

Watercare

Quarter 4 performance report

For the period ending 30 June 2022

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

Watercare Q4 summary





Highlights, issues & risks for the quarter

Highlights

- Watercare and Healthy Waters have worked closely together to deliver a joint Climate Action Plan and a Draft Strategic Asset Management Plan. 50/50 secondments for vacant leadership roles have also been arranged between the two organisations to facilitate better understanding of each other's operations and develop insights for how services can be improved as we prepare for transition.
- Following consultation with Auckland Council staff, customers and the kaitiaki forum chair, the updated draft Auckland Drought Management Plan (DMP) was presented to Council's Environment and Climate Change Committee on 15 June 2022. Watercare is preparing a paper to address the points raised by the Committee. In the first instance this will be discussed with Council staff to ensure the final version of the DMP meets Council expectations.
- The Western Isthmus Water Quality Improvement Programme (WIWQIP) is an integrated programme of wastewater upgrades and stormwater network construction (i.e. sewer separation) that will dramatically reduce wet-weather overflows in the Western Isthmus by 2028. Significant recent increases in costs have necessitated a review of the proposed programme. A revised approach involving the Central Interceptor tunnel extension to Point Erin has been devised. The tunnel will collect combined wastewater and stormwater flows from the area that normally travel east along the Ōrākei main as well as wet weather wastewater overflows from St Marys Bay and Herne Bay. These flows will be directed into the Central Interceptor and transferred directly to Māngere for safe treatment and disposal. This alternative will ensure the programme remains on track in terms of time, budget and outcomes.
- The official recognition in June of Matariki as a national holiday created an opportunity to showcase and increase the visibility of Te Ao Māori within Watercare. Te Pu-a-nga Maara, a collective of young Māori environmental leaders from Makaurau, Manurewa and Papatūānuku Kōkiri Marae, joined us to host workshops on Matariki (The Star Cluster), Whakapapa o te Wai (Genealogy of Water), and Te Maramataka Māori (The Māori Lunar Calendar).
- Recent heavy rains across the region have seen the storage in the Auckland dams increase dramatically. At the end of June, the dam levels were at 79.7% and at the time of writing in August, are over 99%, which is reassuring as we head into summer. Demand for late autumn, and winter to date, has shown an increase compared to the previous two years during both drought and Covid-19 restrictions (when outdoor water use was restricted). It has been a wet autumn and winter, which naturally suppresses outdoor water use. Therefore, the increase in demand is likely being driven by new customer connections and growth of existing customers, in particular, commercial customers who were affected by Covid, such as hospitality and tourism. It is important to note that demand levels are still well within Watercare's levels of service. Additionally, Watercare has continued to undertake proactive leak management.
- In May, our people participated in a one-year check in pulse survey to find out how we are progressing on our culture journey. Overall, we achieved a 7% increase in constructive "blue behaviours" (our aspirational target was 5%). This is good news as it is a sign that as an organisation, we are seeing a change in the right direction. Related to our work on the culture of the organisation, the Watercare Board and Executive are conscious of the importance of creating a positive and supportive environment where Watercare and Healthy Waters staff can work together early and get to know each other. This will be vital to minimise anxiety around change and build a strong culture foundation for the future Entity A.

Issues & risks

- The risk "Public perception that Watercare is not managing Auckland's water resources" has increased driven from planned price increase (1 July 2022), adjusted Asset Management Plan, commentary around Water Reform, and upcoming local board elections.
- The challenges on keeping within the opex budget remain, albeit the throughput of IGCs continues to be high, demonstrating the strength in the development market.
- The risk remains for health and safety incidents resulting from the actions of Watercare staff inside and outside Watercare sites. We are mitigating this risk by identifying and addressing significant hazards; improving reporting and training; and upgrading safety management system from ISO4801 compliance to ISO45001 compliance.

Financials (\$million)	YTD actual	YTD budget	Actual v Budget
Capital delivery ¹	679.7	746.6	 66.9
Direct revenue	917.9	765.3	 152.6
Direct expenditure	392.2	308.9	 (83.3)
Net direct revenue	525.8	465.3	 69.44

Financial Commentary

Capital delivery: Capital expenditure ended the year at 91.0% of budget. The initial budget was ambitious, especially given our construction sites were operating under Alert Level 3 and 4 at times throughout the year. We ended the year with all construction sites back on track post Covid-19 lockdowns.

