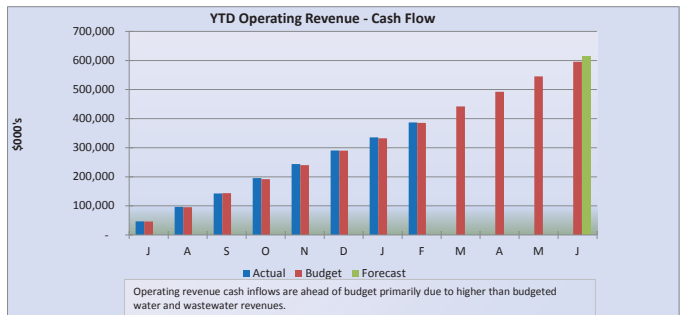
Key: Financial performance result
 ✔ Favourable variance - actual income on or above budget and actual expenditure on or below budget
 ✘ Unfavourable variance - actual income below budget and actual expenditure above budget

WATERCARE SERVICES LIMITED
STATEMENT OF CASH FLOWS Feb-18
(S000'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	51,765	52,914	(1,149)	✖	387,081	385,262	1,819	✔	613,821	595,509	18,312	✔
Operating Costs	(17,228)	(18,554)	1,326	✔	(146,935)	(143,977)	(2,958)	✖	(216,305)	(213,591)	(2,714)	✖
Interest Paid	(5,949)	(5,103)	(846)	✖	(52,502)	(50,693)	(1,808)	✖	(82,690)	(81,963)	(727)	✖
OPERATING CASH FLOW	28,588	29,257	(669)	✖	187,645	190,591	(2,946)	✖	314,826	299,955	14,871	✔
Investing Cash flow:												
Capital Expenditure	(23,323)	(25,831)	2,508	✔	(204,017)	(221,231)	17,214	✔	(337,576)	(356,328)	18,752	✔
Other Investments	-	-	-	↔	-	-	-	↔	15,841	-	15,841	✔
Capitalised Interest	(613)	(938)	325	✔	(8,453)	(9,466)	1,013	✔	(11,573)	(12,572)	999	✔
INVESTING CASH FLOW	(23,936)	(26,769)	2,833	✔	(212,470)	(230,697)	18,227	✔	(333,308)	(368,900)	35,592	✔
Financing Cash flow:												
Bonds/Term Debt Issued/(Repaid)	-	-	-	✔	-	-	-	✔	-	-	-	✔
Short Term Advances/(Repaid)	(4,500)	(4,500)	-	✔	4,500	4,500	-	✔	4,500	4,500	-	✔
Commercial Paper Issued/(Repaid)	14	14	-	✔	71	71	-	✔	71	71	-	✔
Auckland Council Borrowings/(Repaid)	(123)	1,998	(2,121)	✔	19,653	35,535	(15,882)	✔	13,537	64,374	(50,837)	✔
FINANCING CASH FLOW	(4,609)	(2,488)	(2,121)	✖	24,224	40,106	(15,882)	✔	18,108	68,945	(50,837)	✔
Net Increase (Decrease) in Cash and Cash Equivalents	43	-	43	✔	(601)	-	(601)	✖	(373)	-	(373)	✖
Opening Cash Balance/(Overdraft)	(271)	-	(271)	✖	373	-	373	✔	373	-	373	✔
Ending Cash Balance/(Overdraft)	(228)	-	(228)	✖	(228)	-	(228)	✖	-	-	-	✔

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	Variance
Net Surplus (Deficit) After Tax	3,481	5,335	36,508	34,367
Add back non cash items:				
Depreciation and amortisation	18,673	18,443	146,552	149,655
Financial instruments revaluation	575	-	5,031	-
Vested assets revenue	(883)	(1,667)	(17,841)	(13,333)
Other non-operating exp/(inc)	988	667	8,026	5,333
Income Tax Expense/(Benefit)	1,844	1,846	23,760	20,523
Movements in Working Capital	3,909	4,632	(14,391)	(5,954)
OPERATING CASH FLOW	28,588	29,257	187,645	190,591

