

# WATERCARE SERVICES LIMITED

## AGENDA | Board meeting | 29/9/2016

<b>Venue</b>	Watercare Services Limited, 73 Remuera Road, Newmarket
<b>Time</b>	11:00am

### *Open Public Meeting*

Item	Spokesperson	Action sought at governance meeting	Supporting Material
1. Apologies	Chair	<ul style="list-style-type: none"> <li>Record Apologies</li> </ul>	
2. Minutes of Meeting	Chair	<ul style="list-style-type: none"> <li><a href="#">Approve Board Meeting Minutes 31 August 2016</a></li> </ul>	Minutes 31 August 2016
3. Matters Arising	Chair	<ul style="list-style-type: none"> <li><a href="#">Note matters arising</a></li> </ul>	Matters Arising
4. Directors' Corporate Governance Items	Chair	<ul style="list-style-type: none"> <li><a href="#">Corporate Planner and Work Plan</a></li> <li><a href="#">Review Disclosure of Interests (Directors &amp; Executive Management)</a></li> </ul>	Corporate Planner and Work Plan Disclosure of Interests
5. Chief Executive's Report and Scorecard	R Jaduram	<ul style="list-style-type: none"> <li><a href="#">Receive report</a></li> </ul>	Chief Executive's Report
6. General Business	Chair		

Date of next Meeting – 18 October 2016

Location – Watercare Newmarket, 73 Remuera Road, Newmarket

# MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Watercare Services Limited, 73 Remuera Road, Remuera, Auckland
DATE	31 August 2016
TIME	10:30
STATUS	Open Session

	<b>Present:</b>	<b>In Attendance:</b>	<b>Public in Attendance:</b>
	M Allen N Crauford P Drummond C Harland J Hoare (Chair of Meeting) T Lanigan D Thomas	M Bridge R Chenery S Cunis R Fisher R Jaduram (Chief Executive) A Miller B Monk T Munro D Hawkins D Sellars J Simperingham M Smith S Webster	One
1.	<b>Apologies</b> <ul style="list-style-type: none"> <li>D Clarke</li> </ul>		
2.	<b>Minutes of Previous Meeting</b> <ul style="list-style-type: none"> <li>The Board <b>resolved</b> that the Minutes of the public section of the Board meeting held on 1 August 2016 at 11:00 be confirmed as correct.</li> </ul>		
3.	<b>Directors Corporate Governance Items</b> <ul style="list-style-type: none"> <li>Corporate Planner and Work Plan 2016 The corporate planner and work plan was noted.</li> <li>The Board will undertake a skill set review using the services of Janine Smith.</li> <li>Disclosure of Interests The Disclosure of Interests was reviewed.</li> </ul>		
4.	<b>Chief Executive's Report and Scorecard</b> <ul style="list-style-type: none"> <li>Health and Safety There were no lost time injuries related to Watercare employees in July 2016. The rolling 12 month lost time injury frequency rate is well below the stated target maximum.</li> <li>Customer Focus Performance against Statement of Intent measures for July was good. Specialised teams implementing a first call resolution approach to customer enquiries has led to a significant reduction in the volume of complaints, however a consequence of that is the rolling 12 month average result for resolution of complaints is 92.8% against the target of 95%. All other customer metrics are above target including customer satisfaction.</li> <li>Infrastructure Programme There has been very good consultation and co-operation at Franklin Road between Auckland Council and Auckland Transport, Vector and Watercare. Auckland Transport is proposing to upgrade Franklin Road and the opportunity has been taken by other utilities to undertake works, in the case of Watercare sewer</li> </ul>		

separation.

There are other similar examples of good co-ordination. The CEOs of all the utilities meet on a quarterly basis. Watercare is better placed than some partners, to respond to opportunities for co-ordination being more nimble, with better budgeting and having decision makers attend meetings. Management will provide advance notice of planned works to the quarterly meetings of the CCO Monitoring Committee.

- Rainfall and Water Resources

Total system storage has reached 93.6% which is greater than the historical average of 88.1% for this time of the year. This has enabled a reduction in the utilisation of water taken from the Waikato River.

*Wellsford Water Supply*

Management had been unable to ascertain the source of the herbicide MCAA which had entered the supply source for the Wellsford Water Treatment Plant.

*Hillsborough Wastewater Rising Main*

Shayne Cunis advised that the failure of the main was due to a worn valve. Inspection of other pipelines has been undertaken to check the condition of the valves.

- Proposed Auckland Unitary Plan

Management was advised to monitor growth projections made by the private sector which, in some cases, are ahead of the projections of Auckland Council upon which Watercare relies.

Management will provide details of growth projections in specific areas following the finalisation of the Unitary Plan process.

Watercare has concerns over the decision of the Independent Hearing Commission impacting the ability of Watercare to manage increased stormwater flows to the combined sewer network. The Council shares Watercare's concerns and as a result, this matter will be considered further by the Environment Court.

- Finance

Brian Monk reported that revenue for the year was ahead of budget including IGC revenue which is about \$1m ahead of budget as a result of more building activity. Operating expenses are under budget due to lower asset operating costs, lower professional services and other overheads.

- Communications

The Board was advised that in addition to the recent articles in the Water NZ magazine and IPENZ magazine "Engineering Insight", the most recent edition of Metro magazine has an article on Suzanne Naylor, Networks Manager Northern.

- Havelock North Water Quality Event

Shayne Cunis advised that Watercare had commissioned an ultra violet light filter plant in six days and transported it together with a crew, to Hawkes Bay. Watercare staff advised Officers at Hastings District Council that the UV plant should only be installed at the Brookvale Road site after appropriate filtration of the water is undertaken. The option is to use cartridge filtration.

Dr Crauford declared an interest, on the basis that GNS are undertaking some of the testing on a number of the bores.

The Board agreed that Watercare should continue to assist and offer advice, however responsibility for the decisions on treatment remains with the Hawkes Bay Council.

5.	<p><b>Statement of Intent 2016 – 2019 – Final Revisions</b></p> <ul style="list-style-type: none"> <li>• Rebecca Chenery advised that the Auckland Council CCO Governance and Monitoring Committee had required four changes to the Statement of Intent. Watercare has responded positively to the changes requested.</li> </ul> <p>The Board agreed to the changes including removing a caveat to the commitment to act in accordance with the Council Governance manual. In doing so, it was noted that in the unlikely event of the Council requiring Watercare to undertake any action that would be in breach of Watercare’s statutory obligations, the removal of the caveat did not prevent Watercare from acting appropriately.</p>
6.	<p><b>General Business</b></p> <ul style="list-style-type: none"> <li>• There was no general business.</li> <li>• The meeting closed at 11:30.</li> </ul>

CERTIFIED AS A TRUE AND CORRECT RECORD

Julia Hoare  
**Deputy Chairperson**

**Matters Arising from Watercare Board Meeting – Public Session**

	<b>Ongoing Matters Arising</b>	<b>Board Meeting</b>	<b>Action By</b>	<b>Due Date</b>	<b>Status</b>
1	Update on Havelock North Water Quality Event	31/08/16	S Cunis	29/09/16	In hand – in CE's report
2	Ensure CCO quarterly reports going forward include details of future projects	31/08/16	R Chenery	06/09/16	Complete

**WATERCARE BOARD PLANNER 2016**

	2016											
	January	February	March	April	May	June	July	August	September	October	November	December
Board Meeting		3 Feb Newmarket	3 March - Workshop Newmarket 1 April Rosedale WWTP	20 April Newmarket	24 May Newmarket*	27 June Newmarket	1 August Newmarket	31 Aug Newmarket	29 Sept Newmarket	18 Oct Newmarket*	14 November Newmarket	13 December Huia WTP
Health and Safety Committee Workshops			14 March Newmarket			28 June Ardmore WTP 2pm		26 August Newmarket 11am			1 November Mangere WWTP	
Health and Safety Site Visits			1 April Rosedale WWTP			28 June Ardmore WTP		26 August Hunua 4			1 November Mangere WWTP BNR Project	13 December Huia WTP
Audit and Risk Committee Meeting		3 Feb Newmarket (before Board meeting)			5 May Newmarket		11 August Newmarket (before Board meeting)	22 Aug Newmarket			8 Nov Newmarket	
Capital Projects Working Group		3 Feb Newmarket (after Board meeting)			23 May Newmarket			31 Aug Newmarket (after Board meeting)			14 Nov Newmarket (after Board meeting)	
Remuneration and Appointments Committee		5 Feb Newmarket		20 April Newmarket (before Board meeting)		27 June Newmarket (before Board meeting)		24 August Newmarket 4 - 6pm		18 October Newmarket (before Board meeting)		
Statement of Intent		Approval of Draft 2016-2019 SOI	1 March Draft SOI to shareholder		Present shareholder SOI feedback at public meeting	Final 2016-2019 SOI issued to shareholder				Work on 2017-2020 SOI Key dates yet to be advised by Auckland Council		
Shareholder Interaction			1 March - Quarterly Briefing to CCO Governance & Monitoring Committee		31 May 2016 - Replaces quarterly briefing				6 Sept - Quarterly Briefing to CCO Governance & Monitoring Committee			
Key Finance Decisions						27 June Approval of 2016/17 Budget						
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

Board Work Plan 2016

	February	March	April	May	June	July	August	September	October	November	December	
Board Meeting Date	3-Feb	3-Mar (Workshop)	1-Apr	20-Apr	24-May	27-Jun	1-Aug	31-Aug	29-Sep	18-Oct	14-Nov	13-Dec
Governance	Charter Reviews										a) Review of Corporate Governance Charter and Committee Charters, b) Audit & Risk Charter Annual Review (Audit & Risk)	
	Policy Reviews			Treasury Policy Review								
	Delegations										Annual Review of Board Delegations to CE	
	Risk Reviews				Technology - Control and business systems cyber intrusion	Health and Safety - Process safety (loss of containment, fire and explosion) at major facilities	Quarterly risk report	Health and Safety - Significant operational hazards (confined spaces, working with vehicles and plant)	Service Delivery - Water sources / treatment capacity to meet water yield / 3 day peak demand	Quarterly risk report	People - Failure to attract and retain sufficient skilled and qualified resources	Key medium risks - all areas
	Compliance	Statutory Compliance Reporting			Statutory Compliance Reporting			Statutory Compliance Reporting		Statutory Compliance Reporting		
	Shareholder Interaction	CCO Quarterly Reporting				CCO Quarterly Reporting		CCO Quarterly Reporting				
	Board Performance											
Board Education	Board Training & Development											
	Technical Presentations					Wastewater: Digestors and Thermal Hydrolysis			Water: Waikato Water Treatment Plant and Huia Sludge Improvements	Wastewater: Energy Neutrality	Wastewater: Technology Solutions for Non-Metropolitan Wastewater Treatment Plants	
Business Strategy	Strategic Planning		Refresh Strategic Framework			2016/17 Business Plan						
	Strategic Programme Updates			Programme Update: Non-Revenue Water		Programme Update: Customer Focus	Programme Update: Business Excellence / People & Capability		Programme Update: Financial Responsibility		Programme Update: Customer Focus	
Business Planning	Key Finance Decisions	Final financial projections for draft Auckland Council 2016/2017 Annual Plan				Approve 2016/2017 budget	Approve year end accounts (Council Pack)	Approve Annual Report				
	Statement of Intent	Approve Draft 2016-19 SOI	Draft SOI submitted to Auckland Council by 1 March		Feedback on Draft SOI received from Auckland Council by 30 April	Approve final 2016-19 SOI for submission to Auckland Council		Auckland Council formally adopts draft SOI				
	Business Planning Approvals										a) Approve 2017 Internal Audit Plan b) Approve 2017 Insurance Programme Approach	
	Major Capex Project Approvals	Details to follow										

## Report to the Board of Watercare Services Limited

**Subject:** Disclosure of Interests

**Date:** 22 September 2016

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

<i>Director</i>	<i>Interest</i>
David Clarke	<ul style="list-style-type: none"> <li>– Chairman, TRG Group Ltd – Radiology Services</li> <li>– Chairman, Skin Institute Limited</li> <li>– Director, Hynds Ltd</li> <li>– Chairman, Health Alliance NZ Limited</li> <li>– Chairman, Jucy Group Limited</li> <li>– Chairman, Predictive Medical Data Analytics Limited</li> </ul>
Peter Drummond	<ul style="list-style-type: none"> <li>– Chairman, Appliance Connexion Ltd</li> <li>– Chairman, Watercare Harbour Clean Up Trust</li> <li>– Chairman, Variety Medical Missions South Pacific</li> <li>– Director, NARTA New Zealand Ltd</li> <li>– Director, NARTA International PTY Ltd</li> <li>– Director, Fire Services Commission</li> <li>– Director, Port Marlborough New Zealand Limited</li> <li>– Director, Ngati Awa Group Holdings Limited</li> </ul>
Catherine Harland	<ul style="list-style-type: none"> <li>– Director, McHar Investments Ltd</li> <li>– Director, Interface Partners Ltd</li> <li>– Trustee, One Tree Hill Jubilee Educational Trust</li> <li>– Member, Auckland Regional Amenities Funding Board</li> <li>– Member, Water Allocation Technical Advisory Group</li> </ul>
Tony Lanigan	<ul style="list-style-type: none"> <li>– Director and Shareholder, A G Lanigan &amp; Associates (2007) Limited</li> <li>– Director, Habitat for Humanity New Zealand Limited</li> <li>– Director and Shareholder, Lanigan Trustee Limited</li> <li>– Director and Chair, New Zealand Housing Foundation Limited</li> <li>– Director, Tamaki Makaurau Community Housing Limited</li> <li>– Member, Ministry of Health Hospital Redevelopment Partnership Group for Canterbury</li> <li>– Member, Ministry of Health Southern Partnership</li> </ul>
Mike Allen	<ul style="list-style-type: none"> <li>– Director, Coats Group PLC</li> <li>– Director, Godfrey Hirst Australia and related companies</li> <li>– Shareholder, Innoflow</li> <li>– Director, Tainui Group Holdings Limited</li> <li>– Director, Breakwater Consulting Limited</li> <li>– Director, China Construction Bank (New Zealand) Limited</li> <li>– Chairman, Investore Properties Limited</li> <li>– Director, Taumata Forests Limited</li> </ul>



