

# Watercare

**Quarter 2 performance report**

**For the period ending 31 December 2022**

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

# Watercare Q2 summary

## Highlights, issues & risks for the quarter

### Highlights

- The intense rain that started on 27 January 2023 caused significant landslips that sent a huge amount of mud into the dams. Ten of our wastewater pump stations were severely flooded in the storm, damaging their electrics. We had teams working around the clock to find, investigate and repair problems affecting the water and wastewater networks. Ever since the storm hit, our number one priority (as always) has been making sure our customers have safe drinking water. We have made excellent progress restoring water and wastewater services. However, many of the permanent repairs will take a long period of time to complete. We are also evaluating adaption measures as part of our review following the storm and Cyclone Gabrielle.
- Wastewater monitoring and optimisation trials at our Rosedale wastewater treatment plant for the direct measurement and modelling of Nitrous oxide (N<sub>2</sub>O) have been very successful.
- The Central Interceptor project's tunnel boring machine Hiwa-i-te-Rangi reached the other side of the Manukau Harbour safely and ahead of schedule in December 2022.
- 20 summer interns started with Watercare in November 2022. Efforts to increase the diversity of the programme have paid off with 25% of interns identifying as Māori, 15% Pasifika, and 70% women. The programme ran through to February and typically provides a pipeline for future graduate employees.
- Our teams have developed and implemented a sustainable efficiency programme with the aim of embedding programmes and behaviours that are sustainable over the long term instead of showing quick gains.
- Watercare kaimahi presented a number of papers at the Water NZ conference in October 2022, and also chaired and facilitated events and special focus groups. The event was attended by over 1,500 people and was the first in-person event for some years.
- Watercare presented our Emissions Reduction Initiatives at the Auckland Climate Festival in October 2022, including a low carbon home and our floating solar array at Rosedale.
- Two trials of technology used for underwater work are producing impressive results, especially in reducing health and safety risks. Underwater drones could reduce the need for divers to inspect and clean underwater assets like dam intake screens; and a fish-finder mounted on a remote-controlled boat could replace manual sludge surveys of wastewater oxidation ponds.
- Watercare's EMERGE® branded struvite slow-release fertiliser made from phosphorus and nitrogen that crystalises during the wastewater treatment process was named a finalist in the Fielday's Early-Stage Innovation Award category. EMERGE® is produced at the Māngere Wastewater Treatment Plant and is odour and pathogen-free.
- We launched our Customer Promise – this will improve our knowledge and understanding of our responsibilities to customers and enable better monitoring of outages that breach agreed timeframes and repeat issues. This will better inform our renewals programme, ultimately reducing repeat issues.

### Issues & risks

- The Water Services Entities Bill 1 received royal assent on 14 December 2022 and the Entity A CE was appointed in late January 2023. This has created a different environment for Watercare and has caused a feeling of uncertainty amongst staff. This uncertainty creates a risk around retaining and attracting talent. We are managing as best as we can with regular communications to our kaimahi.
- Infrastructure Growth Charges are lower than anticipated. Funding of our capex programme is therefore being carefully monitored with Council to ensure the debt/revenue ratio is not breached.
- In December 2022, the Natural and Built Environments Bill (NBE) and the Spatial Planning Bill (SPB) were released to replace the existing Resource Management Act. The complete transition to the full framework will take a considerable amount of time (in the order of 10 years), and the RMA will continue to be the dominant system until the new NBE plan has been completed. The suite of proposed new legislation represents a significant reform, which is likely to have major impacts on Watercare. We are currently in the process of reviewing the Bills with our legal advisors and will be contributing to Council's submission.

Financials (\$million)	YTD actual	YTD budget	Actual v Budget
Capital delivery	363.7	337.5	↑ 7.8%
Direct revenue	456.0	467.3	↓ 2.5%
Direct expenditure	183.5	174.5	↓ 5.2%
Net direct revenue	272.5	292.8	↓ 7.4%

### Financial commentary

**Capital delivery:** Actual spend YTD ahead of plan due to acceleration of programmes such as the Water Pipe Renewal, Residential Smart Meters and Puketutu Biosolids Cell Wall. Additionally, cost escalations have been experienced across the programme and project completion delays particularly for the Papakura Water Treatment Plant and Redoubt Water Reservoir, has resulted in additional spend transferring from the FY22 into the FY23 financial year.

