

Watercare

Quarter 2 Performance Report

For the period ending 31 December 2021

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

Watercare Q2 summary

Highlights, issues & risks for the quarter

Highlights

- Following a hearing that finished in late 2021, on 21 January 2022, a Board of Inquiry appointed by the Minister for the Environment granted Watercare's application to draw an additional 150m litres of water a day from the Waikato River (increasing the total available take to 300m litres per day). This provides additional water for Auckland, as well as Pokeno and Tūākau. The Board of Inquiry imposed a set of common conditions for the resource consents, including a duration of 20 years for the operational consents, rather than the statutory limit of 35 years.
- Watercare is working with Auckland Council on the water supply and demand workstream of the Auckland Water Strategy. Watercare has committed to key investments towards the 2030 targets which are a residential smart meter programme and reducing leakage below 132 litres per connection per day (l/c/d), aiming for 123 l/c/d. In addition, Watercare continue to support Auckland Council in the development of the other streams of the Auckland Water Strategy, for example, the water sensitive cities index, a tool designed to benchmark the city's current performance against seven water sensitive goals.
- A revised Drought Management Plan is under its final review by Council Officers, before being presented for information at Council's Environment and Climate Change committee shortly. This plan will detail the Auckland Metropolitan Systems water resources development basis, relative to community expectations of water supply system resilience. A broader communication strategy regarding the management and operation of Auckland's water resources will be developed to ensure that all key stakeholders are aware of the design parameters of the water supply system, the security of supply standard, and the triggers/methodology for the implementation of water conservation and demand management protocols during times of water resource stress.

Issues & risks

- Whilst the CI programme currently remains within the original approved budget, this is highly contingent on how the Covid-19 pandemic plays out over time. Claims have already been submitted for lockdowns in 2021 and to cover global impacts, and more are expected. 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.
- Sourcing/retention of critical personnel and supply chain issues remain critical risks. These risks, together with Covid-19 disruption, gives rise to the potential risk of significant extension of time and costs claims on construction projects. These three risks (people, supply chain, construction cost increases/time delays) are interrelated. Action and responsibility for mitigating these risks is spread right across the business.
- Staff wellbeing and culture remains a priority given: the ongoing stresses and pressures of Covid-19; and a below target eNPS score in October 2021 (11 against a target of 20), due to mandatory vaccination consultation, restructuring and Covid-19 fatigue.
- Ahead of the imminent spread of Omicron in the community, we have been talking with our Australian counterparts, such as Sydney Water, to learn from their experiences.
- A proposal to establish in-house PCR testing capacity to support the Watercare team will be investigated in Q3.
- Health, safety and wellbeing visits by leaders fell over the Covid-19 Level 4 period. In Level 3 and Traffic Light Orange and Red, visits are slowly increasing but proceeding with caution to ensure the health and safety of staff and contractors on our sites.
- Worksafe NZ are considering the reduction of Hydrogen Sulphide levels consistent with Australia. This is likely to have a material cost impact on Watercare, which is currently being determined with the support of specialists.

Financials	YTD	YTD budget	Actual v Budget
Capital delivery ¹	266.4	360.4	 94.0
Direct revenue	409.1	373.6	 35.5
Direct expenditure	206.6	150.7	 (55.9)
Net direct revenue	202.5	222.9	 20.4

Financial Commentary

Capital delivery: Capital expenditure is tracking at 73.9% as most construction sites had to be closed during Covid-19 Alert Level 4 restrictions.

Direct revenue: Direct revenue is \$35.5m ahead of the budget mainly due to increase in IGC revenue (\$31.2m).

Direct expenditure: Other direct expenditure is \$55.9m 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.

1. Capital delivery financials include capitalised interest.

Strategic focus area – Central Interceptor

Key commentary

For the 6 months to 31 December 2021, a total of \$393 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 plays out over time. Claims have already been submitted for lockdowns in 2021 and to cover global impacts, and more are expected. We are yet to finalise any extension of time claims or 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

- Construction at all sites has continued with stringent site-specific Covid-19 protocols in place. Three positive cases have been recorded on the project, but due to the controls, no further cases have been detected.
- As at 31 December 2021 the Tunnel Boring Machine (TBM) was fully assembled and had progressed 370m of the drive from Māngere Pump Station to May Road A (7,594m) with 222 rings installed.
- The micro-tunnel boring machine (mTBM) completed the 970m first drive from May Road to Haycock Ave on the 10 December 2021.
- The contractor (GAJV) is now established at a number of sites along the Link Sewer and Main Tunnel. Shaft excavation works are now completed at Haycock and Dundale Ave sites and are due to begin at Miranda Reserve, Walmsley Park and Keith Hay Park early in early 2022.