Direct revenue: Direct revenue was \$152.6m ahead of the budget mainly due to increase in IGC revenue (\$125.8m).

Direct expenditure: Other direct expenditure is \$83.3m over budget due to Covid-19 contract payments expensed, increased maintenance and employee costs.

Employee costs were higher than budget due to:

- Non-utilisation of leave due to Covid-19 Alert Level 4 and 3 restrictions,
- Increased FTE and 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 and Kāinga Ora.

Strategic focus area – Central Interceptor

Key commentary

Up to 30 June 2022, a total of \$542.3 million has been spent towards the Central Interceptor (CI) against a total CI budget of \$1.268 billion. A commercial agreement was reached in the quarter regarding the on-going impacts of Covid-19 for the period up until the 31 March 2022. This has resulted in an extension of time of an additional 126 days to the completion of Section 1 and Section 2 and an additional 100 days to the overall contract completion. 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.

Highlights

- The Tunnel Boring Machine (TBM) is now operating at full capacity and has tunnelled 1,586m of the drive from Māngere Pump Station to May Road (7,594m) with 991 rings now installed.
- Māngere pump station: Concrete pours for the pump station shaft lining at Māngere were completed in early May 2022 and the construction of lift 3 of the main shaft dividing wall and the pump station building foundation works is ongoing at end of June 2022.
- Link Sewer C: The Micro Tunnel Boring Machine (mTBM) completed drive number 2 from Dundale to Haycock (722m) in June and is scheduled to begin drive 3 in August 2022.
- Two of the three electric trucks have now arrived into Auckland. Fitting of tipper bodies will take 6 weeks and they should be in operation in September 2022. The third truck is pending shipping.

Issues & risks

- Covid-19 and cost escalation risks: The sourcing and retention of personnel remains critical along with the increased risk of cost escalation.
- Environment consent and property: The non-compliant wastewater discharge discovered at Māngere site in March 2022 has been remedied. However ongoing investigation reports are being finalised and Sustainable Coastlines have been engaged to complete litter collection. Council has verbally advised that enforcement would be limited to formal warning letter, however significant peer review and fortnightly hui with Te Ahiwaru have been conducted.
- 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.

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 mid 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.	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	On track	Shaft lining of the main pump station shaft has been completed. mTBM pipejacking operations between Dundale and Miranda to begin in August 2022. Shaft excavation underway at May Road A. Shaft excavation at Keith Hay Park now complete with GRP shaft liner to be installed in July / August 2022.	Pump station shaft wall lining at Māngere was completed in May 2022. Main shaft dividing wall and pump station building foundation construction ongoing. Confluence chamber works also now underway. Dundale Ave to Haycock Ave mTBM drive completed June 2022. Shaft excavation at PS23 and Walmsley to begin in Q3 (calendar year).
Commence tunnelling	On track	The TBM has now launched and has tunnelled 1,586m. Tunnelling is now operating at full capacity.	Main tunnel excavation is now at full capacity.
Main works into service	Delayed	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

Up to 30 June 2022, \$261.7 million was spent towards water supply investment against the FY22 budget of \$289.6 million.

Highlights

- An integrated programme to reduce water loss to the Economic Level of Leakage (ELL) is being established. The programme covers four main areas: pressure management; active leak management; speed and quality of repairs; and material selection, installation and renewals.
- Rainfall over the last three months should ensure healthy water storage levels for the coming summer. However, work continues to monitor and enhance existing capability.
- In terms of non-revenue water updates: The leak management programme is progressing well. Since the start of the programme approximately 12,000kms have been surveyed, and over FY21 and FY22, a total of 7,173 leaks were found.
- Papakura water treatment plant (WTP) shutdown and Waitākere WTP operated at reduced output due to construction. Waitākere WTP's full capacity to be available in December 2022 and Papakura WTP to be commissioned in August 2022.
- Water quality was compliant with the Drinking Water Standards for New Zealand 2005 (revised 2018) for all sites in June 2022.
- Taumata Arowai has published the Drinking Water Standards for New Zealand and Aesthetic Rules, which come into effect on 14 November 2022, with compliance required from 1 January 2023. The Drinking Water Quality Assurance Rules will be published at the end of July, also coming into effect on the same dates. A final gap analysis will be completed once the Assurance Rules are published.
- All water safety plans (WSPs) have been prepared and previously approved by Ministry of Health. They will be updated and resubmitted by November 2022 to Taumata Arowai. The implementation of the WSPs is a companywide initiative that is ongoing, in particular around improvements to document management and training records, which are being addressed through current programmes.