**Direct revenue:** Revenue is below plan due to a decline in developer IGC applications and timing of Kāinga Ora Shovel Ready funding. IGC assessments YTD are 20% down compared to the same period last year reflecting the general reduction in developer activity. These are partly offset by Water and Wastewater revenue sources as plan was conservative reflecting drought conditions experienced in the previous year.

**Direct expenditure:** Direct expenditure is unfavourable to plan due to lower than planned labour recoveries and higher unplanned maintenance costs due to wet weather YTD and escalation costs.

# Strategic focus area – Central Interceptor

## Key commentary

As at 31 December 2022, a total of \$673m 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 and \$180m for the Point Erin Tunnel works, subject to obtaining the necessary resource consents. Good progress has been made in the quarter with 15 of the 16 work sites now established.

The project is now forecasted to be completed by June 2026 following the settlement of all Covid-19 claims. 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 approved budget, this is highly contingent on inflation in the coming years, returning to normal levels.

## Highlights

- The Tunnel Boring Machine (TBM) has now completed the crossing of the Manukau Harbour and reached the shaft at Pump Station 23 in Hillsborough in early December. Tunnelling will continue in January from PS23 to Keith Hay Park.
- Link Sewer C: The Micro Tunnel Boring Machine (mTBM) completed the longest mTBM drive for the project from Dundale to Miranda Reserve (1,195m) in mid-November. The final drive of Link Sewer C from Miranda to Pump Station 25 is set to begin in March 2023.
- The pump station building superstructure works are now well underway and the main shaft dividing wall is now complete. The Confluence Chamber excavation works are now underway and twin rising main extension works and odour bed reinstatement works have resumed.
- For the potential extension to Pt Erin, Consent application works are well underway with several site visits held with Council planners, and mana whenua partners. Letters also issued to properties above the proposed alignment with drop-in session held in December 2022.

## Issues & risks

- The sourcing and retention of personnel remains critical along with the increased risk of cost escalations. There continues to be project impacts from the global supply chain, international shipping delays and the tight labour market.
- Environment consent and property: A 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 remains a significant risk for the project. A serious incident occurred at the Mt Albert site in September 2022 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 fractured pelvis. 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.

## 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 reducing 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 in 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	<b>On track</b>	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	<b>On track</b>	The Contractor now established and activity underway at all sites except Tawariki Street.  Pump station shaft dividing wall now completed and pump station superstructure well advanced.	The PS23 and Walmsley St Glass Reinforced Plastic (GRP) shaft liners were lowered into place and grouting completed. May Rd Shaft B permanent lining work continues along with storm water pond works. PS25, Haverstock and Mt Albert War Memorial shaft excavation all underway. Confluence chamber excavation works also now well underway.
Commence tunnelling	<b>On track</b>	The TBM has tunnelled 4,154m and has reached PS23. Tunnelling is set to resume in early January.	Completed the Manukau Harbour crossing.
Main works into service	<b>Delayed</b>	As previously advised, 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 impacts of Covid-19 from March 2020 - September 2022.	This will include the Grey Lynn Tunnel extension.

# Strategic focus area – Water supply investment

## Key commentary

For the six months to 31 December 2022, \$105.4 million was spent towards water supply investment against the YTD FY23 budget of \$56million. Please see commentary on 'Capital Delivery' on page 2.

## Highlights

- The dam levels were at 100% in January for the first time since 1989, and previous to that in 1954. As a result of the rain, demand was down, therefore we were able to rely on our Western dams, using much less from the Waikato.
- Water quality was compliant with the Drinking Water Standards for New Zealand and Drinking Water Quality Assurance Rules for all sites in Q2 2022/23.
- The proactive leak management programme is progressing well. Since the start of the expanded programme in 2020, approximately 15,031 kms have been surveyed to date with 8,858 leaks found. Leakage as at 31 December 2022 was below the target economic level of leakage – actual 100.71litres per connection per day(l/c/d) v target of 107.9l/c/d.
- Watercare's Drinking Water Safety Plans (DWSPs) and Source Water Risk Management Plans (SWRMPs) have been uploaded on Taumata Arowai's website, Hinekōrako, as required. We are planning internal education / management audits against the plans early in 2023. We are also planning a formal audit against the plans and wider water quality compliance in June 2023.
- The Building (Dam Safety) Regulations were approved by the Governor-General on 12 May 2022 and will take effect from 13 May 2024. The intervening period is to be used to bring all classifiable dams up to compliance with the regulations. To comply with the New Zealand Dam Safety Guidelines, Watercare already has a Dam Safety Management Plan (DSMP) in operation covering all of Watercare's dams. The DSMP contains all the elements required to demonstrate that the dam owner is compliant with the management of dam safety.
- All Regional and Unitary Councils are required to give effect to the NPS-FM (Freshwater Management) and must notify their respective plan changes by December 2024. These plan changes will set targets and limits for both freshwater quality and freshwater allocations. Watercare staff are working with Auckland Council at both the steering group level and the technical level to help develop Council's plan change.