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 costs claims.
- Health, safety and wellbeing: lifting, crane operations and suspended loads are a significant risk for the project and the implementation of specific rules and use of exclusion zones are key to mitigating these risks. Additional cameras have been installed on cranes to assist operators with any blind spots.
- Tunnelling associated risks: tunnelling under the Western Interceptor was completed in October 2021. However, increased monitoring to ensure early detection of any settlement will continue while work continues in the immediate area along with shaft dewatering. To date no anomalies have been recorded.
- 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.
- 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.

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 80per cent. 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 will be completed first quarter of 2026.

Key programme of works	Status	Description	Key deliverables for the quarter
Finalise design for the Grey Lynn Tunnel	On track	Detailed design work for the terminal shaft of the Grey Lynn Tunnel at Tawariki Street.	Final design of the terminal shaft being confirmed to incorporate the Western Isthmus works in that area.
Commence physical works	On track	Shaft lining of the main shaft has been on hold while the TBM was launched but will resume in Q1 2022 (calendar period). MTBM pipejacking operations between May Rd and Haycock now completed with operations to move from May Road to Dundale Ave in Q1 2022. Chamber construction well underway at Haycock Ave, Miranda Reserve and Keith Hay Park.	Pump station shaft wall lining at Māngere to recommence in Q1 2022 (calendar period). Dundale Ave to Haycock Ave mTBM drive expected to commence in March 2022. Shaft excavation to commence at Walmsley and Keith Hay Parks in Q1 2022 (calendar period).
Commence tunnelling	On track	The TBM has now launched and has tunnelled 370m. Commissioning and Site Acceptance testing nearing completion.	Main tunnel excavation to reach full momentum by end February 2022.
Main works into service	Delayed	The main works (Central Interceptor) are to go into service Q1 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 6 months to 31 December 2021, \$126.8 million was spent towards water supply investment against a year to date budget of \$164.9 million.

Highlights

- Reducing non-revenue water loss: Leak detection continues. Since the programme began, we have swept more than 7,700 km of pipes and fixed leaks with an estimated total volume of more than 10.84MLD. We are continuing the programme and aim to sweep 11,000km by July 2022 (this includes sweeping some areas twice).
- Augmentation update: The Waitākere WTP is being upgraded from 16MLD to produce 24MLD at peak. The work has been delayed due to Covid-19 and is due for completion in March 2022. Papakura will be producing 12MLD by May 2022.
- The Waikato 50 plant has been in supply since 14 July 2021. 225MLD peak supply from the Waikato River (W50 and W175) was tested successfully and is available if required.
- Water resilience during the summer has been good, with approximately 30% of daily water take is coming from the Waikato. Total volume drawn from the Waikato remains lower than this time last year. A review is underway to ensure the most efficient approach for the utilisation of water sources – this will consider the mix of efficient production costs whilst still maintaining appropriate dam storage levels.

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 Covid-19 environment in the construction and water industry, and the upcoming Three Waters Reform.
- The Ministry of Health (MoH) are planning to mandate fluoridation of all water supplies. The capital expenditure required to fluoridate Watercare's 11 remaining non-fluoridated sites is approximately \$2.5m over the next two years.

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, 91 water reservoirs, and over 9,000km of water pipes.

Key programme of works	Status	Description	Key deliverables for the quarter
Hūnua 4 Watermain	Delayed	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 is December 2021. A delay is expected following the grout ingress, grout removal and subsequent repair.	Grout removal is complete and repairs/ replacement of damaged sections have begun.
North Harbour No.2 Watermain	On track	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.	Design around landslip at Squadron Drive nearing completion.
Huia Water Treatment Plant replacement	On track	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 into mediation. Several parties requested that the mediation be delayed until such time as face-to-face meetings were permitted. We are now waiting for the EC to set the date for the mediation to start. If the mediation is unsuccessful then it is anticipated that the hearing will be held before July 2022.
Nihotupu No.1 and Huia No.1 watermain replacement	On track	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.	Construction has started at Titirangi Rd with a major road closure over the Christmas period.
Waikato Water Treatment Plant 50MLD	On track	This upgrade provides a new water treatment plant with 50MLD for resilience and drought relief from the Waikato River. The plant went into service as planned, relieving the demand on the then still depleted dams.	The plant went into service on the 14 July 2021 as planned and was opened by the Mayor Goff on 20 July 2021. Close out works were stopped due to Covid-19 Alert Level 4 restrictions and have resumed restricted to protect the water supply operation under Covid-19 Alert Level 3 restrictions with a three months delay to the completion date.

