

Watercare

Quarter 1 performance report

For the period ending 30 September 2022

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

Watercare Q4 summary

Highlights, issues & risks for the quarter

Highlights

- During Q1, Watercare held New Zealand's first Citizens' Assembly. The Assembly brought together a group of 37 Aucklanders, representative of the demographic make-up of our city, to deliberate on and make a consensus-based recommendation to our Board on the next source of water post 2040. After almost 50 hours of active engagement, including learning from local and international independent subject matter experts, discussions, voting and prioritising, the Citizens' Assembly hand delivered their recommendation to the Chair. Having recommended direct recycled wastewater as the preferred future source, the Assembly felt strongly that Watercare needed to invest in significant public education to dispel any water quality and health concerns. They acknowledged the value of this type of engagement and recommended that we use this more often. The Board has formally accepted the recommendations of the Assembly.
- After a very wet July, Auckland's dams reached 100% storage, the first time since winter 2017.
- We are very focused on achieving our capital spend target for the year. We have therefore ensured we have programmes of renewals ready to go, and are focused on expediting additional capital projects (eg solar energy programme and digital enhancements).
- A dawn blessing and opening ceremony was held to open the Watercare Training Centre. The multi-purpose outside training zone has built at Māngere, creating an environment where people can learn a variety of skills, including working at heights, pipe-jacking, working in confined spaces and on scaffolding. This is the first step in developing the site and as the campus grows, there are plans to provide a broad range of industry training for frontline staff and contractors
- Construction on the Hūnua 4 is complete bringing to the end 14 years of construction. The watermain has been flushed tested and was brought into service in early October.

Issues & risks

- We continue to monitor the pressures on the economy and rising inflation and its impact on our capital and operating costs.
- Watercare has temporarily closed the Onehunga Water Treatment Plant to ensure it can continue to consistently meet the new drinking water regulations that take effect in mid-November 2022. Over the past four years, Watercare has been proactively testing for PFAS at Onehunga, despite no regulations being in place yet. 4/48 samples have shown PFAS levels above the soon to be introduced limit in the new drinking water standards. Onehunga residents and businesses are now being supplied from the metropolitan water network, with water treated at our Ardmore and Waikato water treatment plants. A coordinated communication plan is in place.
- HSW remains a key focus area following recent incidents at Mt Albert (CI), Dunkirk and Papakura. We have worked with Downer and Citycare to see how our approaches compare.
- As at the end of September 2022, staff turnover is currently 18.7%. We are looking closely at key areas to make sure they are properly resourced.

Financials (\$million)	YTD actual	YTD budget	Actual v Budget
Capital delivery ¹	176.4	178.7	↓ 1.3%
Direct revenue	234.7	241.5	↓ 2.8%
Direct expenditure	92.5	88.5	↓ 4.5%
Net direct revenue	142.2	153.0	↓ 7%

Financial Commentary

Capital delivery: Capital expenditure year to date was down for Q1. Later than expected delivery of materials on the Central Interceptor Project (CI) was the main reason for the variance, however this is expected to be recovered and the full year capital programme forecast is still in line with the annual budget.

Direct revenue: Direct revenue was down \$6.76m against budget due to developer IGC revenue, some of which was brought forward by developers to Q4 FY22. Commercial consumption was also down for the period. This was partially offset by the additional funds received from Kāinga Ora shovel ready projects.

Direct expenditure: Other direct expenditure is \$4m over budget due primarily due to use of contract labour being higher than budgeted, and unplanned maintenance resulting from extreme weather events.

1. Capital delivery financials exclude capitalised interest and Kāinga Ora.

Strategic focus area – Central Interceptor

Key commentary

As at 30 September 2022, a total of \$596.4 million has been spent towards the Central Interceptor (CI) against a total CI budget of \$1.268 billion. In addition, the CI programme manages \$30m of Western Isthmus Water Quality Improvement Programme (WIWQIP) works. Good progress has been made in the quarter with 13 of the 16 shaft sites now established.

After the reporting date, settlement of all Covid claims to 30 September 2022 was negotiated with the Contractor resulting in a total six month delay due to Covid-19, and an updated completion date of June 2026. Settlement of Covid-19 claims has not resulted in an increase in project budget, and there have been no requests to the Board for additional funding to deliver the agreed scope of works.

Whilst the CI programme currently remains within the original approved budget, this is highly contingent on future inflation.