## Issues & risks

- In October 2022 we temporarily shut down the Onehunga Water Treatment Plant to ensure it can continue to consistently meet the new drinking water regulations that took effect in November 2022. We are now considering the best long-term options for the treatment plant, which could include additional treatment processes to remove any PFAS (per- and poly-fluorinated alkyl substances). In the meantime, the Onehunga area is being supplied from the metropolitan network.
- Installation and commissioning of analysers required for critical compliance for the new water quality regulations were installed at both the Southern and Northern water treatment plants at the end of December 2022. Some technical non-compliances are possible from 1 January 2023 due to the new instruments being in service for a short time to trial and resolve any associated issues before collecting compliance data. The mitigating factor, fortunately, is that Taumata Arowai's latest instructions to the water suppliers (as of January 2023) is that formal monthly compliance reporting will likely only be from March 2023.
- Huia Water Treatment Plant: the first two-day mediation session between all the parties was held in September 2022. This resulted in a number of actions that Watercare has agreed to perform between the initial and next mediation sessions. The next session is set for February 2023. Over the Summer, experts are continuing to meet with the purpose of resolving their differences, while Watercare continues to meet with the neighbours in an attempt to resolve their issues.

## 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	<b>Completed</b>	This is a 31km pipe that connects the reservoirs in Redoubt Road, Manukau to those in Khyber Pass, Newmarket. This provides water supply security in a growing Auckland. 28km of the pipe is in service from Redoubt Road, Manukau, to Epsom.	Construction on the Hūnua 4 is complete and in service. The pipeline is performing well.
North Harbour No.2 Watermain	<b>On track</b>	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 three months to minimise disruption and align with transport project initiatives, such as future motorway crossings with subsequent submission of business case in approximately September 2023. Investigations to support the pipeline under the Greenhithe Bridge are due to commence in early 2023.
Huia Water Treatment Plant replacement	<b>On track</b>	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 began in 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 has developed options for internal consideration prior to a proposed, subsequent mediation session scheduled for 2023. Technical work on Kauri dieback has been completed and will also be considered at the proposed mediation session. 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	<b>On track</b>	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> – Works are progressing along Atkinson Rd and we are on track to complete Atkinson Rd and move on to Daffodil St by the end of February 2023. <u>Golf Rd update</u> – physical works are completed. We are just planning the connection works for 28 March 2023. <u>Puketapapa / Dominion Rd update</u> – works are completed and connected. <u>Scout Ave</u> – First section of work has been completed at the Mt Albert end of Scout Ave. Crew has disestablished from site and will not return until August 2023.

# Strategic focus area – Wastewater investment

## Key commentary

For the six months to 31 December 2022, \$258.3 million was spent towards wastewater investment against the YTD FY23 budget of \$281.4 million.

### Highlights

- In October 2022, we started a community engagement process to inform, educate and seek feedback from our communities on the journey to reduce wastewater overflows impacting local communities, beaches and waterways. A lot of feedback has been generated and we are currently working with our customer insights team to analyse and the data.
- Watercare staff members have been actively co-ordinating and collaborating with Auckland Council waste team colleagues on the delivery of waste targets, and ultimately a specific waste strategy for implementation by Watercare with the aim of a zero-waste future.