Issues & risk

- Watercare recently received an Annual Summary of the Performance of Watercare's Dams (2021) from our external dam safety surveillance consultants Dam Safety Intelligence (DSI). The only risk identified is with the existing condition of Mangakura Dam 1 (water supply dam for Helensville). A Business Case to progress condition related remedial works on Mangakura Dam 1, following confirmation of specific dam safety deficiencies, was approved during 2020. Further investigations are underway, associated with deficiencies associated with the lower section of this spillway. The advice provided indicates that a solution must be delivered within the next two years to address these issues. This is beyond the original scope of the existing project and a new project must be initiated to progress improvements to the lower spillway. A new business case is being developed and associated funding impact to be confirmed, prior to initiation of physical works.

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 9,400km 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 was December 2021. A delay occurred following the grout ingress, grout removal and subsequent repair.	Construction has been completed and the main has been tied in at Khyber and Newmarket Viaduct.
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.	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	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 20% of Auckland's water.	<p>The Environment Court (EC) has confirmed 14-15 September 2022 for court assisted mediation with appellants. The Watercare team has held meetings with immediate neighbours to better understand their concerns and identify any mitigation/solutions. These meetings are ongoing and will continue up to early September. If mediation is unsuccessful then the EC hearing is likely to be held in late 2022/early 2023. In the meantime, further technical work has commenced on Kauri dieback in the area that will contribute to updating the Kauri Management Plan (a consent condition).</p> <p>This project is on track based on current consent delivery timeframes.</p>
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.	Titirangi Road from Highland Ave to Pleasant Road has been completed and opened to traffic. Works on Frenz Drive has been completed and works are progressing well on Highland Ave. Highland Ave is on track to be finished by the end of August. Following the completion of Highland Ave the work face will move to the corner of Daffodil St and Konini St and will work towards Atkinson Rd. Work has also started at Dominion Rd and Puketapapa (Mt Roskill). This will continue until October.
Waikato Water Treatment Plant 50MLD	On track	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. The project is complete.

Strategic focus area – Wastewater investment

Key commentary

Up to 30 June 2022, \$382.6 million was spent towards wastewater investment against a the FY22 budget of \$454.9 million.

Highlights

- Watercare and Healthy Waters are continuing to work closely together on wastewater issues of interest to local communities. Recently we have been working on the proposed amendments to the Western Isthmus Water Quality Improvement Programme. This includes joint presentations to community liaison groups and local residents associations as well as sharing information with Councillors Hills and Coomb and the Waitemata Local Board. Engagement continues with Councillor Simpson, 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 continues with community advocate groups from Te Atatu, Henderson and Wairau catchments.
- We have been developing a community engagement strategy for the Wastewater Network Discharge Strategy – a six yearly requirement of the associated consent. Engagement will include community conversations on wastewater networks and overflows. The strategy has been assisted by feedback from engagement specialists across the Council family (Council and the CCO's) with whom we are strengthening working relationships. Our aim is to have purposeful conversations and gather feedback from a wide audience including mana whenua, local boards, community groups and others to help enrich the strategy. Watercare will lodge the second Wastewater Network Strategy with Council in June 2023, as a requirement of the Network Discharge Consent conditions.

Issues & risks

- Our wastewater network was significantly affected by the storm event experienced on 11 and 12 July 2022. The situation was monitored by the Nerve Centre with additional support operators called in to assist with the high volume of alarms. During the event 87 pump stations and monitored manholes overflowed. Continuity of supply was able to be maintained throughout the event within levels of service.
- As of 30 June 2022, 23 of our resource consents were non-compliant. Approximately 40% of these non-compliances related to technical issues rather than adverse environmental effects. Capital works, as detailed in the Asset Management Plan (AMP), will address repeat non-compliances that relate to discharge quality at the Helensville, Snells-Algies, Waiuku, Warkworth and Wellsford wastewater treatment plants.
- The abatement notice for the Helensville wastewater treatment plant (WWTP) was lifted in the previous quarter. However, ongoing issues relating to high volumes after heavy rainfall means that this treatment plant retains higher compliance risks whilst a solution is being implemented.

