

# Watercare

**Quarter 3 performance report**

**For the period ending 31 March 2022**

*This report outlines the key performance of Watercare which includes water supply, and wastewater related activities and investments*

# Watercare Q3 summary

## Highlights, issues & risks for the quarter

### Highlights

- Board of Inquiry: Waikato Tainui filed a notice of intention to appeal with the High Court on 24 February 2022. Ngāti Tahu – Ngāti Whāoa and Te Arawa River Iwi Trust have also filed their intention with the High Court to join the appeal proceedings. The High Court has scheduled a case management conference for all appeal parties on 3 May 2022. This is to deal with procedural matters only. A hearing date has not yet been set or indicated by the High Court.
- Increase in water and wastewater tariffs will be effective from 1 July 2022. This will be accompanied by a proactive communications plan that clearly explains how the price path will contribute to growth, resilience and service quality. The messaging will also highlight the related measures we are putting in place to support financially vulnerable customers.
- We are working to update the Drought Management Plan (referring to national and international learnings, and lessons learnt from the recent drought). The work has included a review of communication with our customers (in the form of focus groups) and with Auckland Council. The draft document is undergoing a review prior to the final draft being submitted to Councillors and the Watercare Board for review.
- Council launched the Auckland Water Strategy in early March 2022. The Strategy is a critical step in the ongoing relationship that Tāmaki Makaurau has with water. We are committed to working with Council to implement the actions in the Strategy.
- On 26 January 2022 we launched our Organisational Plan. The plan includes targets and deliverables to enable us to be a more purposeful and outcome-focused organisation. The Board and Executive leadership team developed this plan during 2021, with attendance at several full-day workshops and wider engagement from across the business.

### Issues & risks

- Significant capital project price increase, delivery cost, or time overrun risk impacting the Asset Management Plan (AMP). Prices for major projects are significantly above budget estimates as actual cost of delivery is higher than expected and falls outside of the project budget or AMP funding envelope.
- Our capex continues to fall short of budget because of the effects of Covid-19, which has led to productivity shortfalls during lockdowns, delays to contract awards for future work, and supply chain uncertainties.
- We continue to face upwards pressures on opex, in part caused by Covid-19 impacts and the effects of asset revaluation. It is also due to a growing workforce with higher than budgeted staffing and contract labour costs. Given there is only one quarter left in the year to bear down on controllable costs, our focus is on limiting recruitment for roles that increase headcount and on carefully monitoring professional services.
- Public sentiment as reflected through our media impact score was the lowest it has been year to date. While we largely maintained the momentum and volume of media coverage, the coverage of Waikato Tainui's appeal of the Board of Inquiry decision impacted our lower media impact score. We continue to work on increasing water literacy with the view to influence customers' emotional relationship with water as well as their perceptions of Watercare and its role in their communities.
- Leave liability remains a challenge (particularly whilst we were operating under Red traffic light settings due to split shifts). We are carefully monitoring this and driving down leave liability where possible.
- Taumata Arowai is consulting on the new Drinking Water Quality Assurance Rules and Standards. Watercare contributed to Auckland Council's submission. Presently, Watercare may require additional investment to meet some of the proposed reporting timeframes or implementation requirements.

Financials (\$million)	YTD actual	YTD budget	Actual v Budget
Capital delivery <sup>1</sup>	434.1	549.4	 115.3
Direct revenue	640.5	575.7	 64.8
Direct expenditure	291.1	229.4	 (61.7)
Net direct revenue	349.4	346.3	 3.1

### Financial Commentary

**Capital delivery:** Capital expenditure is tracking at 79.0% of budget as most construction sites had to be closed during Covid-19 Alert Level 4 restrictions.

**Direct revenue:** Direct revenue is \$64.8m ahead of the budget mainly due to increase in IGC revenue (\$53m).

**Direct expenditure:** Other direct expenditure is \$61.7m over budget due to Covid-19 contracts payments and digital project spend.

Employee costs are also higher due to Covid-19 due to:

- Non-utilisation of leave due to Covid-19 Alert Level 4 and 3 restrictions,
- Increased overtime payments as staff maintain double shifts at operational sites, and
- Lower labour recoveries due to reductions in delivery of the capital programme.

<sup>1</sup> Capital delivery financials include capitalised interest.

# Strategic focus area – Central Interceptor

## Key commentary

For the 9 months to 31 March 2022, a total of \$449.5 million has been spent towards the Central Interceptor (CI) against a total CI budget of \$1.268 billion. Whilst the CI programme currently remains within the original approved budget, this is highly contingent on how the Covid-19 pandemic and inflationary pressures play out over time. Claims have already been submitted for lockdowns in 2021 and to cover global impacts, and more are expected. We are in the process of finalising extension of time and cost claims associated with the on-going effects of Covid-19. We have already signalled a delay to completion into 2026; this remains under review whilst we await a new programme to complete from the JV.