Highlights

- The Tunnel Boring Machine (TBM) is now operating at full capacity and has tunnelled 2,827m of the drive from Māngere Pump Station to May Road (7,594m) with 1,494 rings now installed. Tunnelling has now commenced under the Manukau Harbour.
- The pump station building foundation, beams and slabs works are now 90% complete and the form work construction for lift 6 (of 8) of the main shaft dividing wall is underway as at end of September 2022.
- Link Sewer C: The Micro Tunnel Boring Machine (mTBM) commenced the longest mTBM drive for the project from Dundale to Miranda Reserve in August and at the end of September has completed 745m of the 1,145m. Drive number 4 from Miranda to PS25 is scheduled to commence in November 2022.
- For the potential extension to Pt Erin, Watercare and Healthy Waters have commenced community engagement with the communities in St Marys Bay and Herne Bay, and work is underway to prepare a resource consent application.

Issues & risks

- Cost escalation risks: The sourcing and retention of personnel remains critical along with the increased risk of cost escalations.
- Environment consent and property: The non-compliant wastewater discharge discovered at Māngere site in March 2022 has been remedied. Council have confirmed, in writing, that no formal enforcement action would be taken.
- Contractual claims resulting in cost overruns: This risk relates to an event, such as unforeseen physical conditions occurring during construction that results in a valid claim by the contractor. We continue to work with the contractor to mitigate these risks wherever possible.
- Health, safety and wellbeing: Lifting, crane operations and working around plant and equipment remain significant risks for the project. A serious incident occurred at the Mt Albert site in September where changes to controls led to a worker entering an exclusion zone and being pinned between the counterweight of an excavator and a concrete barrier, suffering a broken pelvis. The investigation has been published by the contractor and currently being reviewed by Watercare senior management. The use of exclusion zones and cameras on cranes, and a continued focus on training and the competency of our labour force on the project are key to helping mitigate these risks
- 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.
- There continues to be project impacts from the global supply chain, international shipping delays and the tight labour market.

Strategic context

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

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

It is proposed to extend the Central Interceptor tunnel a further 1.5km from Grey Lynn to Pt Erin as a more economic option than the alternative of extensive stormwater/sewage separation in the Herne Bay and St Marys Bay areas, whilst delivering on the promise to significantly reduce wet weather overflow discharges into the Waitemata by 2028.

Key programme of works	Status	Description	Key deliverables for the quarter
Finalise design for the Grey Lynn Tunnel	On track	Detailed design work for the terminal shaft of the Grey Lynn Tunnel at Tawariki Street.	The detailed design of the terminal shaft is now well underway with Jacobs leading the design process. This incorporates the Western Isthmus works in that area.
Commence physical works	On track	The Keith Hay Park Glass Reinforced Plastic (GRP) shaft liner was lowered into place and grouting completed. The pump station building foundation works are now 90% complete and sheet piling around the eastern and southwestern interceptors at the Confluence Chamber is well underway. Shaft excavation completed at May Road A and the base slab poured. Shaft excavation at PS23 complete with GRP shaft liner to be installed in late October 2022.	Pump station shaft wall lining at Māngere was completed in May 2022. Main shaft dividing wall and pump station building foundation construction nearing completion. Confluence chamber excavation works also now underway. Walmsley, PS25 and Mt Albert War Memorial shaft excavation all underway.
Commence tunnelling	On track	The TBM has tunnelled 2,827m. Tunnelling is now operating at full capacity.	Main tunnel excavation is now at full capacity.
Main works into service	Delayed	The main works (Central Interceptor) are to go into service mid-2026, a delay from the original completion date of December 2025. This is due to the Covid-19 lockdowns from August – September 2021 and ongoing impacts of Covid-19.	This will include the Grey Lynn Wastewater Tunnel extension.

Strategic focus area – Water supply investment

Key commentary

For the 3 months to 30 September 2022, \$59.3 million was spent towards water supply investment against the FY23 budget of \$42.5 million.