### Issues & risks

- Helensville wastewater treatment plant, which was the subject of a previous abatement notice, has been subject to a short delay in commissioning due to supply chain issues but should be completed by the end of February 2023. Auckland Council have been kept informed of progress.
- The exceptional level of rainfall this quarter has led to lower water usage and therefore revenue, but has also contributed to higher wastewater flows, and therefore increased costs.
- The 2022 winter has been calculated as the warmest and wettest on record. This has resulted in challenges for Watercare, especially for the wastewater side of the business. From a climate perspective this has led to increased wastewater process emissions which is likely to impact our annual target.
- The calendar year ended with 15 consents fully or technically non-compliant. All seven full-non-compliances related to wastewater treatment. Clarks Beach, Kingseat and Waiuku wastewater treatment plants are due to historical issues that affect the statistical calculations used to assess compliance. The other four: Warkworth, Wellsford, Helensville, and Waiuku, relate to on-going issues for which there are scheduled upgrades in the AMP.

## 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. Stage 2 design is in progress for completion early in 2023.
Pukekohe Wastewater Treatment Plant upgrade	On track	The upgrade will provide capacity for population growth in the Pukekohe, Buckland, Tuakau and Pokeno catchment areas.	Commissioning of all primary treatment systems is nearing completion. A number of systems are online and performing well. We anticipate all commissioning before the end of March 2023.

Sub-regional wastewater servicing – North East	<b>Delayed</b>	This upgrade will cater for population growth in Warkworth and Snells Beach and will produce high quality wastewater for discharge.	Transfer Pipeline: Construction is underway, 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 mid-2024. <u>Warkworth Local Network</u> : Delays have been experienced and are associated with the infrastructure that will transfer wastewater from the growth areas in Warkworth, to the Lucy Moore Wastewater Pump Station following community engagement. Watercare is currently re-confirming the alignment of key components of this system prior to progressing these works.
Sub-regional wastewater servicing – South West	<b>On track</b>	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 commencing. There are significant risks to the project due the land procurement, designation and consenting processes. Several risk mitigations actions and activities are in-flight to minimise potential project delivery delays.
Western Isthmus Water Quality Improvement Programme (Pending agreement of proposed amendment including Point Erin Tunnel)	<b>On track</b>	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. This 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 a focus on ensuring clear and consistent communications regarding both of these work packages.
Whenuapai Redhills (Based on change request submitted in June 2021)	<b>On track</b>	Comprises three packages of work to provide wastewater capacity in Whenuapai.	Resource Consent applications and Designation for the wastewater scheme have been 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 in early 2023.



# Other statement of intent focus areas

## National Water Reforms

- The Water Services Entities Act received royal assent on 14 December 2022.
- Important transitional provisions under Schedule 1 of the Act to note:
  - Clause 3 and 4, Enables the appointment of Establishment Boards and Chief Executives for the four entities. Announcements on the appointment of the Chief Executives occurred in January 2023 and the Establishment Boards will be announced in March 2023.
  - Clause 11, Places a duty on local government organisations to cooperate with the DIA and Entity Chief Executives.
  - Clause 23, Requires significant decisions by local government organisations pertaining to water services to be confirmed in writing by the Department of Internal Affairs. The DIA is currently consulting with local government organisations on proposed guidelines for decision making under this clause.
- The Water Services Legislation Bill and The Water Services Economic Efficiency and Consumer Protection Bill had their first reading in parliament on 8 December 2022. Both bills have been referred to the Finance and Expenditure Committee, which has called for public submissions. Public submissions close on 12 February 2023 and local authorities can make submissions until 17 February 2023. The Committee has formally requested a submission from Watercare.
- Over the quarter, Watercare has worked with colleagues at Council to provide information and expertise to the DIA as requested. The cost of this work is being recovered from the DIA.

## Lutra Limited (Watercare owns 67% of Lutra)

- The ID footprint continued to expand with ID now servicing much of the connected population in New Zealand. There are also more consents within ID than what was targeted.
- A significant long term (8 year) collaborative contract was won for Dunedin City Council Water and Wastewater capital programs. This is an exciting development.
- Health and Safety training hours remain lower than planned, with many staff being sick with covid during training sessions. Plans are in place to improve this in the new calendar year. The annual target is an average of 19 hours per person per annum.
- Team Mood score (6.2/10) mirrors the challenging economic and political operating environment.
- Achievement of all SOI targets (excluding NPS and CO<sub>2</sub>) is forecast for year end.
- Revenue is \$500k below target mainly due to a reduction in engineering consulting. This is partly a reflection of sick leave and vacancies not being filled.