## Highlights

- The Tunnel Boring Machine (TBM) is now operating at full capacity and has tunnelled 565m of the drive from Māngere Pump Station to May Road (7,594m) with 353 rings now installed.
- Māngere pump station: Concrete pour number 9 (of 11) of the pump station shaft lining at Māngere was completed in early March 2022 and preparation for concrete pour 10 is scheduled for April 2022.
- Link Sewer C: The Micro Tunnel Boring Machine (mTBM) refurbishment was completed and the mTBM machine has been lowered into place in readiness to begin drive number 2 from Dundale to Haycock began (722m).

## Issues & risks

- Covid-19 and construction market risks: The sourcing and retention of critical personnel and supply chain issues remain critical risks along with the potential for significant extension of time and cost claims.
- Environment consent and property: There was a non-compliant wastewater discharge issue discovered at Māngere site in March 2022. The issue was remedied, and Council notified within one day of discovery. An investigation report has been forwarded to Council.
- Contractual claims resulting in cost overruns: This risk relates to an event, such as unforeseen physical conditions occurring during construction that results in a valid claim by the contractor. We continue to work with the contractor to mitigate these risks wherever possible.
- Health, safety and wellbeing: lifting, crane operations and suspended loads remain a significant risk for the project. The use of exclusion zones and cameras on cranes are key to helping mitigate these risks.
- With the increase in tunnelling activity, locomotive movements in the tunnel are also a key site hazard that is also being closely monitored.
- Impact on operations: The commissioning and interface with existing operational assets is being managed through proactive risk planning of all works and through developing appropriate contingency plans.
- In Q3, Covid-19 continued to impact the project with positive cases and family close contacts having to isolate impacting the progress of the works. The TBM progress was halted late February – early March with a number of operators contracting the Omicron variant.

## Strategic context

The CI is a 14.7km wastewater tunnel, running from Grey Lynn to the Māngere Wastewater Treatment Plant.

The CI will increase the capacity of the wastewater network, replace aging infrastructure and reduce wet weather overflows in the catchment area by around 80%. The extension of the tunnel to Grey Lynn will also allow Council and Watercare to work towards the goals that form part of the Western Isthmus Water Quality Improvement Programme. Construction of the CI began mid-2019 and is scheduled to be completed in the first quarter of 2026.

Key programme of works	Status	Description	Key deliverables for the quarter
Finalise design for the Grey Lynn Tunnel	<b>On track</b>	Detailed design work for the terminal shaft of the Grey Lynn Tunnel at Tawariki Street.	The contractor has been instructed to complete the detailed design of the terminal shaft. This incorporates the Western Isthmus works in that area.
Commence physical works	<b>On track</b>	Shaft lining of the main pump station shaft has resumed. mTBM pipejacking operations between Dundale and Haycock begun in late March 2022. Shaft excavation underway at May Road A and Miranda Reserve. Chamber construction well underway at Haycock Ave. Reserve and Keith Hay Park.	Pump station shaft wall lining at Māngere recommenced in January 2022. Dundale Ave to Haycock Ave mTBM drive commenced in March 2022. Shaft excavation to commence at Walmsley and Keith Hay Parks in Q2 2022 (calendar period).
Commence tunnelling	<b>On track</b>	The TBM has now launched and has tunnelled 565m. Tunnelling is now operating at full capacity.	Main tunnel excavation is now at full capacity.
Main works into service	<b>Delayed</b>	The main works (Central Interceptor) are to go into service mid 2026, a delay from the original completion date of December 2025. This is due to the Covid-19 lockdowns from August – September 2021 and ongoing impacts of Covid-19.	This will include the Grey Lynn Wastewater Tunnel extension.

# Strategic focus area – Water supply investment

## Key commentary

For the 9 months to 31 March 2022, \$188.0 million was spent towards water supply investment against a year to date budget of \$227.0 million.

### Highlights

- We are continuing to work towards our water efficiency plan that runs through to 2025. We are focusing on four key areas as outlined in our plan. These areas are: leak detection, bulk supply point flow monitoring, smart meters and water literacy programmes.
- **Achieving the Economic Level of Leakage (123 l/c/d is the current target).** Leak detection continues. Since the programme began, we have swept more than 9,800 km of pipes with 5,554 leaks found and fixed with an estimated total volume of more than 17.72MLD. We are continuing the programme and aim to sweep 11,000km by July 2022. Work continues on the meter replacement programme with a focus on improving accuracy of bulk metering and improving accuracy of customer meters. Year to date, 2,000 domestic meters have been replaced by smart meters, and 1,782 commercial customer smart meter loggers have been installed.
- **Augmentation update:** No water use restrictions are currently required. The Papakura WTP will be producing 12MLD by June 2022. This has been delayed due to Covid-19.
- Our 'water is precious' advertising campaign continued in Q3 with the key message: "*water looks after us, so let's look after water.*" This ran on radio, digital and outdoor channels. We launched our online home water calculator in late March/early April 2022 which enables customers to understand where most of their water is used, provides a goal for them to get to, and tips on how to get there.
- We are working on a Water Literacy Strategy to ensure all activities to build water literacy in the Auckland community support the Auckland Water Strategy, water efficiency plan, the Māori outcomes plan, and the network discharge consent requirements.

