

---

# Statement of Intent 2020 to 2023

---



# He mihi

Tuia te rangi e tū nei, tuia te papa e takoto nei.

Kia mihia te mano tini kua mene ki ngā Hawaiki katoa, rātou te tutūtanga o te puehu, te whiunga o te kupu i ngā wā takatū ai rātou. Waiho ake rātou ki a rātou, tātou te urupā o rātou mā, ngā waihotanga mai e hāpai nei i ō rātou wawata, tūmanako hoki.

E ngā maunga whakahī, e ngā wai tākunukunu, e ngā tōpūtanga tāngata nui rawa o Tāmaki Makaurau, Tāmaki herenga waka, tēnā rā koutou katoa.

E manakohia kia piki ake o ā tātou mahi ngātahi āmuri ake nei. Anei rā te tāuaki hei tātaki i aua manako, heoi anō, inā kē te nui o ngā mahi hei kawae ake e eke ai tō mātou wawata.

*Unite thus the heavens above; unite thus the land beneath us. Let us acknowledge the many who have assembled in the homelands, they who raised the dust, who whipped up a storm of words when restless. The dead have passed on and we, the repositories of their memory, remain to carry forth their hopes and aspirations.*

*To thy mountains, thy cool sequential waters, the many ethnicities and peoples throughout Tāmaki Makaurau, warm and heartfelt greetings to you all.*

*We come together to seek a new way forward, united in our shared responsibilities, and committed to achieving. Clearly, much is yet to be done if we are to give credence to our vision.*

## Contents

He mihi .....	1
Message from the Chair of Watercare Services Limited .....	2
Our purpose: Our services are vital for life, keep people safe and help communities to flourish .....	5
Watercare’s 2020 Drought response.....	6
Natural Environment .....	7
People and Culture .....	11
Customer and Stakeholder Relationships .....	13
Assets and Infrastructure .....	16
Intellectual Capital .....	18
Financial Capital and Resources .....	20
<b>Schedule 1: Financials .....</b>	<b>23</b>
<b>Appendix A: Detailed capital expenditure .....</b>	<b>25</b>
<b>Appendix B: Governance and how we manage and measure our performance .....</b>	<b>26</b>
<b>Appendix C: Our legislative framework .....</b>	<b>28</b>
<b>Appendix D: Working together to achieve the vision for Auckland .....</b>	<b>29</b>
<b>Appendix E: 14 x Department of Internal Affairs non-financial measures and 1 x Auckland Plan measure...</b>	<b>30</b>
<b>Appendix F: Our major water and wastewater projects .....</b>	<b>32</b>

# Message from the Chair of Watercare Services Limited

As a Council-controlled organisation (CCO) providing lifeline services to Auckland, Watercare Services Limited (Watercare) works hard to gain and sustain the trust of the communities we serve. We do this in numerous ways – by delivering safe and high-quality drinking water and wastewater services every day; by being effective in managing assets worth more than \$10 billion; and by engaging with our communities on the things that matter to them.

Auckland is going through significant change including rapid population growth, changing customer and community expectations, and the potential impacts of climate change. The current severe drought may be an indicator of what the future climate may be like for Auckland. As New Zealand's largest water utility serving more than one-third of the country's population, we have a responsibility to the community and the environment to plan for and address these issues effectively. We will do this by leveraging our industry expertise, demonstrating our leadership in sustainable development and transforming our capacity and capability.

Watercare is dealing with the dual challenges of Covid-19 and one of the severest droughts on record.

The Covid-19 crisis has shown us that we can weather situations such as a pandemic, while continuing to operate and provide essential water and wastewater services to Auckland. However, the full extent of the impact of Covid-19 has yet to be realised. We will keep a watching brief on the possible impact on growth.

The impacts of climate change and how much resilience Aucklanders expect from their water network will be an ongoing challenge for us and we have more work to do in this space. We are planning and working for today's Auckland as well as the Auckland of the future. tomorrow's New Zealand.

## Our strategic priorities for 2020-2023

Watercare is dealing with arguably the most severe drought in Auckland in living memory. We will therefore continue to be focussed on our drought response over the coming months and years, including working closely with Auckland Council in developing an efficient and sustainable climate-resilient water and wastewater network.

New Zealand and the Auckland region are also undergoing a major reset, post Covid-19. We are acutely aware that this is having a very significant impact on the Auckland Council group's forecasts. In this regard, Watercare can confirm that this SOI aligns with the Auckland Council's Emergency Budget for 2020/2021; and prudent financial management will continue to be exercised across every aspect of Watercare's operations.

In relation to the four Watercare strategic priorities listed in the Mayor's Letter of Expectation:

- We will continue to implement, together with Council's Healthy Waters, the Western Isthmus Water Quality Improvement Programme to reduce stormwater from entering the wastewater network and to reduce wastewater overflows into the Waitematā Harbour. We will also continue to proactively engage with the wider community on this very important programme (refer to pages 14, 15, 17).
- We will continue to keep a tight focus on ensuring that our substantial programme of capital development, including the Central Interceptor, stays on schedule and on budget (refer to pages 9, 15, 17 and 20 as well as Appendices A and F). Between 2019 and 2028 Watercare will invest more than \$1.9 billion on expanding and upgrading our water network and \$3.6 billion on our wastewater network. These projects will improve resilience within the existing network and cater to a growing Auckland.
- We will continue with the implementation of our Climate Change Strategy and for this SOI, we have included a climate-change related performance measure. The baseline will be established by 30 June 2021, with targets set and reported on for the 2021/2022 financial year (refer to pages 7-10).
- We are continuing to explore other external revenue sources, including commercial arrangements and other funding sources which are in the best interests of the Council group, without compromising service delivery for Aucklanders or the delivery of priorities for the Auckland region, nor requiring any subsidy from Auckland customers (refer to pages 20-21). Watercare acknowledges that, as requested by Council, any new revenue opportunities will need to be endorsed by Council, until Watercare prepares a risk framework that has been approved by Council.

## **A focus on delivering for growth with future-fit infrastructure**

One of Watercare's top priorities is to meet the demands of the growth occurring in, and planned for, Auckland without compromising quality, efficiency or the environment. Water demand is forecast to outstrip current supply within 8 years, which means we are already underway with planning additions to our existing water supplies. As Auckland grows, we are continually upgrading and extending our core water and wastewater infrastructure – all while maintaining the thousands of kilometres of existing pipes, and pump stations and plants.

Our Asset Management Plan (AMP) outlines how we will operate, maintain and renew existing water and wastewater assets and provide new assets, on time, to specification and on budget, to meet demand as Auckland grows. The AMP has a 20-year horizon and is a future-focused planning document, aligned with the strategic direction set by Council. Watercare continues to undertake comprehensive reviews of the AMP, performance trends, budgets and fees. We will follow best-practice asset planning processes and do so in a highly transparent manner.

Our Enterprise Model for delivering capital programmes will leverage the scale of this forward works programme to deliver more sustainable, cost-efficient infrastructure in a safer way.

Investment in our significant capital programme will help support economic activity and job creation in Auckland. Our capital programme could also be expanded should central Government select some of the ten "shovel ready" projects Watercare submitted to Crown Infrastructure Partners in April 2020 in response to the Covid-19 crisis.

## **Tackling climate change impacts**

Climate change is one of the largest challenges that we face as a water utility. Its effects can include temperature increases, drought, increased frequency of severe storm events, salinity of groundwater and rivers, and rising sea levels. Every aspect of our operations is potentially impacted by these effects right from the planning and design of our infrastructure, to the way raw water is sourced and treated, how wastewater is treated and discharged, and the changing demand patterns of our customers.

The ongoing drought impacting Auckland's water storage levels is a stark example of the impact of climate change as these events are expected to become more frequent in the future. We entered the 2019/20 summer with the water storage lakes 89% full, normal for the time of the year. Since the start of the year Auckland's water storage dams have received just one-third of the normal rainfall. Water usage by Aucklanders reached record levels. We have been maximising production at our Waikato and Onehunga water treatment plants which rely on a river and aquifer source, respectively since the middle of 2019. The drought management plan is being implemented with stage one of water use restrictions effective from mid-May 2020. Ahead of this coming summer, Watercare Management will work with Council officers to review the drought management response, being the various stages of water use restrictions and how the various stages may affect both residential and commercial Aucklanders.

Watercare will continue to take early action within the current remit and fiscal constraint to act on climate change and contribute towards the Auckland regional target to limit global warming to 1.5°C

In 2019, we launched our first Climate Change Strategy. This sets out our future direction as we embark on a journey to operate a low-carbon company that is resilient to climate change impacts. The strategy establishes two ambitious targets for emissions reductions from our operations that align with keeping the global temperature increase within 1.5°C:

- Net-zero emissions by 2050
- Reduce operational greenhouse gas emissions by 45% by the year 2030

Our Climate Change Strategy covers specific actions that we will take immediately and establishes a pathway of monitoring and understanding between now and 2025. This is so that we can adapt to the changing climate based on evolving data and projections. We have developed a work plan that consists of four value streams across both adaptation and mitigation (refer to pages 7-8).

We annually review our Climate Change Strategy, and this year, our review will ensure the Strategy and targets are aligned with the recently adopted Te Tāruke-ā-Tāwhiri: Auckland's Climate Action Plan (ACAP).

## **Water quality**

Addressing water quality issues continues to be a top priority for Watercare. The company is closely monitoring the reform of the water sector by central government, including the proposed introduction of a water services regulator, as well as the revised National Policy Statement on Freshwater Management and a proposed National Environment Statement on Freshwater Management. We will co-ordinate with the Council group in the planning and subsequent implementation of any changes that will contribute to improved water quality outcomes for Tāmaki Makaurau.

## **Māori outcomes – working with tangata whenua (Māori)**

Watercare will continue our work with the Te Toa Takitini executive leadership group to lead and influence better outcomes for Māori in Tāmaki Makaurau by focusing on the four Māori Outcomes Priorities agreed in the 10-year Budget 2018–2028. Our work in this area contributes to kaitiakitanga (guardianship) outcomes (particularly water) and marae development (including water and wastewater infrastructure). We also continue to support Council’s Te Reo Māori Strategy. The Mana Whenua Kaitiaki Forum – Managers Group, which was initiated by Watercare over eight years ago, continues to build understanding and enhanced interrelationship between mana whenua and Watercare.

## **Working with Council**

As Auckland’s water and wastewater services provider, Watercare continues to work closely with Council to ensure that the city’s vision is achieved. Our board welcomes the opportunity to work with the new CCO Oversight Committee, including the Liaison Councillor. Watercare will fully support the CCO review process.

Auckland’s water strategy, and the resilience Aucklanders expect from their water network, is a strategic issue to be agreed with Council. The Watercare Board is committed to working collaboratively and sharing information with Council’s Governing Body, iwi and other entities, such as the Waikato Regional Council and Waikato River Authority, to continue to progress the development of Auckland’s water strategy. The Watercare Board looks forward to working with Council to explore the strategic issue of whether our levels of service need to be strengthened to provide greater resilience under the new Auckland’s water strategy (refer page 16 for more detail on this).

