

WATERCARE SERVICES LIMITED

AGENDA | Board meeting | 31/7/2015

Venue	Watercare, 73 Remuera Road, Newmarket
Time	11am

Open Public Meeting

Item	Spokesperson	Action sought at governance meeting	Supporting Material
1. Apologies	Chair	<ul style="list-style-type: none"> Record Apologies 	
2. Minutes of Meeting	Chair	<ul style="list-style-type: none"> Approve Board Meeting Minutes <ul style="list-style-type: none"> 26 June 2015 	Minutes 26 June 2015
3. Directors' Corporate Governance Items	Chair	<ul style="list-style-type: none"> Corporate Planner 2015 Review Disclosure of Interests (Directors & Executive Management) Organisation Chart 	Corporate Planner Disclosure of Interests Organisation Chart
4. Chief Executive's Report and Scorecard	R Jaduram	<ul style="list-style-type: none"> Note the Chief Executive's report <ul style="list-style-type: none"> Customer Services Infrastructure and Planning Service Delivery Finance Board Correspondence Execution of Documents Communications Working with Local Boards Statutory Planning Asset Management Plan and Long Term Financials Review Timetable 	Chief Executive's Report
5. Summer Wastewater Tariff Options Assessment	M Bridge	<ul style="list-style-type: none"> Note presentation 	Presentation (no pack content)
6. General Business	Chair		

Date of next Meeting – 20 August 2015

Location – Ardmore Water Treatment Plant, 250 Creightons Road, Ardmore.

MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Boardroom Level 2, Watercare Services Limited, 73 Remuera Road, Remuera, Auckland
DATE	26 June 2015
TIME	11:00
STATUS	Open Session

	Present:	In Attendance:	Public in Attendance:
	M Allen D Clarke (Chairman) N Crauford P Drummond C Harland J Hoare T Lanigan D Thomas M Kingi (Board Observer)	M Bridge R Chenery S Cunis R Fisher D Hawkins R Jaduram B Monk T Munro R O'Connor B Taplin J van Brink S Webster D Whittaker	None
1.	Apologies <ul style="list-style-type: none"> There were no apologies. 		
2.	Minutes of Previous Meeting <ul style="list-style-type: none"> The Board resolved that the Minutes of the public section of the Board meeting held on 29 May 2015 be confirmed as correct. 		
3.	Directors Corporate Governance Items <ul style="list-style-type: none"> Corporate Planner 2015 The Corporate Planner for 2015 was noted. Disclosure of Interests Senior Executive interests are to be noted. Organisation Chart The organisation chart was noted. 		
4.	Chief Executive's Report and Scorecard <ul style="list-style-type: none"> Customer Services Marlon Bridge advised that there had been a slight drop in satisfaction levels within the performance of the maintenance crews. He advised that KPI measures are being adjusted with a greater emphasis on resolution of matters as opposed to calls being completed in a given time period. Service Delivery Storage lake levels have improved but are still slightly below the storage levels at the end of May. The pumping from the Waikato River is regularly up to 140MLD averaging around 130MLD. 		

	<ul style="list-style-type: none"> Finance <p>Brian Monk advised that water and wastewater revenue was up slightly as a result of a small increase in volumes sold.</p> <p>IGC revenue is also up reflecting greater building activity.</p> <p>There have been savings in interest costs.</p> <p>Debt levels are about \$80m less than projected.</p> <p>The Board was advised that when applying restrictions, management takes a very conservative approach.</p> <p>The Chief Executive advised that, in future, a list of total contract sums awarded to contractors and suppliers will be provided on the website.</p>
5.	<p>2015/2016 Budget</p> <ul style="list-style-type: none"> Brian Monk spoke to the paper, noting the Board had previously seen the budget as part of the Council's Long Term Plan process. <p>The budget provides for a 2.5% increase in water and wastewater volumes as a result of population growth.</p> <p>The Board resolved to approve the capital expenditure budget of \$396.8m and operating budget of a net surplus of \$26.07m for the year ended 30 June 2016.</p>
6.	<p>Customer Focus Business Plan</p> <ul style="list-style-type: none"> Marlon Bridge gave a presentation on the enhanced approach to customer focus including a timeline for specific initiatives such as 'Voice of the Customer', an enhanced website and smart meters. <p>The Board received the presentation.</p>
7.	<p>General Business</p> <ul style="list-style-type: none"> Peter Gaskin gave a presentation on the results of the Employee Survey 2015. There was an 87% response rate which was an improvement on previous surveys. There were improved results in key focus areas such as creating a supportive culture, and making the most of people through development. The Board received the presentation. The public section of the meeting closed at 12:45.

CERTIFIED AS A TRUE AND CORRECT RECORD

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Chairman

WATERCARE BOARD PLANNER 2015

	2015											
	January	February	March	April	May	June	July	August	September	October	November	December
Board Meeting		4 Feb Newmarket 26 Feb - Workshop Newmarket	19 March Mangere	30 April Newmarket	29 May Newmarket*	26 June Newmarket	31 July Newmarket	20 Aug Ardmore	25 Sept Newmarket	29 Oct Newmarket*	19 Nov Rosedale	16 Dec Newmarket
Health & Safety Committee Meeting			19 March Mangere	30 April Newmarket	29 May Newmarket	26 June Newmarket			25 Sept Newmarket	29 Oct Newmarket		16 Dec Newmarket
Health & Safety Committee Workshops		26 Feb Newmarket		2 April Newmarket	6 May Newmarket	4 June Newmarket	2 July Newmarket	6 Aug Newmarket	3 Sept Newmarket	1 Oct Newmarket	5 Nov Newmarket	3 Dec Newmarket
Audit + Risk Committee Meeting		^4 Feb Newmarket			6 May Newmarket		^31 July Newmarket	17 Aug Newmarket			10 Nov Newmarket	
Capital Projects Working Group		4 Feb Newmarket		30 April			15 July Newmarket			21 October Newmarket		
Remuneration Committee		26 Feb Newmarket						31 August Newmarket			19 Nov Rosedale	
Statement of Intent		Approval of Draft 2015-2018 SOI	1 March Draft SOI to shareholder		Present shareholder SOI feedback at public meeting	Final 2015- 2018 SOI issued to shareholder			Work on 2016-2019 Sol Key dates yet to be advised by Auckland Council			
Shareholder Interaction			3 March CCO Governance & Monitoring Committee		12 May CCO Governance & Monitoring Committee (Q3)			4 August CCO Governance & Monitoring Committee (Tentative)(Q4)				
Key Finance Decisions						26 June Approval of 2015/16 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

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests

Date: 1 July 2015

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

<i>Director</i>	<i>Interest</i>
David Clarke	<ul style="list-style-type: none"> – Chairman, TRGG Ltd – Radiology Services – Chairman, Skin Institute – Director, Hawkins Watts Ltd – Director, FarmIQ Systems Ltd – Director, Hynds Group Ltd – Chairman, Health Alliance Limited – Chairman, Jucy Group Limited
Peter Drummond	<ul style="list-style-type: none"> – Chairman, Appliance Connection Ltd – Chairman, Watercare Harbour Clean Up Trust – Chairman, Variety Medical Missions South Pacific – Chairman, Ngati Whatua o Orakei Whai Maia – Director, NARTA New Zealand Ltd – Director, NARTA International PTY Ltd – Panel member , Fire Review, Dept Internal Affairs – Director – Ports of Marlborough Limited – Director – Ngati Awa Group Holdings Limited
Catherine Harland	<ul style="list-style-type: none"> – Director, McHar Investments Ltd – Director, Interface Partners Ltd – Trustee, One Tree Hill Jubilee Educational Trust – Member, Auckland Regional Amenities Funding Board
Tony Lanigan	<ul style="list-style-type: none"> – Director and Shareholder, A G Lanigan & Associates (2007) Limited – Shareholder, Fletcher Building – Director, Habitat for Humanity New Zealand Limited – Director and Shareholder, Lanigan Trustee Limited – Director and Shareholder, Lanison and Associates Limited – Director and Chair, NZ Housing Foundation Limited – Director, Tamaki Makaurau Community Housing Limited – Director, NZ Transport Agency (NZTA) – Member, Ministry of Health Hospital Redevelopment Partnership Group for Canterbury
Mike Allen	<ul style="list-style-type: none"> – Director, Coats Group PLC – Director, Godfrey Hirst Australia and related companies – Shareholder, Innoflow – Director, Tainui Group Holdings Limited – Director, Breakwater Consulting Limited – Director, China Construction Bank (New Zealand) Limited
Julia Hoare	<ul style="list-style-type: none"> – Director, AWF Group Limited – Director, New Zealand Post Limited – Director, The A2 Milk Company Limited – Member, Auckland Committee, Institute of Directors

	<ul style="list-style-type: none"> – Member, Advisory Panel to External Reporting Board – Member, Institute of Directors Council
Nicola Crauford	<ul style="list-style-type: none"> – Chair, Wellington Rural Fire Authority – Director, Environmental Protection Authority – Member of Electoral Authority - Cooperative Bank Limited – Senior Consultant - WorleyParsons New Zealand Ltd – Director and Shareholder - Riposte Consulting Limited – Director and Shareholder - Crauford Robertson Consulting – Director and Shareholder - Martin Crauford Limited – Director, Wellington Water Limited – Director, Orion New Zealand Limited – Member, Local Government Risk Management Agency Establishment Board – Chair, GNS Science
David Thomas	<ul style="list-style-type: none"> – Chairman, Ngati Whakaue Tribal Lands Inc – Council Member, Business New Zealand – Board Member, EMA (Northern) – Chairman, Gypsum Board Manufacturers of Australasia – Shareholder / Employee – Fletcher Building Limited

RECOMMENDATION

That the report be noted.

Report prepared by:

Approved by:

R Fisher
General Counsel

R Jaduram
Chief Executive

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests – Executive Management

Date: 7 July 2015

<i>Executive</i>	<i>Interest</i>
Raveen Jaduram	Director – Wellington Water Limited Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Island Trust
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 Trustee - Te Motu a Hiaroa (Puketutu Island) Island 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 Trustee - Te Motu a Hiaroa (Puketutu Island) Island Trust
Bruce Taplin	Director – Executive Safety Limited
Steve Webster	Director – Howick Swimgym Limited
Shayne Cunis	Chairman – Kelston High School Board of Trustees
Peter Gaskin	Director - CPG Limited Director - Zebra Promotional Limited

RECOMMENDATION

That the report be noted.

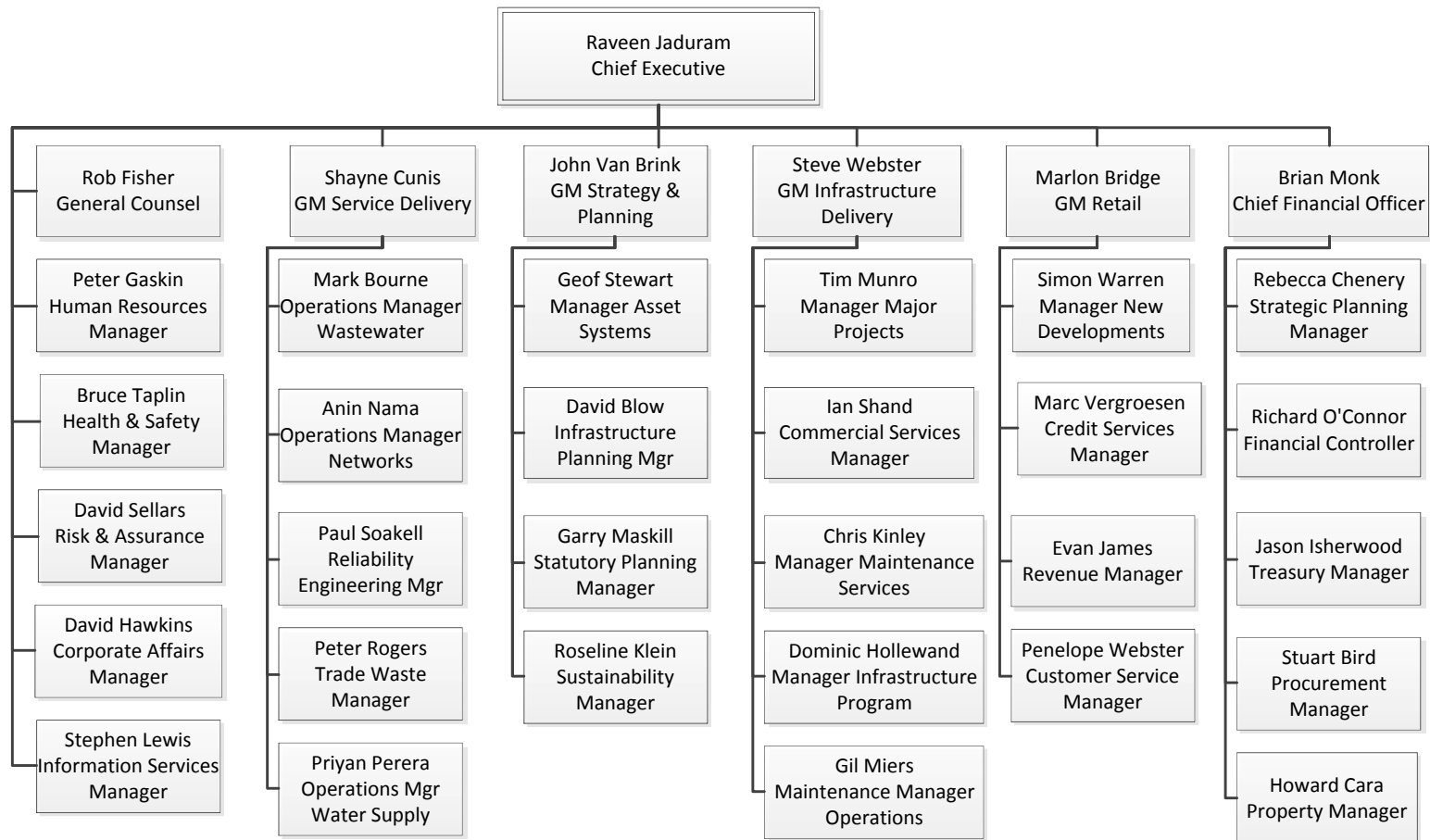
Report prepared by:

Approved by:

