

WATERCARE SERVICES LIMITED

AGENDA | Board meeting | 29/5/2014

Venue Hobson Room, Jubilee Building, 545 Parnell Road, Parnell

Time 09.00am

Open Public Meeting

Item	Spokesperson	Action sought at governance meeting	Supporting Material	Section Page
1. Apologies	Chair	<ul style="list-style-type: none"> Record Apologies 		
2. Minutes of Meeting	Chair	<ul style="list-style-type: none"> Approve Board Meeting Minutes <ul style="list-style-type: none"> 1 May 2014 	Minutes 1 May 2014	1 - 3
3. Directors' Corporate Governance Items	Chair	<ul style="list-style-type: none"> Corporate Planner 2014 Review Disclosure of Interests Organisational Chart 	Corporate Planner Disclosure of Interests Organisational Chart	1 2 - 3 4
4. Chief Executive's Report	R Jaduram	<ul style="list-style-type: none"> Note the Chief Executive's report <ul style="list-style-type: none"> Key Performance Scorecard Health and Safety Customer Services Infrastructure and Planning Operations Finance Board Correspondence Execution of Documents Working with Local Boards Statutory Planning 	Chief Executive's Report	1 - 48
5. Watercare Utility Consumer Assistance Trust	J Lusk	<ul style="list-style-type: none"> Note update 	No Board Pack Content	
6. Statement of Intent	R Chenery	<ul style="list-style-type: none"> For approval 	Paper and Presentation	1 - 43
7. Audit and Risk Committee Update	J Hoare	<ul style="list-style-type: none"> Note update 	No Board Pack Content	
8. 2014/15 Budget	B Monk	<ul style="list-style-type: none"> For approval 	Paper	1 - 20
9. Water Resources Update	D Worsnop	<ul style="list-style-type: none"> Note paper 	Paper	1 - 3
10. Water Demand Management	R Klein	<ul style="list-style-type: none"> Note presentation 	Presentation	
11. Auckland Trade Waste Bylaw 2013 – Delegation of Powers	D Worsnop	<ul style="list-style-type: none"> For approval 	Paper	1
12. General Business	Chair			

Date of next Meeting – 27 June 2014

Location – Jubilee Building, 545 Parnell Road, Parnell

MINUTES

SUBJECT WATERCARE SERVICES BOARD MEETING

VENUE Hobson Room, Jubilee Building, 545 Parnell Road, Parnell, Auckland

DATE 01 May 2014

TIME 09:30

STATUS Open Session

	Present:	In Attendance:	Public in Attendance:
	M Allen D Clarke (Chairman) N Crauford P Drummond J Hoare S Huria T Lanigan A Delany (Board Observer)	M Bridge R Chenery R Fisher R Jaduram T Langridge B Monk J Redwood D Sellars G Wood D Worsnop	None
1.	Apologies <ul style="list-style-type: none"> M Ford C Harland 		
2.	Minutes of Previous Meeting <ul style="list-style-type: none"> The Board resolved that the Minutes of the public section of the Board meeting held on 27 February 2014 at 09:00, as amended, be confirmed as correct. 		
3.	Directors Corporate Governance Items <ul style="list-style-type: none"> Corporate Planner 2014 The Corporate Planner for 2014 was noted. Susan Huria advised that a meeting of the Remuneration Committee would be held at Watercare on 19 May at 08:00. Disclosure of Interests Several changes to Board member's Disclosure of Interests were noted. Organisational Chart The Organisational Chart was noted and Raveen Jaduram was to be referred to as the Acting Chief Executive. 		
4.	Chief Executive's Report <ul style="list-style-type: none"> Key Performance Scorecard The Chairman requested an improvement to the layout of the balanced scorecard, including an emphasis on SOI measures. Health and Safety A meeting of the Health and Safety Committee had preceded the meeting of the Board. 		

	<ul style="list-style-type: none"> • Customer Services <p>Trish Langridge spoke to the report noting that in several areas, the targets had been exceeded, for example, the goal of answering all calls within 20 seconds had not been met, and the level of abandoned calls had risen to 5% against the target of 3%.</p> <p>Trish Langridge explained that during the month, there had been a significant lift in call volumes as a result of public consultation on the new non-domestic tariff and a rise in complaints due to an isolated incidence relating to quality of water sourced from the western dams. That rise in call volumes had occurred during a period when call staff numbers were down by 5 following the move to Newmarket at the end of 2013. Those vacancies have been filled and the abandonment rate was back under the target rate.</p> • Infrastructure and Planning <p>The Board noted that consenting delays were occurring which were beyond the control of Watercare and thus causing delays on several projects. Examples were given and included a two year period negotiating with Council Parks Department to enable a storage tank to be installed under a carpark. Rob Fisher said the matter was now resolved and Dean Kimpton, COO of Auckland Council, has taken a keen interest. On some projects, appeals have been lodged with the Environment Court.</p> • Operations <p>David Worsnop advised that lake levels were at 61%.</p> <p>The Board discussed the implications of El Nino conditions occurring, noting that advice from climatologists gave a 50% chance of that. An El Nino occurrence results in dry conditions and greater demand for water than normal.</p> • Finance <p>Brian Monk advised that water and wastewater revenue was down for the third month in a row. This is more than balanced out by IGC revenue being higher than budgeted due to increased construction levels, and the receipt of a subvention payment of \$5.36m from Ports of Auckland Limited for tax losses.</p> <p>He advised that debt levels were currently \$30m below budget and would be \$10–20m below budget at financial year end.</p> <p>Aged debtor recoveries had improved and were now below \$3m again.</p> <p>Capital expenditure will be in the order of 97% of budget by financial year end.</p> • Statutory Planning <p>The Board was advised that Watercare had persuaded Auckland Council to undertake a master planning process for the Puhinui Gateway land near the International Airport. The landowners are pleased with the approach being taken by Watercare.</p>
5.	<p>Water Resources Update</p> <ul style="list-style-type: none"> • David Worsnop spoke to the paper. Lake storage levels are currently at 61% and operations were continuing to take the maximum volumes possible from the Waikato River. It is not expected that it will be possible to take the full 150MLD due to some repair work being undertaken on a clarifier. • The Chairman requested a recalculation of projected storage levels at 1 July given the delay in obtaining 150MLD from the Waikato River. • The Chairman also requested a remodelling of the storage response and factoring in a reduction in leakage rates; increased water savings and an increase in the take from the Waikato River at 175MLD (and Huia). • He also requested a paper on the economics of using water tanks vs the network. • The Board were advised that Tonkin and Taylor were preparing a report on the implications of climate change on the operations of Watercare. The report would be drawing on other relevant and available material from NIWA and other organisations. A request was made for an update in June and an analysis of the last 50 years rainfall for each catchment.

6.	<p>Non-domestic Wastewater Tariff and Trade Waste Bylaw Update</p> <ul style="list-style-type: none"> • Marlon Bridge spoke to the paper advising of the extensive consultation with customers which has seen 7000 choosing their new tariff using the online tool. • Trish Langridge said Watercare may need to have a transition period to allow people to change their tariff regime. • The Board noted there had been favourable media comment on Watercare introducing standard volumetric tariffs, thereby removing historic anomalies and unfairness in the different charges made to identical businesses depending upon their location. • The Board requested material on the effects on customers of the new regime.
7.	<p>Health and Safety Briefing</p> <ul style="list-style-type: none"> • The Board received a briefing from Professor Gregor Coster, Chair of the newly formed Worksafe NZ. This was one of around 20 such presentations Professor Coster had given around the country. He outlined the key changes in the Health and Safety Reform Bill emphasising the stronger duties on directors and senior management, i.e. those with “the capacity to influence”. The Professor referred to the desirability of including in contracts, a provision for the contractor to comply with Health and Safety requirements with a penalty regime. • He listed some practical steps for directors to consider: <ol style="list-style-type: none"> 1) Visit sites and understand the risks 2) Identify the nature of the risks 3) Accountability from management 4) Board reporting 5) Understand the supply chain (i.e.: contractors / sub-contractors) 6) Understand contractor partnerships 7) Worker participation.
8.	<p>General Business</p> <ul style="list-style-type: none"> • There was no general business. • The meeting closed at 11:45.

CERTIFIED AS A TRUE AND CORRECT RECORD

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Chairman

2014 BOARD PLANNER

	2014											
	January	February	March	April	May	June	July	August	September	October	November	December
Board Meeting		^4 Feb New market 27 Feb Jubilee	13 March New market (Workshop)	(Easter See May)	1 May Jubilee (TBC) 29 May Jubilee*	27 June Jubilee (TBC)	31 July New market (TBC)	21 Aug New market (TBC)	19 Sept New market (TBC)	22 Oct Jubilee*	21 Nov New market (TBC)	19 Dec New market (TBC)
Audit + Risk Committee Meeting		^4 Feb New market			6 May New market		^31 July New market	19 Aug New market			11 Nov New market	
Capital Projects Working Group		4 Feb New market			23 May New market				16 Sept New market			
Remuneration Committee		27 Feb Jubilee (follow s Board Meeting)			29 May Jubilee		31 July New market (follow s Board meeting)					
Statement of Intent		Approval of Draft 2014-2017 SOI	1 March Draft SOI to shareholder		Present shareholder SOI feedback at public meeting	Final 2014-2017 SOI issued to shareholder			Work on 2015-2018 Sol Key dates yet to be advised by Auckland Council			
Shareholder Interaction**		26 Feb LTP scene-setting session 27 Feb Quarterly report due to Council	4 March CCO Governance and Monitoring Committee		19 May Quarterly report due to Council	3 June Quarterly briefing to Council	TBC Quarterly report due to Council 9 July Joint w orkshop with Councillors			TBC Quarterly report due to Council		
Key Finance Decisions		27 Feb Approval of 2014/15 input to Auckland Council Annual Plan			29 May Approval of 2014/15 Budget			21 Aug Approval of 2013/14 Annual Report	Work on 2015/25 LTP and AMP Key dates yet to be advised by Auckland Council			
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

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests

Date: 9 May 2014

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

<i>Director</i>	<i>Interest</i>
David Clarke	<ul style="list-style-type: none"> – Chairman, TRGG Ltd – Radiology Services – Chairman, NZ Institute of Rural Health – Chairman, Skin Institute – Director, Hawkins Watts Ltd – Director, Cranleigh Merchant Bankers – Director, FarmIQ Systems Ltd – Director, Ngai Tahu Tourism Ltd – Director, Hynds Group Ltd – Trustee, South Auckland Foundation (Middlemore/CMDHB) – Director, Health Alliance Limited – Chairman, Jucy Group Limited
Peter Drummond	<ul style="list-style-type: none"> – Chairman, Appliance Connection Ltd – Chairman, Watercare Harbour Clean Up Trust – Chairman, Variety Medical Missions South Pacific – Chairman, Ngati Whatua o Orakei Whai Maia – Chairman, Variety International Childrens Charity – Director, NARTA New Zealand Ltd – Director, NARTA International PTY Ltd – Panel member , Fire Review, Dept Internal Affairs
Catherine Harland	<ul style="list-style-type: none"> – Director, McHar Investments Ltd – Director, Interface Partners Ltd – Trustee, One Tree Hill Jubilee Educational Trust
Susan Huria	<ul style="list-style-type: none"> – Director, Ngai Tahu Property – Director, Northland Port Company Ltd – Director and Shareholder, Huria Anders Ltd – Director and Shareholder, Susan Huria (2003) Associates Ltd – Director and Shareholder, Te Ara Tika Properties Ltd – Director, Vermilion Design Ltd – Director, Airways Corporation of New Zealand Ltd – Chair, Veterinary Enterprises Group Limited – Trustee, First Foundation – Member, Maori Governance Centre, University of Waikato Advisory Board
Tony Lanigan	<ul style="list-style-type: none"> – Director and Shareholder, A G Lanigan & Associates (2007) Limited – Shareholder, Fletcher Building – Director, Habitat for Humanity New Zealand Limited

	<ul style="list-style-type: none"> - Director and Shareholder, Lanigan Trustee Limited - Director and Shareholder, Lanison and Associates Limited - Director and Chair, NZ Housing Foundation Limited - Director, Tamaki Makaurau Community Housing Limited - Director, NZ Transport Agency (NZTA)
Mike Allen	<ul style="list-style-type: none"> - Director, Coats PLC - Director, Guinness Peat Group - Director, Godfrey Hirst Limited - Shareholder, Innoflow - Director, Tainui Group Holdings Limited - Director, Breakwater Consulting Limited
Julia Hoare	<ul style="list-style-type: none"> - Director, AWF Group Limited - Director, New Zealand Post Limited - Director, The A2 Milk Company Limited
Nicola Crauford	<ul style="list-style-type: none"> - Chair, Wellington Rural Fire Authority - Director, Environmental Protection Authority - Member of Electoral Authority - Cooperative Bank Limited - Deputy Chief Executive - Institution of Professional Engineers - Senior Consultant - WorleyParsons New Zealand Ltd (from 12 May) - Director and Shareholder - Risposte Consulting Limited - Director and Shareholder - Crauford Robertson Consulting - Director and Shareholder - Martin Crauford Limited

Board Observer

Alex Delany	- Employee - BNZ
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RECOMMENDATION

That the report be noted.

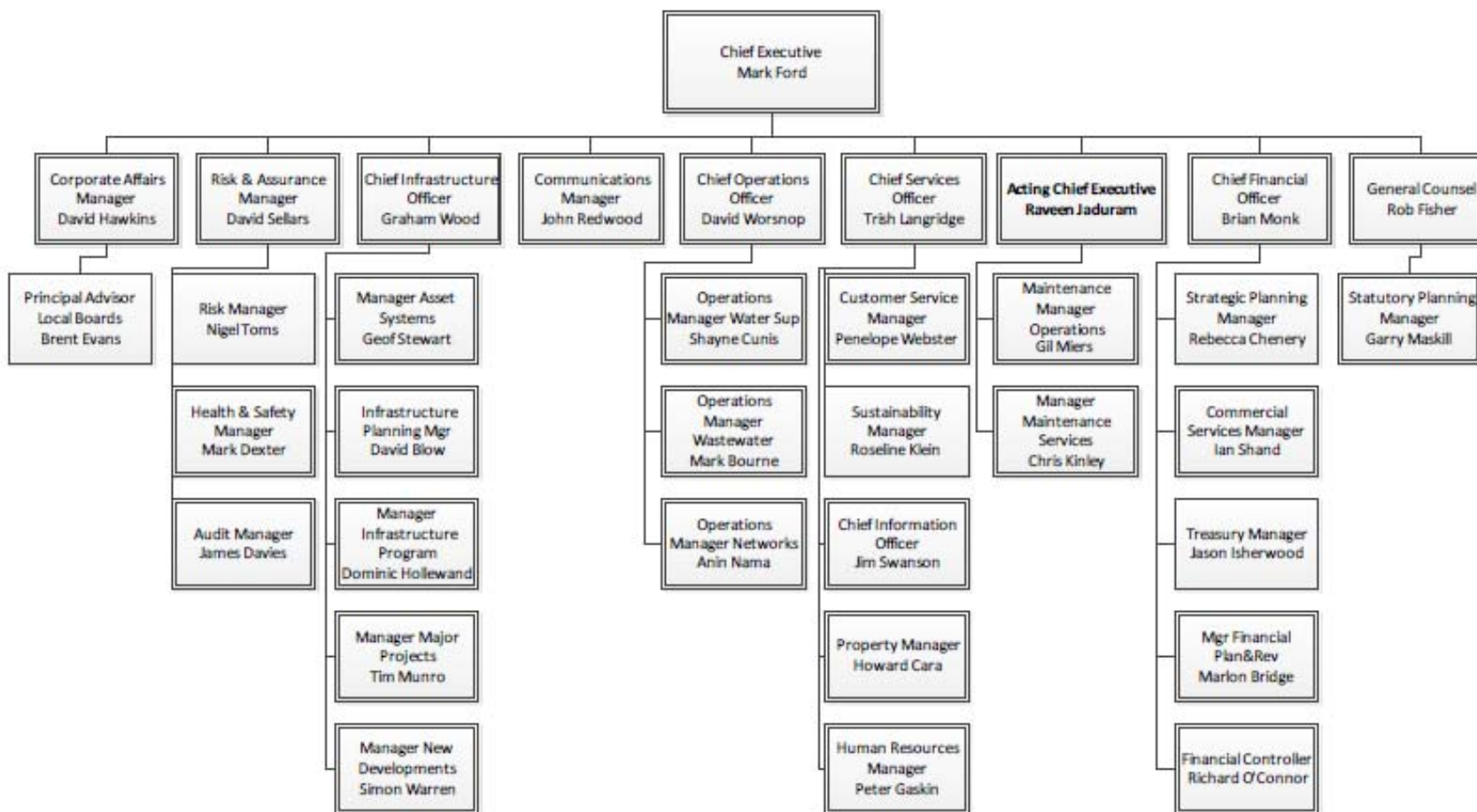
Report prepared by:

Approved by:

R Fisher
General Counsel

R Jaduram
Acting Chief Executive

Watercare Organisational Chart – Tier 3 Management



Perm FTE	738.52
Fixed Term FTE	30.31
Casual FTE	6.25
LWOP FTE	8.00
Total FTE	775.07
Budgeted FTE (13/14)	852.70

Watercare Services Limited

Subject: Chief Executive Report – April 2014

Date: 16 May 2014

1. KEY PERFORMANCE SCORECARD

Environment		Financial	(MTD)	(YTD)
Water Treatment – graded plants Metro	✓	Revenue	✓	✓
Water treatment – graded plants Rural	✓	Net surplus / deficit after tax	x ¹	✓
Unaccounted for Water	x ²	Total costs	↔	↔
Effluent quality Metro plants	✓	Labour costs	x ³	↔
Effluent quality Rural plants	↔			
Dry Weather Overflows	✓			
Prosecutions	✓			
		Asset Management	(MTD)	(YTD)
		Maintenance Expenditure	✓	✓
		Capital Expenditure	✓	✓
Community		Staff Attendance (Rolling 12 months)	(MTD)	(YTD)
Water Quality Complaints	x ⁴	Attendance	✓	✓
Water Resources		Customer Service	(MTD)	(YTD)
Drought Security Standard	✓	Grade of Service	✓	✓
Unrestricted Demand (<i>Drought Management Plan</i>)	✓			

1 Net surplus after tax is unfavourable largely due to the movement financial instruments

2 The Statement of Intent target related to unaccounted for water has reduced from 15% to 14% for the 2013/14 year. A programme of work is underway to address leakage and the unaccounted for water result is trending towards the target of 14%.

3 Labour costs are unfavourable largely due to the reclassification of contractor costs which were incorrectly classified

4 Target not met due to an increase in complaints during January and February. The year to date result is anticipated to trend favourably in the following months.

2. HEALTH AND SAFETY

On a rolling 12 month basis:

- The lost-time injury frequency rate (LTIFR) was 1.91 against an SOI target of less than or equal to 5 for 12 months.
- Sick leave was 2.24%.
- Voluntary staff turnover was 12.76%, just outside the SOI target of 10-12%.
- The injury severity rate was 11.44 for the month of April against a target of less than 30 for 12 months.

3. CUSTOMER SERVICES

The telephone grade of service target of 80% was met with 82.3% of calls answered within 20 seconds. The target response time for customer correspondence was exceeded with 99.7% of letters and emails responded to within 10 days. Customer Satisfaction with Customer Services is greater than the target with all three of the target areas exceeding 80%. The three target areas are 'Don't waste my time', 'Communicate with me' and 'Deliver to me'.

Three new staff were recruited and inducted into the Contact Centre, with another nine staff to start in May. This will bring Customer Service back to full staffing which was depleted as some staff chose not to move to the Newmarket site.

The key business activity for the month was managing the response to the Non Domestic Wastewater Tariff communication.

During April a range of initiatives were initiated to improve customer experience including:

- Refining and improving the Customer Service knowledge base, to enable staff to search and use the information in the knowledge base more effectively.
- Modifying the voice recording that customers hear when they phone the Contact Centre to include an option for non-domestic customers.
- An outbound calling campaign for Non-domestic customers who have not responded to letters about the pricing plan changes.

The focus for May will be on managing performance to ensure that service levels are maintained and inducting the nine new people joining the Contact Centre.

4. INFRASTRUCTURE AND PLANNING

Infrastructure capital expenditure during the month was \$22.4 million, below the monthly target of \$26.3 million. As a result, the year to date performance for Infrastructure capex is

95% of the year to date target. Minor delays in the month are expected to be recovered by year end and monthly expenditure for the remainder of the financial year is expected to continue broadly in line with budget and produce year end expenditure close to \$287 million. Given that “red” status applies to only 4% of the time, costs and quality objectives for the 61 projects over \$2 million, this indicates that progress and the associated expenditure for the year to date remain extremely close to forecast.

During the month the construction of Hunua No.4 approached the halfway mark with over 10km of the 22km in place and three sections operational/being commissioned. Major consenting and preliminary design work continued on North Harbour No.2 and the staged commissioning of the water supply to Kumeu, Huapai and Riverhead continued to plan. Waikato construction is nearing completion and will meet the June 2014 date to achieve 150MLD. It is currently running at 125MLD.

In the wastewater portfolio, tenders for the function of Principal Engineering Advisor for the Central Interceptor are being evaluated and a recommendation for award is scheduled for next month with the actual award to the successful consortium to follow at the end of June/early July. The initial areas for biosolids placement on Puketutu Island are complete. The delivery of new biosolids transporters is due next month and this will complete the operational solution ahead of schedule. Major design, consenting and investigative work continues on the Rosedale expansion, Northern Interceptor and Waterfront Interceptor. Construction work has started on the Kohimarama Storage Tank and the final pump station for the Northern Waitakere servicing has been completed.

The latest Asset Management Plan development continues with the latest version scheduled to be submitted to the Capital Projects Working Group in May.

Infrastructure Growth Charge revenue continues to increase in line with construction activity and income will now exceed the year-end budget target.

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

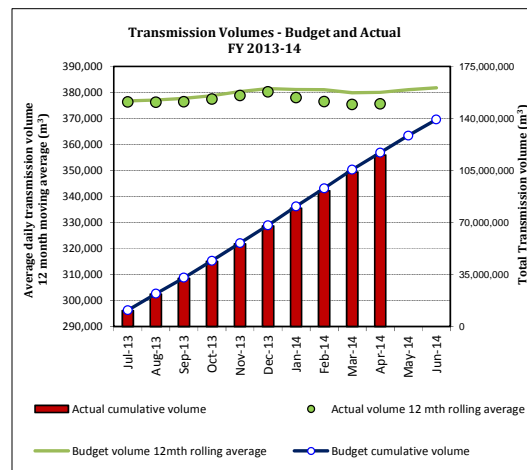
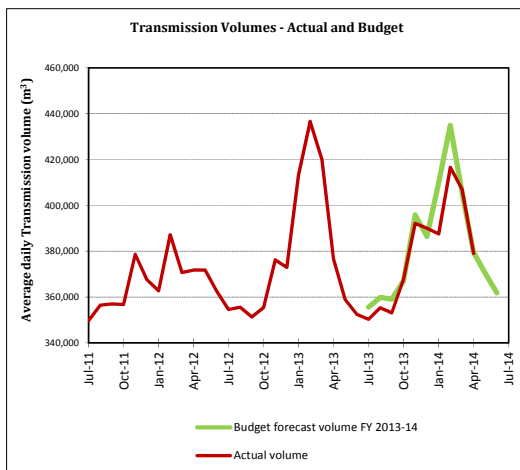
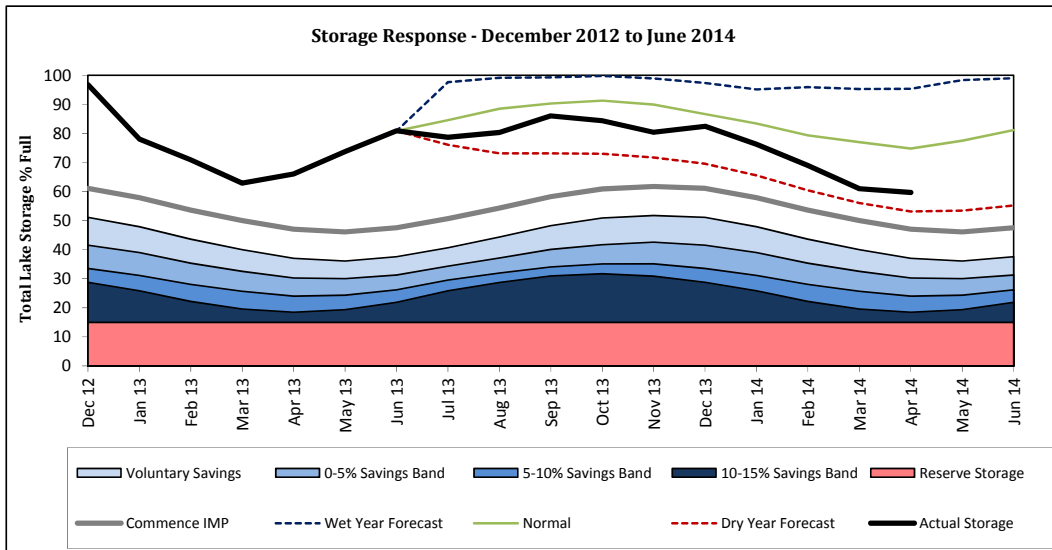
5. OPERATIONS

Rainfall for the month of April was as follows:

Waitakere Ranges	122% of average
Hunua Ranges	145% of average
Northern Non-metropolitan	96% of average
Southern Non-metropolitan	121% of average

The metropolitan lake storage volume decreased in April from 61% to 59.7%. This is below the average storage for the end of April (72.4%), but while tracking below the normal storage response, it is above the dry weather response.

ENSO-neutral conditions (neither El Niño nor La Niña) continued in the equatorial Pacific Ocean in April 2014. While ENSO-neutral conditions are the most likely outcome for May-July 2014, following this period El Niño appears increasingly likely with 11 of the 14 models monitored by NIWA predicting El Niño conditions over August-October 2014. May to July temperatures are forecast to be average or above average for the North of the North Island. Rainfall is likely to be in the near-normal range during this time.



Transmission system losses for the month, adjusted for planned discharges were 4.1% and are 2.5% YTD.

6. FINANCE

Financial Performance

	Current Month			Year To Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Figures (\$millions)									
Revenue	39.04	37.74	1.30	405.82	390.77	15.05	481.64	467.41	14.22
Operating Expenses	15.38	16.85	1.47	160.32	164.19	3.87	193.97	195.54	1.57
Depreciation	17.09	16.54	(0.55)	170.70	166.32	(4.38)	204.39	199.68	(4.71)
Interest expense	6.15	6.17	0.02	60.41	63.03	2.62	74.07	75.12	1.05
Total Contribution	0.43	(1.83)	2.25	14.39	(2.78)	17.17	9.21	(2.93)	12.14
Financial instruments revaluation - loss/(gain)	9.10	-	(9.10)	(14.41)	-	14.41	(14.41)	-	14.41
Non-operating costs/(income)	0.75	-	(0.75)	10.09	-	(10.09)	11.44	-	(11.44)
Operating Surplus / (Deficit) Before Tax	(9.43)	(1.83)	(7.60)	18.71	(2.78)	21.49	12.18	(2.93)	15.11
Deferred Tax - Expense/(Credit)	(2.70)	(0.34)	2.36	15.51	(0.59)	(16.10)	10.09	(0.82)	(10.91)
Net Surplus / (Deficit) After Tax	(6.72)	(1.49)	(5.24)	3.21	(2.18)	5.39	2.09	(2.11)	4.20
FFO Ratio				3.21	3.05		3.10	3.04	
Operating EBITDAF	23.67	20.89	2.78	245.51	226.58	18.93	287.67	271.87	15.80
EBITDA	13.81	20.89	(7.08)	249.83	226.58	23.25	291.59	271.87	19.72
EBIT	(3.27)	4.35	(7.62)	79.13	60.26	18.87	85.04	72.19	12.85

Month – Total Contribution of \$0.43m - favourable variance to budget of \$2.25m

Total revenue was favourable \$1.30m to budget largely due to vested asset income favourable by \$1.48m. Water and wastewater revenue was \$0.59m unfavourable to budget with water volumes 0.81% unfavourable. IGC revenue at \$2.50m was favourable \$0.41m.

Operating expenses were \$1.47m favourable to budget with favourable variances for unplanned maintenance, operating costs and general overheads partially offset by an unfavourable variance for net labour.

Depreciation was unfavourable to budget \$0.55m due to higher than budgeted accelerated depreciation.

Interest expense was \$0.23m favourable to budget.

Year to date – Total Contribution of \$14.39m - favourable variance of \$17.17m

Year to date revenue is \$15.05m favourable to budget primarily due to vested asset income favourable \$11.69m, IGC revenue favourable \$3.79m and the \$5.36m unbudgeted receipt of the subvention payment from Ports of Auckland for tax losses. Water and wastewater revenue was \$5.91m unfavourable to budget with year to date water volumes 1.38% under budget.

Operating expenses are \$3.87m favourable to budget with favourable variances for planned maintenance, energy, professional services and general overheads partially offset by unfavourable unplanned maintenance and other asset operating costs.

Depreciation is unfavourable to budget \$4.38m due to higher than budgeted accelerated depreciation.

Interest expense is \$2.62m favourable to budget.

Year to date – Net Surplus after Tax of \$3.21m – favourable variance of \$5.39m

The favourable variance year to date of \$5.39m is due to the \$17.17m year to date favourable contribution plus a favourable revaluation of financial instruments of \$14.41m due to an increase in medium to long term swap rates since June 2013; partially offset by losses on disposals of fixed assets and an increase in deferred tax expense of \$16.10m due primarily to the effect of the tax loss offset with Ports of Auckland Ltd.

Full year Forecast – Operating Contribution of \$9.21m – favourable variance of \$12.14m

Full year revenue is forecast at \$481.64m, favourable by \$14.22m largely due to expected higher than budgeted vested asset income and the unbudgeted subvention receipt of \$5.36m from Ports of Auckland Ltd. Water and wastewater revenue forecasts for the remaining months of the year is assumed at budgeted levels.

Operating expenses are expected to be favourable to budget by \$1.57m with favourable variances for planned maintenance, energy, professional services and general overheads partially offset by unfavourable variances for net labour, unplanned maintenance and other asset operating costs.

Depreciation costs are forecast \$4.71m higher at year end largely due to shortfalls in the budget for accelerated depreciation.

Interest expensed through the P&L is expected to be \$1.05m lower than budget at year end due to higher levels of capitalised interest compared with budget.

Financial Position

\$million	Actual Mar-14	Actual Apr-14	Monthly Movement	Budget Apr-14	Var from Budget
Non Current Assets	8,232.5	8,240.2	7.8	8,446.2	(206.0)
Current Assets	109.6	85.8	(23.8)	73.7	12.1
Total Assets	8,342.0	8,326.0	(15.9)	8,519.9	(193.8)
Other Liabilities	156.5	159.9	3.4	233.0	(73.1)
Deferred Tax Liability	945.3	942.6	(2.8)	958.2	(15.6)
Borrowings - Short Term	615.2	605.6	(9.6)	671.4	(65.8)
Borrowings - Long Term	848.7	848.4	(0.3)	802.1	46.2
Shareholders Funds	5,776.4	5,769.6	(6.6)	5,855.2	(85.6)
Total Liabilities and Shareholders Funds	8,342.0	8,326.0	(15.9)	8,519.9	(193.8)

The Statement of Financial Position as at 30 April 2014 was broadly consistent with 31 March 2014 with a decrease in current assets (\$23.8m) largely due to a decrease in cash (\$19.0m).

Compared with the budget the material variances are in respect of non-current assets, deferred tax and shareholders funds all of which largely reflect the revaluation of property, plant and equipment as at 30 June 2013 being lower than was assumed for the budgeted opening balance sheet as at 1 July 2013. Net debt at \$1,435m is \$38.5m beneath budget.

Receivables

Receivables before provision for doubtful debts totalled \$31.1m at April month end compared with \$36.2m at the end of March. The Auckland Council component of total debt was \$0.57m, compared with \$0.66m at March and disputed trade waste accounts at the end of April totalled \$0.94m compared with \$1.28m last month. Total 60+ day debt has decreased by \$386k during the month primarily due to the decrease in disputed trade waste and reduction in aged commercial debt.

Total receivables – month-on-month comparison

	0-30 days <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>
Receivables excluding Council, disputed trade waste and disputed IGC	\$24,217,159 <i>\$28,958,484</i>	\$2,536,041 <i>\$2,340,818</i>	\$2,819,713 <i>\$2,984,814</i>	\$29,572,913 <i>\$34,284,117</i>
Auckland Council Group	\$488,353 <i>\$588,492</i>	\$35,079 <i>\$169,228</i>	\$43,804 <i>-\$91,974</i>	\$567,237 <i>\$665,746</i>
Disputed trade waste accounts	\$94,546 <i>\$90,709</i>	\$81,555 <i>\$69,780</i>	\$764,464 <i>\$1,120,985</i>	\$940,565 <i>\$1,281,474</i>
Total receivables	\$24,800,058 <i>\$29,637,685</i>	\$2,652,676 <i>\$2,579,827</i>	\$3,627,982 <i>\$4,013,826</i>	\$31,080,715 <i>\$36,231,338</i>

Receivables excluding Auckland Council and disputed trade waste accounts totalled \$29.6m for April, compared with \$34.3m at March month end. The decrease in receivables primarily reflects the reduction in current debt. Additionally 60+ day debt has decreased by \$165k. The average debt per account decreased from \$86 to \$80.