### Issues & risk

- For both water and wastewater, our ability to attract and retain key technical staff, contractors and suppliers remains a risk due to the current highly competitive labour market, with the proposed Three Waters Reform creating additional uncertainty and pressure for key staff. In addition, the border restrictions are impacting many components of the construction sector as there is a general inability to bring in migrant workers in an overheated construction market.
- The Waitākere water treatment plant requires a new centrifuge to increase the reliability of the plant. However, project delivery and supply chain disruptions due to Covid-19 have resulted in significant delays to the delivery date for the centrifuge. Based on the current programming the works has been delayed and will not be completed until December 2022.

## Strategic context

Watercare provides safe, reliable drinking water to 1.7m people.

The company collects, treats and distributes water from 27 water sources including the Waikato River, 12 dams, and underground aquifers.

We operate 16 water treatment plants (WTPs), 91 water reservoirs, and over 9,000km of water pipes.

Key programme of works	Status	Description	Key deliverables for the quarter
Hūnua 4 Watermain	<b>Delayed</b>	This is a 31km pipe that will connect the reservoirs in Redoubt Road, Manukau to those in Khyber Pass, Newmarket providing security of water supply for a growing Auckland. The watermain is in service for 28km from Redoubt Road Manukau, to Epsom. The approved completion date for this project was December 2021. A delay occurred following the grout ingress, grout removal and subsequent repair.	Repairs completed on damaged section, final section installed at Khyber Pass Road. Commissioning underway with a target date of May 2022 for completion.
North Harbour No.2 Watermain	<b>On track</b>	This pipe will service growth in the north. It also provides an alternative route for conveying water from the west to the north to provide security and resilience. The expected completion date for this project is 30 June 2030.	Route alignment alternatives are being considered over the next six months to minimise disruption and align with transport project initiatives, such as future motorway crossings. Investigations to support the pipeline under the Greenhithe Bridge are also being undertaken over the next few months.
Huia Water Treatment Plant replacement	<b>On track</b>	The plant is nearing the end of its operational life. It needs to be replaced to continue to supply a growing Auckland with high quality water from our western supply dams that supply around 20per cent of Auckland's water.	In December 2021 the Environment Court (EC) directed that the parties who had lodged their appeals enter mediation. Several parties requested that the mediation be delayed until such time as face-to-face meetings were permitted. The EC is not holding any face-to-face mediation sessions under the Red Traffic Light setting. There is no indication as to when they may resume. We anticipate that if the mediation is unsuccessful then the hearing of the appeal will be in late 2022 or early 2023.
Nihotupu No.1 and Huia No.1 watermain replacement	<b>On track</b>	This project involves two critical watermains nearing the end of their design lives, which are being replaced. The expected completion date for this project is 30 November 2022.	Titirangi Road from Highland Ave to Golf Rd has been completed and opened to traffic. Works are progressing on Titirangi Rd from Golf Rd to Pleasant Road. Works have also started on Frenz Drive towards Highland Ave. Both sites have had some minor delays due to Covid-19.
Waikato Water Treatment Plant 50MLD	<b>On track</b>	This upgrade provides a new water treatment plant with 50MLD. Drawing water from the Waikato River, it provides resilience and drought relief. The plant is now in service.	The plant went into service on the 14 July 2021 as planned and was opened by Mayor Goff on 20 July 2021. Close out works are underway but are being impacted by Covid-19 infections and isolations. Site demobilisation is underway, due to be completed in April.

# Strategic focus area – Wastewater investment

## Key commentary

For the 9 months to 31 March 2022, \$243.9 million was spent towards wastewater investment against a year to date budget of \$323.3 million.

### Highlights

- Watercare and Healthy Waters are continuing to work closely together on wastewater issues of interest to local communities. Councillor Simpson has facilitated constructive discussions with Watercare, Healthy Waters, Ngāti Whātua Ōrākei and local community groups on the Eastern Isthmus Water Quality Improvement Programme, with a particular focus on Hobson Bay. Similar community engagement takes place in other areas of Auckland including the Te Atatu, Henderson and Wairau catchments.
- In June 2023, Watercare will lodge the second Wastewater Network Strategy with Council as a requirement of the Wastewater Network Discharge Consent. Community conversations on wastewater networks and overflows will complement existing community relationships. We are currently developing an engagement strategy with the support of Healthy Waters to ensure we can have purposeful conversations and gather feedback from a wide audience including mana whenua, local boards, community groups and others to enrich the strategy.