R Chenery
Strategic Planning Manager

R Jaduram
Chief Executive

ORGANISATION STRUCTURE – JUNE 2015



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

WATERCARE SCORECARD 2014/15

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

Focus	Performance Measure	SOI	2014/15 Target	Amber Threshold	Red Threshold	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	
1 Safe and Reliable Water																			
1a	Percentage compliance with Mch drinking water standards for graded plants (annual measure)	☑	100%	n/a	<100%	Projected result for 2014/15 = 100%													
1b	Percentage of metropolitan water treatment plants achieving Grade A (annual measure)	☑	100%	n/a	<100%	Projected result for 2014/15 = 100%													
1c	Percentage of metropolitan water supply reticulation achieving Grade A (annual measure)	☑	100%	n/a	<100%	Projected result for 2014/15 = 100%													
1d	Percentage of non-metropolitan water treatment plants achieving Grade A (annual measure)	☑	50%** (2013/14 target = 45%)	n/a	<45%	Projected result for 2014/15 = 50%													
1e	Percentage of non-metropolitan water supply reticulation achieving Grade A (annual measure)	☑	50%** (2013/14 target = 25%)	n/a	<25%	Projected result for 2014/15 = 70%													
1f	Percentage of unplanned water shutdowns restored within five hours (12 mth rolling average)	☑	≥95%	93% to <95%	<93%	96%	98%	98%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	96%
1g	Number of unplanned water interruptions per 1000 connected properties (12 mth rolling average)	☑	≤10	>10 to 12	>12	8.0	8.0	7.9	8.0	7.9	7.8	7.7	7.5	7.5	7.2	7.0	6.8	6.6	6.6
1j	Unrestricted demand - metropolitan		Unrestricted	Subjective	Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
1j	Unrestricted demand - non-metropolitan		Unrestricted	Subjective	Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
2 Healthy Waterways																			
2a	Number of dry weather sewer overflows per 100km of wastewater pipe length per year (12 mth rolling)	☑	≤5	>5 to 7	>7	1.83	1.94	1.88	1.93	2.04	2.00	2.06	2.16	2.10	2.05	2.02	1.94	1.86	1.86
2b	Average number of wet weather overflows per discharge location	☑	WW network discharge consent lodged and operational	n/a	Consent not lodged and operational	Consent granted in June 2014													
2c	Number of sewer bursts and chokes per 1000 properties (12 mth rolling average)	☑	≤10	>10 to 12	>12	8.80	8.50	8.40	8.50	8.50	8.40	8.30	8.20	8.20	7.90	7.70	7.70	7.30	7.30
2d	Percentage of wastewater discharged that is compliant with consent discharge requirements for metropolitan	☑	100%	98 to <100%	<98%	Projected result - 100%													
2d	Percentage of wastewater discharged that is compliant with consent discharge requirements for non-metropolitan	☑	35%	n/a	<35%	Projected result - 65%													
2f	Number of successful RMA prosecutions against Watercare	☑	0	≥1	subsequent prosecutions for same or similar offences	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Customer Satisfaction																			
3a	Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater service	☑	≥80%	≥75% to <80%	<75%	89.7%	88.7%	88.4%	85.8%	88.1%	88.8%	87.0%	88.3%	86.1%	83.5%	87.6%	84.4%	88.2%	88.2%
3b	Percentage of calls answered within 20 seconds (12 mth rolling average)	☑	≥80%	≥75% to <80%	<75%	82.3%	81.8%	82.1%	93.6%	82.6%	82.1%	82.2%	82.1%	83.4%	85.1%	85.1%	85.8%	85.0%	85.0%
3c	Number of water quality complaints (taste, odour, appearance) per 1,000 water supply connections (12 mth rolling average)	☑	≤5	>5 to 5.5	>5.5	5.9	5.9	5.9	6.0	5.9	5.8	5.7	5.3	4.80	4.80	4.80	4.80	4.70	4.70
3d	Percentage of complaints being 'closed and resolved' within 10 working days (12 mth rolling average)	☑	≥95%	≥90% to <95%	<90%	94.2%	94.3%	94.8%	95.0%	95.0%	95.0%	96.3%	96.6%	96.8%	97.6%	98.1%	98.5%	98.5%	98.5%
3e	Abandonment rate and call volume (12 mth rolling average)	☑	≤3%	>3% to ≤3.5%	>3.5%	2.0%	2.1%	2.1%	2.0%	2.0%	2.1%	2.1%	2.1%	2.0%	1.8%	1.6%	1.5%	1.5%	1.5%
3f	Customer correspondence and resolution within 10 working days (12 mth rolling average)	☑	≥95%	≥90% to <95%	<90%	99.5%	99.5%	99.7%	99.7%	99.7%	99.7%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%
3g	Customer experience survey - Maintenance	☑	≥80%	≥75% to <80%	<75%	87.6%	86.4%	84.5%	81.1%	82.9%	84.0%	85.9%	86.0%	81.2%	83.6%	83.6%	76.7%	84.1%	84.1%
4 Health, Safety and Wellbeing																			
4a	Lost-time injury frequency rate per million hours worked (12 mth rolling average)	☑	≤5	5 - 7	>7	6.33	5.65	5.60	6.21	6.79	7.93	8.48	7.86	7.20	5.34	4.47	5.31	6.42	6.42
4b	Level of ACC workplace management practices accreditation	☑	Tertiary	Primary Accreditation	Loss Accreditation	Tertiary	Tertiary	Tertiary	Tertiary	Tertiary	Tertiary	Expired - reaudit underway	Expired - reaudit underway	Expired - reaudit underway	Tertiary	Tertiary	Tertiary	Tertiary	Tertiary
4c	Percentage of total hours absent due to illness (12 mth rolling average)	☑	≤2.5%	>2.5 to 3.5%	>3.5%	2.13%	2.13%	2.81%	2.12%	2.10%	2.07%	2.06%	2.09%	2.11%	2.12%	2.11%	2.09%	2.16%	2.16%
4d	Percentage of voluntary leavers relative to number of permanent staff (12 mth rolling average)	☑	≤12%	>12 to 14%	>14%	12.50%	12.48%	12.54%	12.06%	11.61%	11.50%	10.28%	11.00%	11.84%	11.22%	12.48%	12.54%	10.87%	10.87%
4e	Total recordable injury frequency rate	☑	<30	>30 to <33	>33	11.40	13.19	11.20	13.05	16.68	18.30	18.78	15.11	19.79	17.20	18.33	19.45	19.84	19.84
5 Financial																			
5a	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	☑	≥2.5	2.4 to <2.5	<2.4	3.30	3.34	3.31	3.46	3.38	3.32	3.35	3.40	3.38	3.45	3.40	3.34	3.32	3.32
5b	Percentage of household expenditure on water supply services relative to the average household income	☑	≤1.5%	1.2 to <1.5	>1.5	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.91%	0.91%	0.92%	0.92%	0.92%	0.87%	0.87%
5c	Water & wastewater revenue against budget YTD %	☑	≥100%	≥98% to <100%	<98%	99%	100%	101%	101%	101%	100%	99%	100%	100%	100%	100%	100%	100%	100%
5d	Infrastructure growth charge revenue against budget YTD %	☑	≥100%	≥95% to <100%	<95%	132%	164%	156%	206%	189%	167%	173%	164%	156%	156%	149%	146%	147%	147%
5e	Other revenue against budget YTD %	☑	≥100%	≥95% to <100%	<95%	233%	149%	131%	138%	138%	248%	264%	250%	176%	174%	174%	179%	188%	188%
5f	Controllable costs against budget YTD %	☑	≤100%	>100 to ≤102%	>102%	100%	98%	96%	98%	99%	98%	99%	99%	98%	99%	99%	101%	101%	101%
5g	Total contribution against budget YTD (\$ millions)	☑	+	-\$0.1m to -\$2m	> -\$2m	29.30	3.60	7.30	15.87	18.18	18.48	22.37	26.79	27.94	26.76	24.98	22.53	26.13	26.13
5h	Net surplus / deficit before tax against budget YTD (\$ millions)	☑	+	-\$0.1m to -\$2m	> -\$2m	-7.30	-1.40	-14.70	-4.63	-22.12	-28.00	-43.59	-90.04	-74.28	-76.19	-67.08	-63.05	-66.59	-66.59
5i	Total net borrowing against budget YTD (\$ millions)	☑	≤\$0.1m	> \$0.1m to \$10m	> \$10m	-28.30	-8.10	-19.50	-20.60	-20.40	-25.50	-29.70	-34.80	-49.30	-71.70	-71.20	-86.10	-79.40	-79.40
5j	Total 60 days+ debtors (\$ millions)	☑	<\$3m	>\$3m to <\$3.5m	> \$3.5m	2.07	1.67	1.56	1.34	1.43	1.82	2.03	1.77	1.71	1.72	1.74	1.74	1.70	1.70
6 Effective Asset Management																			
6a	Percentage of actual capital expenditure relative to budget YTD	☑	≥85% to ≤100%	≥80% to <85%	<80%	100%	68%	91%	84%	84%	86%	84%	85%	83%	84%	82%	83%	86%	86%
7 Sustainable Environment																			
7a	Per capita consumption (litres / person / day) (12 mth rolling average) - Overall	☑	278+/-5%** (2013/14 target = 280+/-5%)	283 to 290	>290	270	270	270	270	269	267	266	273	273	273	273	273	271	271
7a1	Per capita consumption (litres / person / day) - Residential Monthly PCC		No specific target - information only			145	140	140	141	144	156	163	170	170	163	155		Sourced from metering data, reporting lag as a result of actual readings occurring every 2nd month	
7a2	Non-Domestic Monthly Water Volume		No specific target - information only			2,773,596	2,837,670	2,801,523	2,701,694	2,889,481	2,858,163	2,892,951	2,898,831	3,079,838	3,344,422	2,864,637		Sourced from metering data, reporting lag as a result of actual readings occurring every 2nd month	
7b	Percentage of annual potable water network losses (12 mth rolling average) - Overall	☑	≤13%** (2013/14 target = ≤14%)	>13 to 13.2%	>13.2%	14.00%	13.97%	13.40%	13.30%	13.45%	13.58%	13.66%	13.89%	13.66%	13.66%	13.50%	13.31%	12.95%	12.95%
7b1	Percentage of annual potable water network losses (12 mth rolling average) - Rural		No specific target - information only			27.47%	27.26%	26.40%	26.36%	25.92%	25.22%	25.19%	24.95%	23.92%	20.85%	20.35%	19.51%	19.06%	19.06%
7b2	Percentage of annual potable water network losses (12 mth rolling average) - Urban		No specific target - information only			13.64%	13.51%	13.44%	13.50%	13.42%	13.17%	13.40%	13.67%	13.49%	13.54%	13.38%	13.21%	12.85%	12.85%
8 Policy Compliance																			
8a	Treasury Policy - Committed facilities (liquidity risk)		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy
8b	Treasury Policy - Fixed interest rate risk		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy
8c	Treasury Policy - Credit risk		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy
8d	Treasury Policy - Funding risk		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy
8e	Treasury Policy - Foreign exchange risk		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy

4

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

WATERCARE SCORECARD 2014/15

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

Focus	Performance Measure	SOI	2014/15 Target	Amber Threshold	Red Threshold	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
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** Target has changed from 1 July 2014 (14/15 Statement of Intent)

2015/25 LTP Measures

						Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	
9a	The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)																		
9b	The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)																		
9c	The percentage of real water loss from the local authority's networked reticulation system (rolling 12 mth average)	≤13%	>13 to 13.2%	>13.2	14.00%	13.97%	13.40%	13.30%	13.45%	13.58%	13.66%	13.89%	13.66%	13.66%	13.50%	13.31%	12.95%		
9d	Median response time for attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site.																		
9e	Median response time for resolution of urgent calls-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption																		
9f	Median response time for attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site																		
9g	Median response time for resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption																		
9h	The total number of complaints received by the local authority about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system																		
9i	The average consumption of drinking water per day per resident within the territorial authority district (rolling 12 mth average)	±7.5%+/-5%*** (2013/14 target = 280+/-5%)	283 to 290	>290	270	270	270	270	269	267	266	273	273	273	273	273	273	271	
9j	The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system																		
9k	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents																		
9l	Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that the territorial authority receives notification to the time that service personnel reach the site																		
9m	Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault																		
9n	The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system expressed per 1000 connections to the territorial authority's sewerage system																		

4

Watercare Services Limited

Subject: Chief Executive Report – June 2015

Date: 15 July 2015

1. CUSTOMER SERVICES

June's performance against SOI measures was good with all customer services SOI targets being met. Results for customer service performance metrics for the month were above target. Notably, 100% of complaints and 99.8% of all correspondence were resolved within 10 working days, against the target of 95%. The result for the month continued to improve the rolling 12 month results to 98.5% and 99.8% respectively.

Customer satisfaction increased in June with all metrics exceeding 80% for billing, general and faults enquiry types. There was an increase in customer satisfaction with the maintenance crews when responding to faults with 84.1% of customers surveyed being satisfied in June.

2. INFRASTRUCTURE AND PLANNING

The capital programme was 10% under budget at year end, primarily as a result of timing. Highlights for the month include the signing of the Mangere BNR construction contract, the successful transition of the Maintenance Services Operations (MSO) North Western region and the on boarding of a contractor to develop and deliver the design/build for the Pukekohe Trunk Sewer upgrade.

The Cornwall Park Trust Board requested to meet with Watercare following negative media coverage and public reaction arising from their refusal to allow the Hunua 4 pipeline to pass through Cornwall Park. Correspondence between Watercare and the Chairman of the Trust Board is attached as Appendix F.

A subsequent meeting has taken place between Watercare and a Trustee and management team from the Trust. We have undertaken to engage and work co-operatively during the construction phase.

Watercare staff continued to engage with Auckland Council on Special Housing Areas, the Unitary Plan and the Long Term Plan. A programme to consent and upgrade the rural waste water treatment plants has been initiated; the programme will develop regional long term solutions.

There was increased engagement with developers and planners to support and enable priority for housing growth.