Strategic focus area – Wastewater investment

Key commentary

For the 6 months to 31 December 2021, \$139.8 million was spent towards wastewater investment against a year to date budget of \$209.2 million.

Highlights

- The Public Deliberation session for the for the Water supply and Wastewater network by-law was completed on 5 November 2021, with two Local Boards presenting to the deliberation panel . The recommendation from the Deliberation Panel to amend the by-law was approved at the Governing Body meeting on the 25 November 2021 and the amended Water and Wastewater Network By-law 2021 was enacted on the 20 December 2021.

Risks

- The number of wastewater overflows has increased recently over the last few months; however, the number of uncontrolled overflows that occurred during December 2021 is lower than that of December 2020 by 8%.
- The Helensville Wastewater Treatment Plant is the only asset under Council enforcement. In response to Auckland Council issuing an abatement notice for the treatment plant in November 2021, Watercare submitted a mitigation plan in early December 2021. We are yet to receive a response (as of 20 January 2022). A 12 month upgrade plan is being currently under design.

Strategic context

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

We treat that 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.

Key programme of works	Status	Description	Key deliverables for the quarter
Northern Interceptor	On track	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 related interruptions.
Pukekohe Wastewater Treatment Plant upgrade	On track	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. Work was stopped due to Covid-19 Alert Level 4 restrictions and has resumed under Covid-19 Alert Level 3 restrictions with two months delay to the completion date.
Sub-regional wastewater servicing – North East	Delayed	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 April by Auckland Council. A current delay of six months is expected, which pushes the construction start date out to September 2022 and an expected completion date by November 2024. Construction of the pump station started on 14 August 2021 and is programmed to be completed by November 2023. Work was stopped due to Covid-19 Alert Level 4 restrictions and now has resumed under Covid-19 Alert Level 3 restrictions and now continues under the new traffic light system.

			<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 and is due to be completed by February 2022. Contract negotiations for the main works have been concluded with the EM Construction Partner. Board approval is being sought for the increased cost of the project. The main works construction is scheduled to start following Board approval and the new WWTP completed by the end of 2023.</p>
Sub-regional wastewater servicing – South West	On hold	<p>This programme of works will provide wastewater servicing for the communities of Kingseat, Clarks Beach, Glenbrook Beach and Waiuku.</p>	<p>This project is on hold while an alternative servicing arrangement is investigated.</p> <p>The alternative arrangement would locate the new wastewater treatment plant 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>Site investigations and indicative designs were completed for the sites short listed for the new wastewater treatment plant. A public open day was held to get feedback on the options.</p>
Western Isthmus Water Quality Improvement Programme	On track	<p>Watercare is investing \$412m over 10 years. Benefits include reduced wastewater overflows into the environment.</p>	<p>Design, consenting and landowner approvals for the St Marys Bay catchment and Waterview catchment separation projects continues.</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.</p> <p>The Blockhouse Bay Separation Project Business Case has a been approved.</p>
Whenuapai Redhills Package 1	On track (Based on change request submitted in June 2021)	<p>This scheme provides wastewater capacity in Whenuapai.</p>	<p>Detail design completed. Planning to lodge resource consent and serve Notice of Requirement by March 2022. Ongoing discussions with landowners to obtain affected party approvals.</p>
Whenuapai Redhills Package 2		<p>This scheme provides the gravity pipelines into which the Package 1 scheme will discharge.</p>	<p>Preliminary design underway. Ground investigation physical works completed. Discussions underway with landowners to obtain right of entry agreement.</p>
Whenuapai Redhills Package 3		<p>This scheme provides transmission gravity pipelines for developments in Southern Redhills.</p>	<p>Detail design for one of the pipelines complete and agreement being negotiated between Watercare and a developer for construction of the pipeline. Landowner discussions underway for the other pipelines to obtain right of entry.</p>

CCO review implementation

Context

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

- fortnightly Traffic Light reporting of the review's 64 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.