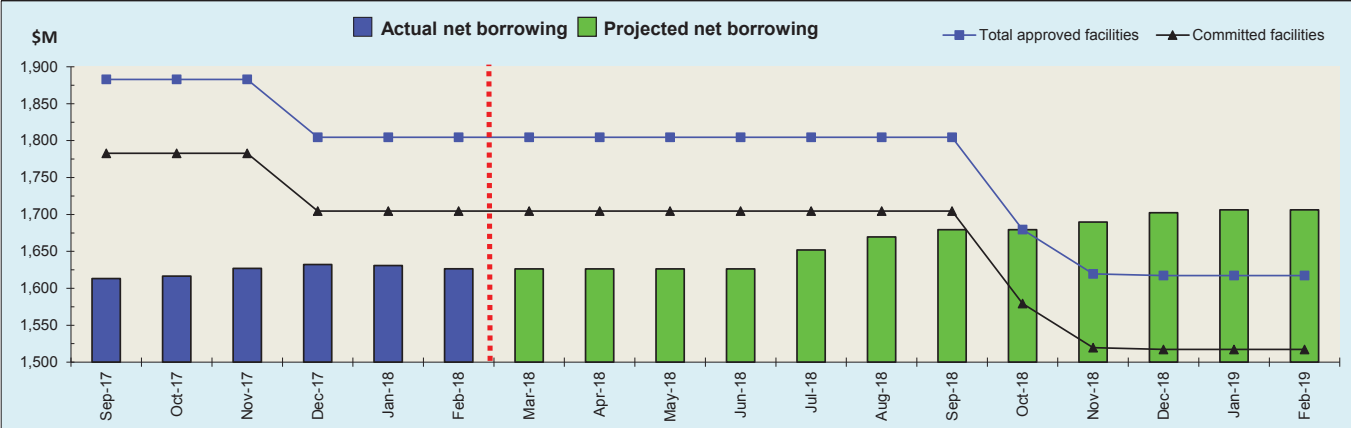


		WATERCARE SERVICES LIMITED							Feb-18
		STATEMENT OF FINANCIAL POSITION							(\$000's)
June 2017 Actual	Jan 2018 Actual		February			June 2018			
			Actual	Budget	Variance	Forecast	Budget	Variance	
		Current assets							
373	-	Cash and cash equivalents	-	-	-	-	-	-	
47,293	58,171	Trade and other receivables from exchange transactions	57,201	53,604	3,597	48,104	48,104	-	
19,405	25,422	Unbilled revenue accrual	22,667	19,993	2,674	20,298	19,485	813	
2,237	4,370	Prepaid expenses	3,977	2,855	1,122	3,332	2,855	477	
8,934	10,769	Inventories	11,691	7,206	4,485	12,531	7,131	5,400	
4,207	4,493	Derivative financial instruments	3,802	5,634	(1,832)	3,802	5,634	(1,832)	
82,449	103,225	Total current assets	99,338	89,293	10,045	88,067	83,210	4,857	
		Non-current assets							
8,746,296	9,011,475	Property, plant and equipment	9,038,423	8,958,538	79,885	9,438,673	9,361,358	77,315	
473,328	389,645	Construction/work-in-progress	391,836	474,341	(82,505)	398,497	480,954	(82,457)	
(442,750)	(562,220)	Provision for depreciation	(580,306)	(594,325)	14,019	(253,703)	(265,981)	12,278	
8,776,874	8,838,900	Total property, plant and equipment	8,849,954	8,838,554	11,400	9,583,467	9,576,332	7,135	
45,564	44,212	Intangible assets	44,362	45,760	(1,398)	49,640	46,315	3,325	
23,641	23,312	Prepaid expenses	23,266	22,796	470	23,118	22,796	322	
8,443	8,511	Inventories	8,783	8,515	268	8,783	8,515	268	
8,227	7,276	Derivative financial instruments	7,467	7,485	(18)	7,467	7,485	(18)	
8,862,749	8,922,210	Total non-current assets	8,933,832	8,923,111	10,721	9,672,476	9,661,444	11,032	
8,945,198	9,025,435	Total assets	9,033,170	9,012,404	20,766	9,760,543	9,744,654	15,889	
		Current liabilities							
-	271	Bank Overdraft	228	-	228	-	-	-	
149,236	149,293	Commercial paper	149,307	149,234	73	149,307	149,234	73	
-	37,000	Bank revolving credit facility	32,500	-	32,500	32,500	-	32,500	
-	75,000	Bonds (26/10/18)	75,000	75,000	-	75,000	75,000	-	
292	50,219	Bonds	50,196	50,364	(168)	50,196	50,365	(169)	
80,839	3,609	Auckland council loan	3,517	83,326	(79,809)	3,517	80,920	(77,403)	
230,368	315,392	Total debt current	310,749	357,924	(47,175)	310,521	355,519	(44,998)	
14,035	12,611	Trade and other payables for exchange transactions	12,391	17,393	(5,002)	14,250	16,393	(2,143)	
11,501	13,651	Interest accrued	14,361	10,726	3,635	13,541	10,726	2,815	
57,446	52,862	Other accrued expenses	59,265	54,386	4,879	61,901	54,386	7,515	
7,844	7,049	Provision for staff benefits	7,224	7,593	(369)	7,224	7,593	(369)	
881	80	Other provisions	80	166	(86)	80	166	(86)	
38,618	40,179	Derivative financial instruments	39,552	37,536	2,016	39,552	37,536	2,016	
360,693	441,825	Total current liabilities	443,622	485,724	(42,102)	447,069	482,319	(35,250)	
		Non-current liabilities							
75,000	-	Bonds (26/10/18)	-	-	-	-	-	-	
50,097	-	Bonds (26/10/18)	-	-	-	-	-	-	
28,000	-	Bank revolving credit facility	-	-	-	-	-	-	
1,220,976	1,317,982	Auckland council loan	1,317,951	1,297,427	20,524	1,311,755	1,326,266	(14,511)	
1,374,073	1,317,982	Total debt non-current	1,317,951	1,297,427	20,524	1,311,755	1,326,266	(14,511)	
14,902	12,788	Other accrued expenses	12,729	14,301	(1,572)	14,902	14,301	601	
5,270	5,392	Other Provisions	5,392	3,619	1,773	5,392	3,619	1,773	
1,744	1,760	Provision for staff benefits	1,760	1,304	456	1,760	1,304	456	
169,900	172,129	Derivative financial instruments	172,833	169,734	3,099	172,833	169,734	3,099	
1,060,363	1,082,280	Deferred tax liability	1,084,123	1,066,858	17,265	1,295,138	1,271,773	23,365	
2,626,253	2,592,332	Total non-current liabilities	2,594,788	2,553,243	41,545	2,801,780	2,786,997	14,783	
2,986,946	3,034,157	Total liabilities	3,038,410	3,038,967	(557)	3,248,849	3,269,316	(20,467)	
		Equity							
260,693	260,693	Issued capital	260,693	260,693	-	260,693	260,693	-	
1,830,195	1,837,217	Revaluation reserve	1,836,841	1,837,356	(515)	2,324,799	2,325,314	(515)	
3,742,688	3,860,342	Retained earnings	3,860,718	3,841,020	19,698	3,860,718	3,841,020	19,698	
124,676	33,026	Current year earnings after tax	36,508	34,367	2,141	65,485	48,311	17,174	
5,958,252	5,991,278	Total equity	5,994,760	5,973,437	21,323	6,511,695	6,475,338	36,357	
8,945,198	9,025,435	Total equity and liabilities	9,033,170	9,012,404	20,766	9,760,543	9,744,654	15,889	

TREASURY RISKS AND INTEREST RATE PERFORMANCE

Feb-18

4.3



Interest rates				
		Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	*	4.86%	3.88%	4.84%
Weighted averages (incl. fees and margins)		5.99%	N/A	5.98%

Debt (\$m)			
	Actual	Budget	Variance
Short-term borrowings	310.5	357.9	(47.4)
Long-term borrowings	1,318.0	1,297.4	20.6
Total gross debt	1,628.5	1,655.3	(26.8)
Bank overdraft / (cash & deposits)	0.2	-	0.2
Total net borrowing	1,628.7	1,655.3	(26.6)

Committed facilities

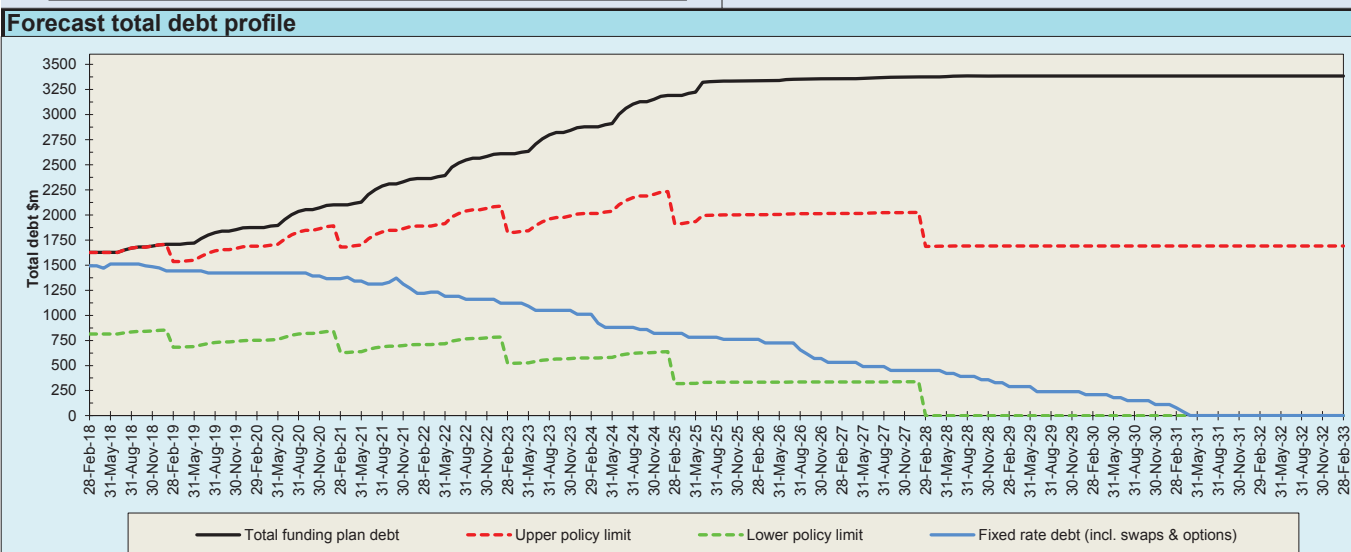
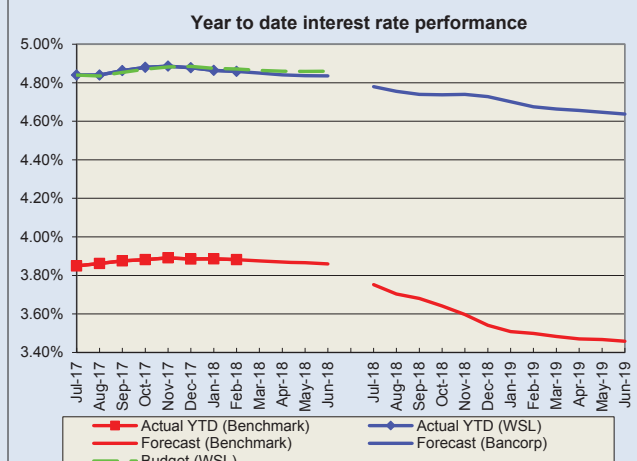
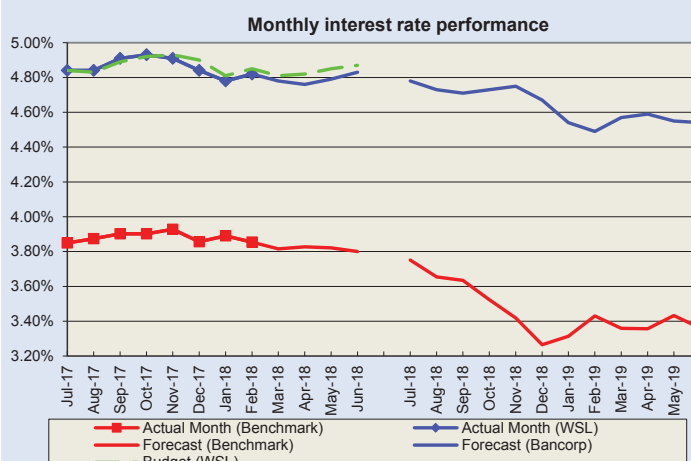
- Westpac Revolving Credit facility \$60 million
- Medium term notes \$125 million
- Auckland Council CP Standby facility \$150 million
- Auckland Council loans \$1,369 million