Julia Hoare	<ul style="list-style-type: none"> <li>- Director, AWF Madison Group Limited</li> <li>- Director, New Zealand Post Limited</li> <li>- Deputy Chairman, The A2 Milk Company Limited</li> <li>- Director, Port of Tauranga Limited</li> <li>- Member, Auckland Committee, Institute of Directors</li> <li>- Member, Advisory Panel to External Reporting Board</li> <li>- Member, Institute of Directors National Council</li> </ul>
Nicola Crauford	<ul style="list-style-type: none"> <li>- Director, Environmental Protection Authority</li> <li>- Member of Electoral Authority - Cooperative Bank Limited</li> <li>- Senior Consultant - WorleyParsons New Zealand Ltd</li> <li>- Director and Shareholder - Riposte Consulting Limited</li> <li>- Director and Shareholder - Martin Crauford Limited</li> <li>- Director, Wellington Water Limited</li> <li>- Director, Orion New Zealand Limited</li> <li>- Member, Local Government Risk Management Agency Establishment Board</li> <li>- Chairman, GNS Science International Limited</li> <li>- Deputy Chairman, Fire Services Commission</li> </ul>
David Thomas	<ul style="list-style-type: none"> <li>- Chairman, Ngati Whakaue Tribal Lands Inc</li> <li>- Chairman, Gypsum Board Manufacturers of Australasia</li> <li>- Shareholder / Employee, Fletcher Building Limited</li> <li>- Director, New Zealand Ceiling &amp; Drywall Supplies Limited</li> <li>- Director, Fanalco Limited</li> </ul>

## RECOMMENDATION

That the report be received.

Approved by:



R Jaduram  
Chief Executive

## Report to the Board of Watercare Services Limited

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

**Date:** 22 September 2016

<i>Executive</i>	<i>Interest</i>
Raveen Jaduram	Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust Steering Committee Member – Business Leaders' Health and Safety Forum
Rob Fisher	Deputy Chairman - Middlemore Foundation President - Auckland University Rugby Football Club Trustee - Watercare Harbour Clean Up Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust
Brian Monk	Deputy Chairman - MIT Chairman Audit and Compliance Committee - MIT Trustee - Watercare Harbour Clean Up Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust Director – EnterpriseMIT Ltd
Steve Webster	Director – Howick Swimgym Limited
Marlon Bridge	Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust
Martin Smith	Director – Heatley Smith Limited
Shayne Cunis	Nil
David Hawkins	Nil
Adrienne Miller	Nil
David Sellars	Nil
Rebecca Chenery	Nil

### RECOMMENDATION

That the report be received.

Approved by:



R Jaduram  
**Chief Executive**

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

WATERCARE SCORECARD 2016/17																							
On budget, on time, within		Unfavourable but within parameters		Major issue, needs attention		SOI	2016/17 Target	Amber Threshold	Red Threshold	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	
<b>1 Safe and Reliable Water</b>																							
1a	The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	☑	100%	n/a	<100%		100%		<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1b	The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	☑	100%	n/a	<100%		100%		<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1c	Percentage compliance with MoH drinking water standards		100%	n/a	<100%		100%		<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1d	Percentage of metropolitan water treatment plants achieving Grade A (annual measure)		100%	n/a	<100%		100%		<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1e	Percentage of metropolitan water supply reticulation achieving Grade A (annual measure)		100%	n/a	<100%		100%		<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1f	Percentage of non-metropolitan water treatment plants achieving Grade A (annual measure)		50%	n/a	<45%		100%		<45%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1g	Percentage of non-metropolitan water supply reticulation achieving Grade A (annual measure)		50%	n/a	<25%		100%		<25%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1h	Percentage of unplanned water shutdowns restored within five hours (12 mth rolling average)		>95%	93% to <95%	<93%		96%		<93%	96%	96%	96%	96%	96%	96%	96%	95%	95%	95%	95%	95%	95%	94%
1i	Number of unplanned water interruptions per 1000 connected properties (12 mth rolling average)		≤10	>10 to 12	>12		6.4		>12	6.2	5.9	5.6	5.5	5.4	5.4	4.9	4.8	4.7	4.6	4.5	4.5	4.6	4.6
1j	Unrestricted demand - metropolitan		Unrestricted	Subjective	Restrictions apply		Unrestricted		Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
1k	Unrestricted demand - non-metropolitan		Unrestricted	Subjective	Restrictions apply		Unrestricted		Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
<b>2 Healthy Waterways</b>																							
2a	Number of dry weather sewer overflows per 100km of wastewater pipe length per year (12 mth rolling average)		≤5	>5 to 7	>7		1.91		>7	1.91	1.81	1.99	1.99	2.14	2.21	2.16	2.16	2.20	2.29	2.26	2.26	2.26	2.26
2b	Average number of wet weather overflows per discharge location	☑	≤2 overflows per year per engineered overflow point	Low risk non-compliance	High risk non-compliance																		
2c	The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system	☑	≤10	>10 - ≤15	>15		0.03		>15	0.04	0.03	0.05	0.05	0.03	0.03	0.03	0.03	0.03	0.04	0.4	0.4	0.4	0.4
2d	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents	☑	a) ≤2 b) ≤2 c) ≤2 d) ≤2	n/a	>2 (for any)		0		>2 (for any)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2e	Number of sewer bursts and chokes per 1000 properties (12 mth rolling average)		≤10	>10 to ≤12	>12		7.00		>12	7.00	6.60	6.70	6.60	6.50	6.30	6.40	6.40	6.00	5.80	6.10	6.10	6.40	6.40
2f	Percentage of wastewater discharged that is compliant with consent discharge requirements for metropolitan areas		100%	98 to <100%	<98%		100%		<98%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2g	Percentage of wastewater discharged that is compliant with consent discharge requirements for non-metropolitan areas		35%	n/a	<35%		84%		<35%	88%	87%	88%	88%	88%	89%	88%	88%	88%	88%	88%	89%	89%	89%
<b>3 Customer Satisfaction</b>																							
3a	Median response time for attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site.	☑	≤60 mins	>60 - ≤90 mins	>90 mins		34 mins		>90 mins	35 mins	35 mins	36 mins	37 mins	37 mins	39 mins	41 mins	42 mins	43 mins	44 mins	44 mins	44 mins	43 mins	43 mins
3b	Median response time for resolution of urgent calls-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	☑	≤5 hours	>5 - ≤8 hours	>8 hours		1.5 hours		>8 hours	1.6 hours	1.6 hours	1.7 hours	1.8 hours	1.9 hours	2.1 hours	2.4 hours	2.7 hours	2.8 hours	3.0 hours	3.0 hours	3.0 hours	3.2 hours	3.2 hours
3c	Median response time for attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site.	☑	≤3 days	>3 - ≤5 days	>5 days		1.2 days		>5 days	1.3 days	1.8 days	1.9 days	2.1 days	2.1 days	2.2 days	2.6 days	2.8 days	2.9 days	3.0 days	3.0 days	3.0 days	2.9 days	2.9 days
3d	Median response time for resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	☑	≤6 days	>6 - ≤8 days	>8 days		2.3 days		>8 days	2.7 days	2.9 days	3.0 days	3.1 days	3.1 days	3.2 days	3.6 days	3.9 days	4.1 days	4.8 days	4.3 days	4.3 days	4.3 days	4.3 days
3e	Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	☑	≥80%	≥75% to <80%	<75%		87.0%		<75%	86.0%	85.3%	85.1%	85.0%	84.8%	84.7%	84.9%	84.4%	84.4%	84.2%	84.3%	84.3%	80.8%	80.8%
3f	The total number of complaints received by the local authority about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation	☑	≤10	>10 - ≤15	>15		7		>15	6.9	6.7	6.5	6.3	6.0	5.8	5.7	5.6	5.6	5.6	5.6	5.6	5.6	5.6
3g	Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that the territorial authority receives notification to the time that service personnel reach the site	☑	≤60 mins	>60 - ≤90 mins	>90 mins		40 mins		>90 mins	41 mins	41 mins	41 mins	42 mins	42 mins	42 mins	44 mins	44 mins	45 mins	46 mins	47 mins	47 mins	47 mins	47 mins
3h	Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault	☑	≤5 hours	>5 - ≤8 hours	>8 hours		2.3 hours		>8 hours	2.3 hours	2.4 hours	2.4 hours	2.4 hours	2.4 hours	2.5 hours	2.7 hours	2.7 hours	2.8 hours	2.9 hours	2.9 hours	2.9 hours	2.9 hours	2.9 hours
3i	The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system expressed per 1000 connections to the territorial authority's sewerage system	☑	≤50	>50 - ≤75	>75		20.7		>75	20.7	20.7	20.8	20.8	20.8	20.8	20.8	20.9	21.1	20.8	21.3	21.3	21.7	21.7
3j	Number of water quality complaints (taste, odour, appearance) per 1,000 water supply connections (12 mth rolling average)		≤5	>5 to ≤5.5	>5.5		4.60		>5.5	4.90	4.70	4.60	4.40	4.10	3.90	3.80	3.80	3.70	3.70	3.60	3.60	3.70	3.70
3k	Percentage of complaints being 'closed and resolved' within 10 working days (12 mth rolling average)	☑	≥95%	≥90% to <95%	<90%		98.9%		<90%	98.2%	97.4%	97.4%	97.1%	96.8%	97.0%	96.2%	95.6%	95.1%	93.50%	92.80%	92.20%	92.20%	92.20%
3l	Percentage of the 19 lwi groups throughout Auckland that Watercare have entered into a Memorandum of Understanding with (target for end of FY16/17)	☑	≥80%																		15.70%	15.70%	15.70%

5

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

WATERCARE SCORECARD 2016/17																							
On budget, on time, within		Unfavourable but within parameters		Major issue, needs attention		SOI	2016/17 Target	Amber Threshold	Red Threshold	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	
<b>4 Health, Safety and Wellbeing</b>																							
4a	Lost-time injury frequency rate per million hours worked (12 month rolling average)	<input checked="" type="checkbox"/>	≤5	5 - 7	>7		5.8	5.23	4.63	3.55	2.99	3.03	3.06	3.73	3.75	2.51	1.92	1.9	1.27				
4b	Percentage of total hours absent due to illness (12 mth rolling average)	<input checked="" type="checkbox"/>	≤2.5%	>2.5 to 3.5%	>3.5%		2.09%	2.15%	2.14%	2.15%	2.16%	2.14%	2.12%	2.12%	2.11%	2.14%	2.18%	2.18%	2.15%				
4c	Percentage of voluntary leavers relative to number of permanent staff (12 mth rolling average)	<input checked="" type="checkbox"/>	≤12%	>12 to 14%	>14%		10.86%	11.45%	11.28%	11.72%	12.30%	12.01%	12.45%	11.92%	12.32%	12.74%	12.92%	12.15%	12.54%				
4d	Total recordable injury frequency rate per million hours worked (12 month rolling average)	<input checked="" type="checkbox"/>	<30	>30 to <33	>33		19.13	16.86	16.80	17.05	15.53	15.73	15.90	18.02	16.90	14.42	23.02	23.48	22.85				
<b>5 Financial Responsibility</b>																							
5a	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	<input checked="" type="checkbox"/>	≥2.5	2.4 to <2.5	<2.4		3.51	3.62	3.62	3.56	3.63	3.71	3.65	3.69	3.69	3.71	3.71	3.89	3.94				
5b	Percentage of household expenditure on water supply services relative to the average household income	<input checked="" type="checkbox"/>	≤1.5%	1.2 to <1.5	>1.5		0.83%	0.83%	0.83%	0.84%	0.84%	0.85%	0.85%	0.85%	0.85%	0.86%	0.86%	0.86%	0.87%				
5c	Water & wastewater revenue against budget YTD %		≥100%	≥98% to <100%	<98%		101%	101%	102%	102%	102%	102%	102%	102%	102%	102%	102%	101%	101%				
5d	Infrastructure growth charge revenue against budget YTD %		≥100%	≥95% to <100%	<95%		108%	114%	102%	91%	94%	103%	105%	104%	102%	105%	108%	115%	125%				
5e	Controllable costs against budget YTD %		≤100%	>100 to ≤102%	>102%		95%	93%	93%	94%	95%	94%	95%	95%	97%	99%	94%	97%					
5f	Total contribution against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m		8.30	13.72	17.74	18.62	22.06	30.99	30.11	31.35	33.40	35.65	37.55	4.80	6.84				
5g	Net surplus / deficit before tax against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m		-16.16	-27.62	-21.55	-20.52	4.06	-24.71	-64.68	-73.74	-73.92	-77.60	-108.02	-21.05	-23.37				
5h	Total net borrowing against budget YTD (\$ millions)		Negative	\$0.1m to \$10m	> \$10m		-15.20	-21.90	-40.20	-46.10	-51.30	-52.70	-72.00	-89.10	-92.70	-105.30	-92.00	10.60	14.70				
<b>6 Fully Sustainable</b>																							
6a	The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	<input checked="" type="checkbox"/>	270 + / - 2.5%	270<x<276	>276		271	271	271	272	273	272	272	272	272	273	272	272	273				
6b	Per capita consumption (litres / person / day) - Residential Monthly PCC		Information only				148	151	156	161	165	168	169	164	158	155	153			Reporting lag - data sourced from meter readings			
6c	Non-Domestic Monthly Water Volume		Information only				2,863,774	2,846,259	3,117,438	3,134,161	3,191,872	3,174,802	3,244,017	3,305,826	3,081,359	3,137,157	2,970,236			Reporting lag - data sourced from meter readings			
6d	Non-Revenue Water Percentage		Information only				16.8%	16.8%	16.8%	16.7%	17.0%	16.7%	16.9%	16.7%	16.6%	16.6%							
6e	The percentage of real water loss from the local authority's networked reticulation system (rolling 12 mth average)	<input checked="" type="checkbox"/>	≤13%	>13 to 13.2%	>13.2		12.9%	12.8%	12.7%	12.7%	13.0%	12.7%	12.8%	12.8%	12.9%	13.0%	13.0%			Results to be reported when actual meter readings are available			
6f	Percentage of annual potable water transmission system losses (12 month rolling average)		No specific target - information only				1.9%	1.8%	1.9%	1.8%	1.8%	1.7%	1.8%	1.8%	1.9%	2.0%	2.0%						
6g	Percentage of annual potable water network losses (12 mth rolling average) - Urban as a percentage of total volume		No specific target - information only				10.6%	10.5%	10.5%	10.5%	10.8%	10.6%	10.6%	10.6%	10.7%	10.6%	10.6%						
6h	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of total volume		No specific target - information only				0.44%	0.43%	0.42%	0.42%	0.42%	0.41%	0.42%	0.40%	0.39%	0.38%	0.37%						
6i	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of rural volume		No specific target - information only				27.7%	27.2%	26.7%	26.5%	26.7%	26.4%	26.5%	25.7%	25.0%	25.0%	24.9%						
<b>7 Policy Compliance</b>																							
7a	Compliance with Treasury Policy		Within policy	Planned outside policy	Unplanned outside policy		Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy

