

# WATERCARE SERVICES LIMITED

## AGENDA | Board meeting | 04/02/2015

Venue Watercare Boardroom, Level 2, 73 Remuera Road, Newmarket

Time 10:00am

### Open Public Meeting

Item	Spokesperson	Action sought at governance meeting	Supporting Material	Section Page
1. Apologies	Chair	<ul style="list-style-type: none"> <li>Record Apologies</li> </ul>		
2. Minutes of Meeting	Chair	<ul style="list-style-type: none"> <li>Approve Board Meeting Minutes                             <ul style="list-style-type: none"> <li>19 December 2014</li> </ul> </li> </ul>	Minutes 19 December 2014	1 - 3
3. Directors' Corporate Governance Items	Chair	<ul style="list-style-type: none"> <li>Corporate Planner 2015</li> <li>Review Disclosure of Interests</li> <li>Organisational Chart</li> </ul>	Corporate Planner Disclosure of Interests Organisational Chart	1 2 – 3 4
4. Chief Executive's Report and Scorecard	R Jaduram	<ul style="list-style-type: none"> <li>Note the Chief Executive's report                             <ul style="list-style-type: none"> <li>Health and Safety</li> <li>Customer Services</li> <li>Infrastructure and Planning</li> <li>Operations</li> <li>Finance</li> <li>Board Correspondence</li> <li>Execution of Documents</li> <li>Communications</li> <li>Working with Local Boards</li> <li>Statutory Planning</li> <li>Long Term Plan 2015-2025</li> <li>Wairoa Tunnel Failure Mitigation Plan</li> <li>Water and Wastewater Pricing - Domestic</li> </ul> </li> </ul>	Chief Executive's Report	1 - 37
5. AMDD Provisional Trade Waste Charges 2014/15	S Cunis	<ul style="list-style-type: none"> <li>For approval</li> </ul>	Paper	1 - 2
6. 2015/16 Draft Statement of Intent	R Chenery	<ul style="list-style-type: none"> <li>For approval</li> </ul>	Paper	1 - 20
7. Non-metropolitan Water Treatment Plants Drinking Water Standards and Compliance Update	S Cunis	<ul style="list-style-type: none"> <li>Receive report</li> </ul>	Paper	1 - 2
8. Metropolitan Water Supply 2015 Summer Production Plan	S Cunis	<ul style="list-style-type: none"> <li>Receive report</li> </ul>	Paper	1 - 3
9. Climate Change Planning Strategy for Watercare's Water Sources	S Cunis	<ul style="list-style-type: none"> <li>Receive report</li> </ul>	Paper	1 - 5
10. General Business	Chair			

Date of next Meeting – 19 March 2015

Location – Watercare Services, 73 Remuera Road, Newmarket

# MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Boardroom Level 2, Watercare Services Limited, 73 Remuera Road, Remuera, Auckland
DATE	19 December 2014
TIME	09:00
STATUS	Open Session

	<b>Present:</b>	<b>In Attendance:</b>	<b>Public in Attendance:</b>
	D Clarke (Chairman) N Crauford P Drummond C Harland J Hoare T Lanigan D Thomas  A Delany (Board Observer)	R Chenery R Fisher D Hawkins R Jaduram T Langridge B Monk J Redwood B Taplin G Wood D Worsnop S Huria	Nil
1.	<b>Apologies</b> <ul style="list-style-type: none"> <li>M Allen</li> </ul>		
2.	<b>Minutes of Previous Meeting</b> <ul style="list-style-type: none"> <li>The Board <b>resolved</b> that the Minutes of the public section of the Board meeting held on 21 November 2014 at 13:00 be confirmed as correct.</li> </ul>		
3.	<b>Directors Corporate Governance Items</b> <ul style="list-style-type: none"> <li>Corporate Planner 2014 The Corporate Planner for 2014 was noted.</li> <li>Corporate Planner 2015 The Chairman advised that the meeting on 4 February 2015 will be a full Board meeting. The meeting on 26 February 2015 will be more project oriented dealing with matters such as Health &amp; Safety and Communications.</li> <li>Disclosure of Interests The Disclosure of Interests was noted.</li> <li>Organisational Chart The Organisational Chart was noted.</li> </ul>		
4.	<b>Scorecard and Chief Executive's Report</b> <ul style="list-style-type: none"> <li>Key Performance Scorecard The Chief Executive advised that all water treatment plants are supplying water which meets the Drinking Water Standard.  Lake levels are about the same as this time last year, just under 80% full. Compared to last year, there is now more pumping capacity from the Waikato River. All modelling results show that supply can be maintained at the appropriate levels with use of Waikato River.</li> </ul>		

	<p>Water demand is lower which is affecting revenue, however, with increased development, IGC revenue will be in the order of \$45m compared to budget of \$35m year end.</p> <ul style="list-style-type: none"> <li>• Statutory Planning - Proposed Water Supply and Wastewater Bylaw</li> </ul> <p>Rob Fisher advised that the form of bylaw attached to the paper had minor amendments to the version approved by the Board at the meeting on 29 November 2015.</p> <p>The Board resolved to:</p> <ul style="list-style-type: none"> <li>➤ Adopt the proposal to revoke legacy bylaws and make a new bylaw;</li> <li>➤ Commence public consultation, using the special consultative procedure, on the proposal;</li> <li>➤ Appoint Councillor Cameron Brewer and Independent Maori Statutory Board Member Glenn Wilcox to the hearing panel (alongside Catherine Harland and Peter Drummond who have already been appointed and with Nicki Crauford as a reserve); and</li> <li>➤ Delegate to the hearing panel the powers to deliberate on submissions and make recommendations in respect of the proposal.</li> </ul>
5.	<p><b>Application of Sodium Fluoroacetate (1080) in the Hunua Catchments</b></p> <ul style="list-style-type: none"> <li>• David Worsnop spoke to the paper.</li> </ul> <p>The Board noted that Auckland Council, as landowner of the land surrounding the Wairoa and Cosseys water supply lakes, had decided to manage pest numbers by aerial application of 1080.</p> <p>Watercare is on record with Auckland Council that it has concerns over the use of herbicides in the catchments owned by Auckland Council that are adjacent to the Hunua water supply lakes.</p> <p>Watercare has requested significant controls to be implemented during the Auckland Council programme of pest management namely:</p> <ul style="list-style-type: none"> <li>➤ Application to a single catchment at a time</li> <li>➤ Each reservoir will be isolated from supply during the application</li> <li>➤ There will be a minimum 200m setback from the top water level of each reservoir</li> <li>➤ Helicopters will not be able to fly across the reservoir</li> <li>➤ Staff will be positioned on the reservoir to confirm no product is applied directly to the water</li> <li>➤ Pre application monitoring and post application monitoring at a number of points within the reservoir will be undertaken.</li> </ul> <p>Watercare since has been advised that the Council now wish to apply 1080 to two catchments at once, rather than to a single catchment as per the Watercare control. Further, advice has been received from Professor Colin Fricker relating to the possible effects on the lakes from carcasses remaining on site.</p> <p>The Board requested that Council be advised that Watercare requires its controls be included in the operational plan and be implemented including possible removal of all resulting carcasses.</p> <p>The Board emphasised to management the requirement to be conservative in approach on this matter and that Council be put on notice as to the concerns held by Watercare.</p>

6.	<p>General Business</p> <ul style="list-style-type: none"><li>• There was no general business.</li><li>• The public section of the meeting closed at 12 noon.</li></ul>
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CERTIFIED AS A TRUE AND CORRECT RECORD

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Chairman

## WATERCARE BOARD PLANNER 2015

	2015											
	January	February	March	April	May	June	July	August	September	October	November	December
Board Meeting		4 Feb Newmarket  26 Feb - Workshop Newmarket	19 March Newmarket	30 April Newmarket	29 May Newmarket*	26 June Newmarket	31 July Newmarket	20 Aug Newmarket	25 Sept Newmarket	29 Oct Newmarket*	19 Nov Newmarket	16 Dec Newmarket
Health & Safety Committee Meeting			19 March Newmarket	30 April Newmarket	29 May Newmarket*	26 June Newmarket	31 July Newmarket	20 Aug Newmarket	25 Sept Newmarket	29 Oct Newmarket*	19 Nov Newmarket	16 Dec Newmarket
Health & Safety Committee Workshops		26 Feb Newmarket		2 April Newmarket	7 May Newmarket	4 June Newmarket	2 July Newmarket	6 Aug Newmarket	3 Sept Newmarket	1 Oct Newmarket	5 Nov Newmarket	3 Dec Newmarket
Audit + Risk Committee Meeting		^4 Feb Newmarket			6 May Newmarket		^31 July Newmarket	17 Aug Newmarket			10 Nov Newmarket	
Capital Projects Working Group		4 Feb Newmarket		30 April (tentative)			15 July Newmarket			21 October Newmarket		
Remuneration Committee		26 Feb Newmarket		30 April Newmarket				31 August Newmarket			19 Nov Newmarket	
Statement of Intent		Approval of Draft 2015-2018 SOI	1 March Draft SOI to shareholder		Present shareholder SOI feedback at public meeting	Final 2015- 2018 SOI issued to shareholder			Work on 2016-2019 Sol Key dates yet to be advised by Auckland Council			
Shareholder Interaction**			3 March CCO Governance & Monitoring Committee									
Key Finance Decisions					29 May Approval of 2015/16 Budget			20 Aug Approval of 2014/15 Annual Report				
Other		Qtr Statutory Compliance Reporting		Qtr Statutory Compliance Reporting			Qtr Statutory Compliance Reporting			Qtr Statutory Compliance Reporting		

\* Statutory public Board meeting - deputations invited

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

\*\* 2015 timetable yet to be confirmed by Auckland Council

## Report to the Board of Watercare Services Limited

**Subject:** Disclosure of Interests

**Date:** 19 January 2015

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

<i>Director</i>	<i>Interest</i>
David Clarke	<ul style="list-style-type: none"> <li>– Chairman, TRGG Ltd – Radiology Services</li> <li>– Chairman, NZ Institute of Rural Health</li> <li>– Chairman, Skin Institute</li> <li>– Director, Hawkins Watts Ltd</li> <li>– Director, Cranleigh Merchant Bankers</li> <li>– Director, FarmIQ Systems Ltd</li> <li>– Director, Ngai Tahu Tourism Ltd</li> <li>– Director, Hynds Group Ltd</li> <li>– Trustee, South Auckland Foundation (Middlemore/CMDHB)</li> <li>– Chairman, Health Alliance Limited</li> <li>– Chairman, Jucy Group Limited</li> </ul>
Peter Drummond	<ul style="list-style-type: none"> <li>– Chairman, Appliance Connection Ltd</li> <li>– Chairman, Watercare Harbour Clean Up Trust</li> <li>– Chairman, Variety Medical Missions South Pacific</li> <li>– Chairman, Ngati Whatua o Orakei Whai Maia</li> <li>– Chairman, Variety International Childrens Charity</li> <li>– Director, NARTA New Zealand Ltd</li> <li>– Director, NARTA International PTY Ltd</li> <li>– Panel member , Fire Review, Dept Internal Affairs</li> <li>– Director – Ports of Marlborough Limited</li> <li>– Director – Ngati Awa Group Holdings Limited</li> </ul>
Catherine Harland	<ul style="list-style-type: none"> <li>– Director, McHar Investments Ltd</li> <li>– Director, Interface Partners Ltd</li> <li>– Trustee, One Tree Hill Jubilee Educational Trust</li> <li>– Member, Auckland Regional Amenities Funding Board</li> </ul>
Tony Lanigan	<ul style="list-style-type: none"> <li>– Director and Shareholder, A G Lanigan &amp; Associates (2007) Limited</li> <li>– Shareholder, Fletcher Building</li> <li>– Director, Habitat for Humanity New Zealand Limited</li> <li>– Director and Shareholder, Lanigan Trustee Limited</li> <li>– Director and Shareholder, Lanison and Associates Limited</li> <li>– Director and Chair, NZ Housing Foundation Limited</li> <li>– Director, Tamaki Makaurau Community Housing Limited</li> <li>– Director, NZ Transport Agency (NZTA)</li> <li>– Member, Ministry of Health Hospital Redevelopment Partnership Group for Canterbury</li> </ul>
Mike Allen	<ul style="list-style-type: none"> <li>– Director, Coats PLC</li> <li>– Director, Guinness Peat Group</li> <li>– Director, Godfrey Hirst Limited</li> <li>– Shareholder, Innoflow</li> <li>– Director, Tainui Group Holdings Limited</li> </ul>

	<ul style="list-style-type: none"> <li>– Director, Breakwater Consulting Limited</li> </ul>
Julia Hoare	<ul style="list-style-type: none"> <li>– Director, AWF Group Limited</li> <li>– Director, New Zealand Post Limited</li> <li>– Director, The A2 Milk Company Limited</li> <li>– Member, Auckland Committee, Institute of Directors</li> </ul>
Nicola Crauford	<ul style="list-style-type: none"> <li>– Chair, Wellington Rural Fire Authority</li> <li>– Director, Environmental Protection Authority</li> <li>– Member of Electoral Authority - Cooperative Bank Limited</li> <li>– Senior Consultant - WorleyParsons New Zealand Ltd</li> <li>– Director and Shareholder - Riposte Consulting Limited</li> <li>– Director and Shareholder - Crauford Robertson Consulting</li> <li>– Director and Shareholder - Martin Crauford Limited</li> <li>– Director, Wellington Water Limited</li> <li>– Director, Orion New Zealand Limited</li> </ul>
David Thomas	<ul style="list-style-type: none"> <li>– Chairman, Ngati Whakaue Tribal Lands Inc</li> <li>– Council Member, Business New Zealand</li> <li>– Board Member, EMA (Northern)</li> <li>– Chairman, Gypsum Board Manufacturers of Australasia</li> <li>– Shareholder / Employee – Fletcher Building Limited</li> </ul>

**RECOMMENDATION**

That the report be noted.

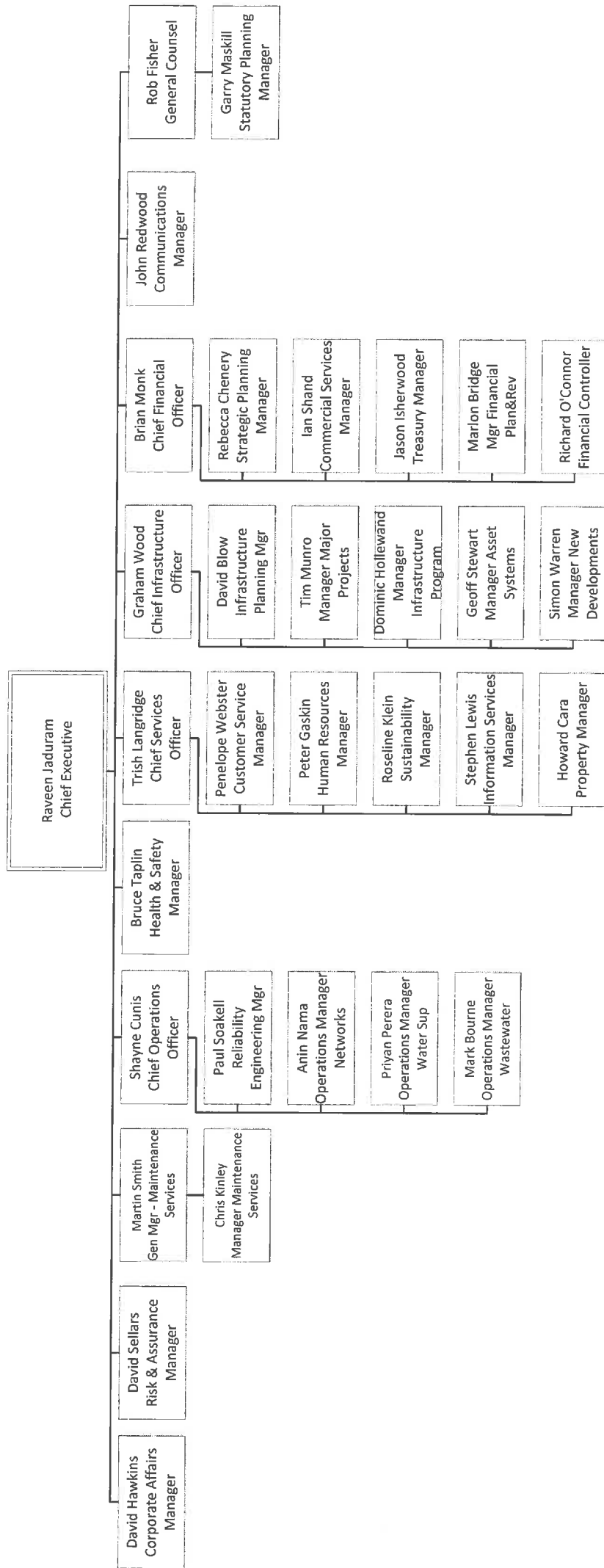
Report prepared by:

Approved by:

R Fisher  
**General Counsel**

R Jaduram  
**Chief Executive**

# WATERCARE ORGANISATIONAL CHART TO TIER 3 – DECEMBER 2014



Perm FTE	784.14
Fixed Term FTE	47.05
Casual FTE	4.80
Budgeted FTE13/14	865.8



WATERCARE SCORECARD 2014/15

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

Focus	Performance Measure	SOI	2014/15 Target	Amber Threshold	Red Threshold	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	
<b>1 Safe and Reliable Water</b>																			
1a	Percentage compliance with MoH drinking water standards for graded plants (annual measure)	☑	100%	n/a	<100%						Projected result for 2014/15 = 100%								
1b	Percentage of metropolitan water treatment plants achieving Grade A (annual measure)	☑	100%	n/a	<100%						Projected result for 2014/15 = 100%								
1c	Percentage of metropolitan water supply reticulation achieving Grade A (annual measure)	☑	100%	n/a	<100%						Projected result for 2014/15 = 100%								
1d	Percentage of non-metropolitan water treatment plants achieving Grade A (annual measure)	☑	50%** (2013/14 target = 45%)	n/a	<45%						Projected result for 2014/15 = 50%								
1e	Percentage of non-metropolitan water supply reticulation achieving Grade A (annual measure)	☑	50%** (2013/14 target = 25%)	n/a	<25%						Projected result for 2014/15 = 70%								
1f	Percentage of unplanned water shutdowns restored within five hours (12 mth rolling average)	☑	≥95%	93% to <95%	<93%	97%	98%	98%	98%	99%	98%	96%	98%	98%	97%	97%	97%	97%	
1g	Number of unplanned water interruptions per 1000 connected properties (12 mth rolling average)	☑	≤10	>10 to 12	>12	7.5	7.6	7.8	8	8.1	8.1	8	7.9	7.8	7.9	7.8	7.7	7.6	
1i	Unrestricted demand - metropolitan		Unrestricted	Subjective	Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	
1j	Unrestricted demand - non-metropolitan		Unrestricted	Subjective	Restrictions apply	Unrestricted	Unrestricted	Stages 2 - 3 of Drought Mgmt Plan	Stages 2 - 3 of Drought Mgmt Plan	Stages 2 - 3 of Drought Mgmt Plan	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	
<b>2 Healthy Waterways</b>																			
2a	Number of dry weather sewer overflows per 100km of wastewater pipe length per year (12 mth rolling average)	☑	≤5	>5 to 7	>7	1.62	1.78	1.54	1.89	1.90	1.80	1.83	1.94	1.88	1.93	2.04	2.00	2.06	
2b	Average number of wet weather overflows per discharge location	☑	WW network discharge consent lodged and operational	n/a	Consent not lodged and operational	Consent lodged in September 2013 and granted in June 2014													
2c	Number of sewer bursts and chokes per 1000 properties (12 mth rolling average)	☑	≤10	>10 to 12	>12	8.60	8.40	8.30	8.20	8.30	8.50	8.80	8.50	8.40	8.50	8.50	8.40	8.30	
2d	Percentage of wastewater discharged that is compliant with consent discharge requirements for metropolitan areas	☑	100%	98 to <100%	<98%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
2e	Percentage of wastewater discharged that is compliant with consent discharge requirements for non-metropolitan areas	☑	35%	n/a	<35%	64%	64%	64%	64%	64%	64%	64%	65%	65%	65%	65%	65%	65%	
2f	Number of successful RMA prosecutions against Watercare	☑	0	≥1	Subsequent prosecutions for same or similar offences	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>3 Customer Satisfaction</b>																			
3a	Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services (12 mth rolling average)	☑	≥80%	≥75% to <80%	<75%	86.6%	85.6%	87.2%	84.6%	85.5%	88.0%	89.7%	88.7%	88.4%	85.8%	88.1%	88.8%	87.0%	
3b	Percentage of calls answered within 20 seconds (12 mth rolling average)	☑	≥80%	≥75% to <80%	<75%	82.5%	84.6%	85.9%	84.5%	84.1%	82.7%	82.3%	81.8%	82.1%	93.6%	82.6%	82.1%	82.2%	
3c	Number of water quality complaints (taste, odour, appearance) per 1,000 water supply connections (12 mth rolling average)	☑	≤5	>5 to 5.5	>5.5	4.7	5.5	6.5	6.4	6.3	6.1	5.9	5.9	5.9	6.0	5.9	5.8	5.7	
3d	Percentage of complaints being 'closed and resolved' within 10 working days (12 mth rolling average)	☑	≥95%	≥90% to <95%	<90%	96.0%	95.7%	95.2%	94.7%	94.4%	94.2%	94.2%	94.3%	94.8%	95.0%	95.0%	95.0%	96.3%	
3e	Abandonment rate and call volume (12 mth rolling average)		≤3%	>3% to ≤3.5%	>3.5%	2.2%	1.6%	1.4%	1.7%	1.7%	1.9%	2.0%	2.1%	2.1%	2.0%	2.0%	2.1%	2.1%	
3f	Customer correspondence and resolution within 10 working days (12 mth rolling average)		≥95%	≥90% to <95%	<90%	99.2%	99.2%	99.3%	99.4%	99.5%	99.5%	99.5%	99.5%	99.7%	99.7%	99.7%	99.7%	99.8%	
3g	Customer experience survey - Maintenance (12 mth rolling average)		≥80%	≥75% to <80%	<75%	83.0%	83.0%	82.0%	82.0%	80.0%	82.1%	87.6%	86.4%	84.5%	81.1%	82.9%	84.0%	85.9%	
<b>4 Health, Safety and Wellbeing</b>																			
4a	Lost-time injury frequency rate per million hours worked (12 mth rolling average)	☑	≤5	5 - 7	>7	1.30	1.29	1.28	1.91	1.91	2.54	2.50	1.88	1.87	2.49	3.71	4.88	6.06	
4b	Level of ACC workplace management practices accreditation	☑	Tertiary	Primary Accreditation	Lose Accreditation	Tertiary	Tertiary	Tertiary	Tertiary	Tertiary	Tertiary	Tertiary	Tertiary	Tertiary	Tertiary	Tertiary	Tertiary	Expired - reaudit underway	
4c	Percentage of total hours absent due to illness (12 mth rolling average)	☑	≤2.5%	>2.5 to 3.5%	>3.5%	2.10%	2.13%	2.13%	2.19%	2.24%	2.16%	2.13%	2.13%	2.81%	2.12%	2.10%	2.07%	2.06%	
4d	Percentage of voluntary leavers relative to number of permanent staff (12 mth rolling average)	☑	≤12%	>12 to 14%	>14%	12.52%	12.62%	12.60%	12.51%	12.76%	12.60%	12.50%	12.48%	12.54%	12.08%	11.61%	11.15%	10.28%	
<b>5 Financial</b>																			
5a	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	☑	≥2.5	2.4 to <2.5	<2.4	3.16	3.15	3.12	3.23	3.21	3.19	3.30	3.34	3.31	3.46	3.38	3.32	3.35	
5b	Percentage of household expenditure on water supply services relative to the average household income	☑	≤1.5%	1.2 to <1.5	>1.5	0.87%	0.88%	0.89%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	
5c	Water & wastewater revenue against budget YTD %		≥100%	≥98% to <100%	<98%	100%	99%	98%	98%	98%	98%	99%	100%	101%	101%	101%	100%	99%	
5d	Infrastructure growth charge revenue against budget YTD %		≥100%	≥95% to <100%	<95%	112%	112%	108%	118%	118%	122%	132%	164%	156%	206%	189%	167%	173%	
5e	Other revenue against budget YTD %		≥100%	≥95% to <100%	<95%	174%	181%	184%	191%	192%	200%	233%	149%	131%	138%	138%	248%	264%	
5f	Controllable costs against budget YTD %		≤100%	>100 to ≤102%	>102%	97%	98%	98%	98%	98%	99%	100%	98%	96%	98%	99%	98%	99%	
5g	Total contribution against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	13.20	12.10	11.50	14.90	17.20	18.80	29.30	3.60	7.30	15.87	18.18	18.48	22.37	
5h	Net surplus / deficit before tax against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	31.10	23.90	18.30	10.60	5.40	-3.30	-7.30	-1.40	-14.70	-4.63	-22.12	-28.00	-43.59	
5i	Total net borrowing against budget YTD (\$ millions)		-	\$0.1m to \$10m	> \$10m	-27.20	-35.10	-38.50	-32.90	-38.50	-37.20	-28.30	-8.10	-19.50	-20.60	-20.40	-25.50	-29.70	
5j	Total 60 days+ debtors (\$ millions)		≤\$3m	>\$3m to ≤3.5	> \$3.5m	3.45	3.43	3.05	2.98	2.82	2.62	2.07	1.67	1.56	1.34	1.43	1.82	2.03	
<b>6 Effective Asset Management</b>																			
6a	Percentage of actual capital expenditure relative to budget YTD	☑	≥85% to ≤100%	≥80% to <85% >100% to ≤103%	<80% >103%	100%	94%	93%	98%	95%	96%	100%	68%	91%	84%	84%	86%	84%	
<b>7 Sustainable Environment</b>																			
7a	Per capita consumption (litres / person / day) (12 mth rolling average) - Overall	☑	278+/-5%** (2013/14 target = 280+/-5%)	283 to 290	>290	269	266	267	270	270	271	270	270	270	270	269	267	266	
7a1	Per capita consumption (litres / person / day) - Residential Monthly PCC		No specific target - information only			160	162	165	161	153	148	145	140	141	144	Sourced from metering data, reporting lag as a result of actual readings occurring every 2nd month			
7a2	Non-Domestic Monthly Water Volume		No specific target - information only			2,988,859	3,005,458	3,049,762	3,373,803	2,958,266	2,899,451	2,773,596	2,837,670	2,801,523	2,701,694	2,889,481	Sourced from metering data, reporting lag as a result of actual readings occurring every 2nd month		
7b	Percentage of annual potable water network losses (12 mth rolling average) - Overall	☑	≤13%** (2013/14 target = ≤14%)	>13 to 13.2%	>13.2	14.53%	14.28%	14.27%	14.03%	14.10%	14.15%	14.00%	13.97%	13.40%	13.30%	13.45%	13.58%	13.66%	
7b1	Percentage of annual potable water network losses (12 mth rolling average) - Rural		No specific target - information only			28.45%	29.05%	29.94%	29.74%	28.64%	27.59%	27.47%	27.26%	26.40%	26.36%	25.92%	25.22%	25.19%	
7b2	Percentage of annual potable water network losses (12 mth rolling average) - Urban		No specific target - information only			14.25%	13.95%	13.78%	13.65%	13.65%	13.70%	13.64%	13.51%	13.44%	13.50%	13.42%	13.17%	13.40%	
<b>8 Policy Compliance</b>																			
8a	Treasury Policy - Committed facilities (liquidity risk)		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	
8b	Treasury Policy - Fixed interest rate risk		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	
8c	Treasury Policy - Credit risk		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	
8d	Treasury Policy - Funding risk		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	
8e	Treasury Policy - Foreign exchange risk		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	

\*\* Target has changed from 1 July 2014 (14/15 Statement of Intent)

WATERCARE SCORECARD 2014/15

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

Focus	Performance Measure	SOI	2014/15 Target	Amber Threshold	Red Threshold	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
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2015/25 LTP Measures

9a	The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)					Programme of work is underway to develop calculation methodology and commence data collection to commence reporting from early 2015												
9b	The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)					Programme of work is underway to develop calculation methodology and commence data collection to commence reporting from early 2015												
9c	The percentage of real water loss from the local authority's networked reticulation system (rolling 12 mth average)		≤13%	>13 to 13.2%	>13.2	14.53%	14.28%	14.27%	14.03%	14.10%	14.15%	14.00%	13.97%	13.40%	13.30%	13.45%	13.58%	13.66%
9d	Median response time for attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site.					Programme of work is underway to develop calculation methodology and commence data collection to commence reporting from early 2015												
9e	Median response time for resolution of urgent calls-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption					Programme of work is underway to develop calculation methodology and commence data collection to commence reporting from early 2015												
9f	Median response time for attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site					Programme of work is underway to develop calculation methodology and commence data collection to commence reporting from early 2015												
9g	Median response time for resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption					Programme of work is underway to develop calculation methodology and commence data collection to commence reporting from early 2015												
9h	The total number of complaints received by the local authority about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system					Programme of work is underway to develop calculation methodology and commence data collection to commence reporting from early 2015												
9i	The average consumption of drinking water per day per resident within the territorial authority district (rolling 12 mth average)		278+/-5%** (2013/14 target = 280+/-5%)	283 to 290	>290	269	266	267	270	270	271	270	270	270	270	269	267	266
9j	The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system					Programme of work is underway to develop calculation methodology and commence data collection to commence reporting from early 2015												
9k	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents					Programme of work is underway to develop calculation methodology and commence data collection to commence reporting from early 2015												
9l	Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that the territorial authority receives notification to the time that service personnel reach the site					Programme of work is underway to develop calculation methodology and commence data collection to commence reporting from early 2015												
9m	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					Programme of work is underway to develop calculation methodology and commence data collection to commence reporting from early 2015												
9n	The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system expressed per 1000 connections to the territorial authority's sewerage system					Programme of work is underway to develop calculation methodology and commence data collection to commence reporting from early 2015												

## **Watercare Services Limited**

**Subject: Chief Executive Report – December 2014**

**Date: 19 January 2015**

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### **1. HEALTH AND SAFETY**

On a rolling 12 month basis:

- The lost-time injury frequency rate (LTIFR) was 6.06 against the Statement of Intent (SOI) target of less than or equal to 5 for 12 months. Work is underway to identify the root cause of the injury trends and to implement programmes to negate the continued climb. The focus remains on proactively managing hazards, early reporting, improved systems to manage an injured worker, training for line managers and a review and upgrade of the current manual handling training.
- The total recordable injury frequency rate was 18.78 against a target of less than 30 for 12 months.
- Sick leave was 2.06% against the SOI maximum of 2.5%.
- Voluntary staff turnover was 10.28% against the SOI maximum of 12%.