Q2 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 4 CCOs for each of the 21 Local Boards. Staff are further developing a proposed reporting framework to Local Boards that will work across the CCOs. In the meantime, Watercare has created an information hub (the portal) on Watercare's website to improve information sharing and visibility.

Table 1

The Council formulates a three waters strategy – requested update (R-15). To date, the specific focus for Watercare has been in relation to the water supply and demand work streams, whilst actively contributing to the development of other work streams through regular working group meetings, and review of Council papers. Work on economic level of leakage is being included in the Water Strategy, along with updated measurement targets. The intention is to workshop the Drought Management Plan with councillors, which will inform the strategy.

The governing body spends half a day each year visiting each CCO to better understand its business and culture and to informally build relationships (R-27). This action will be completed shortly and will become 'business as usual'. Dates for 2022 visits to be scheduled shortly, subject to Covid-19 restrictions.

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). Continuing to work closely as a Council family on the 'Better Faster Consents Journey.' A collaborative effort between Council, Watercare and Auckland Transport investigated key drivers for change, specific problem areas, practices and recommendations for improvement. These centre around three themes – raise quality, clear roles and processes, and be accountable. The Council-CCO steering group remains in place.

Outlook

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

In terms of the outstanding recommendations with more work required:

- Nil "Red" recommendations impact Watercare.
- Six "Amber" recommendations impact Watercare. However, Watercare has either completed its work on these recommendations, or the item is currently with Council officers for next steps.
- 28 "Green" recommendations impact Watercare. Apart from the water strategy (R-15), all other recommendations involve at least two or more CCOs. Watercare has completed its required work on many of these recommendations and is awaiting further guidance from Council officers on others.

Other statement of intent focus areas

National Water Reforms

- Watercare continues to support Council as part of their transition activities.
- Watercare and Council staff continue to work with the Northland councils to understand what working together more closely might involve and perform joint analysis to understand cross-council opportunities and continue participation in various workstreams.
- 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.
- Watercare and Council staff continue to engage with a number of Mana Whenua groups and provide support as required.
- In late December 2021, Taumata Arowai released new draft drinking water guidance documents: New Drinking Water Standards, New Drinking Water Quality Assurance Rules, New Drinking Water Aesthetic Values, New Drinking Water Network Environmental Performance Measures. Watercare is reviewing the new rules and intends to make a submission before the deadline of 28 March 2022.

Lutra Limited (Watercare owns 67% of Lutra)

- Staff numbers have increased by 29% since 1 September 2021.
- The draft long term company strategic plan has been completed in preparation for finalising the long term financial targets in May 2022.
- The employment market is of concern with it now leaning to employee's choice. There have been three resignations during the quarter, two Data Scientists and one Senior Process Engineer. Staff retention and maintaining the culture is one of the highest priorities, and initiatives are in place to mitigate the risk in this area, starting in January 2022.
- The company is performing well up against the majority of the SOI KPIs. The latest NPS survey was completed in December 2021, with a score of 17 being achieved. This is an increase of 4 points on last year.

Progress on other SOI priorities

- Reducing non-revenue water remains an ongoing priority.
 - One overarching target is to develop district meter areas with less than 10,000 connections for 65% of the city. During the quarter, Stage 1 (Waitākere – rezoned from 6 DMAs to 24 DMAs) went live on GIS in mid-December 2021. Stage 2, Maungakiekie (complete rezone from 1 DMA to 4 DMAs), saw civil work completed with the zones being commissioned through December 2021 and January 2022.
 - Smart meters also help reduce non-revenue water. The installation of 336 smart meters in schools has identified many schools have leaks – repairs are being prioritised by volume of leaks.
- Customers perceiving us as working towards 'safeguarding Auckland's water future' had the most significant impact on our trust score of 61% for December 2021, resulting in our strongest quarterly result (at 59%) to date.
- While the volume of media coverage Watercare received was lower in December 2021, the sentiment was positive with a media impact score of 2.1. Watercare's CE's opinion piece in the NZ Herald was well-received.
- The Wellbeing team are working with the Te Rua Whetū to frame our wellbeing strategy using Tā Mason Durie's Te Whare Tapa Wha model. This is an exciting approach, bringing the strategy to life and aligning several pou and teams.

Waikato District Council

- 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 January 2022 due to the successful construction of a new MBR wastewater plant.
- The 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. Delays are due in part to Covid-19, property access negotiations, and finalising costs in line with the LTP.
- A contract audit will be completed in the first quarter of 2022.
- The last 12 months of Health and Safety metrics continue to improve. The focus for January 2022 is managing heat and hydration.