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## Watercare Services Limited

**Subject:** Chief Executive Report – August 2016

**Date:** 22 September 2016

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### 1. HEALTH AND SAFETY

There were no lost-time injuries related to Watercare employees during August. The rolling 12 month lost-time injury frequency rate (LTIFR) is 0.25 (stated target max 1.0) per 200,000 hours. This equates to 1.25 per million hours, below the target maximum of 5.

The total recordable injury frequency rate (TRIFR) is 4.57 per 200,000 hours (22.85 per million hours).

### 2. CUSTOMER FOCUS

Performance against Statement of Intent measures for August was good with all customer service performance metrics above target for the month, except complaints resolution. The rolling 12 month average result for resolution of complaints within 10 working days was 92.2% against a target of 95%. Although Watercare did not meet the rolling 12 month target, 95.5% of complaints in August were resolved within 10 working days.

Customer satisfaction in August was 80.8% for the previous 12 months. The rolling 12 month average for customer satisfaction is above the 80% target for all three areas.

Customer Satisfaction scoring has previously been conducted by TNS Global who surveyed 400 customers per month over the phone. In December 2016, Watercare implemented the Voice of the Customer (VoC) platform which surveys at key parts in the customers journey. All customers who interact with Watercare have the opportunity to provide feedback on their experience. Through VoC Watercare is now surveying over 1,000 per month, and these numbers continue to increase. Feedback is reviewed, key trends identified, the root cause is analysed and improvements are managed through our continuous improvement programme.

### 3. INFRASTRUCTURE PROGRAMME

The infrastructure capital programme has delivered year to date \$52m against a budget of \$51m. The forecast to year end is to deliver \$304m against a budget of \$303m.

A Capital Expenditure Dashboard Report of all capital expenditure projects over \$15m is shown in Appendix C.

### 4. SERVICE DELIVERY

#### Rainfall and Water Resources

Rainfall in August was slightly below average across the Auckland region, with the exception of the Northern non-metropolitan area where it was significantly above average.

Waitakere Ranges	80% of average
Hunua Ranges	71% of average
Northern Non-metropolitan	183% of average
Southern Non-metropolitan	89% of average

Metropolitan Total System Storage reached 97.5%, which is above the historical average storage for this time of year (88.8%). As a result, the usage of the Waikato water treatment plant remains below budgeted levels.

The current short range forecasts indicate that there will be normal or above normal levels of rain within Auckland for September to November. Soil moisture content levels are now normal for this time of year and are not forecast to reduce in the coming months. Therefore we can expect normal inflows to continue to the lakes for the next three months. As a result, there is no risk of shortfall over the coming summer.

### **Forestry Herbicide Application in Wairoa Dam Catchment**

The Wairoa Reservoir remained out of service during August, following the aerial herbicide application by Waytemore Forests Limited in early June. Water quality monitoring has confirmed that herbicides are below detection limits, even after heavy rainfall events. The lake was returned to service in early September, after approval from the Medical Officer of Health had been obtained.

### **Damage to Wastewater Network**

A property owner has carried out illegal excavations at a site in Avondale. The work removed a large section of a wastewater network pipe. A temporary diversion has been installed to maintain service and prevent discharges to the environment. The full costs of the temporary works, and the permanent solution, will be sent to Auckland Council who are facilitating enforcement works in conjunction with reinstatement of damage to Council land.



### **Food and Grocery Council Visit to Mangere WWTP**

Watercare hosted members of the Food and Grocery Council on a visit of the Mangere WWTP. The group included major manufacturers of wet wipes and similar products. The tour highlighted the issues that wet wipes cause to the wastewater system, and was a good opportunity to open dialogue with manufacturers on the prevention of wipes and similar products being disposed to sewer. Discussions held immediately after the tour were positive. Katharine Rich, the CEO of the Food and Grocery Council, committed to raising the issue with the wider membership and gauging support on labelling and public awareness of the correct disposal of wipe products.

## 5. NON-METROPOLITAN WASTEWATER TREATMENT PLANTS

At integration in 2010, Watercare acquired 16 non-metropolitan wastewater treatment plants (WWTP), as part of the amalgamation process. The majority of these WWTPs have a history of under investment, coupled with all being in regions that are experiencing significant population growth. Consequently, population-related loading has resulted in many of the WWTP's operating outside of their design capacity.

Eight regional plants have periodically failed to achieve their Resource Consent targets over the past 12 months or more. Helensville, Wellsford, and Owhanake have all received interim upgrades to capacity over the past 18 months and each plant is now achieving a higher level of discharge consent compliance. Salient points to note are:

- Wellsford may require additional process improvements to address nitrogen levels, coupled with an increased flow requirement to cater for growth, which will be confirmed by the new Resource Consents.
- Owhanake is approaching its consented capacity limit, after which a substantial process upgrade will be required (beyond extending current unit processes in operation). Watercare is working closely with Auckland Council and developments on Waiheke to mitigate this where possible.

Of the other 5 WWTPs:

- Clarks Beach, Kingseat and Waiuku will become regionalised with the development of the new South Western Regional WWTP. An interim capacity expansion at Clarks Beach is required to cater for SHA growth in the region.
- Pukekohe WWTP is the subject of a major expansion related to additional sewer servicing and population growth in the Pukekohe and Buckland precincts. The plant will receive a major upgrade in the coming years. An interim expansion of the plant has been provided to cater for new connections in the already serviced areas of the region.
- Beachlands has had technical exceedance on a single parameter related to equipment failure and additional operational practices are now in place to prevent this from occurring in the future.
- Warkworth WWTP has maintained treatment compliance despite significant increases in connected population. Warkworth and Snells Beach will become regionalised under the development of the new Snells WWTP. An interim upgrade of Warkworth WWTP will be required to cater for immediate growth in the connected precinct.

## 6. PROPOSED AUCKLAND UNITARY PLAN

Auckland Council released its final recommendations on 19 August 2016. The 20-working day appeal period closed on the 16<sup>th</sup> of September 2016. To appeal the recommendations that have been accepted by Auckland Council, the appeal must be filed with the High Court on points of law only. To appeal any recommendations that have been rejected by Auckland Council, the appeal needs to be filed at the Environment Court. An appeal to the Environment Court has full appeal rights. All appeals are being posted on the Auckland Council website. Approximately 85 appeals were lodged, 55 to the Environment Court and 30 to the High Court. There are also 8 requests for judicial review. Many of the appeals are site specific but there are a number that apply more broadly to the plan, for example,

one on the Mana Whenua Sites of Value lodged by the Independent Maori Statutory Board to the High Court. Auckland Council is currently reviewing and assessing the impact of the appeals, and the extent to which the plan can be made operative.

## 7. FINANCE

### Financial Performance

Figures (\$millions)	Current Month			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Revenue	49.3	47.4	1.9	99.7	93.8	5.9	580.5	578.5	1.9
Operating Expenses	18.2	18.0	(0.2)	34.5	35.5	0.9	214.8	215.5	0.7
Depreciation	18.7	19.0	0.3	37.5	37.4	(0.0)	226.9	226.9	(0.0)
Interest expense	6.8	6.9	0.0	13.7	13.7	0.0	81.8	80.7	(1.1)
<b>Total Contribution</b>	<b>5.6</b>	<b>3.5</b>	<b>2.0</b>	<b>14.0</b>	<b>7.1</b>	<b>6.8</b>	<b>57.0</b>	<b>55.5</b>	<b>1.5</b>
Non-operating costs/(income)	0.6	0.6	0.0	1.5	1.3	(0.2)	8.2	8.0	(0.2)
Financial instruments revaluation -	4.4	-	(4.4)	30.0	-	(30.0)	30.0	-	(30.0)
<b>Operating Surplus / (Deficit) Before Tax</b>	<b>0.6</b>	<b>2.9</b>	<b>(2.3)</b>	<b>(17.5)</b>	<b>5.9</b>	<b>(23.4)</b>	<b>18.8</b>	<b>47.5</b>	<b>(28.7)</b>
Deferred Tax - Expense/(Credit)	0.4	0.9	0.5	(4.7)	1.9	6.5	15.2	21.7	6.5
<b>Net Surplus / (Deficit) After Tax</b>	<b>0.2</b>	<b>2.0</b>	<b>(1.8)</b>	<b>(12.8)</b>	<b>4.0</b>	<b>(16.9)</b>	<b>3.6</b>	<b>25.8</b>	<b>(22.2)</b>
<b>FFO Ratio</b>				3.94	3.55		3.71	3.69	
<b>Operating EBITDAF</b>	31.1	29.4	1.7	65.2	58.3	6.8	365.6	363.0	2.6
<b>EBITDA</b>	26.1	28.8	(2.6)	33.7	57.0	(23.4)	327.4	355.0	(27.6)
<b>EBIT</b>	7.4	9.8	(2.4)	(3.8)	19.6	(23.4)	100.5	128.2	(27.6)
Leakage Allowance Granted	0.6	0.4	(0.2)	1.0	0.8	(0.1)	5.4	5.3	(0.1)

#### Month – Total Contribution of \$5.6m - favourable variance to budget of \$2.0m

Total revenue was favourable \$1.9m to budget due to; water revenue favourable by \$0.2m with water volumes 1.6% higher than budget, wastewater revenue favourable by \$0.2m and IGC revenue favourable by \$2.1m, partly offset by vested asset revenue unfavourable \$0.8m.

Operating expenses were unfavourable to budget \$0.2m with higher asset operating costs, partly offset by lower overheads.

Depreciation was favourable \$0.3m to budget.

Net Surplus after Tax was unfavourable \$1.8m due to the unfavourable revaluation of financial instruments of \$4.4m resulting from the decrease in medium to long term swap rates in August partially offset by a favourable operating contribution variance of \$2.0m and lower tax expense \$0.5m.

#### Year to date – Total Contribution of \$14.0m - favourable variance to budget of \$6.8m

Year to date revenue is \$5.9m favourable to budget primarily due to; vested asset income favourable \$1.9m, IGC revenue favourable \$2.9m. Water and wastewater revenue is favourable \$0.6m, with water volumes 1.3% over budget.

Operating expenses are \$0.9m favourable to budget with favourable variances for professional services and general overheads partially offset by unfavourable asset operating costs and net labour.

Depreciation and Interest expense are on budget.

Net Deficit after Tax year to date is \$12.8m an unfavourable variance to budget of \$16.9m primarily due to; the unfavourable revaluation of financial instruments of \$30.0m resulting from the decrease in medium to long term swap rates since July 2016 (refer section 3 forward curve graph) partially offset by a favourable operating contribution variance of \$6.8m and lower tax expense \$6.5m.