ACC accreditation is granted on a two-yearly cycle, following an audit by an ACC-approved independent auditor. Watercare's current ACC accreditation has expired and the reaudit process has now commenced. The audit will be complete by the end of February and Management is confident that the Tertiary accreditation will be retained.

### **2. CUSTOMER SERVICES**

December's performance against SOI measures was good with all customer services SOI targets being met.

Results for customer service performance metrics for the month were above target with 85.7% of telephone calls answered within 20 seconds. The rolling 12 month result for call answering also exceeded the target, with 82.2 % of calls answered within 20 seconds (target 80%). Calls abandoned this month were 1.3 % against a maximum of 3%, with the rolling 12 month result being 2.1%.

Similarly, 97.5% of complaints and 99.8% of all correspondence were resolved within 10 working days, against the target of 95%. The result for the month continued to improve the rolling 12 month results to 96.3% and 99.8% respectively.

Customer satisfaction exceeded the target this month with all metrics exceeding 80% for billing, general and faults enquiry types. Analysis has indicated that a number of customers are making more than one call about a fault. The Contact Centre has commenced an outbound calling programme to confirm with these customers that the fault has been resolved. The proactive contact has been well received by customers and has dramatically reduced the number of multiple calls.

### 3. INFRASTRUCTURE AND PLANNING

The capital programme continues to progress in line with previous forecasts. Of particular note during the month was the completion of detailed design of the Mangere Wastewater Treatment Plant's Biological Nutrient Removal (BNR) Capacity Upgrade and the closing of tenders for the main construction package for this project.

Other highlights include the successful supply of water to the rural communities of Patumahoe, Clarks Beach, Waiau Beach and Glenbrook Beach from Auckland's Metropolitan water supply, the completion of the St Heliers Watermain Upgrade Project, the completion of the Pakuranga Wastewater Rising Main and the receipt of submissions for the principle engineering advisor as part of the project to upgrade the Huia Water Treatment Plant. Other projects to make significant progress with their construction include the new Albany Reservoir where major structural elements have been installed and the Riverhead Reservoir where the base slab has been poured.

Watercare's engagement with Auckland Council on Special Housing Areas, the Unitary Plan and the Long Term Plan continues, with the priority growth areas for Auckland being supported as required.

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

### 4. OPERATIONS

Rainfall for the month was as follows:

Waitakere Ranges	100% of average
Hunua Ranges	88% of average
Northern Non-metropolitan	148% of average
Southern Non-metropolitan	188% of average

Metropolitan total system storage decreased in December from 79.6% to 77.7%. This is tracking near the budgeted normal storage response and is similar to storage levels at the same time last year. It is below historical storage levels for this time of year (91%), although historic storage level data includes levels prior to the commissioning of the Waikato source. Having the larger run of river source, enables greater utilisation of the storage lakes for cost efficiency, without compromising security of supply standards. With the expansion of the Waikato WTP to 150MLD the resilience of the water supply system has improved in comparison to the 2013/14 summer.

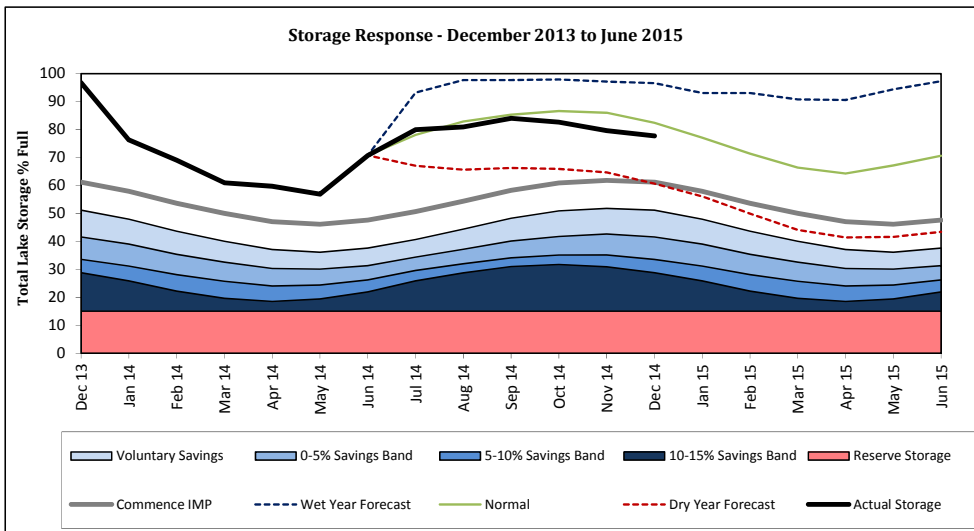
Work has commenced on the proposed expansion of the Waikato WTP to 175MLD, with key work packages identified, a resource plan developed with an indicative programme and costs. The first package of work required is to implement sand removal from the raw water. This will enable the clarifiers to operate at higher flows, without compromising performance.

Weather forecasts for January 2015 indicate temperatures are expected to be near normal or above normal for the western North Island and across the South Island, and normal elsewhere. Near normal or below normal rainfall is anticipated for the northern South Island, and normal rainfall is expected for all other regions. Longer term, for January – March 2015, temperatures are most likely to be near-normal to above normal in most regions, with rainfall most likely to be in the near-normal to above normal range in the west of the North Island, and near-normal for all other regions of New-

Zealand. For the coming tropical cyclone season in the southwest Pacific, New Zealand has slightly elevated risk of having an ex-tropical system coming within 550km of the country. The tropical cyclone outlook indicates this risk will be highest between February and April.

However, there has been little or no rain across a number of regions for the first half of January, and a number of communities across the country have had water restrictions imposed. Abstractions have been increased from the run of river sources (Waikato and Onehunga) to ensure risk levels remain within the required tolerances, and to minimise the potential for restrictions to be required within the metropolitan water supply area.

Huia sources are all at risk of cyanobacteria, with all having low levels present at this time. PAC dosing is now on continually to mitigate the risk of taste and odour complaints. As a consequence, Huia WTP is limited to 65 MLD/day. PAC dosing at Waitakere WTP also commenced in January 2015. At the present time PAC dosing is not required at Ardmore WTP although this is under constant review.



### Upper Huia Road Slip

On 14 December, a major slip occurred on the Upper Huia Road which caused significant damage to the access road and failure of the Lower Huia Raw Watermain, as shown below. This has resulted in the supply from this lake being unavailable until either the retaining wall, or the installation of piles to support the watermain, is constructed, which is likely to take months to complete. Under normal operating conditions this does not impact on our ability to meet demand or the security of supply. However it is likely that this lake will be spilling for significant periods of summer, and as it is highly visible to the public, this may generate some public response.



## Maintenance Spend

Year to date maintenance is unfavourable to budget \$0.8m largely due to unplanned maintenance overspend partially offset by planned maintenance. The underlying driver for the overspend in unplanned maintenance is an increase in the average job cost and volumes over budget. This increase is under investigation. The favourable variance of planned maintenance to budget is largely due to timing and year end forecast for planned maintenance is in line with budget.

## 5. FINANCE

### Financial Performance

	Current Month			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
<b>Figures (\$millions)</b>									
Revenue	44.10	41.44	2.66	258.82	242.82	16.01	511.68	499.58	12.10
Operating Expenses	16.44	16.24	(0.19)	100.05	101.28	1.23	201.83	201.59	(0.23)
Depreciation	16.73	17.83	1.10	101.86	104.86	3.00	207.72	210.44	2.72
Interest expense	6.50	6.82	0.31	37.23	39.35	2.12	77.62	80.57	2.95
<b>Total Contribution</b>	<b>4.43</b>	<b>0.55</b>	<b>3.88</b>	<b>19.69</b>	<b>(2.68)</b>	<b>22.37</b>	<b>24.51</b>	<b>6.98</b>	<b>17.54</b>
Financial instruments revaluation -	19.87	-	(19.87)	65.73	-	(65.73)	65.73	-	(65.73)
Non-operating costs/(income)	0.14	0.53	0.40	3.45	3.23	(0.23)	7.23	7.00	(0.23)
<b>Operating Surplus / (Deficit) Before Tax</b>	<b>(15.57)</b>	<b>0.02</b>	<b>(15.59)</b>	<b>(49.50)</b>	<b>(5.90)</b>	<b>(43.59)</b>	<b>(48.44)</b>	<b>(0.02)</b>	<b>(48.42)</b>
Deferred Tax - Expense/(Credit)	0.78	(0.70)	(1.48)	(8.68)	(6.34)	2.34	(6.00)	4.51	10.51
<b>Net Surplus / (Deficit) After Tax</b>	<b>(16.35)</b>	<b>0.72</b>	<b>(17.07)</b>	<b>(40.82)</b>	<b>0.44</b>	<b>(41.25)</b>	<b>(42.45)</b>	<b>(4.54)</b>	<b>(37.91)</b>
<b>FFO Ratio</b>				<b>3.35</b>	<b>2.82</b>		<b>3.15</b>	<b>2.94</b>	
<b>Operating EBITDAF</b>	<b>27.66</b>	<b>25.20</b>	<b>2.47</b>	<b>158.78</b>	<b>141.54</b>	<b>17.24</b>	<b>309.85</b>	<b>297.99</b>	<b>11.86</b>
<b>EBITDA</b>	<b>7.66</b>	<b>24.66</b>	<b>(17.01)</b>	<b>89.60</b>	<b>138.31</b>	<b>(48.72)</b>	<b>236.90</b>	<b>290.99</b>	<b>(54.09)</b>
<b>EBIT</b>	<b>(9.07)</b>	<b>6.84</b>	<b>(15.90)</b>	<b>(12.27)</b>	<b>33.45</b>	<b>(45.71)</b>	<b>29.18</b>	<b>80.55</b>	<b>(51.37)</b>

### Month – Total Contribution of \$4.43 m - favourable variance to budget of \$3.88m

Total revenue was favourable \$2.66m to budget largely due to IGC revenue favourable by \$2.39m and a six month accrual for the subvention receipt from Auckland Council. Water and wastewater revenue was unfavourable \$1.85m.

Operating expenses were unfavourable \$0.19m to budget with an unfavourable variance for unplanned maintenance largely offset by favourable variances for planned maintenance, chemical costs, professional services and general overheads.

Depreciation was favourable to budget \$1.10m.

Interest expense was \$0.31m favourable to budget.

### Year to date – Total Contribution of \$19.69m - favourable variance of \$22.37m

Year to date revenue is \$16.01m favourable to budget primarily due to IGC revenue favourable \$12.11m, vested asset income favourable \$2.16m and other revenue favourable \$3.62m which includes a proportional share of the expected tax loss subvention receipt from Auckland Council. The full year receipt is expected in March 2015. Water and wastewater revenue is \$2.20m unfavourable to budget with year to date water volumes 1.26% under budget.

Operating expenses are \$1.23m favourable to budget with favourable variances for net labour, planned maintenance, professional services and general overheads partially offset by unplanned maintenance, energy costs and other asset operating costs.

Depreciation is favourable \$3.00m to budget.

Interest expense is \$2.12m favourable to budget.

## Year to date – Net Deficit after Tax of \$40.82m – unfavourable variance of \$41.25m

The unfavourable variance year to date of \$41.25m is primarily due to an unfavourable revaluation of financial instruments of \$65.73m due to a decrease in medium to long term swap rates since June 2014 partially offset by the \$22.37m year to date favourable operating contribution.

## Full year Forecast – Operating Contribution of \$24.51m – favourable variance of \$17.54m

Full year revenue is now forecast at \$511.7m, favourable by \$12.1m largely due to expected higher than budgeted IGC revenue favourable \$12.1m and vested asset revenue favourable \$2.2m. Water and wastewater revenue forecasts for the next six months are being held at budgeted levels as we move into the high volume summer months and await the impact of summer weather on water volumes.

Operating expenses are consistent with budget with unfavourable variances for unplanned maintenance and other asset operating costs offset by net labour, planned maintenance, professional services and general overheads.

Depreciation costs are expected to be favourable \$2.7m at year end due to forecast lower accelerated depreciation than budgeted.

Interest expensed through the P&L is expected to be \$2.9m beneath budget at year end.

## Financial Position

\$million	Actual Nov-14	Actual Dec-14	Monthly Movement	Budget Dec-14	Var from Budget
Non Current Assets	8,349.7	8,354.7	5.0	8,354.2	0.5
Current Assets	77.3	86.2	8.9	73.7	12.5
<b>Total Assets</b>	<b>8,427.0</b>	<b>8,440.9</b>	<b>14.0</b>	<b>8,427.9</b>	<b>13.0</b>
Other Liabilities	214.5	227.2	12.7	164.2	63.1
Deferred Tax Liability	955.8	956.6	0.7	957.0	(0.5)
Borrowings - Short Term	420.9	404.5	(16.4)	407.1	(2.5)
Borrowings - Long Term	1,077.2	1,110.3	33.1	1,130.7	(20.4)
Shareholders Funds	5,758.6	5,742.3	(16.2)	5,769.0	(26.7)
<b>Total Liabilities and Shareholders Funds</b>	<b>8,427.0</b>	<b>8,440.9</b>	<b>14.0</b>	<b>8,427.9</b>	<b>13.0</b>

The major movements in the Statement of Financial Position as at 31 December 2014 compared with 30 November 2014 were the increase in non-current assets (\$5.0m) reflecting capital expenditure net of depreciation in the month, an increase in current assets largely as a result of cash (\$6.8m), an increase in other liabilities resulting from valuation of derivative financial instruments (\$20.8m) and an increase in debt (\$16.7m).

Compared with budget the material variances were largely in respect of derivative financial instruments (Other liabilities), non-current assets and net debt. Net debt at \$1,508m was \$29.7m beneath budget.

## Receivables

Receivables before provision for doubtful debts totalled \$30.4m at December month end compared with \$34.2m at the end of November. The Auckland Council component of total debt was \$0.81m compared with \$0.68m at November. Total 60+ day debt has increased by \$210k during the month due to the impact of the holiday break.

### Total receivables – month-on-month comparison

<b>Net Debt</b>	<b>0-30 days</b> <i>(previous month in italics)</i>	<b>30-59 days</b> <i>(previous month in italics)</i>	<b>60 days +</b> <i>(previous month in italics)</i>	<b>Total</b> <i>(previous month in italics)</i>
Receivables excluding Council	<b>\$24,459,627</b> \$28,930,890	<b>\$3,064,425</b> \$2,728,672	<b>\$2,028,693</b> \$1,818,603	<b>\$29,552,745</b> \$33,478,166
Auckland Council Group	<b>\$627,602</b> \$593,481	<b>\$164,869</b> \$75,232	<b>\$14,387</b> \$14,818	<b>\$806,858</b> \$683,530
<b>Total receivables</b>	<b>\$25,087,229</b> \$29,524,371	<b>\$3,229,294</b> \$2,803,904	<b>\$2,043,080</b> \$1,833,421	<b>\$30,359,603</b> \$34,161,696

### Total receivables – excluding Auckland Council

	<b>0-30 days</b> <i>(previous month in italics)</i>	<b>30-59 days</b> <i>(previous month in italics)</i>	<b>60 days +</b> <i>(previous month in italics)</i>	<b>Total</b> <i>(previous month in italics)</i>
Net Debt	<b>\$24,459,627</b> \$28,930,890	<b>\$3,064,425</b> \$2,728,672	<b>\$2,028,693</b> \$1,818,603	<b>\$29,552,745</b> \$33,478,166
# of accounts	<b>289,338</b> 313,239	<b>45,001</b> 33,853	<b>35,182</b> 32,729	<b>315,900</b> 332,049
Average Debt	<b>\$85</b> \$92	<b>\$68</b> \$81	<b>\$58</b> \$56	<b>\$94</b> \$101
Percentage	<b>82.8%</b> 86.4%	<b>10.4%</b> 8.2%	<b>6.9%</b> 5.4%	<b>100.0%</b> 100.0%

Receivables excluding Auckland Council totalled \$29.6m for December, compared with \$33.5m at November month end. Total 60+ debt has increased by \$210k. The average debt per account decreased from \$101 to \$94.

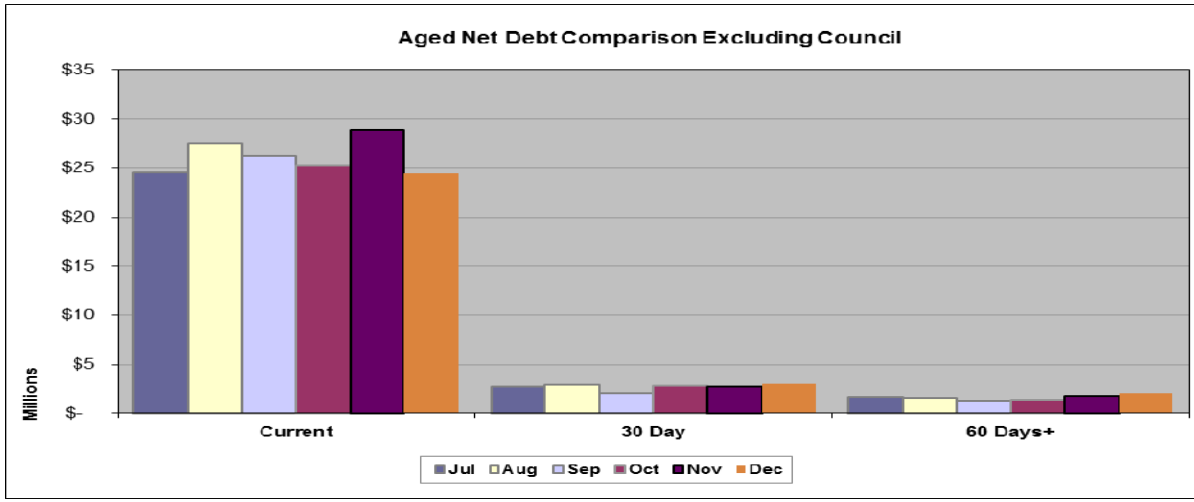
<b>Non-Residential Net Debt</b>	<b>Current month</b> <i>(previous month in italics)</i>	<b>30-59 days</b> <i>(previous month in italics)</i>	<b>60 days +</b> <i>(previous month in italics)</i>	<b>Total</b> <i>(previous month in italics)</i>
Total	<b>\$8,924,370</b> \$12,084,853	<b>\$1,750,411</b> \$1,844,401	<b>\$724,736</b> \$612,627	<b>\$11,399,517</b> \$14,541,881
# of accounts	<b>19,631</b> 21,671	<b>3,781</b> 3,005	<b>6,010</b> 5,732	<b>24,923</b> 26,253
Average Debt	<b>\$455</b> \$558	<b>\$463</b> \$614	<b>\$121</b> \$107	<b>\$457</b> \$554
Percentage	<b>78.3%</b> 83.1%	<b>15.4%</b> 12.7%	<b>6.4%</b> 4.2%	<b>100.0%</b> 100.0%



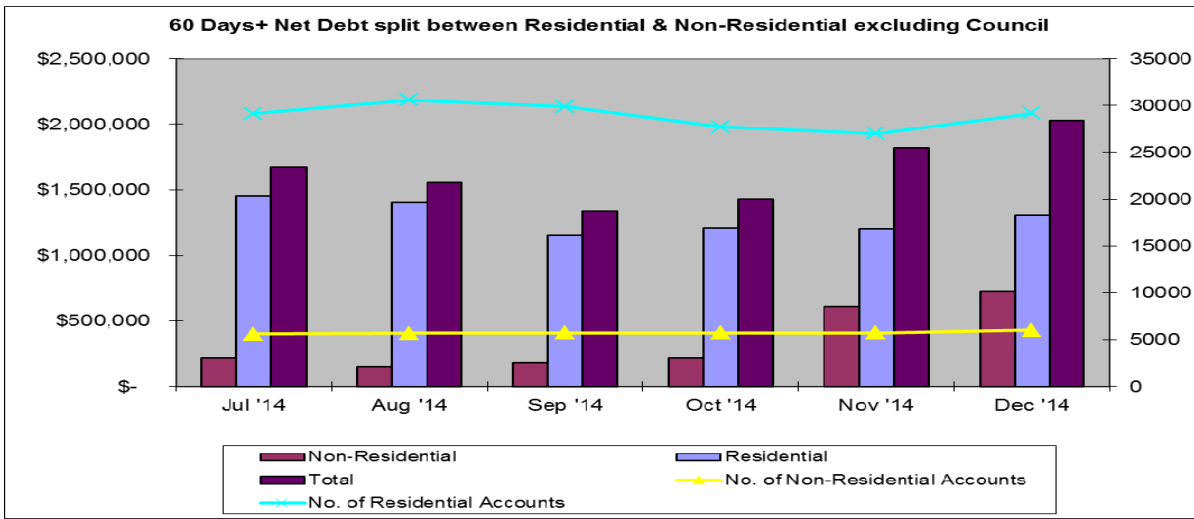
Residential Net Debt	Current month <i>(previous month in italics)</i>	30-59 days <i>(previous month in italics)</i>	60 days + <i>(previous month in italics)</i>	Total <i>(previous month in italics)</i>
Total	\$15,535,257 <i>\$16,846,037</i>	\$1,314,015 <i>\$884,272</i>	\$1,303,956 <i>\$1,205,976</i>	\$18,153,228 <i>\$18,936,285</i>
# of accounts	269,707 <i>291,568</i>	41,220 <i>30,848</i>	29,172 <i>26,997</i>	290,977 <i>305,796</i>
Average Debt	\$58 <i>\$58</i>	\$32 <i>\$29</i>	\$45 <i>\$45</i>	\$62 <i>\$62</i>
Percentage	85.6% <i>89.0%</i>	7.2% <i>4.7%</i>	7.2% <i>6.4%</i>	100.0% <i>100.0%</i>

The change in age of debt (excluding Council) over the last six months is shown below.

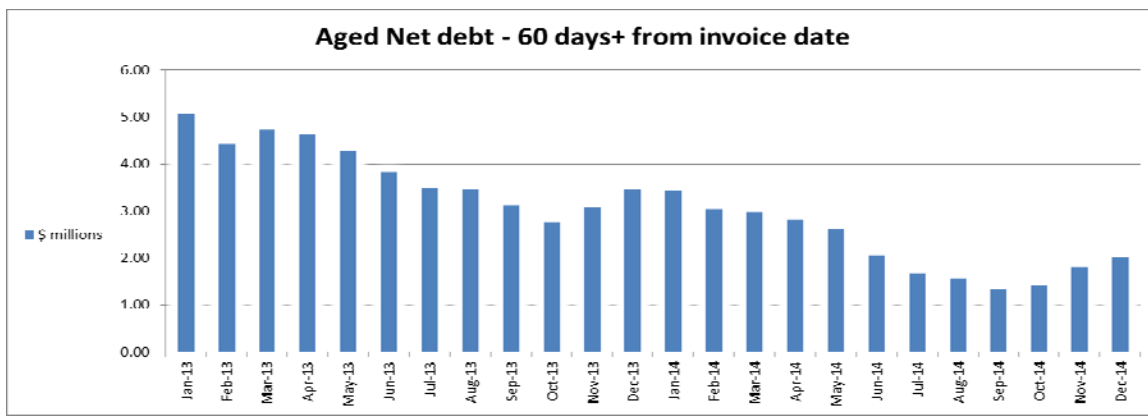
### Age of debt comparison – July 2014 to December 2014



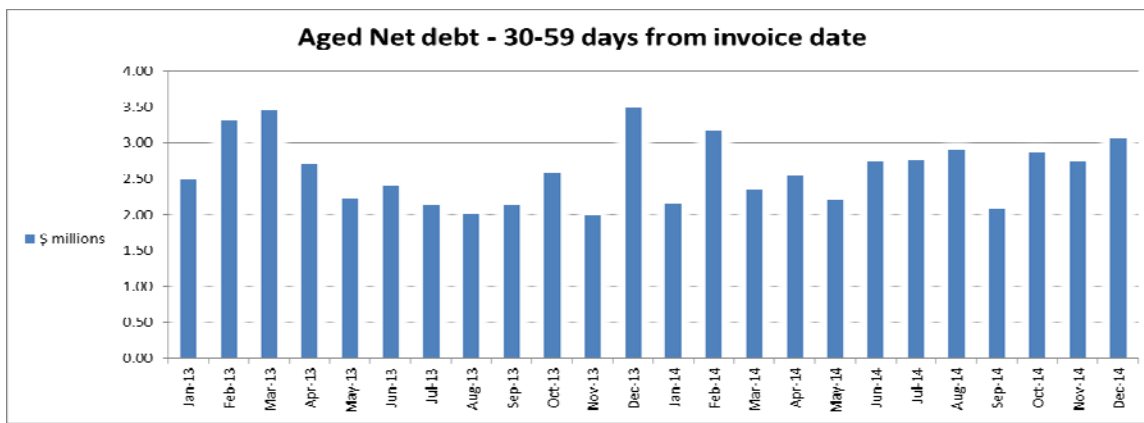
The split of 60 days+ receivables between residential and commercial is shown below:



The trends of 60 days +debt and 30-59 days debt are shown below:



Aged debt 60 days and over has increased in the month of December due to the seasonal impact of the Christmas shutdown which is consistent with previous years. Credit services ceased sending reminder letters and outbound calling a week before Christmas.