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	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.	Pipelaying is complete for the Stage 1 contract with testing and reinstatement activities to be completed in Q1. Stage 2 design is in progress for completion by the end of the calendar year.
Pukekohe Wastewater Treatment Plant upgrade	Delayed	The upgrade will provide capacity for population growth in the Pukekohe, Buckland, Tuakau and Pokeno catchment area.	Practical completion due in Q1, with commissioning and complete project closeout by Q3. The delay is primarily due to design change and weather impact.

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: Construction will start late Q1 after the price validation and the Construction Contract have been finalised. Completion scheduled for March 2025. Pump Station: Construction underway, completion due by November 2023. WWTP: Construction underway with completion by the end of 2023.
Sub-regional wastewater servicing – South West	On hold	This programme of works will provide wastewater servicing for the communities of Kingseat, Clarks Beach, Glenbrook Beach and Waiuku.	This project is on hold while an alternative servicing arrangement is investigated involving the new WWTP being located on a Greenfield site near Clarks Beach, removing 10km of pipe and significantly reducing greenhouse gas emissions. Optioneering is now complete and work on the preferred location and the associated network scheme will progress to confirm delivery/procurement approach and progressing design.
Western Isthmus Water Quality Improvement Programme (Pending agreement of proposed amendment including Point Erin Tunnel)	On track	This programme of works will provide improved beach water quality from reduced wastewater overflows. A recent amendment to the programme includes an extension of the Central Interceptor to Point Erin in lieu of some unaffordable short-term separation initiatives is being discussed with key stakeholders and the public.	A review has shown an extension of the Central Interceptor (CI) to Point Erin will achieve the same, or better, water quality outcomes than the original proposal within the 2028 committed timeframe and is more affordable. Separation will remain an important tool across the isthmus, but the location and timing of work will change. Ongoing separation post 2028 will ensure that stormwater is gradually removed from the CI, allowing for continued growth and intensification. Some separation initiatives will continue within the Western Isthmus 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.
Whenuapai Redhills (Based on change request submitted in June 2021)	On track	Comprises three packages of work to provide wastewater capacity in Whenuapai	Resource consent and Designation for the wastewater scheme to be lodged in Q1. Tender packs are being prepared. Detailed Design, construction methodology and resource consent package for gravity pipelines are all underway (with landowner approval and right of entry agreements in place). Four transmission gravity pipelines that for Southern Redhills developments are also either being consented, undergoing detailed design, or in preliminary planning.

CCO review implementation

Context

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

- Regular 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 working 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.

Q4 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 and in Q4, Watercare Executives and Management representatives joined Watercare Elected Member Relationship staff and met 20 of the Local Boards to discuss the Q3 written reports and the various work programmes. The Local Boards commended Watercare's Executive team for their commitment to the engagement process. This recommendation is now marked "Complete" and has become "business as usual".

The Council formulates a three waters strategy – requested update (R-15). This committee adopted the public-facing Auckland Water Strategy in March 2022 (ECC/2022/54). Watercare supported the development of the strategy and commencing FY23, will report quarterly progress towards demand targets agreed to in April 2021 including per capita demand, smart-meter rollout and network leakage. Council continues to focus on integrating Te Mauri o Te Wai principles to ensure a deeper engagement with mana whenua. This recommendation is now marked "Complete". Now this is "business as usual", Watercare is working with Council on a reporting framework to ensure we have appropriate reporting and monitoring in place against each action contained in the Auckland Water Strategy. Watercare is also developing measures for actions committed to in the strategy, where exact targets do not currently exist (eg Action 2.1 relates to water literacy so we are working on how we should best measure this). Detailed reporting against the Strategy's implementation will commence in Q1 of FY23, via these quarterly reports.

Resolve consent processing delays (R-17) and clear measurable minimum performance levels when reviewing consent applications and formal mechanism for objections (R-18): 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. In Q3, the Project Manager departed. A new PM has been appointed and the teams are taking the opportunity to reshape the scope and timelines. Completion is due by 31 December 2022. Recommendation 17 is classified "Green", and 18 as "Amber" due to the extended timeline for completion.