Total committed facilities as at 28 February \$1,704 million

Additional approved facilities

- Approved CP issuance, over and above CP Standby facility \$100 million

Total approved facilities as at 28 February \$1,804 million



COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & COVENANT COMPLIANCE							Feb-18	
Counterparty exposures		S&P credit rating Short / long term	Face value \$000	Credit exposures \$000	Limit \$000	Limit OK / exceeded		
Obligations of registered banks								
ANZ Bank	A1+ / AA-	580,000	30	100,000	Limit OK	✓		
Bank of New Zealand	A1+ / AA-	615,485	16,107	100,000	Limit OK	✓		
Commonwealth Bank of Australia	A1+ / AA-	65,000	751	100,000	Limit OK	✓		
Kiwibank	A1 / A	75,000	2,249	50,000	Limit OK	✓		
Westpac Institutional Bank	A1+ / AA-	565,000	0	100,000	Limit OK	✓		
		1,900,485	19,138					
<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 Revolving Credit facility	30/11/18	60,000						60,000
Medium-term notes	26/10/18	125,000						125,000
Auckland Council CP Standby facility	30/06/20			150,000				150,000
Auckland Council loans	Various	2,243	230,000	52,243	130,000	15,000	940,000	1,369,486
Total committed debt facilities		187,243	230,000	202,243	130,000	15,000	940,000	1,704,486
Treasury policy - total committed debt facilities		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000		
Treasury policy compliance		✓	✓	✓	✓	✓		
Approved CP issuance, over and above CP Standby							100,000	100,000
Total committed and approved debt facilities		187,243	230,000	202,243	130,000	15,000	1,040,000	1,804,486
Drawn bank facilities	Maturity	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	> 30 months	Total
Westpac Revolving Credit facility (\$60m)	30/11/18		32,500					32,500
		0	32,500	0	0	0	0	32,500
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		ANZ	BNZ	CBA	Kiwibank	Westpac		
Revolving credit facility						60,000		
		0	0	0	0	60,000		
Treasury policy		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000		
Treasury policy compliance		✓	✓	✓	✓	✓		
Compliance with financial covenants and ratios under the Negative Pledge Deed and Guarantee Facility Deed								
Covenant / ratio	Benchmark/target measure			Outcome		Compliance		
Security interests / total tangible assets - maximum	5%			0.00%		✓		
Total liabilities / total tangible assets - maximum	60%			33.80%		✓		
Total liabilities (including contingent) / total tangible assets - maximum	65%			33.80%		✓		
Shareholders funds - minimum (\$000)	500,000			5,994,760		✓		
EBITDA : funding costs ratio - minimum	1.75			4.77		✓		
Funds from operations : interest cover ratio - minimum	2.00			4.12		✓		
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							Feb-18					
Foreign currency exposures (NZ\$000) including hedging for chemical purchases							AUS	Total				
Total exposure to be hedged							484.6	484.6				
Foreign exchange hedging							484.6	484.6				
Percentage cover							100%	100%				
Treasury policy							100%	100%				
Treasury policy compliance							✓	✓				
Hedging for chemical purchases (US\$000)					Mar-18	Sep-18	Mar-19	Sep-19	Total			
Chemicals forward foreign exchange hedging									0			
Treasury policy									<= 5,000			
Treasury policy compliance									✓			
Commercial paper maturities												
Issue #	\$000	BKBM	Interest rate	Bid cover (x)	Term (days)	Maturity date	CP maturities					
311	50,000	1.885%	1.895%	2.58	91	12-Mar-18						
312	50,000	1.880%	1.865%	2.61	90	30-Apr-18						
313	50,000	1.920%	1.910%	2.24	88	18-May-18						
	150,000		1.890%									
<i>Note: BKBM is the banks' mid-rate for bank bills of a similar term on the CP issue date.</i>												
					Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Beyond Aug-18	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				150,000	150,000	150,000	150,000	150,000	150,000	150,000		
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				✓								

Management Report
Monthly Statistics Update

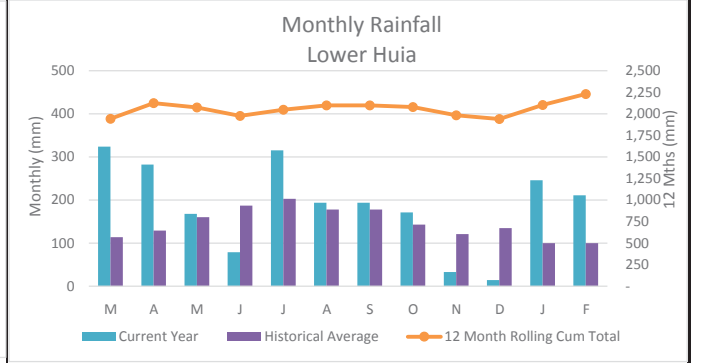
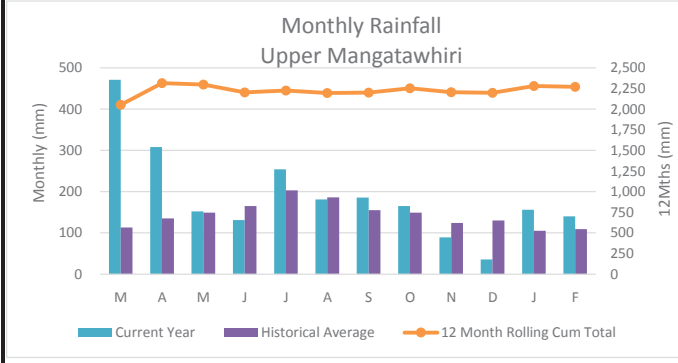
WATERCARE SERVICES LIMITED

Feb-18

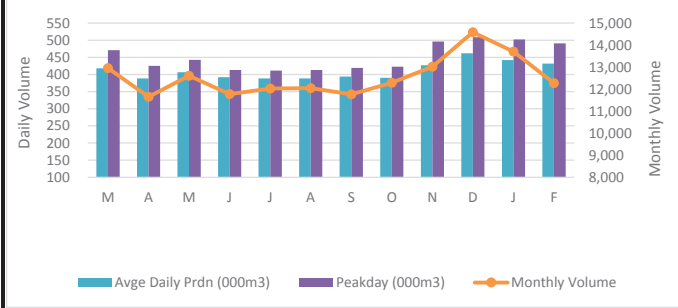
4.3

Rainfall

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
Actual - Upper Mangatawhiri	140 mm	2269 mm	Actual - Lower Huia	211 mm	2230 mm



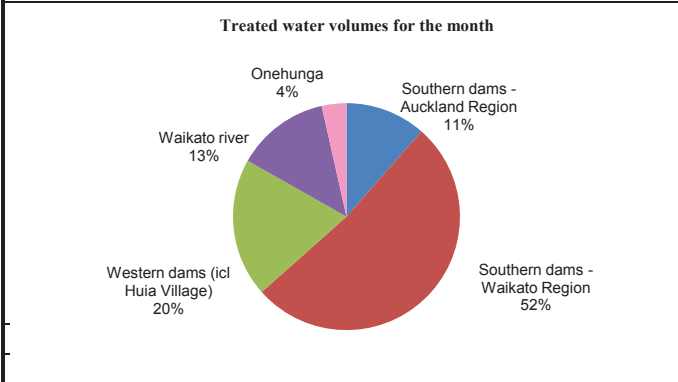
Water Production - Total Supply



Treated water volumes (000m ³)	Current Month	12 Month Rolling Ave
Monthly Volume	12,272	12,559
- Metro	12,087	12,368
- Non-metro	185 ¹	201
Average Daily Production	432	412
Peak Day	491	509 ²

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

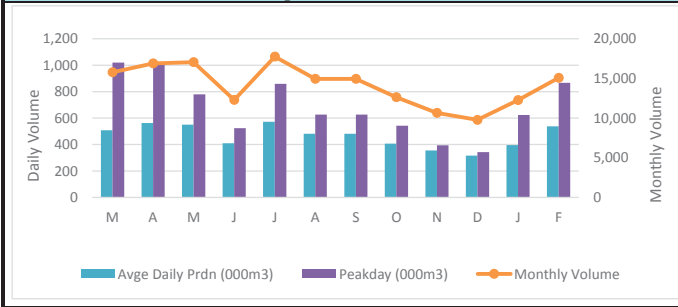
2. Max peak day in past 12 months



Treated water volumes (000m ³)	Current Month		Year to Date			
	Actual	%	Budget	Actual	%	Budget
Southern dams - Auckland Region	1,389	11%	2,086	15,394	15%	17,154
Southern dams - Waikato Region	6,277	51%	4,655	49,763	49%	42,494
Western dams	2,389	19%	2,558	18,062	18%	21,813
Waikato river	1,607	13%	3,090	14,118	14%	15,983
Onehunga aquifer	425	3%	428	2,664	3%	3,058
Rodney	113	0.9%	135	978	1.0%	1,006
Franklin	71	0.6%	76	616	0.6%	574
Total	12,272	100%	13,027	101,595	100%	102,081

Lake levels at month end was 91.4%

Wastewater Treatment - Metropolitan Treatment



	Current Month	12 Month Rolling Ave
Monthly Volume (000m³)	15,060	14,163
Average Daily Production	538	465
Peak Day	867	1,025 ²

2. Max peak day in past 12 months



Appendix B

Watercare Services Limited
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 Auckland 1050, New Zealand
 Private Bag 92521 Wellesley Street,
 Auckland 1141, New Zealand

Telephone +64 9 539 7300
 Facsimile +64 9 539 7334
www.watercare.co.nz

4.3

15 March 2018

Mayor Phil Goff
 Mayor of Auckland
 Auckland Council
 Private Bag 92300
 Victoria Street West
AUCKLAND 1142

Dear Mayor Goff

CLIMATE CHANGE

Thank you for your letter of 16 February 2018.