### Water Utility Consumer Assistance Trust (WUCAT)

The following tables summarise the results of the Trust:

WUCAT Summary			WUCAT Summary last 3 meetings		
Financial year	Board approved applications	\$000's	Month	Board approved applications	\$000's
Jun-12	33	\$ 29	Oct-14	15	\$ 10
Jun-13	172	\$ 196	Nov-14	11	\$ 13
Jun-14	123	\$ 114	Dec-14	21	\$ 23
(YTD) Jun-15	95	\$ 91			
<b>Total</b>	<b>423</b>	<b>\$ 430</b>	<b>Total</b>	<b>47</b>	<b>\$ 46</b>

A total of 423 applicants have successfully completed the budget adviser review process and these applicants have had \$430k of hardship relief approved by the Trust. This has resulted in an actual write-off of \$334k as payment plans have been completed. For various reasons 39 applicants did not fully complete their agreed payment plans and they have foregone \$38k of approved hardship relief. A further 46 applicants continue with their payment arrangements with \$58k of approved hardship write-offs to be granted when they successfully complete their plan. Over the last 3 WUCAT meetings, 47 applicants have successfully completed the budget process and had \$46k of hardship relief approved by the Trust.

## Restrictions

During December, 389 reminder notices were sent to customers warning that water restrictions may be applied if payment was not received. Four cards were sent to customers warning of possible restriction of their water supply in 48 hours. As a result, 7 new water restrictions were applied during December and 9 meters were derestricted as a result of payment being received. (Three of the customers who were restricted during December received their 48 hour warning card at the end of November.)

The table below summarises the restrictions carried out by Watercare Services Limited.

	Commercial	Residential	Total
Inherited 1 Nov 2010	0	4	4
Restricted since 1 Nov 2010	43	60	103
Derestricted since 1 Nov 2010	-38	-40	-78
Restrictions in place	5	24	29

The following restrictions remain in place:

- Four residential restrictions remain in place on vacant properties. Communications are ongoing with the customers and if the properties are tenanted in future resolution will be required.
- A further 20 residential restrictions remain in place on occupied properties and communication continues with these customers (includes six Water Pressure properties).
- Five commercial properties remain restricted at the end of December and communication continues with these customers. One of these commercial properties is currently vacant.

## Restriction of Water Pressure Group Properties

Letters were sent to the remaining water pressure group property owners in July asking them to settle their accounts before further action was taken including the restriction of their water supply. These letters were followed up with phone calls to give the customers the opportunity to settle their accounts. Several water pressure group members settled their accounts by the end of August. There remained 16 properties owned by 13 individuals who did not settle their account by the end of August and refused to communicate constructively with Watercare.

These properties were prioritised for restriction according to the amount of debt owed to Watercare, excluding those properties with medically vulnerable persons in residence. Eleven of these properties have been restricted thus far. A payment of \$50k was received from the owner of 3 of these properties which settled these accounts fully, including the recovery of all legal costs. This owner is not paying any new charges and an illegal water connection was found to the building behind his café and he will be charged for the water used. We expect this customer to be restricted again in the near future. The owner of 2 of these properties has agreed an acceptable repayment plan with Watercare and as a result the restrictions have been removed. This customer has now paid \$8k as a first instalment and will settle the remainder of their debt by the end of March. The remaining 6 properties are still restricted. There are 5 other properties which have not been restricted as the

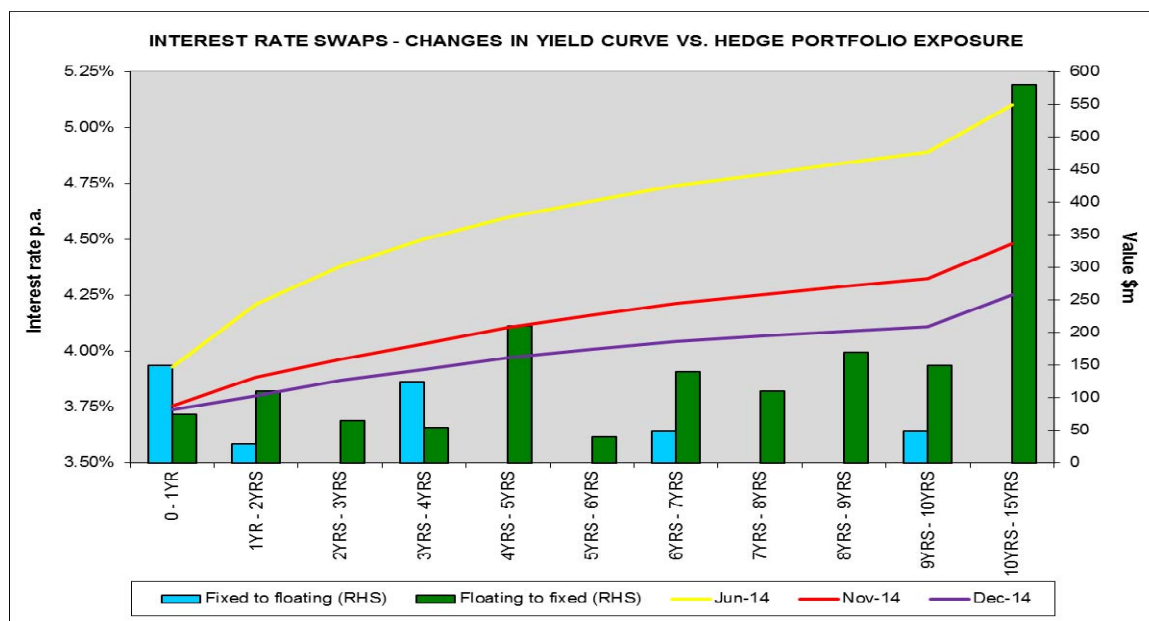
occupants meet the definition of vulnerable customers. Firmer legal action is being considered to encourage the owners of these properties to pay their bills.

The water restriction has been removed by unauthorised persons at several of the water pressure group properties. As a result, Watercare instigated some routine monitoring of the meters at these addresses. This has resulted in a civil prosecution being taken against one customer who was filmed illegally tampering with the meter causing damage to the meter and surrounds. The case was heard in the District Court on 8 December and the person was prosecuted and fined \$2k by the court.

Letters have been sent to the other addresses where the meters have been tampered with warning that this is an offence under the Local Government Act and Health Act. This has had a positive result as we have not seen any new cases of tampering with restriction devices. Watercare holds charging orders over all of the water pressure group properties securing our rights if these customers attempt to refinance or sell their properties.

The total amount outstanding by Water Pressure Group property owners as at 31 December 2014 is \$307k.

## Treasury



Interest Analysis \$million	Current Month			Year to date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	6.50	6.82	0.31	37.23	39.35	2.12	77.62	80.57	2.95
Capitalised Interest	1.08	1.31	0.24	7.02	7.84	0.82	14.96	15.01	0.05
Gross Interest	7.58	8.13	0.55	44.25	47.19	2.94	92.59	95.58	2.99
Less Interest Income	0.02	0.00	(0.02)	0.02	0.00	(0.05)	0.06	-	(0.06)
<b>Net Interest</b>	<b>7.56</b>	<b>8.13</b>	<b>0.57</b>	<b>44.19</b>	<b>47.19</b>	<b>3.00</b>	<b>92.53</b>	<b>95.58</b>	<b>3.05</b>

For the month and year to date net interest was favourable with budget \$0.57m and \$3.00m respectively; largely due to lower debt than budgeted.

## Capital Expenditure

Capital expenditure for the month was \$19.9m against a budget of \$26.3m.

Summary Capital Expenditure (\$millions)	Month December 14			Year to Date			Full Year	
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget
Infrastructure Wastewater Projects	8.7	11.3	2.6	61.0	69.7	8.7	151.0	146.1
Infrastructure Water Projects	8.3	10.2	1.9	65.2	67.6	2.4	125.0	126.2
Operations	2.0	2.5	0.5	6.7	14.1	7.4	22.0	30.0
Maintenance Services	0.0	0.4	0.4	1.0	1.5	0.5	2.5	2.7
Information Services	0.4	1.0	0.6	1.6	5.8	4.2	7.1	12.0
Other Projects	0.5	0.9	0.4	3.2	6.4	3.2	8.3	12.2
<b>TOTAL</b>	<b>19.9</b>	<b>26.3</b>	<b>6.4</b>	<b>138.7</b>	<b>165.1</b>	<b>26.4</b>	<b>315.9</b>	<b>329.2</b>
Includes:								
Water Projects Capitalised Interest	0.6	0.8	0.2	4.1	4.8	0.7	8.1	9.0
Wastewater Projects Capitalised Interest	0.5	0.5	0.0	2.9	3.0	0.1	6.8	6.0
<b>Total Capitalised Interest</b>	<b>1.1</b>	<b>1.3</b>	<b>0.2</b>	<b>7.0</b>	<b>7.8</b>	<b>0.8</b>	<b>15.0</b>	<b>15.0</b>

## 6. BOARD CORRESPONDENCE

There was no Board correspondence during the month.

## 7. EXECUTION OF DOCUMENTS

There were 10 documents executed during December in accordance with the delegated authority provided to the Chief Executive by the Board in relation to deeds, instruments and other documents. These included the registration of two easements, approval of two licences, approval to partially surrender an easement, two approvals to acquire land, approval of two deeds and approval of an extension to an offer to purchase land.

There were seven capex approvals totaling \$7.371m signed in accordance with the delegated authority provided to the Chief Executive by the Board in relation to capex approvals below a threshold of \$15m.

Summary of Capital Projects approved by Chief Executive - December 2014		
C-11439a	Project Performance Reporting extension	\$505,000
C-11781-1b	Sanderson Road WTP - Scope Change 1	\$65,000
C-11813b	Rehabilitate the Mangere WWTP Primary Sedimentation Tanks 11 & 12 and associated Grit Tanks & Inlet channels - Stage 2B	\$2,189,000
C-11848	DPOTB Otaru Wastewater Pump Station (PS31) Motor Control Centre and Drive Replacements	\$778,000
C-12071a	Alexander Rising Main Replacement - Stage 2	\$2,849,000
C-12460	Develop Engineering Standards Platform	\$111,980
C-12464	Opportunistic watermain renewals with NZTA on Kirkbride Road	\$874,000

There were 14 contracts over \$100,000 awarded during December in accordance with the delegated authority provided to the Chief Executive by the Board in relation to capex and opex contract approvals.

Summary of Contract Awards – December 2014		
2/12/2014	Contech	Mangere Sedimentation Tanks 11&12 Concrete Refurbishment
2/12/2014	GHD	Upper Glen Eden Storage Tank and Branch Sewer upgrades CR1
4/12/2014	CH2MBeca	Puketutu Island Project - Additional Professional Services
5/12/2014	McMillan Drilling Ltd	Tender for Central Interceptor Ground Investigation Land Based Geophysics Contract
11/12/2014	MWH	Albany Pinehill Watermain and Pump Station Principal Engineering Advisor
11/12/2014	CH2MBeca	MWWTP Digester 8 - Variation 4 for extended contract supervision duration
11/12/2014	GHD	Contract 5974 - Huia No 1 Watermain Replacement Principal Engineering Advisor
12/12/2014	Smith & Loveless NZ Ltd	C-11923 - Pukekohe WWTP Capacity Upgrade
15/12/2014	CDS NZ Ltd	CT 6014- Watermain Renewal- Kotae Rd, New North Rd and Poynton Terrace
16/12/2014	URS	NH2 - Security of Supply - Construction Supervision - Fred Taylor AW
18/12/2014	Civil Underground Ltd	HBC Biofilter refurbishment - Rosedale Biofilter refurbishment
21/12/2014	AECOM / MWH	Mangere WWTP Solids Stream Upgrade - Principal Engineering Advisor
22/12/2014	Drilltech	Alexander Rd WW Rising Main Replacement
24/12/2014	Pipeline & Civil	Ct 5680 - Replacement of steel rising main bends

## 8. COMMUNICATIONS

December was a quiet month in both mainstream and social media. Some residual commentary around the decision to close the Rainforest Express aside, coverage was factual and straightforward.

Two issues with the potential to generate negative coverage, back charging for wastewater in Omaha and Beachlands-Maraetai, and vandalism of the Mt Victoria reservoir, were well managed by Finance and Operations respectively. As a result, coverage was muted and reasonably favourable.

Communication activities in respect of infrastructure projects are continuing with a particular focus on the Hunua 4 construction and the Mairangi Bay and Sunnynook wastewater network upgrades, and on supporting the upcoming geotechnical investigations for the Central Interceptor.

Distribution of the *Understanding Your Bill* insert continued during December. An insert highlighting Watercare's involvement in March's Round-the-Bays and including racing and training tips will go out to all domestic customers from mid-January to mid-February. A Be Waterwise-themed insert has been drafted for the following period.

Website updates / Media releases during December included a report of former ARC Councillor and Manukau Harbour Protection Society President Paul Walbran's comments that Auckland Council's decision not to review the consent conditions governing Watercare's Mangere plant is the right one and an update on temporary access to the Hillary Trail following a major slip on Upper Huia Dam Road.

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

Over December work continued with Local Boards in preparation for the wider public consultation on the water and wastewater bylaw review.

The Hibiscus and Bays Local Board, Surf Club, Auckland Transport and Auckland Council parks and planning staff all attended a site visit to the Mairangi Bay pump station regarding a proposed park lane and Watercare redevelopment of the pump station, including a future storage tank. The visit was part of the Mairangi Bay Reserve Management Plan hearing which will be relevant to Watercare's infrastructure upgrades. Responses were also provided on submissions related to wastewater servicing.

Watercare attended infrastructure committee briefings for the Kaipatiki and Rodney Local Boards to update members on progress with local projects. The Rodney briefing in particular focused on the proposed upgrade of the Snells Algies wastewater outfall and implications for wider wastewater servicing in the Warkworth area.

The Mangere Wastewater Treatment Plant site visits and workshops continued for Local Boards bordering the Manukau Harbour. In December Watercare hosted Mangere-Otahuhu and Puketapapa Local Board representatives who heard from Watercare operations and major projects staff which was followed by a site visit to the treatment plant and Puketutu Island. Feedback from those attending was very positive.

Watercare also joined Mangere Local Board representatives when they hosted several local businesses about the effects of the Hunua 4 watermain project in Mangere. Lydia Sosene and Carrol Elliott from the Mangere-Otahuhu Local Board also joined the Project Manager David Moore for a site visit early in January 2015.

Auckland Council Parks and Watercare staff attended a business meeting of the Waitakere Local Board where landowner approval was granted for works associated with the emergency overflow for the wastewater storage tank in Harold Moody Reserve, Glen Eden.

Project notices were sent to local boards regarding works over the Christmas period including the Hunua 4 watermain project and Sunnynook wastewater pipeline works.

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

## **10. STATUTORY PLANNING**

### **Auckland Proposed Unitary Plan**

Hearings by the Independent Hearing Panel on the Regional Policy Statement (RPS) level of the Proposed Auckland Unitary Plan are underway, with the hearings on this section of the plan expected to be mostly complete by February. The key hearing of interest in December was urban growth. David Blow, Infrastructure Planning Manager, gave evidence on this topic as part of the Council team.

### **Proposed Water Supply and Wastewater Bylaw**

Watercare's proposed Water Supply and Wastewater Network Bylaw was publicly notified on Wednesday, 21 January 2015. The proposed Bylaw is intended to provide Watercare with a legal recourse in the event there is third party damage or interference with the network. We are working collaboratively with Auckland Council to undertake a special consultative procedure, which includes a

formal hearings process prior to a report back to Watercare's Board and the Governing Body of Auckland Council. As part of the consultative process, Watercare continues to brief the Kaitiaki Forum, the Auckland Utility Operators' Group, the Environmental Advisory Group, and has written to a range of other organisations to advise of the public notification and the submissions process. The closing date for submissions is 25 February 2015.

### **Auckland Council Operative Plan Changes**

There is currently one plan change of significant interest to Watercare:

- **Kingseat:** Additions to the wording have been incorporated in the plan change and circulated to parties for review. Watercare agrees with the proposed revisions. This matter is now not expected to proceed to Environment Court.

There are two additional Plan Changes that have emerged as being of interest to Watercare. These are private plan changes.

- **Snells-Algies:** There are two private plan changes in this area seeking to rezone land that is out of Watercare's service area. Watercare cannot provide service to those areas until Watercare replaces the ocean outfall pipe. A hearing was held on one of these plan changes in December. Watercare gave a statement of evidence in respect of the capacity limitations until the new outfall pipe is completed.

### **Maori Engagement**

The Kaitiaki Managers first quarter meeting of the year is on 12 February 2015. The agenda will be prepared following the Kaitiaki Forum meeting of the 29 January.

The next meeting of the Mana Whenua Kaitiaki Forum is on 29 January 2015. The agenda includes the following items:

- *Members' Update*
- *Waikato River Wai Ora Collaborative Stakeholders Group*
- *Waikato River water take update*
- *Auckland Water Strategic Action Group update*
- *Development of process for repairs to water infrastructure in areas of significance or value to Mana Whenua*
- *Bylaws update*
- *Freshwater Iwi Leaders Group - feedback*
- *Further Development of the Mana Whenua Kaitiaki Forum*
- *Mark Ford Drive*
- *Wastewater field trip – final report*

During December, the 19 Iwi of Tamaki Makuarau were provided with schedule of resource consent applications currently being prepared by Watercare. The intention of this process is to provide Iwi with the opportunity for involvement at an early stage of the planning process so as to enable their input to be considered as part of the options analysis.



Notable comprehensive engagement with Iwi being carried out or anticipated in respect of the following resource consent projects:

- Waikato Future Take
- Warkworth WTP
- Greenhithe Bridge Watermain Duplication
- Hunua 4 Extension
- Mt Albert Reservoir Upgrade
- Mt Hobson Water Supply Upgrade,
- North Harbour 2 Watermain, Titirangi to Albany
- Army Bay WWTP Outfall Whangaparaoa Peninsula
- Pukekohe WWTP Capacity Upgrade
- Glen Eden Upgrade and Storage Tank, Glen Eden
- Howick Diversion and Pump Station, Pakuranga
- Northern Interceptor, Henderson to Rosedale Wynyard Quarter South Local Reticulation, Auckland Central
- Helensville water supply
- Onehunga Groundwater Replacement
- Clarkes Beach WWTP Discharge
- Pukekohe Trunk Sewer Upgrade

## 11. LONG TERM PLAN 2015-2025

Watercare is continuing to work with Auckland Council on the development of the Long Term Plan (LTP). The public consultation period will commence on 23 January and close on 16 March 2015. A meeting to explain the details of the consultation and submission process is scheduled for 20 January.

Auckland Council will be releasing budget refresh templates in early February with changes due back to Council by early March. We envisage little, if any, change to the draft LTP financials submitted late last year.

Auckland Council has advised of the following key milestones over the coming months:

23 January – 16 March 2015	Public consultation period
6 March 2015	CCO budget refresh submitted to Council
20 – 22 April 2015	Budget Committee briefings
1 May 2015	Budget Committee engagement with CCO's
25 June 2015	Governing Body adoption of final LTP

## 12. WAIROA TUNNEL FAILURE MITIGATION PLAN

The Wairoa tunnel is a crucial part of the Southern Headworks infrastructure. It passes from Wairoa dam to Richardson's Portal, after the junction of the Mangatawhiri tunnel at the western end of the Otau aqueduct, a length of 1.4km. Water then flows through the raw water mains to Ardmore Water Treatment Plant (WTP). On any given day, the Wairoa Tunnel provides around 68% of the water to Ardmore (200MLD). It has been tested to a maximum flow rate of 320MLD.

The Wairoa North Fault crosses the Hunua Ranges in the vicinity of Richardson's Portal in the Hunua Ranges. Activation of this fault could bring the integrity of crucial infrastructure in the area into question, including the Wairoa tunnel, Richardson's Portal, and the Hunua 2 and 3 water mains.

Consequently, Watercare has commissioned several studies, condition assessments and upgrade projects to mitigate the risk to assets in the vicinity, including:

- Wairoa Tunnel Deformation Study, carried out by Engineering Geology Ltd (2010).
- Stability and Seismic Assessment of Richardson's Portal, carried out by Engineering Geology Ltd (2010).
- An investigation of the Wairoa North Fault location, carried out by Engineering Geology (August 2010).

The most recent studies into this fault have concluded that the fault is active; however there have been no significant surface displacements along the fault in the last 16,000 to 24,000 years.

Activation of this fault compromising the Wairoa tunnel would have significant implications surrounding water supply to Ardmore WTP and subsequently Auckland city. Tunnel failure would isolate Wairoa, Upper Mangatawhiri and Mangatangi dams from supply. If this supply was severed, it could lead to major disruptions in water supply following the failure, depending on time of year and ability to manage demand.

The proposed solution, in the event of a tunnel failure, is similar to one which has worked successfully for Watercare in the past. This involves the implementation of an emergency pumping station on the bank of the Wairoa River approximately 3km downstream from the dam, at a location adjacent to both the Hunua 2 and 3 raw water mains.

The first stage of the proposed response is the installation of a temporary pumping scheme as soon as possible after tunnel failure. This could be implemented using diesel powered pumps within two days, and would be capable of pumping 40-60MLD into the Hunua 2 raw water main.

Second stage response involves a semi-permanent pumping solution using either diesel or electric submersible pumps. This scheme is capable of pumping 150MLD into the Hunua 3 raw water main. This is based on 3 electric pumps, or 8 diesel pumps (in the instance that power supply is compromised) meeting the 150MLD target. Due to sourcing the relevant pumps, this large scale pumping station would take 8 – 12 weeks to implement and would be dependent on the scale of remediation works required to repair the damage arising from the original event. A detailed Operations Plan, to guide the response, is available to address such an event.

If natural river flows cannot sustain the pumping station, there are numerous options to discharge from existing stored water to supplement river flow. This would allow for a greater volume of abstraction without compromising the ecological integrity of the Wairoa River, and allow for best use of stored water from isolated dams.

As this is a contingency/emergency response plan of action in the event of major earthquake damage, there are no current plans to carry out any physical works described. The actions set out in the plan will only be taken in the event of an earthquake causing damage.

In this case, the works would be considered "Emergency Works". There are two provisions in the Resource Management Act 1991 under which the works could be undertaken.

The works could be undertaken if:

1. the network utility operation is, in the opinion of Watercare affected by or likely to be affected by any sudden event causing or likely to cause loss of life, injury, or serious damage to property or (s330 RMA);
2. any activity is undertaken by Watercare exercising emergency powers during a state of emergency declared under the Civil Defence Emergency Management Act 2002 (s330B RMA)

In both these circumstances, sections 13 (structures in a stream), 14 (water takes), and 15 (discharges) of the RMA do not apply to any activity undertaken by Watercare to mitigate any actual or likely adverse effect of the emergency.

Under both scenarios above, Watercare should advise the Auckland Council before the works are implemented, and under s330A of the RMA, must advise the Auckland Council within 7 days that the activity has been undertaken. As this activity would contravene sections 13, 14, and 15 and the adverse effects of the activity would continue, Watercare must apply in writing to Auckland Council for any necessary resource consents required, within 20 working days of the notification. If the application is made within 20 days, the activity may continue until the application for resource consent and any appeals have been finally determined.

In summary, the works could be undertaken as emergency works, but retrospective resource consent would need to be applied for within 20 days of Watercare notifying Council within 7 days of the event.

### **13. WATER AND WASTEWATER PRICING – DOMESTIC**

On 1 July 2011 the price of water was reduced in all areas from that being charged by the disestablished councils. Since that time, through until 2014/15, the price of water has increased in total 5.8%; or an average of 1.9% per annum. The planned 2.5% increase in 1 July 2015 will lift the cumulative increase to 8.4%; or an average of 2.0% per annum.

On 1 July 2011 the existing wastewater pricing structure of the disestablished councils was maintained and prices were increased by 4.5% (less than the average in the approved plans of the disestablished councils). On 1 July 2012 the new fixed and volumetric pricing for domestic wastewater was introduced, representing an average 3.6% increase in the revenue collected from across the region. In total over the 4 years to 2014/15 domestic wastewater pricing has increased by 10.9%; or an average of 2.6% per annum. The planned 2.5% increase on 1 July 2015 will lift the cumulative increase to 13.74%; or an average of 2.6% per annum.

The individual impact of price increases since amalgamation varies depending on location and volume.

Appendix E (attached) provides full details of domestic water and wastewater pricing movements since 2010/11 including a comparison of current combined annual costs for an 'average' household compared with the equivalent charge in 2010/11. Average current cost in Auckland, Rodney and Franklin is still substantially below 2010/11 levels; on the North Shore average cost is 8.8% higher now than in 2010/11 and in Waitakere 9.6% higher. In Manukau, domestic customers are on average paying 29.4% more now than in 2010/11. This is driven primarily by the fact that Manukau Water charged a purely fixed charge for wastewater prior to amalgamation.