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

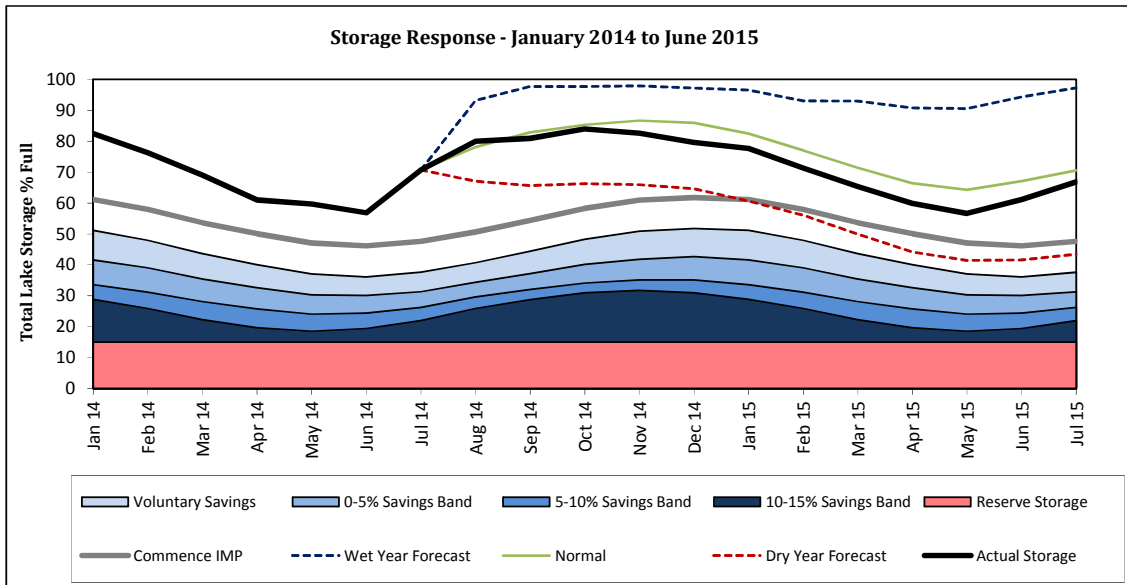
3. SERVICE DELIVERY

Rainfall and Water Resources

The Auckland region experienced below average rainfall in June:

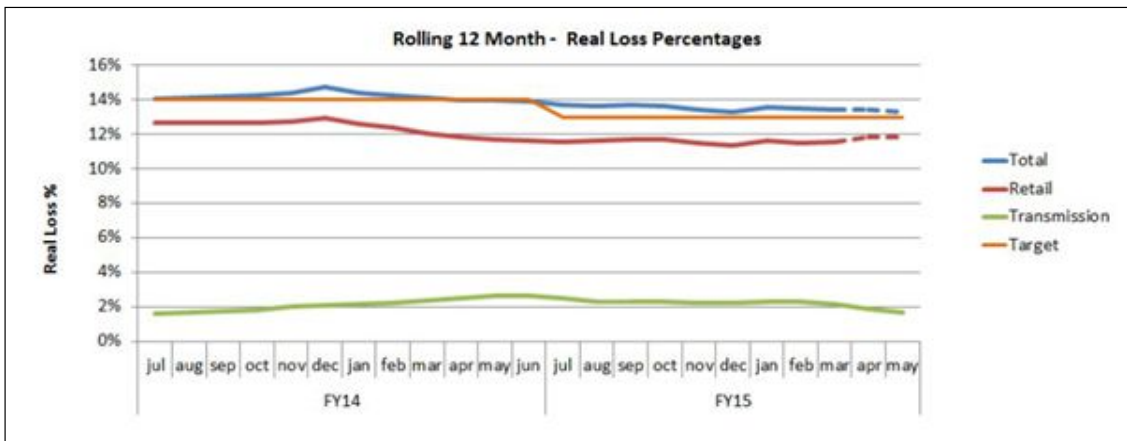
Waitakere Ranges	90% of average
Hunua Ranges	98% of average
Northern Non-metropolitan	54% of average
Southern Non-metropolitan	70% of average

Metropolitan total system storage increased in June from 61.1% to 66.8%. This is below the average storage for the end of June (70.6%) but above the budgeted starting position for FY16 (65.0%). Weather forecasts for July 2015 indicate rainfall is expected to be normal or below normal, and temperature near average. Longer term, for July – September 2015, temperatures are most likely to be average, with rainfall most likely to be below normal. Storage levels have reached 68.7% as of 19 July.



Real Water Losses

The 12 month rolling average for real losses is 12.95% against a Statement of Intent Target of 13%.



Wastewater

The recent installation of two additional sand filters at the Owhanake WWTP has resulted in the first fully compliant month of data for the discharge for some time. The new sand filters have permitted the other previously overloaded sand filters to recover their aerobic activity.

The year-end result for compliance with consent discharge requirements at the metropolitan wastewater treatment plants was 99.22% against a target of 100%. This result was due to a one-off, three-day incident at Mangere Wastewater Treatment Plant where huge inflows caused by storms overloaded the secondary treatment process and limited its effectiveness.

Networks

Downers have successfully mobilised as the new Northern Area Networks Maintenance Contractor and started receiving fault calls from 7pm Monday 29 June 2015.

Demobilisation continues with Lend Lease with particular emphasis on closing jobs and resolving their financial claims.

4. FINANCE

Financial Performance (Unaudited Draft Results)

Figures (\$millions)	Current Month			Full Year		
	Actual	Budget	Var	Actual	Budget	Var
Revenue	44.68	39.82	4.85	520.40	499.58	20.82
Operating Expenses	16.30	15.82	(0.48)	204.57	201.59	(2.98)
Depreciation	18.95	17.51	(1.43)	208.73	210.44	1.71
Interest expense	6.24	6.90	0.66	73.99	80.57	6.58
Total Contribution	3.19	(0.42)	3.61	33.11	6.98	26.13
Non-operating costs/(income)	7.02	0.57	(6.45)	11.05	7.00	(4.05)
Financial instruments revaluation - loss/(gain)	(0.30)	-	0.30	88.64	-	(88.64)
Operating Surplus / (Deficit) Before Tax	(3.54)	(0.99)	(2.55)	(66.59)	(0.02)	(66.56)
Deferred Tax - Expense/(Credit)	(4.82)	(0.96)	3.86	(11.01)	4.51	15.53
Net Surplus / (Deficit) After Tax	1.29	(0.03)	1.31	(55.57)	(4.54)	(51.04)
FFO Ratio				3.38	2.94	
Operating EBITDAF	28.38	24.00	4.38	315.83	297.99	17.84
EBITDA	21.65	23.43	(1.78)	216.13	290.99	(74.86)
EBIT	2.70	5.91	(3.21)	7.40	80.55	(73.14)

Month – Total Contribution of \$3.19 m - favourable variance to budget of \$3.61m

Total revenue was favourable \$4.85m to budget largely due to IGC revenue favourable by \$2.05m, timing of recognition of subvention income from Auckland Council (favourable \$2.20m) and higher than budgeted water volumes. Water and wastewater revenues were favourable \$0.76m.

Operating expenses were unfavourable \$0.48m to budget with unfavourable variances for planned maintenance, asset operating costs partially offset by professional services.

Depreciation was unfavourable to budget \$1.43m due to accelerated depreciation on resource consents.

Interest expense was \$0.66m favourable to budget.

Full Year – Total Contribution of \$33.11m - favourable variance of \$26.13m

2014/15 revenue was \$20.82m favourable to budget primarily due to IGC revenue favourable \$16.09m, vested asset income favourable \$3.09m. Water and wastewater revenue was consistent with budget with year to date water volumes 0.15% under budget.

Operating expenses were \$2.98m unfavourable to budget with unfavourable variances for, unplanned maintenance and other asset operating costs partially offset by professional services, general overheads and planned maintenance.

Depreciation was favourable \$1.71m to budget.

Interest expense was \$6.58m favourable to budget.

Full Year – Net Deficit after Tax of \$55.57m – unfavourable variance of \$51.04m

The 2014/15 unfavourable variance of \$51.04m was primarily due to the unfavourable revaluation of financial instruments of \$88.64m resulting from the substantial decrease in medium to long term swap rates since June 2014 partially offset by the \$26.13m year to date favourable operating contribution.

Financial Position

\$million	Actual May-15	Actual Jun-15	Monthly Movement	Budget Jun-15	Var from Budget
Non Current Assets	8,384.0	8,758.1	374.0	8,916.4	(158.3)
Current Assets	73.0	79.5	6.5	66.7	12.8
Total Assets	8,457.0	8,837.6	380.7	8,983.1	(145.5)
Other Liabilities	270.4	281.6	11.2	182.9	98.7
Deferred Tax Liability	959.0	1,054.2	95.1	1,085.2	(30.9)
Borrowings - Short Term	218.0	197.9	(20.1)	168.2	29.7
Borrowings - Long Term	1,283.3	1,319.1	35.8	1,425.3	(106.3)
Shareholders Funds	5,726.2	5,984.7	258.6	6,121.5	(136.7)
Total Liabilities and Shareholders Funds	8,457.0	8,837.6	380.7	8,983.1	(145.5)

The major movements in the Statement of Financial Position as at 30 June 2015 compared with 31 May 2015 were the increase in non-current assets reflecting the revaluation of property, plant & equipment and capital expenditure net of depreciation in the month, an increase in borrowings (\$15.7m), increase in other liabilities and an increase in deferred tax liability resulting from the revaluation of property, plant and equipment.

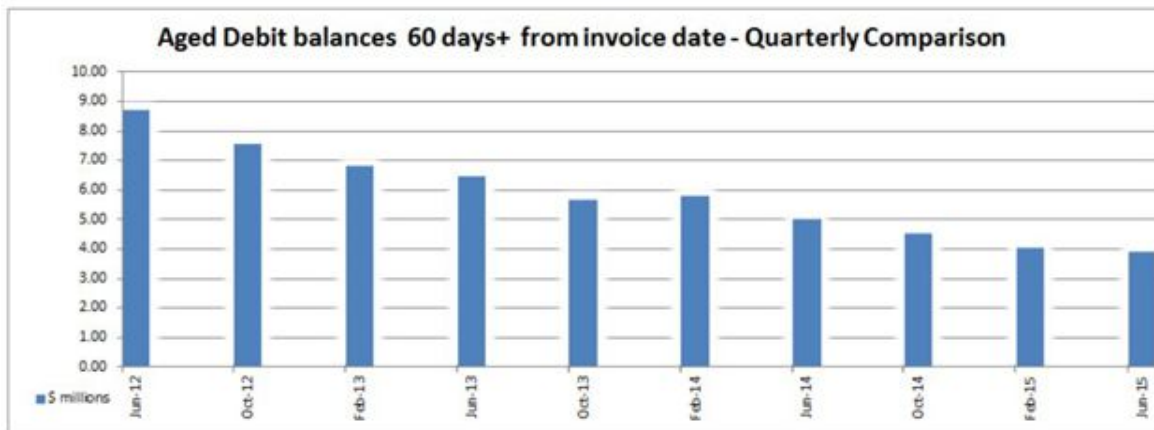
Compared with budget the material variances are largely in respect of derivative financial instruments (Other liabilities), non-current assets and debt. Year-end closing net debt of \$1,517m was \$76.6m beneath budget.

Receivables

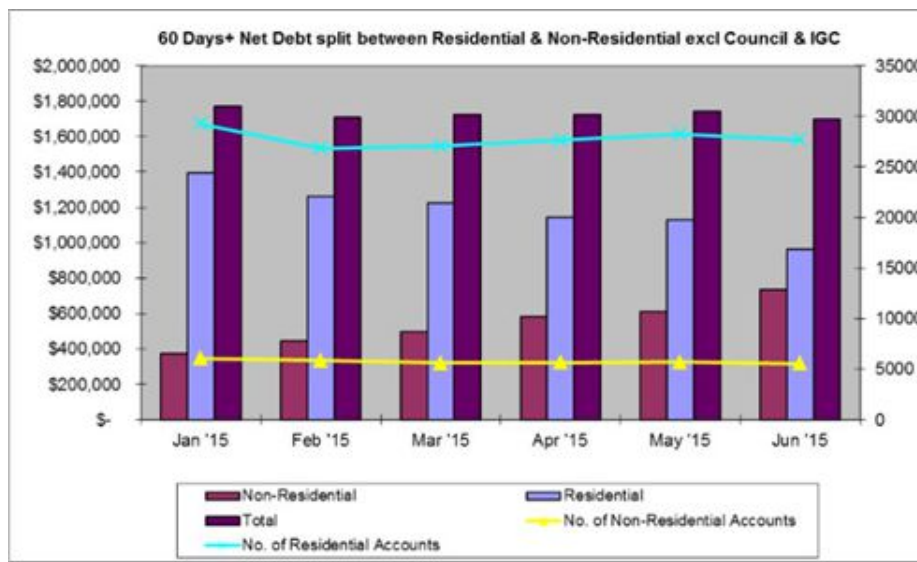
The gross 60+ day debt at the end of June 2015 was \$3.9m compared with \$5.0m at 30 June 2014. Credit balances for 60+ day balance have also decreased \$0.7m since June 2014. This is a solid result for the year and reflects further improvements over previous years.

Receivables before provision for doubtful debts at 30 June totalled \$32.0m (compared with \$28.4m at the end of May). The Auckland Council component of total debt was \$0.75m (compared with \$0.53m at May).

The history of 60+ day debit balances is shown below:



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



Water Utility Consumer Assistance Trust (WUCAT)

The following tables summarise the results of the Trust:

Jun 2015

WUCAT Summary			
Financial year	Board approved applications (includes WSL additional write offs)		\$000's
Jun-12	33	\$	29
Jun-13	172	\$	196
Jun-14	123	\$	114
(YTD) Jun-15	149	\$	149
Total	477	\$	487

WUCAT Summary last 3 meetings			
Month	Board approved applications		\$000's
Apr-15	13	\$	9.44
May-15	3	\$	3.01
Jun-15	8	\$	7.54
Total	24	\$	20

477 applicants have successfully completed the budget advisor review process and these applicants have had \$487k of hardship relief approved by the Trust. This has resulted in \$394k being written-off as payment plans have been completed. For various reasons, 39 applicants did not fully complete their agreed payment plans. These applicants have foregone \$38k of approved hardship relief. A further 35 applicants continue with their payment arrangements, with a further \$55k of approved hardship write-offs to be granted once they successfully complete their plan.

The results of the last 3 WUCAT meetings have seen 24 applicants successfully complete the budget process and have \$20k of hardship relief approved by the Trust.

Restrictions

One new water restriction was actioned during the month and two restrictions were removed as payments were received.