Watercare has been considering climate change in its planning and operational processes for some time now. Indeed, the projected impacts of climate change is captured in Watercare's Enterprise Risks, and therefore reflected in our current and future planning and operational requirements.

Climate Change Mitigation actions already underway

In December 2017, the Government announced that a Zero Carbon Bill will be introduced by October 2018 and an independent Climate Change Commission will be established to drive change, similar to European models. This Bill will include targets to reduce New Zealand's greenhouse gas emissions to net-zero by 2050 and to limit global warming to no more than 2 degrees.

In late 2016, Watercare adopted an Energy Policy that commits the company to being net-zero carbon by 2050; meaning the company's 2050 target mirrors that proposed by the Bill.

Watercare initiatives already underway are energy efficiency, energy neutrality, and transition from commercial to native forestry in the Hunua ranges (in the order of 5 million native plants). These will contribute to reducing or capturing carbon emissions. A list of the initiatives already underway at Watercare is **attached**.

The Three Waters s17A Value for Money review, and more broadly, Auckland Waters, both of which Watercare is closely involved with, will also address the effects of climate change on a variety of areas, including stormwater discharges.

Climate Change Mitigation and Adaptation actions planned for the future

Late last year, NIWA released its report – "Climate Variability and Change – Auckland Region". This report was jointly commissioned by Watercare, Auckland Council, Auckland Transport, and Auckland's three District Health Boards. The report provides all parties with a series of climate change projections to the year 2120 specific to the Auckland Region.

The initial review of this information, consisting of a series of workshops held in November 2017 with Watercare staff and our Environmental Advisory Group (EAG), focused on the potential consequences, and any opportunities, that may result from the impacts of climate change on Watercare's existing assets and processes.

Later this year, Watercare will finalise a Climate Change Mitigation and Adaptation Strategy, which will update the climate change related vulnerabilities, and associated actions to reduce emissions and address the implications of climate change on Watercare's existing and future assets and operations.

Watercare's methodology will be consistent with the Water Services Association of Australia's 2016 publication "Climate Change Adaptation Guidelines" which provides a methodology for anticipating and assessing the climate change implications for new and upgraded infrastructure.

The Strategy will be cognisant of:

- The rapidly evolving legislative and policy environment in relation to climate change mitigation and adaptation requires Watercare to stay abreast of the associated risks and opportunities from any resultant policy changes.
- The continuing refinement of the various global greenhouse gas emission pathways, and as a result, the need to update assessments on any future vulnerabilities of Watercare's infrastructure and operations.
- Auckland Council's policy work in this area. In this respect, we will participate in Council's upcoming review and update of the "Low Carbon Auckland" plan and any other climate change initiatives and projects where Watercare can add value and achieve efficiencies for the council family. Watercare also relies on a planning policy framework to be established by Auckland Council in relation to climate change. An example would be the way to adapt to sea level rise for communities in low lying areas, which is a planning decision going beyond Watercare's remit

Through the strategy, Watercare will be making climate change "business as usual". This is likely to include climate change impacts being reflected in business cases assessments, future asset management plans, and future facility plans. Design approaches and assumptions will need to be reviewed in order to "future-proof" new assets. In fact, this has already been considered. For example, the design for the Snells Wastewater Treatment Plan allows for a 1-metre rise in sea level, with associated coastal inundation

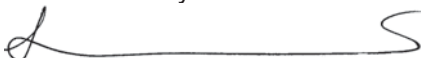
Integrated Reporting <IR>

Last year, we started on a journey a more holistic approach of our performance through Integrated Reporting (<IR>) and the Sustainable Development Goals. Watercare will be delivering its first <IR> Annual Report for the financial year ended 30 June 2018. Adoption of <IR> will result in the company being more conscious of how value is created and how the company's activities interact with natural capitals and natural outputs.

Next steps

We will include progress on our climate change in our quarterly, six monthly and annual reports to the Council.

Yours sincerely



Margaret Devlin
Chair of Watercare Services Limited

Watercare's energy efficiency and climate change mitigation initiatives

Company Wide initiatives and targets

- 8GWh of energy efficiency gains by December 2018
- Energy neutrality at the Rosedale and Mangere wastewater treatment plants by 2025.
- Company-wide cultural change towards energy efficiency. This has involved including energy efficiency into some KPIs and long term processes, such as including energy efficiency in Procurement and Design.

Below are examples of recent and current projects implemented as part of the Strategic initiative – Energy.

Theme 1 - Electrical efficiency

- Site lighting upgrade to LED made standard
- Company-wide sub-metering, starting with ten largest users
 - o Implement sub-metering for process or physical areas at high usage sites to allow for better analysis of power usage
- Monitoring and control in networks - improve instrumentation
 - o Improve instrumentation and metering for electricity and flows
 - o Introduce alarms and triggers for performance out of parameters

Theme 2 - Power supply

- Energy accounting - Energy intensity per facility
 - o Monthly reporting to include actual vs budget kWh & \$'s, 8GWh savings tracker report,
 - o Individual facility reports for top 10 sites, identifying optimal efficiency bands of operation
- Energy audits
 - o Energy audit of Waikato water treatment plant, Onehunga treatment plant, the Laboratory.
 - o Energy audit planned for pump station 64
- Demand response programme and battery storage
 - o Helps reduce New Zealand electricity demand at peak times
 - o Demand response investigated for water treatment plants, reservoirs and pump stations.
 - o Battery storage at Kawakawa bay pump station -agreement with Vector exchanging security of supply during outages against real estate to install network scale battery

Theme 3 – Pumps

- Mangere Interstage Pump Station optimisation
 - o 3.5% energy gains achieved through control system optimisation of pump controls for the Interstage Pump Station at Mangere WWTP (pilot site for the pump optimisation programme)
- Mangere blowers optimisation
- Waikato WTP - Pump Optimisation

Theme 4 - Energy generation

- Request for Proposal for four pilot sites for solar panels to be released in March 2018
- Opportunities for hydro generation currently investigated following ideas suggested by staff members at the Watercare Energy Week in December 2018.

Theme 5 - Fleet management and electrification

- Five fully electric vehicles replaced six petrol and hybrids pool cars in the Newmarket fleet
- Five electric vehicle charging stations were installed at Watercare House Newmarket
- The remaining eight pool cars will be replaced with fully electric vehicles by the end of 2018, making the Newmarket pool fleet of 12 cars 100% electric
- Further opportunities for vehicle electrification and charging stations locations are currently being investigated
- A group of staff are currently investigating opportunities for an electric bike fleet

Theme 6 - Process heat

- Feasibility study with Auckland Council and Panuku to capture heat from the wastewater network to heat apartments and a swimming pool

Climate change mitigation activities

- Energy efficiency programme
- Energy neutrality
- Re-vegetation of the Hunua forest
- Further actions to be determined through the Climate Change Mitigation strategy

Appendix C - Local Board Interaction (As at 14 March 2018)