### Issues & risks

- The number of consents technically non-compliant with their consent conditions has increased. Reduced resources during the Covid-19 outbreak is the primary reason for this increase.
- Auckland Council issued confirmation that Watercare has met its requirements for relief of the abatement notice at Helensville WWTP. Upgrade works continue at that site to bring it to full compliance in early 2023.
- The major storm on 21 March 2022 resulted in our faults team receiving 1200 calls that day alone, triple the volume of that week. Over the past 12 months, we have experienced a drought and two extreme rainfall events – more proof that this is not a one-off and we are likely to see this pattern worsening. Our ongoing focus will be on improving our ability to cope with these events and strengthen our resilience.

## Strategic context

Watercare provides safe, reliable wastewater services to 1.7m people.

We treat wastewater to a high standard 24/7. The two main wastewater treatment plants servicing Auckland are at Māngere on the Manukau Harbour and Rosedale on the North Shore.

We have over 8,000km of wastewater pipes, 514 wastewater pump stations and 18 wastewater treatment plants (WWTPs).

Key programme of works	Status	Description	Key deliverables for the quarter
Northern Interceptor	<b>On track</b>	This pipe will divert flows, which would otherwise go to Māngere, to Rosedale. It will replace aged infrastructure, increase capacity of the network and reduce wet weather overflows.	Work is ongoing at Hobsonville and Rosedale. Work is progressing to a revised contract programme to account for design changes made in 2019 and more recent Covid-19 related interruptions.
Pukekohe Wastewater Treatment Plant upgrade	<b>Delayed</b>	The upgrade will provide capacity for population growth in the Pukekohe, Buckland, Tuakau and Pokeno catchment area.	The new works are treating the wastewater as scheduled. Construction works have progressed for the refurbishment of the existing plant. Progress has been impacted due to Covid-19 with two months delay to the completion date. The new completion date is January 2023.
Sub-regional wastewater servicing – North East	<b>Delayed</b>	This upgrade will cater for population growth in Warkworth and Snells Beach and will produce high quality wastewater for discharge. Completion is due in July 2024.	Transfer Pipeline: Design is finished, and construction will start as soon as resource consents and Land Owner Agreements are obtained. The limited notification process is expected to be finalised in May by Auckland Council. A current delay of six months is expected, which pushes the expected completion date to February 2025.

			<p>Construction of the pump station started on 14 August 2021 and is programmed to be completed by end of November 2023. Work continues under the new traffic light system.</p> <p>WWTP: Detailed design and long lead item procurement is underway. All resource consents and property agreements have been obtained. Site establishment works commenced in July 2021. The main works construction is scheduled to start in March with completion by the end of 2023.</p>
Sub-regional wastewater servicing – South West	<b>On hold</b>	This programme of works will provide wastewater servicing for the communities of Kingseat, Clarks Beach, Glenbrook Beach and Waiuku.	<p>This project is on hold while an alternative servicing arrangement is investigated. The alternative arrangement would locate the new WWTP needed to service this area on a greenfield site near Clarks Beach. This would result in removing the need for around 10km of pipe and significantly reduce the greenhouse gas emissions associated with servicing these communities. Cost savings would also be achieved.</p> <p>Public feedback on the WWTP locations were received in late January 2022. Work has continued on refining the options and evaluating the best solution incorporating the community feedback and technical information.</p>
Western Isthmus Water Quality Improvement Programme	<b>On track</b>	Watercare is investing \$412m over 10 years. Benefits include reduced wastewater overflows into the environment.	<p>Design, consenting and landowner approvals for the St Marys Bay catchment and Waterview catchment separation projects continue.</p> <p>There are continued feasibility and investigations within various catchments within the Western Isthmus and ongoing separation field investigations in combined sewer network areas including Pt Chevalier and Westmere catchments. Oakley catchment Methuen Road/Bollard Ave and Whau /Lynfield catchment field investigations are complete. The Central Interceptor interface Tawariki to Kelmarna Project Business Case has been approved. There are additional business cases in development for projects with Central Interceptor Interface including the sewer upgrade for the Motions catchment. The Blockhouse Bay Separation Project Business Case has been approved.</p>
Whenuapai Redhills Package 1	<b>On track (Based on change request submitted in June 2021)</b>	This scheme provides wastewater capacity in Whenuapai.	On track to lodge Resource consent and Designation by end of April 2022. To support this, specialist investigations have been completed. Affected party approvals being progressed with landowners, only one outstanding. Tender pack being prepared.
Whenuapai Redhills Package 2		This scheme provides the gravity pipelines into which the Package 1 scheme will discharge.	Preliminary design will be completed by end of April 2022, construction methodology and resource consent package will be started in parallel to Detail Design. Landowner approvals and right of entry agreements are being addressed now that the route and break pressure tank location has been confirmed by the design.
Whenuapai Redhills Package 3		This scheme provides transmission gravity pipelines for developments in Southern Redhills.	This package entails design and construction of 3 pipelines (A, C, D, D extension) Pipeline D has been designed and negotiations between Watercare and the developer for construction of the pipeline is being finalised. Pipeline A is being designed in conjunction with the developer's design partner to ensure Watercare secures the entry agreement. Detail design of this pipeline is to be complete by June 2022. Pipeline B will enter design once Pipeline A's routing has been confirmed. Pipeline D extension is currently on hold due to delay in development plans by the developers in the catchment area.