.....  
R Jaduram  
CHIEF EXECUTIVE

# WATERCARE SERVICES LIMITED

Dec-14

## 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	●	A5
Cashflow		
Operating cashflow	●	A2
Investing cashflow	●	A2
Treasury policy	Compliance	Page Ref
Committed facilities (liquidity risk)	●	A6
Fixed interest rate risk	●	A6
Credit risk	●	A7
Funding risk	●	A7, A8
Foreign exchange risk	●	A8

### Key to Financial performance, Financial position and cashflow measures

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

### Key to Treasury policy compliance

- Full compliance
- Non compliance

# **WATERCARE SERVICES LIMITED**

## ***Management Report***

**Dec-14**

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	• Statement of Cash Flows	A2
	• Statement of Financial Position	A5
<b>2</b>	<b>Treasury Management</b>	
	• Treasury Risks & Interest Rate Performance	A6
	• Counterparty Exposures, Debt Concentration & Covenant Compliance	A7
	• Foreign Exchange & Commercial Paper Maturity	A8

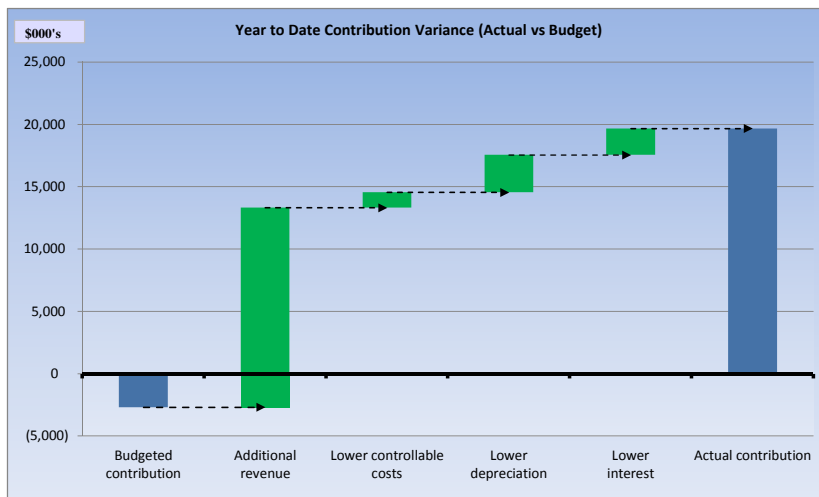
**WATERCARE SERVICES LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**

**Dec-14**  
**(\$000's)**

	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
Wastewater Revenue	23,394	24,916	(1,522)	✘	141,568	143,093	(1,525)	✘	288,053	289,578	(1,525)	✘
Water Revenue	11,597	11,913	(316)	✘	66,893	67,258	(365)	✘	136,693	137,059	(366)	✘
Laboratory Revenue	434	516	(82)	✘	2,718	2,988	(270)	✘	5,705	6,100	(396)	✘
Infrastructure Growth Charge Revenue (IGC)	4,394	2,000	2,394	✔	28,608	16,500	12,108	✔	46,208	34,100	12,108	✔
Other Revenue	4,279	2,096	2,183	✔	19,037	12,976	6,061	✔	35,022	32,744	2,278	✔
<b>Total Revenue</b>	<b>44,098</b>	<b>41,441</b>	<b>2,657</b>	<b>✔</b>	<b>258,824</b>	<b>242,815</b>	<b>16,008</b>	<b>✔</b>	<b>511,681</b>	<b>499,581</b>	<b>12,100</b>	<b>✔</b>
Labour	5,744	5,926	182	✔	34,492	35,643	1,151	✔	70,657	71,622	966	✔
Contract Labour	398	303	(95)	✘	2,501	2,661	159	✔	4,006	4,341	336	✔
Oncosts	253	311	58	✔	1,518	1,817	299	✔	3,195	3,674	480	✔
Labour Recoveries	(2,744)	(2,950)	(206)	✘	(17,437)	(17,913)	(476)	✘	(35,184)	(35,778)	(594)	✘
<b>Net Labour</b>	<b>3,651</b>	<b>3,590</b>	<b>(61)</b>	<b>✘</b>	<b>21,075</b>	<b>22,209</b>	<b>1,134</b>	<b>✔</b>	<b>42,673</b>	<b>43,860</b>	<b>1,187</b>	<b>✔</b>
Materials & Cost of Sales	172	175	3	✔	1,120	1,034	(85)	✘	2,168	2,074	(94)	✘
Planned Maintenance	1,135	1,315	181	✔	7,033	8,698	1,665	✔	15,646	16,275	629	✔
Unplanned Maintenance	3,546	2,468	(1,078)	✘	17,426	15,000	(2,426)	✘	33,544	31,105	(2,439)	✘
Asset Operating Costs - Chemicals	887	1,045	159	✔	5,242	5,502	260	✔	10,844	11,099	255	✔
Asset Operating Costs - Energy	1,347	1,350	3	✔	8,666	8,132	(534)	✘	17,297	17,143	(154)	✘
Operating Costs - Other	3,162	3,068	(94)	✘	20,360	19,547	(813)	✘	39,626	38,652	(974)	✘
Depreciation and Amortisation	16,726	17,829	1,103	✔	101,863	104,865	3,002	✔	207,718	210,440	2,722	✔
<b>Asset Operating Costs</b>	<b>26,801</b>	<b>27,075</b>	<b>274</b>	<b>✔</b>	<b>160,590</b>	<b>161,743</b>	<b>1,153</b>	<b>✔</b>	<b>324,675</b>	<b>324,714</b>	<b>39</b>	<b>✔</b>
Communications	46	129	84	✔	776	833	56	✔	1,626	1,625	(1)	✘
Professional Services	676	831	155	✔	5,203	6,275	1,073	✔	11,439	12,149	710	✔
Interest	6,503	6,816	313	✔	37,230	39,352	2,122	✔	77,625	80,573	2,948	✔
General Overheads	1,815	2,272	456	✔	13,144	14,048	904	✔	26,797	27,610	813	✔
<b>Overheads</b>	<b>9,040</b>	<b>10,048</b>	<b>1,008</b>	<b>✔</b>	<b>56,353</b>	<b>60,509</b>	<b>4,155</b>	<b>✔</b>	<b>117,486</b>	<b>121,957</b>	<b>4,471</b>	<b>✔</b>
<b>Total Expenses</b>	<b>39,664</b>	<b>40,888</b>	<b>1,224</b>	<b>✔</b>	<b>239,138</b>	<b>245,495</b>	<b>6,357</b>	<b>✔</b>	<b>487,002</b>	<b>492,605</b>	<b>5,603</b>	<b>✔</b>
<b>Total Contribution/(Loss)</b>	<b>4,434</b>	<b>553</b>	<b>3,881</b>	<b>✔</b>	<b>19,686</b>	<b>(2,679)</b>	<b>22,365</b>	<b>✔</b>	<b>24,679</b>	<b>6,976</b>	<b>17,703</b>	<b>✔</b>
Gain/Loss on Disposal of Fixed Assets & other Costs	136	533	397	✔	3,455	3,225	(230)	✘	7,230	7,000	(230)	✘
Financial Instruments Revaluation (Gain)/Loss	19,869	-	(19,869)	✘	65,727	-	(65,727)	✘	65,727	-	(65,727)	✘
Non Operating (costs)/Revenue	20,005	533	(19,472)	✘	69,181	3,225	(65,956)	✘	72,956	7,000	(65,956)	✘
<b>Net Surplus / (Deficit) before Tax</b>	<b>(15,571)</b>	<b>20</b>	<b>(15,591)</b>	<b>✘</b>	<b>(49,496)</b>	<b>(5,904)</b>	<b>(43,591)</b>	<b>✘</b>	<b>(48,278)</b>	<b>(24)</b>	<b>(48,254)</b>	<b>✘</b>
Deferred Tax	777	(703)	(1,480)	✘	(8,678)	(6,341)	2,337	✔	(5,997)	4,512	(10,509)	✘
<b>Net Surplus / (Deficit) after Tax</b>	<b>(16,347)</b>	<b>724</b>	<b>(17,071)</b>	<b>✘</b>	<b>(40,818)</b>	<b>436</b>	<b>(41,254)</b>	<b>✘</b>	<b>(42,281)</b>	<b>(4,536)</b>	<b>(37,745)</b>	<b>✘</b>

**Key: Financial performance result**

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



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

Dec-14

(\$000's)

NZ \$000s	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
<b>Operating Cash flow:</b>												
Operating Revenue	41,541	39,181	2,360	✓	237,781	227,533	10,248	✓	497,097	482,908	14,189	✓
Operating Costs	(20,473)	(17,658)	(2,815)	✗	(96,509)	(96,811)	302	✓	(205,337)	(201,687)	(3,651)	✗
Interest Paid	(9,590)	(6,816)	(2,774)	✗	(36,196)	(39,352)	3,156	✓	(76,591)	(80,573)	3,982	✓
<b>OPERATING CASH FLOW</b>	<b>11,478</b>	<b>14,708</b>	<b>(3,229)</b>	<b>✗</b>	<b>105,076</b>	<b>91,370</b>	<b>13,706</b>	<b>✓</b>	<b>215,169</b>	<b>200,648</b>	<b>14,520</b>	<b>✓</b>
<b>Investing Cash flow:</b>												
Capital Expenditure	(20,476)	(27,576)	7,100	✓	(152,568)	(156,183)	3,615	✓	(303,119)	(314,079)	10,960	✓
Capitalised Interest (CAPI)	(1,075)	(1,313)	238	✓	(7,017)	(7,838)	821	✓	(14,962)	(15,012)	50	✓
<b>INVESTING CASH FLOW</b>	<b>(21,551)</b>	<b>(28,889)</b>	<b>7,338</b>	<b>✓</b>	<b>(159,585)</b>	<b>(164,021)</b>	<b>4,436</b>	<b>✓</b>	<b>(318,080)</b>	<b>(329,091)</b>	<b>11,010</b>	<b>✓</b>
<b>Financing Cash flow:</b>												
Bonds/Term Debt Issued/(Repaid)	-	-	-	✓	-	-	-	✓	(150,000)	(150,000)	-	✓
Short Term Advances/(Repaid)	(33,000)	(33,000)	-	✓	(5,000)	(5,000)	-	✓	(5,000)	(5,000)	-	↔
Commercial Paper Issued/(Repaid)	4	-	4	✓	14,830	14,830	-	✓	14,830	14,830	-	✓
Auckland Council Borrowings/(Repaid)	49,706	47,182	2,524	✓	51,366	62,821	(11,455)	✓	242,985	268,612	(25,627)	✓
<b>FINANCING CASH FLOW</b>	<b>16,710</b>	<b>14,182</b>	<b>2,528</b>	<b>✓</b>	<b>61,196</b>	<b>72,651</b>	<b>(11,455)</b>	<b>✓</b>	<b>102,815</b>	<b>128,442</b>	<b>(25,627)</b>	<b>✗</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>6,637</b>	<b>-</b>	<b>6,637</b>	<b>✓</b>	<b>6,687</b>	<b>-</b>	<b>6,687</b>	<b>✓</b>	<b>(97)</b>	<b>(0)</b>	<b>(97)</b>	<b>✗</b>
Opening Cash Balance/(Overdraft)	147	-	147	✓	97	-	97	✓	97	-	97	✓
<b>Ending Cash Balance/(Overdraft)</b>	<b>6,784</b>	<b>-</b>	<b>6,784</b>	<b>✓</b>	<b>6,784</b>	<b>-</b>	<b>6,784</b>	<b>✓</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>✓</b>

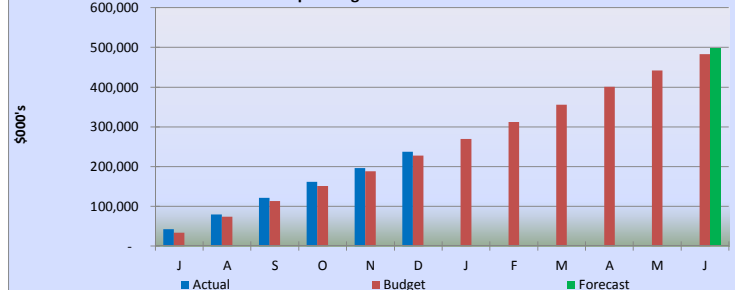
**Key: Financial performance result**

- ✓ Favourable variance - actual/forecast income above budget or actual/forecast expenditure below budget
- ✗ Unfavourable variance - actual income/forecast below budget or actual expenditure/forecast above budget

**Reconciliation Operating Cashflow (\$000's)**

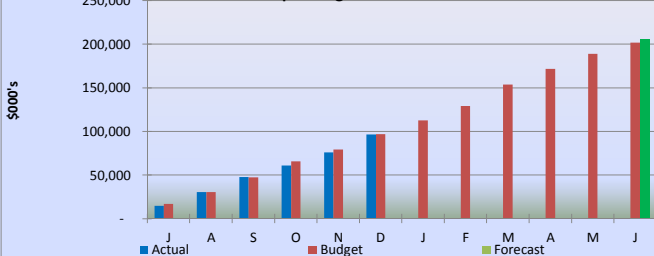
	Current Month		Year to Date		Full Year	
	Actual	Budget	Actual	Budget	Forecast	Budget
Net Surplus (Deficit) After Tax	(16,347)	724	(40,818)	436	(42,281)	(4,536)
Add back non cash items:						
Depreciation and amortisation	16,726	17,829	101,863	104,865	207,718	210,440
Financial instruments revaluation	19,869	-	65,727	-	65,727	-
Vested assets revenue	(1,436)	(1,383)	(10,458)	(8,300)	(18,758)	(16,600)
Other non-operating exp/(inc)	136	533	3,455	3,225	7,230	7,000
Income Tax Expense/(Benefit)	777	(703)	(8,678)	(6,341)	(5,997)	4,512
Movements in Working Capital	(8,245)	(2,290)	(6,014)	(2,516)	1,530	(168)
<b>OPERATING CASH FLOW</b>	<b>11,478</b>	<b>14,708</b>	<b>105,076</b>	<b>91,370</b>	<b>215,169</b>	<b>200,648</b>

**YTD Operating Revenue - Cash Flow**



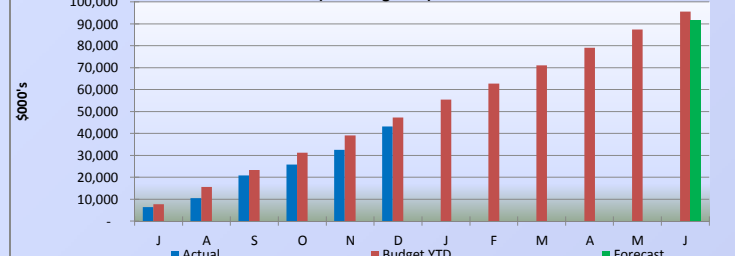
Increased YTD operating cashflow due to higher than budgeted IGC revenue.

**YTD Operating Costs - Cash Flow**



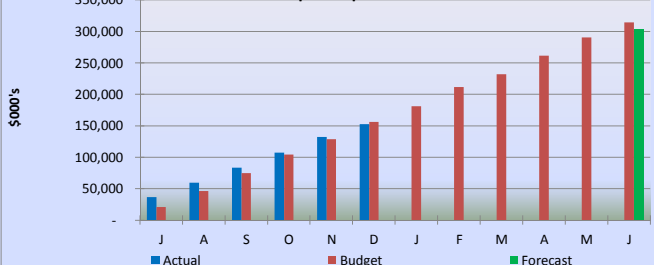
YTD is below budget due to cost savings in both labour and overheads

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



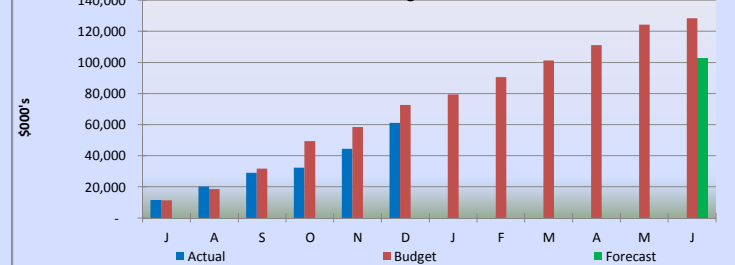
YTD savings in interest cost payments is due to lower than budgeted interest payments resulting from lower than anticipated borrowing.

**YTD Capital Expenditure - Cash Flow**



YTD capital expenditure cash flow currently exceeds budget due to higher than anticipated capex accruals at FY 14 year end paid in FY15 (\$17m initial difference)

**YTD Financing - Cash Flow**



YTD financing cashflow is favourable due to higher operating revenue, lower operating costs, and fewer capex cash outflows compared to budget

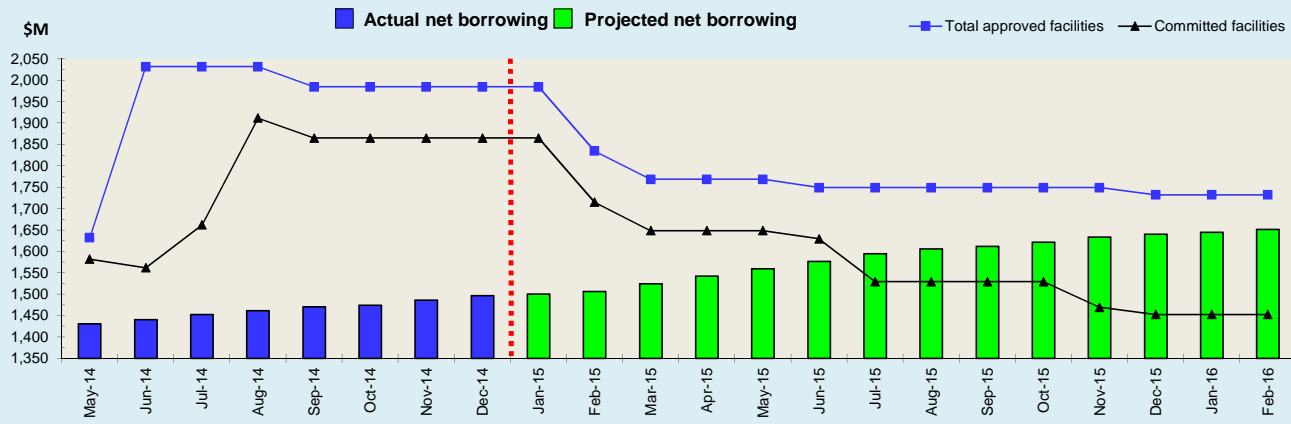


**WATERCARE SERVICES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

**Dec-14**

(\$000's)

June 2014 Actual	November Actual		December			June 2015		
			Actual	Budget	Variance	Forecast	Budget	Variance
		<b>Non-Current Assets</b>						
7,988,872	8,149,223	Property, Plant and Equipment	8,179,730	8,150,588	29,142	8,286,163	8,425,067	(138,904)
453,301	410,520	Construction/Work-in-progress	400,770	446,992	(46,222)	418,497	462,776	(44,279)
(210,329)	(289,078)	Provision for Depreciation	(305,236)	(319,525)	14,289	(22,392)	(49,978)	27,586
8,231,844	8,270,665	<b>Total Property, Plant and Equipment</b>	8,275,264	8,278,055	(2,791)	8,682,268	8,837,865	(155,597)
39,784	43,674	Intangible Assets	43,808	42,235	1,573	36,527	44,837	(8,310)
24,208	24,004	Prepaid Expenses	23,953	24,037	(84)	23,731	23,815	(84)
4,123	4,175	Inventories	4,125	4,211	(86)	4,125	4,211	(86)
5,698	7,206	Derivative Financial Instruments	8,215	5,664	2,551	8,215	5,664	2,551
8,305,657	8,349,724	<b>Total Non-Current Assets</b>	8,355,365	8,354,202	1,163	8,754,866	78,528	(5,929)
		<b>Current Assets</b>						
97	147	Cash and Cash Equivalents	6,784	-	6,784	-	-	-
48,186	46,471	Trade and Other Receivables	48,565	46,493	2,072	35,207	42,760	(7,553)
19,452	22,852	Unbilled Revenue Accrual	23,552	20,158	3,394	22,151	18,459	3,692
4,146	3,081	Prepaid Expenses	2,789	2,285	504	2,760	698	2,062
3,836	4,328	Inventories	4,176	3,684	492	4,176	3,684	492
556	421	Derivative Financial Instruments	332	1,084	(752)	332	1,084	(752)
76,273	77,300	<b>Total Current Assets</b>	86,198	73,704	12,494	64,626	66,685	(2,059)
8,381,930	8,427,024	<b>Total Assets</b>	8,441,563	8,427,906	13,657	8,819,492	8,983,077	(163,585)
		<b>Non-Current Liabilities</b>						
30,000	30,000	Bonds (18/05/16)	30,000	30,000	-	30,000	30,000	-
75,000	75,000	Bonds (26/10/18)	75,000	75,000	-	75,000	75,000	-
50,932	50,822	Bonds (26/10/18)	50,800	50,825	(25)	50,800	50,667	133
150,000	150,000	Term Loan (13/10/16)	150,000	150,000	-	150,000	150,000	-
5,000	-	Bank Revolving Credit Facility	-	-	-	-	-	-
722,339	771,344	Auckland Council Loan	804,453	824,854	(20,401)	995,953	1,119,650	(123,697)
1,033,271	1,077,166	<b>Total debt non-current</b>	1,110,253	1,130,679	(20,426)	1,301,753	1,425,317	(123,564)
13,120	12,821	Other Accrued Expenses	12,761	12,766	(5)	12,761	-	12,761
1,201	1,180	Provision for Staff Benefits	1,186	993	193	1,048	13,255	(12,207)
63,490	110,841	Derivative Financial Instruments	130,997	62,576	68,421	130,997	62,576	68,421
963,808	955,776	Deferred Tax Liability	956,553	957,018	(465)	1,048,229	1,085,179	(36,950)
2,074,891	2,157,784	<b>Total Non-Current Liabilities</b>	2,211,750	2,164,031	47,718	2,494,787	2,586,327	(91,539)
		<b>Current Liabilities</b>						
133,811	148,637	Commercial Paper	148,641	148,641	-	148,641	119,036	29,605
250	257	Bonds (26/10/18)	257	231	26	257	264	(7)
150,000	150,000	Bonds (16/02/15)	150,000	150,000	-	-	-	-
-	33,000	Bank Revolving Credit facility	-	-	-	-	-	-
136,395	89,050	Auckland Council Loan	105,647	108,193	(2,546)	105,647	18,918	86,729
420,456	420,944	<b>Total debt current</b>	404,545	407,065	(2,520)	254,545	168,218	86,327
28,427	21,442	Trade and Other Payables	22,616	32,582	(9,966)	29,277	31,323	(2,046)
12,681	15,937	Interest Accrued	13,641	11,409	2,232	13,641	13,805	(164)
55,903	44,774	Other Accrued Expenses	38,725	37,408	1,317	50,103	55,122	(5,019)
6,382	6,466	Provision for Staff Benefits	6,323	5,103	1,220	5,795	5,483	312
928	1,013	Other Provisions	1,013	1,152	(139)	1,013	1,152	(138)
150	29	Derivative Financial Instruments	663	194	469	663	194	469
524,927	510,605	<b>Total Current Liabilities</b>	487,526	494,913	(7,387)	355,037	275,296	79,741
		<b>Equity</b>						
260,693	260,693	Authorised & Issued Capital	260,693	260,693	-	260,693	260,693	-
3,779,111	3,779,111	Capital Contribution Reserve	3,779,111	3,779,111	-	3,779,111	3,779,111	-
1,666,754	1,666,312	Revaluation Reserve	1,666,390	1,641,392	24,998	1,895,233	1,998,856	(103,623)
84,968	76,989	Retained Earnings	76,911	87,330	(10,419)	76,911	87,330	(10,419)
(9,413)	(24,470)	Current Year Earnings after Tax	(40,818)	436	(41,254)	(42,281)	(4,536)	(37,745)
5,782,113	5,758,635	<b>Total Shareholders' Funds</b>	5,742,287	5,768,962	(26,675)	5,969,667	6,121,454	(151,787)
8,381,930	8,427,024	<b>Total Shareholders' Funds and Liabilities</b>	8,441,563	8,427,906	13,657	8,819,492	8,983,077	(163,585)



Interest rates

	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	4.96%	4.88%	4.99%
Weighted averages (incl. fees and margins)	6.27%	N/A	6.20%

Debt (\$m)

	Actual	Budget	Variance
Short-term borrowings	404.5	409.9	(5.4)
Long-term borrowings	1,110.3	1,127.8	(17.5)
<b>Total gross debt</b>	<b>1,514.8</b>	<b>1,537.7</b>	<b>(22.9)</b>
Less cash & deposits	6.8	-	(6.8)
<b>Total net borrowing</b>	<b>1,508.0</b>	<b>1,537.7</b>	<b>(29.7)</b>

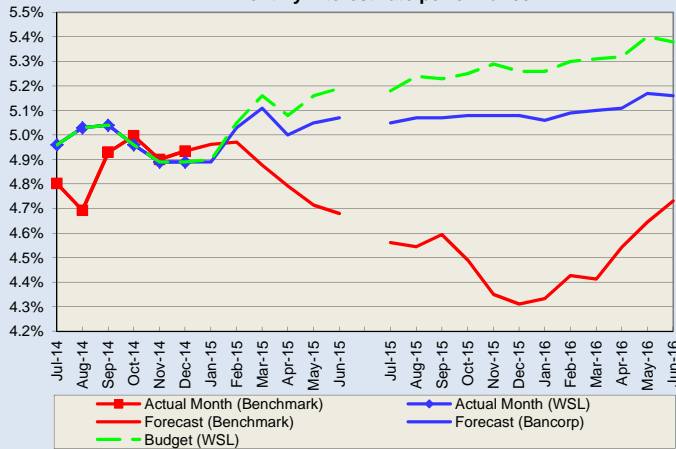
Committed facilities

- Westpac Term Loan facility	\$150 million
- ANZ CP Standby facility	\$100 million
- BNZ CP Standby facility	\$100 million
- Westpac Revolving Credit facility	\$60 million
- Medium term notes	\$305 million
- Auckland Council	\$1,150 million
<b>Total committed facilities as at 31 December</b>	<b>\$1,865 million</b>

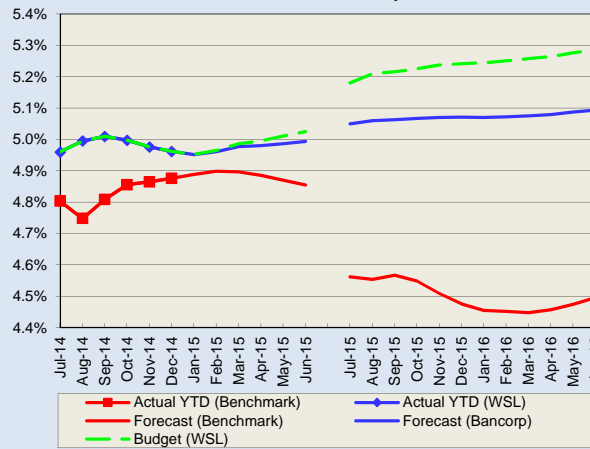
Additional approved facilities

- Approved new funding from Auckland Council	\$70 million
- Approved CP issuance, over and above CP Standby facility	\$50 million
<b>Total approved facilities as at 31 December</b>	<b>\$1,985 million</b>

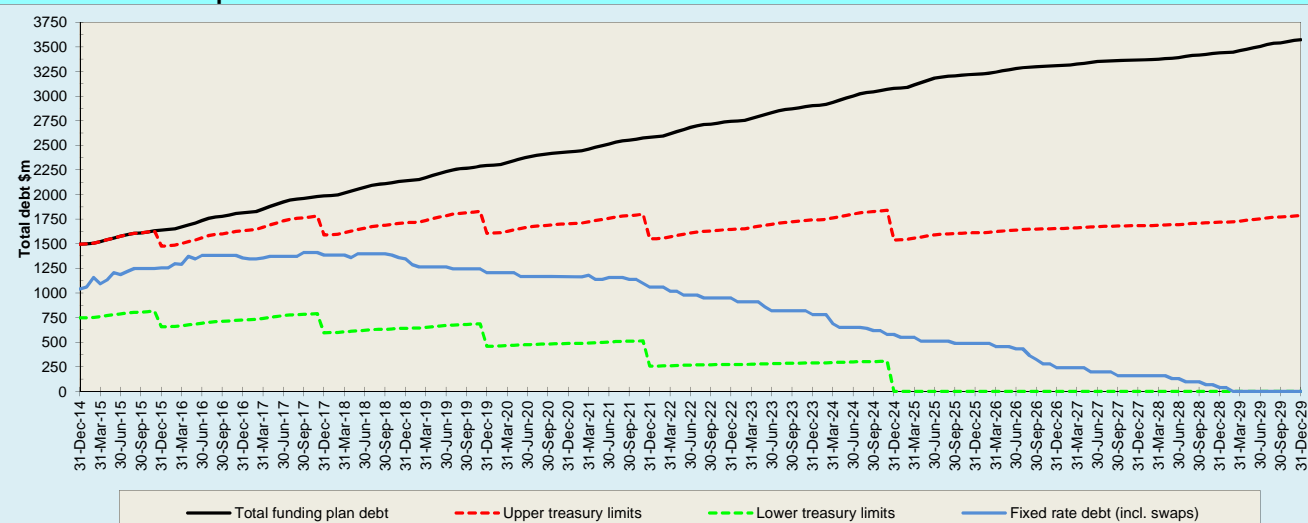
Monthly interest rate performance



Year to date interest rate performance



Forecast total debt profile



**COUNTERPARTY EXPOSURES, DEBT CONCENTRATION &  
COVENANT COMPLIANCE**

**Dec-14**

Counterparty exposures	S&P credit rating Short / long term	Face value	Credit exposures	Limit	Limit	
		\$000	\$000	\$000	OK /	exceeded
<b>Obligations of registered banks</b>						
ANZ Bank	A1+ / AA-	690,903	4,537	100,000	Limit OK	✓
Bank of New Zealand	A1+ / AA-	758,090	26,161	100,000	Limit OK	✓
ASB Institutional	A1+ / AA-	115,000	3,009	100,000	Limit OK	✓
Westpac Institutional Bank	A1+ / AA-	556,198	2,182	100,000	Limit OK	✓
		2,120,191	35,889	N/A		

