

Watercare

Quarter 1 Performance Report

For the period ending 30 September 2021

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

Watercare Q1 summary





Highlights, issues & risks for the quarter

Highlights

- Watercare's storage dams recovered well over Q1 and as at 30 September 2020 were 85 per cent full (and in mid-October, were over 90 per cent full). The Board made a recommendation to the Governing Body in October 2021 to lift outdoor water use restrictions.
- We celebrated the opening of the Waikato 50 plant by Mayor Goff in July.
- We held our inaugural water efficiency expo for commercial customers – He taonga te wai. The expo brought together over 200 commercial customers with suppliers of water efficient solutions. Feedback was positive and this will now be an annual event.
- We published three regionalised editions of *Tapped In*, which were well received by customers. Each newsletter detailed our investment plans for the recipient's region and how these would benefit their communities. Together with our pricing communication, they also explained why and where we are investing to ensure a resilient water future for Auckland. This initiative contributed to an increase in our July 2021 trust score (52, up from 44 in July 2020).
- Digitally, with the addition of Google Pay, Watercare has become the first utility in New Zealand to offer all currently available online payment services. Our chat channel continues to grow as customers are appreciating the quick and instant service which now makes up 9 per cent of total contacts.
- Our self-service improvements for multi account users have been timely, as August saw the highest volume of online transactions over the last 12 months. Our NPS score of 53 for the month of August increased the rolling 12-month average to 48.
- We are investigating financing options for solar panel installations in consultation with the council finance team. The Watercare finance team is developing guidelines to assist the procurement phase with the form of the contract designed to be a non-lease contract and therefore an off-balance sheet arrangement. A project team has been formed and work continues on preliminary studies, site selection and related funding options.

Issues & risks

- Our frontline staff and field service crews swiftly changed the way we work during the Covid-19 lockdowns. During Alert Level 4, all infrastructure projects ceased, with the exception of the Central Interceptor. On moving to Level 3, all infrastructure projects were carefully managed to ensure a safe restart with close attention to Covid-19 protocols. Operations made efforts to address the backlog of maintenance work and meter readings resumed.
- With the most recent Covid-19 Alert Level 4 and 3 lockdowns, senior management's attention has been focused on monitoring the wellbeing of our staff. Several signs of stress appeared, often related to working from home, without childcare and educating children, plus the long-term impacts of inability to take holidays and see family and friends out of Auckland. With no set end in sight to the current wave of restrictions, much has been done to encourage high take up of vaccinations, with careful thought around the potential for some work areas to become vaccination-required in order to ease the strain and negative impacts of split shift working. Even once the restrictions are lifted, the weariness and mental health impacts of Covid-19 will continue.

Financials (\$million)	YTD actual	YTD budget	Actual v Budget
Capital delivery ¹	127.3	196.9	 69.6
Direct revenue	213.8	174.0	 39.8
Direct expenditure	102.7	75.7	 (27.0)
Net direct revenue	111.1	98.3	 12.8

Financial Commentary

Capital delivery: Capital expenditure is tracking at 64.7% as most construction sites had to be closed during Covid-19 Alert Level 4 restrictions.

Direct revenue: Direct revenue is \$39.8m ahead of the budget mainly due to increase in IGC revenue (\$31.2m).

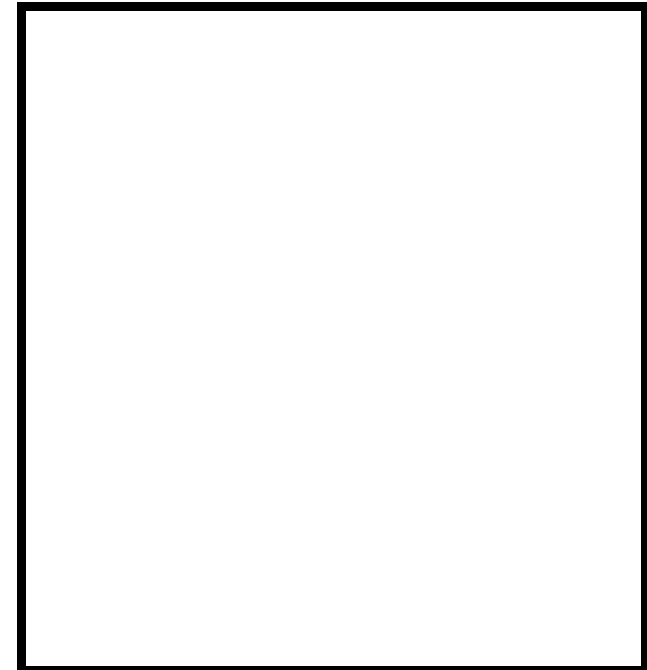
Direct expenditure: Other direct expenditure is \$17.7m over budget due to Covid-19 contracts payments, uplift in the Waikato capital programme and digital project spend.