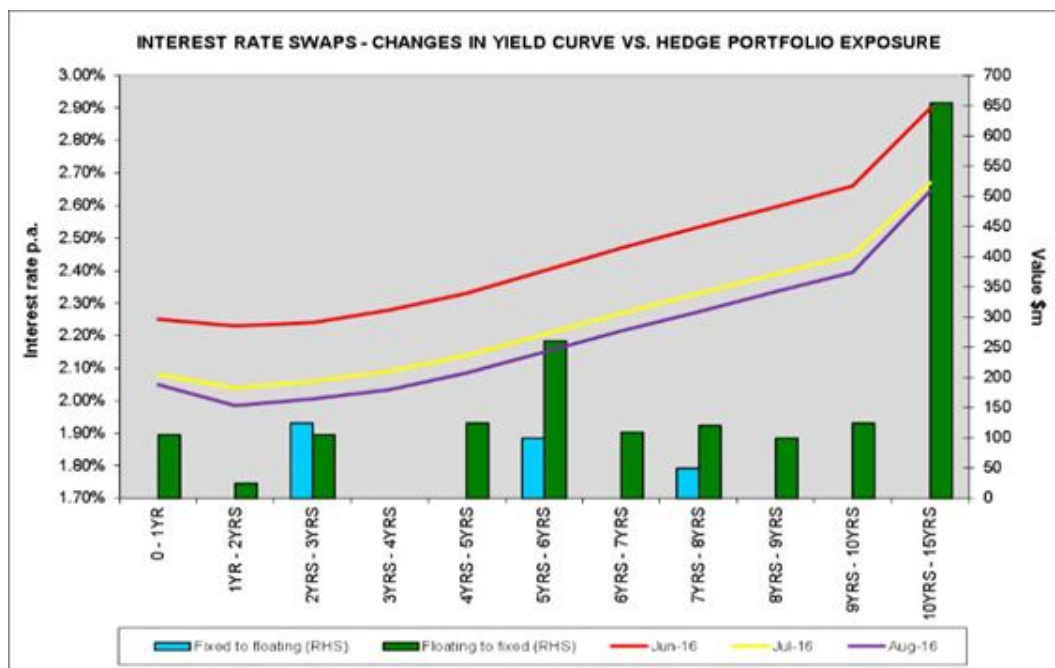
## Financial Position

Million	Actual Jul-16	Actual Aug-16	Monthly Movement	Budget Aug-16	Var from Budget
Non Current Assets	8,752.0	8,762.4	10.4	8,762.3	0.0
Current Assets	82.7	81.9	(0.8)	80.0	1.9
<b>Total Assets</b>	<b>8,834.6</b>	<b>8,844.3</b>	<b>9.7</b>	<b>8,842.3</b>	<b>2.0</b>
Other Liabilities	439.0	436.3	(2.7)	387.2	49.1
Deferred Tax Liability	993.1	993.5	0.3	1,009.7	(16.1)
Borrowings - Short Term	366.0	367.1	1.1	356.4	10.8
Borrowings - Long Term	1,215.9	1,226.6	10.7	1,222.6	3.9
Shareholders Funds	5,820.5	5,820.7	0.3	5,866.5	(45.7)
<b>Total Liabilities and Shareholders Funds</b>	<b>8,834.6</b>	<b>8,844.3</b>	<b>9.7</b>	<b>8,842.3</b>	<b>2.0</b>

The major movements in the Statement of Financial Position as at 31 August 2016 compared with 31st July 2016 were; the increase in non-current assets reflecting capital expenditure net of depreciation in the month, increased borrowings and the movement on other liabilities due to the revaluation of derivative financial instruments.

Compared with budget the material variances are largely in respect of, derivative financial instruments revaluations in July and August 2016 and a different opening position on 1 July 2016 than that assumed when the budget was set, including a lower level of revaluation of land and buildings than expected, lower retained earnings and a revaluation of financial instruments. Net debt at \$1,594m is \$14.7m above budget due to the actual opening debt position being higher than the budgeted opening position.

## Treasury



Interest Analysis Smillion	Current Month			Year to date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	6.8	6.9	0.0	13.7	13.7	0.0	81.8	80.7	(1.1)
Capitalised Interest	0.8	0.9	0.1	1.5	1.8	0.3	10.8	12.2	1.4
Gross Interest	7.6	7.8	0.2	15.2	15.5	0.3	92.6	92.9	0.3
Less Interest Income	-	-	-	-	-	-	-	-	-
<b>Net Interest</b>	<b>7.6</b>	<b>7.8</b>	<b>0.2</b>	<b>15.2</b>	<b>15.5</b>	<b>0.3</b>	<b>92.6</b>	<b>92.9</b>	<b>0.3</b>

For the month gross interest is favourable to budget by \$0.2m and Capitalised Interest is unfavourable by \$0.1m. Capitalised Interest has been reforecast for the year at \$1.4m lower than budget due to lower interest rates.

### Capital Expenditure

Summary Capital Expenditure (Smillions)	Aug-16			Year to Date			Full Year			Prior Month Forecast
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var	
Wastewater Projects										
Strategy & Planning	0.1	0.4	0.3	0.4	0.8	0.4	10.6	10.5	(0.1)	5.3
Infrastructure Delivery (excl Labs/MS)	17.0	15.6	(1.5)	30.8	28.3	(2.5)	183.5	182.8	(0.7)	139.2
Water Projects										
Strategy & Planning	0.1	0.3	0.3	0.2	0.5	0.4	7.4	8.3	0.9	3.7
Infrastructure Delivery (excl Labs/MS)	7.4	5.0	(2.3)	12.6	9.7	(2.9)	34.6	31.5	(3.1)	87.0
Service Delivery	2.4	4.9	2.5	7.0	10.5	3.6	61.9	63.9	2.1	32.7
Retail	0.2	1.1	1.0	0.4	2.5	2.1	10.7	11.8	1.1	6.7
Information Services	0.0	0.9	0.8	0.1	1.8	1.7	5.9	6.8	0.9	7.1
Other Projects	0.6	1.5	0.9	1.5	3.1	1.5	12.4	13.2	0.8	9.0
<b>TOTAL</b>	<b>27.8</b>	<b>29.7</b>	<b>1.9</b>	<b>53.0</b>	<b>57.2</b>	<b>4.2</b>	<b>326.9</b>	<b>328.8</b>	<b>1.9</b>	<b>290.7</b>
Includes Capitalised Interest of:										
Water Projects Capitalised Interest	0.2	0.3	0.0	0.5	0.6	0.1	2.7	2.7	(0.0)	5.4
Wastewater Projects Capitalised Interest	0.5	0.6	0.1	1.0	1.2	0.2	8.1	9.6	1.4	6.5
<b>Total Capitalised Interest</b>	<b>0.8</b>	<b>0.9</b>	<b>0.1</b>	<b>1.5</b>	<b>1.8</b>	<b>0.3</b>	<b>10.8</b>	<b>12.2</b>	<b>1.4</b>	<b>11.9</b>

Capital expenditure for the month was \$27.8m against a budget of \$29.7m. The full year forecast expenditure remains broadly in line with budget.

### 8. BOARD CORRESPONDENCE

There was no correspondence during the month.

### 9. EXECUTION OF DOCUMENTS

There were 8 documents executed during August in accordance with the delegated authority provided to the Chief Executive by the Board in relation to deeds, instruments and other documents. These included one agreement to grant rights to carry out works, two tax statements for the acquisition of land, and five approvals to register water or right of way easements.

There were three Capex approvals totaling \$3.877m signed in accordance with the delegated authority provided to the Chief Executive by the Board in relation to Capex approvals below a threshold of \$15m.

Summary of Capital Projects Approved by the Acting Chief Executive – August 2016		
C-12714-01-01-01	Hudson Rd Watermain Replacement	\$327,120
C-11289-01	Pipework Replacement (DPS028 Stage 2B)	\$3,536,245
C-12225a	Helensville Surface Water/Dam Permits	\$14,456

There were no contracts over \$100,000 awarded during August in accordance with the delegated authority provided to the Chief Executive by the Board in relation to Capex and Opex contract approvals.

## 10. COMMUNICATIONS

### Media summary

The water quality issues in Havelock North have highlighted the safety of Auckland's water supply. On 24 August, Brian Rudman opened his column in the New Zealand Herald with: *"Tap or bottled water?" asked the waiter as we settled out in the sun for Sunday lunch. As we opted for Watercare's bug-free, l'eau de Waikato, I added it to my reasons for living in big city Auckland, not somewhere out in the wops.*" The mobile UV treatment plant that Watercare built to assist Havelock North received favourable mentions in numerous online and print articles.

A reporter from Radio New Zealand has been investigating the supply chain for steel in New Zealand and the use of independent testing. Watercare were questioned with regards to Digester 8 at Mangere Wastewater Treatment Plant. The reporter criticised Watercare for not having the steel independently tested in China. However, Watercare were able to provide evidence of extensive onsite testing and monitoring which confirmed the steel is fit for purpose.

Our \$128-million South-West Wastewater Servicing Project received favourable coverage in the Franklin County News. Watercare's strategy and planning general manager, Martin Smith, was quoted as saying that this consent will enable Watercare to substantially improve wastewater services to Kingseat, Clarks Beach, Glenbrook Beach and Waiuku. "Last year we completed a \$116 million project to transform Franklin's water supply. Now it's time to improve wastewater services to these communities."

### Upcoming media coverage

In October, there will be a feature-length article on Watercare's stakeholder management initiatives in *Local Government NZ* magazine. This will feature Hunua 4 as a case study.

A Hunua 4 update covering the awarding of the next phase contract will also feature in *Contractor Magazine* in October.

Upcoming issues of Water NZ magazine and Engineering Insight will both include news of Watercare's forward works programme being welcomed by the construction industry.

### Customer communications programme

The table below outlines the indicative customer communications programme. This programme is dynamic and will be adapted as appropriate to align to the new strategic priorities and respond to current issues/areas of interest.

Month	Activity	Status
August	Domestic customers received a bill insert on the water ratings labelling scheme.	Complete.
September	Domestic and non-domestic customers are receiving the spring issue of Tapped In. The main focus for this issue is on creating a water-efficient garden. It includes information on how much it costs customers to water their gardens for an hour – with an explanation of how water and wastewater charges are calculated, allowing for outdoor use year round.	Currently being distributed.
October	Domestic customers will receive a bill insert on the Watercare Coastal Walkway.	Planned.
November	First two weeks: Domestic customers will receive a bill insert on the Rosedale and Ardmore treatment plant tours.	Planned.
December	Mid-November to Mid-December: domestic and non-domestic customers will receive the summer issue of Tapped In. The focus will be on conserving water.	

This month formal brand guidelines have been produced to ensure Watercare continues to deliver a consistent look and feel across print and digital channels. Work is underway to improve the e-billing experience by creating a more interactive and visually-appealing e-bill.

### Stakeholder communications

Completed:

- Glen Eden Storage Tank construction is underway. Glen Eden Primary School artwork has now been installed on the hoardings. The contractor McConnell Dowell has dedicated stakeholder support available on site. Weekly project meetings continue where stakeholder issues are discussed with Watercare.
- Triangle Road Pump Station Commissioning – Communications strategy developed in preparation for possibility of unplanned commissioning of the pump station during summer 2017. Discoloured water FAQ created for WSL website.

- Voice of Customer: Public feedback on Watercare projects is now welcomed via the voice of the customer (VoC) channel. Initially surveys have been established for five projects. Information on accessing the feedback channel will be included on project collateral.

#### Ongoing:

- Franklin Road. Construction is about to start. Resident discussions have taken place regarding the proposed site office on Collingwood Street. Alternatives are being explored. The contractor's stakeholder team are managing day to day issues under Watercare's guidance. Regular Community Liaison Group meetings are being held in coordination with Auckland transport.
- East Coast Bays Link Sewer: A final route has been confirmed and the Capex approved. Watercare has begun to liaise with the local community and affected businesses about the project.
- Wellsford Wastewater Servicing – A 'Wellsford Matters' community newsletter is being prepared to highlight water and wastewater activities in the Te Hana and Wellsford area. Planning is underway for a Wellsford open day as part of consenting strategy.
- Watercare's education programme continues to be delivered in schools across Auckland.

#### Internal communications

##### Completed:

- Since the launch of the new intranet on 25 May, 50 stories and 27 leadership blogs have been added to OurPlace. Staff are continuing to engage with the new medium by adding comments to stories and blogs, and participating in discussions in the community space.

##### Underway:

- Three 'day in the life' videos are currently being filmed
- Communications will be implemented for the rollout of Microsoft Office 365 from mid-September
- Half-yearly roadshow for staff will start from mid-September
- Work on the annual report continues.

## 11. WORKING WITH LOCAL BOARDS

Over the past month a presentation was given to the Warkworth Rotary Club on works in the Mahurangi area. Waitakere Ranges Local Board was briefed on the Northern Interceptor and North Harbour Watermain proposals, including potential effects on local parks. The Local Board was also sent information on progress with the Glen Eden wastewater project.

As the local body elections draws closer escalated complaints have been increasing. Local Board members have continued to receive timely information on important projects and issue resolution. The last Local Board meetings of the term are currently being held in September. Watercare will work with local boards via Council delegations over the election period until new Local Boards are sworn in.

Watercare are also liaising with local board services in preparation for new member inductions and feedback on Local Board plans which will get underway early in the new term.

The spring edition of “Tapped In” was sent to the Local Board members and Councillors.