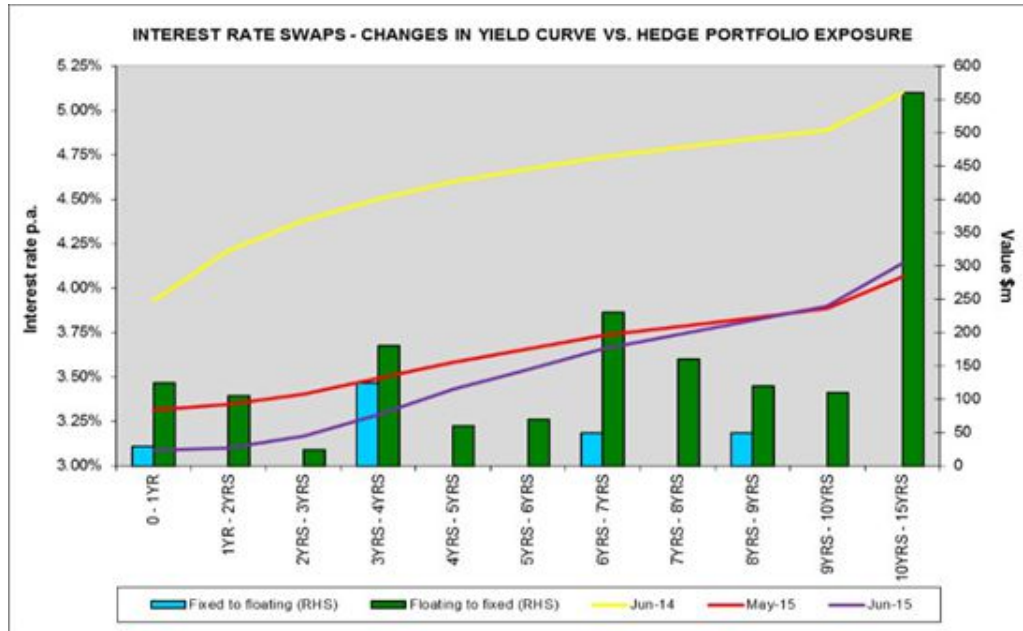
The table below summarises the restrictions carried out by Watercare Services Limited.

Restriction Summary Year-ending	Commercial		Residential		Total	
	Restriction	De-restriction	Restriction	De-restriction	Restriction	De-restriction
30-Jun-12	1		5		6	0
30-Jun-13	13	11	6	4	19	15
30-Jun-14	20	20	17	14	37	34
30-Jun-15	31	30	53	39	84	69
Total	65	61	81	57	146	118
Restrictions currently	4		24		28	

The following restrictions remain in place:

- Four residential restrictions remain in place on vacant properties. Communications are ongoing with these customers and if the properties are tenanted in future, further discussions will be required.
- A further 20 residential restrictions remain in place on occupied properties and communication continues with these customers.
- Four commercial properties remain restricted at the end of June and communication continues with these customers. One of these commercial properties is currently vacant.

Treasury



Interest Analysis \$million	Current Month			Full Year		
	Actual	Budget	Var	Actual	Budget	Var
Interest as per Statement of Financial Performance	6.24	6.90	0.66	73.99	80.57	6.58
Capitalised Interest	0.97	1.22	0.25	13.79	15.01	1.22
Gross Interest	7.21	8.12	0.91	87.79	95.59	7.80
Less Interest Income	0.07	0.00	(0.07)	0.34	0.00	(0.34)
Net Interest	7.13	8.12	0.98	87.44	95.58	8.14

For the month and full year net interest was favourable to budget \$0.98m and \$8.14m respectively; largely due to lower debt than budgeted.

Capital Expenditure

Capital expenditure for the month was \$31.3m against a budget of \$28.7m.

Summary Capital Expenditure (\$millions)	Month June 2015			Full Year		
	Actual	Budget	Var	Actual	Budget	Var
Infrastructure Wastewater Projects	16.1	14.4	(1.7)	126.2	146.1	19.9
Infrastructure Water Projects	8.8	9.9	1.1	119.5	125.7	6.2
Operations	2.4	2.6	0.2	21.6	30.5	8.9
Maintenance Services	0.8	0.0	(0.8)	2.6	2.7	0.1
Information Services	1.5	0.9	(0.6)	4.8	12.0	7.2
Other Projects	1.7	0.9	(0.8)	7.7	12.2	4.5
TOTAL	31.3	28.7	(2.6)	282.4	329.2	46.8
Includes:						
Water Projects Capitalised Interest	0.5	0.7	0.2	7.7	9.0	1.3
Wastewater Projects Capitalised Interest	0.5	0.5	0.0	6.1	6.0	(0.1)
Total Capitalised Interest	1.0	1.2	0.3	13.8	15.0	1.2

5. BOARD CORRESPONDENCE

A letter from the Cornwall Park Trust to the Watercare Chairman was received in July. A copy of the letter is attached as Appendix E.

6. EXECUTION OF DOCUMENTS

There were 18 documents executed during June in accordance with the delegated authority provided to the Chief Executive by the Board in relation to deeds, instruments and other documents. These included approval of twelve easements, two agreements to acquire land, two reverse sensitivity covenants, one building encumbrance and one application to subdivide land.

There were 13 capex approvals totaling \$12.545m signed in accordance with the delegated authority provided to the Chief Executive by the Board in relation to capex approvals below a threshold of \$15m.

Summary of Capital Projects approved by Chief Executive – June 2015

C-10746-02	Ardmore WTP Service Air Upgrade	\$610,000
C-11249a	Capex Extension - Western WTPs Process Upgrade Pilot Trial	\$390,000
C-11455-02	Howick (DPS030) and Sylvania Park (DPS038) Pump Stations Pipe work Replacement - Construction Stage	\$1,678,000
C-12261-01	Replacement of Newmarket Pool Vehicles	\$326,000
C-12262-01	Replacement of vans DJN995 and CTN566	\$94,000
C-12262-02	Replacement of Ute CTM60	\$47,000
C-12303-04	Accommodation for new MSO Northern unit at Rosedale	\$218,956
C-12338a	Local Wastewater Network Planned Renewals 2015 extension	\$460,000
C-12346	Wireless LAN Rollout	\$182,719
C-12470	Logan Terrace Odour Control	\$260,000
C-12490	Local Wastewater Network Planned Renewals 2016	\$8,128,000
C-12576-01	Maintenance Services Operations North West unit - small plant & tools procurement	\$74,855
C-12610	Watercare Intranet Project - The New Waternet	\$75,164

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

Summary of Contract Awards – June 2015

10/06/2015	Equipment Engineering 2008 Limited	Howick PS 30 and Sylvania Park PS 38 Cast Iron Replacement
29/06/2015	AECOM	Army Bay WWTP Outfall - Reference Design
12/06/2015	Fulton Hogan Corporate	Pukekohe WWTP aerobic selector basin
15/06/2015	Pipeline and Civil Limited	Local Wastewater Network Planned Renewals - Replacement of Pipelines
2/06/2015	Lynn Electrical Ltd	Rosedale WWTP Cogeneration Facility Upgrade (Procurement of Switchboard)
8/06/2015	Production Logistics (PLNZ)	Rosedale WWTP Control System Integration (Engine Generator & Biogas Flare)
3/06/2015	CH2M Beca	Mangere WWTP - Consultant contract for Contract Management, Commissioning and Handover Support

7. COMMUNICATIONS

Media summary

In June, an event to celebrate the end of a four-year project to transform Franklin's water supply featured positively in three suburban newspapers. All of the articles, which were based on a Watercare media release, ran the following quote by Raveen Jaduram: "Our paramount objective from the beginning has been to ensure a safe and reliable water supply for everyone in Auckland – regardless of where they live – and this is what we have achieved in Franklin."

The National Business Review ran an article referring to the Productivity Commission's draft report on Using Land for Housing. Unfortunately, the draft report contains a number of factual errors relating to Watercare's infrastructure growth charges and these errors were reported as facts by the NBR. Watercare has pointed out these errors to both the Commission and NBR.

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
June	The focus was on communicating the price change. For domestic customers, this has been through their bills, our website, the media and paid advertising in suburban papers. For non-domestic customers, this has been through targeted letters where appropriate and their bills. Posters and pamphlets on the correct disposal of fats, oils and grease were updated and are being distributed to food outlets on a case by case basis.	Complete
July	The winter edition of Tapped In will be distributed to both domestic and non-domestic customers. It will focus on the water situation: per person demand is falling; but the population is growing; we are seeking permission to increase our take from the Waikato River; we have improved the water supply in Franklin. In addition, it will feature the Watercare education programme, the price rise and 1080 in the Hunua Ranges.	Being distributed
August	Domestic customers in Mangere will receive Mangere Matters. All domestic customers will receive a flyer on the Watercare Coastal Walkway and Ambury Farm Day which is the following month.	In production
September	Domestic and non-domestic customers will receive the spring issue of Tapped In with a wastewater focus.	Planned
October	Domestic customers will receive a flyer on saving water in the home.	Planned
November	Domestic customers will receive a flyer on ways to pay their bill with information on the hardship trust.	Planned

December	Domestic and non-domestic customers will receive the summer issue of Tapped In with a waterwise focus.	Planned
January	Domestic customers will receive a flyer on saving water in the garden.	Planned
February	Domestic customers will receive a flyer on checking for leaks.	Planned
March	Domestic and non-domestic customers will receive the autumn issue of Tapped In.	Planned

Internal communications

Staff received weekly emails from the chief executive as well as the monthly publication YourSource. The lead article in YourSource regarded the transformation of Franklin's water supply, and the chief executive column addressed Auckland Council's pest control programme in the Hunua Ranges.

Stakeholder communications

In June, seven schools and one kindergarten took part in our education programme, bringing the total for the year to 31 schools and one kindergarten. The education programme began in 2001 as a water sampling activity called Adopt a Stream. Since then, the programme has evolved and now covers: water quality, water treatment, water experiments, wastewater treatment, storm water and fresh water bugs.

Community newsletters and/or flyers were produced and distributed for the Hunua 4 Watermain Project and the Snells/Algies Wastewater Treatment Plant Outfall Replacement Project.

8. WORKING WITH LOCAL BOARDS

June was a busy month for Local Board interaction. Representatives of the Albert Eden Local Board joined Watercare and contractor staff at one of the Hunua 4 construction sites before the construction moves into their local board area. The visit offered a chance for members to meet with staff and discuss work being undertaken to help minimise disruption for local residents.

Alan Cole from the Franklin Local Board joined representatives from the Watercare Board and staff along with local members of the community for a celebration to officially open the Clarks Beach Water Reservoir and rural Franklin water supply network.

Franklin Local Board members and Councillor Bill Cashmore travelled to the Watercare offices in Newmarket for a half day workshop to discuss how Watercare is responding to growth in the Franklin Local Board area. Auckland Council planning staff also attended some of the sessions. The local board carried on with their normal workshop schedule into the afternoon. The format was very successful and a similar session is currently being organised with the Rodney Local Board.

Cr Cashmore also facilitated a meeting with Alan Cole from the Franklin Local Board along with representatives from the Pukekohe Growers Association and Horticulture New Zealand to discuss issues related to the proposed Waikato water take. The meeting was very constructive and helped improve mutual understanding and cooperation.

A drop-in evening was held in Runciman for local residents to come along and find out more about proposals for regional water reservoir facility. The meeting was attended by local political representatives and constructive feedback was received from the community which will help with preparation of the resource consent applications.

Further meetings on Watercare's response to growth were also held with Maungakiekie Tamaki and Upper Harbour Local Board representatives.

In response to a query from Izzy Fordham, Chair of Great Barrier Local Board, information was provided on the Hunua 4 and NZTA works near Auckland airport.

Watercare worked with Devonport Takapuna Chair Joseph Bergin and local Councillors following a wastewater overflow in Takapuna exacerbated by fat blockages.

Project briefings related to landowner approvals for works in parks were held with the Hibiscus and Bays and Maungakiekie Tamaki Local Boards. A project update on the Mt Albert Reservoir roof membrane replacement was sent to the Albert Eden Local Board. Brenda Steele, Chair of the Rodney Local Board received further updates on water source investigations in Helensville. Community flyers on progress with the Hunua 4 Watermain project were also sent to the Mangere and Maungakiekie Tamaki Local Board members.

A presentation was given to the Manukau Harbour Forum focused on Mangere Wastewater Treatment Plant upgrades and improvements in Harbour Health.

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

9. STATUTORY PLANNING

Auckland Proposed Unitary Plan

Hearings by the Independent Hearing Panel on the Regional and District Plan provisions of the Proposed Auckland Unitary Plan are now almost complete. The key areas of focus for Watercare are water (discharge and water allocation), network utility rules, trees and vegetation, and earthworks. The next major topic of relevance to Watercare is designations. Work has commenced on this and it is anticipated that the hearings will be held before the end of the year. Council is also beginning work on the submissions related to rezoning and precincts; this topic will be heard early next year.

Proposed Water Supply and Wastewater Bylaw

The new bylaw took effect on 1 July 2015.

Auckland Council Operative Plan Changes

Watercare has made submissions on three private plan changes: Snells-Algies, Three Kings, and Tamaki Campus. Snells-Algies remains on hold; Three Kings has been heard and a decision is pending; and further submissions for the Tamaki Campus plan change will be requested soon.

Maori Engagement

The Mana Whenua Kaitiaki Forum (MWKF) met on the 9 July 2015. The main items on the agenda were:

1. **Updates on the Waikato River projects** which covered the Waikato Regional Council Plan Change on water quality and Watercare's application for additional water take.
2. **Wai Ora Wai Maori.** The Auckland Council presented on their approach to introducing a plan change relating to freshwater under the National Policy Statement on Freshwater and how they will involve and engage with Maori.
3. **Further development of MWKF.** The Auckland Council has assigned a second tier manager, Patricia Reade, to develop the business case for expanding the role of the MFKF to include Council departments and other CCOs. The model established by Watercare is seen to be operating well and the MWKF and Council is looking to expand its role.

Watercare sends a schedule of its proposed projects to the 19 Iwi of Tamaki Makaurau for them to register their interest to engage with Watercare as Kaitiaki with cultural interests. Watercare's monthly list generally includes around 90 applications.

10. ASSET MANAGEMENT PLAN AND LONG TERM FINANCIALS REVIEW TIMETABLE

The Asset Management Plan (AMP) was delivered in its current form to the Board in May. The outputs of the AMP are aligned with the Council's Long Term Plan, and formed the basis of the 2015/16 budget cycle.

There was significant change to the business investment drivers through the course of the AMP development. Specifically, the focus on growth across the wider Auckland region is impacting on prioritisation of capital projects, but has also led to uncertainty in timing of projects in the absence of clear direction as to the areas of growth. The AMP requires further review.

