
Statement of Intent 2022 to 2025



He mihi

Kia tīkina atu he mihi, he whakamānawa ki ngā iwi huri noa o Tāmaki Makaurau ake, me ngā tini kārangaranga o ngā mātāwaka.

Ka mihi atu ki ngā kupu whakareia a te hunga kua tīpokotia e te ringa o te wāhi ngaro, rātou kua mene ki ngā Hawaiki katoa.

E rere rā ko ngā wai o Waikato, Tāmaki me te Hoteo. Kei waho rā ko ngā tai piringa o Tīkapa Moana, te Waitematā, Te Mānukanuka o Hoturoa me te Kaipara.

Kei uta, he whenua taurikura hei kāinga tupuranga uri mō tātou katoa.

Kāti, ka uia te pātai, 'Mā wai ngā hawai, ngā haroto me ngā moana e tiaki, e whakarauora mai, mei kore māku, mei kore hoki māu?'

Greetings and well wishes to the mana whenua; first settlers of Tāmaki Makaurau, also visitors and residents from elsewhere.

We acknowledge you with the eloquent words of those, lost long ago to the hidden hand of eternity, those now gathered in the Hereafter.

The waters of the Waikato, Tāmaki and Hoteo flow inland while out there languish the watery havens of the Hauraki, Waitematā, Manukau and Kaipara.

Here onshore is a prosperous and peaceful place, home for us all and generations yet to come.

To pose the question, 'For whom is the business of preserving the health of waterways, if it's not mine and it's not yours?'

Contents	Page
Message from the Chair and Chief Executive of Watercare Services Limited	1
Part 1: Strategic overview	
1.1 Roles and Responsibilities	4
1.2 Responses to council's strategic objectives and outcomes	5
1.3 How we create value – Kia whaihanga ngā huanga	7
1.4 About us	28
Part 2: Statement of Performance Expectation	
2.1 Introduction	30
2.2 How we will deliver - annual work programme	32
2.3 Financial statements for the long-term plan	34
Appendix A – Our legislative framework	37
Appendix B – 14 x Department of Internal Affairs non-financial measures and 1 x Auckland Plan* Measure	39
Appendix C – Water Strategic Framework	41

Message from the Chair of the Board and Chief Executive of Watercare Services Limited

Ki te ora te wai *The wellbeing of our customers and communities depends on us*
Ka ora te whenua *looking after our water sources. Because when the water is healthy,*
Ka ora te tangata *the land and the people are nourished.*

As Auckland's water and wastewater services provider, Watercare has a significant role in helping Auckland Council achieve its vision for the city. Our board welcomes the opportunity to work collaboratively with the Mayor and Councillors to jointly develop strategies and policies which achieve efficiencies and provide greater benefit to our customers and the communities of Auckland. This Statement of Intent (SOI) sets out Watercare's commitment to fulfil our vision to be trusted by our communities for exceptional performance every day and our mission to provide safe, reliable and efficient water and wastewater services to all of Auckland.

Watercare's priorities for 2022–2025 are:

- Supplying safe drinking water for the public health of consumers, and collecting, treating and discharging wastewater in a safe and responsible manner for people and the environment
- Health, safety and wellbeing of all staff and contractors, especially as they tackle the continued impacts of Covid-19 and the associated changes with the water reform programme
- Promotion and celebration of a diverse and inclusive culture
- Continuing to prepare our business, in collaboration with Auckland Council, for water reform by ensuring the company is in the strongest shape for reform when it occurs
- Improving network performance by building and maintaining critical infrastructure
- Protecting the environment, adapting and mitigating for climate change
- Improving and achieving Māori outcomes
- Partnership with mana whenua and mātāwaka
- Continued collaboration with our customers and other stakeholders.

Collaboration with Auckland Council on implementing the Auckland Water Strategy, including embedding the Strategy's high-level vision for Auckland's waters "te Mauri o te Wai o Tāmaki Makaurau – the life sustaining capacity of Auckland's water is protected and enhanced.

Supplying safe drinking water for the public health of consumers, and collecting, treating and discharging wastewater in a safe and responsible manner for people and the environment.

We currently supply water and wastewater services to around 1.7 million people. As Auckland's water utility, we face three main challenges – population growth (with an estimated growth of 476,000 people over the next 20 years), ageing infrastructure and climate change. In the face of these challenges, Watercare will continue to:

- Comply with the Water Services Act 2021, including delivering to new drinking water standards and rules, as well as environmental and levels of service standards
- Deliver safe, cost-effective and efficient water and wastewater services, which does not compromise the health of our customers or the environment
- Focus on water efficiency and innovation across the network to further improve water service delivery.

Improving network performance by building and maintaining critical infrastructure (renewals and growth)

Regional growth in population, industry, and commerce has a direct impact on Watercare's ability to provide reliable services and protect both public health and the environment.

Our Asset Management Plan (AMP) 2021-2041 is our tactical plan for managing our infrastructure effectively to achieve our long-term strategic goals and meet those future demand increases. Our asset management planning is focused on: growth, renewals, and levels of service. Over the next 20 years, we will invest about \$18.5 billion to build and maintain water and wastewater infrastructure for Aucklanders. This equates to roughly an average of \$2.5 million every

single day for the next two decades. This plan also outlines our largest ever investment towards renewals (pipes and plants) at \$8.7 billion to address the problem of ageing infrastructure.

In early 2022, Watercare was granted a 20-year resource consent for up to 150 million litres a day (MLD) from the Waikato River, ensuring Aucklanders will continue to have a reliable water supply as the population grows. We have agreed to invest \$40 million over the life of the consent towards projects that restore the awa and its tributaries. The Waikato River helps us to provide a lifeline service to our customers and we will be doing our bit to give back and enable the awa to thrive.

We are also continuing to plan for the replacement of the ageing Huia WTP with a new 140MLD capacity plant. With an additional 30MLD production capacity, the replacement plant will help meet peak demand and improve system resilience.

Auckland Water Strategy

Council adopted the Auckland Water Strategy in March 2022. This Strategy describes the region's core challenges related to water outcomes and provides integrated strategic direction to address them. The vision for Auckland's Water Strategy is 'te Mauri o te Wai o Tāmaki Makaurau, the life-sustaining capacity of Auckland's water is protected and enhanced'. We will ensure that this vision is understood across Watercare and embedded in all of the work that we do.

Watercare worked closely with Council on the development of the Strategy and has agreed to specific actions that it will lead or contribute to. Watercare is committed to the prioritisation of the life-sustaining capacity (mauri) of water in decision-making and commits to strengthening its partnership with mana whenua to do so.

In line with the Auckland Water Strategy, Watercare, together with Auckland Council is commencing our water-reuse journey to explore options for future water sources, which could include purified recycled water, desalination and increased use of groundwater sources. We will consult with the people of Auckland on the selection of future water source(s) through a Citizen's Assembly later this year. The diversification of sources together with the implementation of long-term water consumption reduction targets will contribute to the overall resilience of the water network.

Protecting the environment and building resilience against climate change impacts

Droughts such as the one we experienced over the last three years are likely to be more common as our climate continues to change. We have worked hard to increase the volume of water available to Aucklanders by building and expanding water treatment plants. We have engaged with our customers on their water use and encouraged them to use water wisely indoors and out. We are pleased with the progress we have made in increasing the resilience of the city's water supply through greater diversity of sources and by reducing reliance on dams, which suffer the effects of droughts more acutely than river and underground sources.

In the coming years, we will continue to work together with the council group to deliver the actions associated with Te Tāruke-ā-Tāwhiri: Auckland's Climate Action Plan, reducing greenhouse gas emissions (GHG) and preparing Auckland for the impacts of climate change. This includes plans to meet specific targets from the short-term goals of 50% saving in carbon emissions by 2030 to the long-term goal of net zero emissions by 2050 and actions to monitor and prepare for climate impacts.

Watercare's Climate Change Strategy has been refreshed in light of this overarching strategy and a new document, the Watercare and Healthy Waters Climate Action Plan has been established. The Action Plan includes the key areas we will focus on to meet our 2030 Climate targets and GHG performance measures have been included in this SOI for the first time. We are working together with Healthy Waters to ensure the targets in the Action Plan and our response to climate change are aligned.

Watercare commits to working with council on climate change risk assessment and disclosure. During 2022 direct support will be provided to implement the underlying processes that will meet the mandatory reporting requirements under the Climate Related Disclosures and other Matters Amendment Bill.

Water reform

We are working collaboratively with council to understand what water reform means for Aucklanders and are positively responding to the government's requests for information.

We are working collaboratively with the National Transition Unit, the Local Establishment Entity and of course, Auckland Council, including Healthy Waters, on transition to a new water services entity (Entity A). We are also starting to build relationships with our neighbours in the North, who will join Watercare in forming Entity A.

We continue to work closely with council to provide advice and support to the government on the development of an economic regulator.

Achieving Māori Outcomes

Watercare actively works with the Council group in delivering Māori outcomes. Over the next three years Watercare will continue to deliver its Achieving Māori Outcomes Plan, a framework that will be used to measure Watercare’s contribution to Māori outcomes. This plan is aligned to Kia ora Tāmaki Makaurau, the council group’s Māori Outcomes Performance Measurement Framework and we will advance the intent of Kia ora Tāmaki Makaurau to improve social, economic, and cultural wellbeing for Māori throughout Tāmaki Makaurau. Watercare is committed to achieving the Auckland Water Strategy’s vision - te Mauri o te Wai o Tāmaki Makaurau and Te Tiriti partnership, whereby Council, Watercare and mana whenua work together as partners in the protection, management, and enhancement of water.


Covid-19

The Covid-19 pandemic has impacted our business programmes, staff, customers and supply chain, resulting in cost escalations and has dramatically changed the way our people work. Our coordinated incident management framework for Covid-19 has served us well over the past two years and we are confident that we have the resilience and expertise we need to cope with the evolution of this pandemic.

Collaboration with the Council family

Watercare will continue to work closely with Auckland Council, and the broader council family to ensure that council’s vision for the city is achieved. With the recent launch of the Auckland Water Strategy, this collaboration will include continuing committed investments and actions designed to achieve the Strategy’s targets, such as the reduction in water consumption, and water literacy targets.

Watercare is committed to providing world class water and wastewater services to Aucklanders. Our SOI reaffirms our commitment to work with council and our stakeholders so that together, we can meet the challenges of today and tomorrow.



Margaret Devlin
Chair of the Board



Jon Lamonte
Chief Executive



Priyan Perera, Head Strategy and Planning, Infrastructure, takes a sample of the water flowing through the Hays Creek Stream

Part 1: Strategic overview

1.1 Roles and Responsibilities

Watercare is a lifeline utility providing water and wastewater services to 1.7 million people in Auckland. Our services are vital for life, keep people safe and help communities flourish. We supply reliable, high-quality drinking water to homes and businesses in the Auckland region and collect, treat and discharge their wastewater in environmentally responsible ways.

We manage water and wastewater assets valued in the order of \$12 billion and plan and build infrastructure to ensure we are resilient and reliable and can support growth today and into the future.