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

## 12. HAVELOCK NORTH WATER CONTAMINATION EVENT

Watercare made an offer of assistance to the Hastings District Council (HDC) following a major water supply contamination event that resulted in over 5,000 cases of illness in the Havelock North Water Supply area. The contamination of the three Brookvale Road bores (Havelock North’s raw water sources) has contributed to the single largest drinking water quality incident in New Zealand’s history. Following discussions with HDC, two mobile Ultra Violet Light (UV) dosing systems were constructed within five days of the request. Site installation was cancelled by HDC following a decision to supply chlorinated water from the Hastings system (previously non-chlorinated) to the Havelock North system. Further assistance in the development of a water treatment solution for the Brookvale Road raw water sources has been requested by HDC. Watercare has confirmed to HDC what level of assistance it will provide.



## 13. REINFORCING STEEL

Over recent months there have been media articles regarding the ductility performance of reinforcing steel mesh utilised in residential buildings in New Zealand and a specific media comment on the post-tensioning steel used in the construction of Digester 8 at Mangere Waste Water Treatment Plant. Management have reviewed both these subjects and concluded that neither result in a risk for Watercare.

Firstly, the reinforcing steel mesh concern raised is primarily focussed on residential homes and a grade of steel utilised in home floor slab construction. The New Zealand Structural Engineering Society has issued a statement saying “homeowners should not become unnecessarily concerned about the ductility of steel mesh in their houses”. Watercare’s use of steel mesh is minimal and is not typically utilised in structures requiring seismic response or high levels of ductility.

Secondly, the construction of the Digester 8 project at Mangere Wastewater Treatment Plant. This project started on 16 July 2012, and was completed in October 2014. During construction, independent monitoring was performed by CH2M Beca to level CM5 (the highest category under the IPENZ/ACENZ grading system). CH2M Beca were onsite to constantly review work procedures, construction materials, and ensure compliance with the requirements of the plans and specifications. CH2M Beca’s review included overseeing testing of the post-tensioning installations in order to confirm the installation aligned with the tests performed on the steel strands in China (the source country for the post tensioning strands) where load strain curve tests and metallurgical tests were performed. Watercare are confident that the steel utilised in this project meets the design requirements specified.

#### 14. GREAT WATER CITIES














Since 2011, the Water Environment Federation at its annual conference (WEFTEC) has held Great Water Cities series of dialogues featuring high-level water sector leaders. The WEFTEC 2016 in New Orleans will feature Watercare and the Singapore Public Utility Board as non-US cities and Watercare's chief executive will be part of a five member panel speaking after the opening general session. At a later session, Watercare chief executive will also join Adam Lovell, Executive director of Water Services Association of Australia, and speak on the theme of increased value through liveable cities and provide an Antipodean view of the world. The two sessions will provide excellent opportunity to share with an international audience, the journey that Watercare is on in improving customer services and meeting the challenges associated with growth, while providing Auckland with safe and reliable water services.





R Jaduram

**CHIEF EXECUTIVE**



**WATERCARE SERVICES LIMITED****Aug-16****5****Key Financial Indicators**

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

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


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

**Key to Treasury policy compliance**

-  Full compliance
-  The downward revision to forecast debt increases has seen a consequential proportional decrease in the Treasury Policy fixed interest limits. As the fixed interest rate hedging profile was built up when forecast debt was much higher, this has caused the profile to exceed the Treasury Policy upper limit for fixed interest rate risk between one and three years.

The size of the breach is relatively small when compared to total forecast debt (peaking at \$11 million on \$1,680 million of debt). Actions have been taken to bring Watercare's fixed rate profile closer to the upper policy limit, but management's preferred course of action is now to let the situation self-rectify, as the policy limit time buckets 'shift right'. Bancorp Treasury Services concurs with this approach.

**Net Borrowings**

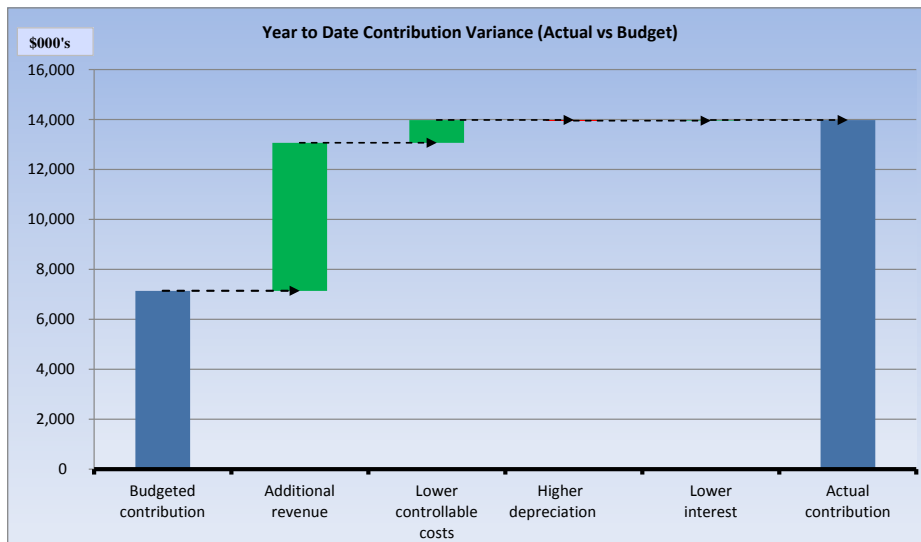
-  Net debt is \$14.7m above budget due to an opening difference in the forecast June balance sheet debt against the actual June balance of \$14m unfavourable. The actual variance for August is \$0.9m higher budget as per the A2 Statement of Cash Flows.



<b>WATERCARE SERVICES LIMITED</b>									
<b>STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE</b>									
<b>Aug-16</b>									
<b>(\$000's)</b>									
	Current Month				Year to Date				Full Year
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Budget
Wastewater revenue	26,168	25,936	232	✓	51,878	51,743	136	✓	316,025
Water revenue	12,149	11,937	212	✓	24,200	23,762	438	✓	147,682
Infrastructure growth charge revenue	8,407	6,325	2,082	✓	14,807	11,887	2,920	✓	70,282
Other revenue	1,760	1,545	215	✓	3,548	3,049	499	✓	24,543
Revenue from exchange transactions	48,485	45,744	2,741	✓	94,433	90,440	3,993	✓	558,533
Vested assets revenue	845	1,667	(822)	✗	5,266	3,333	1,933	✓	20,000
Revenue from non-exchange transactions	845	1,667	(822)	✗	5,266	3,333	1,933	✓	20,000
<b>Total revenue</b>	<b>49,329</b>	<b>47,410</b>	<b>1,919</b>	<b>✓</b>	<b>99,699</b>	<b>93,774</b>	<b>5,925</b>	<b>✓</b>	<b>578,533</b>
Labour	6,611	6,538	(73)	✗	13,019	12,909	(110)	✗	81,489
Contract labour	176	297	120	✓	327	579	251	✓	2,717
Oncosts	(164)	291	455	✓	104	579	475	✓	3,653
Labour recoveries	(2,717)	(3,209)	(492)	✗	(5,483)	(6,336)	(853)	✗	(39,186)
Net labour	3,906	3,917	11	✓	7,968	7,731	(236)	✗	48,673
Materials & cost of sales	154	179	25	✓	293	353	60	✓	2,196
Planned maintenance	1,663	1,470	(193)	✗	3,042	2,642	(400)	✗	17,348
Unplanned maintenance	3,373	2,625	(747)	✗	6,244	5,219	(1,025)	✗	31,505
Asset operating costs - chemicals	978	879	(99)	✗	1,545	1,744	199	✓	11,202
Asset operating costs - energy	1,564	1,629	65	✓	3,275	3,238	(37)	✗	18,175
Operating costs - other	2,912	3,496	584	✓	5,472	7,047	1,575	✓	42,015
Depreciation and amortisation	18,690	18,964	274	✓	37,453	37,424	(29)	✗	226,852
Asset operating costs	29,180	29,062	(117)	✗	57,030	57,314	284	✓	347,096
Communications	139	182	42	✓	296	362	66	✓	2,082
Professional services	1,142	1,132	(10)	✗	1,886	2,093	207	✓	12,992
Interest	6,842	6,883	41	✓	13,721	13,748	27	✓	80,663
General overheads	2,384	2,506	122	✓	4,524	5,028	504	✓	29,311
Overheads	10,508	10,703	195	✓	20,427	21,231	805	✓	125,048
<b>Total expenses</b>	<b>43,748</b>	<b>43,861</b>	<b>114</b>	<b>✓</b>	<b>85,718</b>	<b>86,629</b>	<b>912</b>	<b>✓</b>	<b>523,013</b>
<b>Total contribution/(loss)</b>	<b>5,581</b>	<b>3,549</b>	<b>2,033</b>	<b>✓</b>	<b>13,981</b>	<b>7,145</b>	<b>6,837</b>	<b>✓</b>	<b>55,520</b>
Gain/loss on disposal of fixed assets and other costs	602	636	34	✓	1,509	1,273	(237)	✗	8,000
Gain/loss on revaluation of financial instruments	4,392	-	(4,392)	✗	29,972	-	(29,972)	✗	-
Non operating (costs)/revenue	4,995	636	(4,358)	✗	31,481	1,273	(30,208)	✗	8,000
Net surplus/(deficit) before tax	587	2,913	(2,326)	✗	(17,500)	5,872	(23,372)	✗	47,520
Income Tax Expense/(benefit)	-	-	-	-	-	-	-	-	-
Deferred tax	401	913	512	✓	(4,656)	1,855	6,511	✓	21,698
Net surplus/(deficit) after tax	186	2,000	(1,814)	✗	(12,844)	4,017	(16,860)	✗	25,822

**Key: Financial performance result**

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

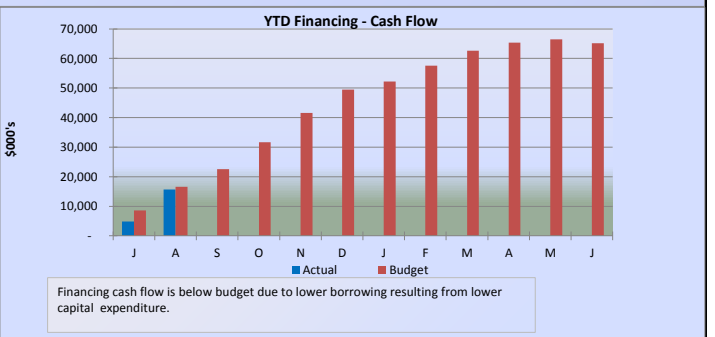
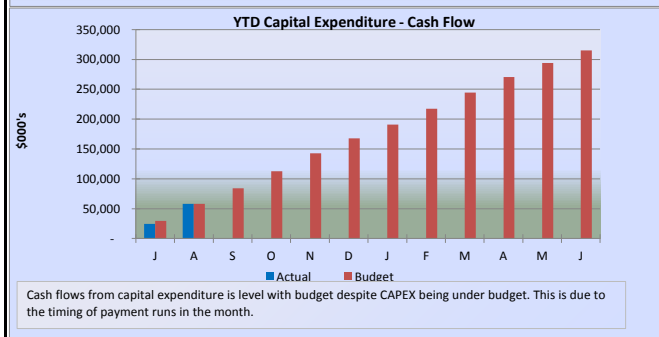
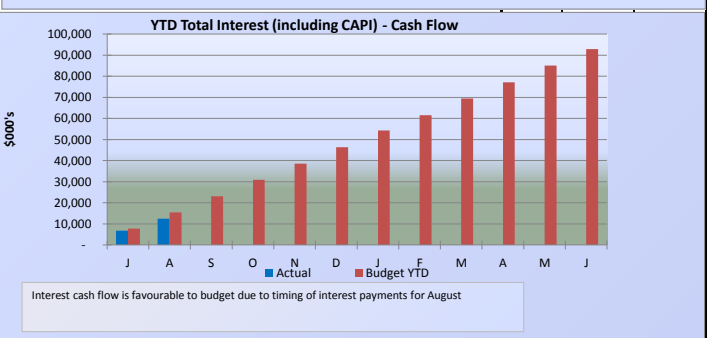
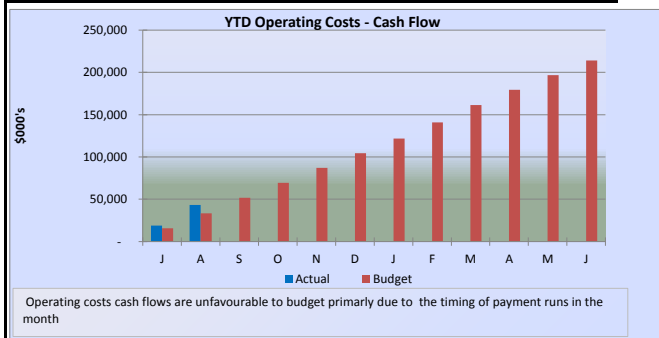
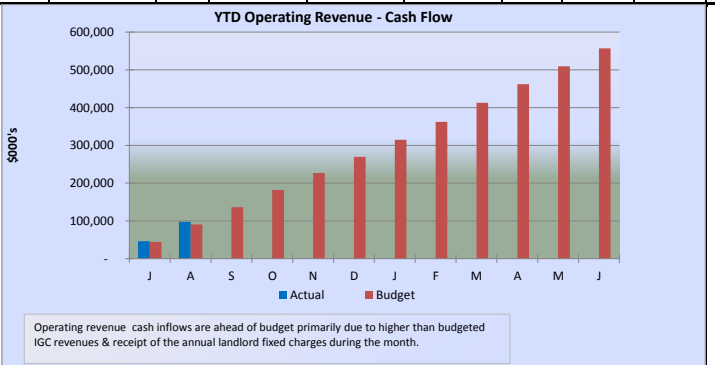