Highlights

- Rainfall over the last three months should ensure healthy water storage levels for the coming summer. Reservoirs are full.
- Construction on the Hūnua 4 is complete bringing to the end 14 years of construction. The watermain has been flushed tested and was brought into service in early October.
- In terms of non-revenue water updates: The proactive leak management programme is progressing well. Since the start of the expanded programme in 2020, approximately 13,290 kms have been surveyed to date with 8,059 leaks found.
- We are on target to submit updated water safety plans to Taumata Arowai as required by November 2022. We are planning internal education / management audits against the plans from the new year. We are also planning a formal audit against the plans and wider water quality compliance for around June 2023.
- We are working on the implementation of the required improvements to meet areas of the final standards issued by Taumata Arowai. Essential activities remain on programme.
- Natural and Built Environments Bill – The “Exposure Draft” submissions have been considered and are informing the development of the Natural and Built Environments Bill, to be introduced to the House in 2022 alongside the Strategic Planning Bill. There will be an opportunity for the public to provide feedback on these two bills at that time. Watercare will provide feedback to support alternative water sources.
- Water literacy in pursuit of water efficiency continues to be a key focus area. While we will no longer have the level of investment as during the drought of 2020/21, we continue to use our own media as well as social media to remind Aucklanders of the value of water. Our spring campaign on water efficient gardens is targeting high water users in the residential sector. We have also started rolling out residential smart meters and planning to install 44,000 by the end of financial year 2023. To date we have installed 2,400 smart meters for commercial accounts; and 15,400 on domestic accounts.

Issues & risk

- Positive E. coli was detected on 5 September at Gordon Craig Place, Algies Bay (network sampling point). Investigations confirmed it as being an isolated event and not representative of the water supply. Under the current regulatory rules (i.e. Drinking-water Standards for New Zealand 2005 (Revised 2018) (DWSNZ), positive E.coli detection does not automatically constitute non-compliance. The DWSNZ 2005 (Revised 2018) provides a “95 percent confidence” provision to remain compliant, provided that the water supplier establishes a high level of confidence that E.coli exceedance does not constitute a public health risk. From 14 November 2022, when the new Taumata Arowai Quality Assurance Rules come into effect, every positive E.coli will be reported as non-compliance.
- Board of Inquiry: In August 2022, the High Court confirmed that Waikato-Tainui has dropped its appeal against the Board of Inquiry decision to grant Watercare consent to treat an additional 150 million litres of water from the Waikato River. We are continuing our discussions with Te Whakakitenga o Waikato Inc, with the mutual intention of entering an updated kawenata (agreement) that outlines how we will work together to protect and enhance the awa.

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 18 water treatment plants (WTPs), 87 service reservoirs, 84 pump stations and over 9,584km of water pipes.

Key programme of works	Status	Description	Key deliverables for the quarter
Hūnua 4 Watermain	Completed	This is a 31km pipe that will connect the reservoirs in Redoubt Road, Manukau to those in Khyber Pass, Newmarket. This will provide water supply security in a growing Auckland. 28km of the pipe is in service from Redoubt Road, Manukau, to Epsom. The approved completion date for this project was December 2021. A delay occurred following the grout ingress, grout removal and subsequent repair of the pipe.	Construction on the Hūnua 4 is complete bringing to the end 14 years of construction. The watermain has been flushed tested and was brought into service in early October.
North Harbour No.2 Watermain	On track	This pipe will service growth in north Auckland. It also provides an alternative route for conveying water from the west to the north and will provide security and resilience. The expected completion date for this project is 30 June 2030.	Route alignment alternatives are being considered over the next six months to minimise disruption and align with transport project initiatives, such as future motorway crossings. Investigations to support the pipeline under the Greenhithe Bridge are also being undertaken over the next few months.
Huia Water Treatment Plant replacement	On track	The plant is nearing the end of its operational life. It needs to be replaced to continue the supply of high-quality water to a growing Auckland. The plant supplies around 20% of Auckland's water from our western supply dams.	Court assisted mediation with appellants was held during September 2022. The mediation was constructive and preliminary agreements were established with each appellant. The mediation focused on the undertaking of additional works to improve the likelihood of reaching a position that would be acceptable/beneficial to both parties. Watercare is currently working on a number of solutions. Subsequent mediation sessions have been scheduled for October 2022 and March 2023. Technical work on Kauri dieback has been largely completed and information confirmed through this work was used to inform the mediation process. Kauri dieback mitigations were discussed during the mediation and are now being investigated. This project is on track based on current consent delivery timeframes, assuming that an Environment Court hearing is the ultimate outcome.
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 September 2024.	<u>Titirangi update</u> – Highland Ave has been completed and the team are progressing works along Daffodil St. <u>Golf Rd update</u> – works are progressing on the corner of Gilliam Ave and Golf Rd and are expecting completion early December 2022. <u>Puketapapa / Dominion Rd update</u> – infrastructure has been installed. Currently testing pipeline to enable a connection on 1 November 2022.
Waikato Water Treatment Plant 50MLD	Completed	This upgrade provides a new water treatment plant with 50MLD. Drawing water from the Waikato River, it provides resilience and drought relief. The plant is now in service.	The project is completed.