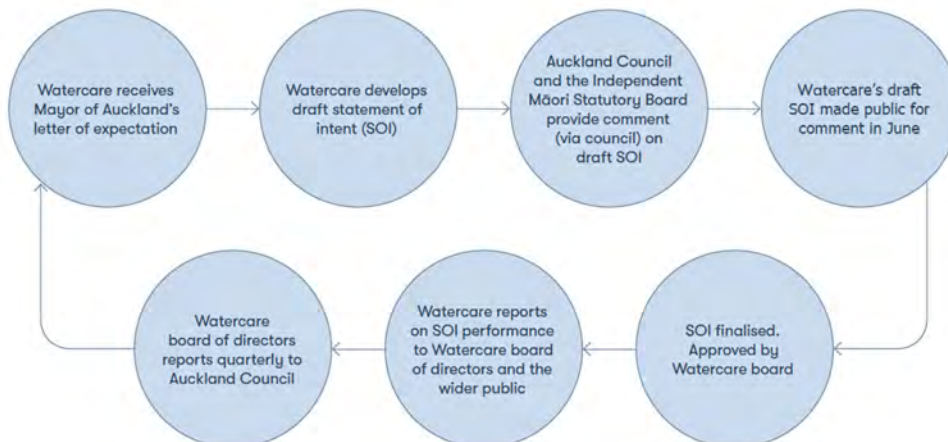
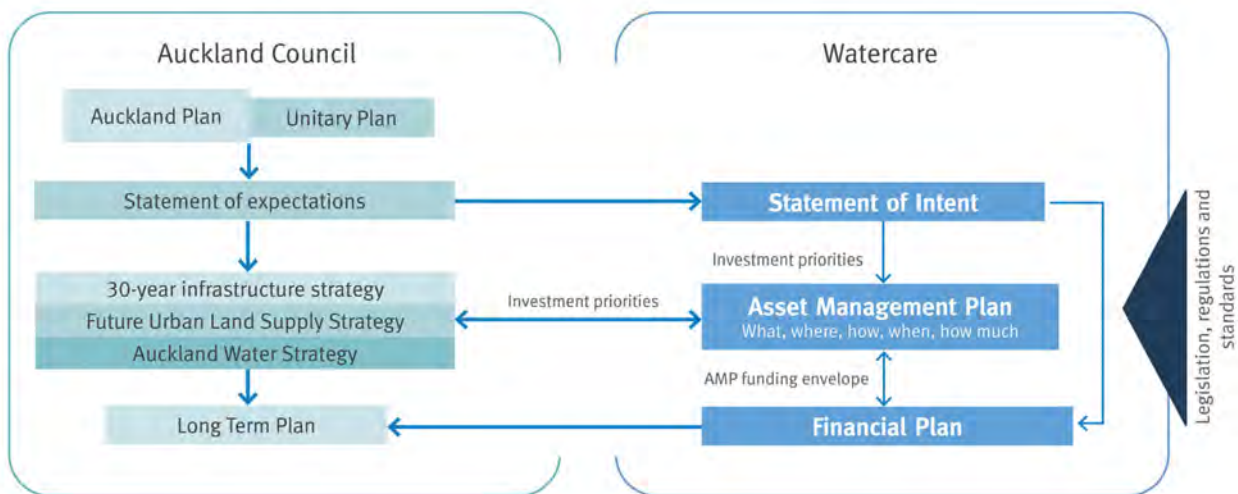
Our functions

We are a council-controlled organisation (CCO), fully owned by Auckland Council (council). Our services and programmes are financed solely through user charges and borrowings. We are required by law to be a minimum-cost, cost-efficient service provider to our customers (collectively) that operates effectively into the long-term. We do not pay a dividend to our shareholder.

The way we manage and measure our performance is detailed in section 1.4 and our legislative framework is summarised in Appendix A.

Purpose of statement of intent (SOI)

Our annual SOI is required by the Local Government Act 2002 and publicly states our activities and intentions for the next three years, and how they contribute to the council's objectives. Our SOI provides an opportunity for council to influence the direction of Watercare and provides a basis for the accountability of performance.









1.2 Responses to council’s strategic objectives and outcomes

We are fully committed to working with the council group to deliver the Auckland Plan 2050, the Auckland Water Strategy, Te Tāruke-ā-Tāwhiri: Auckland’s Climate Plan, Kia ora Tāmaki Makaurau: Māori Outcomes Performance Measurement Framework, relevant performance measures and any associated guidance.

We apply the integrated reporting framework in our decision-making and reporting. Our approach focuses on how we create value through our inputs (or six-capitals) and business activities, focusing on what matters most to our many stakeholders and is intrinsically linked the Auckland Plan 2050 outcomes.

Our major contributions to the Auckland Plan 2050 outcomes are:

Auckland Plan Outcomes	How Watercare contributes
<p>Opportunity and prosperity</p>  <p>Auckland is prosperous with many opportunities and delivers a better standard of living for everyone</p>	<ul style="list-style-type: none"> • By reliably and efficiently delivering safe drinking water to our customers • By reliably and efficiently delivering wastewater services to our customers • By building customer trust and value through exceptional performance and engagement • By developing and maintaining a safe, engaged, empowered, diverse and inclusive workforce • By providing a reliable pipeline of infrastructure programmes • By providing high performing infrastructure (reliable and resilient now and in the future) • By working with industry partners and tertiary education providers to deliver graduate programmes as well as apprenticeship and internship opportunities • By working with council to deliver the Economic Development Action Plan • Be encouraging innovation to find new solutions to improve the way we work – to do this we allow our staff and partners to explore, experiment and if necessary, fail safe and learn fast
<p>Environment and cultural heritage</p>  <p>Preserve, protect and care for the natural environment as our shared cultural heritage for its intrinsic value, and for the benefit of present and future generations</p>	<ul style="list-style-type: none"> • By working with council on implementing the Auckland Water Strategy to achieve the Auckland Plan 2050’s objectives of adapting to a changing water future • By reliably and efficiently delivering wastewater services to our customers and discharging it in a safe and responsible manner for people and the environment • By planning and providing resilient infrastructure that is adaptive to future changes including climate change • By adopting council’s 50% target for greenhouse gas reduction by 2030 • By actively promoting water-efficient technologies and behaviours to customers and homebuilders • By consulting with affected parties on our development plans
<p>Homes and places</p>  <p>Aucklanders live in secure, healthy and affordable homes and have access to a range of inclusive public places</p>	<ul style="list-style-type: none"> • By reliably and efficiently delivering safe drinking water to our customers • By reliably and efficiently delivering wastewater services to our customers • By collaborating with the wider council group to support areas of growth identified by council • By aligning major infrastructure development for future urban areas with Council’s Future Urban Land Supply Strategy (FULSS) • By proactively engaging with Kāinga Ora to plan, fund and deliver water and wastewater infrastructure to support its major urban transformation programmes • By collaborating with Council on the implementation of the Auckland Water Strategy, including the introduction of long-term new water consumption targets

Auckland Plan Outcomes	How Watercare contributes
<p>Māori identity and wellbeing</p>  <p>A thriving Māori identity is Auckland's point of difference in the world – it advances prosperity for Māori and benefits all Aucklanders</p>	<ul style="list-style-type: none"> • By actively working with the council group to deliver our Achieving Māori Outcomes Plan, a framework that will be used to measure Watercare's contribution to Māori Outcomes. Our work is guided by, and is aligned to, Council's Māori Outcomes Performance Measurement Framework, Kia ora Tāmaki Makaurau • By actively fostering and maintaining relationships with local Māori, including via the Mana Whenua Kaitiaki Forum, mana whenua and mātāwaka • By working alongside Council's Ngā Mātārae and the Māori Outcomes Steering Group to achieve stronger alignment with Kia ora Tāmaki Makaurau regarding: a) rangatahi/ intern opportunities; and b) key performance indicators relating to Māori • By providing technical advice related to water supply and septic tanks to all marae • By providing technical advice for water supply and septic tanks to all marae
<p>Belonging and participation</p>  <p>All Aucklanders will be part of and contribute to society, access opportunities, and have the chance to develop to their full potential</p>	<ul style="list-style-type: none"> • By reliably and efficiently delivering safe drinking water to our customers • By reliably and efficiently delivering wastewater services to our customers • By developing and maintaining a safe, engaged and empowered workforce • By collaborating with the wider council group to support areas of growth identified by council • By employing a diverse and inclusive workforce • By providing a reliable pipeline of infrastructure programmes • By developing education programmes for our customers and tamariki, including water awareness programmes, free water education programmes for schools and open days at our treatment plants • By engaging Aucklanders on decisions around future infrastructure investments.
<p>Transport and access</p>  <p>Aucklanders will be able to get where they want to go more easily, safely and sustainably</p>	<ul style="list-style-type: none"> • By collaborating with the wider council group to support areas of growth identified by council • By ensuring Watercare works with council, Auckland Transport, Waka Kotahi and other utilities to align infrastructure projects wherever possible, to minimise the effects on traffic and neighbourhoods



Tamariki taking part in Watercare's free water education programme

1.3 How we create value – Kia whaihanga ngā huanga

Our vision, mission and value creation model are illustrated below. We continue to focus our efforts and resources on creating value for Aucklanders while we prepare and adapt for rapid population growth, the impacts of climate change, higher standards for improved environmental outcomes and fulfil our mandate to be a minimum-cost, cost-efficient service provider into the long-term.



Customer and stakeholder relationships



Value created
Public health
Engaged communities and stakeholders
Thriving communities and economy

Our vision is to be trusted by our customers and communities for exceptional services

We work hard to gain and maintain the trust of the communities we serve. With focus on:

- delivering safe and reliable drinking water and wastewater services 24/7
- enhancing our partnerships and strong relationships with Māori in Tāmaki Makaurau
- operating responsibly and trusted by our community and stakeholders for exceptional performance.

Deliver safe and reliable drinking water and wastewater services 24/7

Under Taumata Arowai – the Water Services Regulator Act 2020, the principal regulators of our water quality include Auckland Council, Waikato Regional Council, and Taumata Arowai.

We have the responsibility and dedication to provide Aucklanders with safe and high-quality drinking-water. The Water Services Act 2021 requires water suppliers to comply with new Drinking Water Standards, new Drinking Water Aesthetic Values and new Drinking Water Quality Assurance Rules which will come into effect on 14 November 2022. For registered water suppliers, including Watercare, new compliance reporting requirement will take effect from 1 January 2023.

Implementation and update of Watercare's existing water safety plans is underway for submission to Taumata Arowai by November 2022.

We are working with the regulators to continuously improve our water safety initiatives and undertake annual internal audits of WSPs (Water Safety Plans) to:

- Ensure we follow the prescribed practices and procedures in our WSP for the treatment and management of water services operations. This is in advance of external audits carried out at any time by the regulator(s).
- Ensure evidence is gathered to support Watercare operations and compliance. And where there is non-compliance, provide the reasons for non-compliance and the impact on ensuring safe and secure drinking-water.
- Confirm stated improvements are being actioned and potential new risks are identified.

Through a series of underground wastewater pipes, the majority of Auckland households and businesses are connected to one of our major treatment plants at Māngere, Rosedale, Pukekohe or Army Bay. We treat and discharge our wastewater in an environmentally sustainable manner.

We are committed to providing great service, whether it is fixing a leak, clearing a blockage, or resolving a bill query. We take guidance from the DIA non-financial measures for water and wastewater operators (see Appendix B); and we set targets for these measures to make sure we continue to earn the trust of our customers.

Ensure reliable water supply

We recognise that reliable water supply is essential not only for Aucklanders' public safety and wellbeing but also to give businesses the confidence to invest and operate in our city, ultimately improving the economic prosperity of New Zealanders.

Our weather is changing. Climate change means that over the long term, we will see drier summers and wetter winters. The severe and unprecedented drought of 2019-2021 increased awareness about the value of water system resilience. Watercare’s response to the drought included augmenting water supply, reducing demand through an effective multi-channel communication programme, working closely with our customers. Other actions included the introduction of stage 1 restrictions and improving network performance by investing resources into proactive leak detection.

The drought standard provides for a 1:100 year event where dam storage drops to 15% or below. The purpose of our Drought Management Plan is to provide a series of responses to mitigate the potential impact of droughts.

A separate independent review of Watercare’s drought preparedness found that the actions taken by Watercare in both demand and supply were appropriate to mitigate the potential risk and storage was maintained above 40%. Communications with Watercare stakeholders were identified as an area for further improvement in terms of earlier communication engagement.

See our Assets and Infrastructure section for further information about our infrastructure planning and investment for continued delivery of safe and reliable drinking water and wastewater services now and in the future.

Working with others

Specific strategies and plans where we are working with council include:

- Implementation of the Auckland Water Strategy
- Climate change
- Three Waters Reform.

Other entities we are working with:

- Veolia Water, Papakura’s water and wastewater retailer
- Our partners on the Enterprise Model
- Taumata Arowai to implement changes to drinking water standards and rules.

We measure success by:

Measure	Source	2021 Actual	2022 SOI	Next three year targets		
				2023	2024	2025
Ensure safe drinking water						
Meet DIA drinking water targets (see appendix B refer numbers 3, 4 and 9)	DIA measures	100%	100%	100%	100%	100%
Ensure reliable water supply						
Meet DIA drinking water targets (see appendix B refer numbers 5-8)	DIA measures	100%	100%	100%	100%	100%
Ensure efficient water supply						
Meet DIA drinking water targets (see appendix B refer numbers 2 and 13)	DIA measures	100%	100%	100%	100%	100%
Ensure safe and reliable wastewater collection						
Meet DIA wastewater targets (see appendix B refer numbers 10-12)	DIA measures	100%	100%	100%	100%	100%

Note: All of the above DIA measures are also Auckland Council Long Term Plan measures.