## Progress on other SOI priorities

- The average consumption of drinking water per day per resident within the territorial authority is below target as set in the Auckland Water Strategy.
- Real water loss is below target as set in the Auckland Water Strategy.
- We recently completed a full staff engagement survey across the business, with an overall response rate of 83%. Watercare's eNPS (employee net promoter score), which measures the percentage of promoters less the percentage of detractors, is +4. This is a significant drop from our March 2022 result (+23). The results reflect the context of a difficult year, not helped by Covid-19, inflation, political speculation and the uncertainties around reform. Three key themes have been identified as areas of concern for staff; remuneration and reward, workload, and where we are focusing our efforts/energies. While these have always been highlighted as areas for improvement, they have become heightened with the rising cost of living/housing, our challenge to achieve sustainable efficiency, and the uncertainties that inevitably come with water reform.
- Wet weather overflows is a 12-month rolling average. Due to ongoing wet weather (wettest on record) we do not expect to see an improvement in this result.
- Whilst we have improved on prior year, the gender workforce ratios are not being met and may not be achieved at financial year end. This is due to our relatively high turnover at present and our focus on managing recruitment in the current environment.
- A focus is to be placed on leadership walks and improving workplace culture. Training on leadership walks has been rolled out across the business. Significant leave balances were also highlighted as a risk, with staff being encouraged to ensure they have a time off over the Christmas period.

## Waikato District Council (WDC)

- All contractual performance measures are achieved YTD.
- All health and safety measures continue to be achieved.
- All drinking water quality assurance rule reports demonstrated compliance.
- Additional programme management resources began supporting the infrastructure delivery in November 2022, following the workshop held with Waikato District Council Management.
- Construction of the new wastewater treatment plant in Raglan has been approved and is entering the design phase with delivery expected by July 2024.
- Construction of the new wastewater treatment plant at Te Kauwhata is underway.
- The solar array at Raglan wastewater treatment plant is complete. The array will also generate sufficient power to offset carbon emissions through electrical credits for the Raglan water treatment plant.
- Three water filling stations were constructed across the Waikato district to support the restriction on hydrant use from 1 January 2023.

# Other strategic focus areas update

## Contribution towards Māori Outcomes

- Water reforms were a strategic focus for Māori Outcomes this last quarter. Aligned to priorities Kia Ora te Hononga (Effective Māori Participation) and Kia Hāngai te Kaunihera (An Empowered Organisation), Watercare's board and executive leadership team hosted iwi leaders and secretariat representatives from Waipunārangī - the iwi collective for Entity A. The hui was an opportunity to formally meet and discuss reform, following the third reading of the Water Services Entities Bill 1 at the end of last year. Members of Waipunārangī were also hosted with a site visit to Māngere Wastewater Treatment Plant.
- Under Kia Ora te Taiao (Kaitiakitanga), staff participated in a series of workshops on Te Mana o Te Wai. The purpose of these workshops was to explore the concept, expression, and application of Te Mana o te Wai including Te Ao Māori cultural and spiritual values through to its role within current water reforms. Workshop topics covered included Te Whakapapa o Wai, Implementation of Te Mana o te Wai and Co-Governance. Workshops for board members were also held in December 2022.
- At the end of October 2022, Te Rua Whetū (Māori Outcomes & Relationships Unit) supported the Department of Internal Affairs' Iwi Māori Directorate at the Water New Zealand Conference in Christchurch. This included hosting technical representatives from iwi and hapū groups within Entities A and B, and staffing a joint Te Mana o te Wai stand with Taumata Arowai and Ministry for the Environment.