Local Board	Chair	Deputy Chair	Jan 17	Feb 2018	Mar 2018
Albert - Eden	Peter Haynes	Glenda Fryer			
Devonport - Takapuna	Grant Gillon (26 October 2016 to 22 April 2018) George Wood (23 April 2018 to the end of the 2016-2019 political term)	George Wood (26 October 2016 to 22 April 2018) Grant Gillon (23 April 2018 to the end of the 2016-2019 political term)	Incident response updates following wastewater overflow event into Wairau Creek and Milford Beach (29 , 30 Jan)	On-going feedback and updates on the Milford wastewater break in January (1 Feb). Update on response to overflow in Alma Rd (13 Feb). Attendance at Milford Residents meeting with George Wood (27 Feb).	Information provided on the regional network discharge consent in response to a local board meeting resolution DT/2018/17 (1 March). Response to Milford Residents and Ratepayers over water leak – copied to Local Board (7 March). Notification of CI Contractor Short List (8 March)
Franklin	Angela Fulljames	Andy Baker	Watercare responded to request for temporary water supply in Beachlands following the storm event in early January (8 Jan). Response to wastewater overflows at Clarks beach following storm event (16 Jan).	Invitation to Treatment plant site blessing (7 Feb). Residents meeting in Clarks Beach with Local Board (7 Feb). Response to enquiry on works in Cape Hill Rd (7 May). Pukekohe Treatment Plant Site Blessing (9 Feb). Information on Cape Hill Booster Pump Station construction (27 Feb). Information on Waituku Water Supply including YouTube video (27 Feb)	Notification of CI Contractor Short List (8 March). Responded to escalated question regarding Clevedon servicing agreements (12 March). Follow up enquiry regarding wastewater works for red hill school (14 March).
Great Barrier	Izzy Fordham	Luke Coles			
Henderson - Massey	Shane Henderson	Peter Chan	Escalation regarding poor reinstatement of footpath repairs in Blockhouse Bay Plunket Rooms (22 Jan).		Notification of CI Contractor Short List (8 March)
Hibiscus and Bays	Julia Parfitt	Janet Fitzgerald	Response to enquiry regarding east coast bathing beach monitoring and media reports of beach closure at Takapuna (3 Jan). Reply for chair in response to constituent question on community garden at Kowhai Reservoir site (25 Jan).	Invitation for information evenings re Whangaparaoa and Surrounding Growth Areas – Wastewater Servicing Project (7 Feb). Update on wet weather overflows and Safeswim as well as media response (13 Feb). Local Board visit to Army Bay and boat trip to Tiri Channel to see location of outfall (19 Feb).	Middle Wastewater Pipe Tunnel presentation of the project by Fulton Hogan including an explanation of the construction process and timeline (1 March). Notification of CI Contractor Short List (8 March). Received information on seawall erosion at Campbell's Bay beach and risk to infrastructure (12 March).
Howick	David Collings	Kairina Bungard			Notification of CI Contractor Short List (8 March)
Kaipatiki	Danielle Grant (2 Nov 2016 to 28 Feb 2018) John Gillon (1 March 2018 to the end of the 2016-2019 political term)	John Gillon (2 Nov 2016 to 28 Feb 2018) Danielle Grant (1 March 2018 to the end of the 2016-2019 political term)		Follow up enquiry on drinking fountains (7 Feb). Discussion with Local Board chair regarding pollution incident at Hobsonville Point.	Notification of CI Contractor Short List (8 March)
Mangere - Otahuhu	Lydia Sosene	Walter Togiama			Notice to Local Board and Councillors regarding water supply for fire fighting the blaze at Simms Pacific Metals in Otahuhu (7

Local Board	Chair	Deputy Chair	Jan 17	Feb 2018	Mar 2018
Manurewa	Angela Dalton	Rangi McLean		Update on wastewater overflow in Waitle Downs (13 Feb)	Notification of CI Contractor Short List (8 March)
Maungakiekie - Tamaki	Josephine Bartley - until 22 April 2018, to be replaced by Chris Makoare on 23 April 2018.	Don Allan - until 29 October 2017, Debbie Burrows - 30 October 2017 to 28 October 2018. Bernie Driver - 29 October 2018 until end of the term.		Response to escalation regarding water quality issues in Onehunga Lagoon (27,28 Feb).	Notification of CI Contractor Short List (8 March)
Orakei	Colin Davis - After 18 months Kit Parkinson will Chair.	Kit Parkinson - After 18 months Carmel Claridge will be Deputy Chair			Notification of CI Contractor Short List (8 March)
Otara - Papatoetoe	Lotu Fuli	Ross Robertson		Local Board workshop on Otara catchment wastewater project (13 Feb).	Notification of CI Contractor Short List (8 March)
Papakura	Brent Catchpole	Felicity Auva'a		Local Board workshop - also attended by Veolia (7 Feb). Follow up information from workshop with links to further information on the BNR project at Mangere (14 Feb).	Notification of CI Contractor Short List (8 March)
Puketapapa	Harry Doig	Julie Fairley		Response to overflow escalations at Keith Hay Park (13 Feb).	Notification of CI Contractor Short List (8 March)
Rodney	Beth Houlbrooke	Phelan Pirrie	Update on escalated complaint regarding driveway dust at Warkworth Wastewater Treatment Plant and update on Watercare plant land holdings (24 Jan).	Invitation for information evenings re Whangaparua and Surrounding Growth Areas - Wastewater Servicing Project (7 Feb)	Middle Wastewater Pipe Tunnel presentation of the project by Fulton Hogan including an explanation of the construction process and timeline (1 March). Notification of CI Contractor Short List (8 March). Response to Local Board question on Warkworth Snells Wastewater Pipeline Pump Stations (8 March).
Upper Harbour	Lisa Whyte (31 October 2016 to 1 June 2018) Margaret Miles (2 June 2018 to the end of the 2016-2019 political term)	Margaret Miles 31 October 2016 to 1 June 2018) Lisa Whyte (2 June to the end of the 2016-2019 political term)			Notification of CI Contractor Short List (8 March). Meeting with the chair and deputy chair and parks regarding the walkway in Centorian Reserve (9 March)
Waiheke	Paul Walden (26 October 2016 to Sunday, 22 April 2018) Cath Handley (23 April 2018 to the end of the 2016-2019 political term)	Cath Handley (26 October 2016 to Sunday, 22 April 2018) Paul Walden (23 April 2018 to the end of the 2016-2019 political term)	Update on land transfer process at Matiatia between Watercare and AT (22 Jan).		Notification of CI Contractor Short List (8 March)

Local Board	Chair	Deputy Chair end of the 2016-2019 political term)	Jan 17	Feb 2018	Mar 2018
Waitakere Ranges	Greg Prestland	Saffron Toms	Follow up complaint of stream dumping in Glen Eden (22 Jan. Condolences to the local board regarding Denise Yates passing (23 Jan)	Feedback on Matiatia Strategic Plan and property issues for local board report (7 Feb)	Updates on Huia Water Treatment Plant Replacement drop in sessions at Loppell House Titirangi (2-7 March). Notification of CI Contractor Short List (8 March). Invitation to Lower Huia Dam visit as part of World Water Day (12 May).
Waitemata	Pippa Coom	Shale Chambers	Information provided on the Wynyard Quarter wastewater pump station project for the Local Board which can be included on their Facebook page (17 Jan).		Notification of geotechnical works in Grey Lynn (2 March). Notification of CI Contractor Short List (8 March)
Whau	Tracey Mulholland	Susan Zhu			Notification of CI Contractor Short List (8 March)
Manukau Harbour Forum					

Monthly snapshot of communications

Delivered

February media highlights include positive coverage in the Post about the quality of Waiuku's water supply and the coverage on BNR upgrades completion in Manukau Courier and SkyKiwi, which had 5000 hits.

Media

Internally, we promoted Team Watercare's participation in the Auckland Pride Parade, Strategic transformation programme updates and published the Yoursource newsletter across our sites.

Staff

Sponsorship

We provided water to more than 20,000 runners at Round the Bays, more than 400 Watercare staff and family members participated or volunteered.



Appendix D

Customers

Tapped In – autumn is going out to our customers. This month we give Aucklanders an update on our major projects and how we are supporting the city's growth.

In progress

In celebration of World Water Day on March 22, we are hosting a public open day and offering guided tours at the Lower Huia Dam, to show where Aucklanders' water comes from.

Promotion

Monthly snapshot of stakeholder engagement

4.3

Huia Water Treatment Plant open days

In early March Watercare held drop-in sessions at Lopdell house Titrangi where members of the public were able to come and talk with staff and subject matter experts about plans to replace the aging Huia Water Treatment Plant.

Watercare staff from operations, planning and stakeholder liaison teams along with experts on ecology, plant design, heritage, landscape and traffic were on-hand to answer questions on all aspects of the proposed plant and how it might impact on local residents, as well as vegetation.

Around 45 residents attended the first session on 1 March with about 90 attending the second night on 5 March.