Enhance our partnerships and strong relationships with Māori in Tāmaki Makaurau

We value our partnership with Māori. In working with our Māori partners we have developed a mutual respect and a shared understanding. Watercare supports the Auckland Water Strategy’s commitment to partnering with mana whenua to achieve the vision of te Mauri o te Waio Tāmaki Makaurau and working together to advance our core interests in water and the environment.

Te Ao Māori principles within our business

The Auckland Plan 2050 includes a priority outcome that “Māori culture and identity is celebrated by Aucklanders and is our point of difference in the world”. For Watercare, we have made the commitment to embed Te Ao Māori values throughout the organisation. As a strategic priority, we will keep ourselves accountable and aim to realise these aspirations:

- We value Te Ao Māori/the Māori world view, and understand the cultural importance of water
- We embrace and develop our own Māori identity and culture competencies
- We recognise Te Tiriti o Waitangi/the Treaty of Waitangi and the significance of Te Mana O Te Wai.
- We (Council and Watercare) and mana whenua are partners in the protection, management and enhancement of water (refer to Auckland Water Strategy Strategic Shift 1: Te Tiriti Partnership).

Achieving Māori Outcomes

Watercare has identified initiatives within its Achieving Māori Outcomes Plan that it will advance over the next 3 to 4 years to improve social, economic and cultural wellbeing for Māori communities throughout Auckland. The plan aligns to Kia Ora Tāmaki Makaurau, the Council group’s Māori Outcomes Performance Measurement Framework, and progress against the plan is reported to Council quarterly. Through the framework’s 10 priority mana outcomes, Watercare will deliver key priorities over the medium term that contribute to Māori Outcomes including:

Mana outcome	Watercare action
Kia ora te ahurea: Māori identity and culture	Build staff confidence and competency to engage with Māori; Grow staff awareness and understanding in Te Reo Māori and Tikanga Māori principles through: <ul style="list-style-type: none"> • Cultural interpretations and dual naming at Watercare sites • Events and programmes supported by Watercare that showcase Māori identity • Inductions include Māori cultural component
Kia ora te ūmanga: Māori business, tourism and employment	Support economic opportunities for Māori businesses and iwi organisations through: <ul style="list-style-type: none"> • Sourcing 5% of procurement through Māori owned businesses by 2025
Kia ora te rangatahi: Realising rangatahi potential	Contribute meaningfully to realise rangatahi potential through: <ul style="list-style-type: none"> • Māori youth employment, Māori cadetship and work experience programmes • Continue Mark Ford Ngā Tapuwae scholarship • Māori culture and values infused through Watercare leadership programmes
Kia ora te taiao: Kaitiakitanga	Kaitiaki provide an aligned approach to remediate, protect and enhance the mauri of our treasured environments through: <ul style="list-style-type: none"> • Water efficiency education and demand management • Healthier waterways, initiatives with Māori
Kia ora te hononga: Effective Māori participation	Mana whenua and Māori are active partners, decision-makers and participants through: <ul style="list-style-type: none"> • Incorporating Māori outcomes in core strategies, policies and plans • Mana whenua are offered the opportunity to individually participate in discussions about projects and work programmes through the kaitiaki schedule

Watercare’s Te Rua Whetū - Māori Outcomes & Relationships Unit, has strong relationships with their counterpart teams at Council and other CCOs, and is committed to explore opportunities to improve the consistency between CCOs in how they contribute to Kia Ora Tāmaki Makaurau.

Working with others

Specific strategies and plans where we are working with council include:

- Implementation of the Māori Employment Strategy – MAHI - to grow and develop a talented and thriving Māori workforce and build organisation capability to achieve Māori Outcomes.
- Collaboration and trusted relationship with council’s Ngā Mātārae (Māori outcomes department)
- Watercare is committed to working with the council group and the Independent Māori Statutory Board (IMSB) in meeting the requirements of the tri-annual Treaty of Waitangi Audit
- Tūpuna Maunga of Tāmaki Makaurau Authority in relation to Watercare infrastructure on maunga
- Watercare is an active member of the Māori Outcomes Steering Group. The Māori Outcomes Steering Group reports into council’s Executive Leadership Team and the council group chief executives and has oversight of the long-term plan funding for Māori Outcomes

- Assessing and mapping the impacts of existing water infrastructure on te Mauri o te Wai o Tāmaki Makaurau (the life-sustaining capacity of Auckland’s Water, is protected and enhanced) – to be done in partnership with mana whenua by 2030.

Other entities we are working with:

- Mana Whenua forums and tribal authorities
- Independent Māori Statutory Board (IMSB)
- Supporting Mātāwaka in the Tamaki Makaurau region, in relation to water and wastewater supplies at all marae

We measure success by:

Measure	Source	2021 Actual	2022 SOI	Next three year targets		
				2023	2024	2025
Formal engagement with mana whenua of Tāmaki Makaurau	Watercare	Not Achieved (13 out of 19 iwi met at least once in 2020-2021)	100%	Partnering with mana whenua of Tāmaki Makaurau to achieve outcomes for Māori Each year, at least five priority outcomes within our Achieving Māori Outcomes Plan are being progressed with mana whenua (updated measure).		
Integration/Adoption of Te Reo and Tikanga Māori within Watercare	Watercare	New measure	New Measure	Ensure all Tier 1-4 job titles include Te Reo Māori translation; and hold a Watercare Tikanga Māori experience for all staff	Ensure all external facing marketing materials and communications content includes part-translations in Te Reo Māori; and hold a Watercare Tikanga Māori experience for all staff	50% of all staff have attended lessons to improve pronunciation of Te Reo Māori, and undertaking of Tikanga Māori; and hold a Watercare Tikanga Māori experience for all staff
Ratio of procurement sourced through Māori-owned businesses*	Watercare	New measure	1%	2%	3%	5% by June 2025

*addressable spend, including through sub-contractors, construction and maintenance partners.

Customer trust and value through exceptional performance and engagement

Building trust through education, transparency and engagement

Watercare commits to ensuring all aspects of service delivery are customer and community centred, recognising Watercare's role in the community it operates in, as well as customers. This will be increasingly important in the evolution towards a three waters entity.

We are committed to working with council on its plan to ensure all Aucklanders have equitable access to essential services. In line with the Auckland Water Strategy, Watercare will support Council to develop a plan to address affordable water access in Auckland.

We are introducing a Customer Charter to articulate our customer promise. We are also continuing to drive customer centricity in our decision making – in the past we may have made decisions for our customers, rather than with them. But as the challenges we face become more complex, we recognise that we need to empower Aucklanders to shape decisions about, and are prepared for, our changing water future. We will collaborate and engage more with our customers, and pursue participative decision-making.

We are increasingly segmenting our customer base so that we may engage with them in ways that help Aucklanders further increase their water literacy, including via our integrated education programme that engages school pupils, communities and customers. This will not only build trust and encourage wise water use, but also develop a shared understanding of water as taonga. We are developing programmes to ensure our customers are better prepared for and able to cope with the impacts of extreme weather-related events. The effectiveness and impact of our external messaging will be closely monitored through monthly media analysis.

We will continue to encourage Aucklanders to use water wisely, with messaging that targets specific water users (eg gardeners). We will also continue to encourage people to dispose of their fats, oils and rubbish correctly, to reduce the likelihood of dry weather overflows.

Our activities can cause disruptions in our community. We make every effort to protect public safety, engage and consult with communities affected before, during and after our construction programmes and work with Auckland Transport and Waka Kotahi to limit disruption.

The Environmental Advisory Group is an independent group we facilitate to advise, support and challenge our approach to environmental matters. It helps us to anticipate emerging issues, identify community concerns and informs our strategy.

We have entered a collaborative relationship with the Koi Tū Centre for Informed Futures, a research entity within the University of Auckland, to investigate potential benefits of deliberative democracy for community engagement.

Exceptional and responsible service

Over the last few years we have obtained a deeper understanding of our customers and have rolled out programmes to improve access to our services. We have:

- Launched a priority assistance service to enable our more vulnerable customers to access our services. Customers can self-identify using multiple channels to let us know if they have special requirements, whether it be hearing and visually impaired, elderly, financially constrained or physical or medically dependent. This new service enables us to proactively identify these customers and ensure services are tailored to meet their needs.
- Launched a chat service which is available in 84 languages and actively promote Te Reo Māori, Mandarin and Hindi to ensure we are able to serve our communities better.
- Continued assistance for customers facing financial hardship through the Water Utility Assistance Consumer Trust (WUCAT) by referring those unable to pay bills to WUCAT for assistance.

We will continue to work with our customers to provide exceptional and responsible service.

Working with our stakeholders

We have worked closely with Auckland Council and the other CCOs to implement findings of the July 2020 CCO Review. Working with the other CCOs, the relationship with local boards has been reset and combined CCO engagement plans are now in place with regular reporting commitments being followed. Watercare is committed to working collaboratively and sharing information with elected members and council staff, as appropriate, including adherence with the no-surprises protocols set out in council's Statement of Expectation. The new Information Hub on the Watercare website, designed specifically for our stakeholders, is regularly updated with information about our projects, services and how we are engaging with communities.

We maintain strong relationships with the Councillors and Local Board members by providing timely and accurate information on Watercare-related matters, including infrastructure planning and construction projects in the interests of no-surprises. Many treatment plants also have special requirements for ongoing community liaison groups and we regularly meet to share information and discuss local issues.

Working with others

Specific strategies and plans where we will work with council include:

- Council's equitable access to essential services plan, including working with Council to develop a plan to address affordable water access (Water Strategy Action 5.2).
- Auckland Water Strategy, and in particular, actions working together with Council with Aucklanders for better water outcomes (Empowered Aucklanders).

Other entities we are working with:

- Koi Tū Centre for Informed Futures to investigate the potential benefits of deliberative democracy.

We measure success by:

Measure	Source	2021 Actual	2022 SOI	Next three year targets		
				2023	2024	2025
Customer Net Satisfaction Score (Previously Net promoter score)*	Watercare	46 Achieved	≥40%	≥45	≥45	≥45
Community trust score	Watercare	New measure	≥55%	≥55%	≥55%	≥55%
Percentage of customer complaints resolved within ten days of notification	Watercare	New measure	≥95%	≥95%	≥95%	≥95%

**The name of this score is now the Customer Net Satisfaction Score. This measures customer satisfaction when they interact with Watercare. This is a better reflection of the measure, as it's a net score derived by deducting the percentage of customers scoring poorly (0-6) from the percentage of customers scoring us highly (9-10). NPS measures brand loyalty, and Watercare is a monopoly. The methodology used to calculate the score remains unchanged – only the name has changed. The score is derived from this question - "Would you speak positively of your most recent experience with Watercare to friends and family (if asked)?"*



Volunteers and Watercare staff at a planting day at Ambury Farm to encourage nesting birds

How we're delivering value

Natural environment



Value created
Protected and enhanced natural environment
Leading-edge resource efficiency and reuse of resources including water

Watercare's business is intrinsically linked to the environment and climate

Water is a taonga (treasured resource) and every aspect of our operation is dependent on and impacts the natural environment. We are part of the water cycle, receiving our water from rainfall, rivers and aquifers; and returning high quality treated wastewater to the environment. Our water and wastewater services thrive only if the natural environment does. We have a duty to protect our water sources.

Protect and enhance our natural environment

Mitigate the impact of our water and wastewater activities on the environment

Through a series of underground pipes, the majority of Auckland households and businesses are connected to one of our major treatment plants at Māngere, Rosedale, Pukekohe or Army Bay. We treat our wastewater to the highest standards and discharge it safely to the receiving environment.

Watercare has regional network discharge consent for the regulation of wastewater discharges. We design and maintain our wastewater network to limit discharges to the environment. This is achieved most of the time and across the majority of our network.

We strive to continuously improve our wastewater network performance and are working to deliver significant programmes, such as the Central Interceptor and the Western Isthmus water quality improvement programme, to reduce overflows and ultimately improve the water quality of Auckland's waterways and coastline for the enjoyment of Aucklanders. Further detail can be found under the infrastructure section.

We are working with NIWA, iwi and council's Healthy Waters and Research and Evaluation Unit (RIMU) departments to develop hydrodynamic water quality programmes for the Manukau Harbour. The solid relationship established from this collaborative work is enabling further discussions on improving the quality and efficiency of environmental monitoring in the Manukau Harbour.