Watercare’s planning for future water sources and asset management plan will implement the water strategy, and any new levels of service defined by Auckland’s new water strategy (for more information on our current levels of service, see page the Assets and Infrastructure section). As has been discussed previously, future water sources will undoubtedly be more expensive and the decisions and their impacts on Aucklanders need to be carefully worked through with our customers, Iwi, stakeholders and the wider Council group.

Depending on the timing of Auckland’s water strategy, we will, if necessary, update our asset management plan to give effect to the new water strategy.

This Statement of Intent (SOI) sets out Watercare’s response to the Mayor’s Letter of Expectation. Following the principles of integrated reporting, this SOI highlights the various initiatives on which we are collaborating with the Council group. The SOI is divided into our six capitals (Natural Environment, People and Culture, Customer and Stakeholder Relationships, Assets and Infrastructure, Intellectual Capital, and Financial Capital and Resources), and reaffirms our continued commitment to working with Council and other infrastructure providers to enable collective and effective action in addressing the challenges of catering for Auckland’s growth in a sustainable and responsible way.

MARGARET DEVLIN

**Chair**

# Our purpose: *Our services are vital for life, keep people safe and help communities to flourish*

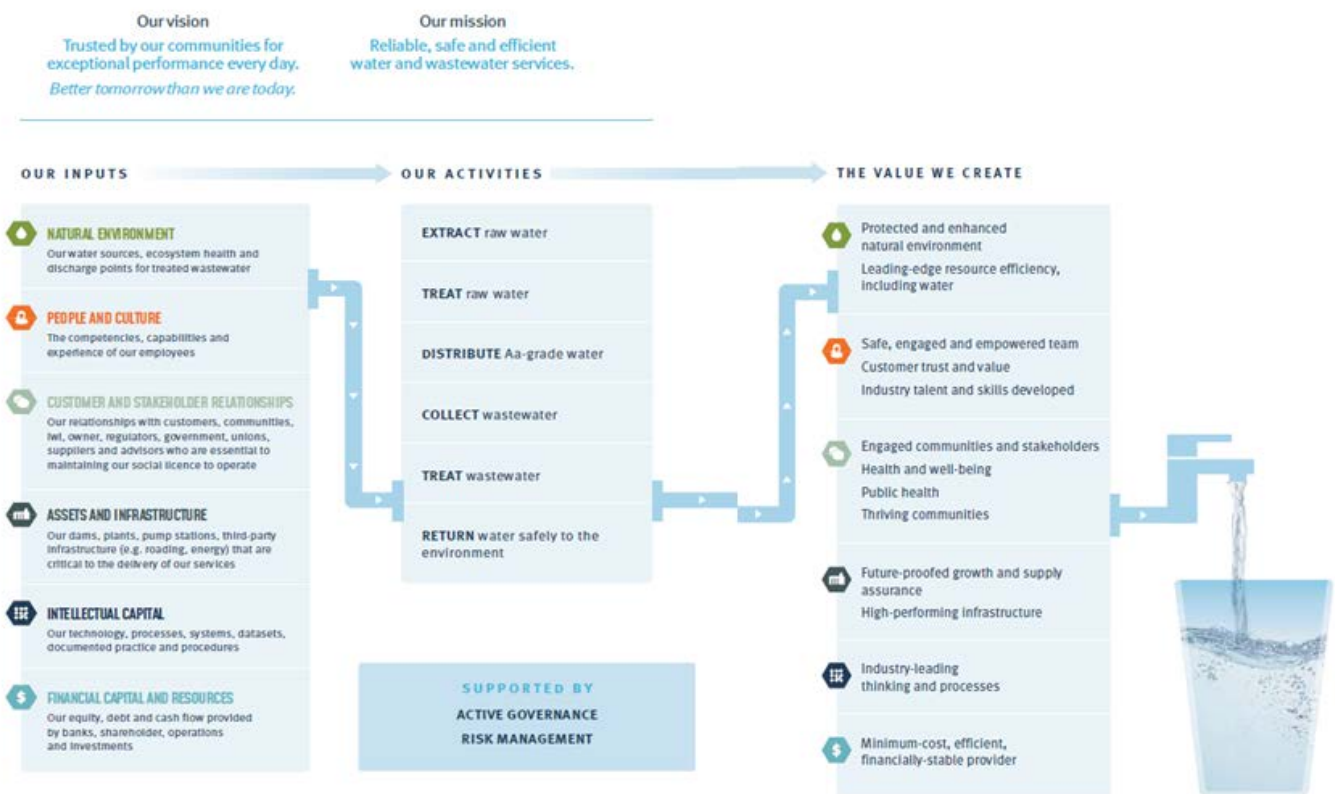
Watercare is a lifeline utility providing water and wastewater services to 1.7 million people in Auckland. We supply reliable, high-quality drinking water to homes and businesses in the Auckland region and collect, treat and manage their wastewater in environmentally-responsible ways.

We manage water and wastewater assets worth more than \$10 billion and plan and build infrastructure to ensure we support growth today and into the future.

We are a Council-controlled organisation (CCO), fully owned by Auckland Council. Our services and programmes are financed through user charges and borrowings. We are required by law to be a minimum-cost, cost-efficient service provider to our customers (collectively) and we do not pay a dividend to our shareholder. The way we manage and measure our performance is detailed in Appendix B and our legislative framework is summarised in Appendix C.

We apply the integrated reporting <IR> framework in our decision-making and reporting. Our <IR> approach focuses on how we create value through our business activities, focusing on what matters most to our many stakeholders and our company. Our vision, mission and <IR> value creation model is illustrated below.

We will continue to focus our efforts and resources on creating value for our customers and Aucklanders at a time of rapid population growth, climate change and our mandate to be a minimum-cost, cost-efficient service provider. 5



## Watercare’s 2020 drought response

Auckland is experiencing a severe, ongoing drought. Since the beginning of November 2019, Watercare’s water storage lakes have received 24 per cent less rainfall than normal to 1 July 2020. As the majority of Auckland’s water supply is sourced from these lakes, since early February 2020 Watercare has been implementing the Auckland metropolitan drought management plan.

This plan focuses on two aspects: demand management and water supply augmentation.

**Demand management:** With Auckland’s water storage lake levels falling below normal levels, and with further dry weather predicted, Watercare launched the Water is Precious campaign in early February 2020. This campaign called on Aucklanders to make voluntary water savings. As the dry weather continued, the water stored in our dams dropped below 50 per cent for the first time in more than 25 years in May. On 16 May 2020, the call to action strengthened as Stage 1 water use restrictions were implemented. This means residential water users cannot use an outdoor hose or water blaster, and commercial and other non-domestic water users cannot use potable water to operate a car wash, water sports fields, plants or paddocks. They also cannot use an outdoor hose, unless it is for a health, safety, emergency or biosecurity reason. Based on current forecasts, it is predicted that water use restrictions could remain in place until at least Autumn 2021.

Working with Auckland Council, we have supported impacted businesses by providing millions of litres of non-potable water from various sites across Auckland.

Through the above efforts and continued support from both residential and commercial customers, Aucklanders have managed to reduce and maintain demand levels within the target limits set by Watercare’s metropolitan drought management plan.

**Water supply augmentation:** We are maximising production at our existing Waikato and Onehunga water treatment plants, and we are now upgrading these plants to increase production capacity. These plants draw water from the Waikato River, and an underwater aquifer respectively and allow us to reduce the demand on our water storage dams. In addition, at Waikato we are building an additional plant adjacent to the existing plant that will provide an additional 50 MLD by May 2021. This includes increasing the capacity of the current Waikato Pipeline No.1 to 225 MLD. We are also working to return two former water sources – Hays Creek Dam in Papakura and a bore in Pukekohe – in to supply, which will provide additional capacity by December 2020. Planning, consenting and construction on these four projects is progressing at pace, and these projects will provide additional water for the 2020/2021 summer, and will also enhance the recovery in storage levels for winter 2021. Details of these four augmentation projects is set out below.

Project	Details	Additional production
<b>Waikato</b>	Building additional capacity adjacent the existing water treatment plant in Tuakau. This aligns with the long-term strategy for an additional plant adjacent to the existing Waikato WTP.	50MLD by May 2021
<b>Onehunga</b>	Expansion of the existing plant’s treatment capacity. The additional volume is typically only available in winter; however, the aquifer is sensitive to rainfall and it is expected that some additional water can be abstracted in summer during rainfall events.	Additional 4 MLD in September 2020
<b>Pukekohe</b>	Activate the Hickeys Springs bore, providing 5 MLD of capacity. The plant will be comprised of two 2.5 MLD package water treatment units.	2.5MLD in August 2020; 2.5MLD in December 2020
<b>Hays Creek</b>	Activate the Hays Creek source and provide three 6 MLD package water treatment units (total 18 MLD). In addition, 7km of network pipe enhancements/upgrades are required to convey the increased flow into the wider system.	6MLD in December 2020, 12 MLD in March 2021

We are taking other actions, such as pursuing water take consent applications lodged with Waikato Regional Council. We are also negotiating with Hamilton City Council around the use of 25MLD allocated to that Council, but not currently used. We are also reducing water pressure to reduce water use, reducing environmental flow releases from Waitakere, Cossey’s and Wairoa dams, and increasing proactive leak detection, leak management and network renewals. We are working carefully to ensure that the levels of service are maintained across the network.

# NATURAL ENVIRONMENT

Protected and enhanced natural environment, leading-edge resource efficiency.

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

### The water cycle

Every aspect of our operations is dependent on and impacts the natural environment. We are part of the water cycle, receiving our water from rainfall and rivers, returning highly treated wastewater to Auckland waterways. In a symbiotic relationship, Auckland's water and wastewater services thrive only if the natural environment does. The quality and availability of our source water relies on rainfall and the purity of the natural environment that are the home to our water catchments. We have a duty and imperative to protect our water sources.

Working to enhance where we operate is not new and we continue to make improvements. For example, Watercare bought the cutting rights to 1,900 hectares in the Hūnua ranges and has been planting as many as 300,000 native trees a year to turn this in to a permanent native forest, one of the largest ecological restoration projects in the country. The natural environment ensures a quality water supply, which in turn creates forests and natural habitat for New Zealand ecology. Often this occurs in areas that could have been lost to development had they not hosted the region's water assets.

At the other end of the water cycle, the release of treated wastewater into the environment from our wastewater treatment plants more than meets a range of world-class environmental parameters, as defined in our operating licences. Beyond those, Watercare strives to turn those facilities into positive contributors to their local environment and communities. This is very visible in the Manukau harbour where we have created coastal walkways, bird roosts, and started restoring the mana of Te Motu a Hiaroa (Puketutu Island). We are also leading the understanding of the Harbour dynamics through the funding of research and the creation of hydrodynamic and water quality model. Through this initiative Watercare will create a platform for citizen science and regional partnership.