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

- Vacancy rates have reduced with staff opting for certainty and not changing jobs,
- Non-utilisation of leave due to Covid-19 Alert Level 4 and 3 restrictions,
- Increased overtime payments as staff maintain double shifts at operational sites, and
- Lower labour recoveries due to reductions in delivery of the capital programme.

1. Capital delivery financials include capitalised interest.

- We continue to encourage high Covid-19 vaccination participation for our employees. Staff have been given up to four hours of work time to attend vaccination appointments and many have already been vaccinated. As at 1 October, 83% of staff voluntarily responded to a Covid-19 vaccination survey. Currently 89% of respondents have had at least one vaccination and 90% of respondents are either vaccinated or booked to be vaccinated. We are also working with various advisory groups to explore quarantine exemption options for critical workers from overseas to help with a skills shortage.
- The Waikato River Board of Inquiry (BOI) regarding Watercare’s resource consent applications to take an additional 150MLD of water from the Waikato River, and construction, operation and maintenance of a new water intake and new discharge structure on the bed of the Waikato River is ongoing. In Q1, expert conferencing by statutory planners was arranged in an attempt to resolve matters of disagreement between the parties. All planning witnesses have agreed the form of conditions, apart from the witness for Te Taniwha who declined to participate. The witnesses for Hamilton City council and Te Whakakitenga are advocating for a term of 20 to 25 years. Covid-19 lockdowns delayed the hearing, which finally commenced on 11 October 2021 and was adjourned after the first week until November to enable the second week to be held in person in the Waikato. A decision is expected by 7 January 2022 notwithstanding the adjournment.
- Watercare entered into a Kawenata with Ngāti Tahu-Ngāti Whāoa and Te Arawa River Iwi Trust (TARIT), and they have subsequently withdrawn from the BOI hearing. The focus of Kawenata is its goal to restore and protect the health and wellbeing of the Waikato River for future generations.
- It is expected that for most in-construction capital projects, including the Central Interceptor, there will be delays in completion dates a result of both Covid-19 Alert Level 4 and 3 restrictions. Watercare will work with its contractors to minimise the impact of the delays.
- On 27 October 2021, Local Government Minister Nanaia Mahuta announced that three waters reforms will proceed.



Key performance indicators <i>(Refer to pg.14-17 for complete list)</i>	Previous	FY 22 Quarter 1		Status	Commentary
	Year	Actual	Target		
The extent to which Watercare’s drinking water complies with part 4 of the drinking water standards (bacteria compliance criteria)	100%	100%	100%	Achieved	Target has been met.
Median response time for resolution of urgent calls-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	2.8 hours	2.6 hours	≤ 5 hours	Achieved	Target has been met.

Strategic focus area – Central interceptor

Key commentary

For the 3 months to 30 September 2021, a total of \$357 million has been spent towards the Central Interceptor (CI) against a total CI budget of \$1.269 billion. The forecast final cost is within the original approved \$1.269 billion budget, but this is highly contingent on how the Covid-19 pandemic plays out in the coming months. The most recent lockdown will result in substantial additional claims being submitted.

Highlights

- Watercare was granted an exemption under the Public Health Order by MBIE to continue both tunnelling operations, albeit at much slower rates of progress than normal over Covid-19 Alert Level 4. This was to ensure the tunnel boring machines would not get stuck. All CI construction works resumed under Alert Level 3, under strict Covid Management Protocols.
- The Alert Level 4 lockdown is expected to further delay the completion of all sections of the project, including the final completion date. It is now anticipated that this will be in the first quarter of 2026.
- The tunnel boring machine (TBM) was officially launched from the Māngere Pump Station on 30 July with the public open day attracting over 2,000 people.
- As at 30 September the TBM has progressed 44m with 20 rings now installed. The micro-tunnel boring machine (mTBM) has progressed 500m on the first drive from May Road to Haycock Ave (970m).
- Shaft excavation works are now completed at Haycock and Dundale Ave sites and construction is well underway on chamber works at Haycock Ave as well as Miranda Reserve and Keith Hay Park. Excavation has now underway on the May Rd B shaft.

Risks

- Covid-19 and construction market risks: sourcing and retention of critical personnel and supply chain issues remain critical risks.
- Health, safety and wellbeing: lifting, crane operations and suspended loads are a significant risk for the project and the implementation of specific rules and use of exclusion zones are key to mitigating these risks. Additional cameras have been installed on cranes to assist operators with any blind spots.
- Tunnelling associated risks: the TBM launch period is where risk of settlement damage to the Western Interceptor is highest. Additional monitoring has been instructed to ensure early detection if settlement does occur and contingency plans have been prepared with the contractor and are in place.
- Contractual claims resulting in cost overruns: this risk relates to an event, such as unforeseen physical conditions occurring during construction that results in a valid claim by the contractor. We continue to work with the contractor to mitigate these risks wherever possible.
- Impact on operations: the commissioning and interface with existing operational assets is being managed through proactive risk planning of all works and through developing appropriate contingency plans.