The natural environment, made up of rivers, streams, forests, hill lands and underground aquifers make up the source and catchment for our water supply. Many of these habitats are also a showcase of New Zealand ecology. Working to enhance where we operate is not new and we continue to make improvement through ecological programmes, riparian planting, native forest regeneration and pro-active catchment management.

Mitigate climate change and adapt to the impacts of climate change

Climate change is one of the largest challenges we face as a business, as people, and as a country. The impacts of climate change are often seen through water, and it is our responsibility to mitigate and adapt to these impacts. Climate change can make new issues arise while exacerbating existing problems. This demands that we change not only what we do but how we do it. We are committed to playing an active role in dealing with this issue by taking bold action.

Given Auckland's size and scale, preparedness for climate change will be the cornerstone of our response. We know that the water in our dams and rivers is not an infinite resource and cannot be taken for granted. We are already facing increasing extreme weather conditions. That, along with a rise in demand for water during hot and dry periods will put our water supply at risk. A single drought is not the same as climate change, but the threat to drinking water supply is one of the most pronounced impacts we will face as a region. Even slight changes to rainfall, sea level, and temperature will have significant impacts for us and future generations. We will see more frequent droughts and flooding, and rainfall will be a less reliable source of water. More days with hotter temperatures and longer dry spells will cause demand for water

to increase, while the assets and plants in our water and wastewater systems will face more extreme weather events and the effects of sea level rise.

Auckland's future will depend on the decisions we make now to both prepare and mitigate the impacts of growth and climate change. As we look to the future, we are focussed on promoting water security through the concepts of capturing, using, and recycling water efficiently so that Aucklanders have access to enough water of the appropriate quality to meet their needs. Making efficient and effective use of Auckland's various water supplies is going to become more important. Our climate change work continues to evolve. Our first Climate Change Strategy which was launched in 2019 and has been updated into a Climate Action Plan in 2022. It sets out the action areas we will focus on as we continue our journey to operate a low-carbon company that is resilient to climate impacts. We are also monitoring and understanding the events that we see today, such as drought and extreme rainfall events, so that we can adapt to the changing climate based on our own experiences as well as evolving data and projections.

We worked closely with Auckland Council on the development of Te Tāruke-ā-Tāwhiri: Auckland's Climate Action Plan and we strongly support the implementation of the actions identified in that Plan to ensure that climate change considerations are embedded within organisational decision-making and culture.

We are committed to delivering on the actions and direction set out in Te Tāruke-ā-Tāwhiri, including Auckland's regional targets of halving emissions by 2030 and net zero by 2050. To achieve this, Watercare has adopted a range of climate change targets that give direction to the company in taking responsibility for our impacts and establishing ourselves as a low-carbon company in line with the required ambition of the country and the world. Watercare targets for carbon reduction are in line with global science and include:

- Reduce infrastructure emissions by 40% by 2025
- Reduce operational emissions by 50% by 2030
- Energy neutral at major WWTPs by 2030
- Net-zero emissions by 2050

Watercare is committed to these targets and in 2022 will finalise a roadmap for annual operational carbon emissions as well as annual SOI performance measures. From financial year 2023, we are including an SOI performance measure relating to greenhouse gas emissions (GHG). Over the past year, we have conducted significant work to confirm our baseline GHG emissions for 2018, using updated accounting standards from the Intergovernmental Panel on Climate Change that were recently adopted in the industry in Aotearoa by WaterNZ. The change in accounting methodology has led to an increase in our reported emissions from previous years, even though actual operations have not changed significantly. As the Auckland population is predicted to grow, and Watercare is continuing to build infrastructure to meet this growth, GHG emissions are predicted to stay relatively steady over the next three years. Indeed, in the short term, we are seeing increasing energy consumption from population growth and the use of more energy intensive treatment technologies. For example, the upgraded Pukekohe WWTP, treats water to a higher quality, but uses more energy to do so.

This stabilisation of emissions through this SOI reporting period will be followed by reductions in future years to meet the 2030 reduction target and realise our goal of providing low carbon water and wastewater services. Over this time we will also be focusing on direct monitoring of emissions from wastewater, which now take up a larger portion of our footprint with the newly adopted accounting standards.

Some of the short-term projects we are investing in over the SOI period, which will help us realise an eventual fall in overall emissions include the following:

- We plan to build on our existing solar projects through the utilisation of marginal land, roof space and potentially ponds/dams to deliver more solar arrays.
- We are transitioning our light vehicle fleet away from petrol fuel, and by 2023, 50 percent of the light fleet will be PHEV/BEV vehicles.
- We are investing in monitoring programmes for methane and nitrous oxide in wastewater so we can identify further ways to optimise our treatment and reduce these gasses in the future.
- Investigations into tree planting and other natural methods of carbon sequestration across Watercare land and the Council family operations.

The mitigation programmes we have planned will be further explored considering the financial constraints over our AMP. Getting the balance right is a constant challenge.

Working with others

Specific strategies and plans where we are, or will work with council include:

- Auckland Water Strategy
- Compliance with the National Policy Statement on Freshwater Management
- Climate Change Risk Assessment using scenario analysis
- Identification and implementation of a process for managing climate risks across the group
- Climate risk governance assessment
- Working with council and Auckland Transport to lead development of 10-year project outcomes for the Western Isthmus Water Quality Improvement Programme
- Three Waters Reform
- Te Tāruke-ā-Tāwhiri: Auckland’s Climate Action Plan

Other entities we are working with:

- Veolia Water, Papakura’s water and wastewater retailer
- Our partners on the Enterprise Model
- NIWA, iwi and the Research and Evaluation Unit of council to develop hydrodynamic water quality models for the Manukau Harbour

We measure success by:

Measure	Source	2021 Actual	2022 SOI	Next three year targets		
				2023	2024	2025
Protected and enhanced natural environment						
Meet all DIA natural environment targets (refer to numbers 1 and 2 in appendix B) Note: These DIA measures are also Auckland Council Long Term Plan measures	DIA	100%	100%	100%	100%	100%
We will implement Mitigation measures in line with our emissions reduction targets. We will report annual greenhouse gas emissions from Scope 1 and Scope 2 emissions (operational mitigation) in line with our emission reduction pathway to meet 50% reduction by 2030. <i>Note: these targets exclude emissions from Puketutu island as our current measurement methodology does not provide enough accuracy for a performance target. Actions to directly monitor emissions from this source as well as reduce them are being delivered and future SOI's will include these numbers.</i>	Watercare	Complete work on a plan to achieve reductions in operational emissions by 2030, including updating targets in line with Auckland Climate Plan (ACP) – Achieved	N/A – not included in SOI as we are completing work to finalise targets in line with ACP. We are working on establishing 2018 baselines and a roadmap of targets, which will consider the contribution to the regions’ 2030 target.	<88,400 tonnes CO2e	<89,200 tonnes CO2e	<89,600 tonnes CO2e

How we're delivering value

People and culture



Value created
Safe, engaged and empowered team
Customer trust and value
Industry talent and skills developed

Our people work around the clock to ensure uninterrupted access to our services

The collective knowledge and experience of our people is essential for us to deliver on our core purpose and ensure Auckland is prosperous with many opportunities to deliver a better standard of living for everyone. Our people continued our essential services throughout the Covid-19 lockdowns without interruption.

Safe, engaged and empowered team

Ensuring the health, safety and wellbeing of all staff and contractors

We want our people to be safe, healthy and engaged at work, and for them to go home safely to their families everyday. Health and safety in and around our worksites is paramount to us and always has been. Wellness, including our people's mental health, is also an integral part of the company's commitment to our people. The concept of "I care, we care, Watercare" is embedded throughout our company.

Employing a diverse and inclusive workforce

Our Diversity, Inclusion and Belonging Committee's mission is for Watercare's people to reflect the diverse communities we serve. The committee champions inclusion so that our people can bring their whole, authentic selves to work and feel a true sense of belonging at Watercare. Our Māori Outcomes Plan includes our plan to increase the number of staff who identify as Māori.

This SOI introduces a new target for gender diversity at Watercare, being the 40:40:20 ratio, which refers to 40% men, 40% women, 20% of any gender, including gender diverse.

Training our staff for competent delivery of safe and reliable water and wastewater services

Watercare provides training to maximise on-the-job effectiveness and to encourage individual career development, consistent with its business requirements. We demonstrate full compliance with legislative requirements to ensure all staff are adequately trained and competent to ensure safe and reliable drinking-water quality management and water safety planning activities.

Unlocking potential through training and development

The limited availability of talent in our labour market means it is essential we grow skills and talent internally and attract a diverse range of new talent. We work with industry partners and tertiary education providers to deliver clear training pathways, graduate programmes as well as apprenticeship and internship opportunities and continuous online training opportunities.

Working with our suppliers to build greater pipeline certainty and confidence to invest for the future

Through our Enterprise Model we are working collaboratively with the construction industry to give our partners greater certainty of the construction pipeline so they can invest in the training and development of their people to improve workforce capability overall. See the section on Intellectual Capital for more information.

Working with others

Specific strategies and plans where we are working with council include:

- Action the CCO review recommendations, including develop group policies for leadership talent and remuneration

Specific strategies and plans where we are working with others include:

- Our partners on the Enterprise Model
- Tertiary education providers to deliver graduate programmes

We measure success by:

Measure	Source	2021 Actual	2022 SOI	Next three year targets		
				2023	2024	2025
Employee net promoter score (eNPS)	Watercare	35 – Achieved	≥20	≥20	≥20	≥20
Total recordable injury frequency rate (TRIFR) per million hours worked	Watercare	New Measure	<20	<10	<10	<10
Safety improvement plans	Watercare	New Measure	New Measure	100% of teams with a HSW Improvement Plan	New measure to be devised relating to completion of actions on the Safety Improvement Plan	New measure to be defined relating to completion of actions on the Safety Improvement Plan
Culture and Leadership	Watercare	New Measure	New Measure	100% of Tier 1 to Tier 4 who have completed at least 10 leadership walks per year	New measure related to quality discussions with our people on site during leadership walks	New measure Quality of actions and close-out of leadership walks
Gender workforce ratio in fixed term and/or permanent roles , including leadership positions (Tier 3 and above)	Watercare	Baseline established and improve on baselines (Achieved)	Improve on last year – which was 35% women	40% men 40% women 20% any gender	40% men 40% women 20% any gender	40% men 40% women 20% any gender
Employees in fixed term and/or permanent roles , including leadership positions (Tier 3 and above) identify as Māori	Watercare	New Measure	New Measure	6%	9%	12%

Assets and infrastructure



Value created
Future-proofed growth
and supply assurance
High-performing
infrastructure

Our network is critical to safely supply water and wastewater services

Our network supports over 1.7 million Aucklanders, this is expected to grow to 2.25 million before 2041. Growth of this scale is significant, and we need to ensure we have a clear understanding of where and when investment in planning and infrastructure will be made while also ensuring our current network operates safely and reliably.

The critical contributions made to Auckland Plan Outcomes through our assets and infrastructure are:

- Provide safe and reliable drinking water and wastewater services 24/7 (see customer and stakeholder section)
- High performing infrastructure (reliable and resilient now and in the future)
- Future-proofed growth and supply assurance.

Our Asset Management Plan (AMP), is a future-focused planning document that outlines how we will operate, maintain and renew existing water and wastewater assets and provide new assets to meet demand as Auckland grows. It has a 20-year horizon and contributes to Auckland Council's Long-Term Plan (LTP). It helps us to decide what, where, how, when and how much we invest to build and maintain networks.

Key factors considered when preparing our AMP for the Long-term Plan 2021-2031 were:

- Meeting strategic objectives to support council plans and statutory obligations
- Increased environmental standards and compliance
- Maintain network integrity through proactive maintenance
- Scope (the scale of growth)
- Network resilience and climate change adaptation and mitigation
- Maintain affordability and ensure equity across generations.

The result has seen our investment programme increase over the previous AMP, meaning that over the next 20 years, we will invest about \$18.5 billion to build and maintain water and wastewater infrastructure for Aucklanders. Now that the Auckland Water Strategy has been finalised, we will ensure the delivery of the AMP, and future updates to the AMP, align with this Strategy.

To help us deliver this large programme of work, we have deepened our partnerships with the supply chain to mitigate risks, including implementation of the Enterprise Model framework (see Intellectual Capital).

High performing infrastructure (reliable and resilient now and in the future)

Our customers expect safe and reliable services 24/7. This requires us to be resilient and adaptive to changing conditions and invest sufficiently so our water and wastewater networks can withstand emergencies and operate normally with minimal impact on our customers or the environment.