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

**Debt concentration \$000**

Committed debt facilities	Maturity	0-12 months	12-24 months	24-36 months	36-48 months	48-60 months	> 60 months	Total
ANZ CP Standby facility	1/07/15	100,000						100,000
Westpac Revolving Credit facility	30/11/15	60,000						60,000
Westpac Term Loan facility	13/10/16		150,000					150,000
BNZ CP Standby facility	1/07/17			100,000				100,000
Medium-term notes	Various	150,000	30,000		125,000			305,000
Auckland Council	Various	102,439	49,668	108,368	2,243	230,000	657,243	1,149,961
<b>Total committed debt facilities</b>		<b>412,439</b>	<b>229,668</b>	<b>208,368</b>	<b>127,243</b>	<b>230,000</b>	<b>657,243</b>	<b>1,864,961</b>
Approved new funding from Auckland Council							69,716	69,716
Approved CP issuance, over and above CP Standby							50,000	50,000
<b>Total committed and approved debt facilities</b>		<b>412,439</b>	<b>229,668</b>	<b>208,368</b>	<b>127,243</b>	<b>230,000</b>	<b>776,959</b>	<b>1,984,677</b>
<b>Treasury policy - total committed debt facilities</b>		<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>		
Treasury policy compliance		✓	✓	✓	✓	✓		

Drawn bank facilities	Maturity	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	> 30 months	Total
ANZ CP Standby facility (\$100m)	1/07/15							0
Westpac Revolving Credit facility (\$60m)	30/11/15							0
Westpac Term Loan facility (\$150m)	13/10/16				150,000			150,000
BNZ CP Standby facility (\$100m)	1/07/17							0
		0	0	0	150,000	0	0	150,000
<b>Treasury policy for bank facilities</b>		<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	
Treasury policy compliance		✓	✓	✓	✓	✓	✓	
<b>Other facilities</b>								
BNZ overdraft	On demand	2,000						2,000
		2,000	0	0	0	0	0	2,000

Counterparty exposure in relation to borrowing facilities	Westpac	BNZ	ANZ			
Term loan facility	150,000					
Revolving credit facility	60,000					
CP standby facility		100,000	100,000			
	<b>210,000</b>	<b>100,000</b>	<b>100,000</b>			
<b>Treasury policy</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>			
Treasury policy compliance	✓	✓	✓			

**Compliance with financial covenants and ratios under the Negative Pledge Deed and Guarantee Facility Deed**

Covenant / ratio	Benchmark/target measure	Outcome	Compliance
Security interests / total tangible assets - maximum	5%	0.00%	✓
Total liabilities / total tangible assets - maximum	60%	32.14%	✓
Total liabilities (including contingent) / total tangible assets - maximum	65%	32.16%	✓
Shareholders funds - minimum (\$000)	500,000	5,742,288	✓
EBITDA : funding costs ratio - minimum	1.75	3.98	✓
Funds from operations : interest cover ratio - minimum	2.00	3.35	✓
Total tangible assets of borrowing group / total tangible assets - minimum	90%	100.00%	✓
Loans, guarantees etc to related companies / total tangible assets - maximum	5%	0.00%	✓
External debt maturing in less than 5 years - minimum	50%	100.00%	✓

**FOREIGN EXCHANGE, COMMERCIAL PAPER &  
ELECTRICITY HEDGING**

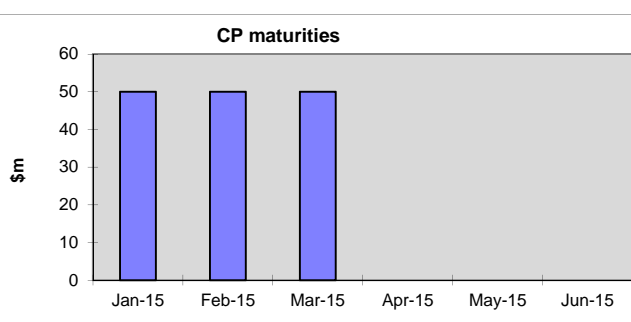
**Dec-14**

Foreign currency exposures (NZ\$000) including hedging for chemical purchases	USD	AUD	Total
Total exposure to be hedged	3,181	232	3,412
Foreign exchange hedging	3,181	232	3,412
Percentage cover	100%	100%	100%
<b>Treasury policy</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Treasury policy compliance	✓	✓	✓

Hedging for chemical purchases (US\$000)	Mar-15	Jun-15	Sep-15	Mar-16	Total
Chemicals forward foreign exchange hedging	1,000	500	250		1,750
<b>Treasury policy</b>					<b>&lt;= 5,000</b>
Treasury policy compliance					✓

**Commercial paper maturities**

Issue #	\$000	BKBM	Interest rate	Bid cover (x)	Term (days)	Maturity date
273	50,000	3.700%	3.807%	1.92	82	20-Jan-15
274	50,000	3.670%	3.776%	2.42	92	25-Feb-15
275	50,000	3.650%	3.756%	2.03	91	23-Mar-15
	<b>150,000</b>		<b>3.780%</b>			



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

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Beyond Jun-15	Total
Outstanding CP	50,000	50,000	50,000	0	0	0	0	150,000
Uncommitted short-term debt								0
	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>150,000</b>

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

Undrawn committed standby facilities	1 month	1-2 months	2-3 months	3-4 months	4-5 months	5-6 months	6-7 months	> 7 months
Undrawn committed standby facility - CP facility	200,000	200,000	200,000	200,000	200,000	200,000	100,000	100,000
50% of CP and other short-term debt repayable within 60 days	50,000	50,000	25,000	0	0			
<b>Treasury policy:</b> Undrawn standby facilities >= 50% of outstanding CP and other uncommitted short-term debt repayable within 60 days								
<b>Treasury policy compliance</b>	✓	✓	✓	✓	✓	✓		

Electricity hedging (NZ\$000)	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	30-36 months	36-42 months	42-48 months
Contract maturity								
Contract length								
<b>Total value of outstanding contracts</b>		<b>0</b>						
<b>Treasury policy for maximum value of outstanding contracts</b>		<b>&lt;= 10,000</b>						
Treasury policy compliance		✓						

# WATERCARE SERVICES LIMITED

## Management Report

Dec-14

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#### Section B

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#### 1 Results by Area (non-financial)

- Drinking Water Removed - replaced by scorecard
- Wastewater Treatment - Mangere Removed - replaced by scorecard
- Wastewater Treatment - Rosedale Removed - replaced by scorecard
- Managed Assets - Unplanned Maintenance Removed - replaced by scorecard
- Managed Assets - Inventory Management Removed - replaced by scorecard
- Cost Minimisation - Costs per cubic metre Removed - replaced by scorecard

#### 2 Statistics

- Monthly Statistics Update B9
- Networks Statistics Removed - replaced by scorecard
- Customer Services Statistics Removed - replaced by scorecard
- Performance Against Statement of Intent Measures Removed - replaced by scorecard
- Public Perception B13

*Confidential*

# Management Report

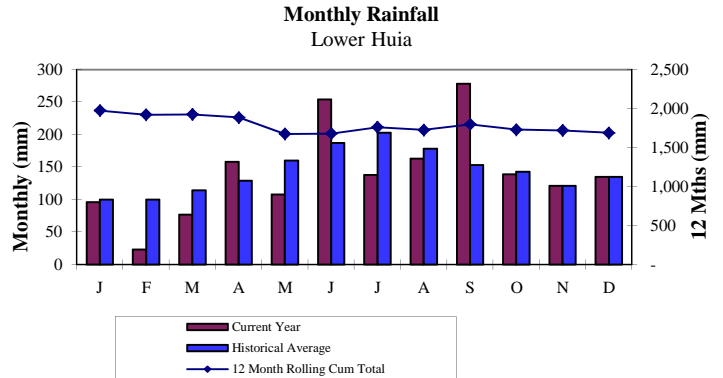
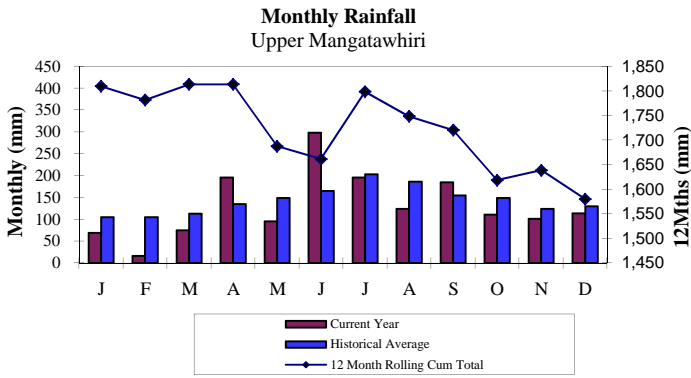
## Monthly Statistics Update

WATERCARE SERVICES LIMITED

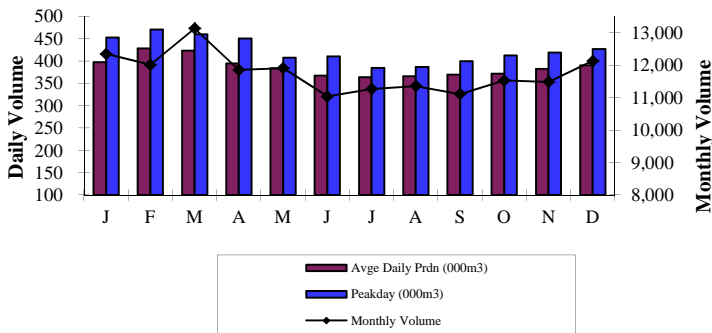
Dec-14

### Rainfall

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
Actual - Upper Mangatawhiri	114 mm	1580 mm	Actual - Lower Huia	135 mm	1690 mm

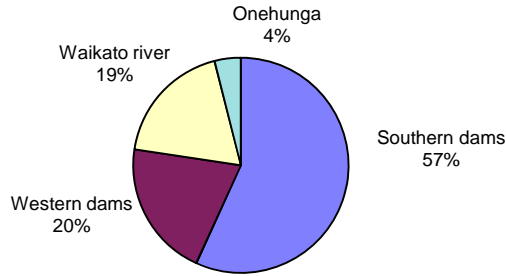


### Water Production - Metropolitan Supply



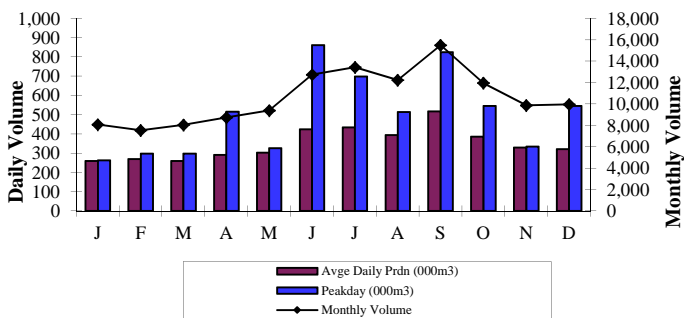
	Current Month	12 Month Rolling Ave
Monthly Volume (000m <sup>3</sup> )	12,130	11,767
Average Daily Production	391	387
Peak Day	427	424

### Treated water volumes for the month



Treated water volumes (000m <sup>3</sup> )	Current Month	Year to Date		
Southern dams	6,892	57%	40,780	59%
Western dams	2,495	21%	14,504	21%
Waikato river	2,263	19%	11,120	16%
Onehunga aquifer	479	4%	2,491	4%
<b>Total</b>	<b>12,130</b>	<b>100%</b>	<b>68,895</b>	<b>100%</b>

### Wastewater Treatment - Metropolitan Treatment



	Current Month	12 Month Cumulative Ave
Monthly Volume (000m <sup>3</sup> )	9,962	10,633
Average Daily Production	321	349
Peak Day Mangere	546	503

Management Report – Media Analysis Goal Seven: Public Perception				WATERCARE SERVICES LIMITED			Dec-14		
Date	Outlet/Publication	Headline	Opening text	Hit sentence	Link/attached	Positive	Neutral	Negative	
1/12/2014	NZ Local Government Magazine (January edition)	Around the councils	AUCKLAND COUNCIL votes down a proposal to delay the start of work on its inner city rail link. Work is scheduled to begin in 2016, Councillors also vote 16-7 to lift the overall rates bill by 3.5 percent every year for the next 10 years. It is not yet clear how much extra householders will pay. The decision goes out for public consultation in January.	The net debt of the council group, which includes council controlled organisations such as Watercare and Auckland Transport, is expected to hit \$11 billion by 2025. Council also agrees to raise the cost of water and wastewater by 2.5 percent for the first two years of the long-term plan and 3.6 percent for the remaining eight years. The long-term plan budget will go out for public consultation in January and be formally adopted by council in June 2015.			✓		
3/12/2014	Scoop.co.nz	Auckland Council announces new CCO board appointments	Auckland Council announces new CCO board appointments. Auckland Council has made four key appointments to the boards of Waterfront Auckland, Regional Facilities Auckland and Watercare Services Ltd.	David Thomas joined the Watercare board on 1 November following the retirement of Susan Huria... "David has a depth of senior level experience within large industry organisations and his knowledge of health and safety requirements will be most valuable to Watercare"... Watercare Chair David Clarke says: "David brings leadership and Maori cultural values, adding depth to the Watercare board."	<a href="http://www.scoop.co.nz/stories/AK1412/S00109/auckland-council-announces-new-cco-board-appointments.htm">http://www.scoop.co.nz/stories/AK1412/S00109/auckland-council-announces-new-cco-board-appointments.htm</a>		✓		
3/12/2014	Aucklandcouncil.govt.nz	Auckland Council announces new CCO board appointments	Auckland Council announces new CCO board appointments. Auckland Council has made four key appointments to the boards of Waterfront Auckland, Regional Facilities Auckland and Watercare Services Ltd.	David Thomas joined the Watercare board on 1 November following the retirement of Susan Huria... "David has a depth of senior level experience within large industry organisations and his knowledge of health and safety requirements will be most valuable to Watercare"... Watercare Chair David Clarke says: "David brings leadership and Maori cultural values, adding depth to the Watercare board."	<a href="http://www.aucklandcouncil.govt.nz/EN/newsandculture/OurAuckland/midiareleases/Pages/aucklandcouncilannouncesnewccboard.aspx">http://www.aucklandcouncil.govt.nz/EN/newsandculture/OurAuckland/midiareleases/Pages/aucklandcouncilannouncesnewccboard.aspx</a>		✓		
4/12/2014, 11:18am	Newstalk ZB		Caller Hilton talks to Smith about his frustration with Watercare after he received identical water bills for all three of his properties. Watercare insists that the identical figures are a coincidence.				✓		
4/12/2014	New Zealand Herald	Rants and raves	Rave. Unbeknown to us a bulldozer broke the water main in our street and the water suddenly went off. I called Watercare and immediately reached a real live person in Auckland who told me exactly and pleasantly what had happened and how long it would take to fix (and they were right within 5 minutes). Wayne J Owens		<a href="http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&amp;objectid=11368471">http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&amp;objectid=11368471</a>	✓			
5/12/2014	Pohutukawa Coast Times	Waste water bill shock	Some Beachlands-Maraetai residents are getting an unwelcome Christmas present from Watercare – a backdated bill for waste water.	One is Maraetai's Chris Postlewaight who, in an email to the PC Times says: "...letters are being sent out by Watercare Auckland stating they had not been charging some residents for their waste water since 2011. They are now sending invoices to people – mine was over \$2000! – and expecting them to pay by the 9th of December, right on Christmas when families are under enough financial strain." Chris, upon phoning Watercare, was given up to six months to pay the bill. "Yet this is something that sat around for over three years. This means that I would need to find an extra \$339 per				✓	
5/12/2012	Devonport Flagstaff	Mt Vic reservoir to be drained as a precaution	Mt Vic reservoir will be drained as a precaution against possible contamination. A manhole cover on the reservoir was recently prised open by vandals.	Watercare Networks Operations Manager Anin Nama said test results showed no contamination of either reservoir on Mt Vic. But both would remain isolated from service until they had been drained and thoroughly examined. Watercare would work closely with technical experts to ensure a thorough evaluation was completed before the reservoirs were returned to service, Nama said. Recent vandalism to an access lid on one of the two Mt Victoria reservoirs is disappointing, and at odds with the sense of ownership communities typically felt towards public assets, he said.			✓		
5/12/2014, 6.22am	TVNZ, Breakfast.	Interview with David White, Local Government Specialist, PWC about the proposed Wellington amalgamation	Go to 21:40 for interview.	If you look at water and wastewater services, in Auckland we've got a fully functioning, best in class CCO called Watercare services. In Wellington currently they have a water CCO but it doesn't look after the full water functions and in addition it doesn't look after wastewater so if you don't actually bring them together you'll end up with a council with a wastewater department and a water CCO and it's not efficient from an infrastructure perspective... What tends to happen in these amalgamation processes, the different service levels that different councils are providing becomes very transparent and again, harking on that water example, in the outer districts of Auckland, Rodney and Franklin they had very run down water and wastewater systems so Watercare is apparently spending something like \$150 million on new infrastructure. In Pukekohe for instance, they've just spent over \$10 million putting a new pipeline through so they get A-grade drinking water like the rest of us in the metropolitan area so those sorts of things you actually	<a href="http://tvnz.co.nz/breakfast/2014-12-05-video-6192337">http://tvnz.co.nz/breakfast/2014-12-05-video-6192337</a>	✓			
3/12/2014	Mahurangi Matters	Water pipeline route investigated		Watercare contractors will visit Smiths Beach properties this month to help determine the route of a replacement pipeline. The current pipe is nearing the end of its useful life. Construction of the new pipeline is scheduled to begin in 2016		✓			
4/12/2014	Western Leader	Letters – Verify costs		I agree with Cathy Bentley that Watercare wanted to shut down the Rainforest Express for a long time, Western Leader, November 28 ... We should get an independent verification of their supposedly \$11 million cost. Plus what cost is the loss of tourism to the area for businesses? We deserve the proof of costs before it is finally killed off. Watercare says: Maraetai letter				✓	
8/12/2012	Howick Pakuranga Times, Auckland	Their persistence finally pays off	Marianne Kelly reports on the frustrations of residents getting the public service to dispose of a collapsed tree...	Four residents with properties on the shores of a Tamaki River inlet in Pakuranga, having battled with Auckland Council bureaucracy for four months, are relieved a fallen tree blocking part of the waterway will be removed...One resident, Graham Bishop, phoned the council and, after an inspection an officer said it would be removed within five days. Thirty days later it remained in the water and this time Mr Bishop was told council staff had decided they wouldn't remove the tree. Through the course of many phone calls, he was given a variety of stories including that because the tree was in the water, it was Watercare's responsibility. A watercare engineer visited and said it was not a hazard to navigation – in which case the Auckland harbour master would have been involved – and it was not Watercare's responsibility.			✓		
8/12/2014	Law Fuel	Environment Expert Joins Bankside Chambers	Well known environmental lawyer Derek Nolan has left Russell McVeagh, where he lead the environment law and resource management team, to join Bankside Chambers as barrister.	Mr Nolan has acted on a number of important environment law and resource management matters and has represented a client list that includes Ports of Auckland, Auckland Airport, Air NZ, SKYCITY, the Crown Group, Precinct Properties, Scentre (formerly Westfield), Cloudy Bay, Auckland Racing Club, Watercare Services, Stevenson Group and Waterfront Auckland.	<a href="http://www.lawfuel.co.nz/news/1675/environment-expert-joins-bankside-chambers">http://www.lawfuel.co.nz/news/1675/environment-expert-joins-bankside-chambers</a>		✓		

9/12/2014	Times online	Their persistence finally pays off	FOUR residents with properties on the shores of a Tamaki River inlet in Pakuranga, having battled with Auckland Council bureaucracy for four months, are relieved a fallen tree blocking part of the waterway will be removed	...decision to take away the tree comes in the wake of a tortuous series of phone calls, talks with Howick ward councillors...Through the course of many phone calls, he was given a variety of stories including that because the tree was in the water, it was Watercare's responsibility. A Watercare engineer visited and said it was not a hazard to navigation – in which case the Auckland harbour master would have been involved – and it was not Watercare's responsibility.	<a href="http://www.times.co.nz/news/their-persistence-finally-pays-off.html">http://www.times.co.nz/news/their-persistence-finally-pays-off.html</a>		✓		
9/12/2014	The Post	Water tankers no issue for local water supply		Concerns that Watercare has been trucking water to Waiuku's reservoir because the town is running out have been lifted; with the company clarifying the tankers are part of a testing programme.			✓		
9/12/2014	Waiuku and Districts Post, Auckland	Four on Board	Auckland Council has made four key appointments to the boards of Waterfront Auckland, Regional Facilities Auckland and Watercare Services Ltd	David Thomas joined the Watercare board on 1 November following the retirement of Susan Huria.				✓	
10/12/2014	Times Newspapers, Auckland	Its only a wee tree	Residents of Swan Crescent, in Pakuranga – John Davies, Kerry Fitzpatrick, Bruce Barrack and Graham Bishop – have been waiting four months for the Auckland Council to address the problem of a collapsed tree that has fallen from a public reserve into a Tamaki River inlet	a tree that had toppled into a city waterway from council reserve land, otherwise known as the Queen's Chain, was the responsibility of the officers at Watercare, who manage the water we drink and wash in, or maybe the Auckland harbour master, who makes sure there are no hazards in the shipping or recreational boating lanes and areas... Alright, so there are no container ships bearing down on this waterway...But the residents would like the council to act like a good neighbour and take the same pride in the environment as they do.	<a href="http://www.times.co.nz/times-talk/its-only-a-wee-little-tree.html">http://www.times.co.nz/times-talk/its-only-a-wee-little-tree.html</a>			✓	
10/12/2012	Howick & Botany Times, Auckland	Opinion on 'Its only a wee tree'	I suppose the guys and gals who man the Auckland Council's call centre have to put up with a lot from us bolshie residents and ratepayers. Its probably why they occasionally get confused. So lets give the benefit of the doubt to the soul who figured that a tree that had toppled into a city waterway from council reserve land, otherwise known as Queen's Chain, was the responsibility of the officers at Watercare who manage the water we drink and wash in, or maybe the Auckland harbour master, who makes sure there are no hazards in the shipping or recreational boating lanes and areas	But please guys this is just a little tree that's fallen into the water in a pretty little inlet of the Tamaki River in Pakuranga...The council didn't initially want to remove the tree that has fallen from its land into the water, sitting there like a sodden eyesore...So after four months of 'agony' and the Times suggestion that the council start acting like a good neighbour, the council's local and sports parks south team has relented, saying the job can be done at a reasonable cost by a small-tracked vehicle, which will winch the tree out of the water and it will be cut up.				✓	
17/12/2014	Whaleoil.co.nz	Christmas Countdown: Boagan Dward One – Heather Shotter	The Boagan, Shotter, Committee for Auckland, EMA plan is to confiscate \$2.1 billion in privately owned shares, give them to Lyin' Len and then try to get him to sell them... so who is The Shotter's Committee for Auckland ...	here's the truth: it's mainly a front for Lyin' Len himself... its funded by the Auckland Council, Auckland Airport (which Lyin' Len's council already owns shares in), Lyin' Len's Auckland Tourism, Events and Economic Development agency, his Auckland Regional Facilities agency, Ports of Auckland (100% owned by Lyin' Len's Council) Watercare (100% owned by Lyin' Len's council) and Waterfront Auckland (100% owned by Lyin' Len).	<a href="http://www.whaleoil.co.nz/2014/12/christmas-countdown-boagan-dwarf-one-heather-shotter/">http://www.whaleoil.co.nz/2014/12/christmas-countdown-boagan-dwarf-one-heather-shotter/</a>			✓	
19/12/2014	New Zealand Herald	1080 quandary	Extra drinking water may have to be pumped from the Waikato River for Aucklanders if planned airdrops of the pesticide 1080 require extended closures of reservoirs in the Hunua Ranges.	Auckland's public water supplier Watercare Services will today consider a report recommending condition for a council plan to dump 1080 over the Hunuas next spring to combat "extremely high rat and possum populations".				✓	
19/12/2014	Yahoo New Zealand	Contract awarded for the SH20A to Airport project	The New Zealand Transport Agency's commitment to getting Auckland moving was reinforced yesterday (18 December) as contracts were signed with the MHX Kirkbride Alliance to deliver the SH20A to Airport project...	Key features of the project include the construction of a trench that will carry SH20A - the main route to and from Auckland Airport - under Kirkbride Road, new facilities on local roads for walkers and cyclists, a fully segregated cycleway on SH20A and the provision for future bus shoulders on the state highway...The trench under Kirkbride Road is designed to integrate with future rail, and the bridge over the trench will house Watercare's Hunua 4 watermain... Construction is scheduled to begin in January and will take two				✓	
20/12/2014	Weekend Herald, Auckland	Energy trust's future		Correspondents rising to Winston Peters' Opinion piece, and Mr Peters himself, have missed the point on why Vector's electricity lines must be protected by public ownership and control to ensure security of power supply...If Vector were placed under the Auckland Council's control and run as a public utility company, as Watercare is, there would be more incentive to keep Auckland's "liveable city" lights on, while surplus dividends could be applied to other				✓	
23/12/2014	Manukau Courier	Watercare takes over island lease		Plans to create a regional park on the site of the old Puketutu Island quarry are taking a step forward. Watercare has bought a 999-year lease for the island from Kelliher Trust for \$27 million and transferred its ownership to a 12-person governance trust. The trust will be made up of four people from the Auckland Council, four from Watercare and four from iwi entities Waikato Tainui, Te Kawerau a Maki and Makaurau Marae. Watercare will lease the 197-hectare area back from the trust and when the regional park is complete the council's parks department will run it. The grounds of the park will be made with 4.4 million tonnes of treated bio-solids from the nearby Watercare wastewater treatment plant which will then be covered by a layer of topsoil. Operations manager Mark Bourne says transferring bio-solids to the island will end up saving \$22m over the next 35 years. Watercare has also purchased the machinery necessary for the redevelopment and staff are now	<a href="http://www.stuff.co.nz/auckland/local-news/manukau-courier/64384029/Watercare-takes-over-island-lease">http://www.stuff.co.nz/auckland/local-news/manukau-courier/64384029/Watercare-takes-over-island-lease</a>			✓	
22/12/2014	Howick Pakuranga Times, Auckland	Council's annual budget finalised	LONG-term plan public consultation will be used rather than having a referendum on the super-city's transport issues and how to fund the infrastructure in the future.	The Auckland Council's governing body has voted against a referendum ...Councillors also agreed to support the development of a new entity, Development Auckland, which will result from the merger of two CCOs (council-controlled organisations), Auckland Council Property Ltd (ACPL) and Waterfront Auckland. Other CCOs providing water services (Watercare), major events and tourism (ATEED - Auckland Tourism Events and Economic Development Ltd) and major new investments (ACIL – Auckland Council Investments Ltd) will remain within their structures.				✓	
23/12/2014	Manukau Courier, Auckland	Watercare takes over island lease for new park	Plans to create a regional park on the site of the old Puketutu Island quarry are taking a step forward	Watercare has bought a 999-year lease for the island from Kelliher Trust for \$27 million and transferred its ownership to a 12-person governance trust. The trust will be made up of four people from the Auckland Council, four from Watercare and four from iwi entities Waikato Tainui, Te Kawerau a Maki and Makaurau Marae. Watercare will lease the 197-hectare area back from the trust and when the regional park is complete the council's parks department will run it. The grounds of the park will be made with 4.4 million tonnes of treated bio-solids from the nearby Watercare wastewater treatment plant which will then be covered by a layer of topsoil. Operations manager Mark Bourne says transferring bio-solids to the island will end up saving \$22m over the next 35 years. Watercare has also purchased the machinery necessary for the			✓		
Social media									
<b>Date</b>	<b>Media outlet</b>	<b>Posted by</b>	<b>Content</b>		<b>Link</b>	<b>Positive</b>	<b>Neutral</b>	<b>Negative</b>	