# CCO review implementation

## Context

Watercare is participating in the CCO Review implementation programme. This includes:

- fortnightly Traffic Light reporting of the review's 65 recommendations;
- a programme of issues and topics for the group to consider is to be developed; and
- senior staff from Council and Watercare are to work together to develop a programme and support this group.

The key area of progress and agreed area of focus for Watercare is improving coordination between Council and Watercare on consenting, infrastructure planning and communications.

## Q3 implementation progress

CCOs and local boards reset how they engage with one another (R-34). The primary output is a combined engagement plan across the four CCOs for each of the 21 Local Boards. 21 joint CCO engagement plans were completed in August 2021. Quarterly update reports were sent to local boards in March 2022. Business meetings in support of the quarterly updates are scheduled for April 2022. We have created an information hub (the portal) on our website to improve information sharing and visibility.

### Table 1

The Council formulates a three waters strategy – requested update (R-15). The Auckland Water Strategy has now been completed and was adopted by the Council's Environment and Climate Change Committee on 10 March 2022. The strategy is designed to guide the Council group in relation to its responsibilities and aspirations for water over the next 30 years, with detailed actions outlined in eight strategic shifts.

### Table 2

Resolve consent processing delays (R-17) and clear measurable minimum performance levels when reviewing consent applications and formal mechanism for objections (R-18). An Asset Group Resolution Forum with key leaders and decision-makers from the Council group has been established to resolve complex consent and engineering issues in a face to face, collaborative forum. Recommendations 17 & 18 will be delivered using different workstreams but within the same project – Better Faster (CCO) Consents, a collaborate effort between Council, Watercare and Auckland Transport.

## Outlook

- The CCO CEs meet fortnightly to monitor and discuss progress.
- Ongoing engagement with the CCO Monitoring Group to scope and action recommendations continues.

Out of the 65 recommendations, 44 impact Watercare:

- Five (out of a total of 10) 'Red/Amber' recommendations involve or impact on Watercare. Most of the five recommendations are 'Amber' due to completion now being in 2022 rather than 2021. No red recommendations relate to Watercare.
- 22 (out of a total of 29) 'Green' recommendations involve or impact Watercare.
- There are 17 (out of a total of 26) 'Completed' recommendations that involve or impact Watercare.

## Other statement of intent focus areas

### National Water Reforms

- Watercare and Healthy Waters continue to work with the Northern Councils (Kaipara District Council, Whangarei District Council, Far North District Council and Northland Regional Council). The group is known as Northern Waters. Work streams, across key areas of People, Assets & Operations, Mana Whenua, Technology and Commercial have been established. Staff from each organisation participate within each work stream.
- Watercare is providing support through secondment of staff to backfill positions with the Northern Councils.
- Healthy Waters and Watercare continue to work on key processes and programmes, such as the inclusion of Healthy Waters' activities in Watercare's Nerve Centre, including the planning and development teams co-locating at Watercare's premises, and the development of a framework for a joint Asset Management Plan.
- The Department of Internal Affairs (DIA) has requested participation in various technical reference groups. For example, Watercare's Acting GM People and Capability is supporting DIA on their People and Workforce.

### Lutra Limited (Watercare owns 67% of Lutra)

- The first draft of the Statement of Intent (2022 to 2025) was submitted to the Watercare Board in late March 2022, for their discussion at the 5 April 2022 Board meeting.
- No health and safety incidents were reported during February 2022.
- Despite the increase in Covid-19 cases and more staff opting to work from home, the Team Mood score continues to stay above their KPI target. To date the rolling average is 6.6/10 with a participation rate of 84%.
- Work continues on the requirements gathering phase for the implementation of Lutra's new Quality, Health, Safety and Environmental Management system, Mango.
- Their document management system/internal intranet and filing structure is 50% completed, this is due to be implemented by end of May 2022.
- Through the work with Cawthron, Lutra had a presence in both of the WaterNZ digital newsletters during February. This was driven by the two Cyanobacteria episodes which were released on Lutra TV.