Our water and wastewater systems have a reasonable degree of resilience engineered into them. However, the resilience of our water and wastewater networks has and will continue to be challenged. Over the last five years, Auckland has experienced extremes in weather, ranging from storm events with record rainfall to severe droughts depleting our water storage.

As assets age, we normally see a decline in their performance, sometimes to the point of asset failure. Asset failures can cause service interruptions and may pose a risk to public health and safety. We have developed asset replacement and rehabilitation programmes to monitor the condition and performance of assets to estimate the end of their useful lives.

Asset renewal decisions are based on a risk assessment of the likelihood and consequence of failure, taking into account the asset's age and life expectancy, condition, performance, system resilience and criticality.

While we have been actively maintaining and renewing our network, our independent economic benchmarking review by WICS (see the financial capital and resources section) recommended increased renewals investment and funding to ensure a reliable and sustainable network over the long-term.

Future-proofed growth and supply assurance

Working in partnership with council on Auckland's growth and intensification

Watercare works closely with the council group to efficiently plan for and prioritise growth and intensification, including via the monthly GM Housing Group. Our aim is to align our longer-term planning of new or upgraded infrastructure to meet council's spatial development priorities and give effect to Auckland's Long-Term Plan and the Future Urban Land Supply Strategy (FULSS). The alignment of service provision with the FULSS, and vice versa, allows Watercare to plan, consent and construct bulk water and wastewater infrastructure efficiently. Development that is not aligned with the FULSS can lead to inefficient investment, particularly if it does not border existing serviced land.

We will continue to consult with council's GM Housing Group or the Planning Office (who report to the Chief of Strategy) on any development proposal which may not align with council's adopted plans and strategies.

Watercare confirms it will contribute to the government's programme to accelerate the supply of housing by working together with the Council group in a coordinated and united way by doing the following:

- Support the implementation of the NPS-UD and submitting on any associated legislation
- Actively engage in the development of the Auckland Future Development Strategy and additions to the Infrastructure Strategy
- Review plans and strategies in an open and transparent manner
- Share information in a timely manner across the Council group to ensure monitoring, analysis and reporting is consistent.

Watercare will also:

- monitor and model climate impacts on the water system, including impacts and scenarios for individual sources, to understand the resilience of the network and inform a precautionary approach to operational source management;
- work with council on scenario planning and adaptation investment pathways with a 'whole of infrastructure' and 'whole of community' approach (i.e., Parakai/Helensville);
- support council to deliver a package of non-regulatory and regulatory interventions to promote the effective use of water sensitive design and ensure structural elements of water sensitive design are consistently maintained to a high standard.

A secure, diverse water supply for a growing population

We currently plan our water security to meet the following standards:

<p>Level of Service 1 Proactive demand restrictions are to be required for an event no more frequently than that with a 5% probability of occurring.</p>	<p>The peak supply/demand balance is designed to show the forecast peak demand without restrictions during a dry summer with a return period of 1 in 20 years. Under drier conditions (leading to higher demand), Watercare could impose restrictions to reduce peak demand while continuing to meet our Levels of Service.</p>
<p>Level of Service 2 Annual average demand within the Metropolitan supply area can be met in a drought with a 1% probability of occurrence leaving 15% residual capacity in its water supply lakes.</p>	<p>The annual drought supply/demand balance is designed to show the forecast annual average demand during a drought with a return period of 1 in 100 years can be met and would result in water supply lake levels being no less than 15%. Watercare would expect to impose some restrictions during this event (see Level of Service 1, above).</p>

Our Water Safety Plans (WSPs) are fundamental to our success as a water supplier. WSPs describe our commitment to supplying safe drinking water, strengthen our focus on preventive measures across the whole drinking water supply system, promote a multi-barrier approach to managing risks and support continuous improvement to guide day-to-day activities now and into the future. They describe our commitment to the provision of safe drinking water and how we behave and operate to deliver this outcome on an ongoing, sustainable basis.

In terms of supply for the future, the delivery of drought augmentation projects, and the successful grant of a 20-year resource consent for up to 150MLD from the Waikato River, have together provided us with access to more water, and enhanced our water source diversity. We are also continuing to plan for the replacement of the ageing Huia WTP with a new 140MLD capacity plant to help meet peak demand and improve system resilience.

We are now looking to further improve our source diversity by continuing our focus on alternative sources, which could include purified recycled water, desalination and increased use of groundwater sources. We will consult Aucklanders through a Citizen's Assembly on this topic.

The Auckland Water Strategy includes a water source diversity target for 2030 of 20MLD (non-dam) rainwater and recycled water capacity for beneficial reuse, increasing to 100MLD by 2050.

We already have small-scale pilot projects in place to commence our journey towards the use of purified recycled water, thereby reducing our reliance on rain dependent sources (refer Water Strategy Action point 5.11). These projects will help inform the investment plan required under the Auckland Water Strategy. The investment plan will outline how Council and Watercare will together meet the above 2030 and 2050 water source diversity targets.

Additionally, as part of the new Waikato River consent, from 2026, Watercare will need to report to Waikato Regional Council every five years on the progress being made on the investigation and implementation of future water source options for Auckland. Once all appeals regarding the consent have been resolved, Watercare must establish and maintain a committee or board within its organisation to promote the vision and strategy for the Waikato River (as set out in Schedule 2 Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010). Representatives of Te Whakakitenga o Waikato Incorporated (Waikato Tainui Governance Board) and Te Taniwha o Waikato (a collection of 7 Marae along the lower river and part of Waikato Tainui) will be invited to be members of that committee or board in order to become material participants and directly involved in all aspects of the management, governance and use of the river, including its water. Generally, the purpose and function of that committee or board will be to investigate and address options for the reduction in reliance on the awa by Watercare, including identifying new alternative sources for resilient water and wastewater systems. In particular, the committee and board will be looking at the following:

- reduction in reliance on the Waikato River for the supply of water to Auckland;
- reduction in the volume (both relative and absolute) of water taken from the Waikato River;
- increased resilience of the Waikato River to human activities and their effects; and
- in that context, recognition of the rights and interests of taangata whenua in fresh water.

Progress against this work programme will be reported to Council regularly via quarterly reports. The five yearly reports will be made publicly available and shared with representatives of Te Whakakitenga o Waikato Incorporated, Te Taniwha o Waikato, Te Tokanganui-a-noho Regional Management Committee and Hauauru Ki Uta Regional Management Committee, Ngā Waihua o Paerangi, Te Kotahitanga o Ngāti Tuwharetoa, Raukawa Settlement Trust, Te Arawa River Iwi Trust, Ngāti Tahu-Ngāti Whāoa, and the Waikato River Authority.

To manage demand, we have a comprehensive demand management plan that includes a drought management plan and targets to reduce residential water demand to 147 litres/person/day (l/p/d) in 2030 and 135 l/p/d by 2050. We will achieve these efficiencies with the support of Auckland Council via demand management and the facilitation and support of water efficient housing.

We are also undertaking various other initiatives, such as our leak detection programme, to reduce water loss. We are now targeting the Economic Level of Leakage (ELL), measured by litres/connection/day.

To help us achieve these ambitious targets involves cross-functional coordination across the business. We are installing smart meters (focussing first on commercial premises and schools), so our customers can actively manage consumption and leaks. We are also working with Auckland Council's Sustainability Lead to ensure smart water meters and efficient water consumption (eg time targeted irrigation) is adopted by the council family.

Our commercial team has been trained to conduct water audits to help our larger customers drive water efficiency, and at a residential level, we have partnered with EcoMatters to promote in home water checks.

We continue working with our construction partners to achieve our 40:20:20 goal before the end of the 2024 calendar year.

Working with others

Specific strategies and plans where we are working with council include:

- Council’s infrastructure strategy – in particular, Watercare will participate in the annual infrastructure strategic alignment process by providing updated AMP information to Council at the end of June every year.
- Continue to notify council of any substantive changes to our AMP outside of the annual updates provided
- Auckland Water Strategy
- Review and update the Auckland Metropolitan Drought Management Plan, including council agreement on the triggers and thresholds for using different water sources
- Three waters reform.

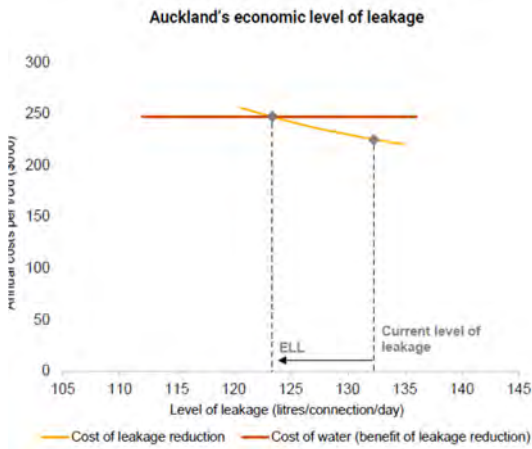
Other entities we are working with:

- Taumata Arowai
- Enterprise model – Fletcher Construction and Fulton Hogan
Veolia Water, Papakura’s water and wastewater retailer Kāinga Ora for the regeneration and intensification of urban areas with a significant social housing component.

We measure success by:

Measure	Source	2021 Actual	2022 SOI	Next three year targets		
				2023	2024	2025
High performing infrastructure (reliable and resilient now and in the future)						
Meet DIA asset and infrastructure targets (see appendix B refer numbers 13-15) <i>Note Measures 13 and 14 are also Auckland Council Long Term Plan measures</i>	DIA	100%	100%	100%	100%	100%
Future proofed growth and supply assurance						
Leakage target - Economic level of leakage (ELL) - litres/connection/day (l/c/d)	Watercare	n/a	n/a	Equal to the ELL as calculated annually		
Leakage performance - litres/connection/day (l/c/d)	Watercare	132l/c/d (as at August 2021)	107 l/c/d (as at February 2022)	Performance to be reported at end of each month with final result available mid-November each year as there is a four-month lag.		
We are sourcing water from a diversity of sources; and we are preparing for, and promoting, the adoption of alternative sources of human drinking water in the future	Watercare	New measure	New measure	Watercare to make submissions to Central Government when the opportunity arises (eg the Natural and Built Environments Bill and Strategic Planning Bill), supporting the use of desalination and purified recycled water as recognised sources of drinking water in New Zealand.	Monitor the pilot wastewater reuse treatment plant at the Mangere Wastewater Treatment Plant, and from FY24, produce annual reports regarding the pilot plant’s performance based on operational and sampling data collated.	

^ The Economic Level of Leakage (ELL) has been incorporated into the Auckland Water Strategy. The ELL lies at the intersection of the marginal costs and benefits of leakage reduction and is represented by the litres of leakage/connection/day (l/c/d). As the model relies on two variables (the cost of leakage reduction and the cost of water), the ELL will need to be periodically reviewed and may change from year to year. Below we have provided the actual leakage performance against the ELL (targets) established by the model:



How we're delivering value

Intellectual capital



Watercare – Becoming future fit

As New Zealand's largest water company, we are committed to leading the industry in technical excellence. Our treatment processes are some of the most advanced in the world and our customers can rest easy knowing that they receive reliable, high-quality water at the turn of their taps.

We will continue to focus our efforts on transforming Watercare into a utility of the future – one that leverages best practice not only in its core operations but in all areas of the company as well. Through Covid-19 we have seen the critical role that technology plays as an enabler for our business.

The water industry faces many significant challenges – climate change, availability of water resources, ageing infrastructure and ageing workforce – these challenges are complex and require new thinking and new ways of working. Watercare believes the key to dealing with these challenges involves building an innovation and collaboration mindset.

In line with the Auckland Water Strategy Strategic Shift 4 (Regenerative Water Infrastructure), Watercare is committed to understanding what is required to design, measure and implement water infrastructure that is regenerative, resilient, low carbon and increases the mauri of water.

Industry leading thinking and processes

Sustainable and cost-effective infrastructure for Auckland

Our ambitious 40:20:20 vision seeks to achieve wins in sustainability, safety and costs. The 40:20:20 targets are:

- Reduce carbon in construction by 40% by the end of the 2024 calendar year and applied to all new projects starting in 2025
- Reduce the cost to deliver our infrastructure programme by 20% by the end of the 2024 calendar year and applied to all new projects starting in 2025
- 20% year-on-year improvement in health, safety and wellbeing.