**WATERCARE SERVICES LIMITED**  
**STATEMENT OF CASH FLOWS**  
 Aug-16  
 (\$000's)

NZ \$000s	Current Month				Year To Date				Full Year	
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget
<b>Operating Cash flow:</b>										
Operating Revenue	51,269	46,105	5,164	✓	97,436	90,552	6,884	✓	140,714	556,737
Operating Costs	(24,234)	(17,815)	(6,419)	✗	(43,088)	(33,484)	(9,604)	✗	(60,868)	(213,925)
Interest Paid	(4,985)	(6,883)	1,899	✓	(11,000)	(13,748)	2,748	✓	(20,185)	(80,663)
<b>OPERATING CASH FLOW</b>	<b>22,050</b>	<b>21,406</b>	<b>644</b>	<b>✓</b>	<b>43,348</b>	<b>43,320</b>	<b>29</b>	<b>✓</b>	<b>59,661</b>	<b>262,149</b>
<b>Investing Cash flow:</b>										
Capital Expenditure	(33,349)	(28,499)	(4,850)	✗	(57,862)	(58,125)	263	✓	(80,367)	(315,057)
Capitalised Interest	(754)	(902)	148	✓	(1,484)	(1,756)	272	✓	(2,276)	(12,243)
<b>INVESTING CASH FLOW</b>	<b>(34,103)</b>	<b>(29,401)</b>	<b>(4,702)</b>	<b>✗</b>	<b>(59,346)</b>	<b>(59,881)</b>	<b>535</b>	<b>✓</b>	<b>(82,642)</b>	<b>(327,300)</b>
<b>Financing Cash flow:</b>										
Bonds/Term Debt Issued/(Repaid)	-	-	-	✓	-	-	-	✓	-	-
Short Term Advances/(Repaid)	(39,000)	(39,000)	-	✓	(19,000)	(19,000)	-	✓	(19,000)	-
Commercial Paper Issued/(Repaid)	26	26	-	✓	9,976	9,976	-	✓	9,976	-
Auckland Council Borrowings/(Repaid)	49,841	46,969	2,872	✓	24,683	25,585	(902)	✓	31,786	65,151
<b>FINANCING CASH FLOW</b>	<b>10,867</b>	<b>7,995</b>	<b>2,872</b>	<b>✓</b>	<b>15,659</b>	<b>16,561</b>	<b>(902)</b>	<b>✓</b>	<b>22,762</b>	<b>65,151</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,186)</b>	<b>-</b>	<b>(1,186)</b>	<b>✗</b>	<b>(339)</b>	<b>-</b>	<b>(339)</b>	<b>✗</b>	<b>(220)</b>	<b>-</b>
Opening Cash Balance/(Overdraft)	264	-	264	✓	(584)	-	(584)	✗	(584)	-
<b>Ending Cash Balance/(Overdraft)</b>	<b>(922)</b>	<b>-</b>	<b>(922)</b>	<b>✗</b>	<b>(922)</b>	<b>-</b>	<b>(922)</b>	<b>✗</b>	<b>(803)</b>	<b>-</b>

**Key: Financial performance result**  
 ✓ Favourable variance - actual income above budget or actual expenditure below budget  
 ✗ Unfavourable variance - actual income below budget or actual expenditure above budget

Reconciliation Operating Cashflow (\$000's)					
	Current Month		Full Year		
	Actual	Budget	Actual	Budget	Variance
Net Surplus (Deficit) After Tax	186	2,000	(12,844)	4,017	(16,860)
Add back non cash items:					
Depreciation and amortisation	18,690	18,964	37,453	37,424	29
Financial instruments revaluation	4,392	-	29,972	-	29,972
Vested assets revenue	(769)	(1,667)	(5,191)	(3,333)	(1,857)
Other non-operating exp/(inc)	602	636	1,361	1,273	89
Income Tax Expense/(Benefit)	401	913	(4,656)	1,855	(6,511)
Movements in Working Capital	(1,451)	560	(2,747)	2,084	(4,832)
<b>OPERATING CASH FLOW</b>	<b>22,050</b>	<b>21,406</b>	<b>43,348</b>	<b>43,320</b>	<b>29</b>

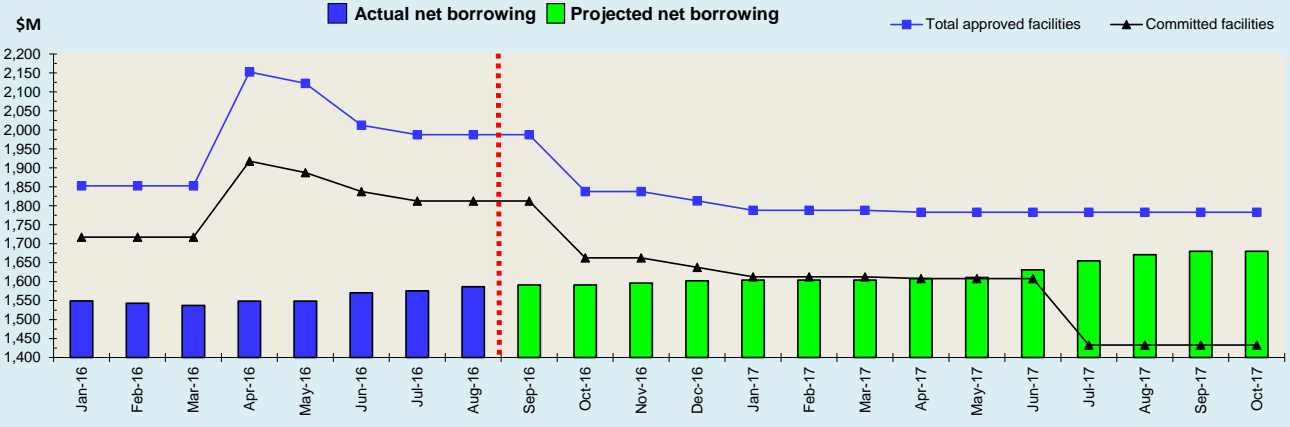


		<b>WATERCARE SERVICES LIMITED</b>				<b>Aug-16</b>
		<b>STATEMENT OF FINANCIAL POSITION</b>				<b>(\$000's)</b>
<b>June 2016 Actual</b>	<b>July 2016 Actual</b>		<b>August</b>			
			<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
		<b>Current assets</b>				
-	264	Cash and cash equivalents	-	-	-	
47,137	50,520	Trade and other receivables from exchange transactions	45,380	47,000	(1,620)	
20,871	19,408	Unbilled revenue accrual	24,149	20,413	3,736	
3,332	3,545	Prepaid expenses	3,537	3,015	522	
5,895	6,574	Inventories	6,579	5,736	843	
3,206	2,361	Derivative financial instruments	2,246	3,793	(1,548)	
<b>80,440</b>	<b>82,672</b>	<b>Total current assets</b>	<b>81,891</b>	<b>79,958</b>	<b>1,933</b>	
		<b>Non-current assets</b>				
8,430,699	8,534,146	Property, plant and equipment	8,562,602	8,506,388	56,214	
454,247	378,748	Construction/work-in-progress	377,840	443,045	(65,204)	
(230,843)	(248,281)	Provision for depreciation	(265,910)	(270,933)	5,023	
<b>8,654,103</b>	<b>8,664,613</b>	<b>Total property, plant and equipment</b>	<b>8,674,533</b>	<b>8,678,500</b>	<b>(3,967)</b>	
42,714	42,136	Intangible assets	41,625	43,651	(2,026)	
23,244	23,309	Prepaid expenses	23,961	23,245	716	
4,373	4,316	Inventories 16,383	4,013	4,356	(343)	
15,138	17,603	Derivative financial instrument 20,483	18,237	12,590	5,647	
<b>8,739,572</b>	<b>8,751,977</b>	<b>Total non-current assets</b> 4,100	<b>8,762,368</b>	<b>8,762,342</b>	<b>26</b>	
<b>8,820,012</b>	<b>8,834,649</b>	<b>Total assets</b>	<b>8,844,259</b>	<b>8,842,300</b>	<b>1,959</b>	
		<b>Current liabilities</b>				
582	-	Bank Overdraft	925	-	925	
149,067	159,017	Commercial paper	159,043	149,071	9,972	
-	279	Bonds	280	279	1	
150,000	150,000	Term loan	150,000	150,000	-	
81,883	56,737	Auckland council loan	56,867	57,013	(146)	
<b>381,532</b>	<b>366,033</b>	<b>Total debt current</b>	<b>367,115</b>	<b>356,363</b>	<b>10,752</b>	
17,047	17,130	Trade and other payables for exchange transactions	12,488	16,198	(3,710)	
10,614	13,158	Interest accrued	15,115	11,255	3,859	
52,582	51,229	Other accrued expenses	46,167	59,747	(13,580)	
8,314	8,436	Provision for staff benefits	8,586	7,463	1,123	
906	906	Other provisions	906	545	361	
33,276	34,574	Derivative financial instruments	34,657	31,189	3,468	
<b>504,271</b>	<b>491,465</b>	<b>Total current liabilities</b>	<b>485,034</b>	<b>482,760</b>	<b>2,274</b>	
		<b>Non-current liabilities</b>				
75,000	75,000	Bonds (26/10/18)	75,000	75,000	-	
50,389	50,365	Bonds (26/10/18)	50,341	50,365	(24)	
19,000	39,000	Bank revolving credit facility	-	-	-	
1,051,816	1,051,527	Auckland council loan	1,101,238	1,097,269	3,969	
<b>1,196,205</b>	<b>1,215,892</b>	<b>Total debt non-current</b>	<b>1,226,579</b>	<b>1,222,634</b>	<b>3,944</b>	
14,301	14,240	Other accrued expenses	14,180	18,215	(4,035)	
3,470	3,470	Other Provisions	3,470	3,470	0	
1,291	1,291	Provision for staff benefits	1,291	1,532	(242)	
268,697	294,600	Derivative financial instruments	299,428	237,552	61,875	
998,200	993,144	Deferred tax liability	993,544	1,009,662	(16,117)	
<b>2,482,165</b>	<b>2,522,637</b>	<b>Total non-current liabilities</b>	<b>2,538,492</b>	<b>2,493,066</b>	<b>45,426</b>	
<b>2,986,436</b>	<b>3,014,102</b>	<b>Total liabilities</b>	<b>3,023,526</b>	<b>2,975,826</b>	<b>47,700</b>	
		<b>Equity</b>				
260,693	260,693	Issued capital	260,693	260,693	-	
1,839,927	1,839,894	Revaluation reserve	1,839,506	1,851,332	(11,826)	
3,800,122	3,732,990	Retained earnings	3,733,378	3,750,433	(17,055)	
(67,166)	(13,030)	Current year earnings after tax	(12,844)	4,017	(16,860)	
<b>5,833,576</b>	<b>5,820,547</b>	<b>Total equity</b>	<b>5,820,733</b>	<b>5,866,474</b>	<b>(45,741)</b>	
<b>8,820,012</b>	<b>8,834,649</b>	<b>Total equity and liabilities</b>	<b>8,844,259</b>	<b>8,842,300</b>	<b>1,959</b>	
					Page A4	

**TREASURY RISKS AND INTEREST RATE PERFORMANCE**

**Aug-16**

5



**Interest rates**

	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	4.83%	4.18%	4.80%
Weighted averages (incl. fees and margins)	5.87%	N/A	5.76%

**Committed facilities**

- Westpac Term Loan facility \$150 million
- BNZ CP Standby facility \$175 million
- Westpac Revolving Credit facility \$60 million
- Medium term notes \$125 million
- Auckland Council \$1,303 million

**Total committed facilities as at 31 August \$1,813 million**

**Debt (\$m)**

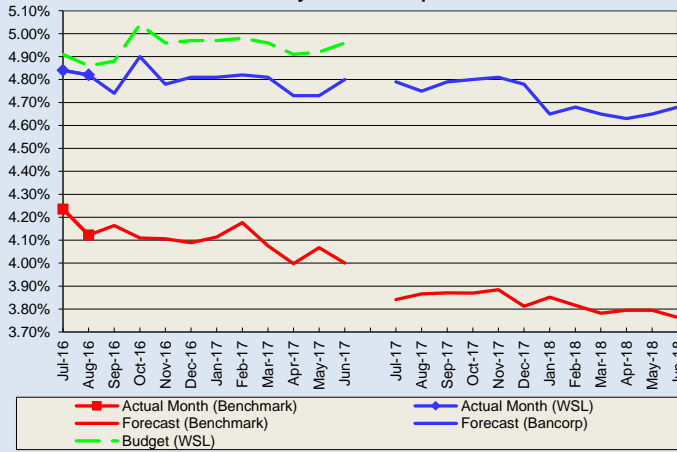
	Actual	Budget	Variance
Short-term borrowings	366.2	356.4	9.8
Long-term borrowings	1,226.6	1,222.6	4.0
<b>Total gross debt</b>	<b>1,592.8</b>	<b>1,579.0</b>	<b>13.8</b>
Bank overdraft / (cash & deposits)	0.9	-	0.9
<b>Total net borrowing</b>	<b>1,593.7</b>	<b>1,579.0</b>	<b>14.7</b>