Total receivables – excluding Auckland Council and disputed trade waste

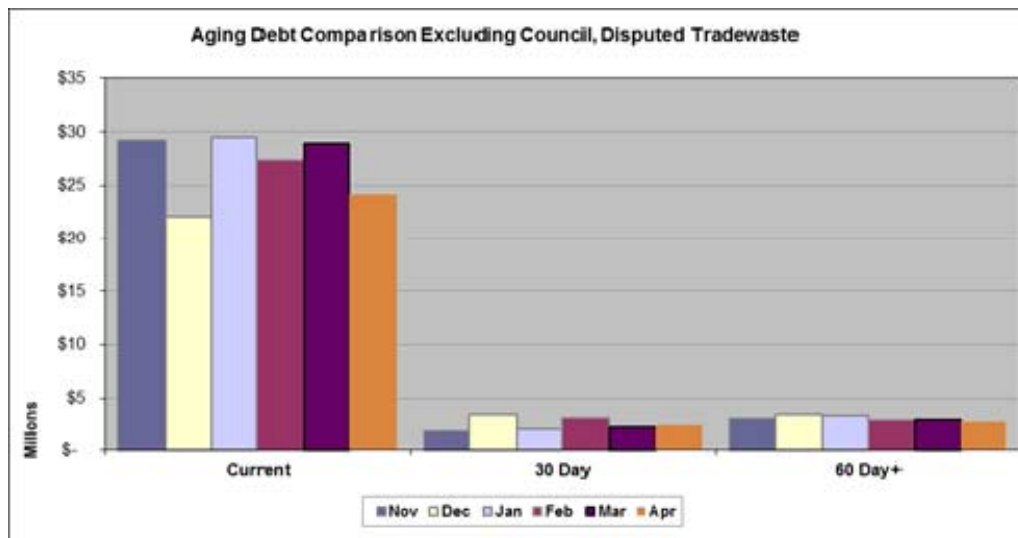
	0-30 days <i>(previous month in italics)</i>	30-59 days <i>(previous month in italics)</i>	60 days + <i>(previous month in italics)</i>	Total <i>(previous month in italics)</i>
Net Debt	\$24,217,159 <i>\$28,958,484</i>	\$2,536,041 <i>\$2,340,818</i>	\$2,819,713 <i>\$2,984,814</i>	\$29,572,913 <i>\$34,284,117</i>
# of accounts	286,862 <i>312,507</i>	41,492 <i>36,404</i>	35,263 <i>34,708</i>	308,647 <i>332,499</i>
Average Debt	\$84 <i>\$93</i>	\$61 <i>\$64</i>	\$80 <i>\$86</i>	\$96 <i>\$103</i>
Percentage	81.9% <i>84.5%</i>	8.6% <i>6.8%</i>	9.5% <i>8.7%</i>	100.0% <i>100.0%</i>

Commercial	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>
Totals	\$9,007,274 <i>\$12,269,455</i>	\$1,150,425 <i>\$1,131,387</i>	\$689,289 <i>\$801,518</i>	\$10,846,988 <i>\$14,202,359</i>
# of accounts	20,151 <i>21,759</i>	3,538 <i>3,387</i>	5,513 <i>5,442</i>	24,616 <i>26,079</i>
Average Debt	\$447 <i>\$564</i>	\$325 <i>\$334</i>	\$125 <i>\$147</i>	\$441 <i>\$545</i>
Percentage	83.0% <i>86.4%</i>	10.6% <i>8.0%</i>	6.4% <i>5.6%</i>	100.0% <i>100.0%</i>

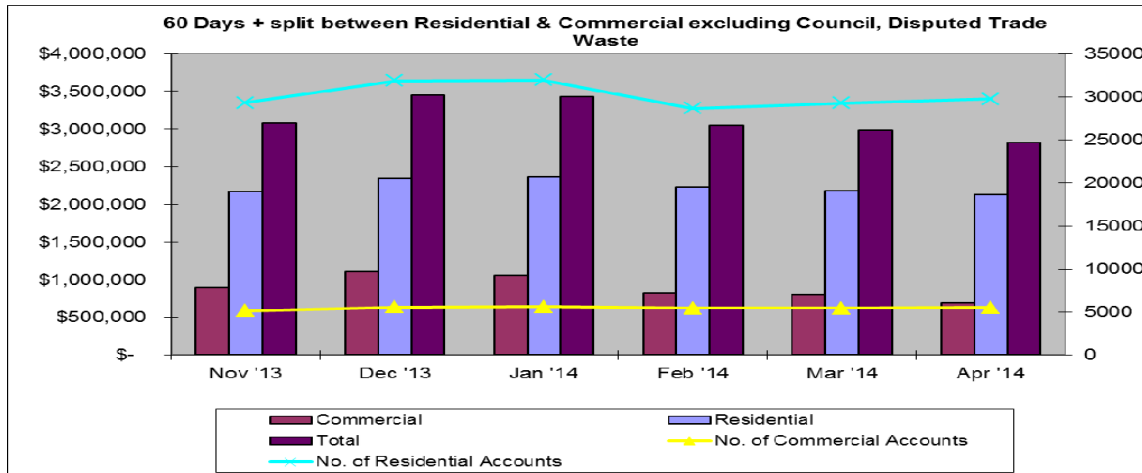
Residential	Current month <i>(previous month in italics)</i>	30-59 days <i>(previous month in italics)</i>	60 days + <i>(previous month in italics)</i>	Total <i>(previous month in italics)</i>
Totals	\$15,209,885 <i>\$16,689,029</i>	\$1,385,616 <i>\$1,209,431</i>	\$2,130,424 <i>\$2,183,297</i>	\$18,725,925 <i>\$20,081,758</i>
# of accounts	266,711 <i>290,748</i>	37,954 <i>33,017</i>	29,750 <i>29,266</i>	284,031 <i>306,420</i>
Average Debt	\$57 <i>\$57</i>	\$37 <i>\$37</i>	\$72 <i>\$75</i>	\$66 <i>\$66</i>
Percentage	81.2% <i>83.1%</i>	7.4% <i>6.0%</i>	11.4% <i>10.9%</i>	100.0% <i>100.0%</i>

The change in age of debt (excluding Council, disputed trade waste and disputed IGC) over the last six months is shown below.

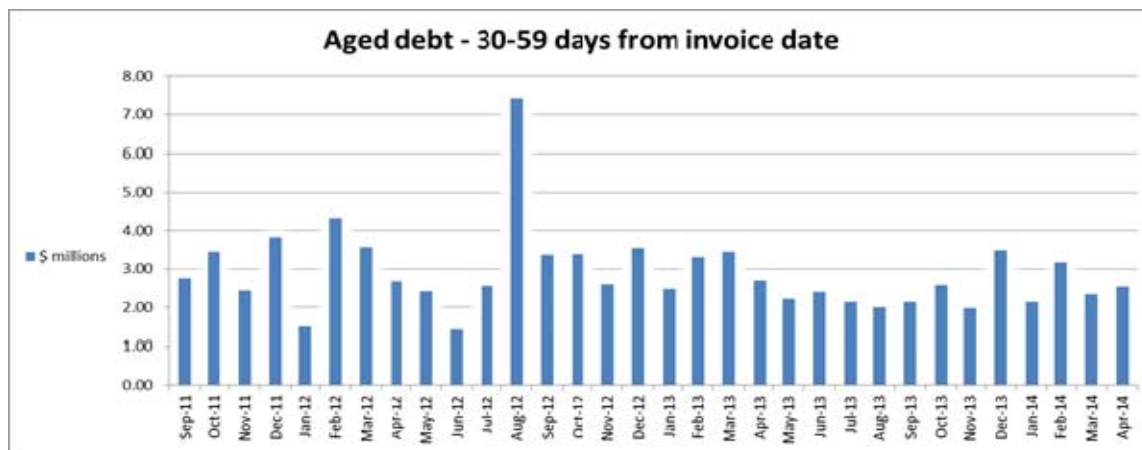
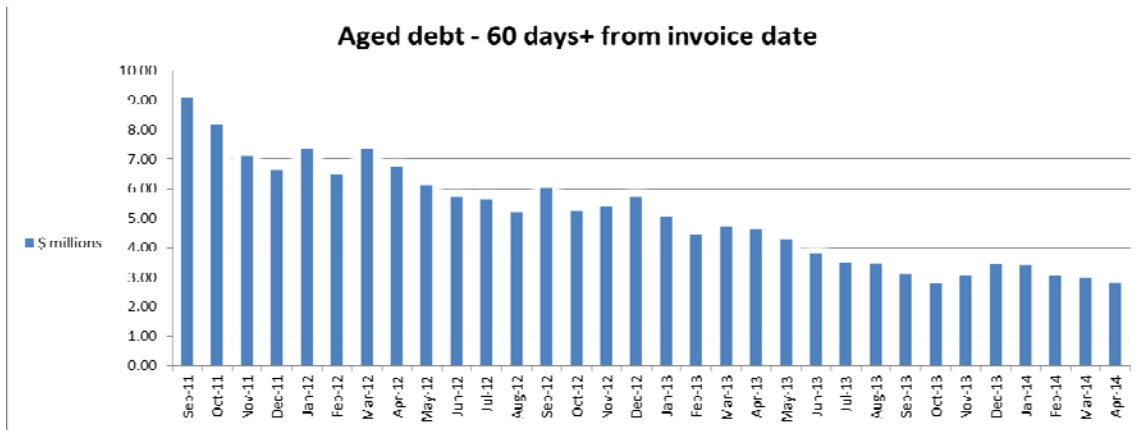
Age of debt comparison – November 2013 to April 2014



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



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



The spike in 30-59 day debt in August 2012 reflects the change in billing cycles for all customers to monthly billing.

Water Utility Consumer Assistance Trust (WUCAT)

The following tables summarise the results of the Trust since its inception and over the last three months:

WUCAT Summary			WUCAT Summary last 3 meetings		
Financial year	Board approved applications	\$ Value	Month	Board approved applications	\$ Value
Jun-12	34	29	Feb-14	13	11
Jun-13	174	170	Mar-14	12	10
Jun-14	92	110	Apr-14	16	17
Total	300	309	Total	41	38

300 applicants have successfully completed the budget review process and these applicants have had \$309k of hardship relief approved by the Trust.

Over the course of the last three WUCAT meetings, 41 applicants have successfully completed the budget process and had \$38k of hardship relief approved by the Trust.

Restrictions

During April 1,547 reminder notices were sent to customers warning that water restriction may be actioned if payment was not received and 7 cards were sent to customers warning of possible restriction of their water supply in 48 hours. As a result 2 new water restrictions were applied during April and 1 of these restrictions was removed immediately due to payment being received. The other restriction actioned during the month remains in place. A further 5 restrictions were removed during the month as full payment was received or a payment arrangement was agreed.

During April, all of the properties which are currently restricted were visited by the Financial Controller and Credit Services Manager to assess that restriction of the water supply remains appropriate.

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

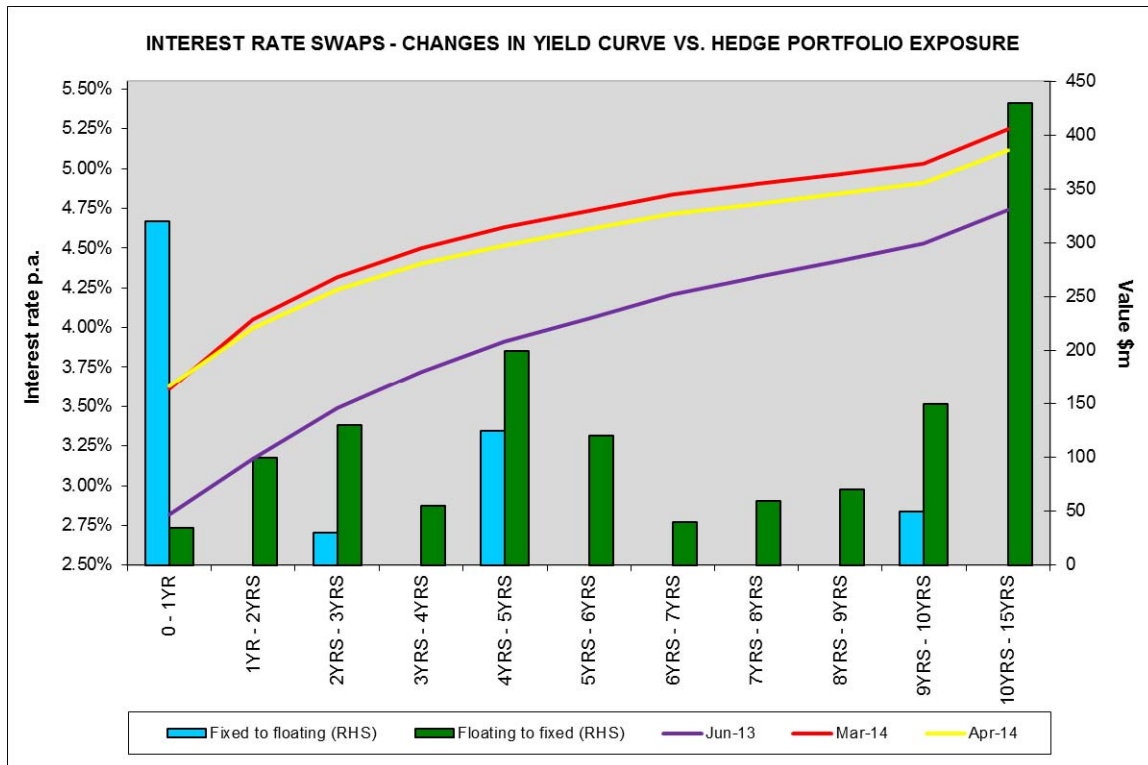
Watercare - Restriction Summary			
	Commercial	Residential	Total
Inherited 1 Nov 2010	0	4	4
Restricted	30	21	51
Derestricted	-27	-16	-43
Restrictions Remaining	3	9	12

The following restrictions remain in place:

- Three water restrictions inherited from Manukau Water remain in place on residential properties at the owners request due to unfixed leaks at the properties.

- A further 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 two residential restrictions remain in place and communication continues with these customers.
- Three commercial properties remain restricted at the end of April and communication continues with these customers.

Treasury



Interest Analysis \$million	Current Month			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	6.15	6.17	0.02	60.41	63.03	2.62	74.07	75.12	1.05
Capitalised Interest	1.10	1.07	(0.03)	10.64	9.42	(1.22)	12.90	11.82	(1.08)
Gross Interest	7.25	7.25	(0.01)	71.05	72.45	1.40	86.97	86.94	(0.03)
Less Interest Income	0.10	0.00	(0.10)	0.19	0.00	(0.19)	0.29	-	(0.29)
Net Interest	7.15	7.25	0.10	70.86	72.45	1.59	86.68	86.94	0.26

For the month net interest was favourable \$0.10m with budget.

Capital Expenditure

Capital expenditure for the month was \$24.9m against a budget of \$32.5m.

Summary Capital Expenditure (\$millions)	Month Apr 14			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Infrastructure Wastewater Projects	11.7	14.1	2.4	102.4	115.2	12.8	136.5	140.1	3.6
Infrastructure Water Projects	9.3	12.9	3.6	104.5	103.6	(0.9)	131.1	131.8	0.7
Operations	1.9	1.5	(0.4)	12.0	15.4	3.4	13.8	18.4	4.6
Maintenance Services	0.1	1.4	1.3	1.9	3.7	1.8	2.6	4.0	1.4
Information Services	0.1	0.9	0.8	3.5	8.2	4.7	6.0	9.9	3.9
Other Projects	1.7	1.7	0.0	17.3	23.4	6.1	22.0	26.6	4.6
TOTAL	24.8	32.5	7.7	241.6	269.5	27.9	312.0	330.8	18.8
Includes:									
Water Projects Capitalised Interest	0.6	0.4	(0.2)	6.1	4.9	(1.2)	7.4	5.8	(1.6)
Wastewater Projects Capitalised Interest	0.5	0.6	0.1	4.6	4.3	(0.3)	5.4	5.7	0.3
Other Capitalised Interest	0.0	0.0	0.0	0.0	0.3	0.3	0.1	0.4	0.3
Total Capitalised Interest	1.1	1.0	(0.1)	10.7	9.5	(1.2)	12.9	11.9	(1.0)

7. BOARD CORRESPONDENCE

There was no Board correspondence received during the month of April 2014.

8. EXECUTION OF DOCUMENTS

There were nine documents executed during April in accordance with the delegated authority provided to the Acting Chief Executive by the Board in relation to deeds, instruments and other documents. These included the registration of seven easements, one entry agreement and the approval of one compensation amount for the purchase of land.

There were 13 capex approvals totaling \$8.838m signed in accordance with the delegated authority provided to the Acting Chief Executive by the Board in relation to capex approvals below a threshold of \$15m.

Summary of Capital Projects approved by Chief Executive – April 2014		
C-10369a	Domain No 2 - Domain No 1 Rehabilitation - Stage 2D	\$1,370,000
C-10923	North Shore Trunk Sewer 8 Upgrade - Purchase of long lead items - Stage 2A	\$542,500
C-11727c	Bowden Rd Sewer Pipe Bridge Replacement (Extension)	\$625,500
C-11793	Lower Huia Pump Station Generator	\$1,046,000
C-11940-05	Operations Electrician1 - New Vehicle	\$47,844
C-11940-06	Operations Electrician2 - New Vehicle	\$47,844
C-11940-07	Instrumentation Technician1 - New Vehicle	\$47,844

C-11940-08	Instrumentation Technician2 - New Vehicle	\$47,844
C-11940-09	Project Supervisor - New Vehicle	\$32,000
C-11992A	Manurewa West PS48 Rising Main - extension	\$421,000
C-12178	Watermain Renewal Aurora Avenue Sheppard Avenue and Thomson Street	\$499,000
C-12192	Pump Station and Rising Main to service Wynyard Quarter redevelopment	\$1,211,000
C-12220	Mt Albert watermains	\$2,900,000

9. WORKING WITH LOCAL BOARDS

During April Watercare hosted the Franklin and Papakura Local Boards at Mangere Wastewater Treatment Plant where information was shared on the history of the plant relative to the Manukau Harbour. Project managers also had a chance to interact with local politicians and answer questions on their future projects at the Plant including the Biological Nutrient Removal upgrades, road and walkway realignment, Puketutu Island Rehabilitation and the Central Interceptor. The visit concluded with a tour around the plant and surrounding area including Puketutu Island. Feedback from the Local Board members was very positive and the initiative will also be offered to other Local Boards around the Manukau Harbour.

Local Boards continue to prepare their draft Local Board plans. Watercare has been providing information to Local Board services staff as requested and has reviewed relevant draft sections of several Local Board plans.

Updates on a number of high profile local projects continue to be shared with Local Board members and key stakeholders. Project flyers, including public notices, have been shared with Council service centres and local libraries. Information on projects in major road corridors has also being shared with Auckland Transports Local Board advisors in the interests of no surprises. Watercare also joined Auckland Transport at the Howick Board meeting to talk about the extensive consultation and works underway in Panmure and Pakuranga associated with the wastewater main construction project.

Watercare has responded to the Orakei Local Board on issues associated with the third pipe water system at Stonefields. In response to a request from the Orakei Local Board Chair, Watercare has agreed to attend a local residents meeting on 23 May.

10. STATUTORY PLANNING

Auckland Proposed Unitary Plan

The Proposed Auckland Unitary Plan sets out the policy and rule framework that will apply to Watercare's operations when the Plan becomes operative (noting that some provisions already have "legal effect" and must be complied with). As drafted, there are significant implications for

Watercare, both in terms of the maintenance, repair, and upgrading of existing infrastructure and installation of new infrastructure. The main areas of concern are the sections on: freshwater allocation and takes, overlays (in particular natural resource, historic heritage, and cultural heritage), and the Mana Whenua provisions. These sections pose significant challenges for Watercare and have the potential to result in significant costs and delays for projects and operations. Even in areas where Watercare is supportive of the policy direction of the Plan, there are a significant number of matters that are problematic or create uncertainty which in turn imposes regulatory risk.

As previously reported, Watercare did not lodge a formal submission on the Proposed Auckland Unitary Plan on the basis that Council has agreed to fully involve Watercare in the hearing process as part of the Council team.

The Council is currently compiling a summary of submissions to be released to the public as part of the 'further submissions' process. Due to the volume of submissions, this report is delayed and is now expected to be released in mid-June. All submitters will then have 30 days to make a further submission. The purpose of further submissions is to enable those that have made a submission to comment on other submitter's points that may affect them. Watercare has reserved the right to make a further submission, if needed, to protect Watercare's position.

Watercare and Auckland Transport have had some initial meetings with Council to discuss the process for involving CCOs in the process going forward but this process is still under discussion. Watercare and Auckland Transport have now been invited to be members of the Unitary Plan Steering Committee.

Auckland Council Operative Plan Changes

There are two main plan changes of significant interest to Watercare: Clevedon and Kingseat.

- **Clevedon:** Watercare has appealed the decision version of the plan change in respect of an activity status date that is set out in the plan. The plan provides that in 2017 the application for subdivision consent will change from a prohibited activity to a non-complying activity. Watercare has agreed in principle to revised wording, but this is subject to agreement by the other appellant. An Environmental Court pre-hearing meeting was held on 13 May to set out the process going forward. If the final matters are not resolved by 30 June, the matter will go to Environmental Court hearings. Watercare indicated that it expects the matters to be resolved by the end of June, but if not, accepts the timetable proposed by the Judge.
- **Kingseat:** Some parties have appealed the Kingseat decision. Court assisted mediations were held on 30 January and 21 March 2014. Watercare has also now initiated a feasibility study related to the use of the existing wastewater treatment plant on the former Kingseat Hospital site (this study is jointly funded by two landowners and Watercare). Wastewater issues were discussed at the 21 March but detailed discussion

on the wording of the plan change was deferred until the study is completed. Watercare is required to report back to the parties on the status of the feasibility study by 14 May 2014.

- There are three additional Plan Changes that have emerged as being of interest to Watercare. Two of 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 legally service this area until the wastewater treatment plant resource consent renewal application has been granted by Council and Watercare replaces the ocean outfall pipe. This pipe is in extremely poor condition and is at risk of failure. A programme is in place to replace this pipe, but it is likely to take five years. Watercare has made submissions on both of these private plan changes. *There has been no further activity on these plan changes.*
 - **Puhinui Gateway:** This is a private plan change to rezone a tract of land outside the current Metropolitan Urban Limit (MUL) for industrial purposes. This area is currently outside of Watercare's service area. There are significant issues associated with providing water supply and wastewater services. *Council is now undertaking a comprehensive master planning process to understand the full infrastructure requirements for the remaining land area between the MUL and the coast. Watercare has been asked to be part of the oversight committee for the development of the Master Plan.*

Settlement of Claims in the Hunua Ranges

The Crown is currently engaging with Iwi entities on the settlement of claims relating to the Hunua Ranges.

We are assessing the land blocks to which the claims relate to determine if any Watercare infrastructure is involved. Our investigations show there is a minor amount of infrastructure such as a rain gage and vehicle access to the gage that we have an interest in protecting for our ongoing operations. We are working with the Auckland Council who is dealing directly with representatives from Central Government.

Mana Whenua Forum

The quarterly meeting the Mana Whenua Kaitiaki Managers meeting is to be held on the 14 May 2014. Meeting agenda items include:

- A presentation by Watercare staff on a Water Overview - Source, storage, treatment, reticulation, reuse and wastewater
- Marae Drinking Water - Update on surveys
- Address any questions regarding the Watercare's monthly projects list

Waikato River Take

Watercare's application including the AEE Report has been prepared and was lodged with the Waikato Regional Council prior to the Christmas. Consultation with Waikato Tainui, Huakina Development Trust and other marae is continuing. Discussions are also continuing with Fonterra, Horticulture NZ and other representatives of the farming sector.

Local Government Amendment Bill Number 2

Watercare has been successful in instigating changes to Section 17A of the Bill. The purpose of S.17A was not clear and could have created considerable additional reporting requirements for Watercare. The amendments exempt Watercare from these additional requirements.

Resource Management (Restricted Duration of Certain Discharge and Coastal Permits) Amendment Bill

This was a Private Members Bill (Green Party) which would have restricted coastal discharge consents to duration of five years from the current situation which enables discharge consents for up to 35 years. If the Bill had been successful it would have imposed substantial additional cost upon Watercare. The Bill was defeated at the second reading.

.....
R Jaduram
ACTING CHIEF EXECUTIVE

PERFORMANCE AGAINST STATEMENT OF INTENT TARGETS - APRIL 2014

Performance Measure						Performance Over Three Year Period			Outcome
	2012/13 Target	2012/13 Result	2013/14 Target	2013/14 Result to Date		2014/2015 PROPOSED	2015/2016 PROPOSED	2016/2017 PROPOSED	Auckland Plan Target
MEASURE									
Safe and Reliable Water									
Percentage compliance with MoH drinking water standards for graded plants(excluding minor or technical non-compliance)	100%	100%	100%	100%	✓	100%	100%	100%	
Percentage of metropolitan water treatment plants achieving Grade A	100%	100%	100%	100%	✓	100%	100%	100%	
Percentage of metropolitan water supply reticulation achieving Grade a	100%	100%	100%	100%	✓	100%	100%	100%	
Percentage of non-metropolitan water treatment plants achieving Grade A	35% (5 non-metro water treatment plants out of 14 non-metro water treatment plants)	100% of target was achieved (6 non-metro water treatment plants out of 14 non-metro water treatment plants = 43%)	45% (7 non-metro water treatment plants out of 14 non-metro water treatment plants)	Projected result: 100% of target will be achieved (Projected result: 7 non-metro water treatment plants out of 14 non-metro water treatment plants = 50%)	✓	50% (5 non-metro water treatment plants out of 10 non-metro water treatment plants) Note: 4 non-metro WTPs will be decommissioned bringing the total from 14 to 10	50% (5 non-metro water treatment plants out of 10 non-metro water treatment plants)	50% (100% by 2020)	
Percentage of non-metropolitan water supply reticulation achieving Grade a	15%	83% of non-metropolitan water supply reticulation achieved Grade A	25%	Projected result: 70% of non-metropolitan water supply reticulation will achieve Grade A	✓	50%	50% (100% by 2020)	50% (100% by 2020)	
Percentage of unplanned water shutdowns restored within five hours	≥95%	96.70%	≥95%	99%	✓	≥95%	≥95%	≥95%	
Number of unplanned water interruptions per 1000 connected properties	<10	7.7	<10	8.1%	✓	<10	<10	<10	
Healthy Waterways									
Number of dry weather sewer overflows per 100km of wastewater pipe length per year	≤5	2.7	≤5	1.9	✓	≤5	≤5	≤5	
Average number of wet weather overflows per discharge location in priority receiving environments in areas serviced by the separated networks.		n/a		n/a	✓	The Auckland-Wide Wastewater Network Discharge Consent application lodged and consent operational.			Reduce wet weather overflows to an average of no more than 2 events per discharge location per annum, where the stormwater and wastewater system are separated, by 2040 (with priority given to bathing beaches and other sensitive receiving environments by 2030)
Number of sewer bursts and chokes per 1000 properties	<10	6.8	<10	8.3	✓	<10	<10	<10	
Percentage of wastewater discharged that is compliant with consent discharge requirements (excluding minor or technical non-compliance) for Metropolitan areas	100%	100%	100%	100%	✓	100%	100%	100%	

Performance Measure						Performance Over Three Year Period			Outcome
	2012/13 Target	2012/13 Result	2013/14 Target	2013/14 Result to Date		2014/2015	2015/2016	2016/2017	Auckland Plan Target
Percentage of wastewater discharged that is compliant with consent discharge requirements (excluding minor or technical non-compliance) for non-Metropolitan areas	35%	100% of target achieved (60% of all wastewater discharged from non-metro plants was compliant with discharge consent conditions)	35%	Projected result: 100% of target will be achieved (Projected result: 65% of all wastewater discharged from non-metro plants will be compliant with discharge consent conditions)	✓	35%	65% (100% by 2020)	65% (100% by 2020)	
Number of successful RMA prosecutions against Watercare	0	0	0	0	✓	0	0	0	
Health, Safety and well-being									
Lost-time injury frequency rate per million hours worked	≤5	0	≤5	1.91	✓	≤5	≤5	≤5	
Level of ACC workplace management practices accreditation	Tertiary	Tertiary	Tertiary	Tertiary	✓	Tertiary	Tertiary	Tertiary	
Percentage of total hours absent due to illness	≤2.5%	2%	≤2.5%	2.24%	✓	≤2.5%	≤2.5%	≤2.5%	
Percentage of voluntary leavers relative to number of permanent staff	≤12%	10.10%	≤12%	12.76%	*	≤12%	≤12%	≤12%	
Customers Satisfaction									
Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	80%	81.40%	80%	85.50%	✓	80%	80%	80%	
Percentage of calls answered within 20 seconds	80%	79.70%	80%	84.10%	✓	80%	80%	80%	
Number of water quality complaints (taste, odour, appearance) per 1,000 water supply_connections	<5	4.6	<5	6.3	*	<5	<5	<5	
Percentage of complaints and being "resolved and closed" within 10 working days	95%	97.20%	95%	94.40%	*	95%	95%	95%	
Sustainable Environment									
Per capita consumption (litres/person/day) Target for 2025 = 255 l/person/day Baseline in 2004 = 298 l/person/day	282 ±5%	274	280 ±5%	270	✓	278 ±5%	275 ±5%	275 ±5%	Reduce gross per capita water consumption from 2004 levels by 15% by 2025
Percentage of annual potable water network losses* measured as total network volume *This is defined as "real" losses, which includes losses from the wholesale and retail distribution systems.	≤15%	14.80%	≤14%	14.10%	*	≤13%	≤13%	≤13%	Reduce maximum annual potable water network losses to less than 12% of total network volume by 2040
Effective Asset Management									
Percentage of actual capital expenditure relative to budget	>85%	97.50%	>85%	95%	✓	>85%	>85%	>85%	
Sound Financial Management									
Minimum funds flow from operations to interest cover (FFO) before any price adjustment	≥2.5	3.37	≥2.5	3.21	✓	≥2.5	≥2.5	≥2.5	
Percentage of expenditure on water supply services relative to the average household income	≤1.5%	0.86%	≤1.5%	0.90%	✓	≤1.5%	≤1.5%	≤1.5%	

WATERCARE SERVICES LIMITED
Management Report

Apr-14

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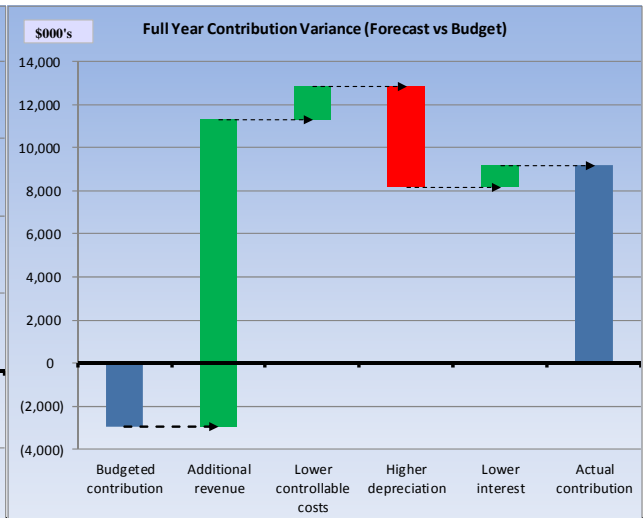
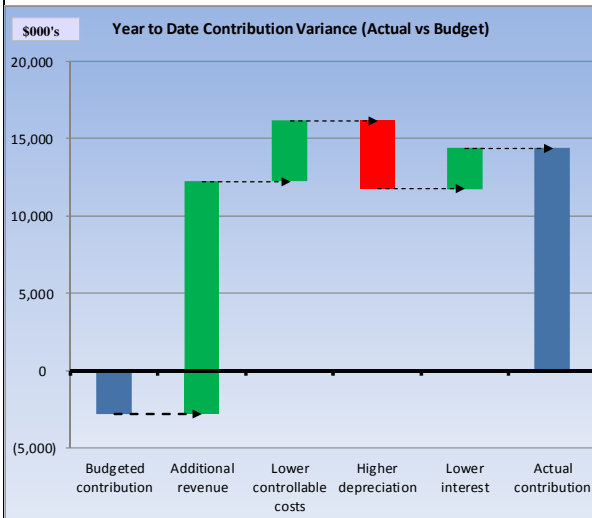
WATERCARE SERVICES LIMITED
STATEMENT OF FINANCIAL PERFORMANCE

Apr-14
(\$000's)

	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
Wastewater Revenue	21,671	21,926	(254)	↔	223,351	226,127	(2,776)	↔	266,953	269,728	(2,776)	↔
Water Revenue	10,877	11,120	(243)	↔	111,605	114,292	(2,687)	↔	133,401	136,088	(2,687)	↔
Tradewaste Revenue	1,179	1,269	(90)	✖	10,452	10,898	(446)	✖	12,937	13,382	(446)	✖
Laboratory Revenue	438	610	(172)	✖	4,596	5,667	(1,071)	✖	5,673	6,795	(1,122)	✖
Infrastructure Growth Charge Revenue	2,495	2,083	412	✔	24,624	20,833	3,791	✔	28,385	25,055	3,330	✔
Other Revenue	2,384	731	1,653	✔	31,196	12,954	18,242	✔	34,291	16,366	17,925	✔
Total Revenue	39,044	37,740	1,305	✔	405,825	390,771	15,053	✔	481,639	467,414	14,224	✔
Labour	5,406	5,904	498	✔	52,521	55,746	3,225	✔	64,078	67,459	3,382	✔
Contract Labour	547	150	(397)	✔	4,369	2,035	(2,335)	✔	5,035	2,336	(2,699)	✔
Oncosts	237	278	40	✔	2,548	2,731	183	✔	3,103	3,286	184	✔
Labour Recoveries	(2,385)	(2,729)	(343)	✖	(25,145)	(26,892)	(1,748)	✖	(30,702)	(32,442)	(1,740)	✖
Net Labour	3,805	3,603	(202)	✖	34,294	33,620	(674)	↔	41,513	40,639	(874)	↔
Materials & Cost of Sales	201	196	(5)	↔	1,724	1,849	124	✔	2,060	2,211	152	✔
Planned Maintenance	1,390	1,440	50	✔	11,300	15,143	3,843	✔	14,370	17,069	2,699	✔
Unplanned Maintenance	1,906	2,243	336	✔	23,078	22,204	(875)	✔	27,217	26,569	(649)	↔
Asset Operating Costs - Chemicals	989	930	(59)	✔	8,907	9,194	287	✔	10,756	11,020	264	↔
Asset Operating Costs - Energy	1,519	1,464	(56)	✔	13,779	14,872	1,093	✔	17,183	17,765	583	✔
Operating Costs - Other	2,685	3,754	1,069	✔	41,104	36,941	(4,163)	✔	48,706	43,965	(4,741)	✔
Depreciation and Amortisation	17,087	16,541	(547)	✔	170,703	166,323	(4,379)	✔	204,392	199,682	(4,710)	✖
Asset Operating Costs	25,577	26,372	795	✔	268,870	264,677	(4,193)	↔	322,624	316,070	(6,554)	↔
Communications	159	140	(19)	✖	1,194	1,389	195	✔	1,420	1,671	251	✔
Professional Services	1,294	1,249	(45)	✔	10,028	11,708	1,680	✔	12,595	13,938	1,343	✔
Interest	6,152	6,175	23	↔	60,412	63,032	2,620	✔	74,073	75,121	1,047	↔
General Overheads	1,430	1,830	401	✔	14,911	17,272	2,362	✔	18,147	20,694	2,547	✔
Overheads	9,034	9,394	360	✔	86,545	93,402	6,857	✔	106,236	111,424	5,188	✔
Total Expenses	38,617	39,565	948	↔	391,434	393,548	2,114	↔	472,433	470,345	(2,088)	↔
Total Contribution/(Loss)	427	(1,825)	2,253	✔	14,391	(2,777)	17,168	✔	9,206	(2,930)	12,137	✔
Gain/Loss on Disposal of Fixed Assets & other Costs	750	-	(750)	✖	10,091	-	(10,091)	✖	11,441	-	(11,441)	✖
Financial Instruments Revaluation (Gain)/Loss	9,103	-	(9,103)	✖	(14,413)	-	14,413	✔	(14,413)	-	14,413	✔
Non Operating (costs)/Revenue	9,853	-	(9,853)	✖	(4,322)	-	4,322	✔	(2,972)	-	2,972	✔
Net Surplus / (Deficit) before Tax	(9,425)	(1,825)	(7,600)	✖	18,714	(2,777)	21,490	✔	12,179	(2,930)	15,109	✔
Income Tax Expense/(benefit)	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax	(2,701)	(338)	2,363	✔	15,509	(594)	(16,103)	✖	10,093	(818)	10,911	✔
Net Surplus / (Deficit) after Tax	(6,724)	(1,487)	(5,237)	✖	3,205	(2,182)	5,388	✔	2,086	(2,112)	4,198	✔