Whangaparoa and surrounding growth areas wastewater servicing project

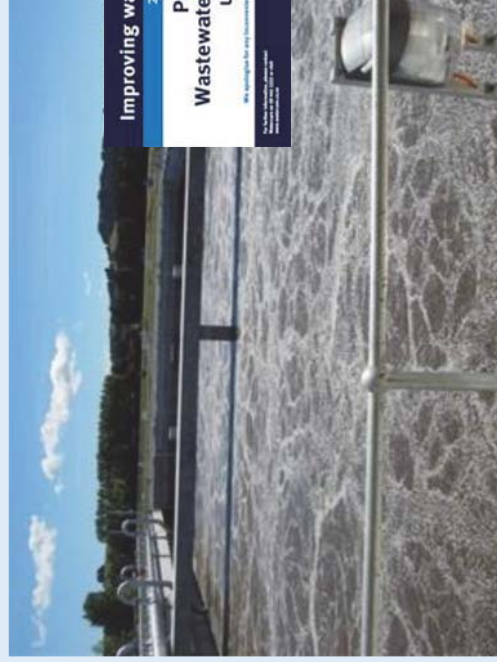
We continue to look at future wastewater servicing options for the Whangaparoa and surrounding areas. Engagement on the long list of options has taken place with the Hibiscus and Bays Local Board members as well as public open days. Work is now underway to take the long list and develop the best practicable option.



Watercare staff discuss Whangaparoa and surrounding area servicing options with Local Board members and Ward Councillors from the Hibiscus and Bays area at the Army Bay Wastewater Treatment Plant.

Pukekohe Wastewater Treatment Plant Upgrades

A site blessing was held in February to herald the start of the upgrade works. Project signs are being installed and a community liaison group is currently being formed.



February 2018 – Update on Significant infrastructure projects.

Project	Update
Fred Thomas Drive	Construction of the storage tank, pump station and the associated gravity and rising mains are complete. They have been commissioned and were put into service in January 2018.
Central Interceptor	The Request for Expressions of Interest (REOI) stage has been completed and four parties have been invited to submit Request for Proposals (RFP) to deliver the works. The project is now focussed on completing the RFP document, for issuing in May 2018.
Wairau Wastewater Rising Main	The micro tunnelling machine is progressing well, with three of the four tunnelling sections complete and the final section about to commence.
Mangere BNR Upgrade	Commissioning of all systems is complete and the new plant is getting set up for takeover in April 2018.
Rosedale Expansion Project	Tenders for construction work of PST 7 (Primary Sedimentation Tank) and MLE 4 (Modified Ludzack-Ettinger) have been received and are currently being evaluated with award expected imminently.
Pukekohe WWTP Upgrade	A site blessing ceremony was held in February 2018. Enabling works for the main plant upgrade have commenced.
Northern Interceptor Phase 1 and North Harbour No. 2 Watermain Greenhithe Bridge duplication	The design build tenders for these works have been issued and close in May 2018.

Execution of Documents in February 2018

Watercare processed the following 12 documents, executed with the delegated authority provided to the Chief Executive by the Board in relation to deeds, instruments and other documents:

- Seven Agreements to create Easements in favour of Watercare
- Two Licence to Occupy in favour of Watercare
- Two IGC agreements with a land developers
- One Compensation Certificate in favour of Watercare.
-

Capex approvals below \$15m, approved by the CE in accordance with his delegated authority

Summary of Capital Projects approved by Chief Executive – February 2018	
Acquisition of a eucalypt woodlot plantation situated on and forming part of the Omaha wastewater treatment plant	\$10,000

Opex/Capex over \$100,000

There was a number of contracts over \$100,000 approved during February 2018, in accordance with the delegated authority provided to the Chief Executive by the Board in relation to Capex and Opex contract approvals, namely:

Contract	Contractor
Greenhithe Bridge Watermain Duplication Advanced Works: Sinton Road East and Ockleston Landing NH2 Watermain	Brian Perry Civil Limited
Northcote WPS Switch Room Upgrade	Stantec New Zealand Limited
NE WWTP Servicing Strategy - Snells Beach WWTP Specimen Design	Jacobs New Zealand Limited
NE WWTP Servicing Strategy - Warkworth WWTP Interim Upgrade (MBR Package Plants)	Apex Environmental Limited
Southwest Subregional WW Scheme - Clarks Beach WWTP Interim Upgrade (MBR Package Plants)	Apex Environmental Limited
Owhanake WWTP Stage 1 Upgrade (MBR Package Plants)	Apex Environmental Limited
Cape Hill Booster Pump Station and Water Mains Upgrade	Cassidy Construction Limited
Pukekohe WWTP upgrade - Enabling works	Fulton Hogan Auckland
Infor STP Master Service Agreement	Infor New Zealand Limited
Labware Annual Maintenance support	Labware Australia Pty Limited
Scrum Master for STP	Davanti Consulting Limited

Report to the Board of Watercare Services Limited

Subject: AMP and Major Capex Committee Terms of Reference

Date: 20 March 2018

1. INTRODUCTION

From 1 March 2018, a new Committee was formed to oversee major capital projects, including the Central Interceptor. The original proposed name of the Committee was "CI/Major Capex Committee".

Whilst working on the Terms of Reference, it has been suggested that the Committee now also oversee the Asset Management Plan.

Accordingly, it is proposed that the Committee now be called the "AMP and Major Capex Committee" ("AMCC").

Proposed Terms of Reference for this new Committee are attached as **Appendix A** for the Board's review.

2. RECOMMENDATION

That the Board approve:

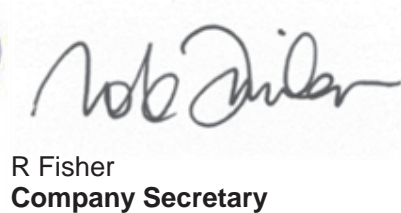
- The change of name to "AMP and Major Capex Committee"; and
- The proposed Terms of Reference attached as Appendix A.

Report prepared by:



E McBride
Governance Manger

Report prepared by:



R Fisher
Company Secretary

Approved for submission by:



R Jaduram
Chief Executive

AMP and Major Capex Committee (AMCC) Terms of Reference

1. Purpose and Composition

The AMP and Major Capex Committee (AMCC) is a committee established by the Board of Directors of Watercare Services Limited ('Watercare').

The primary purpose of the AMCC is to assist the Board of Directors of Watercare ('Board') to exercise due care, diligence and effective oversight of all matters relating to the Asset Management Plan (AMP) and Major Capital Projects (MCP).

AMCC means any capital projects involving capital expenditure above \$100M, including the Central Interceptor.

The AMCC will, in relation to the AMP:

- Serve as an independent, objective party to review information presented by senior management relating to the AMP;
- Review the AMP prior to the presentation to the Board; and
- Act as a forum for the free and open exchange of views and information between the Board and internal Managers developing the AMP.

The AMCC will, in relation to MCPs:

- Serve as an independent, objective party to review information presented by senior management relating to MCPs;
- Review the capital planning;
- Review post completion audits of MCPs; and
- Act as a forum for the free and open exchange of views and information between the Board and internal Managers of MCPs.

The AMCC shall be independent of management and comprise:

- at least three Directors; and
- a non-Board External Expert Advisor.

The Board will appoint, remove or replace the AMCC Director members and Chair of the AMCC ('AMCC Chair'). The Chair of the Board of Directors may be a member of the AMCC, but not the Committee Chair of the AMCC.

The AMCC will appoint, remove or replace the non-Board External Expert Advisor.

The AMCC will be structured to ensure that, as a collective group, it has the qualifications, skills, experience and knowledge to fulfil its purpose and responsibilities.

At least one member of the AMCC will have experience overseeing a major capital infrastructure projects.

The AMCC is effective from 1 March 2018. It will be dissolved if agreed by Watercare's Board of Directors.

2. Meetings

Meetings of the AMCC are held not less than four times a year.

Meetings of the AMCC shall be held at the discretion of the AMCC Chair at any time or if requested by any AMCC member, the Board or the Chief Executive.

A quorum shall be a majority of members.

Members may participate in, or conduct a meeting of the AMCC through the use of any means of communication by which all members participating can hear each other during the meeting and participation by such means shall constitute presence in person at the meeting.

A resolution in writing, signed or assented to by more than half of the members of the AMCC, is as valid and effective as if it had been passed at a meeting of the AMCC duly convened and held. Any such resolution may consist of several documents (including transmissions by facsimile or email or other similar means of written communication) in like form, each signed or assented to by one or more members of the AMCC.

The AMCC will appoint an appropriate person to act as Committee Secretary ('Secretary') who will be a company employee or advisor as nominated by the AMCC from time to time. The Secretary, in conjunction with the AMCC Chair shall be responsible for coordination of all AMCC business including meeting scheduling, agendas, policy reviews, distribution of papers, minutes, and communication with the Board and management.