The council and CCOs explore options to give ratepayers a more effective voice in what happens in Auckland and also how, short of court proceedings, to challenge CCO or council decisions (R-56): Watercare contributed to a joint report on this recommendation that went to the CCO Oversight Committee in June 2022. Examples of Watercare engagement in this space include the upcoming "Citizens' Assembly" to help determine the next future water source; our partnership with the Mana Whenua Kaitiaki Managers Forum; our Central Interceptor Cultural Outcomes Group; and our dedicated Community Liason Groups for large projects such as the Huia water treatment plant replacement project. In terms of complaints, Watercare has a centralised complaints and escalation process and we have also established a procedure for lodging and determining objections for Infrastructure Growth Charges. This is governed by a Charter, and ruled upon by an Independent Commissioner. This recommendation is now marked "Complete".

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 impacted Watercare. Most of the recommendations are now complete and "business and usual".

Other statement of intent focus areas

National Water Reforms

- The Water Services Entity's Bill is now in the select committee process and the timeline for Watercare to transition into Entity A is less than two years away. Watercare staff have provided input into the Council group submission on the WSE Bill.
- 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) on operational collaboration to maintain continuity of service during the transition. 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.
- The collaboration has already provided benefits. Watercare has been able to support colleagues in the north through the secondment of experienced staff to both Kaipara and Whangarei to fill shortages in those areas. The Group has also been able to support the NTU collating and compiling the considerable information disclosures requested for Entity A and developing the National Asset Management Plan frameworks and guidelines.
- 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.
- Watercare and Healthy Waters are sharing a number of managers on secondments between each organisation to improve collaboration, identify synergies and manage risks for transition.
- The Department of Internal Affairs (DIA) has requested participation in various technical reference groups and information disclosures, Watercare support these activities as required by the DIA.

Progress on other SOI priorities

- Over the last 12-months, despite changes in staff and capacity issues which limited the ability of all mana whenua to engage directly with Watercare or to participate in the Mana Whenua Kaitiaki forum, Watercare achieved 95% compliance by meeting with 18 of the 19 mana whenua of Tāmaki Makaurau. Although engagement with some of our mana whenua partners was more frequent than others, we were not able to meet with Ngāti Rehua Ngāti Wai ki Aotea. We intend to re-engage through the water reforms and Entity A discussions.
- In June, the median response time for attendance for urgent wastewater overflow call-outs were above the target due to a high number of staff and contractors being absent with Covid-19 / flu and June being a wet month and having elevated number of overflows to attend.
- We did not meet the SOI target for average asset age. The target was to reduce on prior year which was 39.5 for 2020/21 whereas we achieved 40 for 2021/22. The calculation for average asset age applies asset age and replacement cost to form a weighted average asset age. The driver for the weighted average asset age increase in 2021/22 compared to 2020/21 is mainly due to some older assets influencing the overall asset age result.
- Despite a lot of effort in the HSW arena at all levels, increasing site inspections, leadership training, HSW online sessions focusing on wellbeing, and CEO level forums, the underlying numbers are proving hard to reduce. Within Watercare, the standout area for focus is musculoskeletal injuries, and we continue to push this area. We are extending the Back to Basics campaign, into the rest of the operational business. This programme has been well received by our contractors.
- Customer trust scores continued to improve, but the qualitative information coming through showed an increased focus on value for money. Given the announcement of price increases in July, this seems to show the value in the way we approached the announcement by front footing it at a senior level.

Lutra Limited (Watercare owns 67% of Lutra)

- Lutra's final draft of the Statement of Intent (2022 to 2025) was approved by the Watercare Board in June 2022.
- The annual business target for the company Team Mood score has been achieved for 2021/2022. The result was 6.5 against the target of 6.5 with a participation rate of 80%.
- There were a total of 12 health and safety incidents reported in the FY22. None of these were significant, all corrective actions have been put in place.
- The bi-monthly health and safety audit was conducted in June. There were two minor findings which have been actioned.
- Lutra has embedded the Annual Business Plan (ABP) for 2022/23 throughout the business.
- Training and roll out of their new Health, Safety and Environmental Management system, Mango, is in progress. Full implementation has been deferred to July to avoid change fatigue following the SharePoint implementation.
- The implementation of Lutra's new document management system/internal intranet and filing structure (SharePoint) was undertaken in June. This now replaces a myriad of servers.