The cyclic nature of water inspires us to develop a circular vision of our footprint and economy. Just as our water supply catchments have become sanctuaries for wildlife, so too our wastewater treatment plants can become resource recovery factories producing valued outcomes for our communities. We already produce a significant quantity of energy from our two largest wastewater plants. Over the past two years we have created a significant solar energy footprint and we are currently building the country's largest solar array. We are similarly working on producing nutrient rich by-products that can be utilised by the agriculture industry. Through the cycle of Watercare's activities, the reduction of environmental impacts is a key driver for our investment decisions.

As Auckland's commercial and industrial activities increase, and the population continues to grow, managing demand and providing an efficient, affordable and reliable supply will be an ongoing focus.

### Looking forward, a changing environment

We believe that climate change is one of the largest challenges which we face as a country and a business. We are committed to playing an active role in dealing with this issue.

In early 2019, we finalised our Climate Change Strategy, which sets out the future direction for Watercare as we embark on our journey to operate a low-carbon company that is resilient to climate impacts. This strategy covers specific actions that we will take immediately. It also establishes a pathway of monitoring and understanding so that we can adapt to the changing climate based on evolving data and projections.

We are aligned with the most recent science, to keep global warming within 1.5°C, and our targets reflect that. We will continue to work with Council to ensure our strategy complements the regional climate commitments, targets, activities and approach being established by Te Tāruke-ā-Tāwhiri: Auckland's Climate Action Plan (ACAP).

The projected impacts of climate change are captured in Watercare's enterprise risks and are therefore reflected in our current and future planning and operational requirements.

Watercare addresses climate change impacts in the decision-making process through various means. For example, climate change impacts are now considered in the design and construction of new assets. The company also uses integrated reporting and integrated decision-making. In late 2019, the Watercare board established a new subcommittee, the Committee for Climate Action, which will assist the board to exercise due care, diligence and effective oversight of all matters relating to actions taken by Watercare to mitigate climate



change and adapt to a changing climate.

Watercare has established a range of climate change targets that give direction to the company in taking responsibility for our impacts and establishing ourselves as a low-carbon company in line with the required ambition of the country and the world. This was initiated in late 2016, when we adopted an Energy Policy that commits Watercare to being net-zero carbon by 2050. This 2050 target mirrors the one legislated for in the Climate Change Response Act 2002, as amended by the “Zero Carbon” Amendment Act. Further Watercare targets for carbon reduction include:

- Reduce energy consumption by 37GWh by 2030
- Reduce infrastructure emissions by 40% by 2025
- Reduce operational emissions by 45% by 2030\*
- Net-zero emissions by 2050.

Watercare’s Climate Change Strategy Adaptation work plan focuses on the delivery of three value streams by 2025 with the principal aim of ensuring our assets are fit for purpose in a changing climate. This will ensure we can continue to provide exceptional service to customers while minimising exposure to emerging costs. These value streams will focus on improving monitoring protocols, establishing a greater understanding of existing asset resilience and reviewing plans for long-lived assets. A fourth value stream, Mitigation, focuses on delivery of five portfolios of work to meet the net-zero emission target by 2050 and the target of 45% reduction in operational emissions by 2030. \* This target is likely to be strengthened to align with the ACAP. A review of the baseline for this target will take place to account for international changes in wastewater process emission measurement.

## Our energy journey

As part of our Mitigation programme, Watercare aims to achieve energy neutrality at our Rosedale and Māngere wastewater treatment plants, which are large energy users, by the end of 2025. As part of this, ongoing technology trials at our Māngere Wastewater Treatment Plant included a mini-reactor growing anammox bacteria. This type of bacteria can be used in our biological treatment process to reduce the use of oxygen and carbon, as well as short-cut nitrogen removal in the aeration process, thereby reducing the energy required.

We are on a similar journey at our Rosedale Wastewater Treatment Plant. Here, we are building a thermal hydrolysis facility that will be completed in the next few years. This will allow us to sterilise the biosolids from the treatment process and create fertiliser that can be used for beneficial purposes.

Phase 1 of our Energy programme was to achieve 8GWh of energy savings across Watercare by the end of 2018 focusing on both green energy generation and the adoption of the next-generation wastewater treatment technology to improve treatment efficiency. We did this successfully by bringing together our people and their knowledge: a cross-functional team of process specialists, on-site engineers and the teams on the ground, who are determined to reduce energy costs, utilised their varied expertise and skill sets, identified opportunities and reported on progress. We improved our processes to use less energy by optimising control systems and replacing end-of-life equipment with more energy-efficient alternatives.

In 2019, we introduced solar and battery technology at three sites. In 2020, we will install our largest solar facility as a floating array on top of the storage ponds at the Rosedale Wastewater Treatment Plant (*see image of the proposed set-up below*). This array is expected to generate enough power to run the equivalent of 200 New Zealand homes for a year and will be the first of its kind in New Zealand.

Our strategy to achieve further energy savings is two-fold: reduction of our current energy use through efficiency and behaviour change as well as increased generation of energy through solar, hydro and biogas.



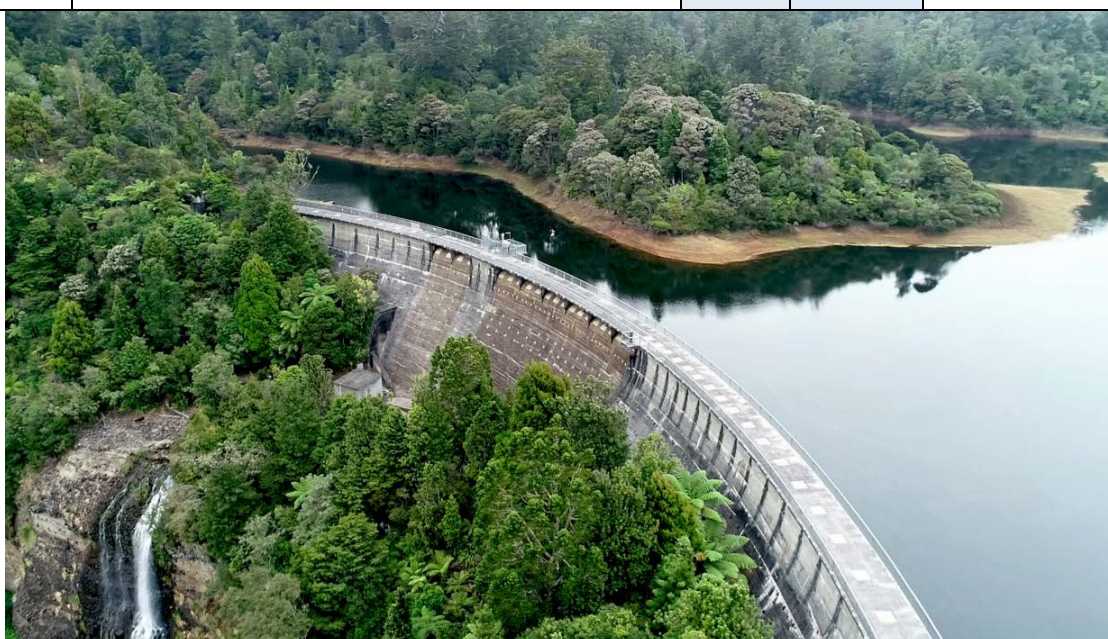
*The final piece of the floating solar array at our Rosedale Wastewater Treatment Plant being towed into place*

## **How Watercare is working with Council for effective natural environment outcomes**

- We are working with Council on the development of its Auckland's Climate Action Plan (ACAP) to ensure an alignment between target setting, mitigation activities and sharing learnings on a consistent and effective approach to climate change mitigation. This collaboration will help make sure consistency is achieved between the ACAP and Watercare's Climate Change Strategy. Now that ACAP has been agreed, Watercare will include an appropriate climate-change based performance measure that aligns with ACAP's goals.
- We will continue to be supportive of, and collaborate with, Council and Auckland Transport to lead the development of the 10-year project outcomes for the Western Isthmus Water Quality Improvement Programme, including the construction of Watercare's Central Interceptor (encompassing the Grey Lynn Wastewater Tunnel).
- We engaged NIWA to deliver a hydrodynamic and water quality model for the Manukau Harbour. This is an extensive research programme and will provide one of the first 3D models of this kind worldwide. The final model will be delivered during 2020. Watercare has designed this work with collaboration in mind, giving co-ownership of the models to Council. The project management involves Watercare, Healthy Waters, iwi and the Research and Evaluation Unit (RIMU), part of Auckland Council's Auckland Plan, Strategy and Research department. All partners are very satisfied with this united approach. The solid relationship established from this collaborative work is enabling further discussions on improving the quality and efficiency of environmental monitoring in the Manukau Harbour.
- In 2017, Watercare acquired the forestry rights over Council-owned land in the Hūnua Ranges, in the catchment of the water storage reservoirs. We are working closely with Council officers on plans to progressively rehabilitate approximately 1,900 hectares of land back to native forest over a two-to-three-decade programme. A forest management plan will be developed with mana whenua involvement, and regeneration trials are currently being undertaken.
- Watercare will participate in a collaborative process with the Council group to update its strategic planning and meet the requirements of the national policy statements on urban development capacity.

## Natural environment – performance measures

Source	Measure	2018/19 Actual	2019/20 Target	2020/21 Target	2021/22 Target	2022/23 Target
Department of Internal Affairs (DIA)	<p><b>Watercare will operate responsibly.</b></p> <ul style="list-style-type: none"> <li><b>Measure:</b> We will meet all DIA natural environment targets (refer numbers 1 and 2 in Appendix E).</li> </ul>	New bundled measure		Meet 100% of DIA targets		
New measure	<p><b>We will implement Mitigation measures in line with our responsibility to keep global warming within 1.5°C.</b></p> <p><b>Measure:</b> We will reduce annual greenhouse gas emissions from Scope 1 and Scope 2 emissions (operational mitigation).</p>	N/A	N/A	<ul style="list-style-type: none"> <li>By June 2021: Complete work on a plan to achieve reductions in operational emissions by 2030, including updating targets in line with ACAP</li> <li>1 March 2022: New baseline established, and roadmap targets published in our next SOI. These targets will consider the contribution to the region's interim 2030 and 2050 targets.</li> <li>30 September 2022: Report on first target and publish targets through to 2025 in the 2022–2025 SOI</li> </ul>		
New measure	<p><b>Water is precious – We continue to encourage our customers to be mindful of their water use</b></p> <ul style="list-style-type: none"> <li><b>Measure:</b> The average consumption of water per residential connection.</li> <li><b>Measure:</b> The average consumption of water per non-domestic connection.</li> </ul>	NA	NA	<ul style="list-style-type: none"> <li>1 March 2021: Baseline established, and sector targets published in our next SOI</li> <li>30 September 2021: Report on target and publish targets through to 2024 in the 2021–2024 SOI</li> </ul>		



Waitākere Dam

# PEOPLE AND CULTURE

Safe, engaged and empowered teams, customer trust and value.