Strategic focus area – Wastewater investment

Key commentary

For the 3 months to 30 September 2022, \$117.1 million was spent towards wastewater investment against a the FY23 budget of \$146.6 million.

Highlights

- The engagement processes associated with the ‘Networks Discharge Consent – Wastewater Network Strategy 2023’ have commenced and are progressing well. These processes will provide Watercare with key community focused data sets to inform the future development of our wastewater networks.
- Watercare and MottMcDonald won both a gold and special sustainability award at the Association of Consulting and Engineering (ACE) awards for work on the infrastructure carbon baseline and reduction approach.

Issues & risks

- In July an audit was completed on Watercare’s greenhouse gas emissions for FY23 with verification successfully achieved from experts Toitu-Envirocare. This assessment used the updated methodology for measuring wastewater process emissions for the first time. Emissions totalled 107,898 tCO₂e, an increase of 5% from the previous year. This was primarily driven by an 8% increase of weather related flow into our wastewater network which increases process emissions and also electricity consumption from additional water pumping from the Waikato. This increase is not ideal, however, not unexpected. Our roadmap aims to level out these emissions in the next three years and then significantly reduce as emission reduction investments come into play.
- The number of non-compliances continues to decrease month-on-month. In September 2022, of the 14 consents that were non-compliant, most related to discharge quality from water treatment plants (Waikato and Huia) or regional wastewater treatment plants. Except for the small Kingseat and Denehurst wastewater treatment plants, there are upgrades scheduled in the AMP that will resolve these discharge issues. The two non-compliances for construction and design relate to the close-out of the Waikato 50 project (infrastructure).
- For Wastewater Treatment, the Army Bay, Beachlands-Maraetai, Helensville, Omaha and Kingseat treatment plants all had problems associated with unusually high rainfall through July.

Strategic context

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

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

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

Key programme of works	Status	Description	Key deliverables for the quarter
Northern Interceptor	On track	This pipe will divert flows, which would otherwise go to Māngere, to Rosedale. It will replace aged infrastructure, increase capacity of the network and reduce wet weather overflows.	Pipelaying is complete for the Stage 1 contract with testing and reinstatement activities to be completed in Q2. Stage 2 design is in progress for completion by the end of the calendar year.
Pukekohe Wastewater Treatment Plant upgrade	On track	The upgrade will provide capacity for population growth in the Pukekohe, Buckland, Tuakau and Pokeno catchment area.	Practical completion achieved for 2 of 3 new process tanks. Commissioning of the last process tank will be complete by end of November with project closeout by Q3. The delay is primarily due to design change and weather impact.

Sub-regional wastewater servicing – North East	Delayed	This upgrade will cater for population growth in Warkworth and Snells Beach and will produce high quality wastewater for discharge. Completion is due in July 2024.	Transfer Pipeline: Construction will start in October 2022, and completion is scheduled for March 2025. <u>Pump Station</u> : Construction underway, completion due by November 2023. <u>WWTP</u> : Construction underway with completion expected in early 2024. <u>Warkworth Local Network</u> : Delays have been experienced and associated with the infrastructure that will transfer wastewater from the growth areas in Warkworth, to the Lucy Moore Wastewater Pump Station. Watercare is currently re-confirming the alignment of key components of this system prior to progressing these works.
Sub-regional wastewater servicing – South West	On track	This programme of works will provide wastewater services for the communities of Kingseat, Clarks Beach, Glenbrook Beach and Waiuku.	Designation, consenting and procurement of the new WWTP site are being progressed. Work on the concept design of the WWTP and the associated network is also starting. There is risk to the project due the designation and consenting processes. Mitigations for this risk are being worked through.
Western Isthmus Water Quality Improvement Programme (Pending agreement of proposed amendment including Point Erin Tunnel)	On track	This programme of works will provide improved beach water quality from reduced wastewater overflows. A recent amendment to the programme includes an extension of the Central Interceptor to Point Erin in lieu of some unaffordable short-term separation initiatives is being discussed with key stakeholders and the public.	A review has shown an extension of the Central Interceptor (CI) to Point Erin will achieve the same, if not better, water quality outcomes than the original proposal within the 2028 committed timeframe and is more affordable. The focus over the last quarter has been establishing the delivery processes for the Point Erin Tunnel (CI Extension) and the connectivity with the Herne Bay Branch Sewer no. 5. Watercare has been working closely with both the St Marys and Herne Bay Community Liaison Groups to communicate this change in solution, to the community. Additionally, work has progressed on the development of the consenting strategies for both pieces of infrastructure. The Point Erin tunnel consent application is due to be lodged during February 2023 and the Herne Bay Branch Sewer No. 5 consent application will be lodged during September 2023. There is an absolute focus on ensuring clear and consistent communications regarding both of these work packages.
Whenuapai Redhills (Based on change request submitted in June 2021)	On track	Comprises three packages of work to provide wastewater capacity in Whenuapai.	Resource Consent applications and Designation for the wastewater scheme are lodged. Landowner approval and right of entry agreements are in place across the entire scheme. The Detailed Design phase is now complete for two packages. The third package is in various stages of design across the four transmission gravity pipelines. Tender packages are being compiled and the first two packages are due to be issued by the end of the calendar year.