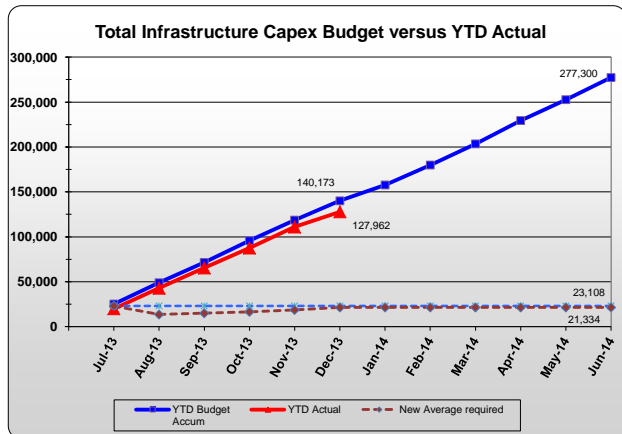


1/12/2014	Twitter	West Side Story	Allow folks to carve up their sections if they want at no cost. Why does it cost an arm and a leg to cross lease or sub divide?		<a href="https://twitter.com/BenRoss_AKL/status/539170787542051840">https://twitter.com/BenRoss_AKL/status/539170787542051840</a>		✓		
<b>Comments</b>			Ben Ross	@tauhenare you mean the Watercare connection fee and development contributions?			✓		
			West Side Story	@BenRoss_AKL No I mean Mum and Dad want to downsize but stay where they are. Its cost prohibitive			✓		
1/12/2014	Twitter	Philip Lyth	@bernardchickey Is there a source please for that figure of 45k sections w/ roading and services connected?		<a href="https://twitter.com/philiplyth/status/539225528503255040">https://twitter.com/philiplyth/status/539225528503255040</a>		✓		
<b>Comment</b>			Bernard Hickey	@philiplyth Watercare. cheers			✓		
1/12/2014	Twitter	Jay Raman	This explains the price of water in Auckland? #watercare [link includes image]		<a href="https://twitter.com/jayraman/status/539303986168598528">https://twitter.com/jayraman/status/539303986168598528</a>			✓	
5/12/2014	Facebook	Day by Day Christian	Worship Celebration Roster... May bottomless refill naman po tayao courtesy of the New Zealand Watercare.		<a href="https://www.facebook.com/243231605713667/posts/757987797571376">https://www.facebook.com/243231605713667/posts/757987797571376</a>		✓		
6/12/2014	Twitter	Quinn Simpson	- @CoffeeLabNZ @lamarzocco eek waitakere water has low alkalinity		<a href="https://twitter.com/CoffeeLabNZ/status/541098814791114753">https://twitter.com/CoffeeLabNZ/status/541098814791114753</a>		✓		
7/12/2014	Facebook	Elizabeth Kinsella	Across the globe communities, large and small, are loosing their access to water... "Yesterday at the Auckland Council meeting, I took along 'Rita' and 'Peter' (our demonstration water meters), plus a clamp which I had removed with an angle grinder, and explained VERY clearly to all Councillors and representatives of Watercare who were present, that the Water Pressure Group would simply not tolerate water restriction being used as a means of debt enforcement		<a href="https://www.facebook.com/100001499910545/posts/829526950440628">https://www.facebook.com/100001499910545/posts/829526950440628</a>		✓		
8/12/2014	Facebook	Friends of the Manukau Harbour	Update on the Waitakere Rainforest Express ...	Today, Cathy Bentley, and I had a meeting with Raveen Jaduram, CEO at Watercare...Raveen sympathised with us regarding the closure, he and many Watercare Board members would also like to have the Rainforest Express still operational. The closure has occurred due to a change in legislation around 'Health and Safety' for passengers, a public safety clause that has been imposed by Government on Watercare... This legislation changed in 2010 and although the Rainforest Express has been in operation until May of 2013, as it's not the core business focus of Watercare, and with further work required to mitigate public safety risk, the decision has been made by the Board for it to remain permanently closed. That said, the safety of the pipe and track still require work to keep it operational. This also requires 'Health and Safety' and Watercare are responsible for ensuring that they put adequate systems in	<a href="https://www.facebook.com/168588229971309/posts/388507984645998">https://www.facebook.com/168588229971309/posts/388507984645998</a>		✓		
<b>Comments</b>			Louise Matheson	"Well done Vic, phase 2 begins we need to keep this heritage & tourist site open & operational!! Thank you for stepping up to the plate!"				✓	
			Vicki Moffat	"Keep going Vic! It will be so worth it for those coming behind you. Thanks for all your efforts thus far."				✓	
			Barry Coates	"well done. The rainforest express is an asset to Auckland and needs to be continued"					✓
			Keith Bishop	"The rainforest express should be retained."					✓
			Anne Walsh	"Great save for future generations"					✓
			Jen Stuart-Watson	"Get in behind Vic all you Auckland people while something can still be done ... once it's gone it will be too late then..."					✓
9/12/2014	Facebook	We find out why Watercare has been bringing tankers of water to Waiuku.		Concerns that Watercare has been trucking water to Waiuku's reservoir because the town is running out have been lifted; with the company clarifying the tankers are part of a testing programme.	<a href="https://www.facebook.com/178101465694031/posts/372766252894217">https://www.facebook.com/178101465694031/posts/372766252894217</a>		✓		
15/12/2014	Twitter			'unsafe water quality @ Mairangi Bay, Karekare Lagoon & Karekare carpark. Avoid bathing – retesting over next few days. #0800SAFESWIM' @SteveCaseyAKl 'why is this? Is it a fail by Watercare? Please explain to ratepayers who pay rates PLUS water in PLUS water out for treatment'	<a href="https://twitter.com/AklCouncil/status/544700948572930048">https://twitter.com/AklCouncil/status/544700948572930048</a>		✓		
22/12/2014	Twitter	Watercare takes over island lease		AucklandNowNZ 'Watercare takes over island lease'			✓		

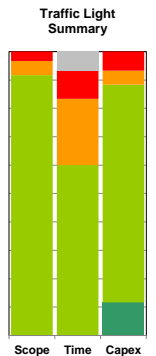
CAPITAL EXPENDITURE

(\$000)

SAP Code	Project / Programme Name	Stage 1 Capex Out Turn Cost	Total Project Performance		Annual Project Performance			Scope/ Quality	Time / milestones	Costs - Capex
			Current Forecast	Forecast	Budget	Budget Variance				
<b>Water Projects (&gt;\$2m)</b>										
C-10049P	Hunua No 4 Programme	-	375,978	53,174	49,780	(3,394)				
C-11619	North Harbour Watermain Duplication	-	239,998	8,365	9,100	735				
C-12205	Huia WTP Upgrade	-	232,348	267	700	433				
C-12066	Huia No 1 Watermain Replacement	42,103	42,091	543	450	(93)				
C-11998	Runciman Rd Reservoir	40,007	39,984	562	175	(387)				
C-11232P	North Franklin Programme	-	23,496	2,248	787	(1,461)				
C-10183	Ardmore rapid restart & sludge handling	-	18,506	2,900	3,005	105				
C-12278	W300.36 Albany Pinehill WM & PS	14,850	14,784	673	983	310				
C-11980	Waikato Expansion to 150MLD	-	12,035	3,583	2,000	(1,583)				
C-10369	Domain No. 2 Watermain	-	8,890	307	300	(7)				
C-10370	Mt Hobson Upgrade	-	6,207	224	185	(39)				
C-11681	Albany Second Reservoir	-	5,219	3,043	3,230	187				
C-11981	Riverhead Reservoir	-	5,499	2,539	3,442	903				
C-11781	Sanderson Rd Water Treatment Plant	-	9,208	750	2,345	1,595				
C-11792	St Heliers No.1 Watermain Duplication	-	2,979	1,646	2,658	1,013				
C-12220	Mt Albert Level of Service Upgrade	2,900	1,929	1,888	2,830	942				
C-11995	Waikato VSD Replacements	-	2,085	1,600	600	(1,000)				
Water Projects >\$2m			1,041,235	84,312	82,570	(1,742)				
Other Water Projects			447,419	32,585	34,707	2,122				
C-12112	I000 Water Capitalised Interest			8,122	8,967	846				
<b>Total Water Projects</b>			<b>1,488,655</b>	<b>125,019</b>	<b>126,245</b>	<b>1,225</b>				
<b>Wastewater Projects (&gt;\$2m)</b>										
C-10006	Central Interceptor Feasibility Design	-	959,083	7,440	7,178	(262)				
C-10017	Biosolids Puketutu Rehabilitatn	-	172,874	3,745	3,500	(245)				
C-11436	Northern Interceptor - Stage 1	-	147,401	2,827	3,020	193				
C-11077	Mangere WWTP BNR Capacity	-	121,737	14,585	14,925	340				
c-12212	Mangere WWTP Solids Stream Upgrade	-	74,810	1,440	1,430	(10)				
C-11983	Rosedale WWTP Expansion Project	-	63,782	2,429	2,658	229				
C-11923	T200.FDC1 Upgrade Pukekohe WWTP	59,000	58,879	1,943	2,070	127				
C-11827	Pukekohe Trunk Sewer Upgrade	-	32,929	1,160	2,070	910				
C-11207	Howick Diversion	-	30,488	4,468	5,465	997				
C-12001	Shells Algies WWTP Ocean Outfall	-	19,450	844	1,000	156				
C-11421	Fred Thomas Drive WW PS & Storage Tank	-	18,787	3,840	4,349	509				
C-12003	Otara Sewer System Upgrade TS5	-	18,228	761	1,387	626				
C-10976	Pt England Storage Tank & Br Sewer	-	17,821	552	514	(38)				
C-11769	Orewa West Wastewater Network	-	14,270	7,794	3,312	(4,482)				
C-10147	Mangere WWTP Digester 8	-	14,303	1,007	950	(57)				
C-12192	Wynyard Quarter Wastewater Pump Station	14,036	12,859	741	300	(441)				
C-10925	Kohimarama Storage Tank & Branch Sewer	-	13,558	5,826	8,196	2,370				
C-11470	Glen Eden Storage & Pipe Upgrade	-	13,490	1,441	2,763	1,322				
C-11281	Army Bay WWTP Outfall Upgrade	-	15,342	222	90	(132)				
C-10098	Pakuranga Rising Main DPS028	-	12,297	3,997	3,630	(367)				
C-11067	North Shore PS09 rising main	-	11,323	3,423	2,754	(669)				
C-10922	Wairau (HSPS05) Rising Main Replacement	-	10,818	4,552	3,085	(1,466)				
C-10952	Helensville WWTP Upgrade	-	8,367	2,327	3,626	1,299				
C-11472	Sidmouth WW PS Mairangi Bay Upgrade	-	8,225	31	1,474	1,443				
C-11468	Manukau North Future Upgrades	-	6,431	1,547	3,622	2,075				
C-11539	Eastern Interceptor Rehab Prqm - Stg 1	-	8,254	1,630	858	(772)				
C-10923	Upgrade of North Shore TS8	-	5,974	347	817	471				
C-11423	Rosedale WWTP Cogeneration Upgrade	-	5,426	2,843	4,121	1,278				
C-11290	Orakei Main Sewer Rehabilitation MH21-19	-	4,401	849	0	(849)				
C-11216	Eastern Interceptor Pipe Bridge #1 Repl	-	4,400	2,690	1,542	(1,148)				
C-11474	Sunnynook Road Sewer Upgrade	-	3,321	2,641	2,293	(348)				
C-11467	Tamaki South East Extension	-	3,562	1,848	2,781	933				
C-11338	New Gravity Sewer Miranda Reserve	-	3,315	1,068	170	(898)				
C-11711	Mangere WWTP Cogeneration Replacement	-	2,752	-411	0	411				
C-10277	Reconstruction of Eastern Interceptor	-	2,756	536	239	(296)				
C-11813	Mangere WWTP Rehab.Prim.Sed Tks 11 & 12	-	2,646	2,581	1,321	(1,261)				
C-11569	Branch 1 Rehabilitation B01023 to B01025	-	2,263	1,358	300	(1,058)				
C-12338	N100.101 Local Sewer Planned Replacement	3,000	2,503	2,503	2,502	(1)				
C-11234	Blackbridge Pump Station 37 Upgrade	-	1,917	294	0	(294)				
C-11991	Add'l Local Wastewater Network Renewals	-	1,732	211	50	(161)				
C-12199	Northern Networks Generator Connections	-	2,127	995	430	(565)				
C-11455	Pump Station CI Pipework Replacement	-	1,747	1,462	1,046	(416)				
Wastewater Projects >\$2m			1,936,649	102,386	101,838	(548)				
Other Wastewater Projects			41,818	38,253	35,565	(3,565)				
C-12113	J000 Wastewater Capitalised Interest			6,840	6,044	(796)				
<b>Total Wastewater Projects</b>			<b>2,466,898</b>	<b>151,044</b>	<b>146,136</b>	<b>(4,909)</b>				
<b>Other Infrastructure Projects</b>										
C-10126	Networks Controls Upgrade		19,951	2,588	3,000	412				
Other Infrastructure Projects			68,358	1,324	1,920	596				
<b>TOTAL INFRASTRUCTURE</b>			<b>4,043,863</b>	<b>279,976</b>	<b>277,300</b>	<b>(2,676)</b>				
Non Infrastructure, including Capital Interest			220,133	35,983	52,011	16,028				
<b>TOTAL ALL</b>			<b>4,263,995</b>	<b>315,959</b>	<b>329,311</b>	<b>13,352</b>				



WSL Capex	Month	Year to Date		
		Actual	Budget	Variance
Water Treatn	1,086	8,306	9,982	1,676
Water Distrib	6,506	52,512	52,778	266
Wastewater	3,035	16,537	19,130	2,593
Wastewater C	5,074	40,916	45,943	5,027
Infrastructure	431	2,673	4,472	1,799
Capitalised Ir	1,075	7,017	7,838	821
<b>TOTAL INFRU</b>	<b>17,207</b>	<b>127,962</b>	<b>140,143</b>	<b>12,181</b>
Operations	1,996	6,692	14,053	7,361
Information S	403	1,644	5,818	4,174
Other Sharec	270	2,394	5,172	2,778
<b>TOTAL NON</b>	<b>2,669</b>	<b>10,729</b>	<b>25,042</b>	<b>14,313</b>
<b>TOTAL ALL</b>	<b>19,876</b>	<b>138,691</b>	<b>165,185</b>	<b>26,494</b>



## Local Board Interaction

Local Board	Chair	Deputy Chair	Nov-14	Dec-14	Jan-14
Albert - Eden	Peter Haynes	Glenda Fryer	Notification of Rain Forest Express closure (24 Nov)	Draft water and wastewater bylaw distributed (8 Dec).	
Devonport - Takapuna	Mike Cohen ( <i>4 November 2013 to 4 May 2015</i> ) Joseph Bergen Watercare Rep ( <i>5 May 2015 to end of the 2013-2016 term</i> )	Joseph Bergen – ( <i>4 Nov 2013 to 4 May 2015</i> ) Grant Gillion ( <i>5 May 2015 to end of the 2013-2016 term</i> )	Notification of Rain Forest Express closure (24 Nov)	Draft water and wastewater bylaw distributed (8 Dec). Notice of Sunnynook wastewater project Christmas shutdown sent to Local Board (11 Dec).	
Franklin	Andy Baker	Jill Naysmith	Local Board services celebration re Southern Local Board Plans (14 Nov). John Redwood met Malcom Bell to discuss local issues (20 Nov). Notification of Rain Forest Express closure (24 Nov). Liaison with Chair re grazing around Drury water pump station (26 Nov).	Information on Waiuku water supply sent to Local Board following questions asked by the Franklin Times (5 Dec). Draft water and wastewater bylaw distributed (8 Dec). Reply regarding escalated customer issue on a service connection (10 Dec). Information update sent on Clevedon Wastewater Servicing (12 Dec).	
Great Barrier	Izzy Fordham	Susan Daly			
Henderson - Massey	Vanessa Neeson	Shane Henderson	Notification of Rain Forest Express Closure (24 Nov)	Draft water and wastewater bylaw distributed (8 Dec).	
Hibiscus and Bays	Julia Parfitt	Greg Sayers	Update and project flyer sent on works in Mairangi Bay (5 Nov). Workshop briefing on water and wastewater bylaw (5 Nov). Information sent to Chair re cleaning of the coastal walkway over the sewer main (11 Nov). Notification of Rain Forest Express closure (24 Nov)	Response to customer submission on Mairangi Bay Beach Reserve Management Plan (2 Dec). Site visit at Mairangi Bay with Local Board, Parks, AT and Surf Club regarding the Reserve Management Plan hearing and the formation of a park lane next to the pump station (5 Dec). Draft water and wastewater bylaw distributed (8 Dec). Conversation regarding water connection to toilet block in Millwater (16 Dec). Response to issues of rotting seaweed behind the wastewater pipeline walkway (30 Dec).	
Howick	David Collings	Adele White	Project liaison updates to Jenni Wild (AT) and local board (20 Nov). Notification of Rain Forest Express Closure (24 Nov). Local wastewater upgrades project information flyer (Nov 25).	Draft water and wastewater bylaw distributed (8 Dec).	
Kaipatiki	Kay McIntyre	Ann Hartley	Notification of Rain Forest Express closure (24 Nov). Workshop briefing on water and wastewater bylaw (27 Nov). Information on	Draft water and wastewater bylaw distributed (1 Dec). Feedback to local board on Le Roys Bush spill and	

Local Board	Chair	Deputy Chair	Nov-14	Dec-14	Jan-14
			fat blockage and overflow to local stream in Highbury (25 Nov), Anin Nama and networks team met community representatives as a follow up (28 Nov).	associated community actions (1 Dec, 16 Dec). Information in response to escalated customer complaint (4 Dec). Infrastructure Portfolio Meeting (16 Dec). <i>Feedback provided to local board following Infrastructure Committee Briefing (17 Dec).</i>	
Mangere - Otahuhu	Lydia Sosene	Carrol Elliott	Dave Moore (Hunua 4 watermain project manager) liaison with Chair re local works (11 Nov). Local Board services celebration re Southern Local Board Plans (14 Nov). Notification of Rain Forest Express closure (24 Nov). Mangere WWTP Community Liaison Group – attended by Local Board representatives (28 Nov)	Water and wastewater draft bylaw and additional information distributed (4 Dec). Information on road closures for Hunua 4 project (1 Dec). Mangere workshop and site visit (15 Dec) ( <i>Involves Operations and Major Project's staff</i> ). Mangere Matters sent (16 Dec). Responded to complaint via Lydia Sosene re Hunua 4 Watermain project (17 Dec) plus follow up meeting (23 Dec).	<i>Mangere Local Board representatives site visit to Hunua 4 Project (5 Jan).</i>
Manurewa	Angela Dalton	Simeon Brown	Local Board services celebration re Southern Local Board Plans (14 Nov). Notification of Rain Forest Express closure (24 Nov)	Draft water and wastewater bylaw distributed (8 Dec). Mangere workshop and site visit (15 Dec) (Involves Operations and Major Projects staff). Mangere Matters sent (16 Dec).	
Maungakiekie - Tamaki	Simon Randall	Chris Makoare	Site meeting at Van Dams Lagoon re changes to project scope (5 Nov). Notification of Rain Forest Express closure (24 Nov). Eastern Interceptor, Van Dammes Lagoon site visit re project variation (28 Nov).	Mangere workshop and site visit (1 Dec) (Involved Operations and Major Projects staff). Draft water and wastewater bylaw distributed (8 Dec). Flyer and notice sent on Hunua 4 works in Onehunga over the Christmas period (10 Dec). Mangere Matters sent (16 Dec)	
Orakei	Desley Simpson	Mark Thomas, Kit Parkinson, Colin Davis (Watercare Rep)	Discussion re Orakei Coastal Walkway clean-up by Harbour Clean-up Trust (12 Nov). Notification of Rain Forest Express closure (24 Nov). Information re works in Ridell Rd Reserve in response to questions from local board member (26 Nov). Correspondence with Parks Portfolio Holder on Kohimarama field reinstatement (26 Nov).	Draft water and wastewater bylaw distributed (8 Dec).	
Otara - Papatoetoe	Fa'anānā Efeso (Efeso) Collins	Ross Robertson	Local Board services celebration re Southern Local Board Plans (14 Nov). Notification of Rain Forest Express closure (24 Nov)	Draft water and wastewater bylaw distributed (8 Dec). Mangere Matters sent (16 Dec).	
Papakura	Bill McEntee	Michael Turner	Notification of Rain Forest Express Closure (24 Nov)	Mangere Matters sent (16 Dec)	

Local Board	Chair	Deputy Chair	Nov-14	Dec-14	Jan-14
Puketapapa	Julie Fairey	Harry Doig	Workshop briefing on water and wastewater bylaw (6 Nov). Notification of Rain Forest Express closure (24 Nov)	Mangere workshop and site visit (1 Dec) (Involved Operations and Major Project's staff). Draft water and wastewater bylaw distributed (8 Dec). Mangere Matters sent (16 Dec). Contacted Harry Doig re proposed painting of Big King reservoir (16 Dec)	<i>Site meeting with Harry Doig (Watercare Portfolio Representative) regarding Central Interceptor sites in local board parks (20 Jan)</i>
Rodney	Brenda Steele	Stephen Garner	Community liaison meeting re Helensville wastewater treatment plant – attended by Local Board representatives (11 Nov). Workshop briefing on water and wastewater bylaw (13 Nov). Notification of Rain Forest Express closure (24 Nov). Heads up on proposed upgrades for the Snells Algies wastewater treatment plant and outfall (26 Nov). Draft water and wastewater bylaw distributed along with response to questions from the workshop (28 Nov.)	Rodney Local Board's Transport, Planning and Infrastructure Committee workshop re Algies Bay wastewater (15 Dec)	
Upper Harbour	Brian Neeson (4 November 2013 to 4 May 2015) Lisa Whyte (5 May 2015 to end of the 2013-2016 term)	Lisa Whyte (4 November 2013 to 4 May 2015) Brian Neeson (5 May 2015 to end of the 2013-2016 term)	Workshop briefing on North Harbour No. 2 watermain and Northern Interceptor (11 Nov). Notification of Rain Forest Express closure (24 Nov). Draft water and wastewater bylaw distributed (27 Nov).	Briefing on Water and Wastewater Bylaw (2 Dec). Information on geotechnical investigations for Northern Interceptor Project (11 Dec). Meeting with Brian Neeson re Northern Interceptor Project landowner approvals and Stakeholder engagement (18 Dec).	
Waiheke	Paul Walden	Shirin Brown	Correspondence and feedback on wastewater servicing (12 Nov). Notification of Rain Forest Express closure (24 Nov).	Information on upper Car Park lease terms (15 Dec)	
Waitakere Ranges	Sandra Coney	Denise Yates	<i>Discussion with Local Board Services staff re dedicated workshop on Huia water treatment plant upgrade and associated works.</i> Notification of Rain Forest Express closure (24 Nov)	Local Board Business Meeting re landowner approval for Glen Eden works in Picnic ground (11 Dec). Mangere Matters sent (16 Dec). <i>Local Board agreed to attend dedicated workshop on Huia Water Treatment Plant upgrade and associated works (March 2015).</i>	
Waitemata	Shale Chambers	Pippa Coom	Attendance at public open days re Franklin Road (5 & 8 Nov). Notification of Rain Forest Express closure (24 Nov)	Draft water and wastewater bylaw distributed (8 Dec).	
Whau	Catherine Farmer	Susan Zhu	Notification of Rain Forest Express closure (24 Nov)	Draft water and wastewater bylaw distributed (8 Dec).	
Manukau Harbour Forum	Jill Naysmith		<i>Discussion with Local Board Services staff re presentation to Forum on Mangere WWTP and Manukau Harbour in early 2015.</i>	Mangere Matters sent (16 Dec)	

# TARIFF HISTORY - DOMESTIC

(All figures are GST inclusive at 15%)

Average household assumes 600 litres per day, 219 kl per year.

## Water

	Metrowater (Auck CCI)	Manukau Water - urban	North Shore City	Waitakere City	Rodney DC - urban	Rodney DC - rural	Franklin DC
<b>2010/11</b>							
volumetric	\$1.619	\$1.308	\$1.520	\$1.737	\$1.960	\$3.500	\$2.000
fixed	\$41.42	\$0.00	\$0.00	\$0.00	\$80.57	\$243.97	\$0.00
Total for average household	\$396	\$286	\$333	\$380	\$510	\$1,010	\$438

### Following years - Watercare

	2011/12	2012/13	2013/14	2014/15
volumetric	\$1.300	\$1.343	\$1.343	\$1.375
fixed	\$0.00	\$0.00	\$0.00	\$0.00
Total for average household	\$285	\$294	\$294	\$301
annual percentage increase		3.3%	0.0%	2.4%
cumulative percentage increase		3.3%	3.3%	5.8%
average annual increase from 2011/12		3.3%	1.6%	1.9%

## Wastewater

	Metrowater (Auck CCI)	Manukau Water - urban	North Shore City	Waitakere City	Rodney DC - urban	Rodney DC - rural	Franklin DC
<b>2010/11</b>							
volumetric	\$3.881	\$0.000	\$0.000	\$0.000	\$1.990	\$4.650	\$0.000
fixed	\$41.42	\$408.00	\$492.32	\$439.39	\$373.90	\$348.09	\$480.70
wastewater %	75%	-	-	-	80%	80%	-
Total for average household	\$679	\$408	\$492	\$439	\$723	\$1,163	\$481

### Following years - charged by Watercare

<b>2011/12</b>	4.5% increase across the board						
volumetric	\$4.056	\$0.000	\$0.000	\$0.000	\$2.080	\$4.859	\$0.000
fixed	\$43.28	\$426.36	\$514.47	\$459.16	\$390.73	\$363.75	\$502.33
wastewater %	75%	-	-	-	80%	80%	-
Total for average household	\$709	\$426	\$514	\$459	\$755	\$1,215	\$502
	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>			
volumetric		\$2.281	\$2.281	\$2.336			
fixed		\$190.00	\$190.00	\$195.00			
wastewater %		78.5%	78.5%	78.5%			
Total for average household	avg \$562	\$582	\$582	\$597			
annual percentage increase	4.5%	3.6%	0.0%	2.4%			
cumulative percentage increase	4.5%	8.3%	8.3%	10.9%			
average annual increase from 2011/12	4.5%	4.05%	2.7%	2.6%			

## Combined for Average Household

	2010/11	2014/15	4 year % change
Metrowater (Auckland City)	\$1,075	\$898	-16.5%
Manukau Water (Urban)	\$694	\$898	29.4%
North Shore City	\$825	\$898	8.8%
Waitakere City	\$819	\$898	9.6%
Rodney District Council (Urban)	\$1,233	\$898	-27.2%
Rodney District Council (Rural)	\$2,173	\$898	-58.7%
Franklin District Council	\$919	\$898	-2.3%

## Report to the Board of Watercare Services Limited

**Subject:** Confirmation of AMDD Provisional Trade Waste Charge Rates  
2014/2015

**Date:** 2 December 2014

---

### 1. INTRODUCTION

The implementation of the new non-domestic wastewater tariff and the new Auckland Trade Waste Bylaw 2014 on 1 July 2014 provided for assessed trade waste customers to retain their trade waste consents and the method of charging until the expiry date of their consent. For customers who chose to relinquish their consent and take up a new trade waste agreement from 1 July 2014 provision was made for their charges to be transitioned over a 3 year period. In both cases either the old trade waste charges or a portion of these charges will apply for the 2014/15 year.