## *“I care, we care, Watercare”*

The collective knowledge and experience of our people is essential for us to deliver on our core purpose effectively and consistently.

### **We continue to invest heavily in our people, their training and safety at work**

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

We monitor our people’s health and safety using traditional health and safety metrics such as the Lost-Time Injury Frequency Rate (LTIFR) and Total Recordable Injuries Frequency Rate (TRIFR), absence levels and employee turnover.

In 2019, we introduced two digital solutions for career development and individual learning. These tools encourage our people to set personal career goals and work systematically towards achieving them.

Given the limited availability of talent in our labour market, it is essential our company grows skills and talent and also attracts a diverse range of new talent. We are achieving this by working with industry partners and tertiary education providers to deliver graduate programmes as well as apprenticeship and internship opportunities.

We have been encouraging our people to increase their understanding of tikanga Māori as well as their ability to speak te reo by running an intensive ‘Te Kunenga o te Ao Tikanga’ course offered by Te Wānanga o Aotearoa. In this course our people learn about the tikanga values that underpin everything that is Māori, including: whanaungatanga (our relationships with others); manaakitanga (taking care of the people around you); rangatiratanga (leadership); kaitiakitanga (guardianship of the land, water, sky); and mātauranga (sharing of knowledge).

### **Belonging at Watercare**

We conduct quarterly surveys to measure our people’s level of work satisfaction and engagement. In 2019, we brought this survey in-house (our Employee Net Promoter Score (eNPS)) so we can conduct these assessments more regularly, at lower cost, and be more responsive to our people’s feedback. This SOI includes the eNPS as a new performance measure.

During the COVID-19 lockdown around 600 people worked from home. The company continued to function well in that work mode taking into account the dual challenges of Covid-19 and the drought. The opportunity is being taken to consider a reset of our future ways of working based on flexibility, efficiency and cost savings.

In 2019 we also established an employee-led Diversity, Inclusion and Belonging Committee (DIBC). The committee’s mission is for Watercare’s people to reflect the diverse communities we serve. The committee champions inclusion so that every single one of our people can bring their whole, authentic selves to work and feel a true sense of belonging at Watercare.

We are committed to the Diversity Agenda Accord, which defines a clear set of tenets for firms to commit to, with the submission of a yearly report on how they have adhered to the tenets, together with the compulsory completion of a survey to back up the report with data. The accord is an initiative of Engineering New Zealand and the Te Kāhui Whaihanga New Zealand Institute of Architects.

Our company also plans to develop diversity and inclusion plans for areas of the business that have low levels of diversity and will continue to focus our recruitment efforts to attract diversity in the people applying to work and ultimately joining us as employees of Watercare.

Over the coming year, our Te Tangata subcommittee of the board, together with our DIBC, will set diversity measures and targets.

## People and culture – performance measures

Source	Measure	2018/19 Actual	2019/20 Target	2020/21 Target	2021/22 Target	2022/23 Target
New measure	<p><b>We will improve our employee engagement.</b></p> <ul style="list-style-type: none"> <li><b>Measure:</b> eNPS</li> </ul>	N/A	N/A	≥20	≥20	≥20
New measure	<p><b>Watercare has committed to the Diversity Agenda Accord.</b></p> <ul style="list-style-type: none"> <li><b>Measure 1:</b> Improve gender workforce split in departments where the split is uneven</li> </ul>	N/A	N/A	Identify 2020/21 baselines and improve on baseline	Improve on previous year	Improve on previous year
New measure	<ul style="list-style-type: none"> <li><b>Measure 2:</b> Attract a more diverse range of applicants to apply for jobs at Watercare</li> </ul>			Identify 2020/21 baselines and improve on baseline	Improve on previous year	Improve on previous year



*Graduate engineer Lucas Gan (right) listens to the flow of water in the pipes at Mt Wellington*

# CUSTOMER AND STAKEHOLDER RELATIONSHIPS

Engaged, safe communities, a thriving economy.

## Working together to achieve the vision for Auckland

Watercare is committed to working with the Council group to implement the Auckland Plan 2050, including the Development Strategy, relevant performance measures and any associated guidance. Appendix D sets out the Auckland Plan outcomes, and how Watercare contributes to these outcomes.

## Trusted by our communities for exceptional performance everyday

As a company, we work hard to gain and maintain the trust of the communities we serve. We do this in numerous ways – by delivering safe and reliable water and wastewater services every day and by engaging with our communities on the things that matter to them.

We have a sense of responsibility and dedication to provide our customers with safe and high-quality drinking-water that consistently meets the expectations of the New Zealand Drinking Water Safety Plan Framework; the requirements of the Health (Drinking Water) Amendment Act 2007; the Drinking Water Standards for New Zealand; and other regulatory and consumer requirements. We continue to supply 'Aa'-graded, 100% bacterial and protozoal-compliant, safe and high-quality drinking water to our customers and collect, treat and discharge their wastewater in an environmentally-sustainable manner. We are committed to providing great service, whether it is fixing a leak, clearing a blockage, resolving a bill query or partnering with the community to ensure effective outcomes. We currently take guidance from the Department of Internal Affairs (DIA) non-financial measures for water and wastewater operators (refer Appendix E); and we set targets for these measures to make sure we maintain the trust of our customers. We regularly review the targets we set for these measures to ensure we remain a minimum-cost, cost-efficient and financially-stable service provider to our customers. For 2020, we do not plan to change any of the customer-related targets. However, the introduction of a national water regulator is likely to see amendments to these measures and targets in the future.

We continuously measure how well we are servicing the needs of our customers and report on this via our Net Promoter Score (NPS), which is a SOI performance measure.

## Building trust through education, transparency and by engaging with our customers and communities

As part of Watercare's ongoing commitment to educate our customers and the wider community about the value of water, we provide a free water education programme to schools. To date, over 100,000 students from schools across Auckland have received lessons and practical experiments on water and the environment.



*Watercare educator Sally Smith (centre) celebrating the milestone with students from Room 7 at Long Bay Primary School*

We also have a relationship with the EcoMatters Environment Trust, which provides a free water-saving advice service to assist households in their efforts to use water more efficiently. Complementing this, we also have the Water For Life ([www.waterforlife.org.nz](http://www.waterforlife.org.nz)) website, which carries the “Water is Precious” message and provides water-saving tips for Aucklanders to adopt in their homes.

In 2019, we partnered with Plunket to promote awareness about the proper disposal of wet-wipes by families. Wet-wipes are often marketed as flushable but do not break down when flushed down the toilet; as a result, they frequently cause blockages in our wastewater network. Our campaign reached families across the Plunket network and was covered in newspapers and on TV.

In addition, we have an active social media presence on Facebook and LinkedIn. By sharing our activities and projects with the wider public, we are providing our communities with insights into what we do behind the scenes to ensure they enjoy water and wastewater services 24/7. Ultimately this helps to build trust in Watercare and our services.

We acknowledge that our operations and construction activities have an impact on the community. We make every effort to engage and consult with the communities affected before, during and after our construction programmes. We organise open days and site blessings.

We maintain strong relationships with the Local Boards by providing timely and accurate information on Watercare-related matters, including infrastructure planning and construction projects in the interests of no-surprises. We also help form Community Liaison Groups (CLGs) in areas where Watercare and our activities may affect neighbouring communities for some time (e.g. the Huia Water Treatment Plant CLG, Western Isthmus CLG and the St Mary’s Bay Project CLG).

In response to Covid-19, Watercare has agreed to increase funding to the Water Utility Consumer Assistance Trust for customers facing financial hardship. We are also exploring extending the Trust to small businesses, many of whom have been negatively impacted by Covid-19. Finally, over the coming year, we will review the Trust’s effectiveness and how easy it is to access the Trust’s funding, with a particular focus on how effective the Trust is for Māori and Pasifika.

At a regional level we collaborate with other infrastructure providers on projects (New Zealand Transport Agency, Auckland Transport, Vector) so we deliver programmes more effectively and minimise disruption to the community.

## **Enhancing our strong relationships with Māori and promoting Māori outcomes**

We will continue our focus on enhancing our relationship with iwi groups and promoting Māori outcomes. Kanohi ki te kanohi, rangatira ki te rangatira (face-to-face, leader-to-leader) hui (meetings) and kōrero (discussions) have been hugely important in building early engagement, transparency and collaboration with mana whenua.

During this SOI period, we will refocus Watercare’s Māori Responsiveness Plan to achieve Māori outcomes. This will involve continuing to regularly meet with representatives of the 19 mandated mana whenua entities. We will listen to feedback from the 19 mandated mana whenua entities to understand their priorities in relation to promoting Māori outcomes. Watercare is also committed to working on the Council group’s Te Waka Anga Mua initiative to make the engagement process with all 19 mana whenua entities more effective and efficient. This SOI includes a new performance measure aligned with this commitment.

Watercare develops and maintains relationships with mana whenua affected by our operations and initiatives, ensuring effective Māori participation and strong Māori communities and outcomes, in the following ways:

- We participate in the Mana Whenua Kaitiaki Forum (MWKF). Watercare maintains our relationship with MWKF at an operational level through bimonthly meetings with the Watercare Mana Whenua Kaitiaki Managers’ Forum – Water Sector – and continues to expand this sector’s work by facilitating group meetings with other relevant stakeholders. The Auckland’s Waters Strategy is a prime example of this. Watercare will continue to work with Council to optimise the governance for engaging with mana whenua across the Council group.
- We work closely with mana whenua to develop social outcomes connected with our projects, which will have positive, real benefits for mana whenua
- We work to increase our people’s capability and understanding of Māori values and cultural impact
- We provide technical advice related to water supply and septic tanks to promote the health of marae, Papakāinga and Māori housing.
- We realise rangatahi’s potential, including proactively promoting the scholarships and summer internships to Māori.

We also continue our strong partnership with Waikato Tainui by working with their representatives and executive management team. This relationship commenced when Watercare first applied to take water from the Waikato River to assist in meeting Auckland’s need for water. With the projected growth for Auckland, a second application to take water was lodged in 2013. We are working closely with

Waikato Tainui to ensure that the health and well-being of the Waikato River remains paramount.

In 2019, we introduced a Te Reo Māori and Tikanga Framework for all Watercare board members and this curriculum will continue to be refined and rolled out over the next three years.

## Working with Council for effective customer, stakeholder and Māori outcomes

- Watercare commits to continuing to work collaboratively and share information with elected members (via the Mayoral Office, Council Chief Executive and/or CCO Governance, as appropriate), including adherence with the no-surprises protocols set out in the Governance Manual for substantive CCOs.

We will continue to collaborate with Council and the wider Council group to improve Māori engagement and Maori outcomes to mana whenua and mātāwaka (kinship group) in Tāmaki Makaurau. For example, we are working closely with Council on an ongoing basis on the refined priorities of Te Toa Takitini (Māori outcomes portfolio) and are collaborating with Te Waka Angamua ki Uta.