National Water Reforms

- The new Drinking Water Standards, Drinking Water Quality Assurance Rules, and Aesthetic Values under the Water Service Act 2021 from Taumata Arowai will come into effect on 14 November 2022. Increasing these standards is the first pillar of the Government's Three Waters Reform programme and introduces a much more stringent monitoring and reporting regime for Watercare.
- Over the quarter, Watercare has worked with colleagues at Council to provide information and expertise to the DIA as requested. For example, we have provided support in the development of a draft National Asset Management Plan framework and guidelines. The cost of this work was recovered from the DIA. Should water reform not proceed, the work done on this framework and guidelines will continue to be utilised by Watercare as part of the asset management process.

Progress on other SOI priorities

- The performance during the quarter was heavily impacted by rainfall. As a result, a number of SOI measures exceeded required tolerances. This was particularly challenging resource-wise across both Water and Wastewater. Water Reactive crews were understaffed, on top of this there was a high number of staff off sick with cold/flu and Covid-19. Weekends have been particularly challenging with skeleton crew available, and a number of lower priority jobs getting postponed to Mondays.
- On 14 July 2022, the Huia Village Water Treatment Plant did not complete Membrane Integrity Testing due to a control system issue. Turbidity compliance confirmed no risk to water supply. Taumata Arowai (TA) were notified on 18 July. TA called to discuss and was satisfied with our response. An Event Investigation Report (EIR) was submitted to TA. The event has now been closed by TA.
- Water quality was compliant with the Drinking-water Standards for New Zealand 2005 (revised 2018) for all other sites in September 2022.
- Newly established HSW committees for our Newmarket-based teams are currently identifying gaps and establishing improvement plans to meet our SOI measures on 'TRIFR', 'Culture and Leadership' and 'Safety improvement plan'.
- For our SOI measure on emissions reduction targets, our FY22 data was successfully verified by Toitu in July 2022. Emission data is currently only reported annually and is a manual process. There is a risk to this target being achieved because of this monitoring limitation. Emissions increased last year.

Lutra Limited (Watercare owns 67% of Lutra)

- Jason Colton, founder and CE, formally resigned during August 2022. Maseina Koneferenisi (the Acting CE) has been formally appointed into the Chief Executive role.
- The Team Mood score and participation rate for September 2022 was 6.2/10, dropping 0.1 from the previous month. The team are feeling the pressure of the upcoming deadline for the Water Safety Plans (WSP), Source Risk Management Plans (SRMP) and ID changes. These are required so Lutra can meet Taumata Arowai's drinking water standards which come into effect on 14 November 2022. The September participation rate was 66% (up 1% from the previous month).
- There were no H&S incidents during September 2022.
- A review of the company's corporate risk register is about to occur along with the drafting of the company's annual business report.
- Achievement of Lutra's SOI targets (excluding NPS and CO₂) are forecast for year end.
- Due to the borders reopening, achievement of the CO₂ reduction target will be a challenge.

Waikato District Council (WDC)

- All contractual performance measures have been achieved YTD excluding resolution of urgent faults within two hours. This was due to complex repairs resulting from significant rainfall between July to September 2022.
- The SCADA system delivery was completed at the end of July 2022.
- The capital infrastructure delivery programme has been challenging with cost increases and workshops are being held with Waikato District Council Management to agree the reduced capex forecast over the next two years of the LTP.
- Individual projects are being workshopped with WDC to ensure transparency and agreement.
- All health and safety measures continue to be achieved.
- Approval for large scale projects, the Pokeno-Tuakua wastewater transmission line and the Te Kauwhata wastewater treatment plant were secured and are progressing.
- Significant storm events have impacted the water and wastewater production plants within the district. These events have been managed to minimise the impact to customers and the environment.