Within the Auckland Metropolitan Drainage District i.e. Auckland, Manukau, Waitakere and Papakura the trade waste charging provisions of the Auckland Regional Council Trade Waste Bylaw 1991 apply for any retained trade waste charge component. Under this bylaw an annual setting of provisional and final trade waste charge rates is required. This report recommends provisional trade waste charge rates for 2014/15. Final trade waste charge rates for the year will be determined after the close of the financial year, following the finalisation of Watercare's 2014/15 financial statements.

Based on the decision to increase wastewater charges by 2.4% on average to meet Watercare's revenue requirements for the 2014/2015 year, it was recommended that the AMDD provisional trade waste charge rates for 2014/15 be increased by 2.4% from the 2013/14 rates, in line with increases in other wastewater charges.

The board adopted the recommendation for the AMDD provisional trade waste charge rates to be increased by 2.4% for the 2014/2015 financial year subject to the support from the Employers and Manufacturers' Association.

Following consultation, the EMA have advised that the trade waste users group voted to reject the proposed AMDD provisional trade waste charge rates for 2014/2015. Eight companies within the AMDD, that would be affected by an increase attended the meeting (Carter Holt Harvey, Tegel, Bluebird, Auckland Council, Sanford, NZ Bus, NZ Starch and the NZ Defence Force).

After consideration of the vote by the EMA Trade Waste Users Group, increases in other trade waste and wastewater charges, and Watercare's revenue requirements for the 2014/2015 year, it is recommended that the AMDD provisional trade waste charge rates for 2014/2015 as set out in Table 1 be confirmed.

Subsequently, the EMA will be advised of the Board's decision.

## 2. UNIT RATE CHANGES

Recommended AMDD provisional trade waste unit rate charges are presented in Table 1.

<b>PARAMETER</b>	<b>UNIT</b>	<b>PROPOSED 2013/2014 CHARGES</b>	<b>CURRENT 2014/2015 CHARGES</b>	<b>% CHANGE</b>
Flow	Litres/second	\$7,856.67	\$7,672.53	2.4 %
Suspended Solids	Kg/day	\$186.25	\$181.88	2.4 %
Biochemical Oxygen Demand	Kg/day	\$254.98	\$249.00	2.4 %
Uniform Annual Charge		\$577.58	\$564.04	2.4 %
				<b>2.4 %</b>

## 3. BASIS FOR CHARGES

The recommended AMDD provisional trade waste charge rate increases have been based on the decision to increase wastewater charges by 2.4% on average to meet Watercare's revenue requirements for the 2014/2015 year.

## 4. RECOMMENDATION

It is recommended that the AMDD provisional trade waste charge rates for 2014/2015 as set out in Table 1 be confirmed.

Report prepared by:

Recommended by:

Recommended by:

P Rogers  
**Trade Waste Manager**

M Bridge  
**Manager Financial  
Planning and Revenue**

D Worsnop  
**Chief Operating Officer**

Recommended by:

Approved for submission by:

B Monk  
**Chief Financial Officer**

R Jaduram  
**Acting Chief Executive**



# Report to the Board of Watercare Services Limited

**Subject:** Statement of Intent 2015-2018

**Date:** 19 January 2015

---

## 1. INTRODUCTION

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

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

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

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

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

Auckland Council has introduced a new format for the 2015/18 SOI. The new SOI format will sit alongside a new CCO Governance Manual which is being developed by the Council. Much of the governance-related content that has historically been in the SOI, will now be incorporated in the CCO Governance Manual.

## 2. AUCKLAND COUNCIL REQUIREMENTS AND TIMETABLE FOR COMPLETION

The SOI process begins with the Mayor's Letter of Expectation (refer Appendix A) which was received by Watercare in December 2014 and distributed to the Board in December board papers.

Following receipt of the Mayor's Letter of Expectation, a draft 2015/18 SOI has been prepared and is attached as Appendix B. The approved draft 2015/18 SOI must be submitted to Auckland Council by 1 March.

After receiving the Watercare draft 2015/18 SOI, Auckland Council will consult with the Local Boards and the Independent Maori Statutory Board (IMSB). Auckland Council is then scheduled to hold discussions with Watercare about any proposed changes and report back to Watercare by 30 April 2015.

Watercare is required to provide an opportunity for the public to comment on the 2015/18 SOI (29 May 2015 Board meeting) and deliver to Auckland Council its approved draft 2015/18 SOI by 30 June 2015.

The approved SOI will then be formally adopted by the Auckland Council Governance and Monitoring Committee in August 2015.

### **3. LINKAGE TO MAYOR'S LETTER OF EXPECTATION**

The Mayor's Letter of Expectation (LoE) is intended to provide direction on issues that are important to Auckland Council and to assist in the development of Watercare's SOI. The 2015/18 LoE notes a number of issues of importance to be considered during the development of Watercare's SOI including engagement with councillors, working together, supporting the CCO review, delivering value for money, supporting Auckland Council's plans and policies, public engagement and working with Local Boards.

Where appropriate, commentary on the points raised in the LoE has been incorporated in the draft 2015/18 SOI attached.

### **4. ALIGNMENT WITH THE AUCKLAND PLAN AND THE AUCKLAND COUNCIL LTP 2015-25**

The SOI needs to show alignment with the outcomes and aspirations of the Auckland Plan which envisions "creating the world's most liveable city".

#### **4.1 Outcomes**

The Auckland Plan sets out seven desired outcomes. Of the seven desired outcomes, Watercare primarily contributes to:

- A fair, safe and healthy Auckland, where people value the excellent services and facilities available
- A green Auckland, where our waterways and coastlines are clean and full of life
- A beautiful Auckland that is loved by its people, where Auckland communities take pride in their surroundings and work together to create places they value

#### **4.2 Transformational Shifts**

The Auckland Plan is underpinned by a six transformational shifts which link to the outcomes and vision. Watercare contributes (directly and indirectly) to:

- Strongly commit to environmental action and green growth
- Radically improve the quality of urban living
- Substantially raise living standards of all Aucklanders and focus on those most in need
- Significantly lift Maori social and economic well-being

#### **4.3 Performance Measures and Targets**

The draft SOI includes the mandatory DIA non-financial performance measures which were approved by the Board for inclusion in the draft Long Term Plan 2015-25. In some cases, the new mandatory performance measure is a near duplication of an existing SOI performance measure. In these cases, the historic SOI measure has been removed and replaced by the new DIA measure.

The Auckland Plan currently describes three performance measures and targets for the delivery of water and wastewater services:

- Reduce maximum annual potable water network losses to less than 12% of total network volume by 2040;
- Reduce gross per capita water consumption from 2004 levels by 15% by 2025;

- Reduce wet weather overflows to an average of no more than two events per discharge location per annum, where the stormwater and wastewater systems are separated, by 2040 (with priority given to bathing beaches and other sensitive receiving environments by 2030).

The new DIA performance measures include a measure for both water network losses and gross per capita consumption therefore no additional measure is required. In the case of wet weather overflows, there is no corresponding DIA measure therefore the existing SOI measure relating to wet weather overflows has been retained.

Existing SOI performance measures have also been removed where they are believed to be no longer relevant or appropriate (e.g. percentage of actual capital expenditure relative to budget). Recommended 2015/18 SOI treatment (retain / remove) for each of the 2014/17 SOI performance measures is detailed in Appendix B.

#### **4.4 Financial**

The financials incorporated in the draft 2015/18 SOI currently reflect those approved by the Board and submitted to Auckland Council for inclusion in the draft LTP 2015-25.

2015/18 financials will be updated in line with any changes to the LTP 2015-25 prior to the SOI being delivered to Auckland Council in June 2015.

### **5. STRATEGIC PRIORITIES**

The draft SOI incorporates four proposed strategic priorities which have been developed following recent Board planning workshops. These four strategic priorities form the pillars of Watercare's strategic framework which will be discussed in further detail at the Board workshop scheduled for 26 February.

1. Customer Focus – putting customers at the heart of our business by aligning processes, people and systems to deliver exceptional performance at minimum cost.
2. Business Excellence – we deliver positive customer outcomes by being a commercially-savvy, performance-based organisation that prioritises the development and well-being of our people and the long-term resilience of our assets.
3. Financial Responsibility – we are a financially responsible and efficient business, balancing our long-term financial obligations with our requirement to be a minimum cost service provider.
4. Fully Sustainable – as custodians of the environment, we effectively manage and minimise the impact of our operations on the environment and embed sustainability into all aspects of our business.

### **6. ATTACHMENTS**

Appendix A – Mayor's Letter of Expectation

Appendix B – Performance Measures

Appendix C – Draft 2015/18 SOI

## 7. RECOMMENDATION

It is recommended that the Board:

- Note the report and provide feedback on the draft 2015/18 SOI.
- Delegate to the Chairman and the Chief Executive, the approval of the final draft SOI to be submitted to Auckland Council by 1 March 2015.

Report prepared by:

Recommended by:

Recommended by:

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

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

.....  
R Fisher  
**General Counsel**

Approved for submission by:

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

27 November 2014

Mr David Clarke  
Chair  
Watercare Services Limited  
BY EMAIL

Tēnā koe David

**RE: Letter of Expectation for 2015/2016**

Auckland Council continues to value the important contribution Watercare makes towards the vision of Auckland becoming the world's most liveable city, through the delivery of the Auckland Plan. This Letter of Expectation is intended to provide direction on issues that are important to Auckland Council, and to assist in the development of Watercare's 2015-2018 Statement of Intent (SOI).

**Issues of importance**

**Engaging with councillors**

Working to no surprises is an important principle for the council group. In all matters that are of material consequence, councillors should be made aware of key risks and issues.

**Working together**

The council and its CCOs are one group working together for Auckland. It is expected that Watercare will continue to work in a collaborative manner with the wider group to ensure that its policies and decisions represent the best interest of the council group, and ultimately the ratepayer.

**CCO review**

The CCO Review is an important opportunity to assess the structure under which our activities are delivered, the governance arrangements and how the council group works better together. We request that Watercare continues to support the work undertaken by the review.

**Delivering value for money**

Delivering value for money to the ratepayers of Auckland is critical. Watercare should continue its prudent financial management.

**Council plans and policies**

Watercare will continue to have an important role in the implementation of key council strategies and policies. We expect Watercare's support in these areas, with particular focus on environmental policies and urban amenity.

### **Public engagement and satisfaction**

Public engagement and satisfaction is important to the council group. We expect this to be a on-going focus for Watercare.

### **Working with Local Boards**

Local Boards play an important role in communicating and advocating community preferences and needs. In developing work plans, we request that Watercare continues to engage with, and consider the views of Local Boards.

## **Direction for the development of the 2015-2018 Statement of Intent**

### **Key strategic priorities**

At the outset of developing the LTP, focus was placed on the Auckland Plan transformational shifts. In developing work plans for inclusion in the SOI, focus should be placed on supporting Auckland Plan transformational shifts.

The Watercare work programmes should continue to support growth, including the geographic priorities and special housing areas.


### **Long-term Plan 2015-2025**

In finalising the LTP, the financials should reflect similar pricing increases (including Infrastructure Growth Charges) as per council rates increases and prudent debt management and the implementation of an actively managed water demand management programme.

### **Contributing to Māori well-being and Māori outcomes**

Promoting Auckland's Māori identity as Auckland's point of difference in the world and lifting Māori social and economic well-being are council priorities. To achieve this, we expect support from Watercare on the council's responsiveness and continued contribution to Māori well-being. In particular, infrastructure support and technical advice on marae development and papakāinga housing. This contribution should be outlined in Watercare's strategic priorities, work programme, and performance measurement in the SOI.

Nāku noa, nā

  
**LEN BROWN**  
**MAYOR OF AUCKLAND**

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



## 2014/17 Statement of Intent Measures

Performance Measure	Recommendation
<b>Safe and Reliable Water</b>	
Percentage compliance with MoH drinking water standards for graded plants	Remove from SOI - replaced by new DIA measure
Percentage of metropolitan water treatment plants achieving Grade A	Remove from SOI - replaced by new DIA measure
Percentage of metropolitan water supply reticulation achieving Grade A	Remove from SOI - replaced by new DIA measure
Percentage of non-metropolitan water treatment plants achieving Grade A	Remove from SOI - replaced by new DIA measure
Percentage of non-metropolitan water supply reticulation achieving Grade A	Remove from SOI - replaced by new DIA measure
Percentage of unplanned water shutdowns restored within five hours	Remove from SOI - replaced by new DIA measure
Number of unplanned water interruptions per 1000 connected properties	Remove from SOI - replaced by new DIA measure
<b>Healthy Waterways</b>	
Number of dry weather sewer overflows per 100km of wastewater pipe length per year	Remove from SOI - replaced by new DIA measure
Average number of wet weather overflows per discharge location	Retain
Number of sewer bursts and chokes per 1000 properties	Remove from SOI - replaced by new DIA measure
Percentage of wastewater discharged that is compliant with consent discharge requirements for metropolitan areas	Remove from SOI - replaced by new DIA measure
Percentage of wastewater discharged that is compliant with consent discharge requirements for non-metropolitan areas	Remove from SOI - replaced by new DIA measure
Number of successful RMA prosecutions against Watercare	Remove from SOI - replaced by new DIA measure
<b>Customer Satisfaction</b>	
Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	Retain
Percentage of calls answered within 20 seconds	Retain
Number of water quality complaints (taste, odour, appearance) per 1,000 water supply connections	Remove from SOI - replaced by new DIA measure
Percentage of complaints being 'closed and resolved' within 10 working days	Retain
<b>Health, Safety and Wellbeing</b>	
Lost-time injury frequency rate per million hours worked	Retain
Level of ACC workplace management practices accreditation	Remove - replace with TRIFR measure
Percentage of total hours absent due to illness	Remove - will be retained as an annual report measure
Percentage of voluntary leavers relative to number of permanent staff	Retain
<b>Financial</b>	
Minimum funds flow from operations to interest cover (FFO) before any price adjustment	Retain
Percentage of household expenditure on water supply services relative to the average household income	Retain
<b>Effective Asset Management</b>	
Percentage of actual capital expenditure relative to budget	Remove - not appropriate
<b>Sustainable Environment</b>	
Per capita consumption (litres / person / day)	Remove - replace with DIA measure
Percentage of annual potable water network losses	Remove - replace with DIA measure

# WATERCARE SERVICES LIMITED

## STATEMENT OF INTENT

2015 - 2018



*Leanne McKenzie, Water Quality and Compliance Analyst, demonstrating how to conduct a leak test.*



## INTRODUCTION

Matariki tāpuapua

Pleiades, harbinger of growth.

Puanga kai rau e

Rigel, symbol of the harvest.

Tihewa Mauriora

Let there be life.

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

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

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

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

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

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

This SOI recognises the important relationship that exists between Watercare and the Auckland Council, and that the success of each is dependent on the actions of the other. Auckland Council requires Watercare to give effect to its strategic intent and facilitate the regions sustainable growth and development. Watercare relies on the Auckland Council providing a policy and regulatory environment that enables the development and operation of the infrastructure necessary to achieve this.

**DAVID CLARKE**

**JUNE 2015**

**CHAIRMAN**

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DRAFT

## 1. PURPOSE OF STATEMENT OF INTENT

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

## 2. ABOUT WATERCARE SERVICES LIMITED

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

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

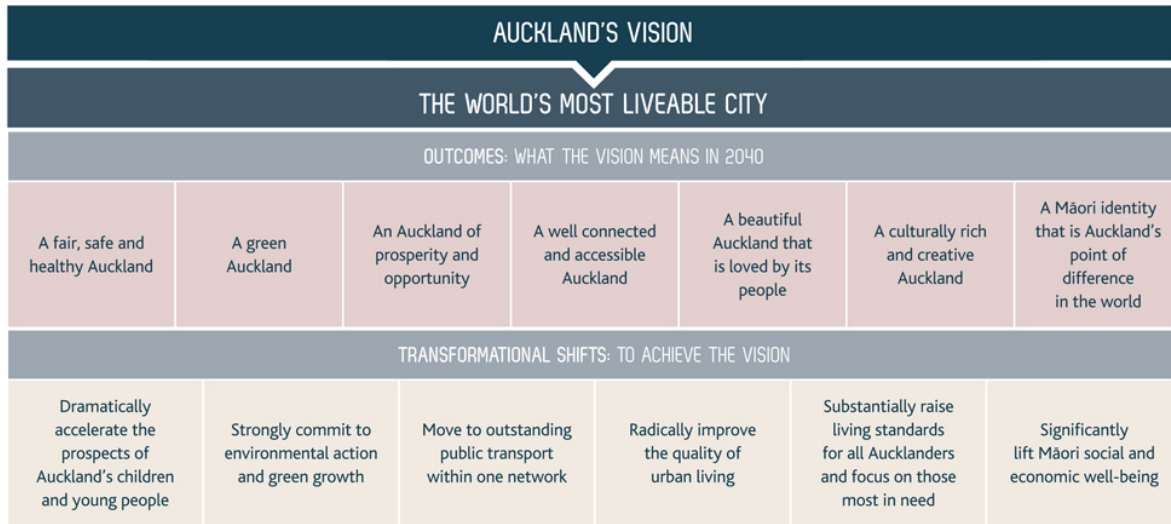
The company's obligations to deliver water and wastewater services for Auckland, are set out in Part 5 section 57(1) of the Local Government (Auckland Council) Act 2009 which stipulates amongst others, that an Auckland water organisation:

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

This SOI has been prepared in accordance with Schedule 8 of the Local Government Act 2002 and covers a three-year term from 1 July 2015 to 30 June 2018.

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

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



The Auckland Plan sets strategic direction and transformational shifts to achieve actions, targets and outcomes that are required to achieve the vision to be the world's most liveable city. Watercare plays a critical part in delivering on actions and targets. In particular, Watercare actions which contribute to the outcomes are outlined in the table below:

Auckland Plan Transformational Shift	Degree of contribution	How Watercare contributes
Quality urban living	Primary	Watercare is facilitating this outcome by providing Aucklanders with a high-quality, reliable supply of drinking water. Every effort is made to ensure that the quality of drinking water is maintained at every stage of its journey to the customer's taps. By ensuring that stringent standards are applied in collecting, treating and discharging wastewater, the environment is preserved and Auckland waterway's are available for the enjoyment of Aucklanders.
Environmental action & green growth	Primary	Effective treatment of wastewater is very important to safeguard human health and to protect our harbours and waterways. Watercare continuously strives to improve its wastewater collection process, reduce overflows, and ensure wastewater is treated to a standard that protects public health, and the local environment.  Through its Waterwise Advice line and Be Waterwise programme, Watercare is promoting water-efficient behaviours to consumers and making every effort to reduce the demand for water services, detailed in the Auckland Regional Water Demand Management Plan.  Watercare regularly consults with the specially created Environmental Advisory Group

Auckland Plan Transformational Shift	Degree of contribution	How Watercare contributes
		<p>whose experts advise on how the company's activities affect the environment.</p> <p>Watercare's free education programme offers Auckland primary and intermediate school pupils the opportunity to take part in a range of exciting and hands-on lessons that teaches them about water, wastewater and their local environment.</p>
Raised living standards	Secondary	<p>Watercare is committed to providing outstanding and affordable water services to Aucklanders. It has continued to expand its service network to the wider Auckland region, making every effort to supply all Aucklanders with the same quality of service.</p> <p>The Watercare Utility Consumer Assistance Trust provides financial support to residential customers of Watercare who are struggling to manage their water and wastewater costs.</p>
Māori social and economic wellbeing	Secondary	<p>Watercare's Maori advisory group, the Mana Whenua Kaitiaki Forum, advises the company on how its plans and operations affect Maori and Maori's relationship with the natural environment. Watercare consults with the Mana Whenua Kaitiaki Forum on infrastructure projects, operations and business decisions that may affect the interests of mana whenua.</p>
Children & young people	Not applicable	
Outstanding public transport	Not applicable	

Degree of contribution: Primary/ Secondary / Not applicable

## 4. WATERCARE'S STRATEGIC OBJECTIVES

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

- Customer Focus – *Putting customers at the heart of our business by aligning processes, people and systems to deliver exceptional performance at minimum cost.*
- Business Excellence - *We deliver positive customer outcomes by being a commercially-savvy, performance-based organisation that prioritises the development and well-being of our people and the long-term resilience of our assets.*
- Financial Responsibility - *We are a financially responsible and efficient business, balancing our long-term financial obligations with our requirement to be a minimum cost service provider.*
- Fully Sustainable - *As custodians of the environment, we effectively manage and minimise the impact of our operations on the environment and embed sustainability into all aspects of our business.*

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

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

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

Key project and initiatives	Description	Contribution to strategic objectives
	confirming the construction methodology. The construction is expected to take six years to complete.	the environment. The Central Interceptor will significantly reduce the number of overflows in to the Waitemata and Manukau Harbours, greatly improving the health of waterways as well as providing additional capacity to cater for Auckland's growth.

### Specific projects delivering on Māori outcomes

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

## 6. PERFORMANCE OUTLOOK

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

Service Level Statement	Measure	2013/14 Actual	2014/15 Annual Plan	2015/16	2016/17	2017/18
Provide uninterrupted access to safe, clean and drinkable water.	The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	New measure	New measure	100%	100%	100%
	The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	New measure	New measure	100%	100%	100%
	Median response time for attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site.	New measure	New measure	≤60 mins	≤60 mins	≤60 mins
	Median response time for resolution of urgent calls-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	New measure	New measure	≤5 hours	≤5 hours	≤5 hours
	Median response time for attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	New measure	New measure	≤2 days	≤2 days	≤2 days
	Median response time for resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	New measure	New measure	≤5 days	≤5 days	≤5 days
	The total number of complaints received by the local authority about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues expressed per 1000 connections to the	New measure	New measure	≤10	≤10	≤10



Service Level Statement	Measure	2013/14 Actual	2014/15 Annual Plan	2015/16	2016/17	2017/18
	local authority's networked reticulation system					
	The percentage of real water loss from the local authority's networked reticulation system	13.9%	≤13%	≤13%	≤13%	≤13%
	The average consumption of drinking water per day per resident within the territorial authority district	270	278 +/- 5%	272 +/- 2.5%	270 +/- 2.5%	268 +/- 2.5%
Provide reliable wastewater services and manage discharges to maintain or improve the health of the environment	The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system	New measure	New measure	≤10	≤10	≤10
	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents	a) 0 b) 0 c) 0 d) 0	a) 0 b) 0 c) 0 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0
	Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that the territorial authority receives notification to the time that service personnel reach the site	New measure	New measure	≤60 mins	≤60 mins	≤60 mins
	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	New measure	New measure	≤5 hours	≤5 hours	≤5 hours
	The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system expressed per 1000 connections to the	New measure	New measure	≤50	≤50	≤50

Service Level Statement	Measure	2013/14 Actual	2014/15 Annual Plan	2015/16	2016/17	2017/18
	territorial authority's sewerage system					
	Average number of wet weather overflows per discharge location	WW network discharge consent lodged and operational	WW network discharge consent lodged and operational	≤2 overflows per year per engineered overflow point	≤2 overflows per year per engineered overflow point	≤2 overflows per year per engineered overflow point
Health, Safety and Well-being	Lost-time injury frequency rate per million hours worked (12 month rolling average)	2.53	≤5	≤5	≤4	≤3.2
	Total recordable injury frequency rate per million hours worked	New measure	New measure	≤30	≤24	≤19.2
	Percentage of voluntary leavers relative to number of permanent staff	12.5%	≤12%	≤12%	≤12%	≤12%
Customer Satisfaction	Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	84.7%	≥80%	≥80%	≥80%	≥80%
	Percentage of calls answered within 20 seconds	88.7%	≥80%	≥80%	≥80%	≥80%
	Percentage of complaints 'resolved and closed' within 10 working days	94.2%	≥95%	≥95%	≥95%	≥95%
Financial	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	3.30	≥2.5	≥2.5	≥2.5	≥2.5
	Percentage of household expenditure on water supply services relative to the average household income	0.90%	≤1.5%	≤1.5%	≤1.5%	≤1.5%

## 7. SUMMARY OF FINANCIALS

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

### Operating expenditure (\$ millions)

	2013/14 Actual	2014/15 Annual Plan	2015/16 LTP	2016/17 LTP	2017/18 LTP
Personal costs	52	50	55	57	59
Other expenses	145	152	152	157	163
Interest expense	69	80	83	83	87
Depreciation	206	210	217	228	244
<b>Total operating expenditure</b>	<b>472</b>	<b>491</b>	<b>508</b>	<b>524</b>	<b>553</b>
<b>Operating expenditure to be funded (excludes depreciation)</b>	<b>266</b>	<b>281</b>	<b>291</b>	<b>296</b>	<b>309</b>
<u>Funded by:</u>					
External revenue	447	449	469	486	508
Grants/ subsidies					
Auckland Council funding					
<b>Total</b>	<b>447</b>	<b>449</b>	<b>469</b>	<b>486</b>	<b>508</b>
<b>Surplus/ (deficit)</b>	<b>181</b>	<b>168</b>	<b>178</b>	<b>189</b>	<b>199</b>

### Capital expenditure (\$ millions)

	2013/14 Actual	2014/15 Annual Plan	2015/16 LTP	2016/17 LTP	2017/18 LTP
Growth	124	145	200	205	173
Level of service	94	96	89	112	105
Renewals	89	82	93	124	133
Capital expenditure excluding capitalised interest	307	323	382	441	411
Capitalised interest	17	16	18	29	30
<b>Total capital expenditure</b>	<b>324</b>	<b>339</b>	<b>400</b>	<b>470</b>	<b>441</b>
<u>Funded by:</u>					
Operating surplus	181	168	178	189	199
Infrastructure growth charges	33	34	58	84	101
Debt	93	137	164	197	141
Grants / subsidies					
Auckland Council funding					
<b>Total</b>	<b>324</b>	<b>339</b>	<b>400</b>	<b>470</b>	<b>441</b>

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

Initiative	2013/14 Actual (000'S)	2014/15 Annual Plan (000'S)	2015/16 LTP (000'S)	2016/17 LTP (000'S)	2017/18 LTP (000'S)
Mana Whenua Kaitiaki Forum	140	140	140	140	140
Iwi Engagement on Watercare Projects	996	996	1,059	1,059	1,059
<b>Total expenditure</b>	<b>\$1,136</b>	<b>\$1,136</b>	<b>\$1,199</b>	<b>\$1,199</b>	<b>\$1,199</b>

### Other financial information

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

## 8. APPROACH TO GOVERNANCE

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

Auckland Council CCOs are required to hold two public meetings a year (Local Government (Auckland Council) Act 2009):

Purpose	Date	Form of Public Notification
Consider shareholder comments on draft SOI	29 May 2015	Public notice
Consider performance against SOI targets	29 October 2015	Public notice

# Report to the Board of Watercare Services Limited

**Subject:** Non Metropolitan Water Treatment Plants - Drinking Water Standards and Grading Compliance Update

**Date:** 21 January 2015

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## 1. INTRODUCTION

Watercare has committed to a programme of achieving full compliance with Drinking Water Standards 2005 (Revised 2008) (DWSNZ) and 'A' grades for all Non Metropolitan Water Treatment Plants (WTPs) by June 2020. This paper details the progress to date in achieving this objective.