Strategic context

The CI is a 14.7km wastewater tunnel, running from Grey Lynn to the Māngere Wastewater Treatment Plant. The CI will increase the capacity of the wastewater network, replace aging infrastructure and reduce wet weather overflows in the catchment area by around 80per cent. The extension of the tunnel to Grey Lynn will also allow council and Watercare to work towards the goals that form part of the Western Isthmus Water Quality Improvement Programme. Construction of the CI began mid-2019 and will be completed first quarter of 2026.

Key programme of works	Status	Description	Key deliverables for the quarter
Finalise design for the Grey Lynn Tunnel	On track	Detailed design work for the terminal shaft of the Grey Lynn Tunnel at Tawariki Street.	Final design of the terminal shaft being confirmed to incorporate the Western Isthmus works in that area.
Commence physical works	On track	Shaft lining of the inlet shaft completed and main shaft on hold until all TBM gantries have exited the inlet shaft at Māngere Pump Station. MTBM pipejacking operations well underway at May Rd and work has now commenced on shaft B. Haycock Ave and Dundale Ave shaft excavation now completed. Chamber construction well underway at Haycock Ave, Miranda Reserve and Keith Hay Park.	Preparation for TBM launch at Māngere to continue. Shaft wall lining to recommence November 2021. May Rd to Haycock Ave mTBM drive expected to be completed mid December 2021. Shaft excavation to commence at Keith Hay Park in Q4 (calendar period).
Commence tunnelling	On track	The TBM has now launched and has tunnelled 44m. Commissioning and Site Acceptance testing ongoing until the full 190m of the TBM is assembled in the tunnel.	The TBM is expected to be fully assembled and 300m of tunnel installed by November 2021.
Main works into service	Delayed	The main works (Central Interceptor) are to go into service Q1 2026, a delay from the original completion date of Dec 2025. This is due to the current Covid lockdowns.	This will include the Grey Lynn Wastewater Tunnel extension.

Strategic focus area – Water supply investment

Key commentary

For the 3 months to 30 September 2021, \$52.3 million was spent towards water supply investment against a year to date budget of \$92.3 million.

Highlights

- Reducing non-revenue water loss: Leak detection continues. Since the programme began, we have swept more than 5,900km of pipes and fixed leaks with an estimated total volume of more than 9.76 MLD. We are continuing the programme and aim to sweep 11,000km by July 2022 (this includes sweeping some areas twice).
- Augmentation update: The Waitākere WTP is being upgraded from 16MLD to produce 24MLD at peak. The work has been delayed due to Covid-19 and is due for completion in November 2021.
- We plan to expand the Redoubt Reservoir complex by building two new 50MLD reservoirs. This is a resilience project for what is a regionally significant part of the water supply network. We will construct the new Redoubt Reservoir No.4 between FY22 and FY24 (funding of just under \$48m has been approved by the Watercare Board). Construction of Redoubt Reservoir No.5 will begin in FY26.
- Huia Water Treatment Plant: council granted approval to the resource consents to carry out the site preparation works (earthworks and vegetation removal) on 30 June 2021. Seven parties appealed the decision to the Environment Court (EC), with the primary reason for appeal being the risks associated with kauri dieback, loss of amenity, compensation levels and impact on the area's ecology. The EC will initially direct all the parties to enter into mediation. If the mediation is unsuccessful, an appeal should be held before July 2022.
- Watercare is updating its Drought Management Plan (referring to national and international learnings, and lessons learnt from the recent drought). This mahi includes a review of communication with our customers (in the form of focus groups) and with council (which will be aligned with the work set out above). A kick-off workshop was held in August with the timeline for completion being December 2021. In the meantime, the Watercare website has been updated to include a wider perspective on the water supply situation beyond the dams and to provide more transparency around the water use restrictions and potential trigger levels.
- Good trends continue for reduced total coliforms across Watercare's water supply operations following the delivery of several improvements at the laboratory and across the wider water supply system.

Risks

- The extreme weather in West Auckland caused our Waitakere dams to go from half full to overflowing in hours. The level of rainfall caused landslips within the catchments and blocked the access roads and tramline and impacted one of the raw water pipelines. The damage is extensive and will be expensive and time-consuming to repair; an insurance claim may be lodged.
- The extensive landslips and soil erosion also caused high turbidity levels within the water storage lakes. To improve raw water quality we conducted a controlled release of water from Lower Nihotupu Dam while the dam was overflowing. A similar exercise was also undertaken at the Lower Huia Dam but was abandoned after a few minutes as the water quality was worse than expected. This activity was managed with advance consultation with the regulator, stakeholders and the community.