Key: Financial performance result

- ✔ Favourable variance - actual income > 2.5% above budget and actual expenditure < 2.5% below budget
- ✖ Unfavourable variance - actual income < 2.5% below budget and actual expenditure > 2.5% above budget
- ↔ Neutral - actual income and actual expenditure is within 2.5% of budget



WATERCARE SERVICES LIMITED
STATEMENT OF CASH FLOWS

Apr-14

(\$'000's)

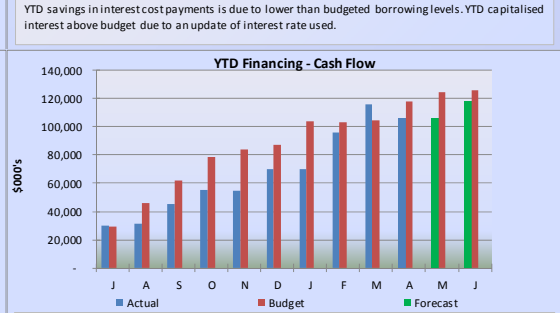
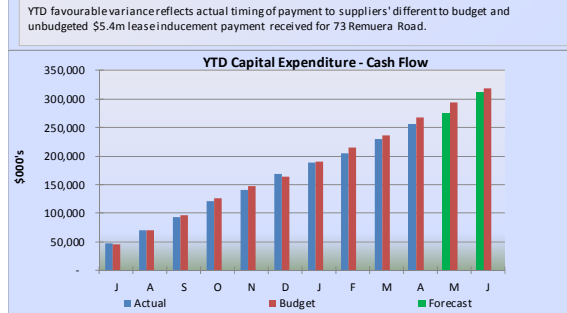
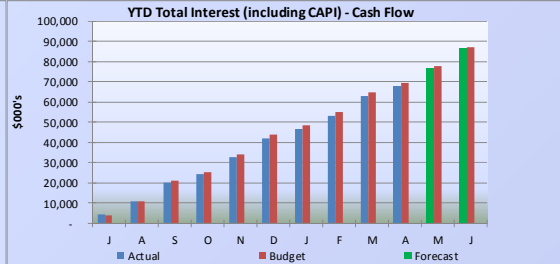
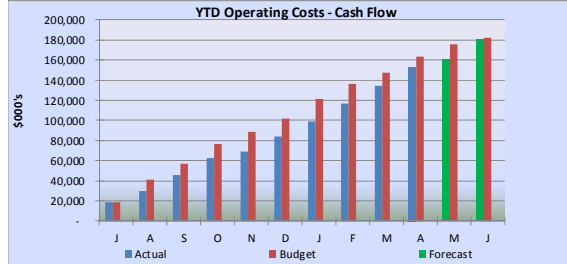
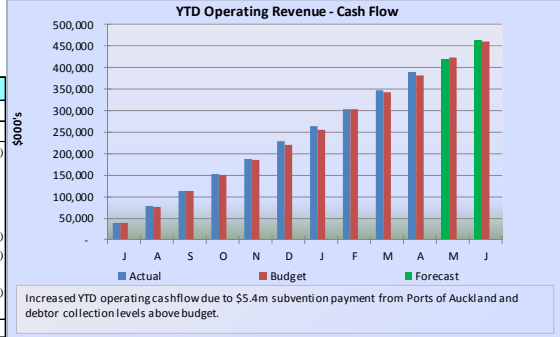
NZ \$'000s	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
Operating Cash flow:												
Operating Revenue	41,639	38,737	2,902	✓	389,422	382,359	7,063	↔	461,561	460,706	855	↔
Operating Costs	(18,576)	(16,325)	(2,251)	✗	(153,330)	(163,705)	10,375	✓	(180,598)	(181,877)	1,279	↔
Interest Paid	(3,372)	(3,509)	137	✓	(56,787)	(59,926)	3,139	✓	(73,800)	(75,121)	1,321	↔
OPERATING CASH FLOW	19,691	18,903	788	✓	179,305	158,728	20,577	✓	207,163	203,708	3,455	↔
Investing Cash flow:												
Capital Expenditure	(25,967)	(30,674)	4,707	✓	(255,817)	(267,067)	11,250	✓	(311,580)	(318,062)	6,482	↔
Capitalised Interest (CAPI)	(1,101)	(1,071)	(30)	✗	(10,642)	(9,422)	(1,220)	✗	(12,898)	(11,824)	(1,074)	✗
INVESTING CASH FLOW	(27,068)	(31,745)	4,677	✓	(266,459)	(276,489)	10,030	✓	(324,478)	(329,886)	5,408	↔
Financing Cash flow:												
Bonds/Term Debt Issued/(Repaid)	178	-	178	✓	-	-	-	↔	(439,998)	(439,998)	-	↔
Short Term Advances/(Repaid)	-	6,429	(6,429)	✗	(35,000)	(35,000)	-	↔	(3,000)	(3,000)	-	↔
Commercial Paper Issued/(Repaid)	(9,937)	(9,937)	-	↔	(19,996)	(9,124)	(10,872)	✗	10,762	10,762	-	↔
Auckland Council Borrowings/(Repaid)	19	16,350	(16,331)	✗	161,206	161,885	(679)	↔	549,588	558,414	(8,826)	↔
FINANCING CASH FLOW	(9,740)	12,842	(22,582)	✗	106,210	117,761	(11,551)	✗	117,352	126,178	(8,826)	✗
Net Increase (Decrease) in Cash and Cash Equivalents	(17,117)	-	(17,117)	✗	19,056	-	19,056	✓	37	-	37	✓
Opening Cash Balance/(Overdraft)	36,136	-	36,136	✓	(37)	-	(37)	✗	(37)	-	(37)	✗
Ending Cash Balance/(Overdraft)	19,019	-	19,019	✓	19,019	-	19,019	✓	0	-	0	✓

Key: Financial performance result

- ✓ Favourable variance - actual income > 2.5% above budget and actual expenditure < 2.5% below budget
- ✗ Unfavourable variance - actual income < 2.5% below budget and actual expenditure > 2.5% above budget
- ↔ Neutral - actual income and actual expenditure is within 2.5% of budget

Reconciliation Operating Cashflow (\$'000's)

	Current Month		Year to Date		Full Year	
	Actual	Budget	Actual	Budget	Forecast	Budget
Net Surplus (Deficit) After Tax	(6,724)	(1,487)	3,205	(2,182)	2,086	(2,112)
Add back non cash items:						
Depreciation and amortisation	17,087	16,541	170,703	166,323	204,392	199,682
Financial instruments revaluation	9,103	-	(14,413)	-	(14,413)	-
Vested assets revenue	(1,479)	-	(17,293)	(4,400)	(18,293)	(5,800)
Contributions for PP&E	-	-	(250)	(1,450)	(800)	(2,000)
Other non-operating exp/(inc)	928	-	9,896	-	11,441	-
Income Tax Expense/(Benefit)	(2,701)	(338)	15,509	(594)	10,093	(818)
Movements in Working Capital	3,477	4,188	11,949	1,031	12,658	14,756
OPERATING CASH FLOW	19,691	18,903	179,305	158,728	207,163	203,708



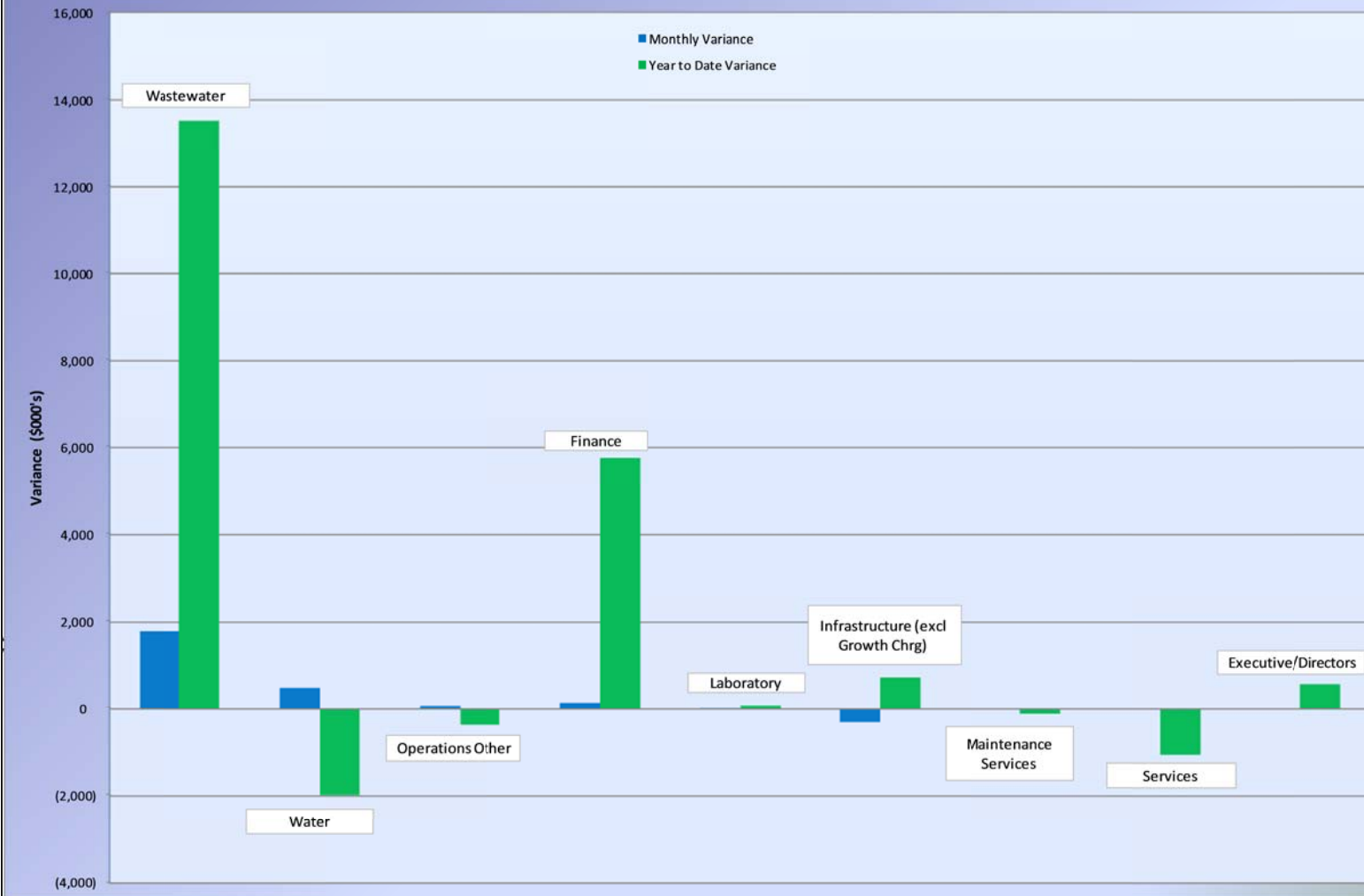
WATERCARE SERVICES LIMITED
STATEMENT OF FINANCIAL PERFORMANCE BY BUSINESS UNIT

Apr-14
(\$000's)

	Current Month						Year to Date						Full Year					
	Actual			Budget			Actual			Budget			Forecast			Budget		
	Water	Wastewater	Total	Water	Wastewater	Total	Water	Wastewater	Total	Water	Wastewater	Total	Water	Wastewater	Total	Water	Wastewater	Total
Wastewater Revenue	-	21,671	21,671	-	21,926	21,926	-	223,351	223,351	-	226,127	226,127	-	266,953	266,953	-	269,728	269,728
Water Revenue	10,877	-	10,877	11,120	-	11,120	111,605	-	111,605	114,292	-	114,292	133,401	-	133,401	136,088	-	136,088
Tradewaste Revenue	-	1,179	1,179	-	1,269	1,269	-	10,452	10,452	-	10,898	10,898	-	12,937	12,937	-	13,382	13,382
Laboratory Revenue	141	297	438	197	413	610	1,484	3,113	4,596	1,829	3,838	5,667	1,831	3,842	5,673	2,193	4,602	6,795
Infrastructure Growth Charge Revenue	1,447	1,048	2,495	1,208	875	2,083	14,282	10,342	24,624	12,083	8,750	20,833	16,464	11,922	28,385	14,532	10,523	25,055
Other Revenue	1,006	1,377	2,384	491	240	731	10,770	20,426	31,196	6,942	6,012	12,954	12,499	21,791	34,291	8,714	7,652	16,366
Total Revenue	13,472	25,572	39,044	13,017	24,723	37,740	138,141	267,684	405,825	135,147	255,624	390,771	164,194	317,444	481,639	161,526	305,888	467,414
Labour	2,054	3,352	5,406	2,246	3,658	5,904	19,844	32,677	52,521	21,371	34,376	55,746	24,242	39,835	64,078	25,819	41,640	67,459
Contract Labour	239	308	547	47	103	150	1,489	2,881	4,369	617	1,417	2,035	1,700	3,335	5,035	711	1,625	2,336
Oncosts	91	147	237	106	172	278	974	1,574	2,548	1,043	1,688	2,731	1,185	1,918	3,103	1,254	2,032	3,286
Labour Recoveries	(896)	(1,489)	(2,385)	(989)	(1,740)	(2,729)	(9,085)	(16,060)	(25,145)	(9,745)	(17,147)	(26,892)	(11,099)	(19,604)	(30,702)	(11,756)	(20,686)	(32,442)
Net Labour	1,488	2,317	3,805	1,410	2,194	3,603	13,222	21,072	34,294	13,286	20,334	33,620	16,029	25,484	41,513	16,029	24,611	40,639
Materials & Cost of Sales	65	136	201	63	133	196	559	1,165	1,724	596	1,253	1,849	667	1,392	2,060	712	1,499	2,211
Planned Maintenance	473	918	1,390	635	805	1,440	4,411	6,888	11,300	5,763	9,380	15,143	5,251	9,120	14,370	6,449	10,620	17,069
Unplanned Maintenance	1,182	725	1,906	1,031	1,212	2,243	11,764	11,314	23,078	10,147	12,057	22,204	13,450	13,768	27,217	12,163	14,406	26,569
Asset Operating Costs - Chemicals	365	623	989	328	602	930	3,057	5,850	8,907	3,287	5,907	9,194	3,672	7,084	10,756	3,863	7,157	11,020
Asset Operating Costs - Energy	522	997	1,519	385	1,079	1,464	3,961	9,818	13,779	4,162	10,710	14,872	4,944	12,238	17,183	4,872	12,893	17,765
Operating Costs - Other	780	1,905	2,685	1,448	2,306	3,754	14,881	26,223	41,104	13,925	23,016	36,941	17,994	30,711	48,706	16,747	27,218	43,965
Depreciation and Amortisation	7,854	9,233	17,087	7,238	9,303	16,541	77,209	93,493	170,703	72,390	93,934	166,323	92,594	111,798	204,392	86,998	112,684	199,682
Total Asset Operating Costs	11,176	14,402	25,577	11,065	15,307	26,372	115,284	153,586	268,870	109,675	155,002	264,677	137,905	184,719	322,624	131,092	184,978	316,070
Communications	67	91	159	50	90	140	467	727	1,194	495	894	1,389	550	870	1,420	596	1,075	1,671
Professional Services	500	794	1,294	499	751	1,249	4,004	6,024	10,028	4,650	7,058	11,708	5,011	7,584	12,595	5,514	8,424	13,938
Interest	567	5,585	6,152	802	5,372	6,175	2,734	57,678	60,412	3,647	59,385	63,032	4,400	69,674	74,073	5,452	69,668	75,121
General Overheads	487	942	1,430	693	1,137	1,830	5,132	9,779	14,911	6,416	10,856	17,272	6,239	11,908	18,147	7,663	13,032	20,694
Overheads	1,622	7,412	9,034	2,044	7,350	9,394	12,337	74,208	86,545	15,209	78,193	93,402	16,200	90,036	106,236	19,225	92,199	111,424
Total Expenses	14,350	24,267	38,617	14,582	24,984	39,565	141,402	250,032	391,434	138,765	254,783	393,548	170,801	301,632	472,433	167,058	303,286	470,345
Total Contribution	(878)	1,305	427	(1,565)	(261)	(1,825)	(3,261)	17,652	14,391	(3,618)	842	(2,777)	(6,606)	15,812	9,206	(5,532)	2,601	(2,930)

WATERCARE SERVICES LIMITED
DIVISIONAL CONTRIBUTION VARIANCE

Apr-14



↑
Favourable

↓
Unfavourable

WATERCARE SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION

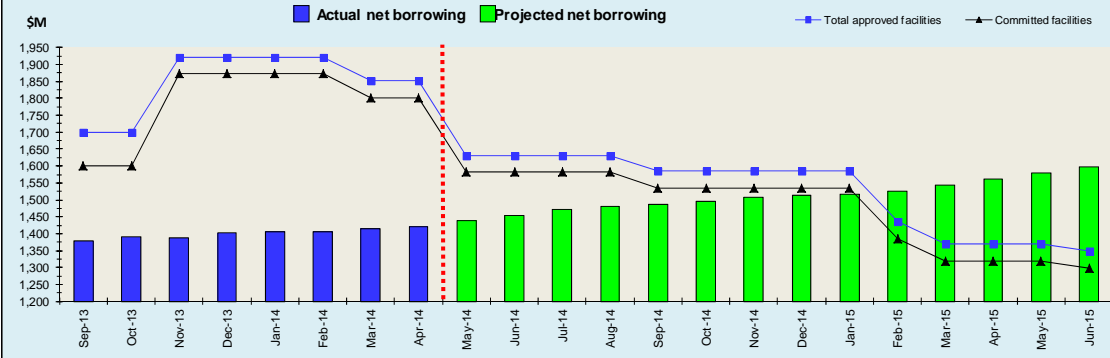
Apr-14

(\$000's)

June 2013 Actual	March Actual		April			June 2014		
			Actual	Budget	Variance	Forecast	Budget	Variance
		Non-Current Assets						
7,678,869	7,917,658	Property, Plant and Equipment	7,928,235	8,093,945	(165,710)	7,996,770	8,147,527	(150,757)
438,568	411,952	Construction/Work-in-progress	424,108	466,298	(42,190)	430,823	472,252	(41,429)
(32,668)	(169,760)	Less Provision for Depreciation	(186,109)	(198,612)	12,504	(218,409)	(230,656)	12,247
8,084,769	8,159,850	Total Property, Plant and Equipment	8,166,234	8,361,631	(195,397)	8,209,184	8,389,123	(179,939)
43,054	37,455	Intangible Assets	39,800	41,098	(1,298)	41,789	41,560	229
24,855	24,369	Prepaid Expenses	24,332	22,223	2,109	24,258	22,149	2,109
3,338	4,411	Inventories	4,211	4,422	(210)	4,211	4,422	(210)
10,819	6,383	Derivative Financial Instruments	5,664	16,830	(11,164)	5,664	16,830	(11,165)
8,166,836	8,232,467	Total Non-Current Assets	8,240,241	8,446,203	(205,961)	8,285,107	8,474,083	(188,977)
		Current Assets						
-	36,136	Cash and Cash Equivalents	19,019	-	19,019	-	-	-
39,247	41,085	Trade and Other Receivables	34,533	40,532	(5,999)	37,147	36,739	407
20,832	22,815	Unbilled Revenue Accrual	23,122	25,157	(2,035)	19,497	26,150	(6,653)
4,220	4,504	Prepaid Expenses	4,352	5,689	(1,337)	3,863	5,262	(1,399)
4,005	3,516	Inventories	3,684	1,874	1,810	3,684	1,874	1,810
3,645	1,503	Derivative Financial Instruments	1,084	407	677	1,084	6,780	(5,696)
71,949	109,559	Total Current Assets	85,793	73,658	12,135	65,274	76,805	(11,531)
8,238,785	8,342,026	Total Assets	8,326,034	8,519,861	(193,826)	8,350,381	8,550,888	(200,507)
		Financed by:						
		Non-Current Liabilities						
150,000	-	Bonds (16/02/15)	-	-	-	-	-	-
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	-
51,183	50,995	Bonds (26/10/18)	50,977	50,977	-	50,996	50,931	65
150,000	150,000	Term Loan (13/10/16)	150,000	150,000	-	150,000	150,000	-
35,000	-	Bank Revolving Credit Facility	-	35,000	(35,000)	35,000	35,000	-
418,734	542,714	Auckland Council Loan	542,379	496,131	46,248	693,916	704,513	(10,597)
909,917	848,710	Total debt non-current	848,356	837,108	11,248	1,034,912	1,045,444	(10,532)
8,580	13,261	Other Accrued Expenses	13,223	8,385	4,838	13,125	8,342	4,783
1,171	1,180	Provision for Staff Benefits	1,180	1,570	(391)	1,134	1,570	(436)
83,909	54,533	Derivative Financial Instruments	62,576	120,431	(57,856)	62,576	120,431	(57,856)
927,052	945,262	Deferred Tax Liability	942,560	958,189	(15,628)	950,678	958,412	(7,735)
1,930,628	1,862,945	Total Non-Current Liabilities	1,867,894	1,925,683	(57,789)	2,062,424	2,134,200	(71,776)
		Current Liabilities						
37	-	Bank Overdraft	-	-	-	35,000	-	35,000
139,032	128,973	Commercial Paper	119,036	149,794	(30,758)	128,973	149,794	(20,821)
220,239	220,248	Bonds (15/05/14)	220,248	220,248	-	-	251	(251)
-	150,000	Bonds (16/02/15)	150,000	150,000	-	150,247	150,000	247
78,754	115,961	Auckland Council Loan	116,316	116,316	-	115,961	136,394	(20,434)
438,062	615,182	Total debt current	605,600	636,358	(30,758)	430,181	436,439	(6,258)
28,116	23,185	Trade and Other Payables	15,057	31,457	(16,400)	25,169	37,793	(12,625)
10,641	15,710	Interest Accrued	16,974	17,020	(46)	13,622	13,914	(292)
55,205	41,430	Other Accrued Expenses	43,786	46,005	(2,219)	43,645	65,125	(21,480)
5,720	5,622	Provision for Staff Benefits	5,732	4,157	1,575	5,468	4,157	1,311
2,983	1,311	Other Provisions	1,152	2,983	(1,831)	1,152	2,983	(1,831)
990	271	Derivative Financial Instruments	194	990	(796)	194	990	(796)
541,717	702,711	Total Current Liabilities	688,494	738,970	(50,476)	519,430	561,401	(41,971)
		Equity						
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	-
1,620,746	1,641,863	Revaluation Reserve	1,641,392	1,736,326	(94,934)	1,641,392	1,736,334	(94,942)
65,580	84,773	Retained Earnings	85,244	81,260	3,984	85,244	81,260	3,984
40,310	9,929	Current Year Earnings after Tax	3,205	(2,182)	5,388	2,086	(2,112)	4,198
5,766,440	5,776,369	Total Shareholders' Funds	5,769,646	5,855,208	(85,562)	5,768,526	5,855,286	(86,760)
8,238,785	8,342,026	Total Shareholders' Funds and Liabilities	8,326,034	8,519,861	(193,826)	8,350,381	8,550,888	(200,507)

TREASURY RISKS AND INTEREST RATE PERFORMANCE

Apr-14



Interest rates

	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	5.17%	4.61%	5.16%
Weighted averages (incl. fees and margins)	6.30%	N/A	6.26%

Debt (\$m)

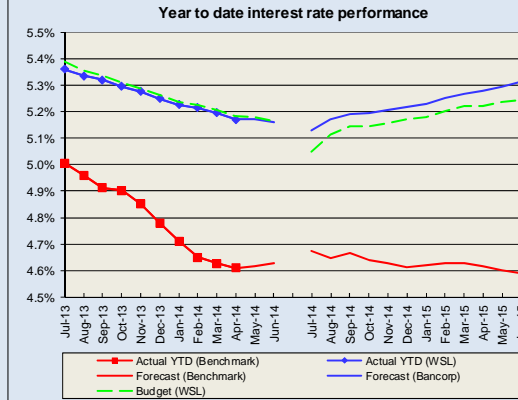
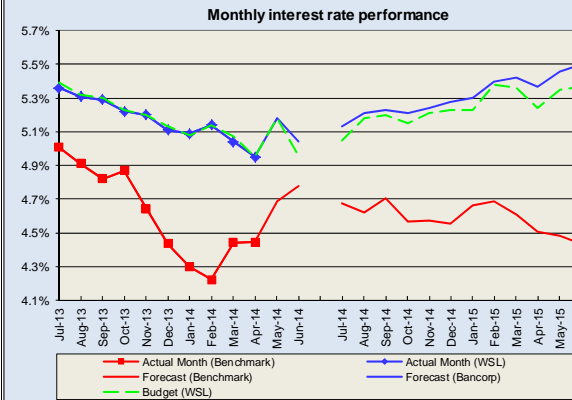
	Actual	Budget	Variance
Short-term borrowings	605.6	636.4	(30.8)
Long-term borrowings	848.4	837.1	11.3
Total gross debt	1,454.0	1,473.5	(19.5)
Less cash & deposits	19.0	-	(19.0)
Total net borrowing	1,435.0	1,473.5	(38.5)

Committed facilities

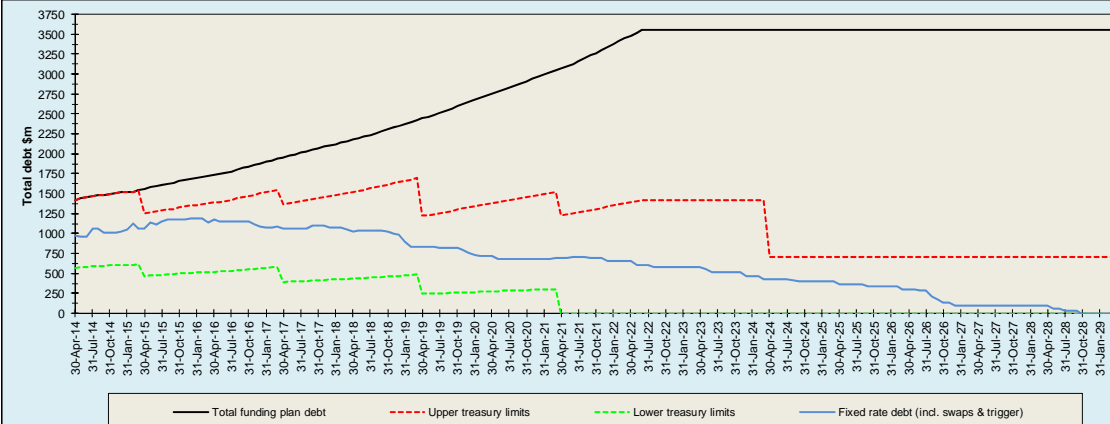
- Westpac Term Loan facility	\$150 million
- ANZ CP Standby facility	\$100 million
- BNZ CP Standby facility	\$100 million
- Westpac Revolving Credit facility	\$60 million
- Medium term notes	\$525 million
- Auckland Council	\$867 million
Total committed facilities as at 30 April	\$1,802 million

Additional approved facilities

- Approved CP issuance, over and above CP Standby facility	\$50 million
Total approved facilities as at 30 April	\$1,852 million



Forecast total debt profile



**COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & Apr-14
COVENANT COMPLIANCE**

Counterparty exposures	S&P credit rating Short / long term	Face value	Credit exposures	Limit	Limit OK / exceeded	
		\$000	\$000	\$000		
Obligations of registered banks						
ANZ Bank	A1+ / AA-	741,827	123,583	200,000	Limit OK	✓
Bank of New Zealand	A1+ / AA-	700,894	140,902	200,000	Limit OK	✓
ASB Institutional	A1+ / AA-	115,000	13,500	200,000	Limit OK	✓
Westpac Institutional Bank	A1+ / AA-	380,900	118,440	200,000	Limit OK	✓
		1,938,621	396,425	N/A		

Note: Credit exposures are direct exposures plus 3% of the face value of interest rate contracts per annum & 10% of foreign currency contracts.

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	370,000		30,000		125,000		525,000
Auckland Council	Various	113,248	36,060	79,668	78,368	82,243	477,242	866,829
Total committed debt facilities		483,248	196,060	259,668	178,368	207,243	477,242	1,801,829
Approved CP issuance, over and above CP Standby							50,000	50,000
Total committed and approved debt facilities		483,248	196,060	259,668	178,368	207,243	527,242	1,851,829
Treasury policy - total committed debt facilities		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000		
Treasury policy compliance		✓	✓	✓	✓	✓		

Drawn bank facilities	Maturity	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	> 30 months	Total
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	0	150,000	0	150,000
Treasury policy for bank facilities		<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	
Treasury policy compliance		✓	✓	✓	✓	✓	✓	
Other facilities								
BNZ overdraft	On demand	2,000						2,000
		2,000	0	0	0	0	0	2,000

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

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

Covenant / ratio	Benchmark/target measure	Outcome	Compliance
Security interests / total tangible assets - maximum	5%	0.00%	✓
Total liabilities / total tangible assets - maximum	60%	30.85%	✓
Total liabilities (including contingent) / total tangible assets - maximum	65%	30.86%	✓
Shareholders funds - minimum (\$000)	500,000	5,769,646	✓
EBITDA : funding costs ratio - minimum	1.75	3.77	✓
Funds from operations : interest cover ratio - minimum	2.00	3.21	✓
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

Apr-14

Foreign currency exposures (NZ\$000) including hedging for chemical purchases	USD	AUD	Total
Total exposure to be hedged	4,167	439	4,607
Foreign exchange hedging	4,167	439	4,607
Percentage cover	100%	100%	100%
Treasury policy	100%	100%	100%
Treasury policy compliance	✓	✓	✓

Hedging for chemical purchases (US\$000)	Jun-14	Dec-14	Jun-15	Dec-15	Total
Chemicals forward foreign exchange hedging	1,000	750	500		2,250
Treasury policy					<= 5,000
Treasury policy compliance					✓

Commercial paper maturities

Issue #	\$000	BKBM	Interest rate	Bid cover (x)	Term (days)	Maturity date
265	40,000	2.960%	3.100%	2.13	90	26-May-14
266	40,000	3.080%	3.220%	2.28	91	23-Jun-14
267	40,000	3.330%	3.461%	2.21	91	30-Jul-14
	120,000		3.260%			

Note: BKBM is the banks' mid-rate for bills of an appropriate term on the day of issue of the CP.

	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Beyond Oct-14	Total
Outstanding CP	40,000	40,000	40,000	0	0	0	0	120,000
Uncommitted short-term debt								0
	40,000	40,000	40,000	0	0	0	0	120,000

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

Undrawn committed standby facilities	1 month	1-2 months	2-3 months	3-4 months	4-5 months	5-6 months	6-7 months	> 7 months
Undrawn committed standby facility - CP facility	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
50% of CP and other short-term debt repayable within 60 days	40,000	40,000	20,000	0	0			
Treasury policy: Undrawn standby facilities >= 50% of outstanding CP and other uncommitted short-term debt repayable within 60 days	✓	✓	✓	✓	✓	✓		
Treasury policy compliance	✓	✓	✓	✓	✓	✓		

WATERCARE SERVICES LIMITED

Management Report

Apr-14

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	● Managed Assets	B4
	- Unplanned Maintenance	B5
	- Inventory Management	B7
	● Cost Minimisation	B8
	- Costs per cubic metre	
	● Public Perception	
2	Statistics	
	● Monthly Statistics Update	B9
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	● Customer Services Statistics	B11

Confidential

Water Quality

Transgressions of Maximum Acceptable Values - Annual Compliance 2014 (Financial Year to Date)

WTPs	Compliance in Month	Year to date Transgressions
E.coli	19/19	0
Protozoa	19/19	0
Priority 2 Determinands*	4/4	0

* Priority 2 Determinands are those of public health significance that are present at concentrations that exceed 50% of the Maximum Acceptable Value. Fluoride has been assigned to Ardmore, Huia, Waitakere, Waikato and Pukekohe WTPs as it is added to the treatment process. Nitrate is assigned as a P2 to the Pukekohe WTP

Water Supply Zone	Compliance in Month	Year to date Transgressions
E.coli	41/41	1
Priority 2 Determinands *	6/7	3
Turbidity	41/41	3

* Priority 2 Determinands are those of public health significance that are present at concentrations that exceed 50% of the Maximum Acceptable Value. Trihalomethanes have been assigned to Te Henga, Oratia, Helensville/Parakai, Warkworth and Wellsford. Nitrate has been assigned to Bombay. Fluoride and Boron are assigned to Clarks/Waiiau as it is naturally occurring in the groundwater

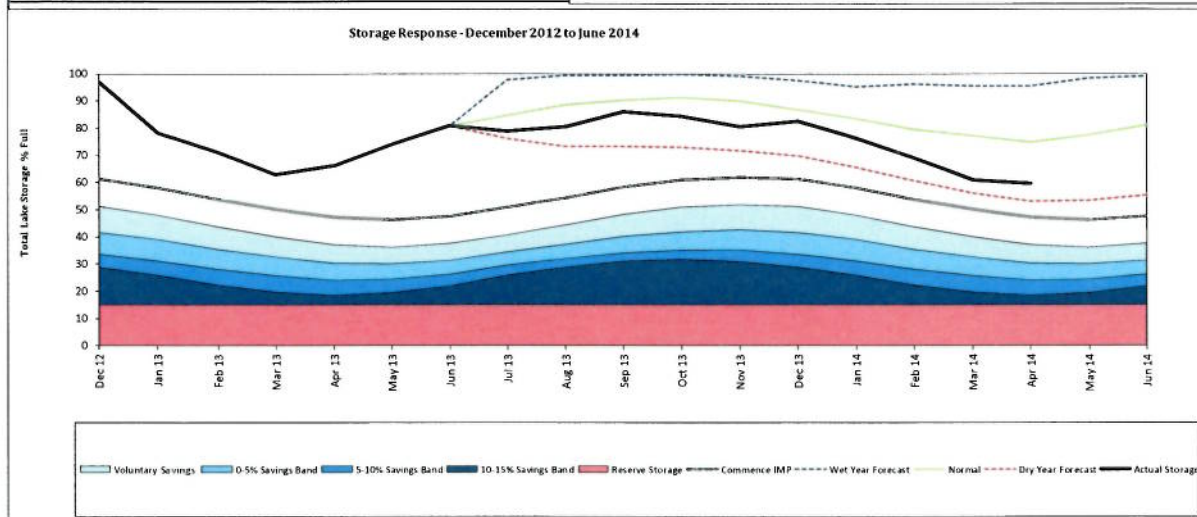
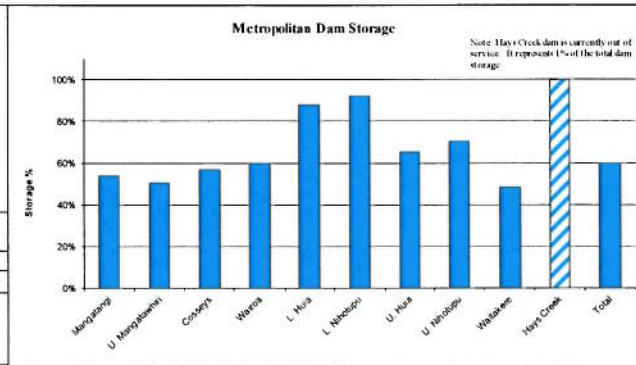
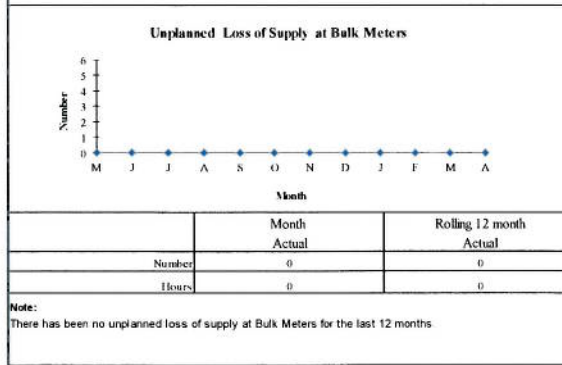
Transgressions:

A routine sample for Trihalomethanes (THMs) from 10 Fordyce Rd in the Helensville Grading Zone taken on 23/01/14 breached the Maximum Allowable Value. The result was 1.143mg/L compared to the MAV of 1.0mg/L. The Drinking Water Assessment Unit was notified.