Minutes of each meeting shall be taken, circulated promptly in draft form to the AMCC Chair, confirmed at the following meeting and signed thereafter by the AMCC Chair as a correct record of proceedings of the meeting.

The AMCC may have in attendance Management (including the Chief Executive and the Chief Infrastructure Officer) and such other persons including external experts and others it deems necessary to provide appropriate information, explanation or assistance.

From time to time the AMCC Chair may request that the AMCC meet without these persons present.

Directors who are not members of the AMCC may attend meetings but may not vote.

3. Authority

The AMCC is authorised by the Board to deal with matters relating to Watercare's AMP and MCPs.

The AMCC may:

- Make decisions (or submit recommendations for consideration by the Board) on matters where decision-making authority has been delegated to the AMCC by the Board [see responsibilities in section 5]; and
- Submit recommendations to the Board on matters for which decision-making authority has not been delegated by the Board.

The AMCC will not become involved in day-to-day operations, functions or decision-making by management or employees.

It is the responsibility of Senior Executives¹ to draw the AMCC Chair and AMCC's immediate attention to any material matter that relates to the AMP and any MCP, including any material breakdown in internal controls.

4. Access and Independent Advice

To fulfil its functions, duties and responsibilities the AMCC is authorised by the Board to have all necessary access to, and seek any information it requires from, any employee, consultant or advisor to Watercare. All employees are directed by the Board to cooperate with any request made by the AMCC.

The AMCC is authorised by the Board to have access to external experts without management present, to request additional information or explanations.

Individual members of the AMCC are entitled at any time to access Watercare's Senior Executive to request additional information or explanations.

Members of Watercare's Senior Executive have an express right of direct access to the AMCC Chair in relation to any matters of material concern that have been raised through normal management processes but have not been advised to the ARC.

The AMCC is authorised by the Board to obtain, at the expense of Watercare, independent legal or professional advice it considers necessary to discharge its responsibilities.

5. Responsibilities

The AMCC shall provide assistance to the Board in fulfilling its responsibility to the shareholder, and other stakeholders, relating to the provision of Watercare's AMP and MCPs. In

carrying out these responsibilities, the AMCC does not relieve the Board of its responsibilities and legal obligations.

It is the responsibility of the AMCC to maintain communication with the Board and Watercare's Senior Executive.

In carrying out its responsibilities, the AMCC's policies and procedures should remain flexible, in order to best react to changing conditions.

The duties and responsibilities of AMCC members are additional to those they have as a member of Watercare's Board.

In carrying out its responsibilities, the AMCC will:

5.1 Committee Governance

- Establish and review the work plan of the AMCC.
- Ensure minutes and papers (including documents tabled at meetings) for all AMCC meetings are provided to the Board. The AMCC Chair will report to the next Board meeting on the outcomes, findings and recommendations of the AMCC meeting.
- Investigate any matter brought to its attention within the scope of its responsibilities, retaining independent legal or professional advice for this purpose if, in its judgment, that is appropriate.
- Unless identified in these terms of reference, or otherwise directed by the Board, the AMCC will have no delegated authority in regard to its findings and recommendations.

5.2 Other Responsibilities

- Examine and report to the Board on any matters referred to the AMCC by the Board.

6. Review of the Terms of Reference

The AMCC will undertake, with management assistance, an annual review (or more often as conditions dictate) of its performance, purpose, responsibilities and Terms of Reference. It will advise the Board of the outcome of that review along with any recommended changes.

Any changes to the AMCC Terms of Reference must be approved by the Board.

These Terms of Reference were reviewed by the Board in March 2018.

¹ Executive Team and Senior Management Team

Watercare Services Limited

Subject: Resource Management Act (RMA) Compliance for February 2018

Date: 20 March 2018

1. COMPLIANCE PROCEEDINGS

There have been no compliance proceedings during the period.

2. MAJOR ENVIRONMENTAL INCIDENTS OR OTHER NON-COMPLIANCE MATTERS

There are no environmental incidents of any significance to report.

There has been considerable media and public comment on wastewater overflows during and following significant rain events. These overflows are designed to occur and are authorised by the Network Discharge Consent, which requires a programme of upgrading of the network to ensure over time that overflows occur no more frequently than twice per year per location or Best Practicable Option (BPO) is applied.

Watercare has many projects underway and planned to meet this performance level. Examples of work completed are the Kohimarama and Glen Eden Storage Tanks; the separation of stormwater and wastewater systems at Franklin Road. Examples of work planned are the Western Isthmus Strategy and the Central Interceptor.

3. RESOURCE CONSENT COMPLIANCE SUMMARY

Table 1 shows the number of active consents, number of non-compliant consents and the number of non-compliant conditions by Auckland Council compliance rating (1 - 4), compared to the previous months.

Category 1 and 2 relates to a technical non-compliance with a no more than minor potential or actual adverse effect to the environment and are reported only to management to action.

Category 3 and 4 relates to a non-compliance where the result will have or has the potential to have an adverse or significant adverse effect on the environment, or where there has been a repeat of a lower score non-compliance.

Table 1: Compliance Status of Active Consents*

	Sep	Oct	Nov	Dec	Jan	Feb
Number of total active consents	597	496	505	503	503	499
Number of non-compliant consents	23	18	16	21	22	8
Number of non-compliant category 3 or 4 conditions	4	4	4	5	4	3
Number of non-compliant category 1 or 2 conditions	15	14	12	8	8	8

* Note: Excludes unimplemented consents.

Table 2 presents the consents that have conditions that are non-compliant with a self-assessed Council compliance rating of 3 or 4.

Table 2: Consents with self-assessed Category 3 and 4 Non-Compliant Conditions in Month

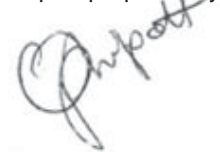
Facility or Project	Background & Reason for Non-Compliance	Explanation	Action & Target	Current Self-Assessed Council Compliance Rating
Water Treatment				
Huia WTP (Waitakere)	Exceeded aluminium and suspended solids	Due to excessive heavy rain during the month	To be addressed by sludge handling upgrade	3
Wastewater Treatment				
Helensville WWTP (Rodney)	Exceeded the annual 92 nd percentile for suspended solids and E.coli	Algae grows within the discharge pond and clay particles from unlined pond effect solids; bacteria from bird droppings effect the quality of the final effluent	Application to be made to shift the resource compliance point to upstream of the final pond and wetland; review underway	3
Owhanake WWTP (Waiheke)	Exceeded Phosphorus	Due to exhausted slag beds	Plant to be upgraded	3

Each of the four consents above are category 3 because of a repeat of lower score non-compliance. There have been no adverse effects on the environment.

4. RECOMMENDATION

That this report be received.

Report prepared by:



.....
O Philpott
Resource Consents Planner

Recommended by:



.....
M Bourne
Chief Operations Officer (Acting)

Approved for submission by:

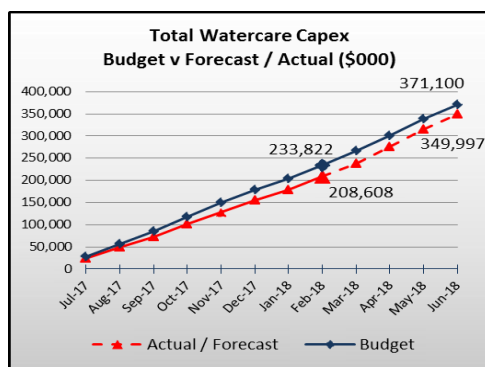


.....
R Jaduram
Chief Executive

WATERCARE PUBLIC REPORT CAPITAL EXPENDITURE



TOTAL WATERCARE EXPENDITURE	Year to Date		Annual Performance	
	Actual	Budget	Actual + Forecast	Budget
Strategy & Planning	4,274	16,309	9,804	36,606
Infrastructure Delivery	121,665	131,561	201,699	203,673
Service Delivery	54,726	54,047	87,657	83,514
Retail	7,906	8,153	13,220	12,322
Information Services	1,898	5,675	5,394	7,575
Other	9,687	8,611	20,649	14,838
Capitalised Interest	8,453	9,466	11,573	12,572
Watercare Total	208,608	233,822	349,997	371,100