Strategic context

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

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

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

Key programme of works	Status	Description	Key deliverables for the quarter
Hūnua 4 Watermain	Delayed	This is a 31km pipe that will connect the reservoirs in Redoubt Road, Manukau to those in Khyber Pass, Newmarket providing security of water supply for a growing Auckland. The watermain is in service for 28km from Redoubt Road Manukau, to Epsom. The approved completion date for this project is December 2021. A delay is expected following the grout ingress, grout removal and subsequent repair.	Grout removal is underway in the penultimate section. The cause of the grout ingress remains unknown at present. Work was stopped due to Covid-19 Alert Level 4 restrictions and now has resumed under Covid-19 Alert Level 3 restrictions.
North Harbour No.2 Watermain	On track	This pipe will service growth in the north. It also provides an alternative route for conveying water from the west to the north to provide security and resilience. The expected completion date for this project is 30 June 2030.	Design around landslip at Squadron Drive ongoing. Work was stopped due to Covid-19 Alert Level 4 restrictions and now has resumed under Covid-19 Alert Level 3 restrictions.
Huia Water Treatment Plant replacement	On track	The plant is nearing the end of its operational life. It needs to be replaced to continue to supply a growing Auckland with high quality water from our western supply dams that supply around 20per cent of Auckland's water.	In June, council approved the land use consent to carry out earthworks and vegetation clearance on the site. Seven appeals have been lodged with the Environment Court (EC) to the decision. The primary reasons for the appeal are the risks associated with kauri dieback, loss of amenity, compensation levels and impact on the area's ecology. The EC should issue directions as to how it views the appeal proceeding within the next few weeks. The EC will initially direct all the parties to enter into mediation. If the mediation is unsuccessful then it is anticipated that the hearing will be held before July 2022. Work was stopped due to Covid-19 Alert Level 4 restrictions and now has resumed under Covid-19 Alert Level 3 restrictions.
Nihotupu No.1 and Huia No.1 watermain replacement	On track	This project involves two critical watermains nearing the end of their design lives, which are being replaced. The expected completion date for this project is 30 November 2022.	Work is ongoing on White Swan Road. Work was stopped due to Covid-19 Alert Level 4 restrictions and now has resumed under Covid-19 Alert Level 3 restrictions.
Waikato Water Treatment Plant 50MLD	On track	This upgrade provides a new water treatment plant with 50MLD for resilience and drought relief from the Waikato River. The plant went into service as planned, relieving the demand on the then still depleted dams.	The plant went into service on the 14 July 2021 as planned and was opened by the Mayor Goff on 20 July 2021. Close out works were stopped due to Covid-19 Alert Level 4 restrictions and now has resumed under Covid-19 Alert Level 3 restrictions.

Strategic focus area – Wastewater investment

Key commentary

For the 3 months to 30 September 2021, \$75.1 million was spent towards wastewater investment against a year to date budget of \$101.0 million.

Highlights

- Auckland Council Water Supply and Wastewater Network Bylaw 2015 Review: Watercare is working with council staff to review this bylaw, which is a legislative requirement. Watercare gained approval from council to proceed with public consultation in early 2021. Public consultation on this bylaw began on 8 June and ran until 16 July 2021. During September 2021 presentations were made to 18 local boards outlining the feedback received during the public consultation period. The Bylaw Panel will now deliberate on any potential amendments as a result of the public feedback that has been received. A public deliberation panel session is scheduled for 4 November 2021.

Risks

- The number of wastewater overflows has increased recently over the last few months with July 2021 being 22 per cent higher than July 2020. This is a key focus area for us, especially in the central more heavily built-up areas.

Strategic context

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

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

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

Key programme of works	Status	Description	Key deliverables for the quarter
Northern Interceptor	On track	This pipe will divert flows, which would otherwise go to Māngere, to Rosedale. It will replace aged infrastructure, increase capacity of the network and reduce wet weather overflows.	Work is ongoing at Hobsonville and Rosedale. Work was stopped due to Covid-19 Alert Level 4 restrictions and now has resumed under Covid-19 Alert Level 3 restrictions.
Pukekohe Wastewater Treatment Plant upgrade	On track	The upgrade will provide capacity for population growth in the Pukekohe, Buckland, Tuakau and Pokeno catchment area.	The new works are treating the wastewater as scheduled. Construction works have commenced for the refurbishment of the existing plant. Work was stopped due to Covid-19 Alert Level 4 restrictions and now has resumed under Covid-19 Alert Level 3 restrictions.
Sub-regional wastewater servicing – North East	Delayed	This upgrade will cater for population growth in Warkworth and Snells Beach and will produce high quality wastewater for discharge. Completion is due in July 2024.	Transfer Pipeline: Design is finished, and construction will start as soon as resource consents and Land Owner Agreements are obtained. Consents will be limited notification. There have been significant issues associated with two landowners. A current delay of six months is expected. Construction of the pump station started on 14 August 2021 and is programmed to be completed by September 2023 which is within the approved time frame. Work was stopped due to Covid-19 Alert Level 4 restrictions and now has resumed under Covid-19 Alert Level 3 restrictions. WWTP: Detailed design and long lead item procurement is underway. Site establishment works commenced in July 2021 and restarted in September 2021 following Covid-19 Level 4 lockdown. The main construction contract is scheduled for award in October 2021. All resource consents have been obtained.