Review of the AMP will take place over the next six months with intent to provide the Board with a recommended capital expenditure programme for the 2016/17 financial year, and an update on prioritisation and phasing of the works programme over the life of the AMP. This would initially lead to a draft capital expenditure profile being presented to the CPWG in mid-October.

Concurrent with this timeline, revised long term financial projections will also be developed with a particular focus on 2016/17.

Auckland Council will require draft 2016/17 financials for input to its draft 2016/17 Annual Plan around late November / December 2015 (exact timing yet to be confirmed). Watercare's final 2016/17 Annual Plan financials will be required in early March 2016 which will necessitate Watercare Board approval of these financials at the February 2016 Board meeting.

The following timeline of activities is currently planned:

Milestone	Target Date
Management review of highlight issues (business drivers, market influences, ranking of issues)	End August 2015
Prepare capex forecast, analytics and financials	Early October 2015
First cut AMP forecasts to CPWG	Mid October 2015

Revised financial projections FY 16/17 to FY 24/25	October 29 Board meeting
Further revision of AMP, expenditure profiles and financial projections	November 19 Board meeting
Draft 2016/17 financials to Council (following Board approval)	End November/December 2015
Final draft AMP to CPWG	Mid February 2016
Approval and publication of revised AMP and 2016/17 Annual Plan financials	February 2016 Board meeting

If required by the CPWG, a working group or special meeting of the CPWG would be scheduled for November, prior to the Board meeting.

.....
 R Jaduram
 CHIEF EXECUTIVE

WATERCARE SERVICES LIMITED

Jun-15

Key Financial Indicators

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

Key to Financial performance, Financial position and cashflow measures



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



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

Key to Treasury policy compliance



Full compliance



Non compliance

Commentary on unfavourable variances



Unfavourable variance largely due to the write-off of work-in-progress and an increase in unplanned maintenance.

WATERCARE SERVICES LIMITED
Management Report

Jun-15

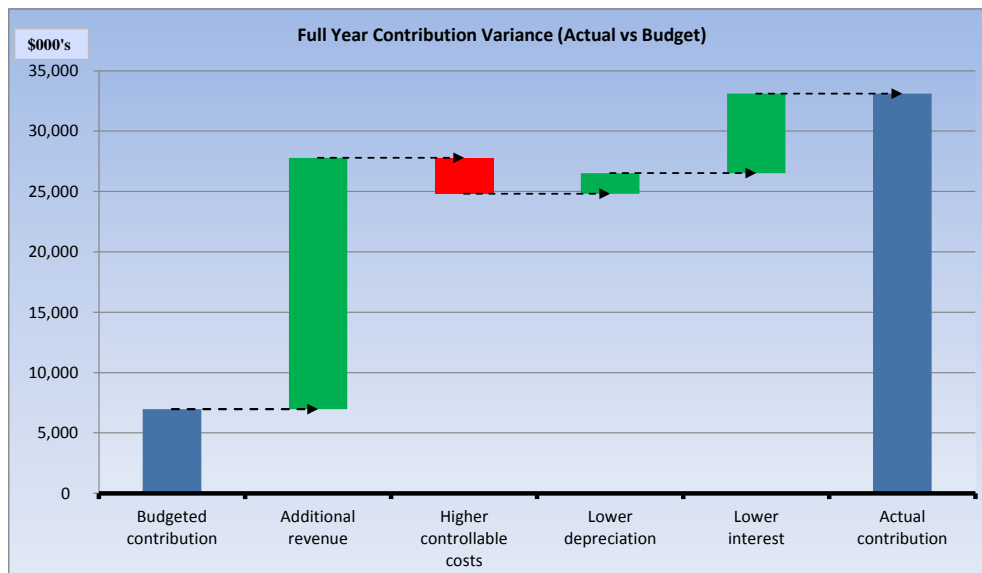
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2	Treasury Management	
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WATERCARE SERVICES LIMITED									Jun-15
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE									(\$000's)
	Current Month				Full Year				
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	
Wastewater revenue	23,590	23,159	431	✓	289,722	289,578	144	✓	
Water revenue	11,054	10,703	351	✓	136,896	137,059	(163)	✗	
Infrastructure growth charge revenue	5,351	3,300	2,051	✓	50,187	34,100	16,087	✓	
Other revenue	3,589	1,278	2,311	✓	23,899	22,244	1,655	✓	
Revenue from exchange transactions	43,583	38,440	5,144	✓	500,704	482,981	17,723	✓	
Vested assets revenue	1,092	1,383	(292)	✗	19,695	16,600	3,095	✓	
Revenue from non-exchange transactions	1,092	1,383	(292)	✗	19,695	16,600	3,095	✓	
Total revenue	44,675	39,823	4,852	✓	520,399	499,581	20,818	✓	
Labour	5,731	6,201	470	✓	70,509	71,622	1,114	✓	
Contract labour	329	266	(63)	✗	4,221	4,341	120	✓	
Oncosts	252	309	57	✓	3,059	3,674	615	✓	
Labour recoveries	(2,505)	(3,062)	(557)	✗	(33,618)	(35,778)	(2,160)	✗	
Net labour	3,808	3,714	(94)	✗	44,171	43,860	(311)	✗	
Materials & cost of sales	166	171	5	✓	2,277	2,074	(203)	✗	
Planned maintenance	1,821	859	(961)	✗	15,262	16,275	1,013	✓	
Unplanned maintenance	2,363	2,432	69	✓	34,321	31,105	(3,216)	✗	
Asset operating costs - chemicals	974	884	(90)	✗	11,032	11,099	66	✓	
Asset operating costs - energy	1,590	1,613	23	✓	16,793	17,143	350	✓	
Operating costs - other	4,562	2,976	(1,585)	✗	42,413	38,652	(3,760)	✗	
Depreciation and amortisation	18,949	17,515	(1,434)	✗	208,727	210,440	1,713	✓	
Asset operating costs	30,258	26,279	(3,979)	✗	328,549	324,714	(3,835)	✗	
Communications	130	133	3	✓	1,572	1,625	52	✓	
Professional services	(1,391)	845	2,236	✓	10,353	12,149	1,795	✓	
Interest	6,237	6,902	665	✓	73,992	80,573	6,581	✓	
General overheads	2,278	2,196	(82)	✗	26,375	27,610	1,235	✓	
Overheads	7,254	10,076	2,821	✓	112,292	121,957	9,664	✓	
Total expenses	41,486	40,239	(1,247)	✗	487,290	492,605	5,315	✓	
Total contribution/(loss)	3,189	(416)	3,605	✓	33,109	6,976	26,133	✓	
Gain/loss on disposal of fixed assets	7,020	573	(6,448)	✗	11,053	7,000	(4,053)	✗	
Gain/loss on revaluation of financial instruments	(295)	-	295	✓	88,644	-	(88,644)	✗	
Non operating (costs)/revenue	6,725	573	(6,152)	✗	99,697	7,000	(92,697)	✗	
Net surplus/(deficit) before tax	(3,536)	(989)	(2,547)	✗	(66,588)	(24)	(66,564)	✗	
Deferred tax	(5,043)	(962)	4,081	✓	(11,236)	4,512	15,748	✓	
Net surplus/(deficit) after tax	1,507	(27)	1,534	✓	(55,352)	(4,536)	(50,817)	✗	

Key: Financial performance result

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



WATERCARE SERVICES LIMITED
STATEMENT OF CASH FLOWS

Jun-15

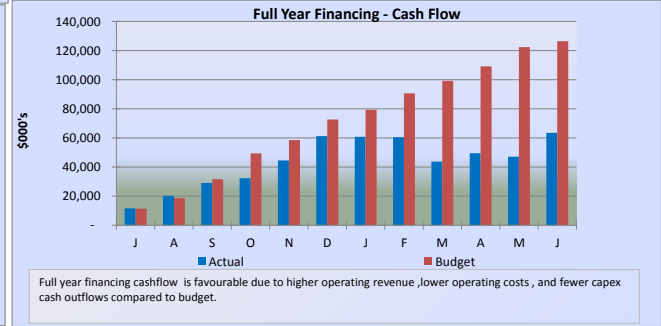
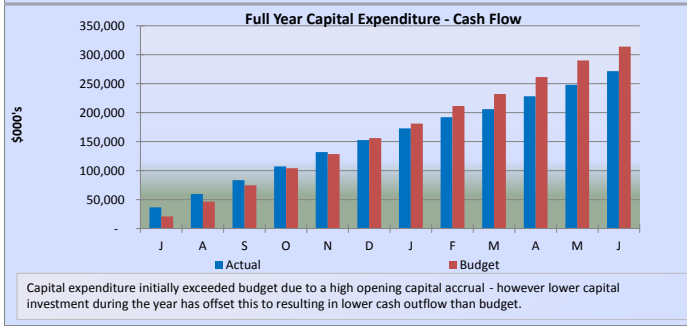
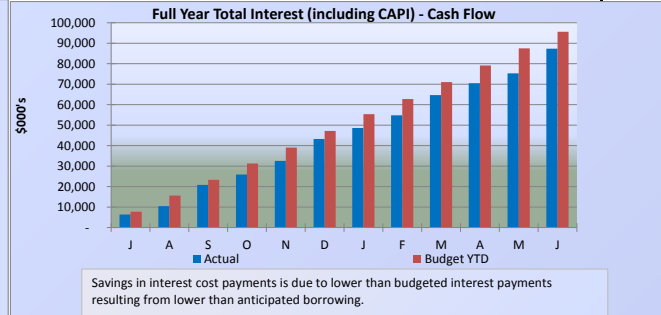
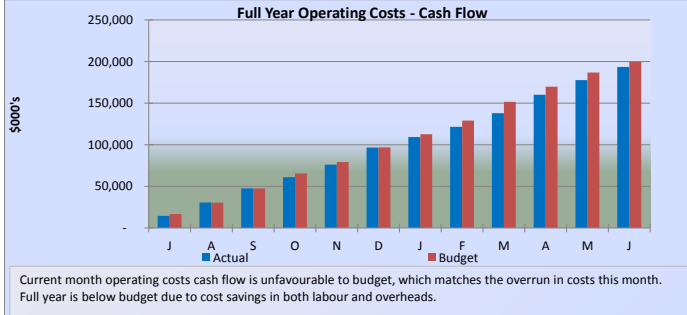
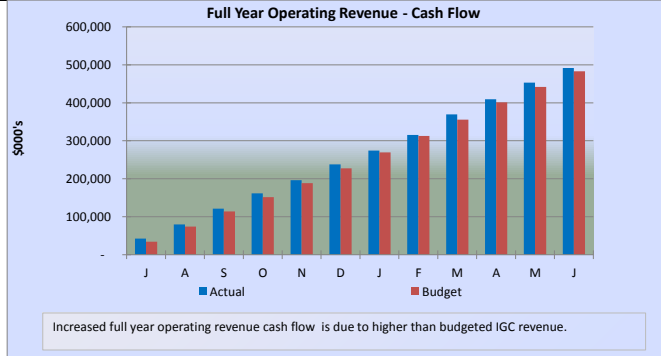
(\$000's)

NZ \$000s	Current Month				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result
Operating Cash flow:								
Operating Revenue	38,555	40,882	(2,327)	*	491,647	482,907	8,739	✓
Operating Costs	(15,764)	(12,956)	(2,808)	*	(193,454)	(199,686)	6,232	✓
Interest Paid	(11,011)	(6,902)	(4,110)	*	(73,487)	(80,573)	7,086	✓
OPERATING CASH FLOW	11,779	21,024	(9,245)		224,706	202,648	22,057	✓
Investing Cash flow:								
Capital Expenditure	(23,705)	(23,940)	235	✓	(271,705)	(314,079)	42,374	✓
Capitalised Interest (CAPI)	(971)	(1,217)	246	✓	(13,794)	(15,012)	1,218	✓
INVESTING CASH FLOW	(24,676)	(25,157)	481	✓	(285,499)	(329,091)	43,592	✓
Financing Cash flow:								
Bonds/Term Debt Issued/(Repaid)	-	-	-		(150,000)	(150,000)	-	✓
Short Term Advances/(Repaid)	(4,000)	(4,000)	-	✓	(5,000)	(5,000)	-	✓
Commercial Paper Issued/(Repaid)	53	53	-	✓	14,882	14,882	-	✓
Auckland Council Borrowings/(Repaid)	20,297	8,080	12,217	✓	203,606	266,560	(62,954)	✓
FINANCING CASH FLOW	16,350	4,133	12,217	✓	63,488	126,442	(62,954)	✓
Net Increase (Decrease) in Cash and Cash Equivalents	3,453	-	3,453	✓	2,695	-	2,695	✓
Opening Cash Balance/(Overdraft)	(661)	-	(661)	*	97	-	97	✓
Ending Cash Balance/(Overdraft)	2,792	-	2,792	✓	2,792	-	2,792	✓

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

Reconciliation Operating Cashflow (\$000's)

	Current Month		Full Year		Variance
	Actual	Budget	Actual	Budget	
Net Surplus (Deficit) After Tax	1,507	(27)	(55,352)	(4,536)	(50,816)
Add back non cash items:					
Depreciation and amortisation	18,949	17,515	208,727	210,440	(1,713)
Financial instruments revaluation	(295)	-	88,644	-	88,644
Vested assets revenue	(1,092)	(1,383)	(19,695)	(16,600)	(3,095)
Other non-operating exp/(inc)	7,020	573	11,053	7,000	4,053
Income Tax Expense/(Benefit)	(5,043)	(962)	(11,236)	4,512	(15,748)
Movements in Working Capital	(9,267)	5,309	2,565	1,832	732
OPERATING CASH FLOW	11,779	21,024	224,706	202,648	22,057