Waikato District Council (WDC)

- All contractual performance measures have been achieved by the end of the reporting period on 30 June 2022.
- The SCADA system delivery completed at the end of July 2022.
- A Wastewater IGC reconciliation is being prepared and will be agreed with WDC. A flow meter has been installed at Pukekohe WWTP to accurately assess the volume of wastewater produced by WDC. The results from the meter will be reviewed over the next month.
- The Meremere abatement notice was lifted in May due to the successful completion and commissioning of the new MBR wastewater plant.
- DIA-funded projects were completed within the new delivery timeframe of June 2022; all secured funding was utilised. 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.
- All health and safety measures continue to be achieved.

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 company plan. Te Ao Māori values embedded throughout our organisation is one of six strategic priorities. Watercare has committed to this year. Key targets we have set 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. Our People & Capability team will lead the rollout of the programme. 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 coordinated 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

- A joint Watercare and Healthy Waters Climate Action Plan has been completed. This internal document lays out key focus areas and approaches to deliver on the actions and targets from Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan. The plan has been presented to the Environment and Climate Change Committee as well as Watercare's Board. The next step is completing the detailed work plan that sits behind this document.
- Watercare's Decarbonisation roadmap to 2030 has been endorsed by the Watercare Board. This includes annual performance targets for FY23-25. During this process emissions factors for wastewater processing have been updated to follow updates to global (IPCC) and local (WaterNZ) industry guidance. This has led to an increase in reported emissions which will be verified during the July 2022 greenhouse gas verification.
- Pilot project kicked off for monitoring the direct emissions from wastewater processing, a first in New Zealand, this will lead to improvements in accuracy for reporting in the future as well as quantification of emissions reductions from actions in the decarbonisation roadmap.
- Delivery of the Central Interceptor electric trucks are expected to be ready for testing and launch in Q1 2023.
- A project to update Watercare's integrated source management model (ISMM) has been completed. This tool to support decision making for daily water supply as well as long term planning now includes more recent weather data as well as the inclusion of climate change projections to support future water modelling.
- 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. Watercare has sold more than 50 tonnes of emerge fertiliser (a renewable and low carbon footprint form of high quality phosphorus and nitrogen) for use in agriculture.
- Leak detection programme continues well, saving water so we are more prepared for extreme weather events.

Watercare Q4 financials



Direct operating performance

(\$ million)	Notes	FY 21	FY 22 Quarter 4 YTD			FY 22
		Actual	Actual	Budget	Variance	Budget
Net direct revenue		462.8	525.8	456.3	69.4	456.4
Direct revenue	A	778.4	917.9	765.3	152.6	765.3
Fees & user charges		510.7	559.8	615.5	(55.7)	615.5
Operating grants and subsidies		2.1	15.1	-	15.1	-
Other direct revenue		265.6	343.0	149.8	193.2	149.8
Direct expenditure		315.6	392.2	308.9	(83.2)	308.9
Employee benefits		88.2	114.9	79.3	(35.6)	79.3
Grants, contributions & sponsorship		0.3	0.4	0.4	0.0	0.4
Other direct expenditure	B	227.1	276.9	229.2	(47.7)	229.2
Other key operating lines						
AC operating funding		-	-	-	-	-
AC capital funding		-	-	-	-	-
Vested assets		48.5	59.5	69.0	(9.4)	69.0
Depreciation		270.5	281.3	245.9	(35.4)	245.9
Net interest expense		88.3	94.9	72.4	(22.4)	72.4



Financial Commentary

A: Direct revenue was \$152.6m ahead of budget mainly due to increase in IGC revenue (\$125.8m).

B: Other direct expenditure is \$83.2m over budget due to Covid-19 contract payments, increased maintenance and employee costs.

Employee costs were higher than budget 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 Q4 performance measures