Sub-regional wastewater servicing – South West	On hold	This programme of works will provide wastewater servicing for the communities of Kingseat, Clarks Beach, Glenbrook Beach and Waiuku.	Consultation on potential WWTP locations is underway with a public open day held on the 29 September 2021. Optioneering and concept design of the remainder of the scheme is ongoing. Marine geotechnical investigations are being scoped and will be undertaken shortly to enable the design and consenting of works in the coastal and marine environments to progress.
Western Isthmus Water Quality Improvement Programme	On track	Watercare is investing \$412m over 10 years. Benefits include reduced wastewater overflows into the environment.	Freemans Bay stormwater separation project is complete. Design and consenting for the St Mary's Bay Catchment and the Waterview Catchment separation projects continues. Continued feasibility and investigations in various catchments within the Western Isthmus. Ongoing separation field investigations in combined sewer network areas at Pt Chevalier Catchment, Oakley Catchment Methuen Rd and Bollard Ave, and Whau/Lynfield Catchment. Business case development for separation projects in progress, and business cases development of projects with Central Interceptor interface underway.
Whenuapai Redhills Package 1	On track (Based on change request submitted in June 2021)	This scheme provides wastewater capacity in Whenuapai.	Discussions with landowners to obtain affected party approvals. Potholing to identify existing services. Additional ground investigations. Detail design underway. Specialist investigations underway to inform Assessment of Environment Effects report and resource consent.
Whenuapai Redhills Package 2		This scheme provides the gravity pipelines into which the Package 1 scheme will discharge.	Ground investigations underway but delayed due to Covid-19 restrictions. Preliminary design underway.
Whenuapai Redhills Package 3		This scheme provides transmission gravity pipelines for developments in Southern Redhills.	Ground investigations delayed due to Covid-19 restrictions. Detail design for one of the four pipelines almost complete. Awaiting landowner approval for construction of 1 of the pipelines.

CCO review implementation

Context

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

- fortnightly Traffic Light reporting of the review's 64 recommendations;
- a programme of issues and topics for the group to consider is to be developed; and
- senior staff from council and Watercare are to work together to develop a programme and support this group.

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

Q1 implementation progress

CCOs and local boards reset how they engage with one another (R-34). Twenty-one local board workshops with CCO and management attendance have been completed and the plans have now been approved by the local boards. Engagement plans are to be jointly signed by CCO CEs and local board Chairs in October. An information hub (the portal) has been created on Watercare's website to improve information sharing and visibility.

Table 1

The council formulates a three waters strategy – requested update (R-15). Focus has been on internal activities that contribute to the Water Strategy, whilst also keeping abreast of developments across all relevant council work streams through regular working group meetings. Work on the economic level of leakage will be included in the Water Strategy, along with updated measurement targets. Council continues to focus on integrating Te Mana o te Wai principles to ensure a deeper engagement with Mana Whenua and an audit to benchmark Auckland against key criteria for Water Sensitive Cities, using subject matter experts in Watercare to contribute as required. Political decision-making on strategic direction is expected December 2021 and the strategy presented for approval in early 2022.

The governing body spends half a day each year visiting each CCO to better understand its business and culture and to informally build relationships (R-27). Council Governing Body representatives attended Watercare Māngere WWTP on 10 August. Guided tours were conducted for of the wastewater treatment plant and Puketutu Island, with accompanying presentations on the Water Services Bill, Water Safety Plans and purified recycled water.

Table 2

Resolve consent processing delays (R-17) and clear measurable minimum performance levels when reviewing consent applications and formal mechanism for objections (R-18). As a multi-faceted project that must align to the customer consenting journey, the project will be integrated into the Horizon 2 initiatives in council's Regulatory Services' Kokiri Whakamua strategy. Forecast completion is the end of 2022, with co-governance from council, AT and Watercare.

Outlook

The council and CCOs review the quality of the service their call centres provide, including by ensuring an up-to-date, group-wide phone directory is on hand containing job descriptions and contact details of all staff (R-41). Watercare employee contact information is available to council. Next step is for council to provide consolidated CCO contact information.

Council updates its brand guidelines to ensure clear and consistent use (R-57). We adopted the new brand guidelines and are using the new sized pohutukawa.

The council and CCOs work together to draw up group policies on shared services, the development of leadership talent and remuneration (R 61).