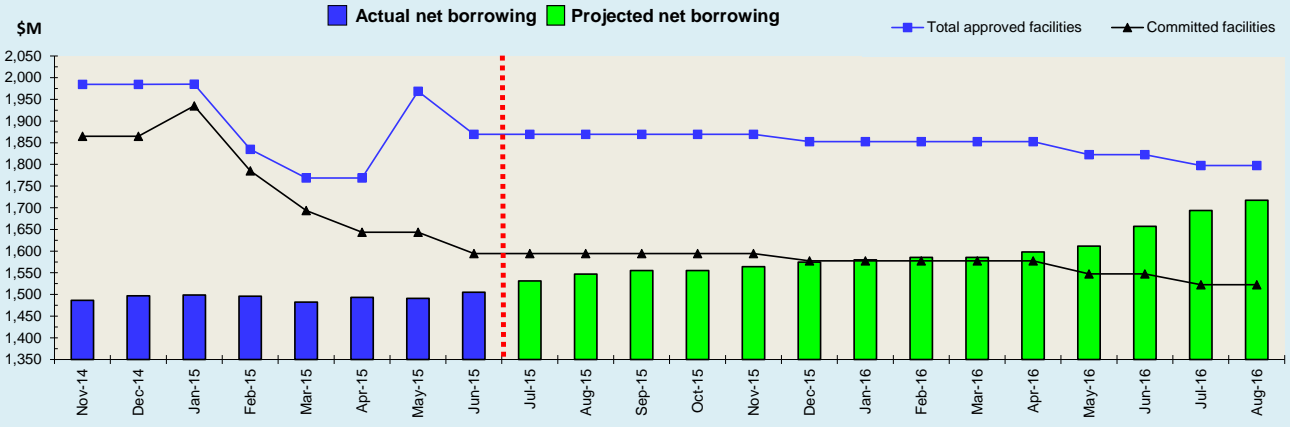


WATERCARE SERVICES LIMITED					Jun-15
STATEMENT OF FINANCIAL POSITION					(\$000's)
June 2014 Actual	May Actual		June		
			Actual	Budget	Variance
		Current assets			
97	-	Cash and cash equivalents	2,792	-	2,792
48,186	41,799	Trade and other receivables from exchange transactions	47,826	42,760	5,066
19,452	20,768	Unbilled revenue accrual	19,524	18,459	1,065
4,146	3,329	Prepaid expenses	3,000	698	2,302
3,836	4,539	Inventories	4,058	3,684	374
556	2,526	Derivative financial instruments	2,310	1,084	1,226
76,273	72,961	Total current assets	79,511	66,685	12,826
		Non-current assets			
7,988,872	8,271,529	Property, plant and equipment	8,172,155	8,425,067	(252,912)
453,301	420,521	Construction/work-in-progress	383,539	462,776	(79,237)
(210,329)	(385,297)	Provision for depreciation	(27,673)	(49,978)	22,305
8,231,844	8,306,753	Total property, plant and equipment	8,528,021	8,837,865	(309,844)
39,784	42,229	Intangible assets	40,184	44,837	(4,653)
24,208	23,754	Prepaid expenses	23,692	23,815	(123)
4,123	3,504	Inventories	3,884	4,211	(327)
5,698	7,794	Derivative financial instruments	9,086	5,664	3,422
8,305,657	8,384,034	Total non-current assets	8,604,867	8,916,393	(311,526)
8,381,930	8,456,995	Total assets	8,684,378	8,983,078	(298,700)
		Current liabilities			
-	661	Bank Overdraft	-	-	-
133,811	148,640	Commercial paper	148,693	119,036	29,657
150,000	-	Bonds (16/02/15)	-	-	-
250	30,263	Bonds (18/05/16)	30,264	30,242	22
136,395	38,450	Auckland council loan	18,918	18,918	-
420,456	218,014	Total debt current	197,875	168,195	29,680
28,427	16,222	Trade and other payables for exchange transactions	19,407	31,323	(11,916)
12,681	15,045	Interest accrued	10,380	13,805	(3,425)
55,903	51,351	Other accrued expenses	58,862	55,121	3,741
6,382	7,079	Provision for staff benefits	6,926	5,483	1,443
928	5,020	Other provisions	5,170	1,152	4,018
150	19,441	Derivative financial instruments	22,179	194	21,985
524,927	332,172	Total current liabilities	320,799	275,273	45,526
		Non-current liabilities			
30,000	30,000	Bonds (26/10/18)	30,000	30,000	-
75,000	75,000	Bonds (26/10/18)	75,000	75,000	-
50,932	20,689	Bonds (26/10/18)	20,667	20,690	(23)
150,000	150,000	Term loan (13/10/16)	150,000	150,000	-
5,000	4,000	Bank revolving credit facility	-	35,000	(35,000)
722,339	1,003,593	Auckland council loan	1,043,422	1,114,650	(71,228)
1,033,271	1,283,283	Total debt non-current	1,319,089	1,425,340	(106,251)
13,120	17,586	Other accrued expenses	18,700	12,408	6,292
-	280	Provisions - non current	3,484	-	3,484
1,201	1,186	Provision for staff benefits	1,267	848	419
63,490	137,203	Derivative financial instruments	135,247	62,576	72,671
963,808	959,038	Deferred tax liability	1,011,130	1,085,179	(74,049)
2,074,891	2,398,576	Total non-current liabilities	2,488,917	2,586,351	(97,435)
2,599,818	2,730,748	Total liabilities	2,809,715	2,861,624	(51,909)
		Equity			
260,693	260,693	Issued capital	260,693	260,693	-
1,666,754	1,666,062	Revaluation reserve	1,812,971	1,998,856	(185,886)
3,864,079	3,856,351	Retained earnings	3,856,351	3,866,441	(10,091)
(9,413)	(56,859)	Current year earnings after tax	(55,352)	(4,536)	(50,817)
5,782,113	5,726,247	Total equity	5,874,663	6,121,454	(246,791)
8,381,930	8,456,995	Total equity and liabilities	8,684,378	8,983,078	(298,700)

TREASURY RISKS AND INTEREST RATE PERFORMANCE

Jun-15

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Interest rates

	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	4.98%	4.86%	4.98%
Weighted averages (incl. fees and margins)	6.21%	N/A	6.21%

Debt (\$m)

	Actual	Budget	Variance
Short-term borrowings	197.9	168.2	29.7
Long-term borrowings	1,319.1	1,425.3	(106.3)
Total gross debt	1,517.0	1,593.5	(76.6)
Less cash & deposits	2.8	-	(2.8)
Total net borrowing	1,514.2	1,593.5	(79.4)

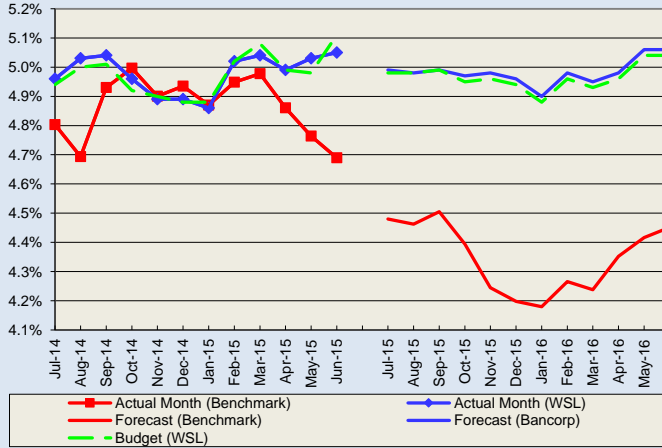
Committed facilities

- Westpac Term Loan facility	\$150 million
- BNZ CP Standby facility	\$175 million
- Westpac Revolving Credit facility	\$60 million
- Medium term notes	\$155 million
- Auckland Council	\$1,054 million
Total committed facilities as at 30 June	\$1,594 million

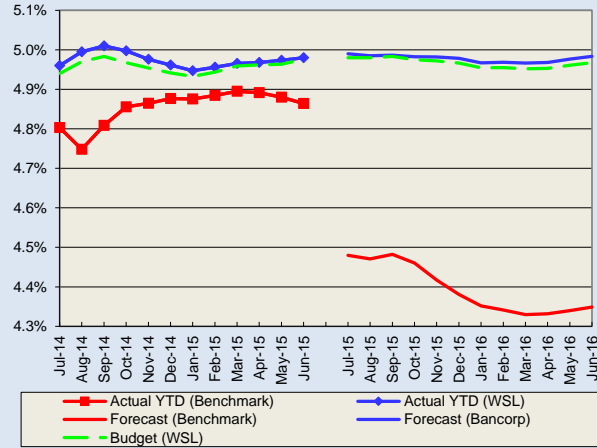
Additional approved facilities

- Approved new funding from Auckland Council	\$200 million
- Approved CP issuance, over and above CP Standby facility	\$75 million
Total approved facilities as at 30 June	\$1,869 million

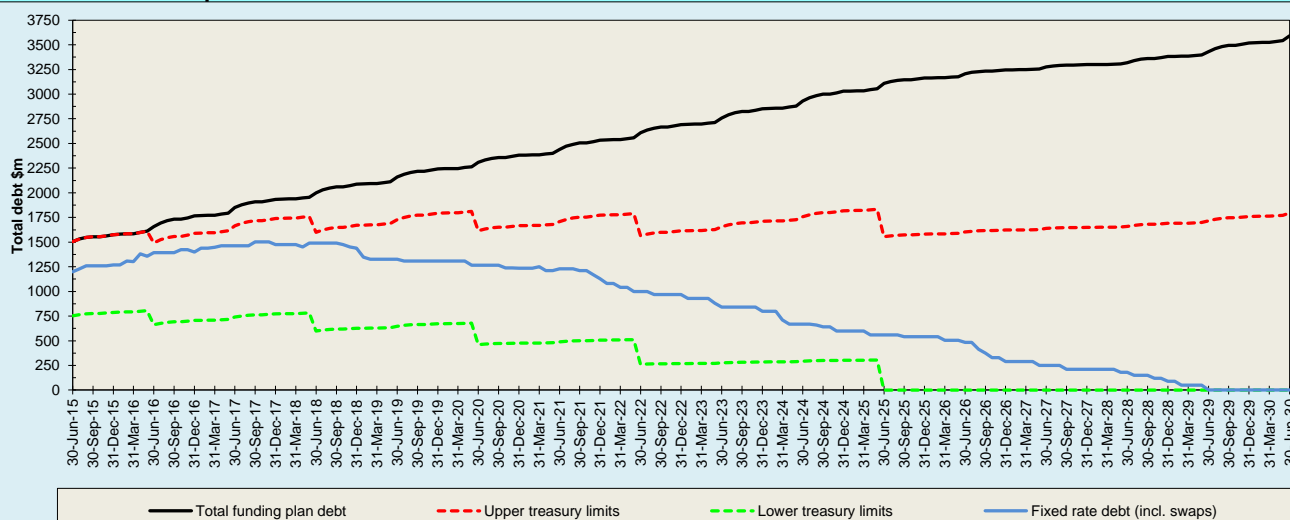
Monthly interest rate performance



Year to date interest rate performance



Forecast total debt profile



COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & COVENANT COMPLIANCE							Jun-15		
Counterparty exposures		S&P credit rating	Face value	Credit exposures	Limit	Limit OK / exceeded			
		Short / long term	\$000	\$000	\$000				
Obligations of registered banks									
ANZ Bank		A1+ / AA-	700,907	3,960	100,000	Limit OK	✓		
Bank of New Zealand		A1+ / AA-	634,387	19,013	100,000	Limit OK	✓		
Commonwealth Bank of Australia		A1+ / AA-	115,000	1,931	100,000	Limit OK	✓		
Kiwibank		A1 / A+	0	0	75,000	Limit OK	✓		
Westpac Institutional Bank		A1+ / AA-	555,295	237	100,000	Limit OK	✓		
			2,005,589	25,140					
<i>Note: Credit exposures are the aggregate of direct exposures, 10% of the 'face' value of forward foreign exchange contracts, 15% of the 'face' value of electricity hedging contracts, and the sum of the MTM value of interest rate derivative contracts plus a 3% 'risk' factor (if this produces a positive value).</i>									
Debt concentration		\$000							
Committed debt facilities		Maturity	0-12 months	12-24 months	24-36 months	36-48 months	48-60 months	> 60 months	Total
Westpac Term Loan facility		13/10/16		150,000					150,000
BNZ CP Standby facility		1/07/17			175,000				175,000
Westpac Revolving Credit facility		30/11/18				60,000			60,000
Medium-term notes		Various	30,000			125,000			155,000
Auckland Council		Various	16,692	79,668	78,368	82,243	200,000	597,243	1,054,214
Total committed debt facilities			46,692	229,668	253,368	267,243	200,000	597,243	1,594,214
Approved new funding from Auckland Council								200,000	200,000
Approved CP issuance, over and above CP Standby								75,000	75,000
Total committed and approved debt facilities			46,692	229,668	253,368	267,243	200,000	872,243	1,869,214
Treasury policy - total committed debt facilities			<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000		
Treasury policy compliance			✓	✓	✓	✓	✓		
Drawn bank facilities		Maturity	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	> 30 months	Total
Westpac Term Loan facility (\$150m)		13/10/16			150,000				150,000
BNZ CP Standby facility (\$175m)		1/07/17							0
Westpac Revolving Credit facility (\$60m)		30/11/18							0
			0	0	150,000	0	0	0	150,000
Treasury policy for drawn bank facilities			<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	
Treasury policy compliance			✓	✓	✓	✓	✓	✓	
Other facilities									
BNZ overdraft		On demand	2,000						2,000
			2,000	0	0	0	0	0	2,000
Counterparty exposure in relation to borrowing facilities		Westpac	BNZ	ANZ	CBA	Kiwibank			
Term loan facility		150,000							
Revolving credit facility		60,000							
CP standby facility			175,000						
		210,000	175,000	0	0	0			
Treasury policy		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000			
Treasury policy compliance		✓	✓	✓	✓	✓			
Compliance with financial covenants and ratios under the Negative Pledge Deed and Guarantee Facility Deed									
Covenant / ratio		Benchmark/target measure			Outcome		Compliance		
Security interests / total tangible assets - maximum		5%			0.00%		✓		
Total liabilities / total tangible assets - maximum		60%			32.50%		✓		
Total liabilities (including contingent) / total tangible assets - maximum		65%			32.50%		✓		
Shareholders funds - minimum (\$000)		500,000			5,874,666		✓		
EBITDA : funding costs ratio - minimum		1.75			4.00		✓		
Funds from operations : interest cover ratio - minimum		2.00			3.38		✓		
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							Jun-15							
Foreign currency exposures (NZ\$000) including hedging for chemical purchases							USD	AUD	Total					
Total exposure to be hedged							2,282	520	2,802					
Foreign exchange hedging							2,282	520	2,802					
Percentage cover							100%	100%	100%					
Treasury policy							100%	100%	100%					
Treasury policy compliance							✓	✓	✓					
Hedging for chemical purchases (US\$000)					Sep-15	Mar-16	Sep-16	Mar-17	Total					
Chemicals forward foreign exchange hedging					1,000				1,000					
Treasury policy										<= 5,000				
Treasury policy compliance										✓				
Commercial paper maturities														
Issue #	\$000	BKBM	Interest rate	Bid cover (x)	Term (days)	Maturity date	<div style="text-align: center;"> <p>CP maturities</p> </div>							
279	50,000	3.640%	3.700%	3.87	91	30-Jul-15								
280	50,000	3.490%	3.538%	3.62	92	25-Aug-15								
281	50,000	3.238%	3.265%	2.82	92	22-Sep-15								
150,000		3.501%												
<p><i>Note: BKBM is the banks' mid-rate for bank bills of a similar term on the CP issue date.</i></p>														
							Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Beyond Dec-15	Total
Outstanding CP							50,000	50,000	50,000	0	0	0	0	150,000
Uncommitted short-term debt														0
							50,000	50,000	50,000	0	0	0	0	150,000
Treasury policy for maximum amount of CP outstanding													<= 250,000	
Treasury policy compliance													✓	
Undrawn committed standby facilities							1 month	1-2 months	2-3 months	3-4 months	4-5 months	5-6 months	> 6 months	
Undrawn committed standby facility - CP facility							175,000	175,000	175,000	175,000	175,000	175,000	175,000	
50% of CP and other short-term debt repayable within 60 days							50,000	50,000	25,000	0	0	0		
Treasury policy: Undrawn standby facilities >= 50% of outstanding CP and other uncommitted short-term debt repayable within 60 days														
Treasury policy compliance							✓	✓	✓	✓	✓	✓		
Electricity hedging (NZ\$000)							0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	30-36 months	36-42 months	42-48 months
Contract maturity														
Contract length														
Total value of outstanding contracts							0							
Treasury policy for maximum value of outstanding contracts							<= 10,000							
Treasury policy compliance							✓							
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WATERCARE SERVICES LIMITED