**Additional approved facilities**

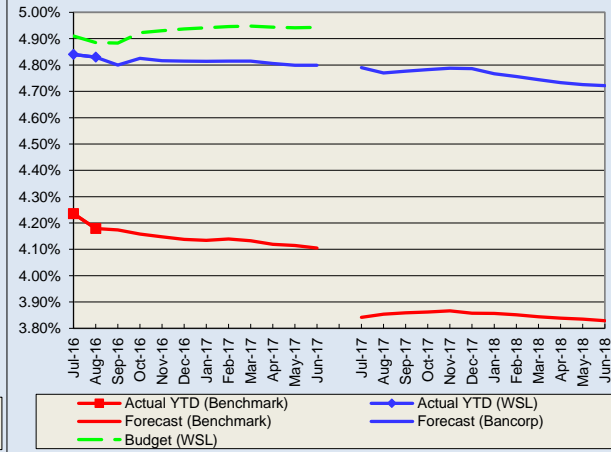
- Approved new funding from Auckland Council \$100 million
- Approved CP issuance, over and above CP Standby facility \$75 million

**Total approved facilities as at 31 August \$1,988 million**

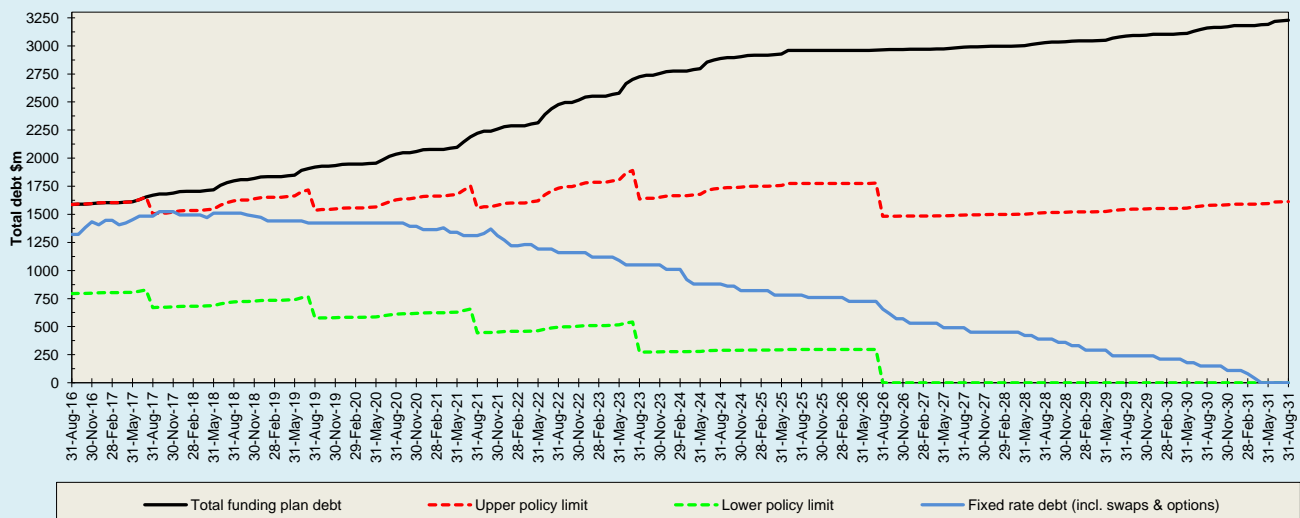
**Monthly interest rate performance**



**Year to date interest rate performance**



**Forecast total debt profile**



COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & COVENANT COMPLIANCE						Aug-16		
<b>Counterparty exposures</b>		<b>S&amp;P credit rating</b> Short / long term	<b>Face value</b> \$000	<b>Credit exposures</b> \$000	<b>Limit</b> \$000	<b>Limit</b> OK / exceeded		
<b>Obligations of registered banks</b>								
ANZ Bank	A1+ / AA-	620,350	959	100,000	Limit OK	✓		
Bank of New Zealand	A1+ / AA-	655,367	23,847	100,000	Limit OK	✓		
Commonwealth Bank of Australia	A1+ / AA-	90,000	667	100,000	Limit OK	✓		
Kiwibank	A1 / A+	75,000	2,364	75,000	Limit OK	✓		
Westpac Institutional Bank	A1+ / AA-	565,350	35	100,000	Limit OK	✓		
		<b>2,006,067</b>	<b>27,872</b>					
<i>Note: Credit exposures are the aggregate of direct exposures, 10% of the 'face' value of forward foreign exchange contracts, 15% of the 'face' value of electricity hedging contracts, and the sum of the MTM value of interest rate derivative contracts plus a 3% 'risk' factor (if this produces a positive value).</i>								
<b>Debt concentration</b>		<b>\$000</b>						
<b>Committed debt facilities</b>	<b>Maturity</b>	<b>0-12 months</b>	<b>12-24 months</b>	<b>24-36 months</b>	<b>36-48 months</b>	<b>48-60 months</b>	<b>&gt; 60 months</b>	<b>Total</b>
Westpac Term Loan facility	13/10/16	150,000						150,000
BNZ CP Standby facility	1/07/17	175,000						175,000
Westpac Revolving Credit facility	30/11/18			60,000				60,000
Medium-term notes	26/10/18			125,000				125,000
Auckland Council	Various	54,668	78,368	82,243	200,000	132,243	755,000	1,302,522
<b>Total committed debt facilities</b>		<b>379,668</b>	<b>78,368</b>	<b>267,243</b>	<b>200,000</b>	<b>132,243</b>	<b>755,000</b>	<b>1,812,522</b>
<b>Treasury policy - total committed debt facilities</b>		<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>		
Treasury policy compliance		✓	✓	✓	✓	✓		
Approved new funding from Auckland Council							100,000	100,000
Approved CP issuance, over and above CP Standby							75,000	75,000
<b>Total committed and approved debt facilities</b>		<b>379,668</b>	<b>78,368</b>	<b>267,243</b>	<b>200,000</b>	<b>132,243</b>	<b>930,000</b>	<b>1,987,522</b>
<b>Drawn bank facilities</b>	<b>Maturity</b>	<b>0-6 months</b>	<b>6-12 months</b>	<b>12-18 months</b>	<b>18-24 months</b>	<b>24-30 months</b>	<b>&gt; 30 months</b>	<b>Total</b>
Westpac Term Loan facility (\$150m)	13/10/16	150,000						150,000
BNZ CP Standby facility (\$175m)	1/07/17							0
Westpac Revolving Credit facility (\$60m)	30/11/18							0
		150,000	0	0	0	0	0	150,000
<b>Treasury policy for drawn bank facilities</b>		<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	
Treasury policy compliance		✓	✓	✓	✓	✓	✓	
<b>Other facilities</b>								
BNZ overdraft	On demand	2,000						2,000
		2,000	0	0	0	0	0	2,000
<b>Counterparty exposure in relation to borrowing facilities</b>		<b>Westpac</b>	<b>BNZ</b>	<b>ANZ</b>	<b>CBA</b>	<b>Kiwibank</b>		
Term loan facility		150,000						
Revolving credit facility		60,000						
CP standby facility			175,000					
		210,000	175,000	0	0	0		
<b>Treasury policy</b>		<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>		
Treasury policy compliance		✓	✓	✓	✓	✓		
<b>Compliance with financial covenants and ratios under the Negative Pledge Deed and Guarantee Facility Deed</b>								
<b>Covenant / ratio</b>		<b>Benchmark/target measure</b>			<b>Outcome</b>		<b>Compliance</b>	
Security interests / total tangible assets - maximum		5%			0.00%		✓	
Total liabilities / total tangible assets - maximum		60%			34.35%		✓	
Total liabilities (including contingent) / total tangible assets - maximum		65%			34.35%		✓	
Shareholders funds - minimum (\$000)		500,000			5,820,733		✓	
EBITDA : funding costs ratio - minimum		1.75			4.36		✓	
Funds from operations : interest cover ratio - minimum		2.00			3.94		✓	
Total tangible assets of borrowing group / total tangible assets - minimum		90%			100.00%		✓	
Loans, guarantees etc to related companies / total tangible assets - maximum		5%			0.00%		✓	
External debt maturing in less than 5 years - minimum		50%			100.00%		✓	
								Page A6

FOREIGN EXCHANGE, COMMERCIAL PAPER & ELECTRICITY HEDGING							Aug-16							
<b>Foreign currency exposures (NZ\$000) including hedging for chemical purchases</b>							<b>USD</b>	<b>EUR</b>	<b>Total</b>					
Total exposure to be hedged							820.6	246.7	1,067.3					
Foreign exchange hedging							820.6	246.7	1,067.3					
Percentage cover							100%	100%	100%					
<b>Treasury policy</b>							<b>100%</b>	<b>100%</b>	<b>100%</b>					
Treasury policy compliance							✓	✓	✓					
<b>Hedging for chemical purchases (US\$000)</b>					<b>Sep-16</b>	<b>Mar-17</b>	<b>Sep-17</b>	<b>Mar-18</b>	<b>Total</b>					
Chemicals forward foreign exchange hedging					500				500					
<b>Treasury policy</b>									0					
Treasury policy compliance									<= 5,000					
									✓					
<b>Commercial paper maturities</b>														
<b>Issue #</b>	<b>\$000</b>	<b>BKBM</b>	<b>Interest rate</b>	<b>Bid cover (x)</b>	<b>Term (days)</b>	<b>Maturity date</b>								
293	50,000	2.420%	2.458%	1.83	97	14-Sep-16								
294	60,000	2.275%	2.295%	2.50	94	31-Oct-16								
295	50,000	2.228%	2.235%	2.67	92	25-Nov-16								
	<b>160,000</b>		<b>2.327%</b>											
<i>Note: BKBM is the banks' mid-rate for bank bills of a similar term on the CP issue date.</i>														
							<b>Sep-16</b>	<b>Oct-16</b>	<b>Nov-16</b>	<b>Dec-16</b>	<b>Jan-17</b>	<b>Feb-17</b>	<b>Beyond Feb-17</b>	<b>Total</b>
Outstanding CP							50,000	60,000	50,000	0	0	0	0	160,000
Uncommitted short-term debt														0
							<b>50,000</b>	<b>60,000</b>	<b>50,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>160,000</b>
<b>Treasury policy for maximum amount of CP outstanding</b>														<= 250,000
Treasury policy compliance														✓
<b>Undrawn committed standby facilities</b>							<b>1 month</b>	<b>1-2 months</b>	<b>2-3 months</b>	<b>3-4 months</b>	<b>4-5 months</b>	<b>5-6 months</b>	<b>&gt; 6 months</b>	
Undrawn committed standby facility - CP facility							175,000	175,000	175,000	175,000	175,000	175,000	175,000	
50% of CP and other short-term debt repayable within 60 days							55,000	55,000	25,000	0	0	0		
<b>Treasury policy:</b> Undrawn standby facilities >= 50% of outstanding CP and other uncommitted short-term debt repayable within 60 days														
<b>Treasury policy compliance</b>							✓	✓	✓	✓	✓	✓		
<b>Electricity hedging (NZ\$000)</b>							<b>0-6 months</b>	<b>6-12 months</b>	<b>12-18 months</b>	<b>18-24 months</b>	<b>24-30 months</b>	<b>30-36 months</b>	<b>36-42 months</b>	<b>42-48 months</b>
Contract maturity														
Contract length														
<b>Total value of outstanding contracts</b>							0							
<b>Treasury policy for maximum value of outstanding contracts</b>							<= 10,000							
Treasury policy compliance							✓							
													Page A7	

# WATERCARE SERVICES LIMITED

## Management Report

Aug-16

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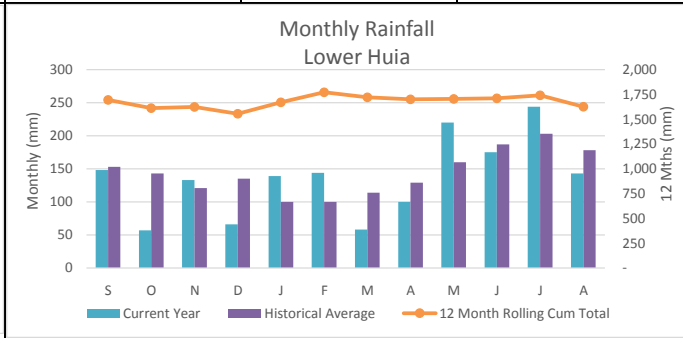
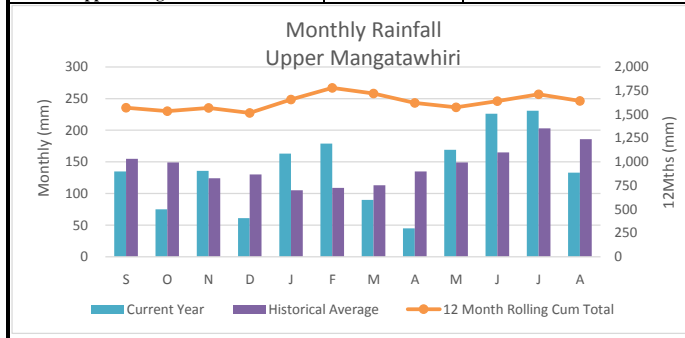
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1 <b>Statistics</b>	
• Monthly Statistics Update	B9