Reports have been issued to the Drinking Water Assessment Unit for the Robertson Road, Waipareira Avenue and Ormiston Road turbidity exceedances in November and December. A routine sample for boron from the Clarks/Waiiau Beach Zone taken on 19/03/2014 breached the MAV. The result was 1.5mg/L compared to the MAV of 1.4mg/L. The Drinking Water Assessment Unit was notified. Boron will be addressed by the connection of Clarks/Waiiau to the Waikato supply.

A routine sample for THMs from the Te Henga Grading Zone taken on 08/04/2014 breached the MAV. The result was a ratio of 1.052 compared to the MAV of 1. The Drinking Water Assessment Unit was notified.

E.coli was detected at a sample point in Devonport in the North Shore Grading Zone on 23/11/2013. The Drinking Water Assessment Unit was notified and three days of consecutive sampling conducted as per the DWSNZ requirements for both events. All follow-up samples were compliant with the DWSNZ. DNA analysis confirms the E.coli strains detected as being E.coli. The strains were very similar indicating they were possibly derived from the same animal or bird and unlikely to be from sewage contamination.



Wastewater Treatment - Mangere

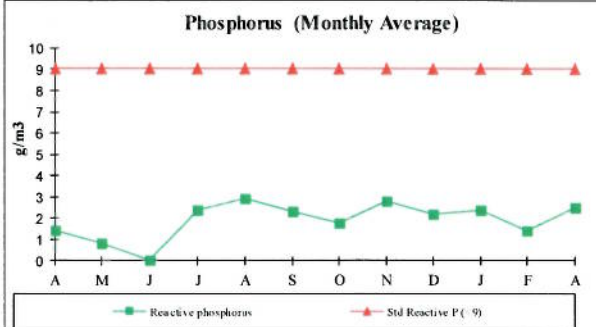
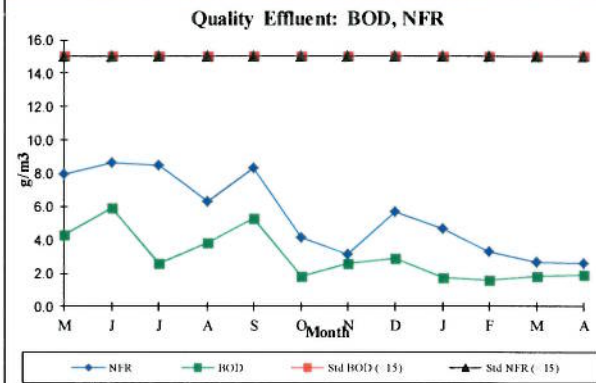
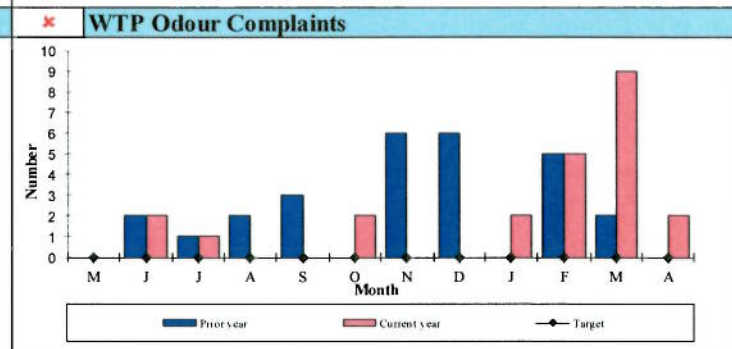
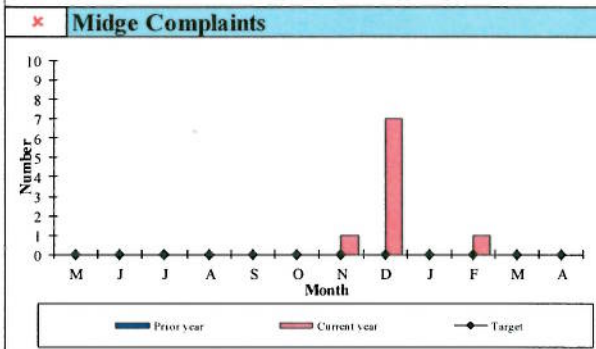
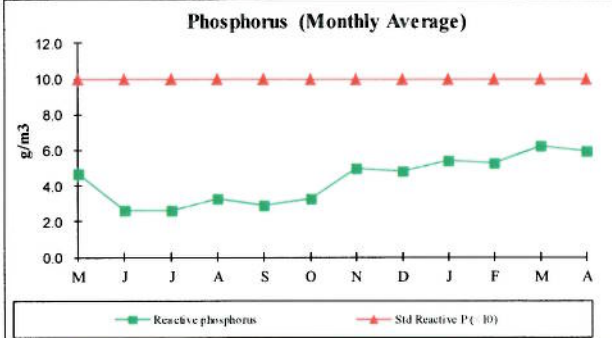
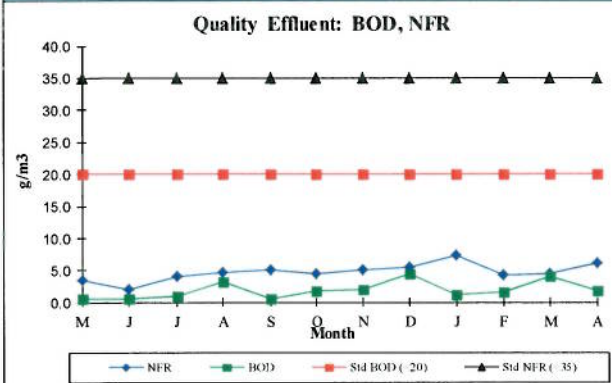


Table 2 Compliance	Consent compliance	Apr-14	Table 2 Standard
Plant load			
Monthly average			
BOD (g/m3)	✓	1.9	< 15
NFR (g/m3)	✓	2.6	< 15
Nutrients (g/m3)			
Monthly Mean			
Reactive phosphorus	✓	2.5	< 9
Total nitrogen (Apr-Nov)	✓	8.5	< 35
Total nitrogen (Dec-Mar)		N/A	< 9.5
Disinfection			
% duration receiving 35 milliWatt-sec/cm ² of UV dose	✓	100.00%	>= 99%
Monthly mean (% saturation)			
Dissolved oxygen	✓	99.50%	> 80%
Breaches of resource consent conditions	✓	0	0

Comment:

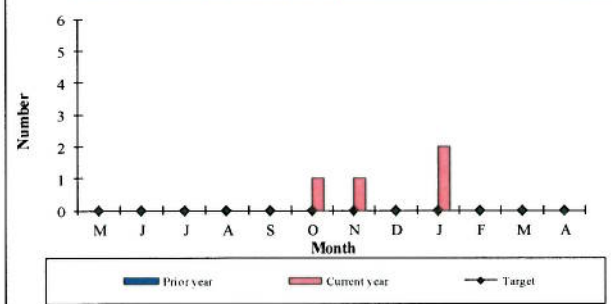


Wastewater Treatment - Rosedale

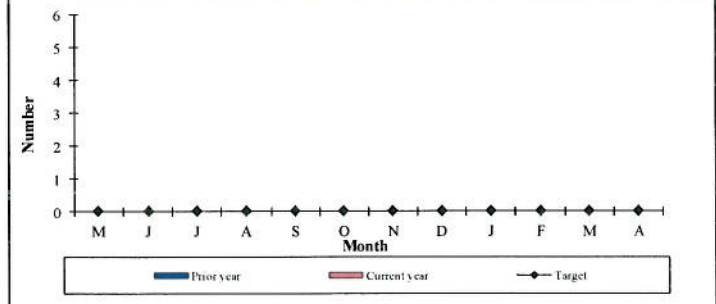


Compliance	Consent compliance	Apr-14	Table 2 Standard
Plant load			
Monthly average			
BOD (g/m3)	✓	1.7	< 20
NFR (g/m3)	✓	6.0	< 35
Nutrients (g/m3)			
Monthly Mean			
Reactive phosphorus	✓	5.9	< 10
Total nitrogen	✓	10.0	< 30
Ammonia	✓	0.6	< 10
Bacteriological			
Monthly median			
Enterococci (#/100ml)	✓	50	< 100
Faecal Coliforms (#/100ml)	✓	215.0	< 1000
Bacteriological			
Monthly 95% Percentile			
Enterococci (#/100ml)	✓	83	< 1000
Faecal Coliforms (#/100ml)	✓	584	< 10000
Bacteriological			
95 Percentile over three discreet months			
Enterococci (#/100ml)	✓	83	< 1000
Faecal Coliforms (#/100ml)	✓	584	< 10000

✗ Midge Complaints (YTD)

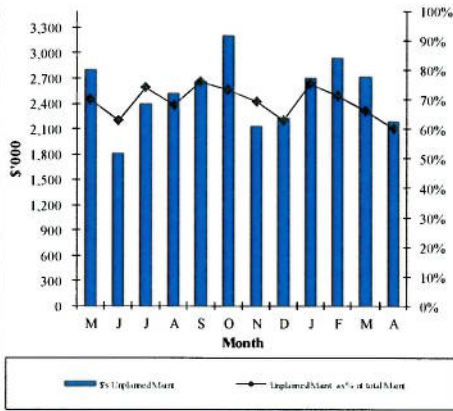


✓ WTP Odour Complaints (YTD)



There have been no odour complaints made for over two years

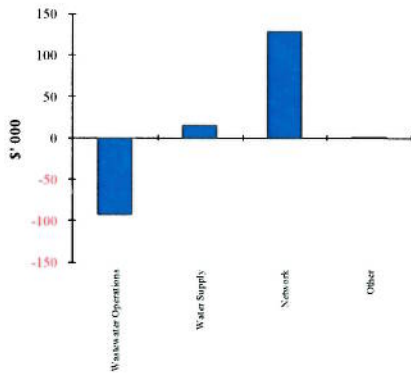
Unplanned Maintenance



	Result	Month			Year to Date		
		Actual	Budget	Var	Actual	Budget	Var
Unplanned Maintenance	↔	2,191	2,242	51	25,655	22,191	(3,464)
% of Total Maintenance	↔	60%	61%	1%	69%	60%	-9%

Unplanned maintenance as a % of Total Maintenance is consistent with budget this month

Unplanned Maintenance Variance - Month



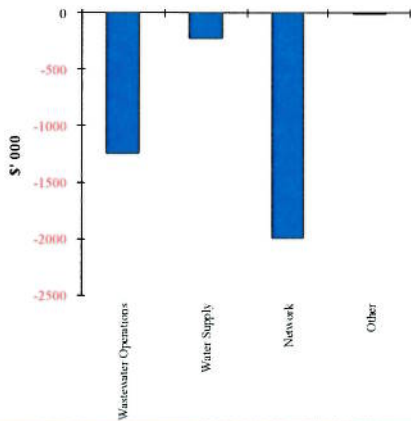
	Result	Month		
		Actual	Budget	Variance
Wastewater Operations	✗	587	495	(92)
Water Supply	↔	161	176	14
Network	↔	1,442	1,571	129
Other	✓	-0	0	0

Wastewater Operations: Higher than budget due to high volume of repairs in Mangere

Water Operations: Consistent with budget

Networks: Consistent with budget

Unplanned Maintenance Variance - YTD



	Result	Year to Date		
		Actual	Budget	Variance
Wastewater Operations	✗	6,157	4,908	(1,249)
Water Supply	✗	1,938	1,718	(219)
Network	✗	17,559	15,565	(1,993)
Other	✗	2	-0	(2)

Wastewater Operations: Over budget due to high volume of works in Mangere

Water Operations: Over budget mainly due to high volume of works in Southern area

Networks: Over budget due to budget allocation and high volume of works in Northern and Central area

Management Report

Managed Assets

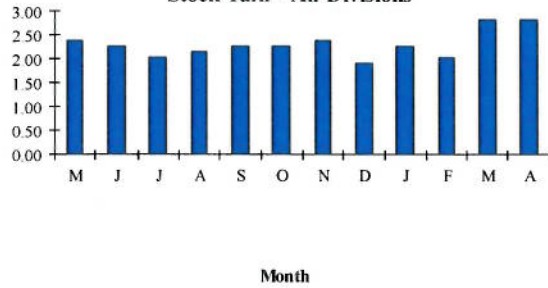
WATERCARE SERVICES LIMITED

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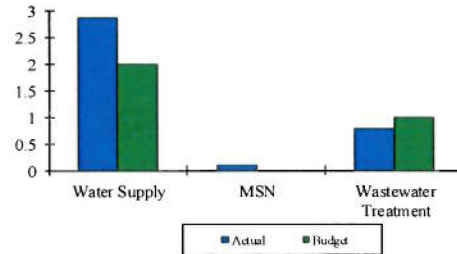


Inventory Management

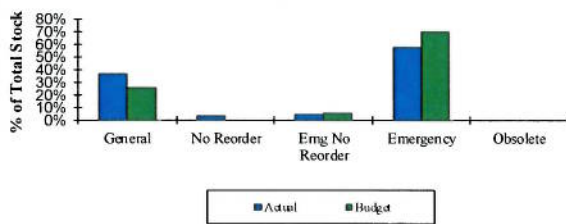
Stock Turn - All Divisions



Stock Turn by Division



Analysis of Stock



Comment:

The total closing value for Apr 14 was \$6.8m

Definitions:

- General - Non category specific item
- No Reorder - Will not trigger Material Requisition Plan
- Emergency - Stock which is held in case of breakdowns
- Emergency No Reorder - As above but will not be reordered once exhausted
- Obsolete - Stock that is no longer required by the business

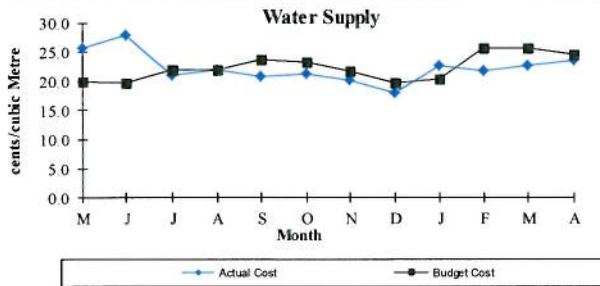
Management Report

Cost Minimisation

WATERCARE SERVICES LIMITED

Apr-14

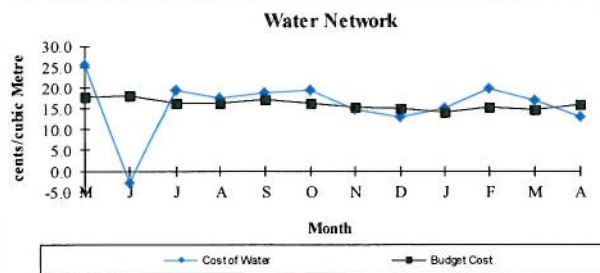
Water Supply



This Month			YTD Cumulative average		
Actual	Budget	Variance	Actual	Budget	Variance
23.5	24.7	1.1	21.3	22.8	1.5

Comment:
This month unit cost is consistent with budget

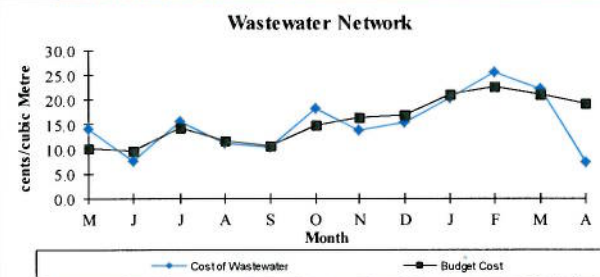
Water Networks



This Month			YTD Cumulative average		
Actual	Budget	Variance	Actual	Budget	Variance
13.0	15.9	2.9	16.6	15.6	(1.1)

Comment:
This month there is a favourable variance - due to lower than budgeted variable spend in unplanned maintenance and other operating costs.

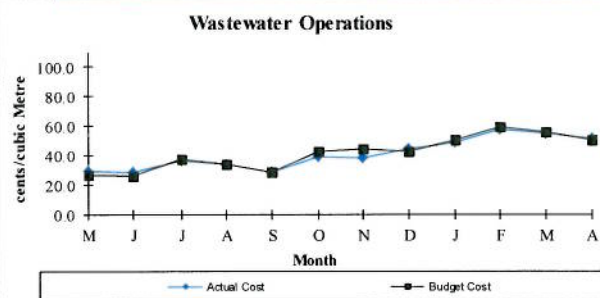
Wastewater Networks



This Month			YTD Cumulative average		
Actual	Budget	Variance	Actual	Budget	Variance
7.3	19.3	12.0	15.2	15.9	0.7

Comment:
The reticulation cost of wastewater is favourable to budget due to lower than budgeted Asset operating costs.

Wastewater



This Month			YTD Cumulative average		
Actual	Budget	Variance	Actual	Budget	Variance
51.0	50.1	(0.9)	41.0	42.1	1.1

Comment:
This month cost is consistent with budget

Date	Outlet/Publication	Headline	Opening text	Positive	Neutral	Negative
1/04/2014	Village News, Mairangi Bay	Upgrades to 'future proof' bays wastewater network	Watercare projects under way in Mairangi Bay will cut the number of wastewater overflows and cater for future growth and development says the engineer overseeing the works. Work has started in Sidmouth Street and Maxwellton Drive to replace the rising main that carries wastewater from the Sidmouth Street pumping station up to Windsor Park.	✓		
01/04/14 22:27	Fairfax Media - Manukau Courier (Epaper)	Claims disputed	Judi Goldsworthy incorrectly states that Watercare's central interceptor will increase raw sewage spills into the Manukau Harbour (Manukau Courier, March 25).	✓		
02/04/14 14:01	The New Zealand Herald	PM opens new \$18m bus depot	Prime Minister John Key has opened a new \$18 million depot and maintenance workshops for bus operator Ritchies Transport's west Auckland and inter-city services.		✓	
03/04/14 02:15	The New Zealand Herald	Water option plugged	New Zealand's first environmentally sustainable public "third pipe" scheme, planned to serve thousands of homes with recycled storm water, has been plugged.		✓	
5/04/2014	Weekend Herald	Letters: Stonefields turnoff	I was disturbed to read that Watercare is blocking the collection of stormwater to be used at Stonefields after all the initial planning and reticulation concepts were worked through at some cost... John Shears, Milford			✓
7/04/2014	New Zealand Herald	Letters: Stonefields turnoff	What foresight by the developers of Stonefields to plumb in a system that would enable rain water to be used where it makes sense rather than pay Watercare to dispose of it. What a pathetic stance from Watercare... John Mounce, Karaka.			✓
8/04/2014	New Zealand Herald	You say: Stonefields turnoff	Watercare's decision to prevent Stonefields being able to reticulate rain water to houses in its complex demonstrates its ambition to maintain its status as sole water supplier in Auckland.			✓
8/04/2014	New Zealand Herald	Short and sweet: On stonefields turnoff	Does Watercare have the authority to stop a creditable and environmentally sound scheme to cushion the impact of global warming and reduce ratepayers' monopolistic charges?			✓
8/04/2014	North Shore Times Advertiser	Letters: Walk the walk	To support Geoff Bonham, yes, let's secede from the "super" council.			✓
08/04/14 06:37	Fairfax Media - North Shore Times (Epaper)	Pipe work has multiple benefits	Reduced wastewater overflows into the sea will be one of the benefits of work in Mairangi Bay, says Watercare.	✓		
09/04/14 14:54	Yahoo! New Zealand	Piping contractor fined over Onehunga explosion	Piping contractor, Canadian Pacific Limited, has today been fined \$55,250 over a 2011 explosion in an Onehunga water pipe that killed one worker and left another a double amputee.			✓
09/04/14 15:15	Scoop	Piping contractor fined over Onehunga explosion	Piping contractor, Canadian Pacific Limited, has today been fined \$55,250 over a 2011 explosion in an Onehunga water pipe that killed one worker and left another a double amputee.			✓
09/04/14 15:33	Voxy.co.nz	Piping contractor fined over Onehunga explosion	Piping contractor, Canadian Pacific Limited, has today been fined \$55,250 over a 2011 explosion in an Onehunga water pipe that killed one worker and left another a double amputee.			✓
09/04/14 15:34	3 News	Company fined over fatal gas explosion	A piping contractor has been fined \$55,250 over an explosion in an Onehunga water pipe which killed one worker and left another a double amputee.			✓
09/04/14 15:53	MSN NZ	Contractor fined over fatal pipe blast	A contracting company has been fined \$55,250 over a 2011 explosion in an Auckland water pipe that killed one worker and left another a double amputee.			✓
09/04/14 16:09	NZ City	Contractor fined over fatal pipe blast	A contracting company has been fined \$55,250 over the 2011 Onehunga pipeline explosion which killed a Watercare worker.			✓
09/04/14 16:22	Manawatu Standard	Canadian Pacific fined for pipeline blast	A piping firm has been fined over a fatal pipeline explosion in Onehunga, Auckland.			✓
09/04/14 16:22	Stuff.co.nz	Canadian Pacific fined for pipeline blast	A piping firm has been fined over a fatal pipeline explosion in Onehunga, Auckland.			✓
09/04/14 16:22	The Southland Times	Canadian Pacific fined for pipeline blast	A piping firm has been fined over a fatal pipeline explosion in Onehunga, Auckland.			✓
09/04/14 16:22	Taranaki Daily News	Canadian Pacific fined for pipeline blast	A piping firm has been fined over a fatal pipeline explosion in Onehunga, Auckland.			✓
09/04/14 16:22	The Marlborough Express	Canadian Pacific fined for pipeline blast	A piping firm has been fined over a fatal pipeline explosion in Onehunga, Auckland.			✓

09/04/14 16:22	Auckland Now	Canadian Pacific fined for pipeline blast	A piping firm has been fined over a fatal pipeline explosion in Onehunga, Auckland.			✓
09/04/14 16:42	Radio New Zealand	Contractor fined over deadly blast	Piping contractor Canadian Pacific Ltd has been ordered to pay more than \$55,000 following a deadly gas explosion in Auckland.			✓
09/04/14 16:51	The New Zealand Herald	Onehunga explosion: Piping contractor fined	A piping contractor has today copped a heavy fine over the 2011 Onehunga water pipe explosion which killed a woman and left another worker disabled.			✓
09/04/14 17:23	World News	Canadian Pacific fined for pipeline blast	A piping firm has been fined over a fatal pipeline explosion in Onehunga, Auckland.			✓
09/04/14 18:43	TVNZ, One News	Company fined \$55,000 over fatal pipe explosion	A piping contractor has been fined \$55,000 over a fatal pipeline explosion in an Auckland suburb.			✓
9/04/2014	Tydvnet.com	Tydvnet's Maire making her watermark in Auckland, NZ	Tydvnet girl Maire Lenihan from Tullyvogey is fast making a name for herself due to her innovative water solutions in Auckland, New Zealand.	✓		
10/04/14 02:15	The New Zealand Herald	Editorial: Ditching dual water plan makes sense	Stonefields idea would be money down the drain.	✓		
10/04/14 20:19	Fairfax Media - The Marlborough Express (Epaper)	Company fined after fatal blast	A piping firm has been fined over a fatal pipeline explosion in Auckland.			✓
10/04/2014	Otago Daily Times	Company fined over water pipe blast	Auckland: Piping contractor Canadian Pacific Ltd was yesterday fined \$55,250 in the Auckland District Court over the 2011 Onehunga water pipe explosion which killed a woman and left another worker disabled.			✓
10/04/2014	The Press, Christchurch	Business briefs. More blast fines	A piping firm has been fined over a fatal pipeline explosion in Auckland.			✓
10/04/2014	The News - Westport	Piping contractor fined over explosion	A piping contractor yesterday copped a heavy fine over the 2011 Onehunga water pipe explosion which killed a woman and left another worker disabled. In the Auckland District Court, Canadian Pacific Ltd was fined \$55,250 in relation to the June 4, 2011, explosion.			✓
10/04/2014	Hokitika Guardian	Fatal water pipe explosion brings fine	A piping contractor has today copped a heavy fine over the 2011 Onehunga water pipe explosion which killed a woman and left another worker disabled.			✓
11/10/2014	Pohutukawa Coast Times	Letters: Time to re-open water debate	Does it occur to anyone else that the sight of aged diesel trucks hauling water from afar in to our community is just a little bit Third World? Most long term residents are quite happy with their investment in their rain-harvesting systems or bores. It is evident however that there is a thriving demand at times for town water to supplement these systems, particularly from residents in the recent subdivisions...			✓
11/04/14 02:15	The New Zealand Herald	Outdoors: Locals fight tide of rubbish	Dumped rubbish is threatening the Hauraki Gulf but "people power" is helping to clean up the mess.	✓		
11/04/14 07:17	Fairfax Media - Manawatu Standard (Epaper)	Company fined after fatal blast	A piping firm has been fined over a fatal pipeline explosion in Auckland.			✓
14/04/14 13:08	Scoop	Reports show need for improved water service delivery	"The recent release of the Ministry of Health's Annual Report on Drinking Water Quality and a stormwater report commissioned by the Auckland Council provide two further reminders of the need for better scrutiny and accountability in meeting drinking water, wastewater and stormwater standards in New Zealand," says CEO of the New Zealand Council for Infrastructure Development Stephen Selwood.	✓		
14/04/14 13:23	Voxy.co.nz	Need for improved water service delivery by councils - report	"The recent release of the Ministry of Health's Annual Report on Drinking Water Quality and a stormwater report commissioned by the Auckland Council provide two further reminders of the need for better scrutiny and accountability in meeting drinking water, wastewater and stormwater standards in New Zealand," says CEO of the New Zealand Council for Infrastructure Development Stephen Selwood.	✓		
15/04/14 03:00	Auckland Now - Western Leader	Sewer upgrade to start in Glen Eden	From early next year Glen Eden residents will no longer have to deal with the sight of wastewater seeping into their waterways.	✓		
15/04/14 07:35	Fairfax Media - Western Leader (Epaper)	Sewer upgrade to start in Glen Eden	From early next year Glen Eden residents will no longer have to deal with the sight of wastewater seeping into their waterways.	✓		
15/04/14 19:27	Fairfax Media - Taupo Times (Epaper)	Profit from our lake	What does the future hold for water restrictions?			✓

16/04/14 03:00	Stuff.co.nz	Extra pipes rendered redundant	Recycled water schemes are going down the gurgler in Stonefields.			✓	
16/04/14 03:00	Auckland Now - East and Bays Courier	Extra pipes rendered redundant	Recycled water schemes are going down the gurgler in Stonefields.			✓	
16/04/14 03:00	Auckland Now	Extra pipes rendered redundant	Recycled water schemes are going down the gurgler in Stonefields.			✓	
17/04/2014	New Zealand Herald	Letters: Watercare waste plan	In response to the Herald editorial on Watercare and its Stonefields water planning, there is a far greater problem looming with Watercare's plans for the Central Interceptor that will take waste and stormwater from Westmere to Mangere for treatment.			✓	
17/04/14 03:00	Auckland Now - Western Leader	Stink rises over pumping station plans	Critics are kicking up a stink over Hobsonville Land Company plans for a wastewater pumping station at a spot where people gather.		✓		
18/04/2014	Pohutukawa Coast Times	Sewerage pump station at Te Puru to cater for growth	Work is underway on a project that will cut wastewater overflows around Maraetai, and equip the area to cope with expected future growth. Central to the project is a \$1.7 million upgrade of Watercare's Te Puru Park pumping station, which will include the construction of a 270 cubic metre underground storage tank and an upgrade of the station's control room.	✓			
22/04/14 03:08	Yahoo! New Zealand	Earth Day targets waste grabage (sic)	Reducing waste in our cities, harbours and oceans is the focus of Earth Day, which is being recognised around the world today.		✓		
22/04/14 03:08	Newstalk ZB	Earth Day targets waste grabage (sic)	Reducing waste in our cities, harbours and oceans is the focus of Earth Day, which is being recognised around the world today.		✓		
22/04/14 22:48	Fairfax Media - Manukau Courier (Epaper)	Dreamers	From the outset let me say that I probably care more for the wellbeing of the Manukau Harbour than many of those who are currently condemning Watercare's proposals to deal with a problem being thrust on it by other agencies involved in "planning" Auckland's future.	✓			
22/04/2014	Western Leader	Dedicated volunteers	This month a group of volunteers joined the Project Twin Streams Glen Eden and the Watercare Harbour Clean-Up Trust teams on a creek cruise and collected more than 7000 litres of rubbish from Henderson Creek.	✓			
23/04/2014	New Zealand Herald	Letters: Interceptor project	Contrary to the assertions of your correspondent Philip Hickling, Watercare's proposed Central Interceptor is not being "fought vigorously" by all the communities around the Manukau Harbour"... John Redwood, communications manager, Watercare Services.	✓			
24/04/2014	Nor West News Brief	Stink rises over pumping station plans	Critics are making a stink over Hobsonville Land Company plans for a wastewater pumping station at a spot where people gather.		✓		
24/04/14 02:15	The New Zealand Herald	Mai Chen: City's tale best told by its creators	Voices of those whose efforts brought unified Auckland Council into being now on record for posterity		✓		
24/04/14 11:18	NZX Markets	Appointment of Director	The Board of NZ Windfarms Limited has appointed Dr Julian Elder as a director effective from 28 April 2014.		✓		
25/04/14 06:37	Fairfax Media - North Shore Times (Epaper)	Melanesian mission for Watercare staff	Engineers from Watercare Services Limited's Rosedale plant are among a quartet of Watercare staff heading to Vanuatu later this year.		✓		
26/04/14 04:37	Fairfax Media - East and Bays Courier (Epaper)	Network to be upgraded	Works to upgrade the wastewater network at Madills Farm Reserve are under way.		✓		
28/04/14 18:44	Radio New Zealand	Leaders speak at Maori governance hui	Maori business leaders have spoken at a hui focussing on Maori governance.		✓		
29/04/14 16:46	Get Surrey	Pacific Ocean-crossing challenge ahead for four men in a boat	Colin Parker is one of the four-man crew Team Pacific Rowers rowing across the North Pacific from California to Hawaii in June 2014	✓			
29/04/2014	NBR Property Investor	Commercial property activity quickens - except in Wellington	More than 400 businesses have taken 202,000m ² space in Auckland in recent months.		✓		
1/05/2014 (published in April)	New Zealand Quarrying & Mining	Solid Energy: Where to now?	Solid Energy was expected to have a terrible year following huge cutbacks to activities and staff lay-offs to get the business back on a sound economic footing.		✓		
					15	13	33

Social media:

Date	Media outlet	Posted by	Link	Positive	Neutral	Negative
03/04/14 11:18	Whale Oil Beef Hooked (www.whaleoil.co.nz)		What is going on here? Is Auckland part of north Korea now?			✓
3/04/2014	pmofnz.blogspot.com		Watercare thieves want stream of OPM for themselves			✓
10/04/2014	facebook.com	Maria Dolan via Tydavnet Village Community Centre	Tydavnet's Maire making her (water)mark in Auckland, NZ -	✓		
12/04/2014	thisweekinnews2014.worldpress.com		Hauraki Gulf Clean- Up	✓		
27/04/2014	facebook.com	New Zealand Green Building Council - NZGBC	COMMERCIAL DESIGN TRENDS Australia/New Zealand Vol 30/03		✓	
29/04/2014	facebook.com	Friends of the Manukau Harbour	Bid to scupper huge sewer tunnel - National - NZ Herald News			✓
				2	1	3

Management Report

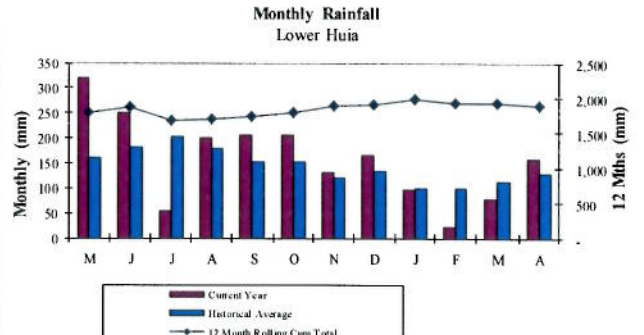
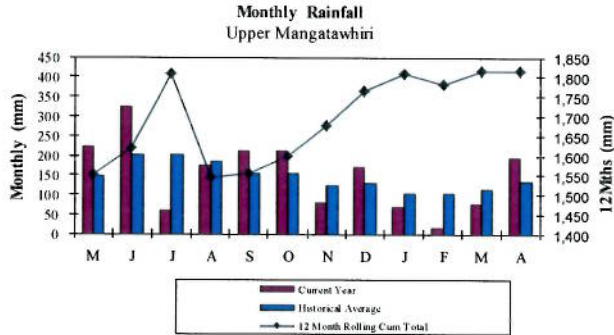
Monthly Statistics Update