Management Report

Jun-15

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1	Results by Area (non-financial)	
	● Drinking Water	Removed - replaced by scorecard
	● Wastewater Treatment - Mangere	Removed - replaced by scorecard
	● Wastewater Treatment - Rosedale	Removed - replaced by scorecard
	● Managed Assets - Unplanned Maintenance	Removed - replaced by scorecard
	- Inventory Management	Removed - replaced by scorecard
	● Cost Minimisation - Costs per cubic metre	Removed - replaced by scorecard
2	Statistics	
	● Monthly Statistics Update	B9
	● Networks Statistics	Removed - replaced by scorecard
	● Customer Services Statistics	Removed - replaced by scorecard
	● Performance Against Statement of Intent Measures	Removed - replaced by scorecard

Confidential

Management Report
Monthly Statistics Update

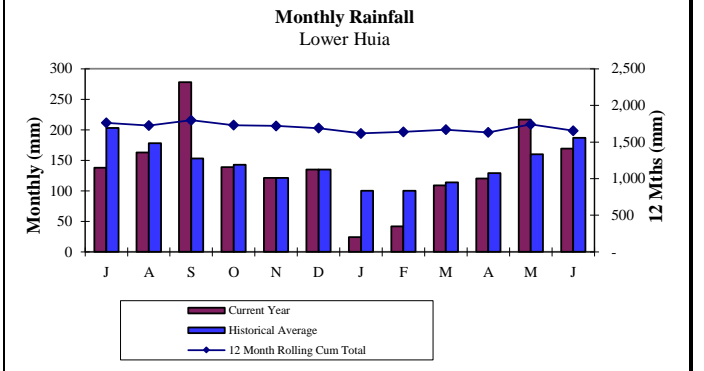
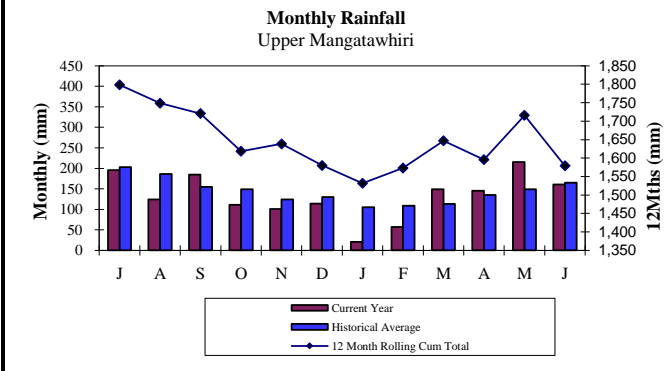
WATERCARE SERVICES LIMITED

Jun-15

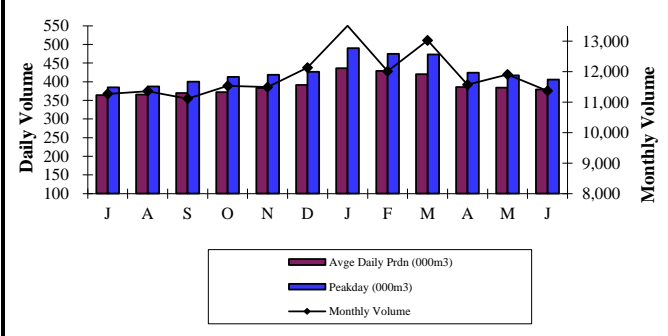
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Rainfall

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
Actual - Upper Mangatawhiri	161 mm	1579 mm	Actual - Lower Huia	169 mm	1655 mm

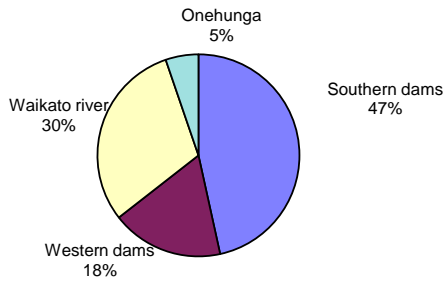


Water Production - Metropolitan Supply



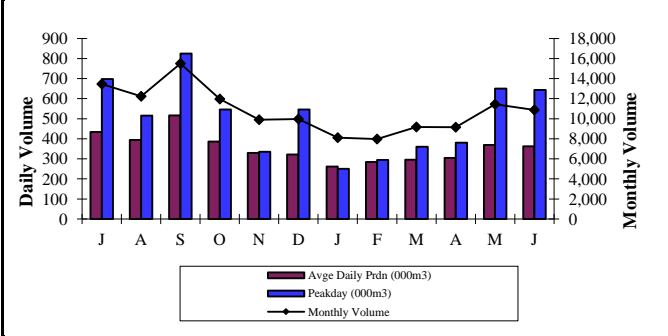
	Current Month	12 Month Rolling Ave
Monthly Volume (000m ³)	11,366	11,856
Average Daily Production	379	390
Peak Day	406	426

Treated water volumes for the month



Treated water volumes (000m ³)	Current Month	Year to Date	
Southern dams	5,291 47%	76,904	54%
Western dams	2,035 18%	26,371	19%
Waikato river	3,443 30%	33,228	23%
Onehunga aquifer	597 5%	5,774	4%
Total	11,366 100%	142,278	100%

Wastewater Treatment - Metropolitan Treatment



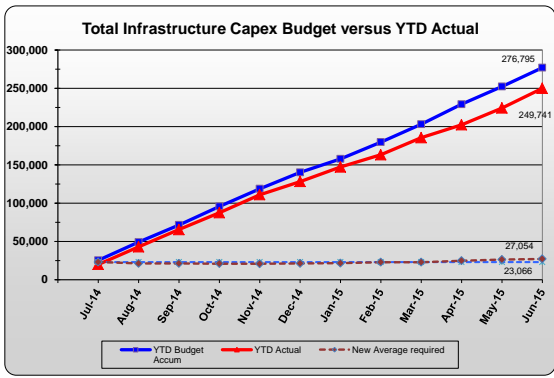
	Current Month	12 Month Cumulative Ave
Monthly Volume (000m ³)	10,885	10,812
Average Daily Production	363	355
Peak Day Mangere	644	504

Period 12 - June 2015

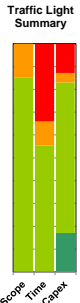
INFRASTRUCTURE GROUP DASHBOARD
CAPITAL EXPENDITURE
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SAP Code	Project / Programme Name	Stage 1 Capex Out Turn Cost	Total Project Performance		Annual Project Performance			Scope/ Quality	Time / milestones	Costs - Capex
			Current Forecast	Forecast	Budget	Budget	Variance			
Water Projects (>\$2m)										
C-10370	Mt Hobson Upgrade	5,610	6,804	140	185	45				
C-11619	North Harbour Watermain Duplication	240,000	239,999	7,669	9,100	1,431				
C-12066	Huia No 1 Watermain Replacement	42,103	42,083	277	450	173				
C-12278	Albany Pinehill WM & PS	14,850	14,661	142	983	841				
C-10049P	Hunua No 4 Programme	-	378,391	61,484	49,780	(11,704)				
C-11995	Waikato VSD Replacements	2,334	2,103	1,462	600	(862)				
C-12220	Mt Albert Level of Service Upgrade	2,900	2,056	1,434	2,830	1,396				
C-10183	Ardmore rapid restart & sludge handling	6,900	19,006	3,090	3,005	(85)				
C-11681	Albany Second Reservoir	6,500	4,821	3,043	3,230	187				
C-11981	Riverhead Reservoir	9,385	5,111	2,775	3,442	667				
	Water Projects >\$2m		715,033	81,516	73,605	(7,911)				
	Other Water Projects		532,710	30,254	43,167	12,913				
C-12112	I000 Water Capitalised Interest			7,683	8,967	1,284				
	Total Water Projects		1,247,743	119,454	125,740	6,286				
Wastewater Projects (>\$2m)										
C-11472	Sidmouth WW PS Mairangi Bay Upgrade	8,225	14,700	50	1,474	1,424				
C-11421	Fred Thomas Drive WW PS & Storage Tank	16,246	25,178	377	1,349	972				
C-11470	Glen Eden Storage & Pipe Upgrade	13,490	13,488	368	2,763	2,395				
C-11983	Rosedale WWTP Expansion Project	41,980	77,984	1,346	2,658	1,312				
C-10976	Glendowie Branch Sewer Upgrade	12,455	17,846	516	514	(2)				
C-10923	Upgrade of North Shore TS8	3,998	5,974	136	817	681				
C-12003	Otara Sewer System Upgrade TS5	18,310	18,307	355	1,387	1,032				
C-11436	Northern Interceptor - Stage 1	148,200	147,650	2,255	3,020	765				
C-11827	Pukekohe Trunk Sewer Upgrade	32,959	35,011	366	2,070	1,704				
C-12192	Wynyard Quarter Wastewater Pump Station	14,036	14,037	631	300	(331)				
C-10006	Central Interceptor Feasibility Design	426,000	960,470	9,013	13,428	4,415				
C-11923	Upgrade Pukekohe WWTP	-	57,622	1,514	2,070	556				
C-11281	Army Bay WWTP Outfall Upgrade	27,500	27,500	(590)	90	680				
C-11468	Manukau North Future Upgrades	6,428	9,114	743	3,622	2,879				
C-12290	Wynyard Quarter Gravity Sewer	7,084	7,040	287	265	(22)				
C-12199	Northern Networks Generator Connections	2,143	2,051	765	430	(335)				
C-10922	Wairau (HSPS05) Rising Main Replacement	5,450	11,503	3,287	3,085	(201)				
C-11455	Pump Station CI Pipework Replacement	2,017	1,680	23	1,046	1,023				
C-12338	Local Sewer Planned Replacement	3,000	3,026	926	2,502	1,576				
C-11077	Mangere WWTP BNR Capacity	122,000	141,040	16,005	14,300	(1,705)				
C-12212	Mangere WWTP Solids Stream Upgrade	74,800	74,800	1,850	1,930	80				
C-11067	North Shore PS09 rising main	7,031	12,276	4,667	2,754	(1,913)				
C-10952	Helensville WWTP Upgrade	-	8,354	2,425	3,626	1,200				
C-11423	Rosedale WWTP Cogeneration Upgrade	2,898	5,072	1,049	4,121	3,072				
C-11769	Orewa West Wastewater Network	5,684	16,762	10,318	3,312	(7,066)				
C-11474	Sunnynook Road Sewer Upgrade	2,872	3,357	2,873	2,293	(580)				
C-11467	Tamaki South East Extension	5,071	2,577	1,169	2,781	1,612				
C-12071	Alexander Rising Main Replacement	3,635	2,350	1,434	3,171	1,737				
C-11813	Mangere WWTP Rehab Prim. Sed Tks 11 & 12	2,478	2,702	1,651	1,321	(330)				
C-10925	Kohimarama Storage Tank & Branch Sewer	10,255	13,302	7,532	8,196	663				
C-11539	Eastern Interceptor Rehab Prgm - Stg 1	6,379	8,484	2,283	858	(1,425)				
C-11711	Mangere WWTP Cogeneration Replacement	3,053	2,654	(513)	0	513				
C-10277	Reconstruction of Eastern Interceptor	3,690	2,830	532	239	(293)				
C-12106	St Heliers network Upgrade	2,529	5,642	93	1,686	1,593				
C-12048	Blackbridge Local Network Upgrade	2,520	2,520	2,074	1,970	(103)				
	Wastewater Projects >\$2m		1,754,903	77,809	95,448	17,639				
	Other Wastewater Projects		429,440	42,281	44,643	2,362				
C-12113	J000 Wastewater Capitalised Interest			6,111	6,044	(66)				
	Total Wastewater Projects		2,184,342	126,201	146,136	19,934				
Other Infrastructure Projects										
C-10126	Networks Controls Upgrade	17,893	19,916	3,003	3,000	(3)				
C-11825	Radio Bearer Expansion	1,675	2,112	537	425	(112)				
	Other Infrastructure Projects		46,026	547	1,495	948				
	TOTAL INFRASTRUCTURE		3,500,141	249,741	276,795	27,054				
Non Infrastructure, including Capital Interest										
			135,307	32,593	52,516	19,923				
	TOTAL ALL		3,635,448	282,334	329,311	46,977				



WSL Capex Summary	Month		Year to Date	
	Actual	Budget	Actual	Variance
Water Treatment	(1,016)	10,713	14,331	3,618
Water Distribution	9,307	100,615	102,441	1,825
Wastewater Treatment	6,476	37,010	43,560	6,550
Wastewater Collection	8,345	80,448	93,480	13,033
Infrastructure Shared Service	1,429	7,161	7,971	809
Capital Interest	971	13,794	15,012	1,218
TOTAL INFRASTRUCTURE	25,513	249,741	276,795	27,054
Operations	2,366	21,552	30,452	8,900
Information Services	1,549	4,787	12,015	7,228
Shared Service-Other	1,941	6,254	10,048	3,794
TOTAL NON INFRASTRUCTURE	5,856	32,593	52,516	19,923
TOTAL ALL	31,369	282,334	329,311	46,977