The proposed scope of the review has been developed and includes the following functions across CCOs: digital, finance, procurement, P&C, HS&W, legal, corporate property, communications, other corporate services, EPMO, corporate strategy, risk and assurance and rates, valuations and data management. The assessment phase is estimated to take 4–5 months with final approval of recommendations by the CCO Boards.

Other statement of intent focus areas

National Water Reforms

- The combined council working group members continue to participate in a number of cross sector reference groups being coordinated by the DIA.
- Watercare has established a team to understand the reform proposals and to understand impacts on the Watercare business. This team, along with staff from council continue to:
 - a) build a working relationship with Northland councils to understand what working together more closely might involve;
 - b) share the DIA request for information data between the entities; and
 - c) perform some joint analysis to understand cross-council opportunities.
- Healthy Waters and Watercare have been working on aligning key processes and programmes, such as the inclusion of Healthy Waters' activities in Watercare's Nerve Centre and the planning team co-locating at Watercare's premises.
- A joint Watercare and Council Mana Whenua forum has been established to support Mana Whenua understanding the reforms, the processes and facilitate engagement with the DIA.

Lutra Limited (Watercare owns 67% of Lutra)

- In July 2021, Lutra's SOI 2021–2024 was approved by the Watercare Board.
- In September 2021 Lutra's founder and CEO, Jason Colton departed on a year-long sabbatical. The company's Chief Operating Officer, Maseina Koneferenisi, was appointed Acting CEO for the coming year. The business is adapting well to the change in company leadership.
- The company has continued to pursue its three strategic priorities: growing the infrastructure data business, including in Australia; growing its Engineering Services Business, including preparing the industry for water reforms and the new Drinking Water Standards that came into effect on 1 July 2021; and growing its new Safewater business, which involves providing standardised, modular water treatment plant solutions for small and neighbourhood supplies.

Progress on other SOI priorities

- Watercare has commenced customer engagements with the aim of developing a new platform for public participation in complex decision making. While these sessions are intended to provide learnings for the establishment of a citizens' jury to be held later in the year, we are already gaining great benefit from them. The single biggest insight from the first three sessions is just how invested our customers are in the city's water future. The customer groups are asked to discuss what Auckland's next (2040 and beyond) water source should be. After receiving high-level information (packaged by Watercare and delivered by Auckland University experts) on a number of options, groups discuss the suitability – from their perspectives – of each option. They then have an opportunity to ask questions to Watercare experts before reporting back on the option(s) they are most likely to support.
- Very early indications are that purified, recycled wastewater combined with at-home/business water efficiency are preferred over desalination. Participants were fully engaged, and willing to be invited back to similar engagements, including the three to four day long jury session.

Waikato District Council

- All performance measures have been achieved year to date.
- In July, the transitional contract period was extended by mutual agreement until there is clarity on the impact of the three waters reform. Once the future path is confirmed, a new timeframe for moving to an operational contract will be assessed annually.
- The Watercare Board and Waikato Water Governance Board met in September 2021. The meeting was positive, and actions are in place to address key discussion points, including improved Health and Safety awareness for the Governance Board and the challenges to capital delivery because of Covid-19 impacts.
- The DIA-funded projects continue on schedule. Consideration of extending the delivery is being discussed with the DIA and Waikato District council because of the possible delays to the supply chain due to Covid-19 restrictions.
- The Faults and Service, GIS, and asset management tool for the system delivery have been implemented.

Other strategic focus areas update

Contribution towards Māori Outcomes

Watercare continues to work closely with our iwi and mana whenua partners across a number of projects and initiatives that deliver on Māori outcomes. In Q1, we released the final draft of our Māori Outcomes Plan (MOP). The MOP provides Watercare with a roadmap of high-level milestones that contribute to the 10 priority mana outcomes identified within Kia Ora Tāmaki Makaurau. Watercare has shared its MOP with both council and other CCOs and will present to iwi and mana whenua partners over the next quarter.

Te Rua Whetū, our new Māori Outcomes & Relationships Unit was established in August and will oversee implementation and monitoring of the MOP. As the organisational lead for Watercare's partnerships with Māori communities, Te Rua Whetū will also play a key engagement role in supporting delivery of the Three Waters Reform Programme.

We have also progressed initiatives aligned to the Kia Ora te Reo (Te Reo Māori), Kia Ora te Ahurea (Māori Identity and Culture) and Kia Hāngai te Kaunihera (An Empowered Organisation) mana outcomes including:

- Waikato-Tainui and Te Taniwha o Waikato cultural narratives incorporated into design elements for Waikato 50 Water Treatment Plant.
- Ngāti Tamaoho pou whakairo featured at Papakura Water Treatment Plant.
- Internal Te Reo Māori survey that will provide a baseline assesment of kaimahi (staff) capability and inform Watercare's own Te Reo Māori action plan.
- Scoping to understand how cultural awareness and tikanga Māori values can be integrated into the way in which health and safety is applied across Watercare.
- Te Reo Māori training and translation support for Te Wiki o Te Reo Māori events and Board of Inquiry hearings.