WATERCARE SERVICES LIMITED

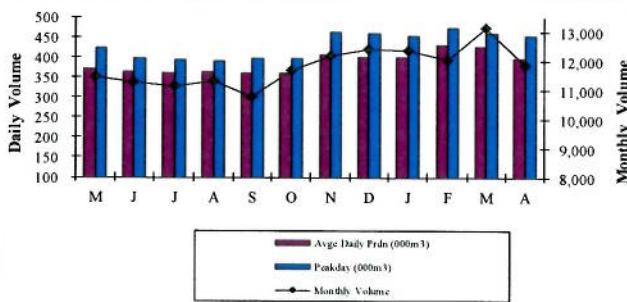
Apr-14

Rainfall

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
Actual - Upper Mangatawhiri	196 mm	1814 mm	Actual - Lower Huia	158 mm	1887 mm

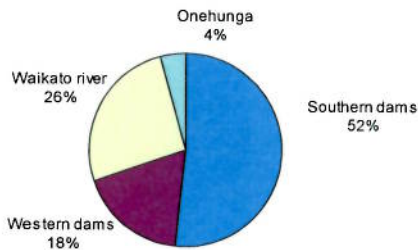


Water Production - Metropolitan Supply



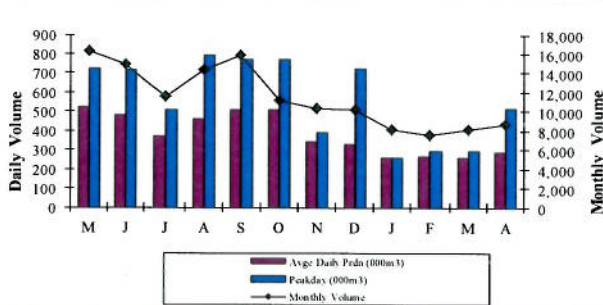
	Current Month	12 Month Rolling Ave
Monthly Volume (000m ³)	11,859	11,778
Average Daily Production	395	385
Peak Day	451	429

Treated water volumes for the month



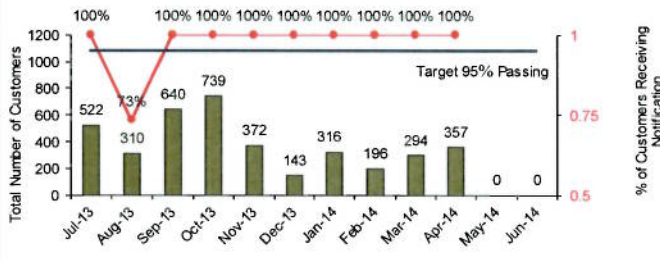
Treated water volumes (000m ³)	Current Month		Year to Date	
Southern dams	6,129	52%	73,568	62%
Western dams	2,141	18%	23,298	20%
Waikato river	3,093	26%	18,185	15%
Onehunga aquifer	497	4%	3,609	3%
Total	11,859	100%	118,659	100%

Wastewater Treatment - Metropolitan Treatment



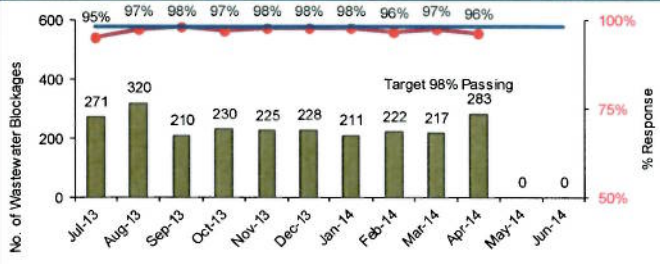
	Current Month	12 Month Cumulative Ave
Monthly Volume (000m ³)	8,739	11,427
Average Daily Production	291	385
Peak Day Mangere	516	565

3 Days Notice of Planned Shut Down



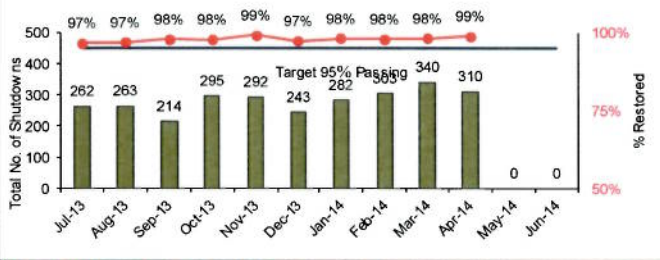
Strategic Performance Objective 23 b
Maintain good customer relationships - 100% of customers received at least 3 days notice of planned shutdowns
Comments: Target achieved

Response to Wastewater Blockages within One Hour



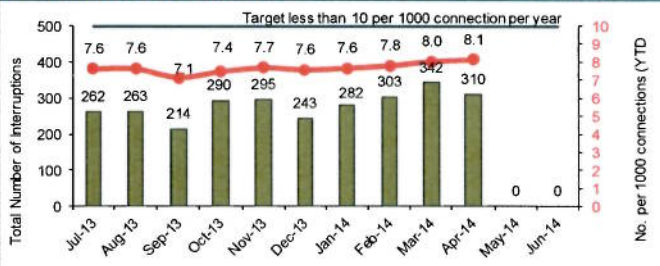
Strategic Performance Objective 25 b
Restore Service Capacity - 98% of Wastewater Blockages Responded to within one to two hours
Comments: Not achieved at 96%
Target not met due to a number of jobs in the Northern and Southern areas missing the target due to the high volume of calls during Cyclone Ita

Unplanned Water Shutdowns Restored within 5 hours



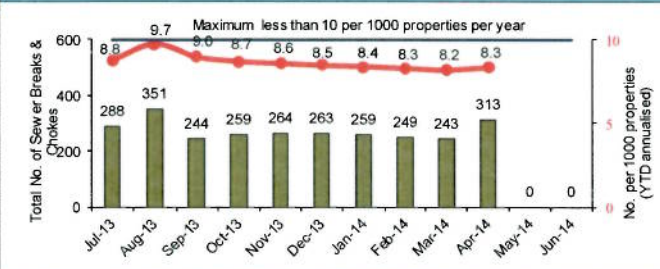
Strategic Performance Objective 25 a
Restore Service Capacity - 95% of unplanned water shutdowns were restored within 5 hours
Comments: Achieved at 99%

Water Interruption Frequency



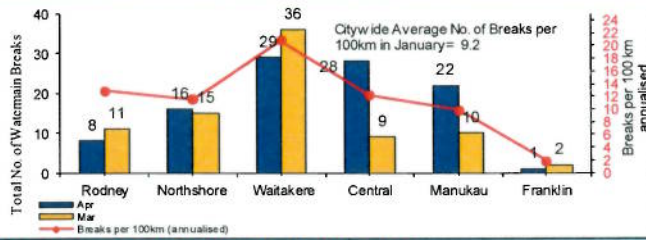
Strategic Performance Objective 24 a
Maintain Service Capacity - 10.0 water interruptions per 1000 connections per year
Comments: Achieved at 8.1 interruptions

Sewer Breaks and Chokes Interruption Frequency



Strategic Performance Objective 24 b
Maintain Service Capacity - frequency of sewer breaks and chokes (unplanned interruptions) at 10.0 per 1000 properties per year
Comments: Achieved at 8.3 breaks

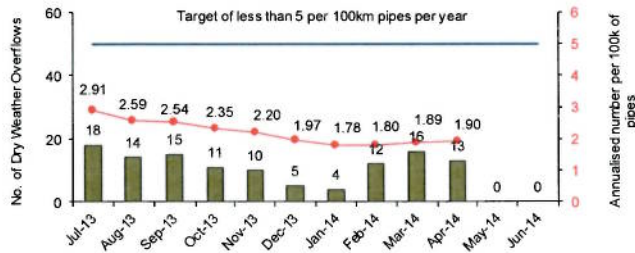
Watermain Breaks



Watermain breaks per year per 100 km

Comments: Citywide Average No. of Breaks per 100km = 9.2

Operations - Number of Dry Weather Overflows

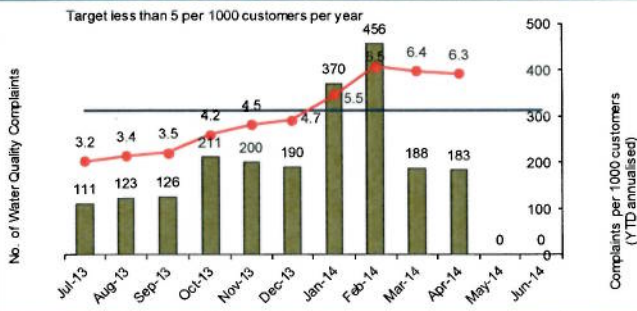


Key Performance Scorecard

Dry Weather Overflows not to exceed 5 per 100km of pipes

Comments: Target met

Water Quality Complaints



Water Quality Complaints not to exceed 5 per 1,000 customers per year

Comments: Target not met

Due to an increase in complaints in Jan and Feb. The year to date result will trend down in the following months

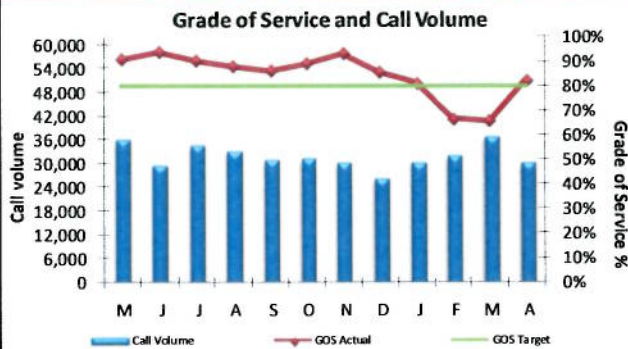
Management Report

Customer Service

April-2014

82.3%

Grade of Service and Call Volumes



Grade of Service					
Target	Actual	Variance	12 Months	Variance	Calls
80.0%	82.3%	2.3%	84.1%	4.1%	30,639

Comments:
This target was achieved. The rolling 12 month target was met.

Please note: Call volumes exclude First Contact figures.

Key:

GOS: Grade Of Service

12 Months: Rolling 12 months | Calls: Call Volume

Formula: Calls answered within 20 seconds /

(Offered Calls - Abandoned Calls within 10 seconds)

≥ 80% 75% - 79.9% < 75%

1.8%

Abandonment Rate and Call Volumes



Abandonment Rate					
Target	Actual	Variance	12 Months	Variance	Calls
3.0%	1.8%	1.2%	1.7%	1.3%	30,639

Comments:
This target was achieved. The rolling 12 month target was met.

Please note: Call volumes exclude First Contact figures.

Key:

AR: Abandonment Rate

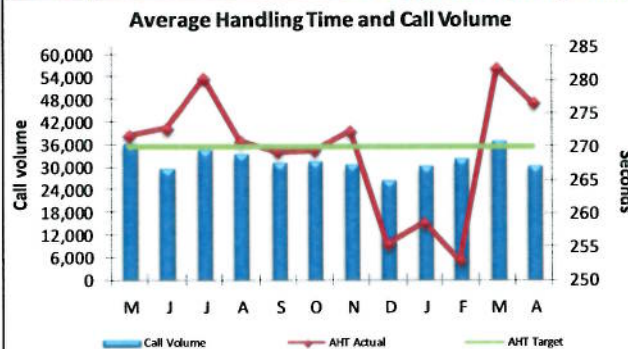
12 Months: Rolling 12 months | Calls: Call Volume

Formula: Abandoned Calls / Offered Calls

≤ 3% 3.1% - 3.5% > 3.5%

276.5 s

Average Handling Time (AHT) and Call Volumes



Average Handling Time					
Target	Actual	Variance	12 Months	Variance	Calls
270.0	276.5	6.5	269.7	0.3	30,639

Comments:
The average handle time target was not achieved.

Please note: Call volumes exclude First Contact figures.

Key:

AHT: Average Handling Time

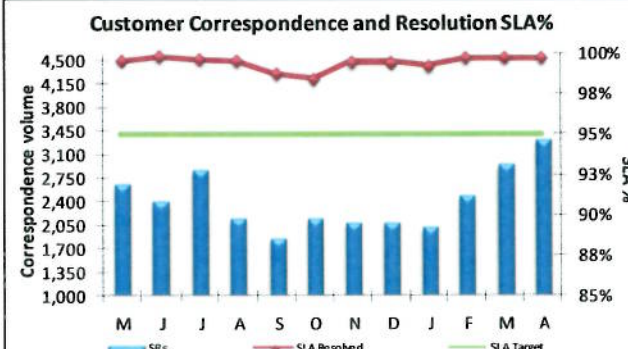
12 Months: Rolling 12 months | Calls: Call Volume

Formula: Agent talk Duration (secs) / Answered Calls

≤ 270s 271 - 300s > 300s

99.7%

Customer Correspondence and Resolution within 10 days



Correspondence SLA					
Target	Actual	Variance	12 Months	Variance	SRs
95.0%	99.7%	4.7%	99.5%	4.5%	3,321

Comments:
Both the month and rolling 12 month targets were exceeded.

Key:

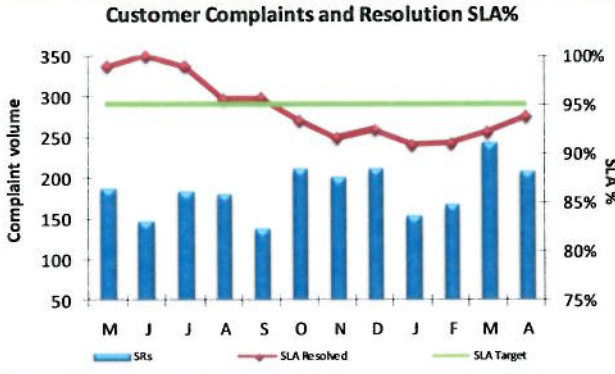
SLA: Service Level Agreement

CO: Correspondence | SRs: Service Requests

Formula: (CO SRs resolved in time + CO SRs unresolved in time) / Number of SRs

≥ 95% 90% - 94.9% < 90%

93.8% **Customer Complaints and Resolution within 10 days**



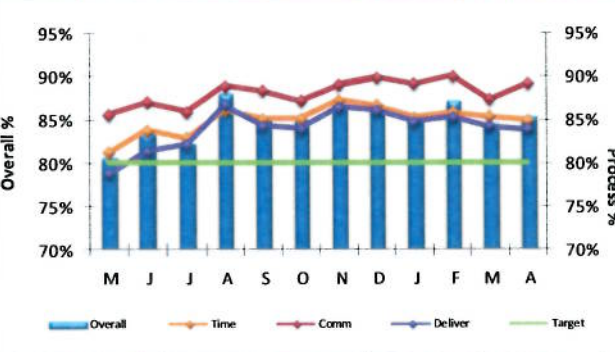
Complaints SLA					
Target	Actual	Variance	12 Months	Variance	SRs
95.0%	93.8%	1.2%	94.4%	0.6%	210

Comments:
Both the monthly and rolling 12 month targets were not achieved.

Key:
SLA: Service Level Agreement
CP: Complaint | SRs: Service Requests
Formula: (CP SRs resolved in time + CP SRs unresolved in time) / Number of SRs

>= 95%	90% - 94.9%	< 90%
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85.5% **Customer Experience Survey - Contact Centre**



By Category			Overall		
Time	Comm	Deliver	Overall	Target	Variance
85.0%	89.2%	83.9%	85.5%	80.0%	5.5%

Comments:
This target was achieved. All three segments achieved the target of 80% or more.

Results provided by research conducted by TNS.
This is for fault related calls only.

Key:
Time: Don't waste my time
Comm: Communicate with me
Deliver: Deliver to me

>= 80%	75% - 79.9%	< 74.9%
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82.1% **Customer Experience Survey - Maintenance**



By Category			Overall		
Time	Comm	Deliver	Overall	Target	Variance
80.3%	78.0%	82.6%	82.1%	80.0%	2.1%

Comments:
This target was achieved. Two out of the three segments achieved the target of 80% or more.

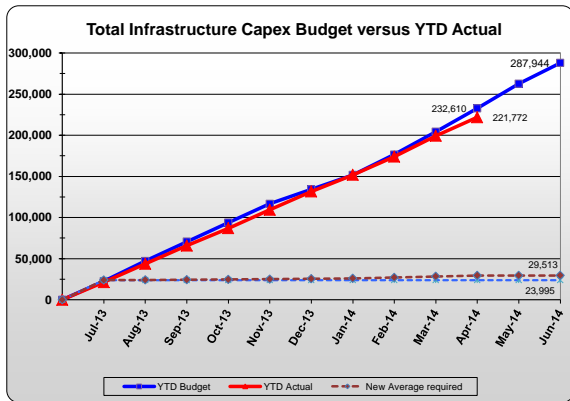
Results provided by research conducted by TNS.
This is for fault related maintenance only.

Key:
Time: Don't waste my time
Comm: Communicate with me
Deliver: Deliver to me

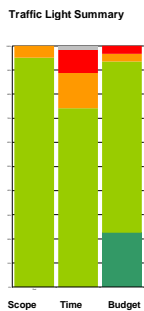
>= 80%	75% - 79.9%	< 74.9%
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INFRASTRUCTURE GROUP DASHBOARD CAPITAL EXPENDITURE (\$000)

SAP Code	Project / programme name	Project manager	Total Project Performance		Annual Project Performance			Scope/ Quality	Time / milestones	Costs - Capex
			Current Forecast	Forecast	Budget	Budget Variance				
Water Projects (>\$2m)										
C-10049P	Hunua No 4 Programme	R. McIntosh	375,903	55,828	51,732	(4,096)				
C-11619	North Harbour Watermain Duplication	A. Spittal	240,002	3,600	3,600	0				
C-10951	KHR Water Transmission	J. Robson	19,140	8,392	8,916	524				
C-11232P	North Franklin Programme	S. Grace	23,053	8,447	10,241	1,794				
C-10183	Ardmore rapid restart & sludge handling	G. McKenzie	19,525	3,511	3,829	318				
C-10133	Maungawhau Security of Supply	T. Cammell	12,280	-258	35	293				
C-11980	Waikato Expansion to 150MLD	T. Barry	12,025	7,723	6,700	(1,023)				
C-10369	Domain No. 2 Watermain	D. Moore	9,730	4,354	3,875	(479)				
C-11981	Riverhead Reservoir	J. Eardley	9,389	1,575	0	(1,575)				
C-10370	Mt Hobson Upgrade	D. Moore	6,181	731	968	237				
C-11681	Albany Second Reservoir	J. Eardley	5,900	1,424	1,057	(367)				
C-11798	Orakei Watermain Replacement	D. Moore	4,900	3,529	2,593	(936)				
C-11781	Sanderson Rd Water Treatment Plant	S. Grace	4,450	762	1,335	573				
C-11792	St Heliers No.1 Watermain Duplication	J. Brennan	3,085	430	690	260				
C-12220	Mt Albert Level of Service Upgrade	F. Lin	2,900	20	0	(20)				
C-11074	Upper Huia Standpipe Replacement	J. Eardley	1,837	1,471	2,486	1,015				
C-11995	STWKO VSD Replacements	J. Salmon	2,341	52	140	88				
Water Projects >\$2m			752,641	101,591	98,197	(3,394)				
Other Water Projects			318,955	16,645	22,105	5,460				
C-12112	I000 Water Capitalised Interest			7,451	5,819	(1,632)				
Total Water Projects			1,071,596	125,686	126,120	434				
Wastewater Projects (>\$2m)										
C-10006	Central Interceptor Feasibility Design	D. Ward	951,021	2,011	1,540	(471)				
C-10017	Biosolids Puketutu Rehabilitatn	P. Gowans	172,633	26,132	20,576	(5,556)				
C-11436	Northern Interceptor - Stage 1	T. Barry	147,845	653	1,000	347				
C-11077	Mangere WWTP BNR Capacity	S. Harlos	122,000	13,242	11,915	(1,327)				
C-11983	Rosedale WWTP Expansion Project	S. Harlos	63,730	586	560	(26)				
C-10015	Northern Waitakere WW Servicing	P. Maarschalk	37,668	3,374	1,714	(1,660)				
C-11827	Pukekohe Trunk Sewer Upgrade	J. Robson	33,092	196	234	38				
C-11207	Howick Diversion	S. Saunders	30,985	33	109	76				
C-12001	Snells Alqies WWTP Ocean Outfall	T. Morley	19,520	206	300	94				
C-11421	Barrys Pt WW Pump Station & Storage Tank	S. Saunders	18,746	378	264	(114)				
C-10976	Pt England Storage Tank & Br Sewer	M. Imtiaz	17,660	116	638	522				
C-11769	Orewa West Wastewater Network	P. de Klerk	14,808	3,580	1,357	(2,223)				
C-10147	Mangere WWTP Digester 8	J. Robson	14,219	6,430	5,450	(980)				
C-10925	Kohimarama Storage Tank & Branch Sewer	M. Imtiaz	13,600	2,380	4,035	1,655				
C-11470	Glen Eden Storage & Pipe Upgrade	M. Lenihan	13,490	397	300	(97)				
C-10524	Northern Trunk Sewer TS30	W. Brown	11,245	1,867	2,700	833				
C-11281	Army Bay WWTP Outfall Upgrade	P. Alexander	12,331	327	2,548	2,221				
C-10098	Pakuranga Rising Main DPS028	M. Imtiaz	12,300	6,485	6,450	(35)				
C-11067	North Shore PS09 rising main	M. Lenihan	7,383	3,536	3,201	(335)				
C-10922	Wairau (HSPS05) Rising Main Replacement	J. Valerio	8,265	2,640	7,065	4,425				
C-11472	Sidmouth WW PS Mairangi Bay Upgrade	A. Sharp	8,224	242	675	433				
C-11556	Supply & Install of Manhole Safety Grill	R. Mahmud	5,169	2,332	3,860	1,528				
C-10952	Helensville WWTP Upgrade	N. Gunatilaka	8,403	2,073	2,890	817				
C-11468	Manukau North Future Upgrades	J. De Villiers	6,431	154	356	202				
C-11539	Eastern Interceptor Rehab Prqgm - Stg 1	W. Brown	6,369	1,614	2,600	986				
C-10923	Upgrade of North Shore TS8	M. Lenihan	5,975	626	2,195	1,569				
C-10709	N400.01 WW Network Consents Project	G. Maskill	5,731	585	871	286				
C-11423	Rosedale WWTP Cogeneration Upgrade	N. Gunatilaka	5,716	744	2,327	1,583				
C-11467	Tamaki South East Extension	P. Maarschalk	3,879	233	310	77				
C-11451	Western Interceptor Rehabilitation	W. Brown	3,390	472	25	(447)				
C-11290	Orakei Main Sewer Rehabilitation MH21-19	P. Alexander	3,859	3,522	2,710	(812)				
C-11216	Eastern Interceptor Pipe Bridge #1 Repl	W. Brown	3,445	925	1,361	436				
C-11009	South Lynn Br Sewer (MH9-MH21) & Local	V. Thavarajah	3,086	1,391	1,639	247				
C-11711	Mangere WWTP Cogeneration Replacement	R. Millican	3,280	1,143	1,325	182				
C-10277	Reconstruction of Eastern Interceptor	W. Brown	2,488	416	0	(416)				
C-11474	Sunnynook Road Sewer Upgrade	J. Valerio	2,652	190	550	360				
C-11234	Blackbridge Pump Station 37 Upgrade	P. Maarschalk	1,920	1,539	1,965	426				
C-11338	New Gravity Sewer Miranda Reserve	J. De Villiers	2,730	2,208	2,675	467				
C-11569	Branch 1 Rehabilitation B01023 to B01025	C. Rodliffe	2,286	961	750	(211)				
C-11813	Mangere WWTP Rehab. Prim. Sed Tks 11 & 12	A. Brooks	1,873	549	146	(403)				
C-11991	Add'l Local Wastewater Network Renewals	M. Attanayake	2,169	2,115	964	(1,151)				
C-12199	Northern Networks Generator Connections	A. Cowell	2,083	23	0	(23)				
C-11455	Pump Station CI Pipework Replacement	A. Brooks	1,636	160	765	605				
C-11070	Army Bay WWTP Sludge Tank	N. Gunatilaka	2,035	1,143	950	(193)				
Wastewater Projects >\$2m			1,817,370	99,927	103,864	3,937				
Other Wastewater Projects				29,103	30,418	1,316				
C-12113	J000 Wastewater Capitalised Interest			5,448	5,650	203				
Total Wastewater Projects			2,105,318	129,030	134,282	5,252				
Other Infrastructure Projects										
C-10126	Networks Controls Upgrade	M. Hill	20,100	2,137	2,500	363				
Other Infrastructure Projects			110,402	28,282	25,041	(3,241)				
TOTAL INFRASTRUCTURE			3,307,415	285,135	287,944	2,809				
Other Non Infrastructure, including Capital Interest			124,305	27,395	42,720	15,325				
TOTAL ALL			3,431,720	312,531	330,664	18,133				



WSL Capex Summary	Month		Year to Date	
	Actual	Budget	Actual	Variance
Total Water projects	8,845	99,902	99,287	(615)
Total Wastewater projects	11,120	96,347	110,286	13,939
Demolition	252	975	1,029	54
Total ECS Projects	600	8,388	7,950	(438)
Total New Developments	433	5,003	4,636	(367)
Other Infrastructure	15	514	0	(514)
Capitalised Interest	1,101	10,643	9,422	(1,221)
TOTAL INFRASTRUCTURE	22,367	221,772	232,610	10,838
Total Operations	1,901	11,984	15,371	3,387
Total Facilities Management	87	1,927	3,674	1,747
Shared Services	331	5,362	14,232	8,870
Laboratory + Trade Waste	182	1,020	3,414	2,394
TOTAL NON INFRASTRUCTURE	2,501	20,293	36,691	16,398
TOTAL ALL	24,869	242,065	269,301	27,237



Report to the Board of Watercare Services Limited

Subject: Statement of Intent – Shareholder comments

Date: 22 May 2014

1. Background

Watercare must, under the provisions of Schedule 8 of the Local Government Act 2002, provide the shareholder (Auckland Council) annually with a Statement of Intent (SOI) covering a three year period. The purpose of the SOI is to:

- state publicly the activities and intentions of Watercare for the year and the objectives to which those activities will contribute; and
- provide an opportunity for shareholders to influence the direction of the organisation; and
- provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

A draft of the SOI must be issued to the shareholder by 1 March each year. The shareholder must then, within two months, provide Watercare with comments relating to the SOI in order to influence its direction. Watercare publicly considers the shareholders comments before a final version is issued to the shareholder by the end of June each year.

Watercares Board approved the Draft 2014-2017 SOI on 27 February 2014 and this was forwarded to the Auckland Council on 28 February 2014.

2. Shareholder Comments

The Mayor of Auckland wrote to the Chairman on 30 April setting out the shareholder's comments on the draft SOI. A copy of the letter is attached as Appendix 1. It is acknowledged that in some cases the shareholder's comments are generic to all of the shareholder's controlled organisations and not specific or relevant to Watercare.

Watercare has considered the shareholder's comments and Watercare's proposed response is covered in the form of a presentation which will be given at the 29 May public Board meeting. A copy of the presentation is attached as Appendix 2.

3. Revisions to SOI

The Watercare SOI is a strategic governance document that outlines at a high level the activities, intent and objectives for the year ahead and how they contribute to the Shareholder's plans and strategies. The SOI contains a range of financial and non-financial measures that are set by the shareholder to demonstrate achievement of targets.

Where a shareholder comment is already covered in the SOI by a higher commitment such as "giving effect to the Long Term Plan" or the "Auckland Plan", Watercare's response is that duplicated detail should not be added to the document. Where a generic shareholder comment is already covered by the SOI, no change is recommended.

A copy of the proposed final SOI 2014-17 including revisions is attached as Appendix 3.

4. Recommendation

It is recommended that the proposed approach to the shareholders comments on the 2014-2017 SOI and the recommended amendments be approved.

Report prepared by:

Report reviewed and
recommended by:

Approved for submission by:

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

.....
B Monk
Chief Finance Officer

.....
R Jaduram
Acting Chief Executive

30 April 2014

Mr David Clarke
Chair
Watercare Services Limited
BY EMAIL

Tēnā koe David,

RE: Shareholder comments on the draft Statement of Intent 2014-2017

The Council Controlled Organisations Governance and Monitoring Committee considered Watercare's draft Statement of Intent 2014-2017 (SOI) at its 1 April meeting.

During the meeting, the committee resolved on a number of general shareholder comments that relate to all CCOs and some specific comments relating directly to Watercare. Each CCO is asked to work with council staff to ensure that these comments and any minor editorial changes are reflected in your final SOI.

General shareholder comments

1. In completing the final SOIs, CCOs must ensure that:
 - a. financial information aligns with the Long-term Plan 2012-2022 (updated for any changes agreed as part of the Annual Plan 2014/2015) and includes:
 - i. financial statements provided by council staff
 - ii. a funding statement breakdown by activity as per LTP
 - iii. 2013/2014 budget and the subsequent three years' budget
 - iv. agreed non-strategic asset sales targets
 - b. performance measures align with the LTP (updated for any changes agreed as part of the Annual Plan 2014/2015) and includes:
 - i. LTP measures that are clearly identified in the SOI
 - ii. measures and targets exactly as worded in the Annual Plan 2014/2015
 - iii. 2012/2013 actual performance, 2013/2014 target and the next three years' targets.
2. CCOs are also requested to consider the follow:
 - a. all performance measures, including measures that not included in the LTP, should be reviewed as part of continuous improvement and the LTP 2015-2025 process. This is to ensure the measures are quantifiable and there is alignment to Auckland Council plans, policies and priorities

- b. priorities and deliverables in the SOI for years two and three will be subject to changes approved as part of the LTP process for 2015-2025
- c. in line with the council's previous resolution "to improve the level and quality of financial and non-financial reporting on Māori outcomes", CCOs should look to identify and report on specific initiatives, engagement and performance measures that contribute to Māori outcomes.

Specific shareholder comments

1. Include a comment that "Watercare will identify mechanisms to capture financial information in relation to projects and programmes which contribute to Watercare's responsiveness to Māori, and will include such information in quarterly reports to Auckland Council."
2. Watercare will provide information on iwi engagement activities in quarterly reports to Auckland Council.

I look forward to receiving the final SOI by 30 June 2014.

Nāku noa, nā

A handwritten signature in blue ink, appearing to read 'Penny Hulse', written over a large, light blue oval scribble.

**DEPUTY MAYOR PENNY HULSE
CHAIR CCO GOVERNANCE AND MONITORING COMMITTEE
AUCKLAND COUNCIL**

cc. Mayor Len Brown
cc. Stephen Town, Chief Executive Auckland Council
cc. Mark Ford, Chief Executive, Watercare Services Limited

Draft Statement of Intent 2014- 2017

Watercare Responses to
Shareholder's Comments

Statement of Intent

- The purpose of the statement of intent is given under the legislation as:
 - state publicly the activities and intentions of a council-controlled organisation for the year and the objectives to which those activities will contribute; and
 - provide an opportunity for shareholders to influence the direction of the organisation; and
 - provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

General Shareholder Comments

1a. Financial information aligns with the Long-term Plan 2012-2022 (updated for any changes agreed as part of the Annual Plan 2014/15) and includes:

- i. financial statements provided by Council staff

- ii. a funding statement breakdown by activity as per the LTP

- iii. 2013/14 budget and the subsequent three years' budget

- iv. Agreed non-strategic asset sales targets

Watercare Responses

In place - Watercare has completed the financial tables supplied by Auckland council

In place – funding statement is already included in SOI

In place - Watercare has completed the financial tables supplied by Auckland council

No change to SOI – not relevant to Watercare

General Shareholder Comments

1b. Performance measures align with the LTP (updated for any changes agreed as part of the Annual Plan 2014/15) and includes:

- **LTP measures that are clearly identified in the SOI**
- **Measures and targets exactly as worded in the Annual Plan 2014/15**
- **2012/13 actual performance, 2013/14 target and the next three years targets**

Watercare Responses

Change to SOI – SOI updated to clearly identify LTP measures

No change to SOI – wording of SOI performance measures is consistent with 2014/15 Annual Plan

Change to SOI – 2012/13 actual performance and 2013/14 targets added to SOI

General Shareholder Comments

2a. All performance measures, including measures that are not included in the LTP, should be reviewed as part of continuous improvement and the LTP 2015-2025 process. This is to ensure the measures are quantifiable and there is alignment to Auckland Council plans, policies and priorities.

2b. Priorities and deliverables in the SOI for years two and three will be subject to changes approved as part of the LTP process for 2015-25.

2c. In line with the Council's previous resolution to "improve the level and quality of financial and non-financial reporting on Maori Outcomes", CCOs should look to identify and report on specific initiatives, engagement and performance measures that contribute to Maori outcomes.

Watercare Responses

No change to SOI– review of performance measures is underway.

No change to SOI– Watercare will continue to engage in the LTP process and will reflect any changes that are agreed through the LTP process as required.

Change to SOI – include following comment in Sol: "Watercare will identify mechanisms to capture financial information in relation to projects and programmes which contribute to Watercare's responsiveness to Maori, and will include such information in quarterly reports to Auckland Council."

Specific Shareholder Comments

- 1. Include a comment that ‘Watercare will identify mechanisms to capture financial information in relation to projects and programmes which contribute to Watercare’s responsiveness to Maori, and will include which information in quarterly reports to Auckland Council.’**
- 2. Watercare will provide information on iwi engagement activities in quarterly reports to Auckland Council.**

Watercare Responses

Change to SOI – include following comment in Sol: “Watercare will identify mechanisms to capture financial information in relation to projects and programmes which contribute to Watercare’s responsiveness to Maori, and will include such information in quarterly reports to Auckland Council.”

In place – information on iwi engagement is already provided as part of the quarterly reporting process

SOI Financials

The SOI financials covering periods 2014/15, 2015/16 and 2016/17 have also been updated to match latest Annual Plan information provided to Auckland Council.



Water Supply Operations Manager Shayne Cunis takes pupils from Kelston Boys High School on a tour of Huia Water Treatment Plant in West Auckland

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Introduction

Matariki tāpuapua
Puanga kai rau e
Tihewa Mauriora

Pleiades, harbinger of growth.
Rigel, symbol of the harvest.
Let there be life.

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

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

Each day, Watercare Services Limited (Watercare) supplies some 330 million litres of water to the Auckland region, and treats about 408 million litres of wastewater.

Watercare is a council-controlled organisation, owned by the people of Auckland and governed by a board selected by and responsible to the Auckland Council.

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 region's 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
CHAIRMAN

JUNE 2014

Strategic Direction

Vision

“Outstanding and affordable water services for all the people of Auckland.”

“Outstanding” means Watercare will provide safe drinking water, promote efficient water use, and protect waterways and the environment through the effective transport and treatment of wastewater. “Affordable” water services means that Watercare will run an efficient business and keep the overall costs of services to customers (collectively) at minimum levels.