## Climate change & sustainability

- The Papakura Water Treatment Plant solar array is complete. It is a 136kW array made up of 296 panels. This will reduce energy cost by \$25k pa and reduce 19 tCO<sub>2</sub>e.
- The first Central Interceptor electric trucks have arrived and are undergoing fitting and testing. The formal launch will be in early 2023.
- Dunkirk pump station storage tanks have delivered excellent carbon savings through smart design and materials. By replacing the conventional concrete storage chamber and wet well with a GRP pump station and storage pipe we have achieved a 33% carbon reduction. Saveboard, a low carbon building material made from upcycled material is also being trialled on this site.
- Watercare's Emerge<sup>®</sup> fertiliser (a renewable and low carbon footprint made from high-quality phosphorus and nitrogen) was a finalist at the 2022 Field Days Innovation Awards and hosted a stand for the duration of the Event. More than 150 tonnes of Emerge<sup>®</sup> fertiliser has now been sold for use in agriculture.
- Watercare staff participated in a water utility peer sharing programme on the management of wastewater process emissions. Experts from Scottish Water, PUB Singapore and Anglian Water provided feedback as we shared the work being completed in Auckland.
- Analysis on carbon footprint for the year to date has shown increases against our targets. These are primarily attributed to the wet weather which has increased the flow and load at wastewater treatment plants leading to increased emissions. Ongoing analysis and response is required.
- We have completed a climate risk identification review for physical and transition risks as part of the Climate Disclosure Project. Detailed risk assessment and review of the disclosure requirements once published are the next steps. Watercare continues to support Council staff on this project through the working and steering groups.

# Watercare Q2 financials



## Direct operating performance

(\$ million)	Notes	FY 22	FY 23 Quarter 2 YTD			FY 23
		Actual	Actual	Budget	Variance	Budget
<b>Net direct revenue</b>		525.7	272.5	292.8	(20.3)	577.88
<b>Direct revenue</b>	<b>A</b>	917.9	456.0	467.3	(11.3)	925.6
Fees & user charges		559.8	303.2	288.4	14.8	584.9
Operating grants and subsidies		15.1	15.0	19.3	(4.3)	-
Other direct revenue		343	137.8	159.6	(21.8)	340.7
<b>Direct expenditure</b>	<b>B</b>	392.2	183.5	174.5	(9.0)	347.7
Employee benefits		114.9	46.9	41.9	(5.0)	77.8
Grants, contributions & sponsorship		0.4	0.3	0.2	(0.1)	-
Other direct expenditure		276.9	136.2	132.4	(3.8)	269.9
<b>Other key operating lines</b>						
AC operating funding						
AC capital funding		-	-	-	-	-
		-	-	-	-	-
Vested assets		59.5	40.7	33.1	(7.6)	65.5
Depreciation		281.3	159.0	140.0	(19.0)	273.3
Net interest expense		94.9	60.1	59.2	(0.9)	115.6



## Financial Commentary

- A. Direct revenue:** Revenue is below plan due to a decline in developer IGC applications and timing of Kāinga Ora Shovel Ready funding. IGC assessments YTD are 20% down compared to the same period last year reflecting the general reduction in developer activity. These are partly offset by Water and Wastewater revenue sources as plan was conservative reflecting drought conditions experienced in the previous year.
- B. Direct expenditure:** Employee benefits are unfavourable YTD due to flat phasing of labour recoveries in the plan. Unplanned maintenance costs are the key driver of other direct expenditure due to the wet weather Auckland has experienced YTD.

# Watercare Q2 performance measures

Key performance indicators	Previous year	FY 23 Quarter 2		Status	Commentary
		YTD Actual	FY Target		
<p><b>Note: Watercare has a total of 32<sup>#</sup> SOI measures, of which 14 are LTP measures.</b>  <b>For the 3 months to 31 December 2022, 24 of the 32 measures are tracked monthly. Seven measures are yearly measures, and one measure is a quarterly measure.</b>  <b>In Q2, of the 24 measures that are tracked monthly, 21 of the measures were achieved, three were not achieved.</b></p> <p><i>#Leakage Target for Economic Level of Leakage has now been established and as such two of the lines have been consolidated namely, Leakage Target and Leakage Performance.</i></p>					
<b>LTP/SOI performance measures</b>					
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.	a) 1 b) 0 c) 0 d) 0	a) 0 b) 0 c) 0 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	<b>Achieved</b>	
The average consumption of drinking water per day per resident within the territorial authority district (*litres plus/minus 2.5%) (12-month rolling average)	243.9	247.46	258 litres (+/- 2.5%)	<b>Achieved</b>	
The extent to which the local authority's drinking <b>water</b> supply complies with part 4 of the drinking-water standards (bacteria compliance criteria) (12 month rolling-average).	100%	100%	100%	<b>Achieved</b>	
The extent to which the local authority's drinking <b>water</b> supply complies with part 5 of the drinking-water standards (protozoal compliance criteria). (12 month rolling-average).	100%	100%	100%	<b>Achieved</b>	