Climate Change & Sustainability

Decarbonisation

- Watercare Decarbonisation team formally established with management appointed as value stream leaders across seven key business areas (value streams).
 - Greenhouse gas emissions verified for the 2019/20 year by external auditors Toitu Envirocare.
- There has been a 10 per cent increase in emissions from last year. This is due to two key changes.
1. A normalisation of natural gas consumption that was particularly low the year before due to three of the four co-generation gas engines being overhauled in the past year now being operational. Noting that natural gas is planned to be phased out at the site in question with capital upgrades between 2024–28.
 2. Expanded reporting this year to include emissions from the disposal of waste grit and screening material from regional wastewater treatment plants to landfill, along with the transport of these. Electricity emissions decreased by 4per cent, some of which can be attributed to the successful performance of the Rosedale floating solar array.
- Two smaller solar generation projects totalling 460kW have been approved at Raglan WWTP (Waikato District council) and on the roof of the new permanent Papakura WTP. Both arrays are expected to be operational by early 2022.
 - An order has been placed for three electric heavy vehicles (12 tonnes) to complete spoil removal on the Central Interceptor project. Co-funding has been received from the Governments Low Emission Vehicle Fund to support the purchase and we believe they will be the first roadworthy electric trucks for construction use in New Zealand. They are expected to arrive by March 2022 once manufacture, shipping and testing has been completed. Watercare supported Auckland council colleagues on strategic climate related projects – C40 Cities Adaptation targets, Taskforce on Climate Related Financial Disclosure reporting.
 - Watercare presented a sustainability update to Environment and Climate Change committee in August 2021.
 - There has been ongoing dialogue between Watercare and Auckland Council staff on the potential for an EcoPark, focusing on waste minimisation and building material re-use using Watercare land.

Water as a taonga/ water efficiency

- We launched our Water Efficiency Plan which highlights our approach to meeting 2025 water efficiency targets.
- This event celebrated water efficiency and highlighted the impacts of climate change. The audience was major commercial water users in Auckland, including staff from council.
- Continued to support development of the Auckland Water Strategy with council colleagues. Completed assessment of Economic Level of Leakage.

Circularity and thriving nature

- Completed the first batch of Emerge fertilizer, a renewable product made of struvite (a mineral that naturally appears through the wastewater treatment process at Māngere).
- Planting season has been impacted due to Covid-19 restrictions. Impact for the year still to be accounted for depending on lockdown levels before Christmas.

Watercare Q1 financials



Direct operating performance

(\$ million)	Notes	FY 21	FY 22 Quarter 1 YTD			FY 23
		Actual	Actual	Budget	Variance	Budget
Net direct revenue		462.8	111.1	98.3	12.8	456.4
Direct revenue	A	778.4	213.8	174.0	39.8	765.3
Fees & user charges		510.7	127.8	140.7	(12.9)	615.5
Operating grants and subsidies		2.1	1.3	-	1.3	-
Other direct revenue		265.6	84.7	33.3	51.4	149.8
Direct expenditure		315.6	102.7	75.7	(27.0)	308.9
Employee benefits		88.2	28.1	19.1	(9.0)	79.3
Grants, contributions & sponsorship		0.3	0.3	0.0	(0.3)	0.4
Other direct expenditure	B	227.1	74.3	56.6	(17.7)	229.2
Other key operating lines						
AC operating funding		-	-	-	-	-
AC capital funding		-	-	-	-	-
Vested assets		48.5	19.1	16.0	3.1	69.0
Depreciation		270.5	70.0	60.7	(9.3)	245.9
Net interest expense		88.3	24.3	17.9	(6.4)	72.4



Financial Commentary

A: Direct revenue is \$39.8m ahead of budget mainly due to increase in IGC revenue (\$31.2m).

B: Other direct expenditure is \$17.7m over budget due to Covid-19 contracts payments, uplift in the Waikato capital programme and digital project spend.

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

- Vacancy rates have reduced with staff opting for certainty and not changing jobs,
- Non-utilisation of leave due to Covid-19 Alert Level 4 and 3 restrictions,
- Increased overtime payments as staff maintain double shifts at operational sites, and
- Lower labour recoveries due to reductions in delivery of the capital programme.