Project / Programme Infrastructure Related Projects (Phase: Design / Execution)	Project	Annual Performance		Status	
	Current Forecast	Forecast	Budget	Time	Cost
Water Projects >\$15 Million					
Albany Pinehill WM & PS	16,914	9,798	11,976		
North Harbour WM Duplication - GBWD	53,361	3,162	5,544		
Hunua 4 Section 11	66,410	7,047	3,110		
Huia 1 and Nihotupu 1 Replacement	139,100	891	1,840		
Ardmore WTP Treated Water Resilience	27,600	2,979	5,640		
Pukekohe East Reservoir	55,300	3,303	6,091		
Waikato 175MLD Expansion Stage Ultimate	31,505	6,897	13,050		
Wastewater Projects >\$15 Million					
Mangere WWTP BNR Capacity	143,222	7,717	7,357		
Mangere WWTP Solids Stream Upgrade	53,399	13,054	13,950		
Snells Algies WWTP Ocean Outfall	34,000	400	11,180		
Snells WWTP Upgrade	63,939	1,195	4,050		
Warkworth to Snells Transfer Pipeline	69,613	882	1,117		
Army Bay WWTP Outfall Upgrade	37,050	26,898	10,518		
Rosedale WWTP Expansion Project	62,300	5,933	11,400		
East Coast Bays Link Sewer Upgrade	29,200	383	600		
Fred Thomas Drive WW PS & Storage Tank	28,726	6,698	6,858		
Wairau Wastewater Pump Station	21,400	840	1,910		
Northern Interceptor - Stage 1	107,145	4,395	4,626		
Central Interceptor	1,180,900	6,630	2,017		
Glendowie Branch Sewer Upgrade	28,774	2,408	6,650		
Glen Eden Storage & Pipe Upgrade	16,641	4,504	4,500		
Clevedon Wastewater Servicing	18,692	230	1,400		
Pukekohe WWTP Upgrade	66,000	5,035	2,507		
Pukekohe Trunk Sewer Upgrade	44,663	6,684	8,328		
Shared Services >\$15 Million					
Networks Controls Upgrade	18,625	1,436	220		
Capex Programme (Design / Execution)					
>\$15 Million	2,414,479	129,402	146,438		
>\$2 Million <\$15 Million	204,387	87,716	75,429		
<\$2 Million	25,840	12,295	8,972		
TOTAL	2,644,705	229,413	230,840		

Watercare Services Ltd
Financial Summary 2017-18
Report Period February 2018
Infrastructure Related Projects: Strategy & Planning / Infrastructure Delivery / Service Delivery

Traffic light Key:
On target / No adverse Service Delivery impact
Short to medium term issues that may impact on outcomes or targets / Minor Service Delivery Impacts
Medium to long term issues that are impacting on outcomes or targets / Risk of significant Service Delivery Impact
Underspend on the project approval (-10%)

Board - Public Session - Directors' Corporate Governance Items

Board Planner 2018

	February	March	April	May	June	July	August	September	October	November	December	
Meetings	Board	27-Feb	27-Mar	24-Apr	29-May Newmarket*	No Board Meeting (Strategy workshop instead on 19 Jun)	31-Jul	31-Aug	26-Sep	30-Oct Newmarket*	28-Nov	19 Dec (Teleconference)
	Audit and risk committee			18-Apr			31 Jul (before Board meeting)	17- Aug (10-12noon)			28-Nov (after Board meeting)	
	People Remuneration and appointments committee			24- Apr (after Board Meeting)	29-May (after Board Meeting)	19-June (before Strategy workshop)		17-Aug (8-10am)		30-Oct (after Board meeting)		
	STP Committee											
	CI/Major Capex Committee											
Governance	Charter reviews			A&R Charter		Corporate Governance Charter			PRAC charter			
	Policy reviews				Infrastructure Growth Charges Policy				Treasury policy review (via A&R)	Our commitment to H&S Policy		
	Delegations				Annual review of board delegations to CE							
	Quarterly risk reviews			Risk report		Risk report			Risk report			
	Compliance			Statutory compliance		Statutory compliance			Statutory compliance			
	Shareholder interaction	Q2 quarterly report due 21 Feb	Q2 briefing to F&P Committee 12 March (J Hoare)		Q3 quarterly report due 18 May	Q3 briefing to F&P Committee 6 June (M Devlin) Governing Body/Board workshop 21 June		Q4 quarterly report due 31 August	Q4 briefing to F&P Committee 19 Sept (M Devlin) Auckland Council's A&R Committee Date TBC Governing Body/Board workshop 25 September	Q1 quarterly report due 26 Oct	Q1 briefing to F&P Committee 14 Nov (M Devlin)	
	Site Visits		Site Visit (after Board Meeting)		Site Visit (after Board Meeting)		Site Visit (after Board Meeting)		Site Visit (after Board Meeting)	Date TBC	Site Visit (after Board Meeting)	
	H&S Quarterly report			Jan-Mar 18 Report			Apr-Jun 18 Report			Jul-Sept 18 Report		
Board training & development			H&S Due diligence refresher. Date TBC.									
Business strategy	Strategic planning				Strategy Workshop 19 June							
	Strategy updates	Climate Change (Theme: Value of Water)	The Value of Water (Non-Revenue Water)	Organisation and Culture	Technology, Innovation and Digital transformation - Beneficial Reuse	New Ventures	Demand Management Plan update (Theme: Value of Water)	Voice of the Customer (Theme: Technology, Innovation and Digital Transformation)	Options for large capital projects (Theme: Financing and Funding)	Faults and New Connections (Theme: Technology, Innovation and Digital Transformation)	Smart Infrastructure (Theme: Technology, Innovation and Digital Transformation)	Organisation and Culture
Business planning	Key finance and business decisions	a) approve financials for Draft SOI including projected 18/19 price increases, b) approve long term financials for Auckland Council modelling				Approval of 2018/19 Budget		a) approve 2017/18 accounts, b) delegate final sign off of 2017/18 Annual Report	Update from WUCAT	AMP		Auckland Council LTP - approve Watercare input*
	Statement of intent	Approval of Draft 2018-2021 SOI			Present shareholder SOI feedback at public meeting. Public Deputations received.	Final 2018-2021 SOI issued to shareholder		Final 2018/2021 SOI adopted by Auckland Council		2017/2018 SOI Results to be presented to Board at Public Meeting. Public Deputations received.		2019/20 Letter of Expectation to be received

* Statutory public Board meeting - deputations invited

> Timetable/Plan not yet available

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

7.1

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests – Executive Management

Date: 20 March 2018

Executive	Interest
Raveen Jaduram	Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust Steering Committee Member – Business Leaders' Health and Safety Forum Chair – Centre for Infrastructure Research at University of Auckland Director – J N Jaduram Corporation Limited (Fiji)
Rob Fisher	Deputy Chairman – Middlemore Foundation President – Auckland University Rugby Football Club Trustee – Watercare Harbour Clean Up Trust Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust Director – Hunua Forests Ltd
Brian Monk	Deputy Chairman – MIT Chairman Audit and Compliance Committee – MIT Trustee – Watercare Harbour Clean Up Trust Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust Director – Hunua Forests Ltd
Steve Webster	Director – Howick Swimgym Limited
Marlon Bridge	Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust
Shayne Cunis	Director – The Water Research Foundation
Rebecca Chenery	Director – Chenery Consulting Services Limited
David Hawkins	Nil
David Sellars	Nil
Jason Glennon	Nil
Mark Bourne	Trustee – Watercare Harbour Clean Up Trust

RECOMMENDATION

That the report be received.

Approved by:



R Jaduram
Chief Executive

Report to the Board of Watercare Services Limited

Subject: Watercare Director Appointment Terms and Committee Memberships

Date: 20 March 2018

Below is the end date of the current appointment term for the Watercare Board of Directors. Dates are current as at the date of this report.

Director	Original Appointment Date	End of Term
Margaret Devlin (Chair)	01 November 2016	31 October 2019
Julia Hoare (Deputy Chair)	01 November 2013	31 October 2019
Catherine Harland	21 April 2011	31 October 2019
Nicola Crauford	01 April 2014	31 October 2019
David Thomas	01 November 2014	31 October 2020
Brendon Green	01 November 2016	31 October 2019
The Hon Dame Annette King	01 November 2017	31 October 2020

Below is a summary of the Membership of the four Board Sub-Committees.

Director	Audit and Risk	People, Remuneration and Appointments	Strategic Transformation Programme	Major Capex
M Devlin	*	*		✓
J Hoare	Committee Chair			✓
C Harland		Committee Chair		✓
A King		✓	Committee Chair	
N Crauford			✓	Committee Chair
B Green	✓		✓	
D Thomas	✓	✓		

**Board Chair attends in ex-officio capacity*

RECOMMENDATION

That the report be received.

Approved by:



R Jaduram
Chief Executive