A significant portion of the 40:20:20 vision will be delivered through the Enterprise model framework. Starting in 2019, we partnered with two construction companies, Fulton Hogan and Fletcher Construction, for the delivery of \$4.8 billion worth of water and wastewater infrastructure for Auckland over 10 years. In 2022, this partnership has been enhanced with the recent introduction of two new strategy and planning partners, and two new design delivery partners, both for 10 years. The long-term and collaborative nature of the Enterprise Model framework is a first for New Zealand and supports the development of a high-performing construction sector in New Zealand and enhances the resilience of our partners, who have long-term agreements with us. They will be able to invest in people and we are allocating risk in a fair way. We have a mature and collaborative way of working to ensure our customers, company and partners are looked after. This framework involves a commitment to deliver a programme of work, rather than discrete projects, that will drive greater cost-efficiency and innovation.

Working with others

Specific strategies and plans where we are working with council include:

- Auckland Water Strategy

Specific strategies and plans where we are working with others include:

- Our Enterprise Model partners

We measure success through a combination of measures identified in other sections.

How we're delivering value

Financial capital and resources



We work hard to operate efficiently so our services are affordable, now and in the future

We take our financial responsibilities very seriously, and operate efficiently and responsibly by:

- Effective planning of our infrastructure needs, reflected in our asset management plan (see Assets and Infrastructure section)
- Long term financial planning
- Continuously review and improvement of our performance
- Innovative procurement initiatives such as the Enterprise Model (see Intellectual Capital section).

Minimum-cost, efficient, financially robust provider both now and in the future

Long-term financial planning

Legislation mandates us to manage our operations efficiently, keeping costs to customers (collectively) at minimum levels while maintaining the long-term integrity of our assets. We ensure we invest in providing safe and reliable services not just today but for decades to come.

Our financial management is underpinned by robust plans and policies and supported by a comprehensive risk and audit programme. To be financially stable over the long term, we consider network age and resilience, risk, future demand, debt levels, interest costs and inter-generational equity. We are required not to pay a dividend to our shareholder and collect from our customers no more than what is needed to operate and reinvest in our network.

Our borrowings are sourced through Auckland Council's centralised treasury function. We work closely with Auckland Council's treasury and financial planning teams to ensure our debt and cash flow requirements align with council's forecasts and debt limits.

The challenge of our budget for the next 10 years is balancing our increased investment and service level needs with affordability for our customers and to be within the Council group's prudential debt limits. We are grateful to council for approving most of our increased investment programme over the course of the next 10 years and our proposed price path which sees an increase of 7% on 1 July 2022, followed by annual rises of 9.5% from 2023 to 2029. We will continue to work with council to monitor progress and any impact that deferrals, particularly renewals, may have on us being able to meet our performance targets and customer expectations.

We continue to monitor affordability which is still well below our threshold of 1.5% of Aucklanders' household income.

We will work closely with WUCAT to assess the impact of our price rises on our vulnerable customers (see our Customer and Stakeholder Relationship section).

Continuous review and improvement of our performance (WICS benchmarking review)

Watercare has been working with the Water Industry Commission for Scotland (WICS) to prepare for economic regulation. In our 2020 review WICS found:

- Our performance, while significantly better than much of New Zealand, has room for improvement.
- Our funding for asset renewals is less than the true economic cost of replacement. This means that at some stage in the future there will be a renewal catchup. WICS recommended we plan for this catchup now to ensure fair contribution to the cost of our network, across generations.
- The leverage available to us is significantly less than our international peers. This means our current customers are paying more than is fair for new assets and that we are unable to invest efficiently to build critical infrastructure.

Our engagement with WICS is ongoing. We are currently working with them to confirm baseline assumptions and reassess our operating performance. In a consultative capacity WICS is acting as a coach to develop regulatory capability within Watercare by giving insight about the level and quality of information required by an economic regulator.

Water reform

We are working closely with council to understand the government's Three Waters Reform proposals and what it means for Aucklanders. Watercare anticipates having a significant role to play in the Water Reform process. However, until more clarity is provided by the enabling legislation, DIA and the National Transition Unit, the scale Watercare's role, potential costs, the exact timeline, and any support funding available to us, cannot be accurately determined.

Watercare has a large team of experienced professionals with water and wastewater industry expertise who will be important in guiding the technical, financial and commercial elements of transition. Watercare will make key staff available to support the DIA to ensure it has access to Watercare's best resources and skills.

To date, we have established initial programme management activities and key workstream areas, including: iwi engagement; legal support; commercial; financial and technical advice. Over the coming year, Watercare anticipates that we will be involved in significant work to contribute to the Water Reform programme, including supporting the activities of the Northern Waters Group, and the work to stand up Entity A by the deadline of 1 July 2024. The workstreams that Watercare has identified (and which align with the workstreams of Auckland Council's Transition Office) are as follows:

- Iwi engagement – supporting iwi engagement activities associated with reform
- Legal support – due diligence, contract reviews, reform legislative support and guidance
- Commercial, financial and technical support – includes provision of financial, commercial and risk expertise from the business, including data and systems expertise to inform the integration process
- Other support – including staff involvement in reform across key technical areas, including Asset Management, Operations and Customer
- People and culture – including supporting the impact of reform on employees in Watercare, resource planning, organisational design, staff engagement and retention, and third party/union relationships.

Updates on these work programmes will be provided to Council via our quarterly reports.

Watercare's Board and Executive team are conscious of managing the impact of Water Reform on our staff, systems, and wider organisational functions. Obviously, continuity of our essential services leading up to, during, and after the transition is paramount.

Revenue opportunities

Guided by the 2019 Letter of Expectation to explore new revenue opportunities, Watercare entered a contract of service with Waikato District Council (WDC). WDC continues to own all assets while Watercare manages the infrastructure above and below the ground. It was originally intended we would consult with Auckland customers after a 21-month transition period. This transition period has been extended to 30 June 2024 while we work to understand the Three Waters Reform proposals.

Through our 2020 acquisition of a majority shareholding in Lutra Limited, we gain efficiencies from Lutra's software and by utilising their training platform. We have also grown revenue without compromising core services.

Efficiency savings

Watercare will work with council to implement any permanent cost reductions in the form of efficiency savings and service reductions from 2023/24 onwards based on the council set target and criteria. We are using the WICS work (refer above) and other benchmarking information to establish an efficiency programme which will be instigated in the 2022/23 financial year. We have also signaled our efficiency focus through the 2022/23 budgeting process, which includes cost reduction targets and expectations in relation to staffing levels, contract labour and professional fees.

The current Covid-19 effects are also reflected in actual operational and capital expenditure captured in the financials. The Covid-19 and current economic conditions are also considered in the asset revaluations.

Working with others

Specific strategies and plans where we are working with council include:

- Three Waters Reform
- Delivering our AMP 2021-2041 to align with council's infrastructure strategy and to integrate planning with council and other CCOs
- Supporting council to prepare its 10-year budget for 2023-2032
- Auckland Water Strategy
- The introduction of an economic regulator
- Informing council of any proposals for new entities formed or acquired (in whole or part)

Specific strategies and plans where we are working with others include:

- Water Industry Commission for Scotland to continually review our economic performance
- DIA on Three Waters Reform

We measure success by:

Measure	Source	2021 Actual	2022 SOI	Next three year targets		
				2023	2024	2025
Minimum-cost, efficient, financially robust provider both now and in the future						
Percentage of household expenditure on water supply services relative to average household income	Watercare	0.85% Achieved	<1.5%	<1.5%	<1.5%	<1.5%
Debt to revenue ratio	Watercare	Set measure and establish baseline of 3.45 or lower – achieved – 2.89	≤3.54	≤3.61	≤3.46	≤3.77

1.4 About us – statement of the board’s approach to governance



The Directors and the Management team are committed to ensuring the company applies best-practice governance policies and procedures. The company has one subcommittee, being the Audit and Risk Committee chaired by Hinerangi Raumati Tu’ua.

Our board undergoes board performance reviews biannually, in line with the council-adopted process.

Watercare ensures we fulfil the public meetings stipulation of the Local Government (Auckland Council) Act 2009 which requires Auckland Council’s CCOs to hold two public meetings a year and the timing for these is set out below. Dates and times are publicly notified in advance with agendas and minutes made available on our website.

Date	Purpose	Form of public notification
7 June 2022 and 5 July 2022	Consider shareholder comments on draft SOI	Public notice
1 November 2022	Consider performance against SOI targets	Public notice
May/June 2023	Consider shareholder comments on draft SOI	Public notice

Watercare works diligently to meet our legal obligations and act in accordance with the Statement of Expectations of substantive council-controlled organisations (SOE), which sits alongside this SOI and forms part of the annual binding agreement between council and Watercare. We operate under a no-surprises policy and inform the Mayor, councillors or Local Boards (as appropriate) well in advance of anything that could be potentially contentious, whether or not the issue is covered by the SOI or legislation. We also ensure that if an issue is likely to attract public interest, that the Mayor, Councillors and/or Local boards (as appropriate) are fully briefed.

We are committed to participating in the design and implementation of group-wide policies. Watercare is also supportive of the development of Council group foundation principles and standards (where required).

See *Our legislative framework* in Appendix A for more information on our legal responsibilities.

Subsidiaries

We are a majority shareholder of Wellington-based software and process engineering company Lutra Limited (Lutra). Lutra has a small and highly skilled team of industry experts providing software and technical services to improve the performance of people and processes involved in water and wastewater operations. Lutra’s board has three directors of which Watercare executives hold two positions, including the chair. Watercare’s board receives and approves Lutra’s SOI and receive half-yearly updates from our executive directors.

Managing risk

We have an established risk management policy and framework, which follows the guidance of the ISO 31000 risk management standard. Risks are identified and evaluated using likelihood and consequence scores and ranked. The highest-ranked and most significant emerging risks are regularly reviewed by senior management and the board via management and board-level reporting.

As part of the risk management framework, Watercare management has a Risk Management Steering Committee to monitor emerging risk and risk-mitigating actions and strategies.

The internal audit function produces an annual plan that is approved by our Audit and Risk Committee with management's quarterly reporting against the plan to the committee. The Audit and Risk Committee maintains oversight of progress and must be satisfied that recommendations arising from internal audit's work are fully addressed by management.

Watercare also provides council's Audit and Risk Committee with a quarterly report outlining our risk management framework, approach, processes and an overview of the top risks with associated mitigation actions. We proactively report on all significant risks and issues and their management to ensure no surprises, transparency and that significant risks are being appropriately managed.

Measuring our performance

We have an agreed set of performance measures and targets which form the basis of accountability for delivering on council's strategic direction, priorities and targets. These are reported on a quarterly basis in accordance with the governance manual for substantive CCOs.

The measures and targets include those aligned with our six capitals, and the mandated non-financial measures of the Department of Internal Affairs and those that were agreed with council as part of the LTP 2021-2031.

Our commitment

Watercare supports the council's drive for greater transparency in budgeting, operating expenditure and reporting and is committed to:

- Demonstrating value for money across all expenditure
- Continuing to work with council to align our capital investment programme with council's 10-year budget. In particular, Watercare will:
 - take account of political direction on key changes proposed by the Mayor and governing body; and
 - continue to undertake comprehensive reviews of our AMP, performance trends, budgets and fee settings. In doing so, we will follow best-practice asset planning processes and do so in a highly transparent manner.
- Sharing key information in our AMP (which includes asset condition, renewals planning, maintenance and renewals procurement, asset-related cost trends and asset planning for growth)
- Benchmarking front-line and back-office expenditure, including regularly publishing results on Watercare's website
- Keeping a strong focus on managing sensitive expenditure lines.

Watercare recognises the affordability challenges council faces and acknowledge there is limited capacity for new cost pressures, new funding requests or unforeseen events in relation to funding and we commit to continuing to work with council in this regard. We also keep council informed, via our quarterly reports, of any significant operational challenges that might occur in the future.

We commit to working with council to finalise the implementation of the findings of the 2020 CCO Review.

Part 2: Statement of performance expectations

2.1 Introduction

The last few years have presented unprecedented challenges with Covid-19 and the severe and extended drought. Watercare has met these challenges head on, investing heavily to augment water supply, improve network performance and reduce demand. We carried out work to increase Auckland's water supply by 100MLD, or enough to meet the residential and commercial needs of at least 400,000 (the population of Palmerston North, Tauranga and Hamilton combined). The increased supply capacity and the processes we developed to deliver at pace will serve us well as we look to the future.

