

WATERCARE SERVICES LIMITED

STATEMENT OF INTENT

2015 - 2018



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

INTRODUCTION

Matariki tāpuapua

Pleiades, harbinger of growth.

Puanga kai rau e

Rigel, symbol of the harvest.

Tihei Mauriora

Let there be life.

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

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

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

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

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

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

This SOI recognises the important relationship that exists between Watercare and the Auckland Council, and that the success of each is dependent on the actions of the other. Auckland Council requires Watercare to give effect to its strategic intent and facilitate the region’s sustainable growth and development, with particular emphasis on Special Housing Areas. Watercare’s proposal to increase the net water take from the Waikato River progressively over the next 35 years, from the current 150 million to 350 million litres per day will secure Auckland’s water supply for more than 30 years. Watercare relies on the Auckland Council providing a policy and regulatory environment that enables the development and operation of the infrastructure necessary to achieve this.

DAVID CLARKE

JUNE 2015

CHAIRMAN

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1. PURPOSE OF STATEMENT OF INTENT

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

2. ABOUT WATERCARE SERVICES LIMITED

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

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

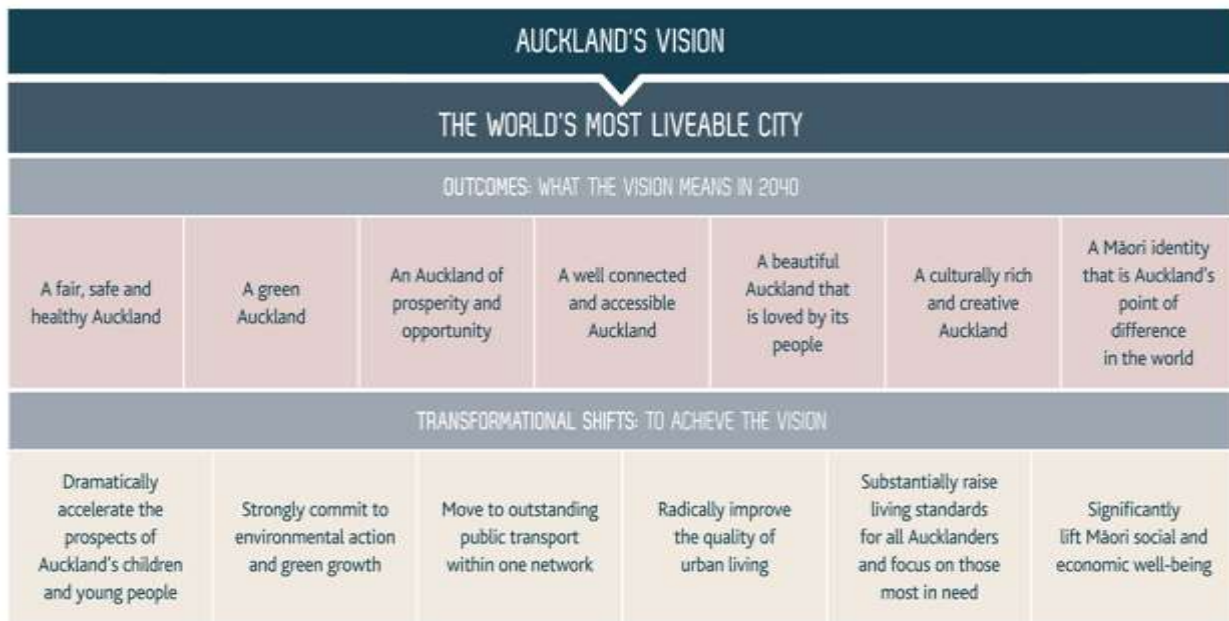
The company's obligations to deliver water and wastewater services for Auckland, are set out in Part 5 section 57(1) of the Local Government (Auckland Council) Act 2009 which stipulates amongst others, that an Auckland water organisation:

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

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

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

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



The Auckland Plan sets strategic direction and transformational shifts to achieve actions, targets and outcomes that are required to achieve the vision to be the world's most liveable city.

Watercare's Asset Management Plan 2015-2025 provides for \$2.2 billion of expenditure on water and wastewater infrastructure to service growth in the Auckland region.

Watercare will actively engage with Auckland Council and other infrastructure providers through the Housing Project Office, the Spatial Priority Areas Steering Group and the Auckland Plan Oversight Group to understand the regional growth priorities and to ensure that, where possible, water and wastewater infrastructure is available in a timely manner to service growth.

Watercare plays a critical part in delivering on actions and targets. In particular, Watercare actions which contribute to the outcomes are outlined in the table below:

Auckland Plan Transformational Shift	Degree of contribution	How Watercare contributes
Quality urban living	Primary	Watercare is facilitating this outcome by providing Aucklanders with a high-quality, reliable supply of drinking water. Every effort is made to ensure that the quality of drinking water is maintained at every stage of its journey to the customer's taps.