- Watercare will maintain the promotion of te reo Māori outcomes and support of Council’s Te Reo Māori Implementation Plan – Strategic Framework for 2020–2023.
- We will continue to participate and implement the findings of the current Council group’s Tiriti o Waitangi Audit.
- Watercare will continue working with the Tūpuna Maunga of Tāmaki Makaurau Authority in relation to Watercare infrastructure on maunga.
- We will continue to prioritise positive and proactive dialogue and engagement with the community to lift trust levels among our community and stakeholders. This type of engagement is a key part of all significant projects, including the Central Interceptor, the Huia Water Treatment Plant and the Western Isthmus Water Quality Improvement Programme.
- Watercare will continue to collaborate with Council to refine the Council group’s position and response to any proposals from central government’s water reforms.
- We will continue to collaborate with Council on submissions relating to bills, policy statements, regional plans and similar documents and consult with the Council before making its own submissions in cases where Watercare has a specialist need to submit. Recent examples are:
  - Proposed Regulatory Framework for Dam Safety
  - Action for Healthy Waterways – Essential Freshwater reform proposals
  - Proposals for a Biodiversity Strategy for NZ
  - Proposed net promoter score (NPS) for Urban Development
  - Urban Development Bill.

## Customer and stakeholder relationships – performance measures

Source	Measure	2018/19 Actual	2019/20 Target	2020/21	2021/22	2022/23
Existing SOI measure	<p><b>We will strengthen our relationship with customers.</b></p> <ul style="list-style-type: none"> <li><b>Measure 1:</b> NPS</li> </ul>	43	33	38	40	45
New measure	<p><b>We contribute to the delivery of Māori outcomes and deliver on the joint outcomes agreed by Council and CCOs.*</b></p>	N/A	N/A	At least one kōrero with each of the 19 iwi every year and work with them to develop meaningful measures for Māori outcomes		
DIA	<p><b>Watercare will operate responsibly.</b></p> <ul style="list-style-type: none"> <li><b>Measure:</b> We will meet the 10 DIA targets that relate to customer and stakeholder relationships (refer Appendix E, numbers 3–12).</li> </ul>	New bundled measure		Meet 100% of DIA targets		

\*The Council Group is currently developing new Key Performance Indicators (KPIs) relating to engagement with Maori and contributions to Maori outcomes. Watercare will update this measure in future SOIs align with the Council Group’s KPIs, once this work is complete.



# ASSETS AND INFRASTRUCTURE

Future-proofed growth and supply assurance, high-performing assets.

## Auckland is growing at an unprecedented pace

Over the next 35 years, Auckland’s population is predicted to grow by another 800,000 people to reach 2.5 million; this means another 320,000 dwellings and another 270,000 jobs. With this growth comes further demands on the supply and conveyance of potable water and the provision of safe and reliable wastewater services; for our domestic customers and commercial businesses. Growth of this scale is significant, and we need to ensure we have a clear understanding of where and when investment in planning and infrastructure will be made.

Location, scale and timing of new development is crucial when planning for growth. Watercare works closely with the Council group to identify areas where there is capacity to support growth in the short to medium term. We also align our longer-term planning of new or upgraded infrastructure to meet Council’s spatial development priorities and give effect to Auckland’s Long-Term Plan and Future Urban Land Supply Strategy (FULSS).

The alignment of service provision with the FULSS, and vice versa, allows Watercare to plan, consent and construct bulk water and wastewater infrastructure efficiently to enable Council’s growth requirements. Development that is not aligned with the FULSS can lead to inefficient investment, particularly if the development does not border existing serviced land.

## A future-fit water network

The planning and construction of water and wastewater infrastructure can have long lead times and is an intergenerational investment. New water sources for the supply of water to our customers takes significant planning and new traditional water sources are scarce. It is likely that in the medium-term future water will draw on ‘alternative’ sources of supply, including aquifer recharge, water reuse or desalination. These potential sources will come at a cost, and the decisions and the impacts of our decision on Aucklanders need to be carefully worked through with our customers, Iwi, stakeholders and the council group.

After the 1994 drought, Watercare upgraded Auckland’s water network and we now operate the metropolitan water network to the following two levels of service. Watercare looks forward to working with Council to explore the strategic issue of whether these levels of service need to be strengthened to provide greater resilience under the new water strategy.

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

## Our major infrastructure projects

The resilience of Watercare’s water and wastewater supply systems was demonstrated during a number of extreme weather events over the past few years. Watercare will continue to build on our strong foundations with a series of planned upgrades and replacements within our water and wastewater supply network over the next three years. Appendix F lists our major water and wastewater projects

and the work that will be carried out over the SOI period. However, the reason for the current water use restrictions relate not to the water network infrastructure, but the record breaking period of low rainfall (i.e. lack of raw material).

Our Enterprise Model for delivering capital programmes will leverage the scale of this forward works programme to deliver more sustainable, cost-efficient infrastructure in a safer way using our 40:20:20 vision (refer to pages 18-19 for more detail).

### Central Interceptor

Watercare’s biggest infrastructure project is the Central Interceptor wastewater tunnel. In March 2019, Watercare signed a contract with Ghella Abergeldie Joint Venture for the construction of the Central Interceptor – a \$1.2 billion tunnel that will improve the health of our waterways, estuaries and beaches in central Auckland.

The Central Interceptor will be Auckland’s largest wastewater tunnel and the biggest wastewater project ever undertaken in New Zealand. It will run for 13 kilometres from Western Springs to a new pump station at the Māngere Wastewater Treatment Plant. It will be extended a further 1.625 kilometres to Grey Lynn, allowing Council and Watercare to work towards the goals that form part of the Western Isthmus Water Quality Improvement Programme.

In August 2019, we began to prepare the sites at Māngere and May Road, Mt Roskill. Work on these sites included creation of access roads, site fencing, delivery of key machinery and building platforms for the drop shafts. In 2020, we will start construction at a further seven sites to build the drop shafts that will eventually connect to the main tunnel. Our tunnelling machine is scheduled to arrive at the end of 2020 and will begin tunnelling from Māngere in early 2021. The commissioning of the completed Central Interceptor is estimated to happen in 2025.

Together, the Central Interceptor and the Western Isthmus Water Quality Improvement Programme will reduce overflows in the area by up to 80%.

### Working with Council for effective assets and infrastructure outcomes

- Watercare will reflect agreed changes in our own strategic planning and AMP. Specific strategies and plans where we are working with Council include:
  - Development of Auckland’s Waters Strategy
  - Development of watershed plans
  - Developing Council’s approach to implementing the National Policy Statement for Freshwater Management
  - Auckland’s Drought Response
- We will continue to notify Council of any substantive changes made to our AMP outside of the annual updates provided.
- Watercare acknowledges Council’s request for the CCOs to actively participate in the integrated governance of urban regeneration priority areas, and we are committed to work with Council. In particular, we are working proactively with the wider Council group and the Government to enable regeneration of existing urban areas with a significant social housing component.

### Assets and infrastructure – performance measures

Source	Measure	2018/19 Actual	2019/20 Target	2020/21	2021/22	2022/23
DIA and Auckland Plan	<b>Watercare will operate responsibly.</b> <b>Measure 1:</b> We will meet the 2 DIA targets that relate to assets and infrastructure (refer Appendix E, numbers 14 and 15).	New bundled measure		Meet 100% of the DIA and Auckland Plan targets		
New measure	<b>We will develop and use talent, processes and technologies to manage non-revenue water and ensure optimal supply efficiency.</b>	N/A	N/A	Establish baseline and demonstrate continuous improvements on previous year		

# INTELLECTUAL CAPITAL

Industry-leading thinking and processes.

## Watercare – Becoming Future Fit

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

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

## More sustainable and cost-effective infrastructure for Auckland

Watercare is one of the few companies in New Zealand that has a fully-financed infrastructure programme that is locked in for 10 years. To capitalise on this, in 2019, Watercare launched two significant initiatives – our 40:20:20 vision and the Enterprise Model framework.

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

- Reduce carbon in construction by 40% by 2024
- Reduce the cost to deliver our infrastructure programme by 20% by 2024
- 20% year-on-year improvement in health, safety and well-being.

A significant portion of the 40:20:20 vision will be delivered through our new Enterprise Model framework. We have partnered with two construction companies, Fulton Hogan and Fletcher Construction, for the delivery of \$2.4 billion worth of water and wastewater infrastructure for Auckland over the next 10 years. The long-term and collaborative nature of the Enterprise Model framework is a first for New Zealand. It seeks to address many of the challenges faced by the construction industry, while also achieving our ambitious 40:20:20 targets.

The Enterprise Model framework supports the development of a high-performing construction sector in New Zealand and enhances the resilience of our partners, who have long-term agreements with us. They will be able to invest in people and we are allocating risk in a fair way. We will have a mature and collaborative way of working to ensure our customers, company and partners are looked after. This framework involves a commitment to deliver a programme of work – rather than discrete projects – that will drive greater cost-efficiency and innovation.

The Enterprise Model contract was delivered in September 2019 and since then Watercare and the construction partners have been assessing the customer outcomes that are to be achieved and the opportunities to extract maximum value from the programme through supply chain and programme optimisation. This has been achieved through strong collaboration between Watercare and its Enterprise Model construction and design partners. A resulting new programme of works will emerge that is cognisant of achieving the 40:20:20 targets together with Watercare's energy savings and climate change aspirations. The effect the Enterprise Model is having on the company is already significant and heralds a new way of working for increased productivity while growing market capability and improving the well-being of those involved.

## Working with Council for effective intellectual capital outcomes

We are working together with Healthy Waters to develop a 'carbon portal' for use in New Zealand. This will allow us to meaningfully measure the carbon impact of our planned infrastructure projects and will be a critical tool in delivering assets that meet the 40:20:20 vision. This is being adapted to New Zealand conditions, asset types and emissions factors, in collaboration with Healthy Waters, and will have the potential to evolve to other asset types in the Council group and around New Zealand in the future.

## Intellectual capital – performance measures

Source	Measure	2018/9 Actual	2019/20 Target	2020/21	2021/22	2022/23
New measure	<p><b>We create new value in our infrastructure supply chain through the Enterprise Model.</b></p> <ul style="list-style-type: none"> <li><b>Measure 1:</b> Establish and implement an Infrastructure Carbon Portal and corresponding toolkit to assess ways to reduce carbon emissions during the construction of water and wastewater assets.</li> </ul>	N/A	N/A	Deliver and implement portal and toolkit.  For the Enterprise Model, monitor and report on the target of a 40% reduction post 2024.		
New measure	<ul style="list-style-type: none"> <li><b>Measure 2:</b> Establish and implement an Infrastructure Cost toolkit across the programme and project to deliver new ways to reduce costs during the construction of water and wastewater assets.</li> </ul>	N/A	N/A	Deliver and implement the toolkit.  For the Enterprise Model, monitor and report on the target of a 20% reduction post 2024.		