Key Goals

Watercare has seven main goals and focus areas that reflect the responsibilities and challenges of the company. These are:

Safe and Reliable Water Supply: To manage water resources to provide a safe and reliable water supply.

Healthy Waterways: To manage wastewater discharges to maintain or improve the health of the environment.

Sound Financial Management: To meet business objectives at the lowest cost.

Effective Asset Management: To maximise the use of existing assets while optimising the scope, timing and costs of new investments.

Stable Workforce: To have a skilled, motivated and empowered workforce.

Sustainable Environment: To conserve the resources of today for future generations.

Satisfied Customers and Stakeholders: To provide great service and great value.

These goals represent the main focus areas of Watercare’s business activities. Success in all these areas combined is required to deliver high quality and sustainable services to the people of Auckland.

Contribution to Auckland Council Goals

The supply of outstanding and affordable water services directly contributes to the Mayor's vision of Auckland becoming the world's most liveable city.

Of the seven desired outcomes set out in the Auckland Plan, Watercare directly 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

The Auckland Plan sets out 13 strategic directions that will help Auckland achieve the Mayor's vision. Watercare contributes directly to several of these strategic directions. That is to:

- Plan, deliver and maintain quality infrastructure to make Auckland liveable and resilient.
- Enable Māori aspirations through recognition of the Treaty of Waitangi and customary rights
- Acknowledge that nature and its people are inseparable
- Contribute to tackling climate change and increasing energy resilience

Watercare supports the key enablers of the Auckland Plan and the Unitary Plan and, in particular, moving to a quality compact urban form.

Watercare also supports the environmental principles within the Auckland Plan attached as Table 7.1, Appendix A, pg31.

Company Obligation

From 1 July 2012 Watercare became a CCO¹. 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.

The SOI has been prepared in accordance with Schedule 8 of the Local Government Act 2002 and covers a three-year term from 1 July 2014 to 30 June 2017.

¹ Under sections 2(2) and 113(2) of the Local Government (Auckland Transitional Provisions) Act 2010.

Nature and Scope of Activities

As at 1 July 2013, Watercare managed assets which are valued at \$8.2 billion and received total revenue of \$482 million for the year ending 30 June 2013.

The company's main services include:

- **The collection, treatment, and distribution of drinking water** from 12 dams, 14 groundwater sources and springs and three river sources. A total of 144 billion litres of water was sourced in 2012/13 and treated at 19 plants and distributed through 8,921 kilometers of water pipes through 84 reservoirs and 90 pump stations to 1.4 million people.
- **The collection, treatment, and disposal of wastewater** at 18 treatment plants. The two main wastewater plants servicing the majority of the region are located at Mangere on the Manukau Harbour and Rosedale on the North Shore. Wastewater is conveyed through 7,757 kilometers of sewers before treatment. The regional network includes 539 wastewater pump stations and 164,000 manholes.
- **The transfer, treatment, and disposal of trade wastes.** At 1 July 2014, Watercare worked with 22,000 non-domestic customers in administering the Auckland Trade Waste Bylaw 2013 to protect the wastewater network and assist in ensuring that wastewater treatment plant discharges meet consent-requirements. Watercare is also responsible for enforcing trade waste compliance.
- **The provision of commercial laboratory services** in support of the business. The independently accredited laboratory provides a full range of testing and sampling services for water, wastewater, biota and air quality and also works with a wide customer base across a range of industries to provide first-class laboratory analysis and sampling services.
- **The provision of planned and reactive maintenance services** in the Central network area. Strong maintenance capability allows Watercare to build capability in areas such as leak detection, inflow/infiltration and management of major maintenance projects, reduce overall costs while maintaining the performance of Watercare's assets and retain institutional knowledge, especially for critical infrastructure.

- **The timely and efficient resolution of customer and stakeholder enquiries.** Watercare's dedicated in-house call centre acts as a first point of contact for enquiries from both customers and other stakeholders. The customer self-service online channel provides the opportunity for customers to manage their own information at a time and place that are convenient for them.

These activities are supported by integrated finance, legal services, capital programmes, human resources and information services.

Watercare's responsibilities for the supply of drinking water and treatment and disposal of wastewater mean the company is a major contributor to the health, prosperity, and well-being of the Auckland wide community. The company has a sound record as a good corporate citizen, committed to the delivery of high quality cost-effective services.

As a local government-owned utility, Watercare is obliged to provide a high level of transparency in reporting². In line with the focus on sustainability, the company has been recognised for its commitment to transparent and accountable reporting, and as an integrated provider of water and wastewater services these commitments will continue.

Approach to Governance

Shareholder

Watercare is a CCO of the Auckland Council. The Auckland Council is the company's shareholder.

Board of Directors

Watercare has an independent board of directors. Watercare's constitution requires the directors to manage the company in line with the annual SOI. Through the SOI, the directors are accountable to the shareholder, who is in turn accountable to residents and ratepayers of the Auckland region.

The directors determine the overall direction of the company in light of the objectives set out in the SOI and the statutory requirements for the company under the Local Government Act 2002 and the Companies Act 1993. The directors make major decisions, including decisions on large new capital investment and on significant business initiatives, in line with those objectives.

The directors are responsible for monitoring the performance of the company, and for monitoring the performance of the chief executive who has responsibility for managing the company on a day-to-day basis.

Watercare holds board meetings that are open to members of the public consistent with the guidelines for public meetings provided by the Mayor. Watercare also meets the public meeting requirements for CCOs pursuant to Section 96 of the Local Government (Auckland Council) Act 2009 which requires two public meetings to be open to members of the public as follows:

² Watercare has regularly received awards in both New Zealand and Australasia for the quality and transparency of company reporting from the New Zealand Institute of Chartered Accountants and the Association of Chartered Certified Accountants.

Purpose	Board Meeting
<ul style="list-style-type: none"> One meeting must be held before 30 June each year for the purpose of considering comments from shareholders on the organisation's draft statement of intent for the following financial year. 	29 May 2014
<ul style="list-style-type: none"> The other meeting must be held after 1 July each year for the purpose of considering the organisation's performance under its statement of intent in the previous financial year. 	22 October 2014

All board meetings are notified by way of a public notice in The New Zealand Herald and posted on the Watercare website.

Watercare is subject to Parts 1 to 6 of the Local Government Official Information and Meetings Act 1987. The company respects the underlying principles of, and complies fully with, the Act.

However, due to the commercial nature of the company business, which includes commercial negotiations, contracts and tenders, there are occasions where certain information cannot be disclosed in public, particularly during the course of negotiations. Where such information is materially significant, Watercare will keep the shareholder informed, consistent with the no-surprises approach.

When sharing confidential information with the shareholder where it is required to be heard in a confidential session, Watercare will provide a separate report and clearly state the reason for confidentiality under the Local Government Official Information and Meetings Act 1987.

The directors acknowledge that they are subject to an annual performance review in accordance with the Council's Appointment and Remuneration Policy.

Being a good employer is a principal objective of Watercare under section 59 of the Local Government Act 2002.

Watercare will act in accordance with relevant statutory provisions referring to the Treaty of Waitangi.

As Watercare Services Limited is a company under the Companies Act 1993, the board is bound by the duties and obligations under that Act.

In particular, the board will adhere to the duty of directors, as set out under s131 of that Act, to act in good faith and in the best interests of the company, however the Directors may act in the best interests of the shareholder when it is not in the best interests of the company.

The board of the company has all the powers necessary for managing, directing and supervising the management of the business and affairs of the company as set out under s128 of that Act.

The board operates under a governance charter that defines the duties and obligations of the board and board members covering fiduciary duty, duty of care, diligence, legal and statutory duties and conflicts of interest. It incorporates the principles of the New Zealand Institute of Directors' Code of Practice for Directors, relevant sections of the New Zealand Exchange Limited (NZX) Corporate Governance Best Practice Code and the Securities Commission's nine principles of corporate governance.

Engagement with the Shareholder

Relationship with the Governing Body

Watercare is committed to working closely with the Auckland Council for the achievement of regional outcomes. Watercare will respect Auckland Council's roles and responsibilities and make sure that there is a mutual sharing of information by adopting a no-surprises approach. Watercare will ensure that Auckland Council is kept informed well in advance of anything considered potentially contentious in the public arena, whether the issue is inside or outside issues outlined in the SOI and the relevant legislation. Watercare will give effect to the Auckland Plan and to the LTP, and act consistently with other plans and policies of the Auckland Council such as the Shareholder's Accountability Policy and the Shareholder Expectation Guide.

Watercare is committed to working closely with Auckland Council on provisions in the Unitary Plan that provide for the efficient operation of Watercare's network and new infrastructure to provide for growth and support intensification.

Watercare's ability to successfully undertake its business and achieve SOI outcomes relies on the support and cooperation of the Auckland Council in providing a policy and regulatory environment that enables the timely and successful delivery of water and wastewater investments and actions.

Quarterly Reports

Management reports will be provided within six weeks of the end of the September and March quarters as required by the shareholder and within

eight weeks of the end of the December and June quarters as required under s66 of the Local Government Act 2002, including:

- The unaudited Statement of Financial Position as at the end of the preceding quarter, and the Statement of Financial Performance, Statement of Cash Flows and a Capital Expenditure Summary for the year to date and the preceding quarter. These statements will include comparative budget data and variances.
- The return on equity for the preceding quarter and year to date.
- Particulars of any assets sold during the preceding quarter where the aggregate value of associated assets exceeds \$1 million.
- A commentary on customer service performance.
- A commentary on significant capital projects in progress.
- A commentary on material changes, if any, in capital expenditure.
- A report on the achievement of the SOI performance targets.
- Any reasonable request for information.

Annual Report

Watercare will produce an Annual Report that covers sustainability performance together with the audited financial and service performance statements.

The annual report will be provided to the shareholder within three months of the end of the financial year in accordance with s67 of the Local Government Act 2002 and will meet the reporting requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The annual report will also comply with New Zealand international financial reporting standards and will include any other information the directors consider appropriate.

Meetings with the Auckland Council

Watercare will meet with the Auckland Council CCO Governance and Monitoring Committee to formally present its quarterly reports, which will include the six month and full year reports, and the Auckland Council Infrastructure Committee as required.

Watercare will also provide additional information as required consistent with a no-surprises approach to ensure the Auckland Council is kept informed in a timely manner of significant events which relate to the company and which may affect the Auckland Council.

While Watercare is accountable to the Governing Body as shareholder, it also has a relationship with local boards who share the decision-making responsibilities of the Auckland Council.

Watercare recognises the important role of local boards in local representation and decision making and has been proactively building relationships based on transparent communication of its activities. Watercare's Principal Advisor Local Boards facilitates the relationship and maintains information flows.

Watercare attends a significant number of local board meetings and workshops ensuring a no surprises approach on local issues and projects, particularly where they may affect members of the public and local constituents. Engagement plans have been revised, agreed and are in place with the local boards to help facilitate the working relationship.

Watercare takes account of objectives and activities outlined in local board plans and agreements, to the extent that Watercare is responsible for their delivery. Watercare will also continue to provide a timely response to questions from local boards such as those raised during the local board planning processes or passed on by members of the public.

Watercare consults with local boards as part of statutory consenting processes where major works are planned that have the potential to have a significant effect on residents and services.

Relationship with Associated Units of Council

Watercare recognises the need for a close working relationship with the shareholder, engaging actively on the development of the Water Strategic Action Plan and the Unitary Plan to encourage an environment that enables the operation, maintenance, upgrade and construction of water and wastewater infrastructure. Watercare will also continue working closely with the House Project Office on the development of Special Housing Areas under the Housing Accord. Watercare is also committed to working collaboratively with the council's regulatory and finance groups to ensure that the council group as a whole achieves effective and efficient outcomes for the people of Auckland. Watercare is an active member of the Integrated Consenting Governance Group which meets six weekly. Watercare works closely with the Stormwater unit of Council, particularly in the older central areas of Auckland which are serviced by a combined wastewater/storm water network.

Watercare is also committed to participating in coordinating planning studies with many other parts of Council, to ensure that the study outcomes and associated implementation represents the best practicable option from an environmental and whole community perspective.

Information to be Provided to Shareholder

In addition to reporting on key performance indicators, Watercare will also regularly report on other aspects of compliance, governance and accountability. This includes major projects as part of the quarterly shareholder reporting process.

Events Requiring Shareholder Approval

Shareholder approval will be obtained prior to Watercare entering any business activity that will significantly or materially change or is outside the nature and scope of Watercare's current activities. Watercare will follow Auckland Council's Board Appointment and Remuneration Policy, when making appointments to any subsidiaries and will communicate with the Council about proposed appointments in advance.

Accountability Policy

The company is required to give effect to the relevant aspects of the LTP including the Accountability Policy and the management of strategic assets. Strategic assets are assets that are elements of the water and wastewater networks that are integral to the functioning of the whole, assets such as the:

- Mangere Wastewater Treatment Plant
- Rosedale Wastewater Treatment Plant
- Army Bay Wastewater Treatment Plant
- Ardmore Water Treatment Plant
- Waikato Water Treatment Plant
- Hunua and Waitakere dams

The Council has approved the LTP 2012-22 which includes the Watercare AMP.

Engagement with other stakeholders

Activities for which the Company Seeks Compensation from any Local Authority

Watercare maintains commercial arrangements with the Waikato District Council for functions, duties or services that the company is required to undertake.

These include the supply of bulk wastewater services for properties in the Waikato District which dispose of wastewater to the Watercare owned and operated Tuakau Wastewater Treatment Plant in the Auckland Region.

Any negotiations with a local authority for commercial arrangements for the delivery of services will be undertaken without prejudice to Watercare's rights at law to impose reasonable charges for the supply of its services.

Tangata Whenua

Watercare has always had a close relationship with Māori, recognising the importance of natural resources to mana whenua and acting in accordance with relevant statutory provisions and Treaty of Waitangi principles. The company undertakes extensive consultation on company activities that are likely to impact on Māori views and values.

In November 2009, Watercare established a memorandum of relationship with Waikato Tainui recognising the importance of the relationship to the achievement of outcomes such as Project Manukau, the Waikato River water take and the Puketutu Island Biosolids Rehabilitation Project. Watercare will continue to honor this relationship without prejudice to consultation with other iwi or hapu.

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. In order to foster this relationship, Watercare worked with Chairs and other representatives of each Iwi to develop the Mana Whenua/Watercare "Relationship Agreement". This Agreement has been designed to provide a new vehicle through which Watercare and mana whenua can work collaboratively. The primary purpose is to ensure Iwi are involved in Watercare's projects at an early stage of the process and have the

opportunity to contribute in creative and innovative ways to water and wastewater plans and projects throughout Auckland.

The Forum does not override existing relationships and Watercare will continue to maintain one to one relationships with individual iwi groups.

Thirteen of the 19 Auckland Iwi including Waikato-Tainui have signed the Relationship Agreement and are attending the quarterly Mana Whenua Kaitiaki Forum meetings. Other Iwi have recently advised of their intention to join the forum in the near future.

The principles of the Agreement are firmly based on Watercare's commitment to operate in a manner that enhances environmental, social, and economic values, whilst maintaining cultural integrity.

The Agreement principles are:

Relationship Building - Building understanding and enhancing the relationship between Mana Whenua and Watercare

Integrity - Ensuring cultural integrity and respect

Opportunities - Identifying opportunities of mutual interest and benefit

Best Practice - Advising on best practices for meeting Watercare's cultural, environmental, social and economic responsibilities

Efficiency - Establishing efficient, collective processes for building the relationship and engagement.

In 2013 the Chairman of the Forum delivered the first Annual Report of the Forum to the Watercare Board. The report covered the Forums work program for 2012-13 which was focused on direction setting and outlined the program for 2013-14.

[Watercare will identify mechanisms to capture financial information in relation to projects and programmes which contribute to Watercare's responsiveness to Maori, and will include such information in quarterly reports to Auckland Council.](#)

Independent Maori Statutory Board (IMSB)

The IMSB is both independent from Auckland Council and Mana Whenua groups. Its purpose is to assist the Council to make decisions, perform functions and exercise powers by:

- promoting cultural, economic, environmental and social issues of significance for Mana Whenua groups and Mataawaka of Tamaki Makaurau; and
- ensuring that the Council acts in accordance with statutory provisions referring to the Treaty of Waitangi.

Watercare acknowledges the role of Independent Māori Statutory Board and will take into account the schedule of issues of significance and any Treaty of Waitangi provisions that are relevant to its activities and where appropriate engage with the board on these matters. Watercare was grateful for the participation of Board member Glenn Wilcox as a member of the panel dealing with the standardisation of trade waste bylaws across Auckland.

Auckland Council Advisory Panels

Auckland Council has a number of advisory panels including the Pacific People's Advisory Panel, Ethnic Advisory Panel, Business Advisory Panel, Rural Advisory Panel, and the Youth Advisory Panel. These groups provide Council with feedback from different perspectives and on the most appropriate ways to engage with Pacific and ethnic people. Where appropriate, Watercare will inform, and consult with these advisory panels where there are issues of particular interest to the advisory panels.

Other Council-Controlled Organisations

The relationship and cooperation with other CCOs is also important, particularly Auckland Transport. Watercare works closely with Auckland Transport to minimise disruption to local communities. An example of cooperation has been the joint road works and pipe laying as part of the East Tamaki Number 3 watermain installation, , where works were coordinated to reduce costs and minimise disruption to the public.

Watercare will continue to undertake this proactive, responsive and transparent communication with stakeholders and members of the public likely to be affected by company activities.

Central Government

Effective engagement with relevant central government organisations will be important to the successful delivery of water and wastewater services to Auckland. In particular, Watercare will work closely with Housing New Zealand, a significant property owner in Auckland, regarding water demand management. Watercare actively contributed to the Air, Land and Water Forum established by the Government.

Watercare has a strong relationship with the New Zealand Transport Agency and will continue to work closely with them to co-ordinate activities wherever possible and minimise disruption to the public.

Where relevant, Watercare may contribute to the development of relevant national policies such as the National Infrastructure Plan and national initiatives which indicate operational efficiencies may be gained.

Any such contribution to national policy development will be discussed with Council beforehand.

Watercare Utility Consumer Assistance Trust

Watercare recognises that while monthly billing is aiding family budgeting, some customers still struggle to manage their household costs. For this reason, Watercare will continue to fund the Watercare Utility Consumer Assistance Trust. This Trust, which was established by Watercare in 2011, has the ability to grant remissions to residential customers who meet its eligibility criteria and are deemed to be struggling to manage their water costs.

Other Stakeholders

Stakeholder and community engagement is crucial to the success of Watercare's projects and work programmes. The company has a good record of public communication and consultation with large programmes of work such as Project Manukau, Project Hobson, the Puketutu Island Biosolids Rehabilitation Project, the Central Interceptor and the Hunua 4 Watermain Project.

Watercare recognises that it has a role to play in educating children and young people about water, our environment and sustainability. In recognition of this responsibility, Watercare offers a flexible and student-centred education programme that fosters interest in and awareness of water-related

environmental issues, bringing science to life and showing students how water quality and ecology directly affect their lives.

Watercare also has a proactive and constructive working relationship with regulators such as the Auckland Regional Public Health Service which is important to the delivery of safe drinking water and meeting required standards. Watercare will also continue to work closely with the New Zealand Fire Service towards achievement of the Code of Practice for Fire Fighting Water Supplies.

Organisational Health, Safety and Capability

Watercare is committed to building and maintaining an enduring and resilient organisation and will adhere to s36 of Schedule 7 of the Local Government Act 2002, which provides that a local authority must operate a personnel policy that complies with the principle of being a good employer. The company continues to drive a culture where health and safety is at the forefront of its operational management and where the public may be impacted by its infrastructure and works. Watercare's commitment to health and safety is reinforced in its governance of the function which includes comprehensive reporting, and informing a specialist health and safety sub-committee of the Board.

Staff engagement survey

Watercare carried out an annual staff engagement survey in March 2013 as required by Auckland Council. This was the first time a survey was done of this type and the results were in line with expectations. The organisation is in good health and staff are proud to work for Watercare. This survey will be repeated again in March 2014.

Financial and Accounting Policies

Financial Plan

Watercare was required to produce a Funding Plan under Section 18 of the Local Government Auckland Transitional Provisions Act 2010. Although no longer a legislative requirement, Watercare will provide the shareholder with forward financial plans and information to satisfy the legislated requirements relating to the Annual Plan and the Long Term Plan obligations of the shareholder in respect of Watercare.

Auckland Council Debt Guarantee

In July 2008, Watercare established a debt guarantee facility with Auckland City Council, backed by the other shareholding councils. The obligations under this facility have now passed to Auckland Council under the Local Government (Tamaki Makaurau Reorganisation) Act 2009. Auckland Council is currently able to borrow and on-lend to Watercare at lower rates than Watercare is able to achieve by borrowing in its own name, Therefore Watercare will source its medium/long term debt funding requirements for the financial year ending 30 June 2015 through Auckland Council. In order to maintain flexibility in debt funding and pricing advantages as per its Treasury Policy, Watercare will review this arrangement prior to the commencement of the 2015/16 financial year and each subsequent year going forward.

Existing debt covered by the debt guarantee facility will retain the Council guarantee benefit until maturity. The facility will be retained but only used in future for specific funding requirements as agreed by Auckland Council.

Watercare will continue to raise Commercial Paper in its own name.

Tax Losses

Watercare has tax losses which are unlikely to be required to offset its taxable income in the foreseeable future. Under current legislation, these tax losses are available for offset against the taxable income of one or more companies wholly owned by Auckland Council. Watercare has agreed with Auckland Council a basis under which its tax losses are able to be utilised in compliance with applicable legislation, and on a consistent basis, by other wholly owned subsidiaries of Auckland Council.

Shareholder Funds

\$million	2013/14	2014/15	2015/16	2016/17
Shareholder Funds	5,765	6,140	6,110	6,352
Total Assets	8,358	9,037	9,204	10,025
<i>Ratio of Consolidated Shareholder Funds to Total Assets</i>	0.69	0.68	0.66	0.65

Note:

1. Consolidated Shareholder Funds are defined as Issued and Paid Up Capital, Revaluation Reserve and Retained Earnings.
2. Total Assets are defined as Net Book Value of Current Assets, Investments and Fixed Assets as disclosed in the Company's Statement of Financial Position.

Accounting Policies

Watercare's financial statements are prepared in accordance with the New Zealand International Financial Reporting Standards. Watercare's accounting policies are consistent with the shareholder's accounting policies with nominated exceptions e.g. interest capitalisation.

Application of Surplus Funds

Watercare is prohibited by legislation from paying a dividend.

Watercare annually reviews any water and wastewater surpluses and considers if the return of such surpluses to the customers is commercially prudent.

Watercare has increased water and wastewater prices by an average of 2.4% for the 2014/15 financial year.

Directors' Estimate of the Commercial Value of the Shareholder Investment

The inclusion of an estimate of commercial value is a statutory requirement.

However, the Local Government Act 2002 prohibits the Auckland Council from divesting its ownership or other interest in Watercare, as the provider of water services, except to another local government organisation. Legislative restrictions also prevent the Auckland Council from selling its shares and prevent Watercare from paying dividends to the council.

The book value of the shareholder's investment at 30 June 2013 was \$5.77 billion, which includes a capital contribution reserve of \$3.78 billion based on the accounts maintained by Watercare in accordance with the stated accounting policies. The directors may from time to time requisition an independent valuation of the shareholder investment.

Disposal of Assets

The Company will consult with the shareholder prior to the disposal of any part of its undertakings, which, in any one-year, exceed in aggregate 5% of the current book value of its assets and in line with the Auckland Council Accountability Policy for council controlled organisations.

Key Performance Indicators

The following non-financial and financial information sets out Watercare's Key Performance Indicators, with non-financial targets demonstrating how they align with the Mayor's vision and strategies for Auckland.

Non-financial performance

Watercare has adopted a set of key non-financial performance measures (refer to Appendix B).

The performance target for greenhouse gas emissions adopted in the Auckland Plan differs from that of the Draft Auckland Plan. Watercare is required to reduce greenhouse gas emissions by 10-20% by 2020 based upon 1990 levels and acknowledges the long-term target of a 50% reduction by 2050 based upon 1990 levels.

Watercare has achieved a 76% overall reduction in greenhouse gas emissions since 1990 and is working towards reducing levels further over future years.

In addition, Watercare generates over 29% of its total energy requirements annually through its gas turbine electricity generators at Mangere Wastewater Treatment Plant helping Watercare to be a minimum cost service provider. Watercare also generates electricity from small turbines on the water discharge from storage dams and designs its pipelines to use gravity as much as possible to reduce the need for pumps and associated power requirements.

Financial Performance

Prospective Statement of Financial Position

Watercare Services Limited

\$000	Budget 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17
Financial year ending 30 June				
ASSETS				
Current assets				
Cash and cash equivalents	-	-	-	-
Debtors and other receivables	64,951	66,706	75,442	80,431
Other financial assets	4,222	4,222	4,222	4,222
Derivative financial instruments	3,645	3,645	3,645	3,645
Inventories	4,005	4,005	4,005	4,005
Non-current assets held for sale	-	-	-	-
Total current assets	76,823	78,578	87,314	92,303
Non-current assets				
Debtors and other receivables	-	-	-	-
Other financial assets	28,192	28,192	28,192	28,192
Derivative financial instruments	10,819	10,819	10,819	10,819
Property, plant and equipment	8,199,526	8,876,036	9,034,759	9,850,264
Intangible assets	43,054	43,054	43,054	43,054
Biological assets	-	-	-	-
Investment properties	-	-	-	-
Equity accounted investments	-	-	-	-
Investments in subsidiaries	-	-	-	-
Deferred tax asset	-	-	-	-
Total non-current assets	8,281,591	8,958,101	9,116,824	9,932,329
TOTAL ASSETS	8,358,415	9,036,679	9,204,138	10,024,632
LIABILITIES				
Current liabilities				
Derivative financial instruments	990	990	990	990
Creditors and other payables	91,850	93,976	114,037	103,868
Employee entitlements	5,720	5,720	5,720	5,720
Borrowings	437,904	437,904	437,904	437,904
Tax payable	-	-	-	-
Provisions	3,654	3,654	3,654	3,654
Total current liabilities	540,118	542,244	562,305	552,136
Non-current liabilities				
Derivative financial instruments	83,909	83,909	83,909	83,909
Creditors and other payables	8,580	8,580	8,580	8,580
Employee entitlements	1,171	1,171	1,171	1,171
Borrowings	1,025,987	1,163,235	1,331,988	1,554,167
Provisions	-	-	-	-
Other non-current liabilities	-	-	-	-
Deferred tax liabilities	933,464	1,097,724	1,106,526	1,292,485
Total non-current liabilities	2,053,111	2,354,619	2,532,174	2,940,312
TOTAL LIABILITIES	2,593,229	2,896,863	3,094,478	3,492,448
NET ASSETS	5,765,186	6,139,816	6,109,659	6,532,184
Equity				
Contributed equity	260,693	260,693	260,693	260,693
Accumulated funds	80,744	49,619	19,462	1,168
Reserves	5,423,749	5,829,504	5,829,504	6,270,323
Total ratepayers equity	5,765,186	6,139,816	6,109,659	6,532,184
Non-controlling interest	-	-	-	-
TOTAL EQUITY	5,765,186	6,139,816	6,109,659	6,532,184

Prospective Statement of Comprehensive Income

Watercare Services Limited

Total Watercare

\$000

	Budget 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17
Financial year ending 30 June				
Revenue				
Opex funding from Auckland Council	0	0	0	0
Capex funding from Auckland Council	0	0	0	0
Subsidies and grants - capex	0	0	0	0
Subsidies and grants - opex	0	0	0	0
Vested assets (non-Crown)	0	0	0	0
Other revenue	464,564	482,981	528,941	577,492
Total revenue	464,564	482,981	528,941	577,492
Expenditure				
Personnel	40,811	43,044	44,678	46,165
Depreciation and amortisation	203,823	210,440	237,550	249,543
Grants, contributions and sponsorship	0	0	0	0
Other operating expenditure	154,227	158,560	164,578	170,057
Total expenses	398,861	412,043	446,805	465,765
Finance income	0	0	0	0
Finance costs	84,748	95,597	103,491	115,492
Net operating income	(19,045)	(24,659)	(21,354)	(3,765)
Crown vested assets	0	0	0	0
Other gains and losses	0	0	0	0
Share of equity accounted investments' surplus/(deficit)	0	0	0	0
Surplus/(deficit) before tax	(19,045)	(24,659)	(21,354)	(3,765)
Income tax expense	6,412	6,467	8,802	14,529
Surplus/(deficit) after tax	(25,457)	(31,125)	(30,156)	(18,294)
Surplus/(Deficit) after tax is attributable to:				
Auckland Council	(25,457)	(31,125)	(30,156)	(18,294)
Non controlling interest	0	0	0	0
	(25,457)	(31,125)	(30,156)	(18,294)
Other comprehensive income				
Net gain on revaluation of property, plant and equipment	23,892	405,755	0	440,819
Income tax on revaluation of property, plant and equipment	0	0	0	0
Revaluation of cash flow hedges	0	0	0	0
Income tax on revaluation of cash flow hedges	0	0	0	0
Share of equity accounted investments' reserves	0	0	0	0
Gain on revaluation of financial assets classified as held for sale	0	0	0	0
Total other comprehensive income	23,892	405,755	0	440,819
Total comprehensive income	(1,565)	374,630	(30,156)	422,525
Total comprehensive income is attributable to:				
Auckland Council	(1,565)	374,630	(30,156)	422,525
Non controlling interest	0	0	0	0
	(1,565)	374,630	(30,156)	422,525

Prospective Statement of Funding

Watercare Services Limited

\$000	Budget 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17
Financial year ending 30 June				
OPERATING EXPENDITURE				
Total operating expenditure	483,609	507,640	550,296	581,257
<i>Less depreciation and amortisation</i>	<i>(203,823)</i>	<i>(210,440)</i>	<i>(237,550)</i>	<i>(249,543)</i>
Operating expenditure to be funded	279,786	297,200	312,746	331,715
Sources of operating funding:				
Opex funding from Auckland Council	0	0	0	0
Subsidies and grants - opex	0	0	0	0
Other revenue	464,564	482,981	528,941	577,492
Borrowing to fund operating expenditure	11,280	16,011	20,676	31,925
Asset sale	0	0	0	0
Total operating funding	475,844	498,992	549,617	609,417
Operating funding surplus / (deficit)	196,058	201,792	236,871	277,703
CAPITAL EXPENDITURE				
Total capital expenditure	318,378	323,401	396,272	452,800
Comprised of:				
Growth	112,107	145,001	202,058	199,398
Improve level of service	101,504	96,189	103,978	129,767
Renewals	104,767	82,210	90,237	123,635
Total application of capital funding	318,378	323,401	396,272	452,800
Sources of capital funding:				
Operating surplus	196,058	201,792	236,871	277,703
Investment by Auckland Council	0	0	0	0
Loans from Auckland Council	122,320	121,608	159,401	175,097
External loans	0	0	0	0
Subsidies and grants - capex	0	0	0	0
Vested assets (non-Crown)	0	0	0	0
Asset sales	0	0	0	0
Total capital funding funding	318,378	323,401	396,272	452,800
Capital funding surplus / (deficit)	0	0	0	0
MOVEMENT IN BORROWING				
Opening borrowing	1,347,821	1,463,891	1,601,139	1,769,892
Borrowing to fund operating expenditure	11,280	16,011	20,676	31,925
Borrowing to fund capital expenditure	122,320	121,608	159,401	175,097
Other movements	(17,531)	(372)	(11,324)	15,157
Capital funding surplus used to repay borrowing	0	0	0	0
Principal repayment	0	0	0	0
Closing borrowing	1,463,891	1,601,139	1,769,892	1,992,071

Prospective Summary Statement of Cash Flows

for the year ending 30 June

	Budget 2013/14	Budget 2014/15	Budget 2015/16	Budget 2016/17
Cashflow from operating activities				
Cash provided from:				
Income from Activities	464,564	482,981	528,941	577,492
Operating funding from Auckland Council	0	0	0	0
External loans	11,280	16,011	20,676	31,925
Capital funding from Auckland Council	0	0	0	0
Grants & Subsidies	0	0	0	0
Other revenue	0	0	0	0
Total cash provided	475,844	498,992	549,617	609,417
Cash applied to:				
Payments to suppliers and employees	279,786	297,200	312,746	331,715
Total cash applied	279,786	297,200	312,746	331,715
Net cash from operating activities	196,058	201,792	236,871	277,703
	(7,765)			
Cashflow from investing activities				
Cash applied to:				
Capital expenditure projects	318,378	323,401	396,272	452,800
Total cash applied	318,378	323,401	396,272	452,800
Net cash from investing activities	(318,378)	(323,401)	(396,272)	(452,800)
Cashflow from financial activities				
Cash provided from:				
Loans from Auckland Council	122,320	121,608	159,401	175,097
Capital contribution from Auckland Council	0	0	0	0
External Loans	0	0	0	0
Total cash provided	122,320	121,608	159,401	175,097
Cash applied to:				
Loan repayment	0	0	0	0
Total cash applied	0	0	0	0
Net cash from financing activities	122,320	121,608	159,401	175,097
Net (decrease)/increase in cash and cash equivalents	0	0	0	0
Opening cash balance	0	0	0	0
Closing cash balance	0	0	0	0

Prospective Statement of Funding by Activity

Watercare Services Limited

\$000

Financial year ending 30 June 2015

OPERATING EXPENDITURE

	Water Supply Services	Wastewater Treatment	Total
Total operating expenditure	191,803	315,837	507,640
<i>Less depreciation and amortisation</i>	<i>(96,633)</i>	<i>(113,807)</i>	<i>(210,440)</i>
Operating expenditure to be funded	95,170	202,030	297,200

Sources of operating funding:

Opex funding from Auckland Council	0	0	0
Subsidies and grants - opex	0	0	0
Other revenue	168,539	314,442	482,981
Borrowing to fund operating expenditure	9,311	6,700	16,011
Asset sale	0	0	0
Total operating funding	177,850	321,142	498,992

Operating funding surplus / (deficit)	82,680	119,112	201,792
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CAPITAL EXPENDITURE

Total capital expenditure	163,055	341,408	323,401
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Comprised of:

Growth	78,225	66,776	145,001
Improve level of service	50,466	45,723	96,189
Renewals	34,363	47,847	82,210
Total application of capital funding	163,055	160,346	323,401

Sources of capital funding:

Operating surplus	82,680	119,112	201,792
Investment by Auckland Council	0	0	0
Loans from Auckland Council	80,375	41,234	121,608
External loans	0	0	0
Subsidies and grants - capex	0	0	0
Vested assets (non-Crown)	0	0	0
Asset sales	0	0	0
Total capital funding funding	163,055	160,346	323,401

Capital funding surplus / (deficit)	0	(181,062)	0
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MOVEMENT IN BORROWING

Opening borrowing	188,051	1,275,839	1,463,891
Borrowing to fund operating expenditure	9,311	6,700	16,011
Borrowing to fund capital expenditure	80,375	41,234	121,608
Other movements	482	(854)	(372)
Capital funding surplus used to repay borrowing	0	0	0
Principal repayment	0	0	0
Closing borrowing	278,219	1,322,919	1,601,139

Summary of capital expenditure

Key capital projects with a whole life cost over \$2 million or of public interest (both renewal and new projects)

Water

Capital Projects	(\$k)
Water	2014/15
Hunua No. 4 Water Supply Scheme	49,485
New Watermain - North Harbour Duplication	20,057
Helensville Watermain	13,352
Level of Service Improvements	4,347
Boost Pumping - Pinehill from Albany Res	3,317
Meters Planned Replacements	5,340
Huia WTP Upgrade	2,846
Albany Reservoir	2,651
Warkworth Water Treatment Upgrade	2,565
New Watermains - Domain Watermain	2,153
St Heliers No. 1 Watermain Duplication	2,041
Waitakere Raw Water Main	1,656
Waitakere - BAC Trial and Installation	693
Reservoir - Manuka Rd Reservoir	604
Huia No. 1 and No. 2	566
Hunua No. 1	518
Reservoir - Runciman Road	476

Wastewater

Wastewater	2014/15
Bio Nitrogen Removal - Reactor Clarifiers	13,341
Manukau Eastern Suburbs Area Servicing	10,661
Storage Tanks	10,557
North Shore Trunk Sewer Upgrades - East	10,350
Puketutu Island Rehabilitation	9,315
Central Interceptor - Spine	7,846
Trunk Rising Main Rep (Mangere)	5,175
North Shore Trunk Sewer Upgrades - West	5,175
Pukekohe Trunk Sewer Upgrades	4,037
Trunk Sewer Planned Rep (Mangere)	3,105
Mangere WWTP Solids Stream Upgrade	2,432
Upgrade Pukekohe Wastewater Treatment Plant	2,070
Northern Interceptor	1,928
Otara Wastewater Catchment Upgrades	1,553
Rosedale Treatment Plant Upgrade and Renewals	1,449
Army Bay WWTP Upgrade	1,035
Snells/Algies WWTP Upgrade	1,035
Army Bay WWTP Renewal	725
Rosedale & Other Northern Plants	543
Rodney HBC Wastewater Servicing	518
Rosedale WW Treatment Plant Replacements	362
Newmarket Storage Tank	259
Projects / Programmes With Whole of Life Cost Over \$2 million	317,790
Projects / Programmes With Whole of Life Cost Under \$2 million	5,610
AMP / Capital Delivery 2014/15	323,400

Project costs exclude capitalisation of interest

Appendix A – Environmental Principles

(Table 7.1 is reproduced from page 176 of the Auckland Plan)

Table 7.1 Environmental Principles*

Auckland's environment must be healthy and resilient in order to support life and lifestyles. To ensure this we must recognise that:

1. The environment supports us – we recognise the natural resources provided by our environment have limits, and must be protected and restored to ensure our future well-being.
2. We need to consider environmental values in all that we do – the interaction between the environment and people is understood and considered in our everyday behaviour and choices.
3. Everything is connected – human activities affect air, sea, land and freshwater systems. Understanding the connections between environments in the way we manage them is critical.
4. Biodiversity is everywhere – our flora and fauna, and their habitats, occur both in public and private spaces, and in urban, rural, freshwater and coastal areas. To maintain biodiversity values we must all work together.
5. Natural hazards can affect our well-being – we need to ensure that Auckland and its people are resilient to the effects of natural hazards.
We are environmental stewards – future generations will depend on how well we manage the natural environment.