Auckland Plan Transformational Shift	Degree of contribution	How Watercare contributes
		By ensuring that stringent standards are applied in collecting, treating and discharging wastewater, the environment is preserved and Auckland waterway's are available for the enjoyment of Aucklanders.
Environmental action & green growth	Primary	<p>Effective treatment of wastewater is very important to safeguard human health and to protect our harbours and waterways. Watercare continuously strives to improve its wastewater collection process, reduce overflows, and ensure wastewater is treated to a standard that protects public health, and the local environment.</p> <p>Through its Waterwise Advice line and Be Waterwise programme, Watercare is promoting water-efficient behaviours to consumers and making every effort to reduce the demand for water services, detailed in the Auckland Regional Water Demand Management Plan.</p> <p>Watercare regularly consults with the specially created Environmental Advisory Group whose experts advise on how the company's activities affect the environment.</p> <p>Watercare's free education programme offers Auckland primary and intermediate school pupils the opportunity to take part in a range of exciting and hands-on lessons that teaches them about water, wastewater and their local environment.</p>
Raised living standards	Secondary	<p>Watercare is committed to providing safe, reliable and efficient water and wastewater services. It has continued to expand its service network to the wider Auckland region, making every effort to supply all Aucklanders with the same quality of service.</p> <p>Watercare is working closely with Auckland Council to ensure that where possible, water and wastewater infrastructure is available in the Special Housing Areas (SHA's).The Watercare Utility Consumer Assistance Trust provides financial support to residential customers of Watercare who are struggling to manage their water and wastewater costs.</p>
Māori social and economic wellbeing	Secondary	Watercare has a close relationship with Maori and recognises the importance of natural resources to mana whenua. Watercare acts in accordance with relevant statutory provisions and Treaty of Waitangi principles. Watercare provides funding for and is a member of the Mana Whenua Kaitiaki Forum. As a member, Watercare attends the quarterly meetings of the forum with the intention of gaining a direct understanding of the issues and objectives of Mana Whenua with respect to Watercare. The Chairman of the Mana Whenua Kaitiaki Forum will continue to have the opportunity to present the annual report of the Forum to the Watercare Board and to prepare a statement for inclusion in the Watercare Annual Report. The

Auckland Plan Transformational Shift	Degree of contribution	How Watercare contributes
		<p>Chairman of the of the Mana Whenua Kaitiaki Forum and the Watercare Chief Executive will meet annually with the Chairman and Deputy Chairman of the IMSB to consider Watercare’s performance with regards to engagement with Mana Whenua.</p> <p>Watercare will continue to engage with mana whenua to provide technical advice and support for marae development and papakainga housing.</p> <p>In doing so Watercare will support Maori representation to Government for funding of infrastructure for those rural marae in the Auckland region.</p>
Children & young people	Secondary	Children and young people benefit from a high quality, reliable supply of drinking water.
Outstanding public transport	Not applicable	

Degree of contribution: Primary/ Secondary / Not applicable

4. WATERCARE’S STRATEGIC OBJECTIVES

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

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

5. THREE YEAR WORKPLAN TO DELIVER ON STRATEGIC DIRECTION

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

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

Specific projects delivering on Māori outcomes

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

6. PERFORMANCE OUTLOOK

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

Service Level Statement	Measure	2013/14 Actual	2014/15 Annual Plan	2015/16	2016/17	2017/18
Provide uninterrupted access to safe, clean and drinkable water.	The extent to which Watercare's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	New measure	New measure	100%	100%	100%
	The extent to which Watercare's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	New measure	New measure	100%	100%	100%
	Median response time for attendance for urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site.	New measure	New measure	≤60 mins	≤60 mins	≤60 mins
	Median response time for resolution of urgent calls-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	New measure	New measure	≤5 hours	≤5 hours	≤5 hours
	Median response time for attendance for non-urgent call-outs: from the time that Watercare receives notification to the time that	New measure	New measure	≤3 days	≤3 days	≤3 days

Service Level Statement	Measure	2013/14 Actual	2014/15 Annual Plan	2015/16	2016/17	2017/18
	service personnel reach the site					
	Median response time for resolution of non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	New measure	New measure	≤6 days	≤6 days	≤6 days
	The total number of complaints received by Watercare 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) Watercare's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system	New measure	New measure	≤10	≤10	≤10
	The percentage of real water loss from Watercare's networked reticulation system	13.9%	≤13%	≤13%	≤13%	≤13%
	The average consumption of drinking water per day per resident	270	278 +/- 5%	272 +/- 2.5%	270 +/- 2.5%	268 +/- 2.5%
Provide reliable wastewater services and manage discharges to maintain or	The number of dry weather overflows from Watercare's sewerage system, expressed per 1000 sewerage connections to that sewerage system	New measure	New measure	≤10	≤10	≤10