*The Army Bay wastewater outfall pipeline project: this photo, taken by Watercare Projects Manager, John McCann, won the Best Photo in Water New Zealand's 2020 Photo Competition.*

# FINANCIAL CAPITAL AND RESOURCES

Minimum-cost, cost-efficient, financially stable.

## Watercare – A minimum-cost, cost efficient and financially-stable provider

Water is a universal resource, essential for thriving communities and cities. As a utility delivering essential lifeline services, we take our financial responsibilities very seriously.

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

We understand and appreciate that our customers expect us to be financially responsible as every dollar we spend has an impact on the price they pay for water and wastewater services.

Watercare funds its operating costs and capital projects through water and wastewater service charges, and infrastructure growth charges, financing any balance through borrowings. We operate under a full self-financing model. Our financial performance and position enables us to fulfil the \$9.5 billion commitment we have made to the communities we serve in our AMP over the 2020–2038 period. Watercare’s funding envelope has been aligned for the provision of service identified in the Auckland Council Long Term Plan (including relevant plans such as the FULSS).

Our financial management is underpinned by robust plans and policies, supported by a comprehensive risk and audit programme.

To be financially stable over the long term, we consider risk, future demand, debt levels, interest costs and inter-generational equity when managing our capital investment programme. Our AMP, which is a 20 year forward looking document, defines Watercare’s best engineering and business judgment of the capital investment required to maintain the integrity of our infrastructure base.

It helps us to decide what, where, how, when and how much we invest to build and maintain our water and wastewater assets.

We have implemented efficiency initiatives across major areas of expenditure, including a network efficiency programme and a capital delivery optimisation programme. Watercare will continue to keep a tight focus on ensuring the heavy programme of capital development, including the Central Interceptor, is delivered to scope, time and budget.

Watercare is also working with the Water Industry Commission for Scotland (WICS) to help us prepare for the introduction of a national regulator for the New Zealand water industry. This will include a benchmarking exercise by WICS of Watercare against UK water utilities to identify the potential for improvement opportunities.

## We continue to pursue new revenue opportunities

### *Contract of service with Waikato District Council*

In October 2019, Watercare started providing ‘three waters’ services to Waikato District Council (WDC) via a contract of service for a period of up to 28 years and has a strong focus on better environmental outcomes and affordable water services.

WDC continues to own all assets, while Watercare manages the infrastructure above and below the ground. This includes 16 treatment plants (9 wastewater, 7 water), 106 pump stations, 805kilometres of water pipes, 323kilometres of wastewater pipes, 154 kilometres of stormwater pipes, 31 reservoirs and 16,644 homes and businesses in the region. A total of 29 WDC employees are now Watercare employees.

During the 21-month transition period, Waikato customers continue to deal with WDC for billing, faults and leaks. Watercare is using the transitional period to develop the AMP, a funding plan, and a subsequent long-term pricing plan, all of which will be agreed by the WDC Waters Governance Board. In 2021, we will consult with Auckland customers, as required under Section 137 of the Local Government Act. The outcome of this consultation, together with agreement on the asset management and funding plans, will provide the direction for the remaining years of the contract.

Watercare plans to make an acceptable return under the contract so we can assure our Auckland customers they will not be cross-subsidising services to Waikato. We are ensuring our service to our Auckland customers is not compromised while we provide the services to Waikato district customers.

### ***Acquisition of shares in Lutra Limited***

In January 2020, Watercare became the majority shareholder of Wellington-based software and process engineering company Lutra, acquiring 67% of the company.

Lutra provides software and technical services to improve the performance of people and processes involved in water and wastewater operations. The company has a strong team which includes highly-skilled process engineers, software developers and data analysts; and has strong relationships with a number of New Zealand Councils and commercial customers.

With this acquisition, Watercare will be able to gain efficiencies by implementing Lutra's software at our sites and we will be able to utilise their training platform for our employees and contractors. We will also be able to grow the Watercare group's revenue without compromising the services we provide to Auckland customers.

### **Working with Council for effective financial capital outcomes**

- We will continue to participate in any work involving the Crown and Council regarding alternative financing options.
- Watercare will continue to actively participate in Council group procurement activities, including the development of the Group Procurement Strategy, Group Digital Roadmap Framework and the Supplier Code of Conduct.
- We will continue to work with Council and the other CCOs to maximise the savings and benefits in relation to its combined insurance programme.
- In the 2020/2021 financial year, Watercare will support Council in preparing its 10-year budget for 2021–2031.
- Watercare will continue to collaborate with Council and other members of the Council group to closer integrate its planning to assist in addressing infrastructure challenges for Auckland.
- Watercare will also continue to contribute to the development of the Asset Management Co-ordination Group. This has led to the creation of common summary Asset Management Plans being published and examination of the ways in which our asset management frameworks may be aligned.
- Watercare will continue to investigate commercial arrangements and other funding sources to either achieve savings, or develop alternative revenue sources, where this is in the best interests of our customers and the Council group. Watercare acknowledges that, as requested by Council, any new revenue opportunities will need to be endorsed by Council, until Watercare prepares a risk framework that has been approved by Council.

In achieving the above, Watercare may form new entities, or acquire shares in other entities. These entities will remain separate from Watercare to:

- ensure transparency;
- separate any new commercial arrangements from Watercare's day-to-day business in the Auckland region; and
- manage the associated risks.

Some new entities may be majority owned by Watercare, and therefore become Council Controlled Trading Organisations (CCTOs). An example of this is Lutra Limited. In relation to these types of new Watercare group entities, Watercare will:

- keep Council informed of any new entities formed or acquired (in whole or part), on a no-surprises basis;
- include details of any new CCTO activities in Watercare's future Statements of Intent; and
- work with Council to establish the reporting requirements for any separate entity's activities and progress.

## Financial capital and resources – Performance measures

Source	Measure	2018/9 Actual	2019/20 Target	2020/21	2021/22	2022/23
New measure	<p><b>We manage operations efficiently, keeping costs to customers (collectively) at minimum levels.</b></p> <ul style="list-style-type: none"> <li><b>Measure:</b> Percentage of household expenditure on water supply services relative to the average household income</li> </ul>	N/A	N/A	≤1.5 %	≤1.5 %	≤1.5 %
New measure	<p><b>We are a financially-sustainable business.</b></p> <ul style="list-style-type: none"> <li><b>Measure:</b> Watercare group’s debt headroom</li> </ul>	N/A	N/A	Set measure in conjunction with Council and establish baseline	To be confirmed	To be confirmed

## Schedule 1

### Operating Budget

Operating budgets (\$million)	2018/19 Actual	2019/20 Revised LTP*	2020/21 Annual Plan	2021/22 Revised LTP*	2022/23 Revised LTP*
<b>Revenue</b>	<b>549.2</b>	<b>561.9</b>	<b>559.8</b>	<b>626.9</b>	<b>669.2</b>
Fees and charges	515.6	533.2	506.2	559.0	596.2
Grants and subsidies	0.0	0.0	0.0	0.0	0.0
Other revenue	33.6	28.7	53.6	67.9	73.0
<b>Direct expenditure</b>	<b>226.6</b>	<b>228.1</b>	<b>288.9</b>	<b>286.9</b>	<b>289.5</b>
Employee related costs	73.2	77.9	83.2	82.4	83.8
Grants, contributions, sponsorship	0.8	0.7	0.7	0.7	0.8
Other expenditure	152.6	149.5	205.0	203.8	204.9
<b>Net direct expenditure (income)</b>	<b>(322.6)</b>	<b>(333.8)</b>	<b>(271.0)</b>	<b>(340.0)</b>	<b>(379.6)</b>
Funding from Auckland Council	0.0	0.0	0.0	0.0	0.0
Revenue from vested assets	(62.2)	(20.8)	(21.5)	(22.2)	(23.0)
Other non-operating income	0.0	0.0	0.0	0.0	0.0
Net finance expense	66.5	84.3	56.9	57.8	59.1
Depreciation and amortisation	245.8	252.4	256.5	293.0	298.0
Net losses (gains)	13.2	8.0	8.0	8.0	8.0
Income tax	55.5	44.2	13.7	20.0	28.2
<b>NET EXPENDITURE (INCOME)</b>	<b>(3.8)</b>	<b>34.3</b>	<b>44.8</b>	<b>16.6</b>	<b>(9.4)</b>

#### Net direct expenditure by area

Expenditure (\$million)	2018/19 Actual	2019/20 Revised LTP*	2020/21 Annual Plan	2021/22 Revised LTP*	2022/23 Revised LTP*
<b>Net direct expenditure (income)</b>	<b>(322.6)</b>	<b>(333.8)</b>	<b>(271.0)</b>	<b>(340.0)</b>	<b>(379.6)</b>
Wastewater Service	(229.3)	(242.5)	(212.5)	(258.4)	(285.0)
Water Supply	(93.3)	(91.3)	(58.5)	(81.5)	(94.7)

#### Capital expenditure

Expenditure (\$million)	2018/19 Actual	2019/20 Revised LTP*	2020/21 Annual Plan	2021/22 Revised LTP*	2022/23 Revised LTP*
- to meet additional demand	215.8	381.1	454.0	325.3	289.6
- to improve the level of service	78.9	76.3	135.3	92.2	98.4
- to replace existing assets	133.0	160.8	133.1	148.1	195.1
Total capital expenditure excluding capitalised interest	427.7	618.2	722.4	565.6	583.1
Capitalised interest	19.7	17.7	38.9	44.7	48.1
<b>Total capital expenditure including capitalised interest</b>	<b>447.4</b>	<b>635.9</b>	<b>761.3</b>	<b>610.3</b>	<b>631.2</b>



Sources of capital funding	447.4	635.9	761.3	610.3	631.2
Infrastructure growth charge	103.8	101.1	103.2	107.6	104.6
Debt	85.0	285.3	393.6	240.9	206.0
Asset sales	2.5	-	15.0	-	-
Operating surplus (Net direct income less finance expense)	256.1	249.5	214.1	282.2	320.6
Working capital	-	-	35.4	(0.6)	-

#### Specific expenditure towards Māori outcomes

Initiatives (\$thousand)	2018/19 Actual	2019/20 Revised LTP*	2020/21 Annual Plan	2021/22 Revised LTP*	2022/23 Revised LTP*
Iwi engagement on Watercare projects	1,430.7	1,290.0	1,290.0	1,350.0	1,438.3

#### Other financial information

Current value of assets	The current value of Watercare's assets as 30 June 2019 was \$10.4 billion based on the net asset value of the Watercare group as disclosed in the audited financial statements.				
Accounting policies	Watercare's accounting policies are consistent with those of the Auckland Council group policies with nominated exceptions (e.g. interest capitalisation).				
Financial reporting	Watercare's financial reporting to Auckland Council will be in accordance with the requirements of the CCO Governance Manual.				
	2018/19 Actual	2019/20 Revised LTP*	2020/21 Annual Plan	2021/22 Revised LTP*	2022/23 Revised LTP*
Asset sales (\$million)	2.5	0.0	15.0	0.0	0.0
Shareholder equity ratio	68%	66%	64%	63%	62%

\* The revised budget in the financial tables represents the LTP budget adjusted for approved changes and estimated impact of Covid-19.