Appendix B - Performance Measures: Statement of Intent 2014 - 2017

Performance Measure	LTP Measure	2012/13 TARGET	2012/13 RESULT	2013/14 TARGET	2014/15 TARGET	2015/16 TARGET	2016/17 TARGET	Output	Impact	Auckland Plan Target	Auckland Plan Chapter	Auckland Plan Priority
<i>Safe and Reliable Water</i>												
Percentage compliance with MoH drinking water standards for graded plants (excluding minor or technical non-compliance)	X	100%	100%	100%	100%	100%	100%	Safe and reliable drinking water	Improved public health		Chapter 1	Improve the education, health and safety of Aucklanders, with a focus on those most in need
Percentage of metropolitan water treatment plants achieving Grade A	X	100%	100%	100%	100%	100%	100%	Safe and reliable drinking water	Improved public health		Chapter 1	Improve the education, health and safety of Aucklanders, with a focus on those most in need
Percentage of metropolitan water supply reticulation achieving Grade a	X	100%	100%	100%	100%	100%	100%	Safe and reliable drinking water	Improved public health		Chapter 1	Improve the education, health and safety of Aucklanders, with a focus on those most in need
Percentage of non-metropolitan water treatment plants achieving Grade A	X	35% (5 non-metro water treatment plants out of 14 non-metro water treatment plants)	100% of target was achieved (6 non-metro water treatment plants out of 14 non-metro water treatment plants)	45% (7 non-metro water treatment plants out of 14 non-metro water treatment plants)	50% (5 non-metro water treatment plants out of 10 non-metro water treatment plants) Note: 4 non-metro WTPs will be decommissioned bringing the total from 14 to 10	50% (5 non-metro water treatment plants out of 10 non-metro water treatment plants)	50% (100% by 2020)	Safe and reliable drinking water	Improved public health		Chapter 1 Chapter 9	Improve the education, health and safety of Aucklanders, with a focus on those most in need Support rural settlements, living and communities
Percentage of non-metropolitan water supply reticulation achieving Grade a	X	15%	83% of non-metropolitan water supply reticulation achieved Grade A	25%	50%	50% (100% by 2020)	50% (100% by 2020)	Safe and reliable drinking water	Improved public health		Chapter 1 Chapter 9	Improve the education, health and safety of Aucklanders, with a focus on those most in need Support rural settlements, living and communities
Percentage of unplanned water shutdowns restored within five hours	X	95%	96.70%	95%	95%	95%	95%	Safe and reliable drinking water	Improved public health		Chapter 1	Improve the education, health and safety of Aucklanders, with a focus on those most in need
Number of unplanned water interruptions per 1000 connected properties	X	<10	7.7	<10	<10	<10	<10	Safe and reliable drinking water	Improved public health		Chapter 1	Improve the education, health and safety of Aucklanders, with a focus on those most in need

Performance Measure	LTP Measure	2012/13	2012/13	2013/14	2014/15	2015/16	2016/17	Output	Impact	Auckland Plan Target	Auckland Plan Chapter	Auckland Plan Priority
MEASURE		TARGET	RESULT	TARGET	TARGET	TARGET	TARGET					
<i>Healthy Waterways</i>												
Number of dry weather sewer overflows per 100km of wastewater pipe length per year	X	≤5	2.7	≤5	≤5	≤5	≤5	Reduced wastewater discharges to environment	Healthier environment		Chapter 1 Chapter 7	Improve the education, health and safety of Aucklanders, with a focus on those most in need Sustainably manage natural resources
Average number of wet weather overflows per discharge location in priority receiving environments in areas serviced by the separated networks.		The Auckland-Wide Wastewater Network Discharge Consent application lodged and consent operational.	n/a	The Auckland-Wide Wastewater Network Discharge Consent application lodged and consent operational.	The Auckland-Wide Wastewater Network Discharge Consent application lodged and consent operational.			Reduced wastewater discharges to the environment	Healthier environment	Reduce wet weather overflows to an average of no more than 2 events per discharge location per annum, where the stormwater and wastewater system are separated, by 2040 (with priority given to bathing beaches and other sensitive receiving environments by 2030)	Chapter 12 Chapter 5 Chapter 7 Chapter 7	Optimise, integrate, and align utility provision and planning Prioritise and optimise our recreation and sport facilities and public open space use and the capability of recreation and sport organisations. Treasure our coastline, harbours, islands and marine areas Sustainably manage natural resources
Number of sewer bursts and chokes per 1000 properties		<10	6.8	<10	<10	<10	<10	Reduced wastewater discharges to the environment	Healthier environment		Chapter 12 Chapter 5 Chapter 7	Optimise, integrate, and align utility provision and planning Prioritise and optimise our recreation and sport facilities and public open space use and the capability of recreation and sport organisations. Treasure our coastline, harbours, islands and marine areas
Percentage of wastewater discharged that is compliant with consent discharge requirements (excluding minor or technical non-compliance) for Metropolitan areas	X	100%	100%	100%	100%	100%	100%	Reduced adverse effects on environment in urban areas	Healthier environment		Chapter 5 Chapter 7 Chapter 7	Prioritise and optimise our recreation and sport facilities and public open space use and the capability of recreation and sport organisations. Treasure our coastline, harbours, islands and marine areas Sustainable manage natural resources
Percentage of wastewater discharged that is compliant with consent discharge requirements (excluding minor or technical non-compliance) for non-Metropolitan areas	X	35%	100% of target achieved (60% of all wastewater discharged from non-metro plants was compliant with discharge consent conditions)	35%	35%	65% (100% by 2020)	65% (100% by 2020)	Reduced adverse effects on environment in rural areas	Healthier rural and coastal environment		Chapter 7 Chapter 7 Chapter 9	Treasure our coastline, harbours, islands and marine areas Sustainably manage natural resources Create a sustainable balance between environmental protection, rural production and activities connected to rural environment
Number of successful RMA prosecutions against Watercare		0	0	0	0	0	0	Reduced adverse effects on environment	Healthier environment		Chapter 7 Chapter 7	Treasure our coastline, harbours, islands and marine areas Sustainably manage natural resources

Performance Measure	LTP Measure	2012/13	2012/13	2013/14	2014/15	2015/16	2016/17	Output	Impact	Auckland Plan Target	Auckland Plan Chapter	Auckland Plan Priority
MEASURE		TARGET	RESULT	TARGET	TARGET	TARGET	TARGET					
Health, Safety and well-being												
Lost-time injury frequency rate per million hours worked		≤5	0	≤5	≤5	≤5	≤5	Not applicable	Not applicable		Not applicable	Not applicable
Level of ACC workplace management practices accreditation		Tertiary	Tertiary	Tertiary	Tertiary	Tertiary	Tertiary	Not applicable	Not applicable		Not applicable	Not applicable
Percentage of total hours absent due to illness		≤2.5%	2%	≤2.5%	≤2.5%	≤2.5%	≤2.5%	Not applicable	Not applicable		Not applicable	Not applicable
Percentage of voluntary leavers relative to number of permanent staff		≤12%	10.10%	≤12%	≤12%	≤12%	≤12%	Not applicable	Not applicable		Not applicable	Not applicable
Customers Satisfaction												
Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services		80%	81.40%	80%	80%	80%	80%	Satisfied customers	Better quality water services		Chapter 1 Chapter 6	Improve the education, health and safety of Aucklanders, with a focus on those most in need Grow a business-friendly and well-functioning city
Percentage of calls answered within 20 seconds		80%	79.70%	80%	80%	80%	80%	Satisfied customers	Better quality water services		Chapter 1 Chapter 6	Improve the education, health and safety of Aucklanders, with a focus on those most in need Grow a business-friendly and well-functioning city
Number of water quality complaints (taste, odour, appearance) per 1,000 water supply connections	X	<5	4.6	<5	<5	<5	<5	Safe and reliable drinking water	Improved public health		Chapter 1 Chapter 6	Improve the education, health and safety of Aucklanders, with a focus on those most in need Grow a business-friendly and well-functioning city
Percentage of complaints and being "resolved and closed" within 10 working days		95%	97.20%	95%	95%	95%	95%	Satisfied customers	Better quality water services		Chapter 1 Chapter 6	Improve the education, health and safety of Aucklanders, with a focus on those most in need Grow a business-friendly and well-functioning city
Sustainable Environment												
Per capita consumption (litres/person/day) Target for 2025 = 255 l/person/day Baseline in 2004 = 298 l/person/day		282	274	280	278 ±5%	275 ±5%	275 ±5%	Reduced demand on water resources	More sustainable use of natural resources	Reduce gross per capita water consumption from 2004 levels by 15% by 2025	Chapter 7 Chapter 8	Sustainably manage natural resources Mitigate climate change
Percentage of annual potable water network losses* measured as total network volume *This is defined as "real" losses, which includes losses from the wholesale and retail distribution systems.		<15%	14.80%	<14%	<13%	<13%	<13%	Reduced demand on water resources	More sustainable use of natural resources	Reduce maximum annual potable water network losses to less than 12% of total network volume by 2040	Chapter 7 Chapter 8 Chapter 12	Sustainably manage natural resources Mitigate climate change Optimise, integrate, and align utility provision and planning

Performance Measure	LTP Measure	2012/13	2012/13	2013/14	2014/15	2015/16	2016/17	Output	Impact	Auckland Plan Target	Auckland Plan Chapter	Auckland Plan Priority
MEASURE		TARGET	RESULT	TARGET	TARGET	TARGET	TARGET					
<i>Effective Asset Management</i>												
Percentage of actual capital expenditure relative to budget		>85%	97.50%	>85%	>85%	>85%	>85%	Better water infrastructure	Better quality water services	On-going provision of planned and serviced capacity for Group 1 business land, including large lots, to meet 5-yearly demand as assessed by annual surveys	Chapter 1 Chapter 6 Chapter 7 Chapter 8 Chapter 10 Chapter 12	Improve the education, health and safety of Aucklanders, with a focus on those most in need Grow a business-friendly and well-functioning city Build resilience to natural hazards Mitigate climate change Demand good design in all development Optimise, integrate, and align utility provision and planning
<i>Sound Financial Management</i>												
Minimum funds flow from operations to interest cover (FFO) before any price adjustment		≥2.5	3.37	≥2.5	≥2.5	≥2.5	≥2.5	Not applicable	Not applicable		Not applicable	Not applicable
Percentage of expenditure on water supply services relative to the average household income		≤1.5%	0.86%	≤1.5%	≤1.5%	≤1.5%	≤1.5%	Affordable water services	Improved public health		Chapter 1	Improve the education, health and safety of Aucklanders, with a focus on those most in need

Report to the Board of Watercare Services Limited

Subject: FY2015 Draft Budget

Date: 23 May 2014

1. Introduction

The draft FY2015 bottom up budget has been prepared using the financials prepared in February and supplied to the Auckland Council for its Annual Plan process in March as a basis for comparison. It has been subject to review by the Acting Chief Executive and Chief Financial Officer applying the principles of a top down review aimed at meeting the revenue, operating cost and capital expenditure outcomes input to Auckland Council's Annual Plan in March 2014.

In the tables that follow, comparison of the draft budget is made against the latest FY2014 forecast (April 2014) and against the latest FY2015 Annual Plan data submitted to Auckland Council (May 2014).

The major differences between the FY2015 Annual Plan submitted to the Board in February 2014 and the FY2015 Annual Plan submitted to Auckland Council in May 2014 are vested asset income, the subvention receipt from Ports of Auckland Ltd and loss on disposal of fixed assets. Prior to the May submission we were requested to exclude vested asset income and loss on disposal of fixed assets from the Annual Plan. In addition, a more accurate assessment of the likely FY2015 subvention receipt from Ports of Auckland Ltd was provided to us.

The draft budget net contribution is above the Annual Plan by \$15.62m at \$6.98m compared with \$(8.65)m in the Annual Plan. This is largely driven by the inclusion of the vested asset income of \$16.6m. Capital expenditure of \$329.1m (including capitalised interest of \$15.0m) in the draft budget compares with \$339.4m in the Annual Plan. Funds from Operations (FFO) ratio of 2.94 is projected compared with 2.94 in the Annual Plan.

2. Financial Performance

	FY 2015 Draft Budget	FY 2014 Actual + Forecast	Variance to FY2014 forecast	Annual Plan	Variance to Annual Plan
Total Revenue	499.58	481.64	17.94	482.98	16.60
Net Labour	43.86	41.51	2.35	43.04	(0.82)
Total Materials & Cost of Sales	2.07	2.06	0.01	2.27	0.20
Planned Maintenance	16.28	14.37	1.90	16.76	0.49
Unplanned Maintenance	31.11	27.22	3.89	27.57	(3.54)
Chemicals	11.10	10.76	0.34	11.63	0.53
Energy	17.14	17.18	(0.04)	16.98	(0.16)
Depreciation	210.44	204.39	6.05	210.44	(0.00)
Operating Costs	39.61	48.70	(9.10)	39.35	(0.26)
Total Asset Costs	325.67	322.62	3.05	322.73	(2.94)
Communications	1.62	1.42	0.20	1.72	0.10
Professional Services	12.15	12.60	(0.45)	14.35	2.20
Interest	80.57	74.07	6.50	79.58	(0.99)
Rent & Rates	6.58	6.46	0.12	6.18	(0.40)
General Overheads	20.08	11.69	1.32	21.75	1.67
Net Overheads	121.00	106.24	7.70	123.58	2.58
Total Expenses	492.61	472.43	13.11	491.63	0.98
Net Contribution	6.98	9.21	4.84	(8.65)	15.62
Financial Instruments Revaln (Gain)/Loss	-	(14.41)	14.41	-	-
(Profit)/Loss on Disp of FA & Restructure Costs	7.00	11.44	(4.44)	-	(7.00)
Non Operating Cost/(Revenues)	7.00	(2.97)		-	7.00
Net Surplus/(Deficit) before Tax	(0.02)	12.18	(5.14)	(8.65)	8.62
Income Tax Expense/(Benefit)	4.51	10.09	(5.58)	10.95	6.44
Net Surplus/(Deficit) after Tax	(4.54)	2.09	(6.62)	(19.60)	15.06

Detailed Statement of Financial Performance is attached in **Appendix 1**.

2.1 Assumptions

- 2.4% price increase for water and wastewater.
- Infrastructure growth charges increased from \$8,500 to \$10,500 (excluding GST).
- Change to the tariff structures for non-domestic Wastewater, with the expectation that water usage will drop slightly in response to the change.
- CPI of 1.5% has been assumed where applicable.
- A wage increase of 3.0% has been applied.
- Trade waste bylaw is effective from 1 July 2014.
- Plant & equipment valuation uplift in asset values is 6%.

2.2 Summary

Business Change

The draft budget for FY15 reflects no material change to the company's organisational structure or operating conditions.

Revenue

The draft budget revenue is favourable \$16.6m to the Annual Plan at \$499.58m and reflects the inclusion of vested asset income of \$16.6m, a subvention receipt from Ports of Auckland Ltd (\$6.9m), a 2.4% price increase on Water and Wastewater and the assumption that the weather for FY2015 will reflect a normal weather pattern. A reduction in demand is anticipated with the introduction of the non-domestic wastewater tariff compared to FY2014 offset by new user volumes. A detailed analysis is provided in section 3.

Controllable Costs

Although there are many variations in individual line items the draft budget for controllable costs is consistent with the total Annual Plan at \$201.6m. Further analysis of controllable costs is provided in section 4.

Net surplus (deficit) before depreciation

The draft budget net deficit before depreciation is favourable \$15.1m to the Annual Plan at \$205.9m..

Depreciation

The draft budget for depreciation is consistent with the Annual Plan at \$210.44m.

Taxation

The draft budget for taxation expense is \$6.4m less than the Annual Plan at \$4.5m.

Funds from operations interest cover ratio

The budgeted FFO interest cover ratio for FY2015 of 2.94 times is consistent with the Annual Plan of 2.94 times and above the company minimum target ratio of 2.5 times.

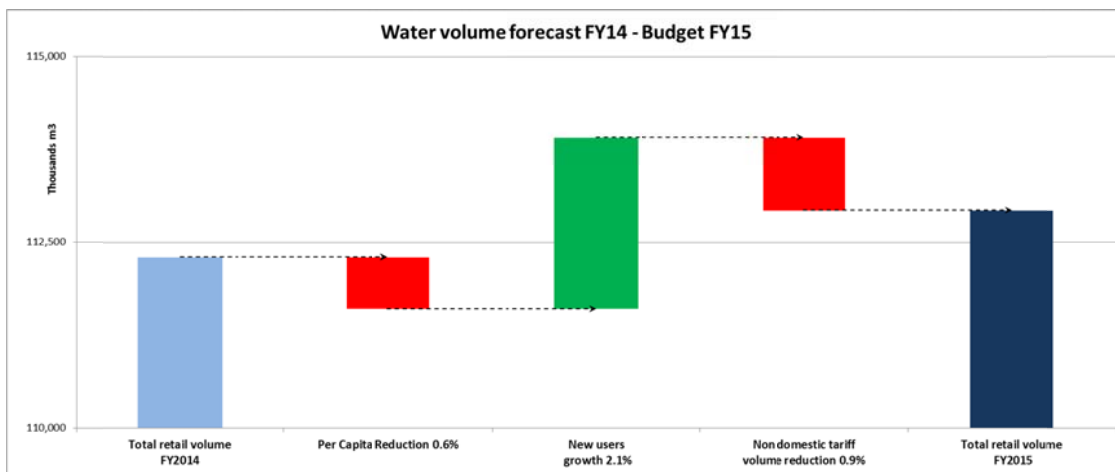
3. Revenue

Revenue	FY 2015 Draft Budget	FY 2014 Actual + Forecast	Variance	FY 2015 Annual Plan	Budget vs Annual Plan Variance
Water Revenue - Retail	135.15	130.93	4.23	135.04	0.11
Water Leak Remission	(1.69)	(1.23)	(0.46)	(1.51)	(0.18)
Retail Water Revenue	133.46	129.70	3.76	133.53	(0.07)
Wholesale Water Revenue	3.60	3.70	(0.10)	3.53	0.07
Total Water Income	137.06	133.40	3.66	137.05	0.01
Wastewater Revenue - Volumetric	198.64	174.16	24.47	284.64	(86.01)
Wastewater Revenue - Fixed	84.78	86.36			84.78
Wastewater Leak Remission	(3.18)	(2.84)	(0.34)	(3.60)	0.42
Retail Wastewater Revenue	280.24	257.68	24.14	281.05	(0.81)
Total Tradewaste Revenue	2.50	16.93	(14.43)	3.90	(1.40)
Wholesale Wastewater Revenue	6.84	5.27	1.57	4.63	2.21
Total Wastewater Income	289.58	279.89	11.27	289.58	(0.00)
Infrastructure Growth Charges	34.10	28.39	5.71	34.11	(0.01)
Other Income	38.84	39.96	(1.12)	22.24	16.60
Total Other Revenue	72.94	68.35	4.60	56.35	16.60
Total Revenue	499.58	481.64	19.53	482.98	16.60

3.1 Water Supply Revenue

Water Volumes

The FY2015 volumes have been based on a normal weather pattern, a small 2.1% growth in the customer base partially offset by reduced customer per capita reduction of 0.6% and an estimated 0.9% non-domestic tariff water reduction. A retail volume of 112.9 million m³ is budgeted reflecting allowance for non-revenue water and leak remissions.



Water Revenue

Water supply revenue is segmented into wholesale and retail.

Retail water usage charges are increased by 2.4% from FY2014 and will be charged volumetrically at \$1.196 per 1,000 litres (GST exclusive).

Wholesale revenue from Veolia Water is budgeted at \$3.60m.

3.2 Wastewater Service Revenue

Wastewater service revenue is segmented into wholesale, retail and tradewaste.

Retail wastewater charges of \$280.24m are a combination of fixed and volumetric billed wholly by Watercare. The non-domestic Wastewater tariff structure is being introduced this budget year and it is assumed that there will be some reduction in the wastewater and water volumes due to non-domestic customers reducing their consumption in anticipation of tariff changes (3% reduction on 30% of total volumes; being the estimated split of non-domestic customer volumes).

The draft budget for FY2015 was developed based on two key assumptions:

- Domestic accounts will continue to be charged for wastewater using a unified tariff of \$194.56 fixed charge per year and \$2.33 per m³ of wastewater. Both charges are inclusive of GST.
- The new non domestic tariff structure is introduced from 1 July 2014, with the expectation that the water usage of non domestic customers will drop slightly in response to this change.

Wholesale revenue of \$6.8m from Veolia Water is \$2.2m above the Annual Plan largely reflecting a shift in category from tradewaste to wholesale revenue.

Wastewater leak remission credits (\$3.18m) are budgeted based on leak remission credits issued by Watercare since the introduction of monthly billing.

Tradewaste revenue at \$2.5m is \$1.4m beneath the annual plan which reflects the introduction of the non-domestic wastewater tariff and the new Trade Waste bylaw and the revenue expectation from those customers who will continue to be charged for trade waste under transitional consents.

3.3 IGC Revenue

Infrastructure Growth Charges (IGC) apply to all new connections to Watercare's water and wastewater networks, except where a water and wastewater development contribution has been previously paid to Auckland Council for the same purpose, and to existing non-residential customers that materially increase demand on the water and wastewater systems. Total budgeted IGC Revenue of \$34.1m is based on the new metropolitan rate of \$10,500 (excl GST) and approx. 5,000 connections which represents a 19% increase on current year volumes. Some of these connections will not generate IGC revenue due to previous payment of development contributions and some being apartments will generate a proportion of the metropolitan rate.

3.4 Other Revenue

Other revenue of \$38.8m has been budgeted. The major components of this are:

- Vested assets of \$16.6m from developers;
- Subvention receipt from Ports of Auckland for tax losses of \$6.9m
- External Laboratory revenue of \$6.1m.
- Late payments penalties budget of \$0.6m;
- New water meters of \$4.5m;
- New development connections, inspections and approvals of \$0.7m;

- Other inspections and approvals of \$1.0m; and
- Various other sundry revenues of \$2.4m.

4. Expenditure

4.1 Employee Benefit Costs (Net Labour)

Net Labour			
\$000s	2015	2014	2014
	DRAFT BUDGET	FORECAST	BUDGET
Labour	71,622	64,078	67,459
Contract Labour	4,341	5,035	2,336
On costs	3,674	3,103	3,286
Labour recoveries	(35,778)	(30,702)	(32,442)
Total	43,860	41,513	40,639

Direct labour costs of \$71.6m are based on 878 FTE's an increase of 25 FTE's over the FY2014 budgeted organisational structure. The increase in FTE's is largely driven by the increase in future growth in capital expenditure in Infrastructure (11) and in Information Services (9) where the increase is driven by employing permanent staff vs contractors.

The movement in FY2015 draft budget Labour Recoveries compared to FY2014 forecast is primarily due to an increase of recoverable staff in Infrastructure and Information Services being charged to capital projects.

4.2 Maintenance Costs and Operating Costs Overview

The unplanned maintenance budget has been based on trends of expenditure over the past five years. The costs are heavily dominated by the Networks group, whose assets are based predominantly on a "run to failure" programme.

It should be noted that the water and wastewater treatment plants and transmission systems are generally maintained on a rigorous planned maintenance programme rather than run to failure as the consequences of failure are more significant.

Maintenance Services Networks (MSN) is charging \$15.6 million to Operations for maintenance of the Central Auckland Network for FY2015. Of this approximately \$3.2 million is for capital works. The overall charging and level of capital works is similar to costs for FY2014 reflecting a similar volume and mix of jobs in FY2014. MSN are working on business development with the aim of more efficient business and information systems leading to lower costs in the future.

4.3 Planned Maintenance Costs

Planned Maintenance			
Business Unit \$000s	2015	2014	2014
	DRAFT BUDGET	FORECAST	BUDGET
Water Supply	4,842	4,355	5,179
Wastewater	7,656	5,663	7,611
Networks	3,326	3,339	4,066
Laboratories	361	273	294
Other	91	740	(80)
Total	16,275	14,370	17,069

The net increase in planned maintenance spend is driven by periodic major maintenance not scheduled in 2014 (that is maintenance that occurs on a frequency greater than annually) and to a lesser extent developing more robust planned maintenance programmes rather than run to failure, at the non-metropolitan WWTPs. Other has decreased as a result of the reclassification of Shared Service maintenance to general overheads.

Key drivers of the increase are:

Mangere Primary tanks	\$833k. Scheduled major overhaul of primary sedimentation tanks.
Mangere Engines and Generators	\$729k. Engine No 3 30,000 hour overhaul (Deferred from 2014) and normal maintenance.
Mangere Digester No 8	\$638k. Scheduled 8 yearly overhaul (Deferred from 2014).
Rosedale WWTP Mechanical	\$465k. Programmed preventative mechanical maintenance.

4.4 Unplanned Maintenance Costs

Unplanned Maintenance			
Business Unit \$000s	2015	2014	2014
	DRAFT BUDGET	FORECAST	BUDGET
Water Supply	2,020	2,266	2,047
Wastewater	6,015	7,107	5,825
Networks	22,015	17,639	18,682
Laboratories	159	189	150
Other	897	16	(135)
Total	31,105	27,217	26,569

The unplanned maintenance budget has been based on trends of expenditure over the past five years, corrected for assets that have significantly contributed to expenditure but have subsequently been retired from service or upgraded.

Networks unplanned maintenance increase is largely due to programmed repairs of referred monitored leaks, increased volume in the three Network areas and increasing cost of reinstatement and traffic compliance.

4.5 Chemicals

Chemicals			
Business Unit \$000s	2015	2014	2014
	DRAFT BUDGET	FORECAST	BUDGET
Water Supply	4,253	3,791	4,056
Wastewater	7,518	7,473	7,503
Networks	246	39	60
Other	(919)	(547)	(599)
Total	11,099	10,756	11,020

Chemical costs are budgeted at \$11.1m and include chemicals such as lime, polymer and ferric chloride. Chemical prices are subject to long term contracts with agreed upon price increases which have been factored into the budget and consumption is based on a normalised weather pattern. The existing contract is currently being tendered and likely price reductions have been factored into the budget.

- Water - requirement for PAC dosing for the full year at Huia (\$0.3m) as cyanobacteria is now present in all western lakes; and, increased production from the Waikato WTP (\$0.3m).
- Wastewater – Consumption is held at the same levels as the FY14 budget.
- Other – Reflects expected pricing reductions.

4.6 Energy

Energy			
Business Unit \$000s	2015	2014	2014
	DRAFT BUDGET	FORECAST	BUDGET
Water Supply	4,429	4,546	4,469
Wastewater	10,208	10,133	10,557
Networks	2,123	2,054	2,275
Laboratories	224	217	237
Other	159	232	227
Total	17,143	17,183	17,765

The Energy budgets have been prepared by the Energy and Control System department and are based on historic energy consumption for given flows, with a provision for additional assets that have commenced operation. The small reduction in budgeted costs against forecast is largely due to the favourable energy contracts reported in FY2014.

The budget assumes at least three engines are operating at Mangere Wastewater Treatment Plant (which converts methane gas to energy) to reduce exposure to imported electricity and lower costs.

4.7 Operating costs

Operating costs			
Business Unit \$000s	2015	2014	2014
	DRAFT BUDGET	FORECAST	BUDGET
Water Supply	7,109	6,715	6,785
Wastewater	13,223	14,040	13,258
Networks	13,236	11,652	11,795
Operations shared services	932	1,047	944
Total Operations	34,500	33,455	32,781
Laboratories	171	292	151
Maintenance Services	360	4,207	1,234
Infrastructure	55	502	468
Corporate Services	4,380	4,153	4,157
Information Services	69	5,672	4,213
Other	74	425	960
Total	39,608	48,705	43,965

Operations

- Operations operating costs are mainly driven by preliminary and general costs associated with the external maintenance contracts for the network assets, internal laboratory costs and Maintenance Services Network costs. Additional costs relate to

security, cleaning and flushing programmes and the desludging programmes at the reservoirs.

- Operations operating costs are \$1.7m unfavourable to FY2014 budget and \$1.0m unfavourable to latest FY2014 forecast. The major movements are:
 - Wastewater decrease on forecast is primarily due to insourcing bio-solids placement; and
 - Networks increase is due to additional funds allocated for inspection of assets to ensure compliance with the water quality grading and the Inflow and Infiltration programme.

Information Systems

- Information Services decrease of \$5.6m against forecast is due to the change of allocation of IS operating costs from Asset Operating costs to General Overheads.

Maintenance Services

- Maintenance services decrease of \$3.8m against forecast and decrease of \$0.9m against FY2014 budget is largely due to:
 - Certain contract services are being brought in-house with a resulting increase in FTE's and vehicle costs; and
 - Replacement of leased with owned vehicles.

Corporate Services

- Corporate Services is broadly consistent with forecast and prior year budget. The major components of spend are customer billing and printing (\$1.3m) and contractor meter reading (\$2.9m).

4.8 Laboratory Costs

Laboratory costs			
Business Unit	2015	2014	2014
\$000s	DRAFT BUDGET	FORECAST	BUDGET
Water Supply	2,709	2,537	2,446
Wastewater	2,590	2,640	2,398
Networks	930	964	1,028
Operations shared services	435	705	788
Total	6,669	6,889	6,660

Laboratory costs will decrease from FY2014 budget and forecast largely due to a 5% cost reduction passed through to Operations.

4.9 Net Overheads

Overheads			
	2015	2014	2014
\$000s	DRAFT BUDGET	FORECAST	BUDGET
Communications	1,625	1,420	1,671
Professional Services	12,149	12,595	13,938
Interest	80,573	74,073	75,121
Rent & Rates	6,578	6,458	6,005
General Overheads	20,076	11,691	14,689
Total	121,000	106,237	111,424

Communication costs include all landline, fixed and mobile data communication costs. Landline and fixed data (Corporate and Scada costs) are consistent with the FY2014 forecast and favourable to the FY2014 budget. All data and voice networks utilise multiple providers to provide resilience through diversity.

Professional services budget of \$12.1m is mainly comprised of:

- Infrastructure budget of \$5.3m reflects the investigations and studies undertaken to determine the optimum capital investments to renew or upgrade existing assets. The main programmes of spend relate to growth, renewal and upgrade investigations of \$1.6m, treated water network zone management plans and network investigations of \$0.7m, water treatment upgrade investigations of \$0.6m, wastewater treatment upgrade investigations of \$0.5m and water treatment transmission investigations of \$0.5m.
- Operations budget of \$2.7m is dominated by dam safety and plant optimisation studies to improve efficiency. The balance of the programme is generally related to specific operational statutory or process improvements.
- Professional services spend of \$1.0m in Finance includes consultant and legal support including business development, Veolia contract reporting and support, claims and disputes and Treasury related costs including Standard and Poor's credit rating, Bancorp fees and general treasury advice. Laboratory includes general contractual advice, annual client survey for accreditation and a review of the costing processes.
- Executive budget of \$1.5m include \$0.1m for Communications related programmes for stakeholder engagement and other community involvement. Additionally provision is made to assist with implementing the internal audit plan, risk and HS&E programmes of \$0.3m and general legal counsel costs of \$0.2m. Statutory planning budget of \$0.8m includes provision for the Waikato regional policy review, review of the Environmental Management System, Council hearings, participation in the Environment Court hearings, input into Central and Local Government policy development, input into the Auckland Unitary Plan and community engagement with Environmental Advisory Group and Mana Whenua Kaitiaki Forum.
- Services budget of \$1.6m is mainly comprised of:
 - Customer Services budget of \$0.3m includes \$0.2m for customer satisfaction surveys and \$0.1m for customer improvement projects.
 - Information Systems budget of \$0.9m includes audit and assurance on IS policies and security (\$0.2m), information management programme to address data governance and quality issues on the CBA programme (\$0.3m), IT specialist and supplier contract legal reviews (\$0.2m) and architecture review (\$0.1m).
 - Sustainability programmes of \$0.3m include provision for support of demand management including Ecomatters (\$0.2m), water audits and leak reduction programmes.
 - Human resources budget of \$0.1m relates primarily to strategic pay reviews, medical services/investigations and various legal advice.
 - Property budget of \$0.1m relates primarily to legal reviews and advice, valuations, surveys and lease variations/agreements.