### Progress on other SOI priorities

- We report the real water loss metric by looking two months into the past. After a review of our processes and systems we have found that nearly 10% of all meter reads do not make it into the system within that timeframe. To resolve this anomaly, we are in the process of changing the reporting timeframe for this metric. The proposed change in the reporting timeframe is for four months in arrears.
- The most recent eNPS results (completed 17 March 2022) show an increase in workforce stress and hints at burnout. More detailed work is going on in specified areas to understand this more deeply, as it may well be the cumulative effective of working from home, childcare and factors not directly related to the workplace.
- We have been increasing the focus on both the speed and quality of leak repairs with our contractors. This is likely to lead to changes in resource allocation over the summer months as ground movement increases leak occurrence.
- The trust score is still showing a steady increase, with the proportion of strong mistrusters reducing from 13% in October 2021 to 9% in February 2022. Our trust score for the month of February was 62%, maintaining a steady 12 month rolling average of +56. As a key driver of trust, 'safe to drink' is at an all-time high of 85%.

### Waikato District Council (WDC)

- All performance measures have been achieved year to date.
- A Wastewater IGC reconciliation is being prepared and agreed with WDC, and a flow meter is being installed at Pukekohe WWTP to accurately assess the volume of wastewater produced by WDC (installation date of May 2022).
- The Meremere abatement notice is to be lifted in April 2022 due to the successful construction of a new MBR wastewater plant.
- DIA-funded projects continue on schedule to the new delivery timeframe of June 2022. The delivery timeframe was extended because of delays due to Covid-19 restrictions.
- While the total capital infrastructure delivery programme will be achieved within the three-year LTP, several factors have impacted the timing for individual projects resulting in a reduced capex forecast in this financial year.
- Individual projects are being workshopped with WDC to ensure transparency and agreement.
- Five weeks (one per week) of Rapid antigen tests (RATs) have been provided to critical staff and staff that engage with them. This supports identifying staff who may be infectious as early as possible to reduce the risk of spread throughout the team.
- On Sunday 13 February 2022, Cyclone Dovi caused widespread power outages across the district, the Watercare team effectively managed this with only one customer's service impacted. The engagement, coordination, and communication with that customer (Synlait) during the event was positive.

# Other strategic focus areas update

## Contribution towards Māori Outcomes

- Watercare's continued commitment to wellbeing outcomes for Māori has been reinforced with the release of our 2022 Organisational Plan. *Te Ao Māori values embedded throughout our organisation* is one of six strategic priorities we have committed to this year. Key targets include iwi and governance engagement plans and a kaupapa Māori cultural experience for Watercare kaimahi and Board members. These deliverables align to the *Kia Ora te Hononga (Effective Māori Participation)* and *Kia Hāngai te Kaunihera (An Empowered Organisation)* mana outcomes.
- Significant pieces of work are underway to re-establish cadetship programmes within Watercare. Securing specific cadetship placements for Māori have also been identified for potential roles within Infrastructure and the Central Interceptor project. Meetings with Waikato-Tainui, Ngāti Whātua Ōrākei and Ngā Maunga Whakahii o Kaipara Development Trust have been held to discuss future pathway opportunities for their tribal members. We have also initiated discussions with Te Puni Kōkiri and Ngā Kura ā Iwi o Aotearoa to identify collaborative partnership opportunities that support education and employment pathways for Māori into the water industry. These shared approaches will help drive outcomes under *Kia Ora te Rangatahi (Realising Rangatahi Potential)*, *Kia Ora te Umanga (Māori Business, Tourism and Employment)* and *Kia Ora te Whānau (Whānau and Tamariki Wellbeing)*.
- As part of our Three Waters Reform work programme, Watercare's Māori Outcomes & Relationship team, Te Rua Whetū has started making approaches to iwi in Te Tai Tokerau. These discussions will help Watercare understand iwi expectations of the proposed changes including Water Entity A. Discussions with Auckland Council's Healthy Waters team and participation through the Northern Waters Councils forum are also being progressed to ensure a coordinate engagement approach with northern iwi is managed. We are also working to reset Watercare's engagement and relationships with mana whenua involved in the Board of Inquiry. Planning for hui with key stakeholders including Waikato River iwi and the Waikato River Authority is underway - *Kia Ora te Hononga (Effective Māori Participation)* and *Kia Ora te Taiao (Kaitiakitanga)*.

## Climate change & sustainability

### Climate change

- A draft Watercare Decarbonisation roadmap to 2030 has progressed well and is due for internal executive review in April. The draft will include potential reduction pathways with high level investment scenarios and annual SOI targets for FY23-25.
- Watercare climate change strategy work continues with the development of a Climate Change Action Plan to deliver on the actions and targets from Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan. A review process has been agreed which includes Mana Whenua Kaitiaki Forum presentations, drafts to the Chief Sustainability Office and updates to Councillor Hills and Councillor Cooper. The first draft was completed in early April 2022 and completion is expected by the end of June 2022.