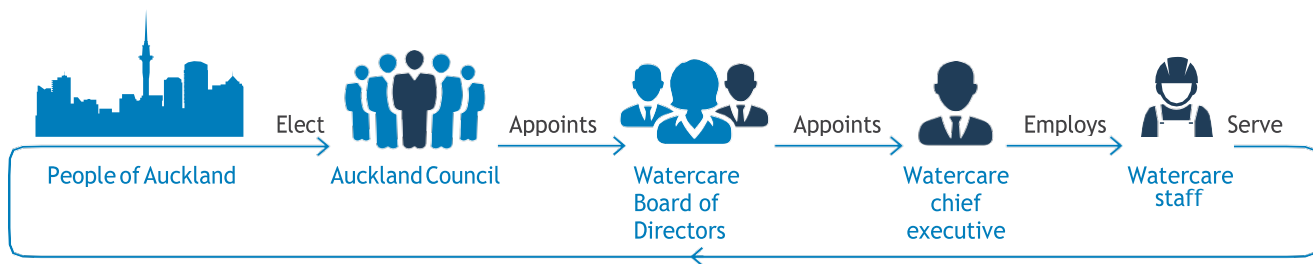
\*\* On 24 January 2020 Watercare acquired 67% of Lutra Limited. The revised LTP numbers include consolidation of Lutra's budgeted results.

## Appendix A

[Detailed capital expenditure list](#)\* The revised budget in the financial tables represents the LTP budget adjusted for approved change

Expenditure (\$million) **	2018/19 Actual	2019/20 Revised LTP*	2020/21 Annual Plan	2021/22 Revised LTP*	2022/23 Revised LTP*
<b>Capital Expenditure (excluding capitalised interest)</b>	<b>427.7</b>	<b>618.2</b>	<b>722.4</b>	<b>565.6</b>	<b>583.1</b>
<b>Wastewater</b>					
Central Interceptor	12.5	137.0	197.0	212.4	270.7
Collection System	76.9	37.9	8.0	18.0	29.0
Northern Interceptor	18.7	76.5	16.6	40.0	17.3
Shared Services Plant & Equipment	7.9	7.1	2.7	4.0	6.3
Shared Services Process Improvement	25.5	14.5	3.4	3.7	4.4
Wastewater Servicing	5.3	13.3	52.3	63.6	-
Warkworth-Snells-Algies Wastewater Servicing	7.8	77.9	27.7	28.0	13.4
Wastewater ECS	7.5	3.5	-	0.8	2.5
Wastewater Treatment	113.5	56.8	49.9	34.7	108.2
Western Isthmus Programme	3.3	19.2	1.5	46.5	32.5
WWTP Regulatory Compliance	0.6	1.7	1.3	-	0.4
Capex Efficiency	-	(20.3)	-	(19.2)	(22.8)
<b>Water supply</b>					
Dam Rehabilitation	0.4	0.7	0.6	0.7	4.3
Huia Water Treatment Plant Upgrades	2.3	-	5.1	10.7	27.1
North Harbour 2 Watermain	8.6	10.4	17.5	20.0	18.6
Shared Services Plant & Equipment	3.4	3.7	1.4	2.0	3.3
Shared Services Process Improvement	9.8	4.2	1.8	1.9	2.3
Treated Water Network	96.2	159.3	99.3	83.1	68.0
Waikato WTP Augmentation	1.5	10.8	-	-	-
Water ECS	0.8	0.9	-	2.1	2.0
Water Source and Headworks	-	2.2	6.2	-	-
Drought Projects	-	-	209.0	15.0	-
Water Sources Regulatory Compliance	0.7	0.5	0.5	-	-
Water Treatment Plant	24.6	10.1	20.6	4.7	4.0
Capex Efficiency	-	(9.7)	-	(7.1)	(8.4)

## Appendix B: Governance and how we manage and measure our performance



Watercare’s board is ultimately responsible for all decision- making by the company. The directors and the management team are committed to ensuring the company applies best-practice governance policies and procedures. As at 1 March 2020, there are five subcommittees being: 1) Audit and Risk, 2) Te Tangata, 3) a subcommittee to oversee the Strategic Transformation Programme, 4) a subcommittee to oversee the Asset Management Plan, and all major capital expenditure projects over \$100 million including the Central Interceptor, and 5) and a subcommittee to oversee Climate Action.

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

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

Date	Purpose	Form of public notification
28 July 2020	Consider shareholder comments on draft SOI	Public notice
27 October 2020	Consider performance against SOI targets	Public notice
May 2021	Consider shareholder comments on draft SOI	Public notice

Watercare works diligently to meet our legal obligations and act in accordance with the Governance Manual for substantive CCOs, which sits alongside this SOI and forms part of the annual binding agreement between Council and Watercare. Page 28 of the CCO Governance Manual includes the procedures when CCOs subscribe for, purchase or otherwise acquire shares in any company or other organisation, as required under Schedule 8, Clause 9(1), of the Local Government Act 2002. We operate under a no-surprises policy and inform the Mayor, councillors or Local Boards (as appropriate) well in advance of any events, transactions or issues that could attract public interest, whether positive or negative.

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

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

### Managing risk

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

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

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

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

## Measuring our performance

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

The measures and targets include those aligned with our six capitals, including the mandated non-financial measures of the Department of Internal Affairs and those that were agreed with Council as part of the Long-Term Plan 2018–2028.

## Our commitment

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

- Demonstrating value for money across all expenditure
- Continuing to work with Council to align our capital investment programme with Council's 10-year budget. We will also help Council prepare for the 10-year budget 2021–2031. In particular, Watercare will:
  - (a) take account of political direction on key changes proposed by the Mayor and governing body; and
  - (b) continue to undertake comprehensive reviews of our AMP, performance trends, budgets and fee settings. In doing so, we will follow best-practice asset planning processes and do so in a highly transparent manner.
- Sharing key information in our AMP (which includes asset condition, renewals planning, maintenance and renewals procurement, asset-related cost trends and asset planning for growth)
- Benchmarking front-line and back-office expenditure, including regularly publishing results on Watercare's website
- Exploring alternative operating revenue streams wherever possible. In this regard, we will work with Council to establish the reporting and any risk parameters that are appropriate to enable this activity while ensuring adequate accountability
- Keeping a strong focus on managing sensitive expenditure lines.

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

We commit to optimise efficiency and value and remove unnecessary duplication. We will continue to work closely with Council staff on providing consistent and transparent financial and performance information.

We also commit to consider, where appropriate, different approaches to core systems and business processes, shared back-office delivery and alignment with the Council group's investment.

## Appendix C: Our legislative framework

Watercare is a limited-liability company registered under the Companies Act 1993, and a local government organisation under the Local Government Act 2002. Watercare is subject to regulation governing planning, health and environmental matters.

We became a substantive Council-controlled organisation (CCO) on 1 July 2012.

The principal regulators include Auckland Council, Waikato Regional Council and the Ministry of Health. We provide these and other regulatory bodies with information on the impacts of existing policy and regulation on our activities. We also contribute and respond to the development of relevant statutory and regulatory changes affecting water, wastewater and the lifeline utility sector.

The legislative framework enabling and governing our operations as the provider of water and wastewater services in Auckland is found largely in six Acts and amendments:

- Local Government Act 2002
- Local Government (Tāmaki Makaurau Reorganisation) Act 2009
- Local Government (Auckland Council) Act 2009
- Local Government (Auckland Transitional Provisions) Act 2010
- Companies Act 1993
- Health Act 1956 and the Health (Drinking-Water) Amendment Act 2007.

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

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

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

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

Also, under the legislative framework:

- We must give effect to the relevant aspects of the Council's Long-Term Plan, act consistently with other specified plans and strategies of the Council and ensure compliance at all times with Sections 57 and 58 of the Local Government (Auckland Council) Act 2009.
- At least two board meetings a year are required to be held in public: one before 30 June to consider the Council's comments on the draft SOI for the upcoming financial year, and one after 1 July to consider our performance under the SOI for the previous financial year. In practice, all our board meetings are open to the members of the public (with our constitution and Section 7 of the Local Government Official Information and Meetings Act 1987 permitting certain private matters to be dealt with in private).
- Our financial statements, the SOI and specified long-term plans must be audited by the Auditor-General, or by an auditor acting on behalf of the Auditor-General.












The Auditor-General is the auditor of Watercare's financial statements. The Auditor-General has appointed Brett Tomkins, using the staff and resources of Deloitte, to undertake the external audit work on behalf of the Auditor-General, in accordance with the Auditor-General's Audit Standards, which incorporate New Zealand Auditing Standards. Deloitte must satisfy the independence requirements of the Auditor-General and External Reporting Board.





## Appendix D: Working together to achieve the vision for Auckland

We are fully committed to working with the Council group to implement the Auckland Plan 2050, including the Development Strategy, relevant performance measures and any associated guidance. The table below sets out the Auckland Plan outcomes, and how Watercare contributes to these outcomes.

Auckland Plan outcomes	Degree of contribution	How Watercare contributes
<p><b>Māori identity and well-being</b></p>  <p>Investing more in youth to help advance Māori well-being</p>	Primary	<ul style="list-style-type: none"> <li>- By actively fostering and maintaining relationships with local Māori, including via the Mana Whenua Kaitiaki Forum</li> <li>- By providing technical advice related to water supply and septic tanks in marae</li> <li>- By realising rangatahi (our youth's) potential and promoting scholarships for Māori</li> <li>- By integrating Māori identifiers including a focus on te reo Māori</li> </ul>
<p><b>Homes and places</b></p>  <p>Aucklanders live in secure, healthy, and affordable homes, and have access to a range of inclusive public places</p>	Primary	<ul style="list-style-type: none"> <li>- By collaborating with the wider Council group to support areas of growth identified by Council; growth adjacent to transport nodes</li> <li>- By aligning major infrastructure development for future urban areas with Council's Future Urban Land Supply Strategy (FULSS)</li> <li>- By proactively engaging with Kāinga Ora to plan, fund and deliver water and wastewater infrastructure to support its major urban transformation programmes - in particular, Northcote, Mt Roskill, Māngere, Tāmaki and Oranga</li> <li>- By reliably and efficiently delivering high-quality 'Aa'-grade water to all our customers</li> <li>- By reliably collecting and treating wastewater and returning it safely to the environment</li> <li>- By ensuring customers experiencing financial hardship can access support through the Watercare-funded Water Utility Consumer Assistance Trust</li> </ul>
<p><b>Environment and cultural heritage</b></p>  <p>Using growth as an opportunity to protect and enhance our environment</p>	Primary	<ul style="list-style-type: none"> <li>- By working with Council on the Auckland's Waters Strategy to achieve the Auckland Plan 2050's objectives of adapting to a changing water future</li> <li>- By planning and providing resilient infrastructure that is adaptive to future changes including climate change</li> <li>- By collecting and treating wastewater effectively, and managing the effects on receiving environments</li> <li>- By actively promoting water-efficient technologies and behaviours to consumers and homebuilders</li> <li>- By working to reduce water demand through operational improvements</li> <li>- By working with Council on the Watercare Heritage Assessment Project to determine approaches for protecting and promoting historic heritage</li> <li>- By consulting with affected parties on our development plans</li> </ul>
<p><b>Belonging and participation</b></p>  <p>Ensuring Auckland is inclusive and that all Aucklanders can participate fully</p>	Secondary	<ul style="list-style-type: none"> <li>- By reliably delivering 'Aa'-grade water to all our customers</li> <li>- By reliably collecting and treating wastewater and returning it safely to the environment</li> <li>- By holding open days at our water and wastewater plants</li> <li>- By providing a free water education programme to schools</li> </ul>
<p><b>Transport and access</b></p>  <p>Improving transport choices so we can move easily around Auckland</p>	Secondary	<ul style="list-style-type: none"> <li>- By ensuring Watercare works with Council, Auckland Transport, New Zealand Transport Agency and other utilities to align infrastructure projects wherever possible, to minimise the effects on traffic and neighbourhoods</li> </ul>
<p><b>Opportunity and prosperity</b></p>  <p>Equipping people for future jobs</p>	Secondary	<ul style="list-style-type: none"> <li>- By providing a pipeline of employment opportunities</li> <li>- By building a resilient workforce in the water and wastewater industry</li> <li>- By working with industry partners and tertiary education providers to deliver graduate programmes as well as apprenticeship and internship opportunities.</li> </ul>