Other strategic focus areas update

Contribution towards Māori Outcomes

- Watercare continues to make positive progress with initiatives that support wellbeing outcomes for Māori. A significant milestone was reached in August, with the signing of a partnership agreement between Watercare and Te Kawerau ā Maki. Aligned to mana outcomes Kia Ora te Hononga (Effective Māori Participation), Kia Hāngai te Kaunihera (An Empowered Organisation) and Kia Ora te Taiao (Kaitiakitanga), the agreement outlines a number of key commitments including the establishment of the Waima Biodiversity Trust, with a dedicated trustee being appointed by Te Kawerau ā Maki; direct input into the preparation and implementation of the Huia WTP Management Plans; and collaboration with Te Kawerau ā Maki on a number of cultural monitoring mechanisms. It reinforces our obligations as Te Tiriti partners and creates additional pathways for Watercare to demonstrate this in action. To date, Watercare has signed relationship agreements with nine mana whenua from Tāmaki Makaurau and Waikato River iwi.
- Under Kia Ora te Reo (Te Reo Māori) and Kia Ora te Ahurea (Māori Identity and Culture) we celebrated Te Wiki o te Reo Māori by hosting the Voices of Moana song festival and Te Aka Pono – a staff workshop on numerology and chakras from a Te Ao Māori perspective. As part of our wider te reo initiatives, the first visual design drafts of Watercare’s e-learning Māori language app are complete. Building of content is underway with a proposed rollout of set for the end of Q2.
- We have also completed bilingual translations for all Watercare business units and staff job titles (Tiers 1 - 4). Next steps will be to update appropriate signatures and branding details accordingly.
- Other deliverables achieved in this quarter included a new partnership with Ngā Puna Pūkenga (NPP). NPP includes MSD, Healthy Waters and Auckland Council. Watercare will support their Skills for Industry Programme, which aims to help long-term unemployed jobseekers into full-time employment and has a focus on supporting Māori and Pasifika businesses. This aligns to priorities within Kia Ora te Rangatahi (Realising Rangatahi Potential) and Kia Ora te Umanga (Māori Business, Tourism and Employment).

Climate change & sustainability

- Completed climate risk workshops on physical and transition risks that are part of the Climate Disclosure Project. There were around 50 attendees from across the business.
- Achieved verification of our annual greenhouse gas footprint from Toitu-Envirocare.
- First digital twin of Rosedale wastewater treatment plant completed with emissions modelling for methane and nitrous oxide included. This approach will help inform a broader wastewater emissions measurement and reduction strategy.
- Delivery of the first Central Interceptor electric trucks have arrived and they are undergoing fitting and testing. Formal launch in early 2024.
- Won a gold and special sustainability award at the Association of Consulting and Engineering (ACE) awards for work with consultants MottMcdonald on infrastructure carbon baseline and reduction approach work.
- More than 10,000 native seedlings have been grown at Watercare’s nursery to trial and showcase biosolids as a fertiliser product, and to supply to revegetation programmes. Watercare has sold more than 50 tonnes of Emerge® fertiliser (a renewable and low carbon footprint form of high quality phosphorus and nitrogen) for use in agriculture.
- Leak detection programme continues well, saving water so we are more prepared for extreme weather events.

Watercare Q1 financials



Direct operating performance

(\$ million)	Notes	FY 22	FY 23 Quarter 1 YTD			FY 23
		Actual	Actual	Budget	Variance	Budget
Net direct revenue		525.7	142.22	153.0	(10.8)	577.88
Direct revenue	A	917.9	234.7	241.5	(6.8)	925.6
Fees & user charges		559.8	147.8	152.6	(4.8)	584.9
Operating grants and subsidies		15.1	7.17	0.0	7.2	-
Other direct revenue		343	79.8	88.9	(9.1)	340.7
Direct expenditure		392.2	92.5	88.5	4.1	347.7
Employee benefits		114.9	27.7	19.8	7.9	77.8
Grants, contributions & sponsorship		0.4	0.3	0.0	0.3	-
Other direct expenditure	B	276.9	64.5	68.7	(4.1)	269.9
Other key operating lines						
AC operating funding						
AC capital funding		-	-	-	-	-
		-	-	-	-	-
Vested assets		59.5	17.5	17.1	0.4	65.5
Depreciation		281.3	74.5	69.5	5.0	273.3
Net interest expense		94.9	29.2	29.4	(0.2)	115.6



Financial Commentary

- A. **Direct revenue:** Direct revenue was down \$6.76m against budget due to developer IGC revenue, some of which was brought forward by developers to Q4 FY22. Commercial consumption was also down for the period. This was partially offset by the additional funds received from Kāinga Ora shovel ready projects.
- B. **Direct expenditure:** Other direct expenditure is \$4m over budget due primarily due to use of contract labour being higher than budgeted, and unplanned maintenance resulting from extreme weather events.