Rent and rates budget of \$6.6 million is an increase of \$0.1 million on the FY14 forecast and \$0.6m increase on the FY14 budget. The increase against FY14 budget is primarily due to the increase in rates charged by Auckland Council as a result of the end of the rates baseline adjustment (\$0.3m) and an increase in rental payable for corporate accommodation.

The increase in general overheads of \$8.4m compared to the FY14 forecast of \$14.7m can be attributed to the following major items:

- Information systems FY15 budget of \$7.1m for operating costs have been moved to general overheads from asset operating costs. Information systems include costs for software licensing and functional support, facilities hosting (Revera), equipment leases (desktops, laptops and printers) and network equipment support. The increase in the IS operating costs against the FY14 budget (\$4.2m) and the FY14 forecast (\$5.7m) is driven largely by the growth in the size and scope of the services provided by IS. In addition there has been increases in the cost of licensing and support for almost all the core systems (SAP, Hansen, ProjectWise, Labware, etc).
- A customer hardship cost is budgeted at \$0.5m to support the running of the Water Utility Assistance Trust (WUCAT).
- General maintenance of \$1.2m being building related maintenance that has previously been coded to planned maintenance; an increase over FY14 forecast of \$0.5m.
- Bad debts of \$0.4m are set at just under 0.1% of sales. This is a \$0.1m increase on the FY14 forecast.
- Recruitment costs of \$0.6m an increase of \$0.1m reflecting the increase in budgeted FTEs.
- Staff training of \$1.3m at an average of \$1,500 per FTE has increased by \$0.4m on the FY14 forecast.
- Audit fees of \$0.7m which is an increase on the FY14 forecast of \$0.1m due to the LTP audit in FY15.
- Included in general overheads is funding for the Watercare Harbour Cleanup Trust of \$0.25m.

4.10 Depreciation

Depreciation			
Business Unit	2015	2014	2014
\$000s	DRAFT BUDGET	FORECAST	BUDGET
Water Supply	47,629	43,517	40,506
Wastewater	55,068	48,743	49,691
Networks	96,922	99,108	97,001
Other	10,821	13,024	12,484
Total	210,440	204,392	199,682

As with previous years, depreciation is calculated by rolling forward the Hansen and SAP fixed asset registers for the next twelve month period and estimating depreciation on assets that are budgeted to be capitalised during FY2015 and the remainder of FY2014. An additional allowance is made for accelerated depreciation on assets which are identified for disposal as a result of new capex projects. Based on this methodology depreciation for the FY2015 year is estimated at \$210.4m.

4.11 Interest Expense

Interest			
	2015	2014	2014
\$000s	DRAFT BUDGET	FORECAST	BUDGET
Gross Interest	95,585	86,971	86,945
Less:			
Capitalised Interest	(15,012)	(12,898)	(11,824)
Total	80,573	74,073	75,121

Projected interest expense for FY2015 is \$80.6m. The budget assumed interest rate (including margins and fees) is 6.14% compared with 6.35% in the FY2014 budget.

Capitalised interest of \$15.0m has been applied to the projects identified by the business as qualifying during the budget period. Qualifying projects are those with a construction period lasting longer than 12 months and at a cost of over \$1m.

5. Capital Expenditure

Capital Expenditure	FY2015 Draft Budget	FY2014 Forecast	FY2015 AMP	FY2015 Annual Plan
Infrastructure				
Water	117.0	134.7	127.4	133.5
Wastewater	138.1	135.8	135.9	135.9
Shared Services	7.7	4.7	10.9	10.9
Total Infrastructure	262.8	275.2	274.2	280.3
Operations				
Water	18.2	7.3	19.0	18.7
Wastewater	8.6	5.7	5.1	5.1
Shared Services	1.2	10.0		
Total Operations	28.1	23.0	24.0	23.8
Shared Services				
Finance	1.5	(0.0)	2.3	2.3
Consents	4.2	2.2	2.5	2.5
Information Services	9.6	3.3	11.0	11.0
Laboratory	3.9	2.8	3.2	3.2
Maintenance Services	4.0	2.7	0.3	0.3
Total Shared Services	23.2	7.2	19.4	19.4
Total (Excl Capitalised interest)	314.1	305.4	317.6	323.4
Capitalised interest	15.0	12.9	14.6	16.0
Grand Total	329.1	318.3	332.2	339.4

The FY2015 draft budget for capital expenditure of \$329.1m is below the FY2015 Annual Plan by \$10.3m and higher than the current year forecast by \$10.8m.

5.1 Infrastructure

The FY2015 draft budget capital expenditure programme reflects a slight decrease from FY2014. This follows a significant increase from FY2013. Increased project performance will continue to be supported by process and delivery method changes within the unit.

Listed below are the major capital projects in the FY2015 draft budget over \$3m.

Water

The major capital programmes for water are:

WATER		
Project	Project Description	Budget \$m
Hunua No 4 Trunk Water Main	This project involves the construction of a 30km trunk water main between the Redoubt Road Reservoir and Epsom in the city. The new water main, which will be between 1.6 and 1.9 metres in diameter, will help improve the security of on-going water supply as the region continues to grow and the existing infrastructure ages.	49.0
North Harbour Watermain Duplication	This project involves the duplication of the existing North Harbour No.1 watermain, which will reach its capacity, due to growth.	9.1
Riverhead Reservoir	This project is to construct the Riverhead Reservoir on Old North Road, for the Kumeu - Riverhead Water Supply Scheme.	3.4
Sanderson Rd Water Treatment Plant	This project is to develop a new groundwater source and a new water treatment plant (WTP) on Sanderson Road to provide a reliable supply for the Warkworth.	3.3
Albany Second Reservoir	This project is to duplicate the reservoir storage capacity servicing the Albany area of the North Shore by constructing a second reservoir adjacent to the existing Albany reservoir.	3.2
Manukau Water Mains	To install water mains in four streets to ensure security of supply, increase capacity, improve the connectivity of local network to bulk supply points and to meet fire flow requirements.	3.0

Wastewater

The major capital programmes for wastewater are:

WASTEWATER		
Project	Project Description	Total
Mangere WWTP BNR Capacity	The project is to upgrade the biological nutrient removal (BNR) capacity of the Mangere Waste Water Treatment Plant. The upgrade will ensure regulatory compliance with the discharge consent.	12.4
Central Interceptor Feasibility Design	The central interceptor storage and conveyance tunnel is required as mitigation for asset failure risks associated with the Hillsborough Tunnel and the Manukau Siphon on the western interceptor. The Central Interceptor project will also free up capacity for growth in the central and western areas of Watercare's network and reduce the need for costly sewer separation achieving a significant reduction in wastewater overflows.	11.7
Kohimarama Storage Tank & Branch Sewer	This project involves the construction of a storage tank at Madill's Farm Reserve and the upgrade of local branch sewers. This work will reduce the current number of sewer overflows.	8.2
Beachlands Village: New Avenue Pump Station	This project is to construct a new trunk wastewater infrastructure to service greenfield growth in Beachlands. The catchment currently accommodates 6,500 people and this is forecast to increase to 16,000 over the next 30 years.	5.5
Howick Diversion	This project will provide for growth and mitigation of sewer overflows from the Howick Interceptor, Bucklands Beach branch sewer and Pakuranga Pump Station. The project involves the construction of a new pump station, 2km of rising main and 4km of gravity sewer.	5.5
Barrys Pt WW Pump Station & Storage Tank	This project is required to reduce the current number of sewer overflows. The project will replace the current Takapuna south pumping stations and provide additional storage. In addition, it will cater for future growth in the Takapuna business district.	4.3
Rosedale WWTP Cogeneration Upgrade	It is proposed to replace the cogeneration engine and upgrade the cogeneration facility at the Rosedale Wastewater Treatment Plant (WWTP). The cogeneration facility at the Rosedale WWTP has consistently operated to produce the majority of the site's power and during off-peak periods, the generator at times produces more power than the site can use. The existing engine has now reached the end of its operational life and requires replacement.	4.1
Pakuranga Rising Main DPS028	This project is to replace the rising main from the Pakuranga Pump Station (DPS028) which has limited effective remaining life based on its age and condition. Failure of the Pakuranga rising main would result in loss of service to approximately 80,000 people. The project involves construction of 1,750m of 900mm pipe, using both trenched and trenchless methods, new manholes and associated civil works. The pipe traverses Pakuranga Road, one of the busiest highways in Auckland.	3.6
Helensville WWTP Upgrade	This project is to upgrade Helensville Wastewater Treatment Plant to cater for an increasing population in the area. The upgrade involves the installation of a new ultrafiltration plant, with all associated M&E equipment and pipework, and also modifications to	3.6
Manukau North Future Upgrades		3.6
Biosolids Puketutu Rehabilitation	The Puketutu Island biosolids rehabilitation project involves the rehabilitation of a quarry on the island with treated biosolids from the Mangere Wastewater Treatment Plant. At the same time, parts of the Island will gradually be released for public benefit as a regional park. The Puketutu Island biosolids project represents a long-term cost effective solution for biosolids disposal while also achieving additional public benefits in the form of a park.	3.5
Orewa West Wastewater Network		3.3
Alexander Rising Main Replacement		3.2
Wairau (HSPS05) Rising Main Replacement	This project is for the construction of Wairau Pump Station Rising Main. The project involves the installation of a new one metre diameter, 1.3 kilometre wastewater rising main to replace the existing eastern rising main.	3.1

5.2 Operations

Operations capital expenditure draft budget of \$28.1m is above Annual Plan by \$4.3m. The capital work includes Pond 2 landfill development, Mangere disinfection replacement and Minor works replacement.

- **Water**
The Water Supply capital expenditure is for unplanned renewal work for assets that failed or are uneconomic to repair under maintenance. The major programmes within this budget include unplanned watermain renewals (\$5.6m) and Meter unplanned replacements across the region (\$5.3m).
- **Wastewater**
The major capital programmes include Pond 2 Landfill rehabilitation, replacement UV lamps and allowance for Wastewater unplanned replacements across the region.

5.3 Information Systems

The Capital expenditure draft budget of \$9.6m for Information Systems comprises of 10 programmes including the Hansen Replacement Programme of \$3.3m, Laboratory programme of \$0.9m detailed in section 5.4, MSN programme of \$1.4m detailed in section 5.5 and IS programme of \$2.4m.

5.4 Laboratory

Laboratory Services draft capital expenditure budget of \$3.9m and IS capital expenditure of \$0.9m includes both Air Quality and Analytical Laboratory programmes and is focussed in the following areas:

- Much of the IS budget of \$0.9m is to accommodate provision of systems that allow greater client interface, including tracking of samples, accessing and interpreting of data and timely notification of transgressions. The other major component is directed to improving support for efficiency and quality improvements and to support new market development.
- The Analytical Laboratory and Air Quality on-going replacement programmes for aged equipment to maintain services

5.5 Maintenance Services

Maintenance Services capital expenditure budget of \$4.0m together with related IS capex of \$1.4m is comprised of:

- IS Capex of \$1.4M included in the IS capex budget to fully scope, design and implement a range of IS capabilities to support expansion of the operation service delivery in alignment with strategic review of the business operations.
The programme of work will enable reductions in back office FTE and reduce administrative duties for field supervision enabling a greater focus on quality and service delivery standards. The utilisation of field crew will improve with greater real time visibility and route optimisation based work priorities and skill sets of available resources. The envisaged solutions will support a scalable operation and will significantly shift the maturity of the business unit operational capability.
- MSN and MSO budget of \$4.0m is for replacement of vehicles (\$2.5m), tools and equipment

5.6 Finance and Shared Services

Finance and shared services capital expenditure budget of \$5.7m is largely comprised of:

- Procurement programme \$1.0m, largely for fleet replacement; and
- Statutory planning \$4.2m for consents.

A more detailed summary of capital expenditure is attached as **Appendix 4**.

6. Statement of Financial Position and Cash flow

Appendices 3 and 4 detail the draft budgeted Statement of Financial Position and Cash flow respectively.

Specific items to note are as follows:

Fixed Assets

- Property Plant and equipment is budgeted to be revalued at 30 June 2015. The uplift in asset values is assumed to be 6% which increases the value of Property, Plant and Equipment with the offset increasing asset revaluation reserve and deferred tax liability at June 2015. The increase in Property Plant and Equipment to 30 June 2015 reflects the capital spend partially offset by depreciation for FY2015.

Working Capital

- Accounts receivable are budgeted to remain broadly at 2014 levels with a seasonal increase after the Christmas shutdown.
- Inventory remains at 2015 levels reflecting no new business requirements.
- Creditors are assumed to increase slightly in line with the overall increase in operational and capital expenditure.
- Due to the debt position of the company the cash on hand at the end of every month is assumed to be nil.

Debt and cash flow

Opening debt is forecast to be \$1.465 billion at 1 July 2014. The budget assumes an increase in debt of \$128.4 million to the end of the financial year at 30 June 2015

The increased debt funds the difference between:

- The net cash inflow of \$200.6 million for operating activities (receipts from customers less payments to employees and suppliers including interest expense).
- The net cash outflow of \$329.1 million for investing activities (payments to suppliers for capital expenditure and capitalised interest).

7. Recommendation

That the capital expenditure budget including capitalised interest of \$329.1m and operating budget of a net deficit before tax of \$0.02m for the year ended 30 June 2015 be approved.

Report prepared by:

Recommended by:

Approved for submission by:

.....
D S G Whittaker
Finance Manager

.....
B T Monk
Chief Financial Officer

.....
R Jaduram
Acting Chief Executive

Statement of Financial performance

Appendix 1

	FY 2015 Draft Budget	FY 2014 Actual + Forecast	Variance to FY2014 forecast	Annual Plan	Variance to Annual Plan
Water Revenue	137.06	133.40	3.66	137.05	0.01
Wastewater Revenue	287.08	266.95	20.12	285.68	1.40
Tradewaste Revenue	2.50	12.94	(10.44)	3.90	(1.40)
I/GC Revenue	34.10	28.39	5.71	34.11	(0.01)
Other Revenue	9.96	9.99	(0.02)	16.25	(6.28)
Laboratory Revenue	6.10	5.67	0.43	5.99	0.11
New Developments Revenue	6.18	5.21	0.97		6.18
Vested Assets & Contribution Income	16.60	19.09	(2.49)	–	16.60
Total Revenue	499.58	481.64	17.94	482.98	16.60
Net Labour	43.86	41.51	2.35	43.04	(0.82)
Total Materials & Cost of Sales	2.07	2.06	0.01	2.27	0.20
Planned Maintenance	16.28	14.37	1.90	16.76	0.49
Unplanned Maintenance	31.11	27.22	3.89	27.57	(3.54)
Chemicals	11.10	10.76	0.34	11.63	0.53
Energy	17.14	17.18	(0.04)	16.98	(0.16)
Depreciation	210.44	204.39	6.05	210.44	(0.00)
Operating Costs	39.61	48.70	(9.10)	39.35	(0.26)
Total Asset Costs	325.67	322.62	3.05	322.73	(2.94)
Communications	1.62	1.42	0.20	1.72	0.10
Professional Services	12.15	12.60	(0.45)	14.35	2.20
Interest	80.57	74.07	6.50	79.58	(0.99)
Rent & Rates	6.58	6.46	0.12	6.18	(0.40)
General Overheads	20.08	11.69	1.32	21.75	1.67
Net Overheads	121.00	106.24	7.70	123.58	2.58
Total Expenses	492.61	472.43	13.11	491.63	0.98
Net Contribution	6.98	9.21	4.84	(8.65)	15.62
Financial Instruments Revaln (Gain)/Loss	–	(14.41)	14.41	–	–
(Profit)/Loss on Disp of FA & Restructure Costs	7.00	11.44	(4.44)	–	(7.00)
Non Operating Cost/(Revenues)	7.00	(2.97)		–	7.00
Net Surplus/(Deficit) before Tax	(0.02)	12.18	(5.14)	(8.65)	8.62
Income Tax Expense/(Benefit)	4.51	10.09	(5.58)	10.95	6.44
Net Surplus/(Deficit) after Tax	(4.54)	2.09	(6.62)	(19.60)	15.06

Operating Surplus Water \$(7.1)m
Operating Surplus Wastewater \$7.1m)

Statement of Cash Flows (\$,000)	BUDGET JULY-JUN 2015	ANNUAL PLAN JULY-JUN 2015
<u>Cash Flows from Operating Activities</u>		
Cash was Provided from:		
Receipts from Customers	482,907	482,979
Interest Received	0	0
	482,907	482,979
Cash was Applied to:		
Payments to Employees and Suppliers	(196,406)	(201,230)
Interest Paid	(80,573)	(79,585)
GST Received/(Paid) from/(to) IRD	(5,280)	0
	(282,259)	(280,815)
Net Cash Flows from/(used in) Operating Activities	200,648	202,164
<u>Cash Flows from Investing Activities</u>		
Cash was Applied to:		
Purchase of Fixed Assets	(314,079)	(323,401)
Capitalised Interest	(15,012)	(16,011)
	(329,091)	(339,412)
Net Cash Flows (used in) Investing Activities	(329,091)	(339,412)
<u>Cash Flows from Financing Activities</u>		
Cash was Provided from (Applied to) :		
Proceeds from New Debt	128,442	137,248
	128,442	137,248
Net Cash Flows from Financing Activities	128,442	137,248
Net Increase/(Decrease) in Cash Held	0	0
Plus Opening Cash Brought Forward	0	0
Ending Cash Carried Forward	0	0

Balance Sheet

Appendix 3

Statement of Financial Position (\$,000)	ACTUAL April 2014	FORECAST June 2014	BUDGET June 2015	ANNUAL PLAN June 2015
Fixed Assets				
Property Plant and Equipment at cost	7,928,235	7,996,771	8,425,067	
less Provision for Depreciation	(186,109)	(218,409)	(49,978)	
Net Book Value	7,742,126	7,778,361	8,375,089	
Construction/Work-in-progress	424,108	430,823	462,776	
Total Property, Plant and Equipment	8,166,234	8,209,184	8,837,865	8,882,192
Intangible Assets (net)	39,800	41,789	44,837	
Inventories NC	4,211	4,211	4,211	
Derivative Financial Instruments NC	5,664	5,664	5,664	
Prepayments	24,332	24,258	23,815	
Total Non-Current Assets	74,007	75,923	78,528	64,189
Current Assets				
Receivables	34,533	37,147	42,760	
Derivative Financial Instruments	1,084	1,084	1,084	
Unbilled Revenue accrual	23,122	19,497	18,459	
Prepaid Expenses	4,352	3,863	698	
Inventories	3,684	3,684	3,684	
Cash and Short Term Deposits	19,019	0	0	
Total Current Assets	85,793	65,274	66,685	103,125
Total Assets	8,326,034	8,350,381	8,983,077	9,049,506
Financed by:				
Share Capital				
Authorised & Issued Capital	260,693	260,693	260,693	
Capital contribution reserve	3,779,111	3,779,111	3,779,111	
Revaluation Reserve	1,641,392	1,641,392	1,998,856	
Retained Earnings	85,244	85,244	87,330	
Current Year Earnings after Tax	3,205	2,086	(4,536)	
Total Shareholders' Funds	5,769,646	5,768,526	6,121,454	6,159,465
Term Liabilities				
Medium Term Notes and Bank Loans NC	305,977	317,135	275,689	
Auckland Council Loan NC	542,379	727,714	986,208	
Bank Revolving Credit Facility	0	35,000	35,000	
Deferred Tax Liability	942,560	950,678	1,085,179	
Derivative Financial Instruments NCL	62,576	62,576	62,576	
Provision for Staff Benefits NC	1,180	1,134	848	
Other Accrued Expenses NC	13,223	13,125	12,408	
Increase in Debt Facilities			128,442	
Net Term Liabilities	1,867,894	2,107,362	2,586,350	2,706,504
Current Liabilities				
Bank Overdraft	0	0	0	
Commercial Paper	119,036	119,036	119,036	
Medium Term Notes and Bank Loans	220,248	247	30,242	
Bank Revolving Credit Facility	0	0	0	
Auckland Council Loan	266,316	265,961	18,918	
Payables	15,057	23,168	34,976	
Derivative Financial Instruments C	194	194	194	
Provision for Staff Benefits	5,732	5,468	5,483	
Other Provisions	1,152	1,152	1,152	
Interest Accrued	16,974	13,622	13,676	
Other Accrued Expenses	43,786	45,645	40,121	
Total Current Liabilities	688,494	474,493	263,798	183,536
Total Shareholders' Funds and Liabilities	8,326,034	8,350,381	8,971,601	9,049,506
Total Debt	1,434,937	1,465,093	1,593,535	1,601,139

Capital Expenditure Projects (Excluding capitalised interest)	FY2015 Draft Budget
Description	\$m
Infrastructure	
Water	
Hunua No 4 Trunk Water Main	49.0
North Harbour Watermain Duplication	9.1
Riverhead Reservoir	3.4
Sanderson Rd Water Treatment Plant	3.3
Albany Second Reservoir	3.2
Manukau Water Mains	3.0
Mt Albert Level of Service Upgrade	2.8
St Heliers No.1 Watermain Duplication	2.7
Ardmore rapid restart & sludge handling	2.1
Waikato Expansion to 150MLD	2.0
Water project under \$2m	36.4
Total Infrastructure - Water	117.0
Wastewater	
Mangere WWTP BNR Capacity	12.4
Central Interceptor Feasibility Design	11.7
Kohimarama Storage Tank & Branch Sewer	8.2
Beachlands Village: New Avenue Pump Stn	5.5
Howick Diversion	5.5
Barrys Pt WW Pump Station & Storage Tank	4.3
Rosedale WWTP Cogeneration Upgrade	4.1
Pakuranga Rising Main DPS028	3.6
Helensville WWTP Upgrade	3.6
Manukau North Future Upgrades	3.6
Biosolids Puketutu Rehabilitatn	3.5
Orewa West Wastewater Network	3.3
Alexander Rising Main Replacement	3.2
Wairau (HSPS05) Rising Main Replacement	3.1
Tamaki South East Extension	2.8
Glen Eden Storage & Pipe Upgrade	2.8
North Shore PS09 rising main	2.8
Rosedale WWTP Expansion Project	2.7
Sunnynook Road Sewer Upgrade	2.3
Massey & Swanson Siphon Replacements	2.1
Pukekohe Trunk Sewer Upgrade	2.1
Upgrade Pukekohe WWTP	2.1
Northern Interceptor - Stage 1	2.0
Wastewater projects under \$2m	40.9
Total Infrastructure - Wastewater	138.1
Shared Services	
B200.04 Shared Improvements	3.0
2009-167 Stage 1 Networks Control Upgra	3.0
Shared Services projects under \$2m	1.7
Total Infrastructure - Shared Services	7.7
TOTAL INFRASTRUCTURE	262.8

Capital Expenditure Projects (Excluding capitalised interest)	FY2015 Draft Budget
Operations	
Water	
W100.235 Meter Unplanned Replacement	5.3
W100.201 UP Watermains Renew - Metro2015	5.0
Water projects under \$2m	7.8
Total Operations - Water	18.2
Wastewater	
Pond 2 Landfill Development	2.5
N100.200 Wastewater Unplanned Replacemen	2.6
Wastewater projects under \$2m	3.6
Total Operations - Wastewater	8.6
Operations Shared Services	1.2
Total Operations	28.1
Shared Services	
Information Services	9.6
Hansen Replacement Programme	3.3
B200.01 MSN Programme	1.4
IS Programme/Network	2.4
Information Services projects under \$2m	2.4
Total Information Services	9.6
Finance	1.5
Consents	4.2
Laboratory	3.9
Maintenance Services	4.0
Property	0.0
Total Shared Services	23.2
Total (Excl Capitalised interest)	314.1

Report to the Board of Watercare Services Limited

Subject: Water Resource Update

Date: 20 May 2014

1. INTRODUCTION

This report addresses Matters Arising from the Watercare Board meeting on 1 May 2014 and addresses:

- a) Likely storage levels at July 2015
- b) Storage response curves under a range of rainfall scenarios and utilisation of Waikato Water Treatment Plant
- c) Review of available rainfall records for Watercare catchments with respect to trends and aberrations.

2. METROPOLITAN LAKE STORAGE

Metropolitan lake storage was 58% at 20th May 2014. Lake levels are currently below average for this time of year, but are continuing to track above dry weather storage response.

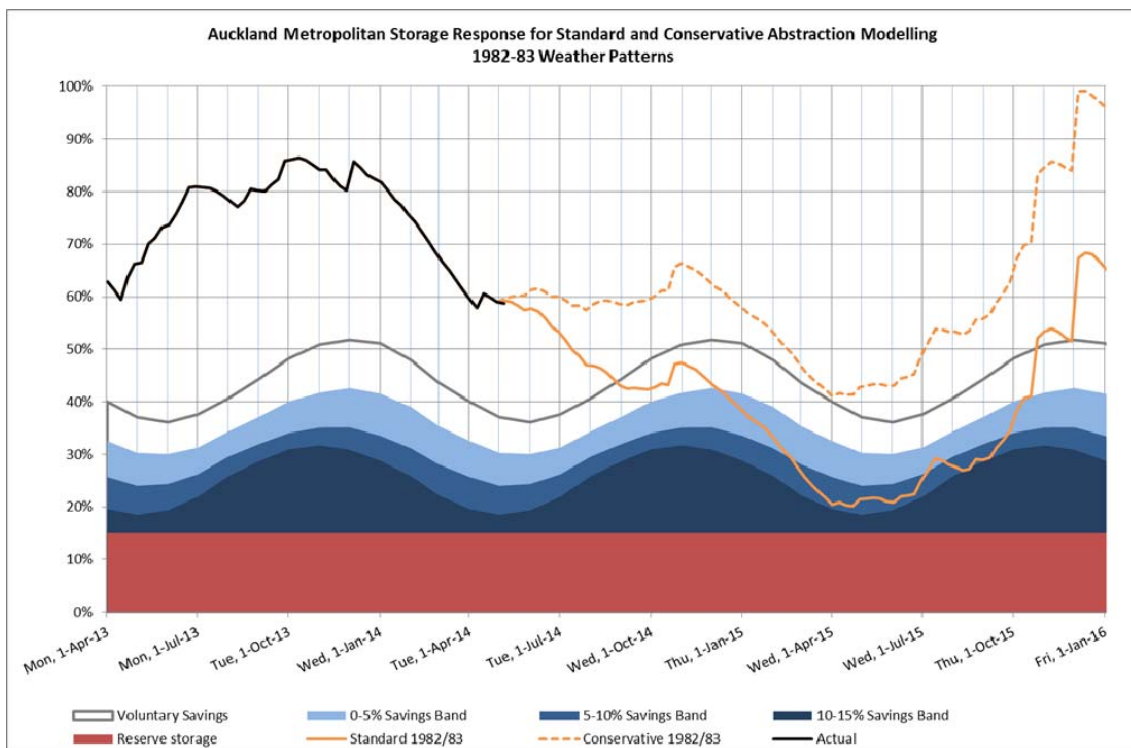
Ardmore Water Treatment Plant is currently being operated at minimum flow rate (160 MLD) to conserve storage in the southern lakes. This is being achieved by the continued operation of Waikato Water Treatment plant to meet demand (typically 125-135 MLD). NIWA predictions indicate rainfall for the Auckland region is likely to be near-normal for the period: May-July 2014.

3. STORAGE RESPONSE

The available rainfall records have been analysed for both the southern lake catchments (50 years) and western lake catchments (100 years) and the impacts on inflows into the storage lakes has been modelled. The years: 1982-83, 1993-94 have been identified as the periods demonstrating the most deleterious rainfall patterns impacting in storage lake inflows. Together with a range of other possible rainfall trends; these rainfall patterns and resulting specific lake inflows have been utilised to develop storage response curves; together with modelling of increased utilisation of Waikato Water Treatment Plant above the Standard model. The modelling identifies are that there are scenarios, utilising the Standard model where storage levels could deteriorate and enter both voluntary and compulsory savings bands during 2015 and beyond. It should be noted that the Standard model calculates a scenario of minimum cost utilisation of sources whilst ensuring that the Reserve Storage band is not breached. Representation of the storage responses under Standard modelling and increased utilisation of Waikato Water Treatment Plant are appended as Scenario A (1982-83 Rainfall pattern) and Scenario B (1993-94 Rainfall pattern) as examples of the modelling to date.

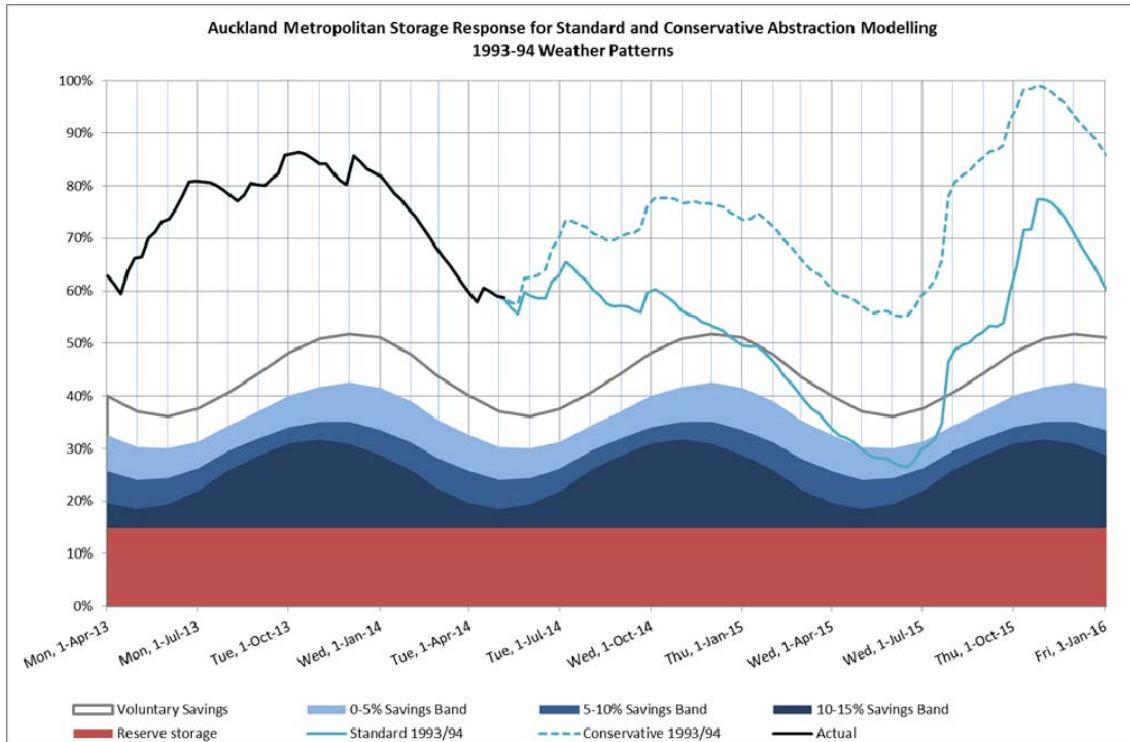
4. SCENARIO A

In the case of Scenario A (1982-83); which was identified as having the most deleterious impact on inflows, storage levels deteriorate to approximately 20%. The drought management plan would be triggered in September 2014, calling for voluntary savings culminating in a period, during the summer and following autumn, when compulsory savings measures will be in force. This is demonstrated by the solid orange line on the graph. However; the modelling also demonstrates that judicious use of the Waikato Water Treatment Plant can avoid such a situation. The modelling of increased use is indicated by the dotted orange line. Watercare is currently operating under such a regime whereby minimum abstraction is occurring from the southern lakes and Waikato is operated at the maximum flow the system can accommodate until the southern lake levels recover. It should be noted there exists a risk that the voluntary savings band could be entered should rainfall conditions be worse than that experienced in 1982-83.



5. SCENARIO B

In the case of Scenario B; the trigger point for voluntary savings under the Standard model does not occur until January 2015 with compulsory savings requirements coming into effect in April 2015. The blue dotted line illustrates the impact of operating Waikato judiciously can avoid breaching the savings bands.



6. RECOMMENDATION

Analysis of available rainfall records together with storage response modelling has identified that there are scenarios where rainfall patterns would impact on storage lake inflows sufficiently to breach the Drought Management Plan voluntary and compulsory savings bands should the Standard model be followed. Therefore; Watercare will continue to operate the Waikato Water Treatment Plant at the maximum flow level commensurate with demand until storage levels have recovered sufficiently.

It is recommended that this report is received and a further update report be provided to the Watercare Board at the 27 June 2014 meeting.

Report prepared by:

Approved for submission by:

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D Worsnop
Chief Operations Officer

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R Jaduram
Acting Chief Executive

Report to the Board of Watercare Services Limited

Subject: Auckland Trade Waste Bylaw 2013 – Delegation of Powers

Date: 16 May 2014

1. INTRODUCTION

- 1.1. The Auckland Council has delegated to Watercare as the Auckland water organisation the enforcement, inspection, licensing and administration related to the Trade Waste Bylaw 2013, and all associated powers and duties of the council under that bylaw, pursuant to clause 32(5) of Schedule 7 of the Local Government Act 2002. These duties and powers are now seen as a Board responsibility.
- 1.2. Many of the approvals and discretionary powers are best exercised at a much lower level in the organisation as they relate to the general administration of the Bylaw and the setting of specific conditions for individual industries.
- 1.3. Other related powers under the Bylaw however should rightly be restricted to the Board. These are:
 - 1.3.1. Amendments to the controlled substance standards.
 - 1.3.2. Setting of trade waste fees

2. RECOMMENDATION

- 2.1. That the enforcement, inspection, licensing and administration related to the Trade Waste Bylaw 2013, and all associated powers and duties of the council under that bylaw which have been delegated to Watercare be delegated to the Chief Executive.
- 2.2. That the Chief Executive may at his discretion sub-delegate his powers.

Report prepared by:



Peter Rogers
Trade Waste Manager

Recommended by:



David Worsnop
Chief Operations Officer

Recommended by:



Rob Fisher
General Counsel

Approved for submission by:



Raveen Jaduram
Acting Chief Executive