Watercare Q1 performance measures

Key performance indicators	Previous	FY 22 Quarter 1		Status	Commentary
	year	YTD Actual	FY Target		
<p>Note: Watercare has a total of 27 SOI measures, of which 14 are LTP measures.</p> <p>For the 3 months to 30 September 2021, 22 of the 27 measures are tracked monthly. Two measures are yearly measures, and one measure is a six monthly measure. Due to insufficient data, one of the measures was not tracked. The baseline is yet to be established for one measure.</p> <p>In Q1, of the 22 measures, 21 of the measures were achieved, one was not achieved.</p>					
LTP/SOI performance measures					
Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents (12-month rolling average)	a) 0 b) 0 c) 0 d) 0	a) 0 b) 0 c) 0 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	Achieved	Target has been met.
The average consumption of drinking water per day per resident (gross PCC) (12-month rolling average)	245.6	243.42	>260	Achieved	Target has been met.
The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	100%	100%	Achieved	Target has been met.
The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	100%	100%	Achieved	Target has been met.
Median response time for attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site.	56 mins	55 mins	≤ 60 mins	Achieved	Target has been met.

Median response time for resolution of urgent calls-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	2.8 hours	2.6 hours	≤ 5 hours	Achieved	Target has been met.
Median response time for attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	1.0 day	0.87 day	≤ 5 days	Achieved	Target has been met.
Median response time for resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	1.3 day	1.00 day	≤ 6 days	Achieved	Target has been met.
The total number of complaints received by the local authority about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system (12-month rolling average)	9.0	8.58	≤ 10	Achieved	Target has been met.
Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that the territorial authority receives notification to the time that service personnel reach the site	51 mins	63 mins	≤ 60 mins	Not achieved	Our response times have been improving and are now moving in the right direction. Further improvement should be seen over the coming months due to further improvements in crew training, fleet vehicle management and increased staffing.
Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault	2.5 hours	2.8 hours	≤ 5 hours	Achieved	Target has been met.

The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system expressed per 1000 connections to the territorial authority's sewerage system (12-month rolling average)	29.5	29.34	≤ 50	Achieved	Target has been met.
The percentage of real water loss from the local authority's networked reticulation system (12-month rolling average)	13.7	N/A	≤13	N/A	Not measured for the period Insufficient data: meters not read during Alert Level 4 lockdown. Non-revenue water for the period will be reported in Q2.
The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system (12-month rolling average)	0.86	0.00	≤ 5	Achieved	Target has been met.
Other SOI performance measures					
Average number of wet weather overflows per discharge location (transmission system) (12-month rolling average)	0.5	0.96	≤ 2 overflows per year	Achieved	Target has been met.
Employee net promoter score (eNPS)	35	35.0 (June figure)	≥20	Achieved	No change as next survey due November.
Gender workforce ratio	New measure	2.0% (June figure)	Improve on prior year	Achieved	No change for Sept 21 (36%) compared to baseline from FY20/21 (34.0%).
Total recordable injury frequency rate per million hours worked (12-month rolling average)	New measure	15.79	<20	Achieved	Target has been met.
DUEs (domestic unit equivalent) measured through IGCs	New measure	1225	TBD	N/A	Baseline to be established.
Average asset age	New measure	N/A	Reduce on prior year	N/A	Not measured for the period. This is a long-term measure and will be reported every six months to give an indication of how this is tracking.
Debt to revenue ratio	New measure	2.6	3.54	Achieved	Target has been met.

Percentage of household expenditure on water supply services relative to average household income	0.84%	0.77%	≤ 1.5%	Achieved	Target has been met. The new income statistics are released every October and Aucklanders' average income (from all sources) rose considerably from \$2,217 to \$2,457 per week.
Formal engagement with mana whenua of Tāmaki Makaurau	New measure	53%	100%	On track (against year-end target)	This measure will be reported on at year end. We are continuing to meet with the mana whenua of Tāmaki Makaurau. Year to date we have met with 10 of the 19 iwi this includes senior members from both sides formally meeting.
Ratio of procurement sourced through Māori owned businesses	New measure	0.38%	1%	Achieved	Up to September figures are direct spend only. We expect to be able to add indirect spend from Enterprise Model and Central Interceptor suppliers starting October.
Percentage of customer complaints resolved within ten days of notification	New measure	98.30%	≥95%	Achieved	Target has been met.
Net promoter score (NPS)	43	50	≥40%	Achieved	Target has been met.
Community trust score	New measure	53%	≥55%	On track (against year-end target)	We are tracking well to meet our target of 55 per cent by June 2022. We have developed a trust recovery plan which addresses the issues we faced during the drought and the negative perceptions of Watercare over the last year. Our communication strategy will focus on how we will invest in Auckland's water future and the critical services we provide to ensure Tāmaki Makaurau will prosper. We are also working on a two-way customer engagement model that enables customers to have a say on large projects and local community issues that matter to them. As a result, we have increased our media sentiment score and trust is heading in the right direction. Our trust score is derived by surveying approximately 400 representative sample of Aucklanders each month (who may or may have had an interaction with Watercare), therefore their responses are very much influenced by general media and events impacting the water industry in New Zealand. We are acting now to get well ahead of our target, in order to have a buffer against negative sentiment beyond our control which may impact trust.