Watercare Q1 performance measures

Key performance indicators	Previous year	FY 23 Quarter 1		Status	Commentary
		YTD Actual	FY Target		
<p>Note: Watercare has a total of 33 SOI measures, of which 14 are LTP measures. For the 3 months to 30 September 2022, 24 of the 33 measures are tracked monthly. Eight measures are yearly measures, and one measure is a quarterly measure. In Q1, of the 24 measures that are tracked monthly, 21 of the measures were achieved, four were not achieved.</p>					
LTP/SOI performance measures					
<p>Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of:</p> <p>a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents.</p>	<p>a) 1 b) 0 c) 0 d) 0</p>	<p>a) 0 b) 0 c) 0 d) 0</p>	<p>a) ≤2 b) ≤2 c) ≤2 d) 0</p>	Achieved	
<p>The average consumption of drinking water per day per resident within the territorial authority district (*litres plus/minus 2.5%) (12-month rolling average)</p>	243.9	247.60	258 litres (+/- 2.5%)	Achieved	
<p>The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria) (12 month rolling-average).</p>	100%	100%	100%	Achieved	<p>Positive E. coli was detected on 5 September 2022 at Gordon Craig Place, Algies Bay. Investigation confirmed it as being an isolated event and not representative of the water supply.</p> <p>Under the current regulatory rulers (i.e. Drinking Water Standard for New Zealand 2005 (Revised 2018) (DWSNZ), positive E.coli detection does not automatically constitute a non-compliance. The DWSNZ 2005 (Revised 2018) allow for "95 percent confidence" provision to remain compliant, providing water supplier established a high level of confidence that E.coli exceedance does not constitute public health risk.</p> <p>This will all change from 14 November 2022 when new Taumata Arowai Quality Assurance Rules will come into effect. From 14 November 2022 every E.coli positive will be reported as non-compliance.</p>

The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria). (12 month rolling-average).	100%	100%	100%	Achieved	
Median response time for attendance for urgent call-outs (drinking water): from the time that the local authority receives notification to the time that service personnel reach the site (minutes).	59 mins	61 mins	≤ 60 mins	Not achieved	
Median response time for resolution of urgent calls-outs (drinking water): from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (hours).	3.1 hours	3.3 hours	≤ 5 hours	Achieved	
Median response time for attendance for non-urgent call-outs (drinking water): from the time that the local authority receives notification to the time that service personnel reach the site	1.1 day	1.4 day	≤ 5 days	Achieved	
Median response time for resolution of non-urgent call-outs (drinking water): from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (days).	1.9 day	2.0 day	≤ 6 days	Achieved	
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).	8.8	9.28	≤ 10	Achieved	

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 (minutes).	63 mins	78 mins	≤ 60 mins	Not achieved	
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 (hours).	3.7 hours	3.8 hours	≤ 5 hours	Achieved	
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).	27.1	25.37	≤ 50	Achieved	
The percentage of real water loss from the local authority's networked reticulation system (12-month rolling average).	11.4%	10.71% (May figure)	≤13%	Achieved	The percentage of real water loss during May 2022 was 10.71%. The water losses in this measure are calculated by deducting the volume of water sold and unbilled water usage (or non-revenue water) from the total volume of water produced. Due to meter readings being completed on a four monthly cycle, non-revenue water loss for September 2022 can be reported in January 2023.
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).	1.1	0.05	≤ 5	Achieved	