### Water as a taonga/ water efficiency

- Domestic smart meters project is progressing well. The installation of residential smart meters has commenced. The scope of commercial smart loggers has increased to 5,000, with 1,669 of these now installed. In addition to our existing focus on schools, the rollout has been extended to our top 100 commercial users.
- Watercare's Recycled Water Team is progressing with pilots being planned around the Rosedale WWTP as well as an ornamental garden at Māngere WWTP. Stakeholder liaison is commencing.

### Circularity and thriving nature

- More than 10,000 native seedlings have been grown at Watercare's Nursery to trial and showcase biosolids as a fertiliser product, and to supply to revegetation programmes. Emerge struvite fertiliser (also recovered from our processing) has been trialled on turf and pasture showing superior performance to conventional fertiliser. Emerge fertiliser has been used for the refurbishment of the Kaipatiki and Birkenhead sports fields.

# Watercare Q3 financials



## Direct operating performance

(\$ million)	Notes	FY 21	FY 22 Quarter 3 YTD			FY 23
		Actual	Actual	Budget	Variance	Budget
<b>Net direct revenue</b>		<b>462.8</b>	<b>349.4</b>	<b>346.3</b>	<b>3.1</b>	<b>456.4</b>
<b>Direct revenue</b>	<b>A</b>	<b>778.4</b>	<b>640.5</b>	<b>575.7</b>	<b>64.8</b>	<b>765.3</b>
Fees & user charges		510.7	413.7	461.6	(47.9)	615.5
Operating grants and subsidies		2.1	9.8	-	9.8	-
Other direct revenue		265.6	217.0	114.1	102.9	149.8
<b>Direct expenditure</b>		<b>315.6</b>	<b>291.1</b>	<b>229.4</b>	<b>(61.7)</b>	<b>308.9</b>
Employee benefits		88.2	85.4	59.2	(26.2)	79.3
Grants, contributions & sponsorship		0.3	0.3	0.3	(0.0)	0.4
Other direct expenditure	<b>B</b>	227.1	205.4	169.9	(35.5)	229.2
<b>Other key operating lines</b>						
AC operating funding		-	-	-	-	-
AC capital funding		-	-	-	-	-
Vested assets		48.5	46.5	51.7	(5.2)	69.0
Depreciation		270.5	202.3	182.3	(20.0)	245.9
Net interest expense		88.3	73.6	53.7	(19.9)	72.4



## Financial Commentary

**A:** Direct revenue is \$64.8m ahead of budget mainly due to increase in IGC revenue (\$53m).

**B:** Other direct expenditure is \$61.7m over budget due to Covid-19 contracts payments, uplift in the Waikato capital programme and digital project spend.

Employee costs are also higher due to Covid-19 due to:

- Non-utilisation of leave due to Covid-19 Alert Level 4 and 3 restrictions,
- Increased overtime payments as staff maintain double shifts at operational sites, and
- Lower labour recoveries due to reductions in delivery of the capital programme.

# Watercare Q3 performance measures

Key performance indicators	Previous	FY 22 Quarter 3		Status	Commentary
	year	YTD Actual	FY Target		
<p><b>Note: Watercare has a total of 27 SOI measures, of which 14 are LTP measures.</b></p> <p><b>For the 3 months to 31 March 2022, 22 of the 27 measures are tracked monthly. Two measures are yearly measures, and one measure is a six monthly measure. Due to change in reporting time frame, one of the measures was not tracked during the quarter. The baseline is yet to be established for one measure (although this measure is currently not included in Watercare's draft SOI for 2022-2025).</b></p> <p><b>In Q3, of the 22 measures that are tracked monthly, 20 of the measures were achieved, two were not achieved.</b></p>					
<b>LTP/SOI performance measures</b>					
Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of:					
a) abatement notices	a) 0	a) 0	a) ≤2	<b>Achieved</b>	Target has been met.
b) infringement notices	b) 0	b) 0	b) ≤2		
c) enforcement orders	c) 0	c) 0	c) ≤2		
d) convictions	d) 0	d) 0	d) 0		
received by the territorial authority in relation to those resource consents (12-month rolling average)					
The average consumption of drinking water per day per resident (gross PCC) (12-month rolling average)	245.6	243.0	260 litres	<b>Achieved</b>	Target has been met.
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%	<b>Achieved</b>	Target has been met.
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%	<b>Achieved</b>	Target has been met.
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.	56 mins	67 mins	≤ 60 mins	<b>Not achieved</b>	The results are above the target due to the extreme wet weather event i.e. flooding on 21 March 2022 and high Covid-19 cases amongst the service providers. Accordingly, this created a work backlog for our service providers and contractors. The storm kept them busy for at least two weeks with delays of up to 2-4 days for clean-up activities. This measure is expected to be stabilised and be within target in coming months.