*Confidential*

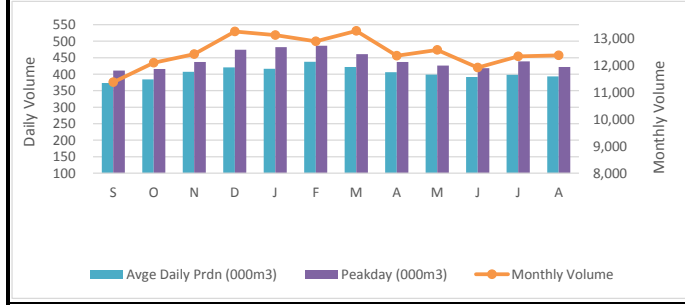
**Management Report** **WATERCARE SERVICES LIMITED** **Aug-16**  
**Monthly Statistics Update**

**Rainfall**

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
<b>Actual - Upper Mangatawhiri</b>	133 mm	1643 mm	<b>Actual - Lower Huia</b>	143 mm	1627 mm



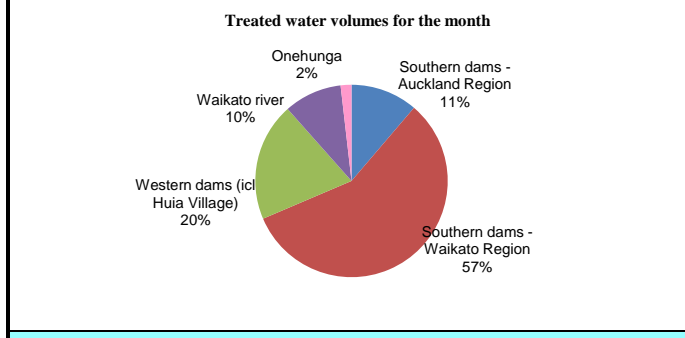
**Water Production - Total Supply**



Treated water volumes (000m <sup>3</sup> )	Current Month	12 Month Rolling Ave
<b>Monthly Volume</b>	12,365	12,492
- Metro	12,189	12,305
- Non-metro	176 <sup>1</sup>	188
<b>Average Daily Production</b>	393	410
<b>Peak Day</b>	422	486 <sup>2</sup>

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

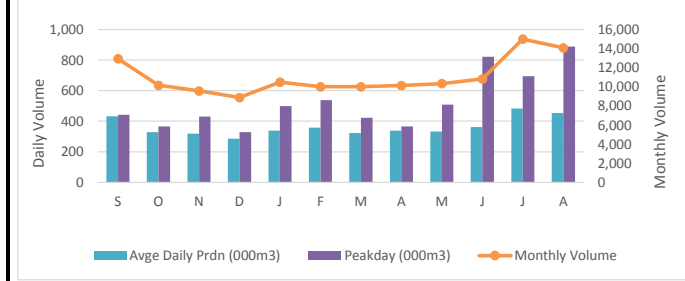
2. Max peak day in past 12 months



Treated water volumes (000m <sup>3</sup> )	Year to Date					
	Current Month		Budget		Actual	
	Actual	%	Budget	Actual	%	Budget
Southern dams - Auckland Region	1,391	11%	1,192	2,422	10%	2,151
Southern dams - Waikato Region	7,089	57%	5,390	13,726	56%	10,350
Western dams	2,455	20%	2,251	5,054	20%	4,487
Waikato river	1,204	10%	2,387	3,021	12%	5,487
Onehunga aquifer	225	2%	560	470	2%	1,161
<b>Total</b>	<b>12,365</b>	<b>100%</b>	<b>11,781</b>	<b>24,694</b>	<b>100%</b>	<b>23,636</b>

Lake levels at month end was 97.5%

**Wastewater Treatment - Metropolitan Treatment**



	Current Month	12 Month Rolling Ave
<b>Monthly Volume (000m<sup>3</sup>)</b>	14,077	11,036
<b>Average Daily Production</b>	454	363
<b>Peak Day</b>	888	888 <sup>2</sup>

2. Max peak day in past 12 months

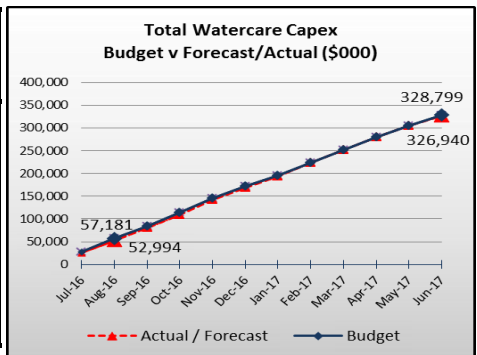


# WATERCARE PUBLIC REPORT

## CAPITAL EXPENDITURE



TOTAL WATERCARE EXPENDITURE	Year to Date		Annual Performance	
	Actual	Budget	Actual + Forecast	Budget
Strategy & Planning	555	1,326	17,985	18,753
Infrastructure Delivery	43,003	37,201	212,996	207,824
Service Delivery	6,981	10,547	61,863	63,936
Retail	434	2,494	10,708	11,808
Information Services	114	1,818	5,938	6,808
Other	424	2,039	6,604	7,428
Capitalised Interest	1,484	1,756	10,846	12,243
<b>Watercare Total</b>	<b>52,994</b>	<b>57,181</b>	<b>326,940</b>	<b>328,799</b>



Project / Programme Infrastructure Related Projects (Phase: Design / Execution)	Project	Annual Performance		Status	
	Current Forecast	Forecast	Budget	Time	Cost

### Water Projects >\$15 Million

Hunua No 4 Programme	318,172	14,085	12,427		
North Harbour Watermain Duplication	38,620	6,527	4,651		
Waikato 175MLD Expansion Stage Ultimate	31,505	16,040	16,240		
Huia No 1 Watermain Replacement	4,711	158	455		
Ardmore WTP Treated Water Resilience	2,910	3,840	3,840		

### Wastewater Projects >\$15 Million

Central Interceptor Feasibility Design	60,880	8,436	7,654		
Mangere WWTP BNR Capacity	141,042	47,817	48,000		
Northern Interceptor - Stage 1	108,563	4,145	3,541		
Pukekohe WWTP Upgrade	65,940	1,974	2,040		
Rosedale WWTP Expansion Project	6,330	2,271	3,966		
Mangere WWTP Solids Stream Upgrade	53,400	12,882	12,900		
Pukekohe Trunk Sewer Upgrade	46,585	28,344	27,854		
Snells Algies WWTP Ocean Outfall	3,995	267	022		
Puketutu Island Rehabilitation	29,385	9,842	10,000		
Glendowie Branch Sewer Upgrade	28,723	845	805		
Fred Thomas Drive WW PS & Storage Tank	27,721	10,880	10,310		
Army Bay WWTP Outfall Upgrade	27,500	3,761	3,824		
Glen Eden Storage & Pipe Upgrade	17,052	10,131	10,131		

### Shared Services >\$15 Million

Networks Controls Upgrade	19,919	4,631	3,900		
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### Capex Programme (Design / Execution)

>\$15 Million	1,032,953	186,873	182,560
>\$2 Million <\$15 Million	125,554	33,002	33,998
<\$2 Million	74,902	20,035	18,049
<b>TOTAL</b>	<b>1,233,410</b>	<b>239,910</b>	<b>234,607</b>

Watercare Services Ltd
<b>Financial Summary</b> 2016-17
<b>Report Period</b> August 2016
<b>Infrastructure Related Projects:</b> Strategy & Planning / Infrastructure Delivery / Service Delivery

#### Traffic light Key:

On target / No adverse Service Delivery impact  
 Short to medium term issues that may impact on outcomes or targets / Minor Service Delivery Impacts  
 Medium to long term issues that are impacting on outcomes or targets / Risk of significant Service Delivery Impact  
 Underspend on the capex variance (-10%)  
 No approved capex or the project is "in-service" indicating the issue is not critical

## Local Board Interaction (As at 7 Sept 2016)

Local Board	Chair	Deputy Chair	July-16	Aug -16	Sept -16
Albert - Eden	Peter Haynes	Glenda Fryer	Respond to questions on wet areas on Mt Albert Reservoir roof affecting dog exercising (14 July).		Tapped in – Spring Edition (1 Sept)
Devonport - Takapuna	Joseph Bergen <i>Watercare Rep (5 May 2015 to end of the 2013-2016 term)</i>	Grant Gillion <i>(5 May 2015 to end of the 2013-2016 term)</i>	Local Board and parks meeting regarding possible use of parks land for temporary contractor parking (12 July). Information re play Ground construction in Takapuna and requirement for works over consent (21 July).		Tapped in – Spring Edition (1 Sept)
Franklin	Andy Baker	Jill Naysmith	Notification of final decision on South West Wastewater Servicing (1 July). Presentation to Councils Rural Advisory Panel on South West wastewater servicing (8 July). Information sent on the Clarks Beach Reservoir and water outages during power surges over the initial commissioning phase (11 July). Update on South West Wastewater Servicing (12 July). Information on the Pukekohe Wastewater Treatment Plant discharge consent application (14 July). Pukekohe Wastewater Treatment Plant consent open day (18 July).	Notice of South West Wastewater consent notification and Pukekohe East Reservoir appeals (2 Aug)	Tapped in – Spring Edition (1 Sept)
Great Barrier	Izzy Fordham	Susan Daly			Tapped in – Spring Edition (1 Sept)
Henderson - Massey	Vanessa Neeson	Shane Henderson			Tapped in – Spring Edition (1 Sept)
Hibiscus and Bays	Julia Parfitt	Greg Sayers	Update on Sidmouth Street wastewater leak (15 July).	Local Board briefing (10 Aug). Mairangi Bay wastewater leak update (25 Aug).	Tapped in – Spring Edition (1 Sept). Information on walkway signage sent to Parks Committee members (7 Sept).
Howick	David Collings	Adele White			Tapped in – Spring Edition (1 Sept)
Kaipatiki	Kay McIntyre	Ann Hartley		Response to escalated complaint regarding water and slippery footpath. Issue investigated and handed over to Stormwater (4 Aug). Notice of wastewater main repair in Island Bay (23 Aug)	Tapped in – Spring Edition (1 Sept)
Mangere - Otahuhu	Lydia Sosene	Carrol Elliott			Tapped in – Spring Edition (1 Sept)
Manurewa	Angela Dalton	Simeon Brown			Tapped in – Spring Edition (1 Sept)

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

Local Board	Chair	Deputy Chair	July-16	Aug -16	Sept -16
<b>Maungakiekie - Tamaki</b>	Simon Randall	Chris Makoare	Local Board Landowner Approval for Glendowie Project (21 July).		Tapped in – Spring Edition (1 Sept)
<b>Orakei</b>	Desley Simpson	Kit Parkinson, Colin Davis (Watercare Rep)	Information on Glendowie wastewater upgrade project sent to Local Board (11 July). Information on Watercare videos sent to Local Board (12 July)		Tapped in – Spring Edition (1 Sept)
<b>Otara - Papatoetoe</b>	Fa'anānā Efeso (Efeso) Collins	Ross Robertson			Tapped in – Spring Edition (1 Sept)
<b>Papakura</b>	Bill McEntee	Michael Turner			Tapped in – Spring Edition (1 Sept)
<b>Puketapapa</b>	Julie Fairey	Harry Doig	Media release shared on leaking Hillsborough pipeline (6 July). Update on leaking pipe repairs (11 July). Local Board workshop briefing on the central Interceptor (12 July). Follow up information on Watercare videos also sent (12 July)	Update on leaking pipe repairs (3 August).	Tapped in – Spring Edition (1 Sept)
<b>Rodney</b>	Brenda Steele	Stephen Garner	Presentation to Councils Rural Advisory Panel on South West wastewater servicing (8 July). Discussion with Thomas Grace re Helensville future water supply (11 July). Update on Warkworth Snells Algies wastewater servicing (12 July). Notification of herbicide reading in water tests (14 July). Wellsford water test update (15 July). Notice of Warkworth Snells Algies and Omaha consent notification (27 July)	Presentation to Warkworth Rotary (18 Aug). Response to question from member on Helensville water supply quality (23 Aug).	Tapped in – Spring Edition (1 Sept). Local Board briefing re Omaha wastewater discharge and proposed easement over golf course (6 Sept).
<b>Upper Harbour</b>	Lisa Whyte (5 May 2015 to end of the 2013-2016 term)	Brian Neeson (5 May 2015 to end of the 2013-2016 term)	Local Board workshop briefing (19 July)		Tapped in – Spring Edition (1 Sept)
<b>Waiheke</b>	Paul Walden	Shirin Brown			Tapped in – Spring Edition (1 Sept). Respond to issue on Waiheke Wastewater Servicing (2 Sept)
<b>Waitakere Ranges</b>	Sandra Coney	Denise Yates	Notification of delays in decision making on Huia Water Treatment Plant (20 July). Invitation to dawn blessing for Glen Eden wastewater project (28 July).	Local Board Briefing – NI and NH2	Tapped in – Spring Edition (1 Sept)
<b>Waitemata</b>	Shale Chambers	Pippa Coom			Tapped in – Spring Edition (1 Sept)
<b>Whau</b>	Catherine Farmer	Susan Zhu	Information to Derek Battersby on reinstatement (14 July).	Notice of water leak and low pressure in New Lynn (12 August). Information in response to social media discussion on Avondale watermain breaks (18 Aug).	Tapped in – Spring Edition (1 Sept)
<b>Manukau Harbour Forum</b>	Jill Naysmith		Notification of final decision on South West Wastewater Servicing (1 July). Media	Update on leaking pipe repairs (3 Aug).	Tapped in – Spring Edition (1 Sept)

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

Local Board	Chair	Deputy Chair	July-16	Aug -16	Sept -16
			release shared on leaking Hillsborough pipeline (6 July). Update on leaking pipe repairs (11 July).		