Key performance indicators	Previous	FY 22 Quarter 4		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>Up to 30 June 2022, 22 of the 27 measures are tracked monthly. Three measures are yearly measures, and one measure is a six monthly measure.</p> <p>*The baseline for one of the targets was not established as this measure is currently not included in Watercare’s SOI for 2022-2025.</p> <p>In Q4, of the 26 measures that are tracked monthly, six monthly and yearly, 23 of the measures were achieved, three were not achieved.</p>					
LTP/SOI performance measures					
<p>Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of:</p> <p>a) abatement notices</p> <p>b) infringement notices</p> <p>c) enforcement orders</p> <p>d) convictions</p> <p>received by the territorial authority in relation to those resource consents (12-month rolling average).</p>	<p>a) 0</p> <p>b) 0</p> <p>c) 0</p> <p>d) 0</p>	<p>a) 1</p> <p>b) 0</p> <p>c) 0</p> <p>d) 0</p>	<p>a) ≤2</p> <p>b) ≤2</p> <p>c) ≤2</p> <p>d) 0</p>	Achieved	<p>Target has been met. There was one abatement notice for the Helensville Wastewater Treatment Plant and no infringement or enforcement notices or convictions for the 2021/22 year.</p>
<p>The average consumption of drinking water per day per resident (gross PCC) (12-month rolling average).</p>	245.6	243.9	260 litres (+/- 2.5%)	Achieved	<p>Target has been met. This significant reduction against the target in water consumption is the result of the ongoing behaviour change from residential customers following the restrictions first announced in May 2020, as well as proactive efforts by businesses to reduce their water consumption and implement water-efficient processes and systems. The ongoing challenge for us, as the city’s public water supplier, is to collaborate with our customers and communities and embed these behaviours over the long term.</p>

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	Targets have been met. We continued to demonstrate 100% compliance with Drinking Water Standards New Zealand (DWSNZ) Bacterial Compliance Criteria and Protozoal Compliance Criteria; as well as the interim compliance process specified by the new water services regulator Taumata Arowai. Drinking water quality was regulated through the Ministry of Health (MoH) up to 30 September 2021. Wai Comply, as an external expert and the MoH appointed contractor to perform Drinking Water Assessor (DWA) functions, provided a compliance report up to this date. This regulator changed to Taumata Arowai from 1 October 2021. From October 2021, compliance with the Water Services Act 2021 requires Watercare to notify Taumata Arowai of any risks to Drinking Water Safety or Quantity and any MAV (Maximum Allowable Value) exceedances as required under the Water Services Act 2021. Taumata Arowai have confirmed that these specific notifications were received within prescribed timeframes accompanied by relevant documentation and records and it was concluded that there was no risk to public health.
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	
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	1.1 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.

<p>The total number of complaints received by the local authority about any of the following:</p> <ul style="list-style-type: none"> 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	8.8	≤ 10	Achieved	<p>Target has been met. This measure relates to the volume of calls we received regarding water quality and supply issues for the year ended 30 June 2022. The number of complaints received per 1000 connections was 8.8, which meets the target of 10 or fewer.</p>
<p>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.</p>	51 mins	63 mins	≤ 60 mins	Not achieved	<p>Target has not been achieved. The median response time for our maintenance crews to attend to wastewater overflows or blockages was 63 minutes, which is above the target of 60 minutes or less. The longer times for attendance were due to short-staffed teams that were impacted by Covid-19 and the Government's isolation requirements.</p>
<p>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.</p>	2.5 hours	3.7 hours	≤ 5 hours	Achieved	<p>Target has been met.</p>
<p>The total number of complaints received by the territorial authority about any of the following:</p> <ul style="list-style-type: none"> 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	27.1	≤ 50	Achieved	<p>Target has been met. This measure relates to the volume of calls we received about wastewater odours, overflows, broken pipes and other network issues for the year ended 30 June 2022. The number of complaints received per 1,000 connections was 27.1, which is well within the target of 50 or fewer.</p>
<p>The percentage of real water loss from the local authority's networked reticulation system (12-month rolling average).</p>	13.7	11.4	≤ 13	Achieved	<p>Target has been met, with water loss (11.4%) lower than the target limit of 13%. The water losses in this measure are calculated by deducting the volume of water sold and unbilled water usage (or non-revenue water) from the total volume of water produced.</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).	0.86	1.1	≤ 5	Achieved	Target has been met. Dry-weather overflows are generally caused by incorrect disposal of fats, oils and grease; wet-wipes flushed down the wastewater network also lead to blockages in the pipes resulting in wastewater overflows. We continued to educate the public on what not to flush down the toilet, through our social media channels, customer newsletters and the media.
Other SOI performance measures					
Average number of wet weather overflows per discharge location (transmission system) (12-month rolling average).	0.5	1.1	≤ 2 overflows per year	Achieved	Target has been met.
Employee net promoter score (eNPS).	35	23 (March survey results)	≥20	Achieved	Target has been met. The significant drop from 35 in 2020/21 can be attributed to a combination of factors – the extended national lockdown and continuing anxiety around the pandemic, rising cost of living and the imminent changes/uncertainty associated with the Three Waters Reform has had an impact on staff wellbeing. Overall, our people believe that their work supports the team and organisational goals, and that we are heading in the right direction as a company. Areas highlighted for improvement include a more transparent and equitable remuneration framework and better cohesion between various business functions.
Gender workforce ratio.	New measure	F: 38.76% M: 61.24%	Improve on prior year (PY ratio: F: 34% M: 66%)	Achieved	Target has been met. The majority of our teams saw an increase in the percentage of female staff, with the two exceptions being our executive team and the company secretary team which saw a 14% and 10% decrease respectively in female staff.
Total recordable injury frequency rate per million hours worked (12-month rolling average).	New measure	14.32	<20	Achieved	Target has been met. We continue to work on a range of targeted programmes to empower our people with training, tools and the confidence to carry out their work safely and stop work if they see unsafe practices.
*DUEs (domestic unit equivalent) measured through IGCs.	New measure	2116.3	TBD	N/A	Baseline has not been established. However, this measure is currently not included in Watercare's SOI 2022-2025.
Average asset age.	New measure	40	Reduce on prior year (PY: 39.5)	Not achieved	Target has not been met as the average asset age for 2020/21 was 39.5. The calculation for average asset age applies to asset age and replacement cost to form a weighted average asset age. The driver for the weighted average asset age increase in 2021/22 compared to 2020/21 is mainly due to some older assets influencing the overall