Local Board Interaction (as at 16 July 2015)

Local Board	Chair	Deputy Chair	May-15	June-15	July-15
Albert - Eden	Peter Haynes	Glenda Fryer	Notification of price increase of 2.5% from 1 July 2015 (13 May). Contact Chair regarding a nominated member of the Local Board to work with Watercare and Parks staff on the Central Interceptor detailed design work in Parks (29 May).	Site visit to Hunua 4 Watermain project (17 June). Update on the Mt Albert reservoir roof replacement and dog exercise area (18 June). Note to Graeme Easte about challenges undertaking work on the Maunga (18 June).	
Devonport - Takapuna	Joseph Bergen Watercare Rep (5 May 2015 to end of the 2013-2016 term)	Grant Gillion (5 May 2015 to end of the 2013-2016 term)	Response to escalated complaint regarding loose manhole cover – identified as a Chorus asset (8 May). Notification of price increase of 2.5% from 1 July 2015 (13 May).	Responded to escalation regarding overflow from fat blockage. Local media release prepared with quote from the Local Board Chair (3 June).	Working with the Local Board and Parks regarding children's learn to ride painting on top of Forrest Hill Reservoir (14 July).
Franklin	Andy Baker	Jill Naysmith	Notification of price increase of 2.5% from 1 July 2015 (13 May).	Water supply discussion with Cr Cashmore, Alan Cole and growers representatives (5 June). Rural Franklin Water Supply Celebration (11 June). Information on Water Grading in Franklin to Alan Cole (17 June). Drop-in evening for public regarding Runciman Reservoirs proposal (18 June). Escalation of works over issue at TePuru (19 June). Local Board half day workshop at Watercare (30 June).	
Great Barrier	Izzy Fordham	Susan Daly	Notification of price increase of 2.5% from 1 July 2015 (13 May).	Information on Hunua 4 and NZTA project sent to Chair in response to questions on potential traffic delays to Auckland Airport. (16 June).	
Henderson - Massey	Vanessa Neeson	Shane Henderson	Notification of price increase of 2.5% from 1 July 2015 (13 May).	Response to customer complaint regarding wet weather overflows (9 June).	
Hibiscus and Bays	Julia Parfitt	Greg Sayers	Notification of Murrays Bay wastewater pipeline walkway closure for repairs (12 May). Notification of price increase of 2.5% from 1 July 2015 (13 May).	Local Board Workshop (24 June).	Finalised landowner approval for temporary use of Montrose Terrace Reserve for rising main project (7 July). Update on rising main works including public fliers (8 July).
Howick	David Collings	Adele White	Information on local wastewater upgrades in Howick (1 April). Notification of price increase of 2.5% from 1 July 2015 (13 May).		
Kaipatiki	Kay McIntyre	Ann Hartley	Information sent in response to question on works in View Road (12 May). Notification of price increase of 2.5% from 1 July 2015 (13 May).		

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

Local Board	Chair	Deputy Chair	May-15	June-15	July-15
Mangere - Otahuhu	Lydia Sosene	Carrol Elliott	Notification of price increase of 2.5% from 1 July 2015 (13 May). Information and media release sent on Central Interceptor Geotechnical Investigations on the Manukau Harbour (14 May). Contact Chair regarding a nominated member of the Local Board to work with Watercare and Parks staff on the Central Interceptor detailed design work in Parks (29 May).	Information on Central Interceptor geotechnical investigation in the Onehunga News sent to Chair and Carrol Elliot (8 June). Hunua 4 flyer sent to representatives explaining timing of the remaining works area in Mangere (16 June).	Working with Parks staff on Local Board Open Space Plans and synergies with Watercare projects (30 June).
Manurewa	Angela Dalton	Simeon Brown	Response to escalated complaint from member of the public regarding reinstatement works (6 May). Notification of price increase of 2.5% from 1 July 2015 (13 May). Information sent to Chair in response to question on Iwi Liaison regarding the Manukau Harbour (29 May)		Response to escalation regarding IGC's (3 July). <i>Local Board Briefing (21 July)</i> .
Maungakiekie - Tamaki	Simon Randall	Chris Makoare	Notification of price increase of 2.5% from 1 July 2015 (13 May). Information and media release sent on Central Interceptor Geotechnical Investigations on the Manukau Harbour (14 May).	Briefing with members on servicing proposed growth in Onehunga (5 June). Information on pending Hunua No. 4 works in Mt Smart Road sent to local board members and ward councillors (12 June). Local Board Workshop regarding Glendowie Branch Sewer Upgrade (23 June).	
Orakei	Desley Simpson	Kit Parkinson, Colin Davis (Watercare Rep)	Notification of price increase of 2.5% from 1 July 2015 (13 May).		Information in response to Local Board questions on a watermain break in St Heliers (13 July).
Otara - Papatoetoe	Fa'anānā Efeso (Efeso) Collins	Ross Robertson	Notification of price increase of 2.5% from 1 July 2015 (13 May).		
Papakura	Bill McEntee	Michael Turner	Notification of price increase of 2.5% from 1 July 2015 (13 May).		
Puketapapa	Julie Fairey	Harry Doig	Response to questions raised on the settlement of appeals to the Consent Applications for the Central Interceptor Project (6 May). Notification of price increase of 2.5% from 1 July 2015 (13 May). Information and media release sent on Central Interceptor Geotechnical Investigations on the Manukau Harbour (14 May). Contact Chair regarding a nominated member of the Local Board to work with Watercare and Parks staff on the Central Interceptor detailed design work in Parks (29 May).		Local Board Briefing on managing growth in Auckland (1 July).

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

Local Board	Chair	Deputy Chair	May-15	June-15	July-15
Rodney	Brenda Steele	Stephen Garner	Notification of price increase of 2.5% from 1 July 2015 (13 May).	Briefing to Local Board on community group connections to water and wastewater services in Riverhead (15 June). Update to the Chair on water investigation in Helensville (18 June).	Information on 2015/16 water and wastewater revenue in Rodney (13 July).
Upper Harbour	Lisa Whyte (5 May 2015 to end of the 2013-2016 term)	Brian Neeson (5 May 2015 to end of the 2013-2016 term)	Responded to enquiry regarding odour in area of Paremoremo from a private network (4 May). Notification of price increase of 2.5% from 1 July 2015 (13 May).	Local Board Workshop (2 June). Working with Parks staff on Local Board Open Space Plans and synergies with Watercare projects (30 June).	
Waiheke	Paul Walden	Shirin Brown	Local Board briefing regarding wastewater plant upgrades (1 May). Chairman thanked Watercare for engaging with the Local Board in advance. Notification of price increase of 2.5% from 1 July 2015 (13 May).		
Waitakere Ranges	Sandra Coney	Denise Yates	Notification of price increase of 2.5% from 1 July 2015 (13 May).		
Waitemata	Shale Chambers	Pippa Coom	Information on Watercare works in Cos Bay (12 May). Notification of price increase of 2.5% from 1 July 2015 (13 May). Follow up information on timing of Watercare projects (21 May).		Briefing with Chair regarding Wynyard development and opportunity for pipe construction in Victoria Park (15 July).
Whau	Catherine Farmer	Susan Zhu	Notification of price increase of 2.5% from 1 July 2015 (13 May). Meeting with Derek Battersby at the Margan Ave Generator in preparation for media article in Western Leader (27 May)		
Manukau Harbour Forum	Jill Naysmith		Information and media release sent on Central Interceptor Geotechnical Investigations on the Manukau Harbour (14 May).	Presentation: Mangere Wastewater Treatment Plant Upgrades and improvements in the Health of the Manukau Harbour (8 June).	



TRUSTEES
J. L. CLARK, CHAIRMAN
A. F. YOUNG-COOPER
K. R. SMITH
J. A. W. MCCONNELL

03 JUL 2015

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The Cornwall Park Trust Board (Inc.)

1 July 2015

David Clarke: Chairman
Raveen Jaduram: Chief Executive Officer
Watercare Services Limited
Private Bag 92521
Wellesley Street
AUCKLAND 1141

Dear David and Raveen

Cornwall Park Trust Board: Hunua no.4 pipeline

I am writing about the flyer recently circulated to residents in the vicinity of Cornwall Park/Onehunga about the Hunua no.4 watermain project, and the recent subsequent article by Brian Rudman, published in the New Zealand Herald, 26 June 2015, as well as a number of letters to the editor.

The statement in the flyer has attracted adverse public comment directed at the Trust Board, in particular in the Rudman article. The Trust Board will be taking steps to publish a corrective article.

The flyer states:

Our preferred route for the pipeline was to include Cornwall Park but unfortunately we were unable to obtain access and land owner approval. As a result, the pipeline has to be laid through a number of residential streets.

This statement is not accurate. I regret to have to say the Trust Board is inclined to conclude that the depiction of the Trust Board as responsible for the decision on the route (and thus for disruption and inconvenience to residents and commuters) is a deliberate inaccuracy, at the least by omission.

After nearly two years of discussion with the Trust Board it was Watercare's decision to route the pipeline around surrounding streets, and not to use the powers available to it to compel a route through the park.

As Watercare will be well aware, there was an extended period of engagement between itself and the Trust Board about possible routes through the Park during which time the Trust Board actively considered options for the pipeline that might assist Watercare and reduce disruption while still protecting the park. In the end, agreement was not possible, but it was then fully open to Watercare to exercise its powers as a requiring authority to designate a route through the Park, and to progress obtaining access by compulsory processes.

The Trust Board's letter to Watercare 11 September 2013 undertook that the Trust Board would cooperate with Watercare to the greatest extent reasonably possible with respect to such processes. This offer was made to ensure that whatever course Watercare decided on the process could be completed speedily and efficiently.

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The Trust Board heard from Council in December 2013 when Watercare was going to investigate other route options. The Trust Board understands that at that time Watercare had weighed all the impacts and drawn on its own expertise in coming to this decision about the route for the pipeline.

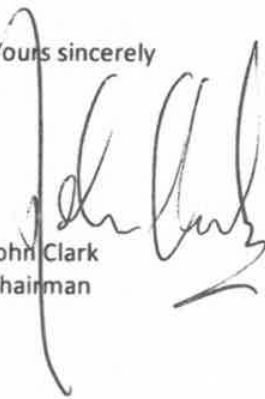
The project will extend over a significant period of time and it is likely that there will be further adverse public comment about local inconveniences. Should Watercare continue what appears to be its current strategy of laying responsibility for the decision on the route at the feet of the Trust Board, an inevitable public controversy will ensue which will damage the reputation of both entities. The Trust Board is disappointed at Watercare's evident public relations strategy. It will take active steps to inform the Auckland community of the true position.

Even now, however, it is not too late to avoid an extended public dispute. I suggest that a meeting of yourself and senior Watercare staff with the Trust Board to discuss a mutually agreed approach going forward on this issue is desirable to avoid on-going reputational damage to both entities.

Please contact the Park Director, Michael Ayrton, to indicate your willingness or otherwise to participate in such a meeting.

Yours sincerely

John Clark
Chairman

A handwritten signature in black ink, appearing to read 'John Clark', written over a vertical line that extends from the 'Yours sincerely' text down to the 'Chairman' text.



COPY

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9 July 2015

Mr John Clark
Chairman
The Cornwall Park Trust Board (Inc.)
P O Box 26-072
Epsom
Auckland 1344

Dear John

I acknowledge your letter of 1 July 2015.

Background

You are correct that there was an extended period of discussion between Watercare and the Trust Board over the issue of access and landowner approval. Watercare undertook that process in good faith firmly believing that agreement between us would be reached.

Considerable effort was made by Watercare to consider options for the route through Cornwall Park that would avoid historical, cultural, botanical and geological features and the methodology for undertaking the work.

Your letter of 11 September 2013 was received by us with considerable surprise, given the cooperative nature of the discussions in previous years. The Trust Board said:

"It has now reached the view that a pipeline as proposed would inevitably erode the park's special status...."

"We believe it is simply not appropriate to "lock up" a significant corridor through it for an indefinite period..."

"It is determined to preserve what, in a 100 years' time, may well be conceived to be an island of unmatched and unique recreational opportunities in a much "intensified city"

"It has reached the conclusion that it ought not to consent to the pipeline being routed through the park."

"For the same reasons, it will oppose any steps Watercare might take to compel a route through the Park."

Any reasonable organisation receiving that letter would take the view that it would have a significant fight on its hands to obtain access for the pipeline through the park. Watercare certainly took that view. Your letter of 1 July 2015 refers to a statement in the Trust Board's letter of 11 September 2013 that if wished to co-operate with Watercare to the greatest extent reasonably possible with respect to the process that may follow with respect to the pipeline proposal.

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However, your letter does not refer to the statements quoted earlier in this letter that signalled the Trust Board's intention both to withhold landowner approval and to oppose any use by Watercare of compulsory powers.

Whose decision was it?

You are correct that it was Watercare's decision to route the pipeline around surrounding streets. However that decision was made for the reason stated in the flyer namely:

"We were unable to obtain access and landowner approval."

While Watercare does have powers as a requiring authority, it very rarely exercises such powers, given the cost and inconvenience to all parties of doing so, and Watercare's preference to work co-operatively with landowners wherever possible.

You had put Watercare on notice that the Trust Board would oppose such steps being taken. You will be aware that such processes usually take a long time and are very costly. Further, with the absence of consent from the Trust Board, the resource consent process would also have taken significant time and money.

Frankly the change in approach by the Trust Board to advise it would not grant access for the pipeline ran Watercare out of the necessary time, to plan the new route, design the work and go to tender so that works can commence now.

If Watercare had undertaken a resource consent process and had exercised its powers as a requiring authority, in light of the opposition by the Park Board it is likely both processes would still be running today.

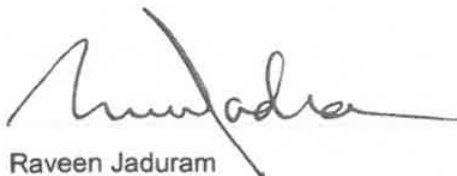
Conclusion

So, we believe the statement in the flyer which you have quoted is entirely accurate. The route through Cornwall Park was Watercare's preferred route and we were unable to obtain the approval of the Trust Board to gain access.

It was the decision of the Trust Board not to allow access, as conveyed in the letter of 11 September 2013, to Watercare which has led to the present position.

We are, of course, very happy to meet with you.

Yours sincerely,



Raveen Jaduram
Chief Executive
Watercare Services Limited