Median response time for attendance for urgent call-outs ( <b>drinking water</b> ): from the time that the local authority receives notification to the time that service personnel reach the site (minutes).	59 mins	43 mins	≤ 60 mins	Achieved	
Median response time for resolution of urgent calls-outs ( <b>drinking water</b> ): 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	3.2 hours	≤ 5 hours	Achieved	
Median response time for attendance for non-urgent call-outs ( <b>drinking water</b> ): from the time that the local authority receives notification to the time that service personnel reach the site	1.1 day	0.93 day	≤ 5 days	Achieved	
Median response time for resolution of non-urgent call-outs ( <b>drinking water</b> ): 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	1.22 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	8.81	≤ 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	58 mins	≤ 60 mins	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	3.13 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	23.47	≤ 50	Achieved	
The percentage of real water loss from the local authority's networked reticulation system (12-month rolling average).	11.4%	10.44% (August figure)	≤13%	Achieved	The percentage of real water loss during August 2022 was 10.44%. 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 reporting is delayed.
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	0.01	≤ 5	Achieved	
<b>Other SOI performance measures</b>					
Average number of wet weather overflows per engineered overflow point per discharge location (12-month rolling average).	1.1	2.73	≤ 2 overflows per year	Not achieved	Target has not been achieved. Significant storm events and more frequent rain over the last 12 months have increased the number of overflow events. We anticipate that this measure will remain above target following the Auckland Anniversary Flood event.

Employee net promoter score (eNPS).	23	4 (November 2022 survey results)	≥20	Yearly target (against year-end target)	Survey is carried out two times per year. Survey result from November 2022 was lower than anticipated but reflects the challenging year. Management Support and Peer Relationships scored well, Workload, Reward and Strategy were areas identified for action.
Gender workforce ratio in fixed term and/or permanent roles, including leadership positions (Tier 3 and above).	F: 38.76% M: 61.24%	F: 38.32% M: 61.68%	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	4.15%	6%	Yearly target	This amount has slightly increased due to the focus on recruiting Māori and Pacifica summer interns.
Total recordable injury frequency rate (TRIFR) per million hours worked (12-month rolling average).	14.32	15.8	<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 15.8 in December 2022 and was above the FY23 target of less than 10. The TRIFR is, however, trending downwards over the last six months.
Safety improvement plans.	New measure	100%	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 performance – litres/connection/day (l/c/d).	New measure	100.18 (September 2022 figure)	107.9 l/c/d being the Economic level of leakage (ELL)	Yearly target	The real water reported this month is for August 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 reporting is delayed.

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 – (“NBA”) and the Spatial Planning Bill (“SPA”) were introduced into Parliament in mid-December 2022. Watercare currently working on developing potential submission points. The Water Services Legislation Bill (known as “Bill 2”) and the Watercare Services Economic Efficiency and Consumer Protection Bill (know as “Bill 3”) were introduced into Parliament in mid-December. Watercare is currently working on developing potential submission points
Debt to revenue ratio.	2.80	2.68	≤3.61	Achieved	
Percentage of household expenditure on water supply services relative to average household income.	0.80%	0.82%	≤ 1.5%	Achieved	
Formal engagement with mana whenua of Tāmaki Makaurau.	95%	100%	Partnering with mana whenua of Tāmaki Makaurau to achieve outcomes for Māori Each year, at least five priority outcomes within our Achieving Māori Outcomes Plan are being progressed with mana whenua (updated measure).	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.  Given Te Rua Whetu’s secondment, it is unlikely the number of initiatives will increase until such time as Te Rua Whetu have increased resources and capacity to support delivery of Māori outcome priorities
Ratio of procurement sourced through Māori owned businesses.	1.48%	1.97%	2%	Not achieved	Target has not been achieved. Total spend in December was 1.97% (Direct 1.07% and indirect 0.90%). Indirect spend is still proving difficult to obtain. Out of our 12 partner suppliers only 4 have provided spend numbers this FY despite regular reminders. Focus will be on getting numbers for half yearly reporting.



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%	98.90%	≥95%	Achieved	
Customer Net Satisfaction Score (Previously Net Promoter Score). (12-month rolling average)	54%	51%	≥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 <sub>2</sub> e	Yearly target	

*\*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.*