Median response time for resolution of urgent calls-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	2.8 hours	3.6 hours	≤ 5 hours	Achieved	Target has been met.
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	1.0 day	1.24 day	≤ 5 days	Achieved	Target has been met.
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	1.3 day	1.9 day	≤ 6 days	Achieved	Target has been met.
The total number of complaints received by the local authority about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system (12-month rolling average)	9.0	9.14	≤ 10	Achieved	Target has been met.
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	51 mins	90.0 mins	≤ 60 mins	Not achieved	The results are above the target due to the extreme wet weather event i.e. flooding on 21 March 2022 and high Covid-19 cases amongst the service providers. Accordingly, this created a work backlog for our service providers and contractors. This kept them busy for at least two weeks with delays of up to 2-4 days for clean-up activities. This measure is expected to be stabilised and be within the target in coming months.
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	2.5 hours	4.0 hours	≤ 5 hours	Achieved	Target has been met.

<p>The total number of complaints received by the territorial authority about any of the following:</p> <ul style="list-style-type: none"> <li>a) sewerage odour</li> <li>b) sewerage system faults</li> <li>c) sewerage system blockages</li> <li>d) the territorial authority's response to issues with its sewerage system expressed per 1000 connections to the territorial authority's sewerage system (12-month rolling average)</li> </ul>	29.5	29.34	≤ 50	Achieved	Target has been met.
<p>The percentage of real water loss from the local authority's networked reticulation system (12-month rolling average)</p>	13.7	N/A	≤13	N/A	<p>For the month of November, non-revenue water loss was at 13.64%. Currently we report this metric by looking two months into the past. After a review of our processes and systems we have found that nearly 10% of all meter reads do not make it into the system within that time. To resolve this anomaly, we are in the process of changing the reporting timeframe for this metric. The proposed change in the reporting timeframe is for four months in arrears. Therefore, the number for December 2021 can be reported in May 2022.</p>
<p>The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system (12-month rolling average)</p>	0.86	0.10	≤ 5	Achieved	Target has been met.
<p><b>Other SOI performance measures</b></p>					
<p>Average number of wet weather overflows per discharge location (transmission system) (12-month rolling average)</p>	0.5	1.43	≤ 2 overflows per year	Achieved	Target has been met.
<p>Employee net promoter score (eNPS)</p>	35	23 (March survey results)	≥20	Achieved	
<p>Gender workforce ratio</p>	New measure	F: 38.62% M: 61.38%	Improve on prior year (PY ratio: F: 34% M: 66%)	Achieved	Target is being met. The baseline for FY20/21 was 34.0% female employment across the business. The ratio for March is F: 38.62% M: 61.38%.

Total recordable injury frequency rate per million hours worked (12-month rolling average)	New measure	15.97	<20	Achieved	Target has been met.
DUEs (domestic unit equivalent) measured through IGCs	New measure	2073.5	TBD	N/A	Baseline to be established. However, this measure is currently not included in Watercare's draft SOI 2022-2025.
Average asset age	New measure	39.3 December 2021 figure)	Reduce on prior year (PY: 39.4)	N/A	This is a long-term measure.
Debt to revenue ratio	New measure	2.83	3.54	Achieved	Unaudited – numbers are based on forecasting.
Percentage of household expenditure on water supply services relative to average household income	0.84%	0.86%	≤ 1.5%	Achieved	Target has been met.
Formal engagement with mana whenua of Tāmaki Makaurau	New measure	89.47%	100%	On track (against year-end target)	This measure will be reported on at year end. We are continuing to meet with the mana whenua of Tāmaki Makaurau. Year to date we have met with 17 of the 19 iwi this includes senior members from both sides formally meeting. Meetings scheduled for 2022 include mana whenua groups in Te Tai Tokerau (Far North).
Ratio of procurement sourced through Māori owned businesses	New measure	1.32%	1%	On track (against year-end target)	Measure now contains indirect spend from key supply partners (EM, TARP, CI, Valued networks). However, at this stage only Fulton Hogan, McConnell Dowell and March Cato have been able to report on Māori spend. We are continuing to work with other key supplier partners to assist them in being able to report on their Māori spend. Internally during Q4 we will be increasing communications on this target with the publishing of 'Our guide to delivering Māori business outcomes' and working with Amotai to increase the uptake of Māori businesses.
Percentage of customer complaints resolved within ten days of notification	New measure	98.40%	≥95%	Achieved	Target has been met.
Net promoter score (NPS)	43	53	≥40%	Achieved	Target has been met.
Community trust score	New measure	56%	≥55%	Achieved	Target has been met.