Other strategic focus areas update

Contribution towards Māori Outcomes

- Alignment to our Māori Outcomes Plan (MOP) has been a key focus for all Watercare business units this quarter. Teams have reviewed current work programmes to identify initiatives that deliver on the MOP. Any gaps in work programmes will be planned for and prioritised accordingly in the new financial year.
- Delivering against outcomes under Kia Ora te Rangatahi (Realising Rangatahi Potential), five rangatahi Māori joined Watercare as part of our summer internship programme. Their areas of studies include engineering, commerce and applied sciences. We also awarded the Mark Ford Ngā Tapuwāe Scholarships to Matariki Bennett and Hana Leofa. Both are in their final year of a Bachelor of Engineering at Auckland University.
- During this quarter, Watercare met with Amotai to discuss our approach to Māori social procurement outcomes. Partnering with Amotai is one avenue we will grow to achieve our contract spend targets. A purpose-built laundry and repair service established through the Central Interceptor project was opened on 1 November 2021. It is currently managed by Makaurau Marae. The long-term goal is to entrust the laundry business to the marae at the end of the project, as an enterprise and employment opportunity. These initiatives support outcomes under Kia Ora te Umanga (Māori, Business and Employment).
- We also continue to focus on building internal capability. Two new staff joined Te Rua Whetū (Māori Outcomes & Relationships Unit) in December 2021. The Pou Hononga (Engagement & Partnerships Advisor) and Mātanga – Tikanga me te Reo Māori (Tikanga & Te Reo Māori Advisor), will lead delivery of milestones under Kia Ora te Reo (Te Reo Māori) and Kia Ora te Ahurea (Māori Identity and Culture). An assessment of Watercare's internal needs is currently underway. This includes bilingual signage in offices, translating services and drafting of a Te Reo Māori action plan.

Climate Change & Sustainability

Climate change

- Ongoing focus on establishing the Watercare Decarbonisation roadmap to 2030. This work stream also establishes climate performance measures for the Statement of Intent to be published in 2022.
- Watercare climate change strategy refresh has commenced. This project updates the existing strategy that was published in 2019 to include the strategic direction and actions that have been established in Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan as well as update of operational actions. This update will be completed in collaboration with Healthy Waters and integrate stormwater considerations and actions.
- Watercare supported Auckland Council colleagues on strategic climate related projects – Auckland Water Strategy, RFP Evaluation for Climate Disclosure consultant.
- Watercare was one of 14 Australasian water utilities that united with other global water companies to support the UN Race to Zero. This was water sector support was launched at COP26.
- Watercare staff co-authored and launched 'Navigating to Net Zero. Aotearoa water sector low carbon journey'.

Water as a taonga/ water efficiency

- Domestic smart meters project is progressing well. Procurement stage has commenced and installation is starting. 1,540 of 2,000 commercial customer smart meter loggers have been installed to date, focusing on schools and top 20 industrial/commercial users.
- Drought management plan drafting is complete, and first round of customer engagement completed. Additional engagement, including with Council teams, is planned for Q3.
- Leak management is being integrated into "BAU" with a new manager and plan being developed to meet the targets in the Auckland Water Strategy.
- The future of Auckland's water sources and the potential use of recycled water has had an ongoing focus. In Q2, a new internal Recycled Water team has been established to focus on this work.

Circularity and thriving nature

- Trials of biosolids and Emerge struvite fertiliser in comparison to traditional potting mix and synthetic fertiliser have taken place at the Watercare test nursery at Māngere wastewater treatment plant. Early growth signs are very positive for these biproducts of the treatment process.

Watercare Q2 financials



Direct operating performance

(\$ million)	Notes	FY 21	FY 22 Quarter 2 YTD			FY 23
		Actual	Actual	Budget	Variance	Budget
Net direct revenue		462.8	202.5	222.9	(20.4)	456.4
Direct revenue	A	778.4	409.1	373.6	35.5	765.3
Fees & user charges		510.7	258.2	292.2	(34.0)	615.5
Operating grants and subsidies		2.1	4.3	-	4.3	-
Other direct revenue		265.6	146.6	81.4	65.2	149.8
Direct expenditure		315.6	206.6	150.7	(55.9)	308.9
Employee benefits		88.2	55.4	38.9	(16.5)	79.3
Grants, contributions & sponsorship		0.3	0.3	0.2	(0.1)	0.4
Other direct expenditure	B	227.1	150.9	111.6	(39.3)	229.2
Other key operating lines						
AC operating funding		-	-	-	-	-
AC capital funding		-	-	-	-	-
Vested assets		48.5	32.1	33.8	(1.7)	69.0
Depreciation		270.5	135.7	119.8	(15.9)	245.9
Net interest expense		88.3	48.8	35.3	(13.5)	72.4



Financial Commentary

A: Direct revenue is \$35.5m ahead of budget mainly due to increase in IGC revenue (\$31.2m).