Other SOI performance measures

Average number of wet weather overflows per engineered overflow point per discharge location (12-month rolling average).	1.1	2.21	≤ 2 overflows per year	Not achieved	Significant storm events in July increased the 12 month rolling average.
Employee net promoter score (eNPS).	23	N/A	≥20	On track (against year-end target)	The employee net promoter score for Q3 FY22 was 23. The next eNPS survey is due to be conducted in Q2 FY23 (November).
Gender workforce ratio in fixed term and/or permanent roles, including leadership positions (Tier 3 and above).	F: 38.76% M: 61.24%	F: 38.20% M: 61.80%	40% men 40% women 20% any gender	Yearly target	Yearly target.
Employees in fixed term and/or permanent roles, including leadership positions (Tier 3 and above) identify as Māori.	New measure	4.19%	6%	Yearly target	
Total recordable injury frequency rate (TRIFR) per million hours worked (12-month rolling average).	14.32	16.11	<10	Not achieved	Target has not been achieved. The target for TRIFR has been adjusted from 20 (FY22) to 10 (FY23) to reflect our aspiration of improvement. The result for the measure was 16.11 in September 2022 and was above the FY23 target of less than 10. The TRIFR is, however, trending downwards over the last six months. <i>Please refer to 'Progress on other SOI priorities' section of this report for commentary.</i>
Safety improvement plans.	New measure	85% (approx.)	100% of teams with a HSW Improvement Plan	On track (against year-end target)	

Culture and Leadership.	New measure	25% (approx.)	100% of Tier 1 to Tier 4 who have completed at least 10 leadership walks per year	On track (against year-end target)	
Leakage target – Economic level of leakage (ELL) - litres/connection/day (l/c/d).	New measure	107.9 l/c/d	107.9 l/c/d	Achieved	
Leakage performance – litres/connection/day (l/c/d).	New measure	102.86 (May figure)	107.9 l/c/d	Achieved	The real water reported for September is for May 2022. The water losses in this measure are calculated by deducting the volume of water sold and unbilled water usage (or non-revenue water) from the total volume of water produced. Due to meter readings being completed on a four monthly cycle, non- revenue water loss for September 2022 can be reported in January 2023.
We are sourcing water from a diversity of sources; and we are preparing for, and promoting, the adoption of alternative sources of human drinking water in the future.	New measure	N/A	N/A	On track (against year-end target)	Natural and Built Environments Bill – The “Exposure Draft” submissions have been considered and are informing the development of the Natural and Built Environments Bill, to be introduced to the House in (potentially October) 2022 alongside the Strategic Planning Bill. There will be an opportunity for the public to provide feedback on these two bills at that time. Watercare will provide feedback to support alternative water sources.
Debt to revenue ratio.	2.80	2.66	≤3.61	Achieved	
Percentage of household expenditure on water supply services relative to average household income.	0.80%	0.79%	≤ 1.5%	Achieved	
Formal engagement with mana whenua of Tāmaki Makaurau.	95%	60%	Partnering with mana whenua of Tāmaki Makaurau to achieve outcomes for Māori Each year, at least five priority outcomes within our	On track (against year-end target)	6 of 10 priority outcomes identified within Kia Ora Tāmaki Makaurau. Initiatives under the following areas are being progressed: 1) Kia Ora te Marae, 2) Kia Ora te Ahurea, 3) Kia Ora te Rangatahi, 4) Kia Ora te Taiao, 5) Kia Ora te Reo and 6) Kia Ora te Umanga.

			Achieving Māori Outcomes Plan are being progressed with mana whenua (updated measure).		
Ratio of procurement sourced through Māori owned businesses.	1.48%	2.14%	2%	Achieved	
Integration/Adoption of Te Reo and Tikanga Māori within Watercare.	New measure	100%	Ensure all Tier 1-4 job titles include Te Reo Māori translation; and hold a Watercare Tikanga Māori experience for all staff	On track (against year-end target)	Te Reo Māori translations for all Tier 1 - 4 job titles have been completed.
Percentage of customer complaints resolved within ten days of notification.	98.90%	98.99%	≥95%	Achieved	
Customer Net Satisfaction Score (Previously Net Promoter Score). (12-month rolling average)	54%	53%	≥45%	Achieved	
Community trust score. (12-month rolling average)	57%	57%	≥55%	Achieved	
We will implement Mitigation measures in line with our emissions reduction targets. We will report annual greenhouse gas emissions from Scope 1 and Scope 2 emissions (operational mitigation) in line with our emission reduction pathway to meet 50% reduction by 2030.*	New measure	TBC at year end	<88,400 tonnes CO ₂ e	Yearly target	Please refer to 'Progress on other SOI priorities' section of this report for commentary.

**Note: these targets exclude emissions from Puketutu island as our current measurement methodology does not provide enough accuracy for a performance target. Actions to directly monitor emissions from this source as well as reduce them are being delivered and future SOI's will include these numbers.*