Over the last five years we have invested more than \$2 billion in our networks while increasing net debt by just \$365m. Our robust and prudent financial planning and efficient delivery has allowed investment of this scale without compromising our exceptional, resilient and affordable services.

We are committed to continue providing safe and reliable water and wastewater services to Aucklanders and to work with council toward Auckland Plan outcomes. Our programme for the next year reaffirms our commitments:

Auckland Water Strategy

The Auckland Water Strategy will enable council decisions and investments to contribute to improving te Mauri o te Wai o Tāmaki Makaurau, via the eight strategic shifts that are part of the strategy (Appendix C illustrates the Auckland Water Strategy Strategic Framework, including the vision, two cross-cutting themes and eight strategic shifts). Demand management is an early focus of the Strategy. Average gross daily consumption targets per person have been set at 253 litres by 2025, 247 litres by 2030 and 225 litres by 2050. The targets and a set of initiatives to achieve them are included in the LTP 2021-2031. Key investments by Watercare for the 2030 targets are implementing a residential smart meter programme and managing leakage to the Economic Level of Leakage (ELL). Watercare will provide regular progress reports to Council on the smart meter programme, and the ELL will be reported on via quarterly reports.

Council contributes to achieving these targets by implementing new policy and regulation such as allowing rain tanks to be plumbed into new homes.

In response to the drought Aucklanders made significant reductions to overall demand. Our ability to meet the Auckland Water Strategy targets will depend on the strength of our relationship with the people we serve. Our goal is for Aucklanders to remain part of a movement that values tap water as they value water in the natural environment. We will continue our proactive advertising and communication campaigns to further encourage Aucklanders to be more water efficient, build water-efficient homes and install water-efficient fittings and appliances (Refer Action Point 5.6).

We will also implement the Watercare aspects of the adopted water consumption targets (April 2021) and continue to work collaboratively on modelling, monitoring and reporting of targets (refer Auckland Water Strategy)

- update our Water Efficiency Plan 2021-2025 to align with the Auckland Water Strategy.

Water Reform

In July 2020, the government launched its Three Waters Reform Programme, a three-year programme to reform local government three waters service delivery. An Exposure Draft of the water services entity bill was released in December 2021 that provides details of the government proposal. The entities remain public, separated from local authorities and with mechanisms to recognise Treaty rights and interests to prevent future privatisation. The government has recommended aggregation to four new multi-regional water services entities across New Zealand. Under this proposal Auckland would join with Northland. Professional directors would be appointed to the boards by a representation group with members from local councils and iwi. The entities will be monitored and regulated through Taumata Arowai and a new economic regulator. The National Transition Unit will appoint Local Establishment Entity Boards in mid 2022 that will oversee the transition into the new entities by 1 July 2024.

Water reform is being mandated by government. We are working closely with council to understand what water reform means for Aucklanders both now and in the future and will be supporting council's transition process as the programme advances.

Water Industry Commission for Scotland (WICS) review

Watercare has been working with the Water Industry Commission for Scotland (WICS) to prepare for economic regulation. 2020 was the first year we engaged WICS. They have made several recommendations that management is working through. These recommendations will be shared with council.

CCO review recommendations






We are working with council to close out the recommendations of the CCO Review Panel.








Public open day - Central Interceptor Wastewater Tunnel project

2.2 How we will deliver – annual work programme

Key activities and programmes over the coming financial year are below. We measure success through the performance measures and targets documented under each sub-section of section 1.3 Nature and scope of activities – ‘what we do’.

Our contributions to the Auckland Plan	Primary capital	Significant activities and programmes over the coming financial year	Direct expenditure \$m	Capex budget \$m
Deliver safe and reliable water services 24/7		<ul style="list-style-type: none"> Water operating activities Prepare to meet Taumata Arowai water quality regulations once they are in place Implementation of the new Auckland Water Strategy prepared by Auckland Council, including the continued roll out of smart meters and a reduction in network leakage to ELL Continue planning the Huia Water Treatment Replacement Plant to help meet peak demand and improve system resilience 	\$105	Refer to page 33
Deliver safe and reliable wastewater services 24/7		<ul style="list-style-type: none"> Wastewater operating activities Via TARP (Targeted Asset Replacement Programme), expand the Inflow and Infiltration reduction programme and network renewals programme, to improve and coordinate cost effective asset refurbishment Deliver a new Wastewater Network Strategy to update the 2017 Strategy, and in the meantime, continue work to reduce overflows 	\$242	Refer to Page 33 below
Minimum cost, efficient, financially robust provider both now and in the future & industry leading thinking and processes	 	<ul style="list-style-type: none"> Work collaboratively with the National Transition Unit, the Local Establishment Entity and Auckland Council, including Healthy Waters, on transition to a new water services entity (Entity A). Continue to work closely with Council to provide advice and support to the government on the development of an economic regulator. Build on regulatory capability within Watercare ahead of economic regulation. Continue collaborating with Council on the finalisation, and then implementation of Climate Related Financial Disclosure (TCFD) reporting requirements Continue our engagement with WICS to confirm baseline assumptions and reassess our operating performance Continue to develop and deliver our Enterprise Model Target efficiency savings against current opex costs In line with the Economic Development Action Plan action: 5.2.1 Investigate water-use precincts co-located near Rosedale and Māngere Wastewater Treatment Plants, we are currently in the process of building our first reuse plant at Māngere WWTP which will provide recycled water for the Central Interceptor construction. We are also investigating irrigation near Rosedale 	Within Operating and Capital Budgets	N/A
High performing infrastructure (reliable and resilient now and in the future)		<ul style="list-style-type: none"> Continue work to optimise our AMP Implement the Auckland Water Strategy including continuing our leak detection programme to meet the ELL, including understanding what is required to design, measure and implement water infrastructure that is regenerative, resilient, low carbon and increases the mauri of water. Actively engage with Council in the development of the Auckland Future Development Strategy and additions to the Infrastructure Strategy 	Within Water and Wastewater Opex budgets	\$121

Our contributions to the Auckland Plan	Primary capital	Significant activities and programmes over the coming financial year	Direct expenditure \$m	Capex budget \$m
Future-proofed growth and supply assurance		<p>We currently have under construction:</p> <p>Water (growth, level of service and renewal)</p> <ul style="list-style-type: none"> • Ardmore to Redoubt Rd watermain • Nihotupu No.1 and Huia No.1 watermain replacement • Smart meter programme <p>Wastewater (growth, level of service and renewal)</p> <ul style="list-style-type: none"> • Central interceptor • Northern interceptor • Pukekohe wastewater treatment plant upgrade • Western Isthmus Water Quality Improvement Programme • Warkworth-Snells-Algies wastewater network <p>Wastewater renewals across the city</p>		\$612
Protect and enhance our natural environment		<ul style="list-style-type: none"> • Continue our work with our Enterprise Model partners to develop processes to reduce carbon associated with infrastructure projects. This includes developing a carbon portal to measure emissions related to infrastructure builds, also included within the EDAP • Continue our work with customers to reduce water demand to ensure we achieve the targets in the Auckland Water Strategy 	Within Water and Wastewater Opex budgets	Within Capex budgets above
Enhance our partnerships and strong relationships with Māori in Tāmaki Makaurau		<ul style="list-style-type: none"> • Continue to deliver on our Achieving Māori Outcomes Plan • Build on the recently launched procurement programme to source 5% from Māori owned businesses by the end of 2025 • Continue our work with The Mana Whenua Managers Kaitiaki Forum (MWMKF). Watercare hosts the bi-monthly meetings of MWMKF • Recognise the impact of water reforms on iwi and continue to strengthen existing partnerships and build new ones that represent Māori communities 	Māori Outcomes team included in Opex FY23 Target 2% procurement from Māori owned businesses	N/A
Customer trust and value through exceptional performance and engagement		<ul style="list-style-type: none"> • Finalise the implementation of CCO review recommendations • Launch a Customer Panel who will be engaged on a regular basis to help guide our decision making • Participate in a collaborative working group with Council to assess and define a water literacy framework (Auckland Water Strategy Action 2.1) • Increasingly segment our customer base to engage in ways that are relevant to them and increase water literacy and trust • Continue the deliberative democracy project with Koi Tū Centre for Informed Future to ensure we get a collaborative future/outcomes 	Within Water and Wastewater Opex budgets	N/A
Safe, engaged and empowered team		<ul style="list-style-type: none"> • Continue building capability through our staff development and training programmes • All employees to have an annual target of 10 hours of training, including two hours in Health, Safety and Wellness in their personal KPIs • Improve inequalities across the business 	Within Water and Wastewater Opex budgets	N/A

2.3 Financial statements for the long-term plan

Operating budgets (\$million)	2020/21 Actual	2021/22 Annual Plan	2022/23 Revised LTP*	2023/24 Revised LTP*	2024/25 Revised LTP*
Revenue	778.5	765.3	925.6	985.4	1053.0
Fees and charges	510.7	615.5	586.9	659.5	703.9
Grants and subsidies	2.1	-	-	-	-
Other revenue	265.7	149.8	338.7	325.9	349.1
Direct expenditure	315.6	308.9	347.7	349.2	347.1
Employee related costs	88.2	79.3	77.8	78.8	78.5
Grants, contributions, sponsorship	0.3	0.4	0.0	0.0	0.0
Other expenditure	227.1	229.2	269.9	270.4	268.6
Net direct expenditure (income)	(462.8)	(456.3)	(577.9)	(636.1)	(705.8)
Funding from Auckland Council	0.0	-	-	-	-
Revenue from vested assets	(48.5)	(69.0)	(65.5)	(62.2)	(58.7)
Other non-operating income		-	-	-	-
Net finance expense*	88.4	100.5	115.6	127.4	141.4
Depreciation and amortisation	270.5	245.9	273.3	280.6	315.0
Net losses (gains)	8.6	8.0	8.0	8.0	8.0
Income tax	39.3	55.7	80.7	99.4	110.2
NET EXPENDITURE (INCOME)	(104.6)	(115.2)	(165.8)	(182.9)	(190.0)
Net direct expenditure by area					
Expenditure (\$million)	2020/21 Actual	2021/22 Annual Plan	2022/23 Revised LTP*	2023/24 Revised LTP*	2024/25 Revised LTP*
Net direct expenditure (income)	(462.8)	(456.3)	(577.9)	(636.1)	(705.8)
Wastewater Service	(347.6)	(336.0)	(355.8)	(402.3)	(468.3)
Water Supply	(115.2)	(120.3)	(222.1)	(233.9)	(237.6)

*The revised LTP numbers have been adjusted for known changes since the LTP was adopted. Adjustments factor in impacts due to Covid-19, drought, inflation, and performance differences that have occurred since the LTP. The net finance expense also includes Capitalised interest.