## 2. BACKGROUND

Watercare had one Non Metropolitan WTP prior to 2010 (Huia Village) and inherited 15 Non-Metropolitan WTPs in 2010 (5 in Rodney, 10 in Franklin) as part of the integration process. At the time of integration, the Rodney WTPs were all compliant with DWSNZ and had an 'A' grade at the time of integration, whereas the Franklin WTPs were typically non-compliant with DWSNZ and were ungraded. A programme of works was developed to ensure consistency of water quality across the Auckland Region, and that all our customers were to be supplied from a WTP that had an 'A' Grade.

## 3. WORK COMPLETED TO DATE

All of the Non Metropolitan WTPs have had upgrades and operational improvements made immediately following integration, to improve performance and reduce the risk of non-compliance with DWSNZ. Major upgrade works completed include:

- The installation of Ultra-violet Light disinfection systems at Wellsford and Warkworth WTPs, due to the regulator increasing the performance requirements of these WTPs post 2010. This has ensured that these WTPs remain compliant with DWSNZ.
- The installation of the piped supply from the Waikato No.1 Watermain into Pukekohe and Buckland was completed in July 2013. Subsequently this has been extended to the communities of Patumahoe, Clarks Beach, Waiau Beach and Glenbrook Beach in December 2014. The WTPs at these communities have been de-commissioned.
- The expansion of the ion-exchange process at Bombay WTP so that it treats all water abstracted for the removal of nitrates and does not rely on dilution to achieve compliance with DWSNZ.
- The installation of UV Disinfection at the three Waiuku WTPs (Cornwall Road, Waiuku Road, Victoria Avenue) to mitigate the risk around bore security and to meet the grading requirements around disinfection with residual was completed in June 2014.

All Non Metropolitan WTPs have inherent vulnerabilities and single points of failure, which could only be overcome by WTP replacement. Software controls have been implemented, where possible, to ensure the WTP will shutdown before it becomes non-compliant with DWSNZ.

## 4. PERFORMANCE UPDATE

A summary of the performance of the non-metropolitan WTPs in service is shown in the Table overleaf.

Non-Metropolitan Water Treatment Plants		
Water Treatment Plant	DWSNZ compliant	Grading
Huia Village	√	A
Warkworth	√	A
Wellsford	√	A
Muriwai	√	A
Helensville	√	A
Snells/Algies	√	A
Waiuku Road	√	2014/15
Victoria Avenue	√	2014/15
Cornwall Road	√	2014/15
Bombay	√	2015/16

For the 2014/15 Financial Year, it is planned that all WTPs with the exception of Bombay WTP will be graded and it is expected all will achieve an 'A' Grade. The grading of Bombay WTP is scheduled for the 12 month period ending August 2015. At that time it is expected all WTPs will have an 'A' grade, significantly ahead of the scheduled deadline of 2020.

**5. RECOMMENDATION**

It is recommended that this report be received.

Report prepared by:

Recommended by:

Approved for submission by:

Priyan Perera  
**Operations Manager  
 Water Supply (Acting)**

Shayne Cunis  
**Chief Operating Officer  
 (Acting)**

R Jaduram  
**Chief Executive**

# Report to the Board of Watercare Services Limited

**Subject:** Metropolitan Water Supply 2015 Summer Production Plan

**Date:** 19 January 2015

## 1. INTRODUCTION

The 2015 Water Supply budget utilised a conservative approach to production planning and assumed below average, dry weather rainfall and storage inflow. This decision was made because the previous two summers have been dry and that inflow to surface water storages for 2014 were below average, and 2015 was expected to be a dry summer.

## 2. PROPOSED PRODUCTION PLAN

Auckland experienced near normal storage inflows during the 2014 winter and spring. As such, Watercare's Integrated Source Management Model (ISMM) optimised source abstraction over this period. This resulted in the lower cost sources being used in preference to the Waikato River take. The system can now operate for extended periods in a cost optimised scenario following the increase in the production capacity of the Waikato WTP to 150MLD.

Under this operating scenario, Total System Storage was 77.7% at the end of December 2014. This is below the budgeted normal weather response (82.4%) but is well above a dry year forecast (60.7%).

Figure 1 shows that if the water supply system was operated assuming inflows were as budgeted, demand restrictions would only be required if inflows were extremely low (>1 in 50 year return period), but would remain above the 15% residual storage required in the drought standard of a 1 in 100 year event.

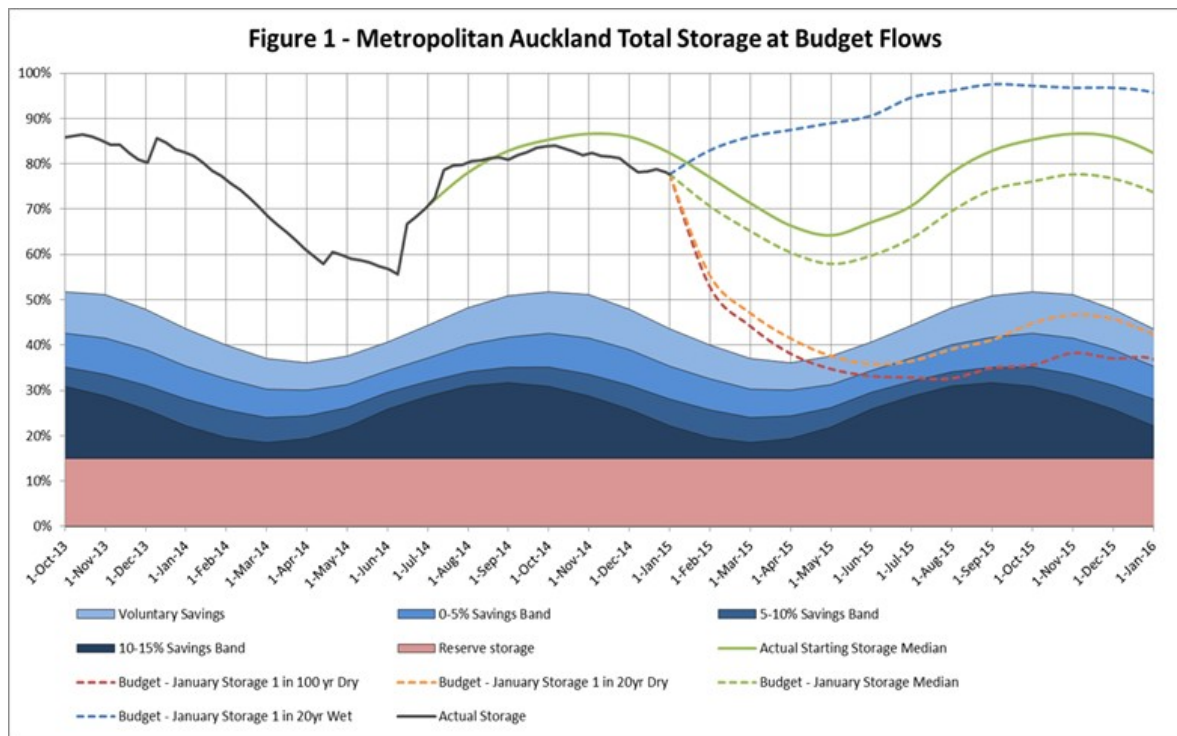
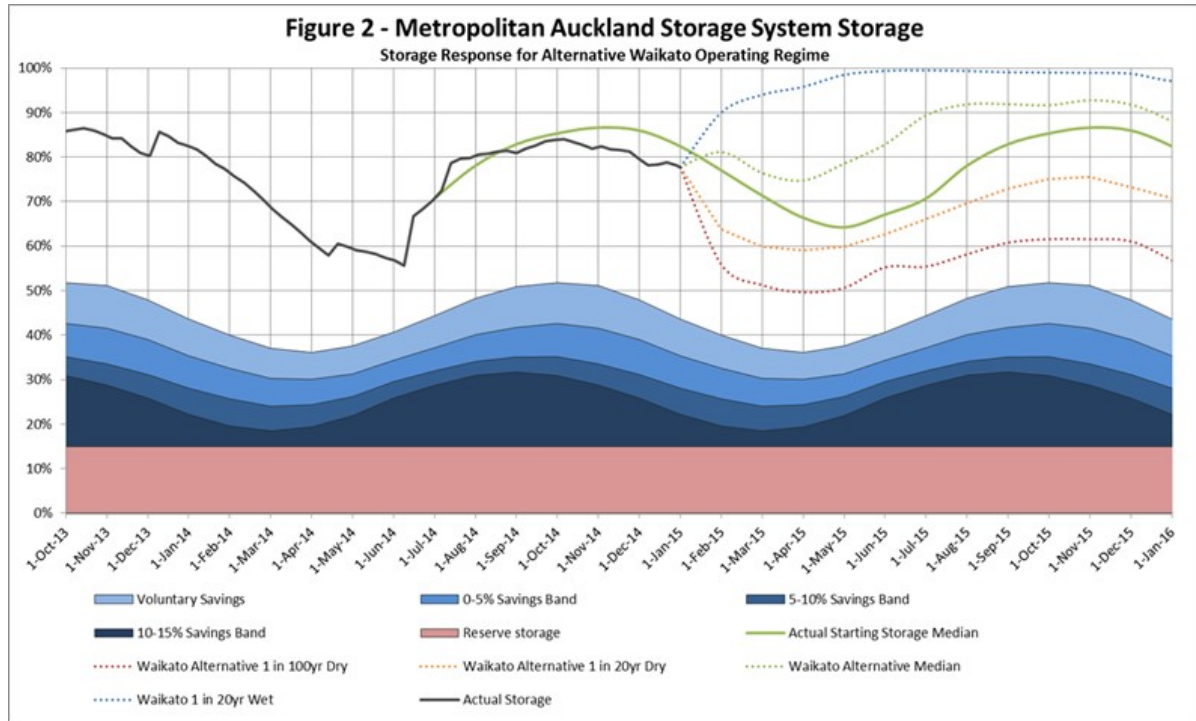


Figure 2 shows that maximising abstraction from the Waikato River until the end of April 2015 reduces the likelihood of storage shortfall in a 1 in 100 year event and prevents the need to request voluntary savings.



Given the current prolonged dry weather period being experienced in the Auckland Region and the corresponding elevated levels of demand, it is considered prudent to adjust abstraction planning so as to conserve system storage. This will increase abstraction from the Waikato River to levels above budgeted flows. The level of abstraction will be reviewed in mid-April, based on the water resources position at this time.

In the event of a significant, rapid increase in storage levels due to high inflows, this operating regime can be reviewed immediately and adjusted to reduce operational costs.

### 3. BUDGET

Increased production from Waikato above budgeted flows until the end of April 2015 will result in an increase in operational expenditure of approximately \$0.6M.

### 4. CURRENT WATER SUPPLY KEY PRODUCTION RISKS

The proposed production plan to abstract water from the Waikato River while preserving lake volumes have inherent risks. These are as follows:

- Lack of reliability of power supply to the Waikato WTP. Power outage remains the most frequent cause of WTP shutdown. Counties Power are developing the Smeed Rd sub-station to improve reliability, which will be commissioned in June 2015;
- The rate of raw water intake screen fouling at the Waikato WTP is increasing due to current river conditions. Routine screen cleaning and increased screen sparing frequency have been implemented to reduce the likelihood and impact of fouling; and
- Operating the Waikato WTP at the maximum rate on a sustained basis could cause equipment failures. Mechanical and electrical equipment will be closely monitored and planned maintenance routines enforced to minimise such risk.



Additional risks that are being monitored include:

- Taste and odour compounds have been detected in all Ardmore WTP sources with the exception of the Mangatangi Dam. Levels are below detectable odour thresholds. To mitigate the risk of a taste and odour event source monitoring frequency has been increased. Abstraction is being managed to minimise taste and odour compound concentration in the combined raw water. The Powdered Activated Carbon (PAC) dosing system has been tested and prepared for operation if required. Operating Ardmore at lower production flows further minimises taste and odour related risks; and
- Taste and odour compounds continue to be detected in the Huia WTP raw water sources requiring PAC dosing. This limits the Huia WTP capacity to 65 MLD, down from 126MLD; and
- A major slip occurred on the Upper Huia Road which caused significant damage to the access road and failure of the Lower Huia Raw Watermain. This has resulted in the supply from this lake being unavailable until repairs can be completed, which is likely to take several months.

## 5. RECOMMENDATION

It is recommended that this report be received.

Report prepared by:

Recommended by:

Approved for submission by:



Priyan Perera  
**Operations Manager  
Water Supply (Acting)**

Shayne Cunis  
**Chief Operating Officer  
(Acting)**

R Jaduram  
**Chief Executive**

# Report to the Capital Projects Working Group of Watercare Services Limited

**Subject:** Climate Change Planning Strategy for Watercare's Water Sources

**Date:** 19 January 2015

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## 1. INTRODUCTION

This paper provides an overview of Watercare's strategy to plan for potential impacts of climate change on Auckland's water sources.

## 2. BACKGROUND

### 2.1 The science of climate change

The majority of climate scientists consider that the increase in greenhouse gases (carbon dioxide, methane and chlorofluorocarbons) in the atmosphere has resulted in accelerated global warming which is influencing the pattern of global climate extremes. Warmer air holds more moisture, which means that heavy rainfall and floods are more likely. At the same time high average temperatures will mean more heatwaves and droughts (Salinger, 2014). The potential effects of global warming will be regionally specific.

### 2.2 New Zealand Government guidance

Guidance from the Government is that councils and infrastructure owners should give serious consideration to the potential impacts of climate change on their functions and services. Despite the considerable uncertainty in future climate change projections, the Government considers there is a need to understand the potential range of implications for planning purposes.

Auckland Council has produced climate change adaption guidelines which set out a risk based process for identifying, assessing and prioritising climate change related impacts. The approach considers that climate change should not be considered in isolation from other impacts or risks on functions or services.

### 2.3 Current climate change research in New Zealand

Modelling of climate change has been based on a number of emission scenarios for greenhouse gases. These emission scenarios are then used by General Circulation Models to produce potential global climate forecasts. These models are based on the same models used for short term weather forecasting of a few days, but instead of being run for the next 3-7 days, they are run for up to 100 years. These global models are coarse with an output grid covering 250 to 600km depending on the model used. Previously the outputs from these models have been used to approximate local climate response.

NIWA have recently started to 'downscale' the outputs from various global models to produce more "localised" climate forecasts. Initially NIWA downscaled using their Regional Climate Model for New Zealand and used this data to give a range of possible high level outcomes across a number of both emission scenarios and General Circulation Models. Since the initial modelling undertaken by NIWA, they have further refined their methods and are now in the process in producing potential climate outcomes at a local scale of approximately 1.5km.

### 2.4 Potential effects of climate change on Watercare's business

The climate change impacts of relevance to Watercare are:

- changing temperature, evapotranspiration and rainfall on the demand for water and the security of supply in a drought
- how rising sea levels will impact on water and wastewater infrastructure

- the impact of changes in temperature on water treatment
- the impact of a reduction in rainfall and an increase in temperature on septicity and odour problems at wastewater treatment works
- whether more intense rainfall will result in an increase in emergency overflows or change the risk profile of existing dams.

Primarily, work to date by Watercare has focused on the likely impacts of climate change on water demand and security of supply.

## **2.5 Watercare's Water Supply**

Watercare sources water from a mix of groundwater, river, and surface water storage lakes. The water yield available from these sources is susceptible to climate variability to a varying extent depending on the size of the water resource and its ability to provide a buffer to short-term climate variability.

Groundwater sources are traditionally the most reliable, but can be susceptible to over allocation of the water resource, as experienced in Canterbury and Hawkes Bay. Auckland Council has taken a conservative approach to allocation in the Auckland Region and has set allocation limits for most aquifers at 30% of their mean annual recharge.

River takes are normally the most susceptible to drought conditions, with potentially rapid decreases in flows and a number competing demands for the resource including environmental. The Waikato River does provide significant protection from drought conditions due to the heavily regulated flow regime in the river from the operation of the hydro-generation on the river. There are further controls on river flows, through the application of policy which will reduce the amount that users can abstract during periods of low river flows.

Surface water storage aims to store excess runoff when inflows are high. This stored water is used as buffer when inflows are low and would be insufficient to maintain abstraction. Typically storage is utilised during summer low flows, and recover during high rainfall periods in winter. Due to the historical reliability of rainfall in Auckland and the short duration of drought events, storage capacity is relatively small when compared to other large metropolitan areas such Sydney. Auckland's total storage is 94 billion litres, which equals around 8 months of demand. Sydney has 2,581 billion litres or 5 years of demand.

The current Watercare Security of Water Supply standard is that metropolitan storage levels should not fall below 15% with a 100 year average recurrence interval (this is equivalent to a 200 year average recurrence interval to lakes being empty).

## **2.6 Droughts**

A drought is defined as an extended period of below average rainfall. There are two types of droughts which Auckland is vulnerable to, agricultural or hydrological droughts.

During an agricultural drought, soil moisture becomes so low that plants can no longer grow and start to die. As soil moisture decreases, plants become stressed and if the drought is prolonged, they will die. An agricultural drought ends when adequate amounts of rain restore soil moisture levels. This type of drought typically occurs over summer, can develop quickly and can result in increased water demands for Auckland due to the ongoing fine weather. Due to the short term nature of these events, they have negligible impact on water availability.

A hydrological drought refers to a significant reduction in the amount of water available in rivers, lakes and groundwater. This type of drought occurs when rainfall is well below expected levels in any large catchment area for an extended period. Hydrological droughts can result in water supply shortages.

Watercare's current modelling of drought events, and their occurrence frequency, are based on historical rainfall recorded through-out Auckland since the mid 1840s. This record is considered to be conservative as it includes a number of severe droughts in the 1880s that have been associated the eruption of Krakatoa.

## **2.7 Watercare's water source management system**

Watercare utilises the Integrated Source Management Model (ISMM) to conjunctively manage abstraction decision across the metropolitan sources to meet the security of supply standard at the lowest operating cost.

To better understand the potential scenarios surrounding climate change Watercare is dependent on NIWA finishing their current projects to downscale climate change projections to a local scale. Once this data becomes available, Watercare will be able to use ISMM to model the potential impacts on water yields under various climate change scenarios. Part of this project will require the updating of the hydrological models that underpin ISMM so that it can effectively model the potential changes to climate variables, in addition to changes in rainfall distribution.

Once this work is completed a number of predicted yields can be calculated for various climate change scenarios that will give a potential band of yields at various planning horizons. These bands will also represent the uncertainty inherent in any scenario modelling and can be incorporated into Watercare's long term Water Supply Asset Management Plan.

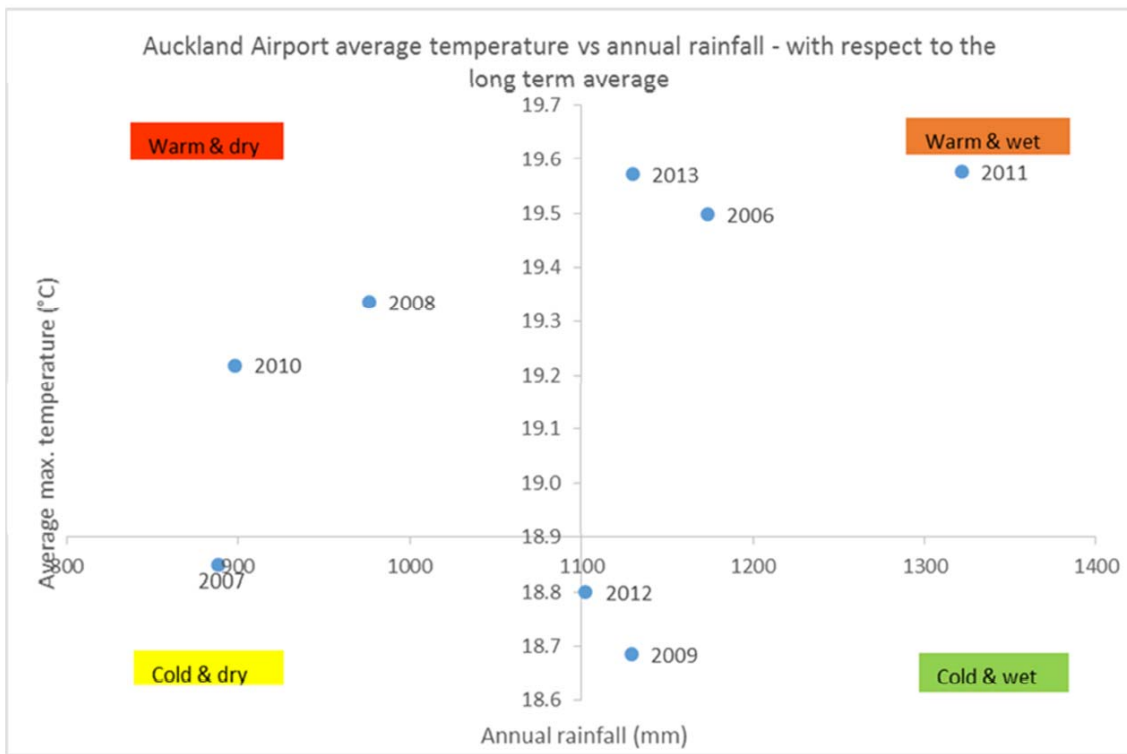
## **2.8 Climate Change Implications for Water Supply and Demand**

NIWAs most recent published reports on drought risk associated with climate change show on a regional scale mild drying patterns in Auckland, whereas drying patterns in the Waikato River catchment are predicted be to within a range that could vary from minimal to dramatic exposure to drought. It should be noted that that there is still significant uncertainty in NIWAs drought risk profile and the work to improve the accuracy of predictions is ongoing. This work has also been focused on agricultural droughts.

The largest potential impact of climate change on Watercare's water sources is a change in water yield for given return period events. Current publications have focused on the potential increased frequency of severity of agriculture droughts with limited research on hydrological droughts. This is an important area for Watercare as it has also been highlighted that high flow events, such as flooding have the potential to also increase in frequency and severity. A potential scenario for Watercare is a severe agriculture drought occurs through a summer period, storage drops rapidly over this period until the drought is broken by a high rainfall event resulting recovery of storage levels.

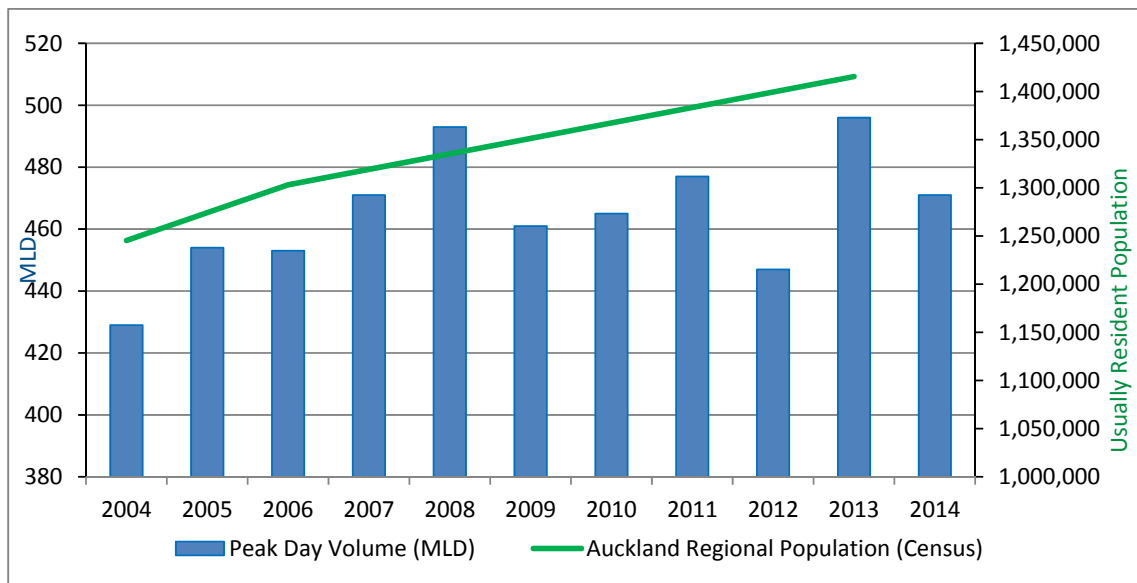
As the climate change analysis to date predicts the possibility of hotter, drier summers, Watercare is investigating the effects on the peak supply demand balance. This is not straight forward as temperature; evapotranspiration and the amount of rainfall vary widely from year to year. The volume of water consumed tends to reflect the type of summer experienced. The range of variation in annual summer rainfall and temperature since 2007 is shown in Figure 1.

The variation in peak day water production for the metropolitan supply compared with the regional population growth trend in shown in Figure 2. This indicates that the peak day demand is not increasing at the same rate as population growth. The drivers of peak demand are complex and include weather variables, the level of urban intensification, non-domestic factors, the impact of demand management initiatives and socio-economic status. The impact of each driver on peak day demand, however, is not well understood. By way of example, 2012 was a year in which the temperature and rainfall was close to average and the highest observed peak day demand was 447MLD. 2008 was warmer and drier than 2012, with a corresponding increase in peak day demand, but 2013 which was warmer and wetter than 2008 had a similar peak day demand to 2008. However 2009, which was colder and wetter than 2012, also had a higher peak day demand.



**Figure 1: Auckland Airport average temperature vs. annual rainfall with respect to the long term average (Beca/Tonkin and Taylor for Watercare, 2014)**

This indicates that annual average rainfall and temperature predictions will not be particularly relevant to forecasting likely future peak day demand. Ambient temperature and days without rainfall are considered to be more appropriate drivers of peak day demand.



**Figure 2: Peak day production volumes 2004-2014 and population growth**

NIWA are forecasting that the average annual temperature in the Auckland region will increase by up to 1° over the next 30 years as a result of climate change. The difference between the annual average temperatures in 2011 and 2013 relative to 2009 is 1°. These years had peak day demands which were 3.5% and 7.6% higher respectively than 2009.

Accordingly, it is highly likely that the impact of climate change on the water supply will be higher peak day demands and longer periods of drought. The options to address peak

demand is the introduction of peak day demand management initiatives (eg sprinkler restrictions), installing additional treatment and conveyance capacity earlier than would otherwise have been required under current climate conditions to meet increases in demand arising from population growth. To mitigate the risk of more severe droughts would require the use of non-climate dependent sources of water, such as desalination or wastewater reuse.

## **2.9 Current Climate Change Work**

Andrew Lester (Water Resource Scientist, Water Supply team) is leading work around climate change impacts on the supply side. The option of expanding the Integrated Source Management Model to include modelling of future climate regimes on water yield is under consideration.

It is planned to undertake modelling work in 2015 to establish the relationships between demand drivers and peak demand. This will help identify what additional amount of headroom needs to be added to the forecast demand line to account for climate change.

Auckland Council has produced a set of guidelines for projects involving climate change issues. Climate change 'champions' have been appointed whose role is to communicate with the Council's various departments and affiliated utilities to ensure that there is continuity and integration in the work being undertaken, and to avoid duplications. Watercare staff are in contact with the Council staff on these issues.

## **3. CONCLUSION**

The majority of climate scientists consider that there is a high correlation between the rise in greenhouse gases and long term global warming.

Guidance from the New Zealand Government is that Council's and infrastructure owners should take a precautionary approach to the potential impacts of climate change which requires the use of conservative assumptions when there is significant uncertainty. It is acknowledged that there is uncertainty regarding the magnitude of the potential climate change impacts and that the scientific community continue to work on improving certainty.

Watercare has several projects underway with the objective of better understanding the impact of climate change on the water supply demand balance.

## **4. RECOMMENDATION**

It is recommended that report is received.

Report prepared by:

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A Lester  
**Water Resources Scientist  
Operations**

Recommended by:

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D Blow  
**Planning Manager  
Infrastructure**

Approved for submission  
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**Chief Operations Officer (Acting)**

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R Jaduram  
**Chief Executive**