**Appendix E^: 14 x Department of Internal Affairs non-financial measures and 1 x Auckland Plan\* Measure**

No.	Capital	Measure	2018/19 Actual	2019/20 Target	2020/21	2021/22	2022/23
1		Compliance with the Watercare’s resource consents for discharge from our sewerage system measured by the number of: (a) abatement notices (b) infringement notices (c) enforcement orders (d) convictions received by Watercare in relation to those resource consents	(a) 0 (b) 0 (c) 0 (d) 0	(e) ≤2 (f) ≤2 (g) ≤2 (h) 0	(a) ≤2 (b) ≤2 (c) ≤2 (d) 0	(a) ≤2 (b) ≤2 (c) ≤2 (d) 0	(a) ≤2 (b) ≤2 (c) ≤2 (d) 0
2		The average consumption of drinking water per day per resident within the territorial authority district (12-month rolling average)	270.7	264 +/- 2.5%	262 +/- 2.5%	260 +/- 2.5%	258 +/- 2.5%
3		The extent to which Watercare’s drinking water supply complies with Part 4 of the Drinking Water Standards New Zealand (bacteria compliance criteria)	100%	100%	100%	100%	100%
4		The extent to which Watercare’s drinking water supply complies with Part 5 of the Drinking Water Standards New Zealand (protozoal compliance criteria)	100%	100%	100%	100%	100%
5		Median response time for attendance for urgent call-outs: from the time that Watercare receives notification to the time that our service personnel reach the site	50 mins	≤60 mins	≤60 mins	≤60 mins	≤60 mins
6		Median response time for resolution of urgent call-outs: from the time that Watercare receives notification to the time that our service personnel confirm resolution of the fault or interruption	2.8 hours	≤5 hours	≤5 hours	≤5 hours	≤5 hours
7		Median response time for attendance for non-urgent call-outs: from the time that Watercare receives notification to the time that our service personnel reach the site	1.3 days	≤5 days	≤5 days	≤5 days	≤5 days
8		Median response time for resolution of non-urgent call-outs: from the time that Watercare receives notification to the time that our service personnel confirm resolution of the fault or interruption	2.1 days	≤6 days	≤6 days	≤6 days	≤6 days
9		The total number of complaints received by Watercare about any of the following: (a) drinking water clarity (b) drinking water taste (c) drinking water odour (d) drinking water pressure or flow (e) continuity of supply (f) Watercare’s response to any of these issues expressed per 1000 connections to the local authority’s networked reticulation system	4.4	≤10	≤10	≤10	≤10
10		Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance – from the time that Watercare receives notification to the time that our service personnel reach the site	44 mins	≤60 mins	≤60 mins	≤60 mins	≤60 mins
11		Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution – from the time that Watercare receives notification to the time that our service personnel	2.9 hours	≤5 hours	≤5 hours	≤5 hours	≤5 hours

No.	Capital	Measure	2018/19 Actual	2019/20 Target	2020/21	2021/22	2022/23
		confirm resolution of the blockage or other fault					
12		The total number of complaints received by Watercare about any of the following: (a) sewerage odour (b) sewerage system faults (c) sewerage system blockages (d) Watercare's response to issues with its sewerage system expressed per 1000 connections to the Watercare's sewerage system	18.6	≤50	≤50	≤50	≤50
13		The percentage of real water loss from Watercare's networked reticulation system (12-month rolling average)	13.1%	<13%	<13%	<13%	<13%
14		The number of dry-weather overflows from Watercare's sewerage system, expressed per 1000 sewerage connections to that sewerage system	0.59%	<5%	<5%	<5%	<5%
15		Average number of wet-weather overflows per engineered overflow point per discharge location in the transmission system (12-month rolling average)*	1.21	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year

^ Measures 1-14 are all Long-Term Plan measures, included in Auckland Council's 10-year budget 2018-2028

Note: The targets for future years will be revisited following the adoption of the updated Auckland's Water Strategy.



## Appendix F: Our major water and wastewater projects

No.	Major water projects	Description	Work to be carried out over the next three years
1	Hūnua 4 Watermain	Construction of the 32-kilometre-long watermain that will run from Redoubt Road Reservoir to Khyber Reservoir in central Auckland	Construction has commenced on the final stage from Market Road to the Khyber Pass Reservoir. Ninety per cent of the construction will be tunnelled, thereby avoiding significant congestion down Manukau Road and through to the Khyber Pass Reservoir. Completion due early 2021.
2	North Harbour Watermain Duplication	Construction of the North Harbour No. 2 Watermain, which will run for 33 kilometres from Titirangi to Albany	Duplication of the watermain is being progressively constructed in stages. The section from Upper Harbour to Albany will be completed over the next three years, with the remainder to be completed by 2026.
3	Pukekohe East Reservoirs	Construction of two additional water storage reservoirs to maintain security of supply and cater for growth	The first reservoir will be in service by August 2020.
4	Waikato Water Treatment Plant Expansion 1	Expansion of the capacity of the existing water treatment plant to cater for additional demand arising from growth	The plant capacity increase from 150MLD to 175MLD has been completed. Additional process improvements are under way to provide sustainable peak production; these will be completed in 2022.
5	Waikato Water Treatment Plant Expansion 2	Provision of additional water abstraction, treatment and conveyance capacity from the Waikato River to cater for additional demand arising from growth	A consent has been lodged for an additional take from the Waikato River and awaits processing by Waikato Regional Council. As a result of processing delays an alternative option is being considered that will allow early construction of the second treatment plant to meet the high growth currently being experienced.
6	Nihotupu No. 1 and Huia No. 1 Watermains replacement	Replacement of two critical watermains which are nearing the end of their design lives	Construction has commenced and will be completed in stages with the final stage commissioned by early 2022.
7	Huia Water Treatment Plant Upgrade	Replacement of the Huia Water Treatment Plant which is reaching the end of its design life and the provision of better treatment processes that will maintain supply and improve levels of service	The consent process is to be completed and detailed design commenced during this period.
8	Orewa No. 1 Watermain Replacement	Completion of a staged bypass of the most vulnerable section of the existing watermain that runs between Silverdale and North Orewa	The northern 4.3km of this watermain will be constructed through the Millwater development, across Orewa River, and connect to the Maire Road Reservoir. The southern 0.3km will be constructed through Silverdale and will facilitate the commissioning of the entire 7km replacement between Silverdale and the Maire Road Reservoir.
9	Redoubt Road Reservoir Expansion	Construction of an additional 50ML treated water storage reservoir to maintain security of supply and cater for growth	Early works are due to start during 2020 and the project completed 2022.

No.	Major wastewater projects	Description	Work to be carried out over the next three years
1	Central Interceptor	Construction of a new wastewater conveyance and storage pipeline to service central Auckland as well as the isthmus, east and south	The scope of the project has expanded to improve service to the Grey Lynn catchment. Construction commenced in 2019 and will be completed by December 2025.
2	Northern Interceptor: Hobsonville to Rosedale	Construction of a new wastewater pipeline which will divert flows from the Māngere Wastewater Treatment Plant to Rosedale Wastewater Treatment Plant	Construction is to be completed by early 2021.
3	Northern Interceptor: Westgate to Hobsonville	Construction of the second stage of the Northern Interceptor to divert wastewater flows from Whenuapai, Redhills, Kumeu, Huapai and Riverhead catchments to the Rosedale Wastewater Treatment Plant. The project also includes trunk sewers servicing local catchments to provide for growth	The necessary consents, landowner approvals and detailed design are to be obtained during this period with completion due by 2024.
4	Rosedale Wastewater Treatment Plant Upgrade	Provision of additional treatment capacity to cater for population growth on the North Shore and treat diverted wastewater flows from West Auckland, which are currently served by the Māngere Wastewater Treatment Plant	The design and construction are to be completed during 2020.
5	Pukekohe Wastewater Treatment Plant Upgrade	Construction of additional treatment capacity to cater for population growth in the Pukekohe Wastewater Treatment Plant catchment	Construction has commenced and the capacity increase will be completed in stages by 2021, in line with growth expectations.
6	Southern Auckland Wastewater Servicing Scheme	Duplication of the Southern Interceptor sewer between Hingaia and Manurewa to cater for growth	The project is expected to be completed in 2023.
7	Puketutu Island/Te Motu a Hiaroa	Rehabilitation of Puketutu Island using treated biosolids from the adjacent Māngere Wastewater Treatment Plant	The monofill operation to rehabilitate Puketutu Island is to be continued.
8	Warkworth-Snells-Algies Wastewater Services	Construction of a new wastewater treatment plant, new wastewater pipeline, pump stations and ocean outfall at Snells Beach	Design has commenced and construction is targeted for completion by 2022.
9	South-west Wastewater Servicing	Construction of a new wastewater treatment plant at Waiuku; new wastewater pipeline, pump stations and harbour outfall at Clarks Beach	Consent has been obtained. Design has commenced with construction completion expected by 2026.
10	Western Isthmus Water Quality Improvement Programme	Joint initiative with Healthy Waters to develop and implement specific improvement programmes in the priority catchments of Westmere, Avondale, Freemans Bay, Grey Lynn, Herne Bay, Meola Road, Motions Road, Oakley, Pt Chevalier, St Mary's Bay and Waterview	This programme is at the planning and construction stages. The target completion date remains 2028.

# When is the Central Interceptor being built?



Central Interceptor  
**Watercare** 