Capital expenditure

Expenditure (\$million)	2020/21 Actual	2021/22 Annual Plan	2022/23 Revised LTP*	2023/24 Revised LTP*	2024/25 Revised LTP*
- to meet additional demand	495.7	342.4	341.7	369.3	444.2
- to improve the level of service	80.7	102.9	123.2	103.9	82.0
- to replace existing assets	187.7	301.0	249.8	299.6	403.9
Total capital expenditure excluding capitalised interest	764.0	746.2	714.7	772.8	930.2
Capitalised interest	34.1	28.1	34.1	39.5	39.5
Total capital expenditure including capitalised interest	798.2	774.3	748.8	812.3	969.6
Sources of capital funding					
Infrastructure growth charge	196.9	114.7	198.5	174.6	188.9
Debt	354.9	389.9	258.9	262.0	353.0
Asset sales	9.8	-	-	-	10.0
Operating surplus (Net direct income less IGC & finance expense)	211.6	269.2	297.9	373.6	415.1
Working capital	24.9	0.5	(6.5)	2.1	2.6

Specific expenditure towards Māori outcomes

Initiatives (\$millions)	2020/21 Actual	2021/22 Annual Plan	2022/23 Revised LTP*	2023/24 Revised LTP*	2024/25 Revised LTP*
Iwi engagement on Watercare projects	1.4	1.3	1.3	1.4	1.4

Other financial information

Current value of assets	The current value of Watercare's assets as 30 June 2021 was \$12.6 billion as disclosed in the audited financial statements.				
Accounting policies	Watercare's accounting policies are consistent with Auckland Council's group policies, except in relation to capitalised interest.				
Financial reporting	Watercare's financial reporting to Auckland Council will be in accordance with the requirements of the group.				
	2020/21 Actual	2021/22 Annual Plan	2022/23 Revised LTP*	2023/24 Revised LTP*	2024/25 Revised LTP*
Asset sales (\$million)	10.0	8.0	8.0	8.0	8.0
Shareholder equity ratio	65%	63%	76%	75%	73%

Detailed capital expenditure list

Detailed Capital Expenditure List (\$million)	2020/21 Actual	2021/22 Annual Plan	2022/23 Revised LTP*	2023/24 Revised LTP*	2024/25 Revised LTP*
Capital Expenditure (excluding capitalised interest)	764.0	746.2	714.7	772.8	930.2
Water Sources					
Additional water sources	26.4	24.5	-	-	-
Water sources other programmes	5.9	3.3	0.2	5.4	10.3
Water TRL and KO Programme	6.1	-	-	19.7	24.1
Waikato 50 and Waikato A water treatment plant	123.8	20.9	1.9	41.7	86.0
Wellsford water supply	0.1	1.6	-	1.4	10.5
Water treatment other programmes	8.2	6.2	3.6	33.2	45.5
Local water network renewals	21.7	34.2	14.2	23.3	54.9
North Harbour 2 watermain	0.9	-	-	9.4	22.6
Other water networks	70.9	81.7	35.1	62.6	155.6
Huia 1 watermain replacement	14.0	36.4	32.3	0.2	-
North Shore boost pumping	13.0	7.5	1.9	-	-
Other water projects	1.8	27.0	22.3	21.0	9.2
Total Water	292.8	243.3	111.5	217.9	418.7
Wastewater Networks					
Central interceptor	149.0	240.3	280.7	144.0	77.4
Local sewer network renewals	18.1	7.6	7.2	9.3	11.4
Northern interceptor	20.6	25.0	47.0	50.2	6.0
Southern interceptor augmentation	-	6.2	26.1	19.5	0.1
Western isthmus programme	3.5	12.3	26.2	57.8	57.7
Wastewater network other programmes	38.3	44.4	41.1	51.4	105.8
Otara catchment upgrades	0.2	9.9	15.1	0.7	-
North Shore trunk sewer and pump station upgrades	11.5	24.1	22.1	23.2	27.9
North East Sub-regional wastewater servicing	33.6	42.7	60.4	61.4	13.3
South West Sub-regional wastewater servicing	14.1	6.6	9.9	59.5	59.5
Rosedale WWTP upgrade	13.3	6.2	2.1	4.8	40.2
Pukekohe WWTP upgrades	45.6	6.2	0.3	-	-
Waste water treatment other	8.2	40.0	28.5	24.7	59.7
Pukekohe trunk sewer upgrades	53.8	2.4	14.8	11.9	2.9
Other wastewater projects	47.4	1.5	2.7	7.1	32.2
Total Wastewater	457.2	475.4	584.2	525.5	494.1
Shared Service					
Shared Service Programmes	14.0	27.5	19.0	29.4	17.3
Capital Expenditure (excluding capitalised interest)	764.0	746.2	714.7	772.8	930.2

Appendix A – Our legislative framework

As a CCO, we have principal objectives under Section 59 of the **Local Government Act 2002** in carrying out our activities and functions, including to:

- Achieve the objectives of Auckland Council, both commercial and non-commercial, as specified in this Statement of Intent (SOI)
- Be a good employer (as defined in Clause 36 of Schedule 7 of the Local Government Act 2002)
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which we operate and by endeavouring to accommodate or encourage these interests when we are able to do so.

Our obligations to deliver water and wastewater services for Auckland are established under Part 5, Section 57(1), of the **Local Government (Auckland Council) Act 2009**, which stipulates that an Auckland water organisation:

- 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
- Must not pay any dividend or distribute any surplus in any way, directly or indirectly, to any owner or shareholder
- Is not required to comply with Section 68(b) of the Local Government Act 2002 (avoiding the requirement to pay a dividend)
- Must have regard for public safety (eg safety of children in urban areas) in relation to its structures.

Also, under the legislative framework:

- We must give effect to the relevant aspects of the Council's Long-term Plan, act consistently with other specified plans and strategies of the Council and ensure compliance at all times with Sections 57 and 58 of the Local Government (Auckland Council) Act 2009.
- At least two board meetings a year are required to be held in public: one before 30 June to consider the Council's comments on the draft SOI for the upcoming financial year, and one after 1 July to consider our performance under the SOI for the previous financial year. In practice, all our board meetings are open to the members of the public (with our constitution and Section 7 of the **Local Government Official Information and Meetings Act 1987** permitting certain private matters to be dealt with in private).
- Our financial statements, the SOI and specified long-term plans must be audited by the Auditor-General, or by an auditor acting on behalf of the Auditor-General.
- The Auditor-General is the auditor of Watercare's financial statements. The Auditor-General has appointed Brett Tomkins, using the staff and resources of Deloitte, to undertake the external audit work on behalf of the Auditor-General, in accordance with the Auditor-General's Audit Standards, which incorporate New Zealand Auditing Standards. Deloitte must satisfy the independence requirements of the Auditor-General and External Reporting Board.

Further legislative requirements include:

Taumata Arowai – the Water Services Regulator Act 2020: Under this legislation the principal regulators for water quality include Auckland Council, Waikato Regional Council, and Taumata Arowai.

Water Services Act 2021: This Act requires all persons who perform or exercise functions, powers, and duties under the legislation to give effect to Te Mana o te Wai. This parallels requirements imposed on local authorities under the National Policy Statement for Freshwater Management, and on Taumata Arowai under the Taumata Arowai – the Water Services Regulator Act. In particular, the purpose of the Act is to ensure that drinking water suppliers provide safe drinking water to consumers. New Drinking Water Standards, new Drinking Water Aesthetic Values and new Drinking Water Quality Assurance Rules come into effect on 14 November 2022, Watercare will ensure its operations are set up to comply with the new Standards and Values.

As part of its governance arrangements, Taumata Arowai has Te Puna -Māori Advisory Group that is charged with advising on Māori interests and knowledge as they relate to the objectives, functions, and principles of Taumata Arowai. This includes—

- developing and maintaining a framework that provides advice and guidance on how to interpret and give effect to Te Mana o te Wai:
- providing advice on how to enable mātauranga Māori, tikanga Māori, and kaitiakitanga to be exercised.

The Health Act 1956 Schedule 1AA includes transitional provisions relating to fluoridation of Drinking Water.

Health Act 1956: aims to protect public health by improving the quality of drinking-water provided to communities.

Health and Safety at Work Act 2015: Sets out the principles, duties and rights in relation to workplace health and safety. A guiding principle is that workers and others need to be given the highest level of protection from workplace health and safety risks, as is reasonable.












Climate Change Response Act 2020: Section 5ZW(2) creates an obligation for Watercare if the Minister or the Commission makes a request for information as provided for at subsection (1).





Resource Management Act 1991: Focuses on the health of the environment.



Floating solar array, Rosedale Wastewater Treatment Plant

Appendix B - 14 x Department of Internal Affairs non-financial measures^ and 1 x Auckland Plan Measure

No.	Capital	Measure	2020/21 Actual	2021/22 Target	2022/23	2023/24	2024/2025
1		Compliance with the territorial authority's resource consents for discharge from our 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 (a) 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	(a) ≤2 (b) ≤2 (c) ≤2 (d) 0
2		The average consumption of drinking water per day per resident within the territorial authority district (*litres plus/minus 2.5%) (12-month rolling average)	245.6	260 litres*	258 litres*	256 litres*	254 litres*
3		The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	100%	100%	100%	100%
4		The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	100%	100%	100%	100%
5		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 (minutes)	56 mins	≤60 mins	≤60 mins	≤60 mins	≤60 mins
6		Median response time for resolution of 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 (hours)	2.8hours	≤5 hours	≤5 hours	≤5 hours	≤5 hours
7		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 (days)	1.0 day	≤5 days	≤5 days	≤5 days	≤5 days
8		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 (days)	1.3 days	≤6 days	≤6 days	≤6 days	≤6 days
9		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) Watercare's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system	9	≤10	≤10	≤10	≤10
10		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 (minutes)	51	≤60 mins	≤60 mins	≤60 mins	≤60 mins
11		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 (hours)	2.5 hours	≤ 5 hours	≤ 5 hours	≤ 5 hours	≤ 5 hours

No.	Capital	Measure	2020/21 Actual	2021/22 Target	2022/23	2023/24	2024/2025
12		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) Watercare’s response to issues with its sewerage system expressed per 1000 connections to the Watercare’s sewerage system	29.5	≤50	≤50	≤50	≤50
13		The percentage of real water loss from the territorial authority’s networked reticulation system (12-month rolling average)	13.7%	≤13%	≤13%	<13%	<13%
14		The number of dry-weather overflows from the territorial authority’s sewerage system, expressed per 1000 sewerage connections to that sewerage system	0.86	≤5	≤5	≤5	≤5
15		Average number of wet-weather overflows per engineered overflow point per discharge location (12-month rolling average)	0.5	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year

^ Measures 1-14 are Long-term Plan measures

* Measures 5-11. Watercare has deferred a portion of our enhanced network asset renewals programme. This deferral could impact the number of faults on our network assets, therefore impacting the ability to meet the SOI targets in future years. We have held the targets at the 2020/21 levels, but realise there is a risk to the delivery to these targets and have agreed with council to jointly monitor and review the targets over the coming year



The moon over Watercare’s Central Interceptor Tunnel Boring Machine, named Hiwa-i-te-rangi. The TBM was named after one of the Matariki stars to which Māori would send their dreams or aspirations for the new year.

Appendix C – Auckland Water Strategy – Strategic Framework

Water Strategy Strategic Framework									
Our Vision	Te mauri o te wai, the life-sustaining capacity of Auckland's water, is protected and enhanced								
Our Treaty Context	The Council and mana whenua must take a partnership approach to the protection, management and enhancement of water								
Our Over-arching Challenges	<ol style="list-style-type: none"> 1. Protecting and enhancing the health of waterbodies and their ecosystems 2. Delivering 3-waters services at the right time, in the right place, at the right scale, as the city grows 3. Having enough water for people now and in the future 4. Reducing exposure to water-related natural hazard risk over time. 5. Affordability for Aucklanders 6. Improving how the council works with its treaty partners 7. Improving how the council organises itself 								
Our Cross-cutting Themes	<p>Equity and Affordability: Equitable access to essential services and affordable investment</p> <p>Climate Change: Mitigating and adapting to the impacts of climate change</p>								
Our Strategic Shifts	<table border="1"> <tbody> <tr> <td> 1 Te Tiriti Partnership The council and mana whenua working together in agreed ways on agreed things </td> <td> 2 Empowered Aucklanders The council working with Aucklanders for better water outcomes </td> </tr> <tr> <td> 3 Sustainable Allocation and Equitable Access Prioritising mauri when using water, to sustain the environment and people in the long term </td> <td> 4 Regenerative Water Infrastructure Ensuring Auckland's water infrastructure is regenerative, resilient, low carbon, and increases the mauri of water. It should be seen and understood by Aucklanders </td> </tr> <tr> <td> 5 Water Security Creating water abundance and security for a growing population through efficient use and diverse sources </td> <td> 6 Integrated Land Use and Water Planning Integrating land use and water planning at a regional, catchment and site scale </td> </tr> <tr> <td> 7 Restoring and Enhancing Water Ecosystems Taking catchment-based approaches to the health of water ecosystems </td> <td> 8 Pooling Knowledge Fostering a shared understanding enabling better decisions for our water future </td> </tr> </tbody> </table>	1 Te Tiriti Partnership The council and mana whenua working together in agreed ways on agreed things	2 Empowered Aucklanders The council working with Aucklanders for better water outcomes	3 Sustainable Allocation and Equitable Access Prioritising mauri when using water, to sustain the environment and people in the long term	4 Regenerative Water Infrastructure Ensuring Auckland's water infrastructure is regenerative, resilient, low carbon, and increases the mauri of water. It should be seen and understood by Aucklanders	5 Water Security Creating water abundance and security for a growing population through efficient use and diverse sources	6 Integrated Land Use and Water Planning Integrating land use and water planning at a regional, catchment and site scale	7 Restoring and Enhancing Water Ecosystems Taking catchment-based approaches to the health of water ecosystems	8 Pooling Knowledge Fostering a shared understanding enabling better decisions for our water future
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Our Implementation	Co-ordination, Capacity and Capability across the Council Group 