					asset age result. Note this measure is not included in the SOI 2022-2025 as the expected life of our various assets vary greatly and the simple average does not provide a useful measure. The SOI 2022-2025 includes two new measures that relate to the Economic Level of Leakage (ELL). The ELL provides a better indication of the quality of our linear assets.
Debt to revenue ratio.	New measure	2.80	3.54	Achieved	Target has been met. Debt headroom is the amount that Watercare can borrow in proportion to its revenue/assets. The baseline set for 2021/22 is 3.54 or lower. Any result below this number indicates there is positive headroom; our ratio for 2021/22 was 2.8, due to increased revenue from Infrastructure Growth Charges, new connections and wastewater charges.
Percentage of household expenditure on water supply services relative to average household income.	0.84%	0.80%	≤ 1.5%	Achieved	Target has been met. In 2021/22, an average Auckland household* (comprising three people) spent less than 1% (0.80%) of its monthly income on water and wastewater charges. This is despite a more significant increase in water/wastewater charges that took effect on 1 July 2021. <i>*Average income for Auckland based on Statistics NZ data.</i>
Formal engagement with mana whenua of Tāmaki Makaurau.	New measure	95%	100%	Not achieved	Target has not been achieved. During the year Watercare met with 18 of the 19 iwi who identify as having mana whenua status in Tāmaki Makaurau. We are pleased with this result given the challenges of being able to engage kanohi ki te kanohi during the Covid-19 lockdowns. Please refer to 'Progress on other SOI priorities' section of this report for additional commentary in relation to our Māori Outcomes focus.
Ratio of procurement sourced through Māori owned businesses.	New measure	1.48%	1%	Achieved	Target has been met. Our supply chain function will continue to work with Te Rua Whetu, internal stakeholders and supply partners to encourage spend towards Māori businesses where possible. We are also engaging with external sources including Amotai, local iwi and other Māori business groups to ensure that we maximise opportunities for Māori businesses. An additional focus for next year will be to improve our procurement planning processes and systems to increase visibility of all procurement activities at the planning stage for supply chain.
Percentage of customer complaints resolved within ten days of notification.	New measure	98.90%	≥95%	Achieved	Target has been met. In 2021/22, 1,028 complaints were received (1,071 for 2020/21), and of these complaints, 98.9% (1,017) were resolved within the stipulated 10-day period, meeting the target of 95% or more.
Net promoter score (NPS).	46	54	≥40	Achieved	Target has been met. Our ongoing focus on serving customers quickly, effectively and through their channel of choice has helped to strengthen our responsiveness and improve customer experience.

Community trust score.	New measure	57%	≥55%	Achieved	Target has been met. Our trust score is the percentage of survey respondents who agree that they trust us by scoring us seven or higher out of 10 to the question: "Thinking about everything you know about the company, how much do you trust Watercare?" Over the course of 2021/22, we surveyed 5,142 people across Auckland.
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