Service Level Statement	Measure	2013/14 Actual	2014/15 Annual Plan	2015/16	2016/17	2017/18
improve the health of the environment						
	Compliance with the Watercare'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 Watercare in relation to those resource consents	a) 0 b) 0 c) 0 d) 0	a) 0 b) 0 c) 0 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0
	Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that Watercare receives notification to the time that service personnel reach the site	New measure	New measure	≤60 mins	≤60 mins	≤60 mins
	Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that Watercare receives notification to the time that service personnel confirm resolution of the blockage or other fault	New measure	New measure	≤5 hours	≤5 hours	≤5 hours
	The total number of complaints received by Watercare about any of the following: a) sewerage odour	New measure	New measure	≤50	≤50	≤50

Service Level Statement	Measure	2013/14 Actual	2014/15 Annual Plan	2015/16	2016/17	2017/18
	b) sewerage system faults c) sewerage system blockages d) the Watercare's response to issues with its sewerage system expressed per 1000 connections to the Watercare's sewerage system					
	Average number of wet weather overflows per discharge location	WW network discharge consent lodged and operational	WW network discharge consent lodged and operational	≤2 overflows per year per engineered overflow point	≤2 overflows per year per engineered overflow point	≤2 overflows per year per engineered overflow point
Health, Safety and Well-being	Lost-time injury frequency rate per million hours worked	2.53	≤5	≤5	≤5	≤5
	Total recordable injury frequency rate per million hours worked	New measure	New measure	≤30	≤30	≤30
	Percentage of voluntary leavers relative to number of permanent staff	12.5%	≤12%	≤12%	≤12%	≤12%
Customer Satisfaction	Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	84.7%	≥80%	≥80%	≥80%	≥80%
	Percentage of complaints 'resolved and closed' within 10 working days	94.2%	≥95%	≥95%	≥95%	≥95%
	Percentage attendance at the quarterly meetings of the Mana Whenua Kaitiaki Forum	100%	n/a	100%	100%	100%
Financial	Minimum funds flow from operations to interest cover	3.30	≥2.5	≥2.5	≥2.5	≥2.5

Service Level Statement	Measure	2013/14 Actual	2014/15 Annual Plan	2015/16	2016/17	2017/18
	(FFO) before any price adjustment					
	Percentage of household expenditure on water supply services relative to the average household income	0.90%	≤1.5%	≤1.5%	≤1.5%	≤1.5%

7. SUMMARY OF FINANCIALS

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

Operating expenditure (\$ millions)

	2013/14 Actual	2014/15 Annual Plan	2015/16 LTP	2016/17 LTP	2017/18 LTP
Personnel costs	52	50	55	57	59
Other expenses	145	151	158	161	168
Interest expense	69	80	78	78	82
Depreciation	206	210	217	228	244
Total operating expenditure	472	491	508	524	553
Operating expenditure to be funded	266	281	291	296	309
Funded by:					
External revenue	447	449	469	485	508
Auckland Council funding					
Total	447	449	469	485	508
Surplus/ (deficit)	181	168	178	189	199

Capital expenditure (\$ millions)

	2013/14 Actual	2014/15 Annual Plan	2015/16 LTP	2016/17 LTP	2017/18 LTP
Growth	124	145	200	205	173
Level of service	94	96	89	112	105
Renewals	89	82	93	124	133
Capital expenditure excluding capitalised interest	307	323	382	441	411
Capitalised interest	17	16	18	29	30
Total capital expenditure including cap int	324	339	400	470	441
Funded by:					
Operating surplus	181	168	178	189	199
Infrastructure growth charges	33	34	58	84	101
Debt	110	137	164	197	141
Grants / subsidies					
Auckland Council funding					
Total	324	339	400	470	441

Specific expenditure towards Māori outcomes (\$ 000s)

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

Other financial information

Current value of assets	The current value of Watercare Services Limited assets as at 30 June 2014 is \$8,386 million.
Shareholder equity ratio	The latest shareholder equity ratio for Watercare Services Limited as at 30 June 2014 is 69%.

Accounting Policies	Watercare Services Limited accounting policies are consistent with those of the Auckland Council group policies with nominated exceptions (e.g. interest capitalisation).	
Financial Reporting	Watercare Services Limited financial reporting is in accordance with requirements of the CCO Governance Manual.	
Asset sales (\$ million)	2013/14 Actual	<i>\$0.2 million</i>
	2014/15 Annual Plan	<i>\$nil</i>
	2015/16 LTP	<i>\$nil</i>
	2016/17 LTP	<i>\$nil</i>
	2017/18 LTP	<i>\$nil</i>

8. APPROACH TO GOVERNANCE

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

Watercare board meetings are open to members of the public. Watercare also meets the public meetings requirement of the Local Government (Auckland Council) Act 2009 which requires Auckland Council CCOs to hold two public meetings a year:

Purpose	Date	Form of Public Notification
Consider shareholder comments on draft SOI	29 May 2015	Public notice
Consider performance against SOI targets	29 October 2015	Public notice
Consider shareholder comments on draft SOI	May 2016	Public notice