B: Other direct expenditure is \$55.9m 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 Q1 performance measures

Key performance indicators	Previous	FY 22 Quarter 2		Status	Commentary
	year	YTD Actual	FY Target		
<p>Note: Watercare has a total of 27 SOI measures, of which 14 are LTP measures.</p> <p>For the 3 months to 31 December 2021, 22 of the 27 measures are tracked monthly. Two measures are yearly measures, and one measure is a six monthly measure. Due to insufficient data, one of the measures was not tracked during the month of November and December. The baseline is yet to be established for one measure.</p> <p>In Q2, of the 22 measures that are tracked monthly, 20 of the measures were achieved, two were not achieved.</p>					
LTP/SOI performance measures					
Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents (12-month rolling average)	a) 0 b) 0 c) 0 d) 0	a) 1 b) 0 c) 0 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	Achieved	Target has been met.
The average consumption of drinking water per day per resident (gross PCC) (12-month rolling average)	245.6	242.50	260 litres	Achieved	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%	Achieved	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%	Achieved	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	59 mins	≤ 60 mins	Achieved	Target has been met.

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	3.1 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	1.11 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	1.8 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	8.61	≤ 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	61 mins	≤ 60 mins	Not achieved	Our response times for this measure have been improving and are now moving in the right direction. Further improvement should be seen over the coming months due to further improvement in crew training, fleet vehicle management and increased staffing.
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	3.7 hours	≤ 5 hours	Achieved	Target has been met.

The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system expressed per 1000 connections to the territorial authority's sewerage system (12-month rolling average)	29.5	29.63	≤ 50	Achieved	Target has been met.
The percentage of real water loss from the local authority's networked reticulation system (12-month rolling average)	13.7	N/A	≤13	N/A	For the month of October, non-revenue water loss was at 14.21%. However, the data was unreliable due to Covid19 lockdown restrictions. Therefore, the numbers for the October are not accurate. Non-revenue water loss for November 2021 can be reported in February 2022.
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)	0.86	0.10	≤ 5	Achieved	Target has been met.
Other SOI performance measures					
Average number of wet weather overflows per discharge location (transmission system) (12-month rolling average)	0.5	0.96	≤ 2 overflows per year	Achieved	Target has been met.
Employee net promoter score (eNPS)	35	11 (October figure)	≥20	Not achieved	The October eNPS survey coincided with another lockdown due to Covid-19 restrictions, the tail end of a number of restructures within the business, as well as general end-of-year fatigue.
Gender workforce ratio	New measure	3%	Improve on prior year	Achieved	Target is being met. October 2021 numbers are 37% compared to the baseline from FY20/21 34.0%
Total recordable injury frequency rate per million hours worked (12-month rolling average)	New measure	17.23	<20	Achieved	Target has been met.
DUEs (domestic unit equivalent) measured through IGCs	New measure	1393	TBD	N/A	Baseline to be established.

Average asset age	New measure	39.3	Reduce on prior year	N/A	This is a long-term measure.
Debt to revenue ratio	New measure	2.70	3.54	Achieved	Unaudited – numbers are based on forecasting.
Percentage of household expenditure on water supply services relative to average household income	0.84%	0.82%	≤ 1.5%	Achieved	Target has been met.
Formal engagement with mana whenua of Tāmaki Makaurau	New measure	63%	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 12 of the 19 iwi this includes senior members from both sides formally meeting.
Ratio of procurement sourced through Māori owned businesses	New measure	0.60%	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 has 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 the Māori spend. Internally during Q3 we will be increasing communications on this target to increase awareness and working with amotai to increase the uptake of Māori businesses.
Percentage of customer complaints resolved within ten days of notification	New measure	98.53%	≥95%	Achieved	Target has been met.
Net promoter score (NPS)	43	53	≥40%	Achieved	Target has been met.
Community trust score	New measure	55%	≥55%	Achieved	Target has been met.