

# Watercare

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

# Watercare Q2 summary

## Highlights & risks for the quarter

### Highlights

1. Our H&S team has been renamed the “Health, Safety & Wellness”. The team now has an increased focus on improving and managing the mental and physical wellbeing of our people.
2. In November 2018, we held our staff expos, with a focus on “Resilience”. The expos visited eight Watercare sites and engaged over 600 staff.
3. Waikato District Council has approached Watercare to provide its “three waters” services under a contract. Negotiations commenced during Q2 and the project is on track to “go live” 1 July 2019.
4. As at 31 December, 49% of our customers now receive their bills by email (up from 42% at 1 June 2018), saving postage costs and paper.
5. We launched “Tapped In for Business” for our commercial and industrial customers.
6. We finalised our Climate Change Strategy.

### Risks

1. Maintenance costs are increasing. To mitigate this, we are working with AT to find a more efficient way to operate in roading corridors
2. Major project cost overrun: We monitor our tendered prices and delivery costs continuously. We are developing procurement strategies that minimise capital and whole of life costs of new assets.

Financial (\$million)	YTD actual	YTD budget	Actual vs Budget
Capital delivery	160.2	213.8	(53.6)
Direct revenue	320.6	310.9	9.6
Direct expenditure	110.5	107.8	2.7
Net direct expenditure	210.0	203.1	6.9

## Financial commentary

- **Capital delivery:** Delays due to re-prioritisation, contract negotiations and finalisation of design.
- **Direct revenue:** Favourable to budget following higher than anticipated usage, and the timing of infrastructure growth charges.
- **Direct expenditure:** Unfavourable following higher than anticipated unplanned maintenance on the water and wastewater network

## Key performance indicators

Key performance indicators	Previous Quarter	FY 19 Quarter 2		Status	Commentary
		Actual	Target		
The extent to which the local authority’s drinking water complies with part 4 of the drinking water standards (bacteria compliance criteria)	100%	100%	100%	<b>Met</b>	
The extent to which the local authority’s drinking water complies with part 4 of the drinking water standards (protozoal compliance criteria)	100%	100%	100%	<b>Met</b>	
Average number of wet weather overflows per engineered overflow point per discharge location in the transmission system	2.03	2.63	≤ 2 overflows per year	<b>Not met</b>	The number of high intensity rainfalls, which is outside our control, has contributed to this result.
The number of dry weather overflows from Watercare’s sewerage system, expressed per 1,000 sewerage connections to that sewerage system	0.37	0.37	≤10	<b>Met</b>	

# Strategic focus area – Central interceptor

## Key highlights and risks

### Highlights

1. All four of the pre-qualified tenderers submitted high quality proposals on 14 September 2018. Three of the four submissions were within the approved business case budget.
2. The Ghella – Abergeldie Joint Venture (GA) was selected as our preferred bidder in late November 2018, following an extensive technical and financial evaluation process.
3. We have confirmed with Jacobs (Principal Engineering Designer) their ongoing role in the project and they have committed to provided specialised resources from around the world to work with Watercare on construction management of the works.

### Risks (Note – these risks relate to the Procurement Phase of the project. Construction risks will be included as we move into that phase of the works).

1. Costs exceed approved budget. The risk has been closed as the pricing is known, and it can be confirmed that the project will be within budget.
2. Watercare resources. The risk of inadequate client side resources in a tight labour market has been closed. Jacobs has been confirmed and will provide Watercare with additional construction management resources.
3. Delay to Contract Award. If there is any reason to delay the award of the contract from early March 2019, this will put the pricing of the works at risk of significant increase as the tenders will expire on 15 March 2019.

## Strategic context

The CI is a 13km wastewater tunnel, running from Western Springs 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%. It will be extended to Grey Lynn, allowing Auckland Council and Watercare to work towards the goals that form part of the Western Isthmus Water Quality Improvement Programme. Funding for the CI and Grey Lynn Tunnel extension comes from Watercare user charges. Construction begins mid-2019 and will be complete in 2025.

Key programme of works	Status	Description	Commentary
Main works into service	<b>On track</b>	The main works (Central Interceptor) are to go into service in 2026	This will include Grey Lynn Tunnel if GA is instructed to proceed.
Commence tunnelling	<b>On track</b>	Tunnelling is to commence in late 2020.	Single Tunnel Boring Machine launching from Māngere.
Commence Physical works	<b>On track</b>	Physical works to commence in Q4 FY2019.	GA takes possession of the sites in the first week of May 2019. This will involve site establishment at Māngere and May Road, followed by construction of the shafts.
Execute contract with Consortia	<b>On track</b>	Once the terms of the contract have been negotiated, it will be signed by the parties. Scheduled for Q3 of FY2019.	Contract signing scheduled for 14 March 2019.
Finalise design and lodge consents for the Grey Lynn Tunnel	<b>On track</b>	Consents to be lodged in Q3 of FY2019.	Watercare Board approved the Grey Lynn Tunnel business case in November 2018. Consent applications are now being finalised.

# Strategic focus area – Water supply investment

## Key highlights and risks

### Highlights

1. Our MSN training facility in Māngere opened in October 2018. The facility boosts the skills and confidence of new recruits.
2. Our Waikato Water Treatment Plant was opened to the public for the first time ever in October 2018. Over 80 people enjoyed tours of the facility
3. The Warkworth Water Treatment Plant went live in December 2018. It draws water from an underground aquifer and is our largest water treatment plant not connected to the Metropolitan network. It doubles capacity and allows for growth in this area.
4. The Auditor General visited the Ardmore Water Treatment Plant as part of their fresh water quality and supplies review.
5. Watercare is supporting a scientific study into microplastics, to increase understanding of the nature of microparticle contamination in our aquatic environments, and what long term solutions can be found to minimise contamination.

### Risks

1. The 1080 drop by Council in the Hunua Ranges occurred in October 2018. Water samples taken from our reservoirs before, during and after the drop by Council all showed no traces of 1080.
2. Ardmore is now classified as a “Major Hazard Facility” due to the quantity of chlorine stored. Worksafe now conducts “Safety Cases” on all Major Hazard Facilities. The initial case required amendment and we are now working with Worksafe to address their requirements and we will be a position to resubmit a revised Safety Case in April 2019. The Safety Case process and requirements for changes are to be expected.

## Strategic context

Watercare provides safe, reliable “Aa” grade drinking water to 1.5m Aucklanders. The company collects, treats and distributes water from 27 water sources including the Waikato River, 12 dams underground aquifers. We operate 15 water treatment plants, 91 water reservoirs, and over 9,000km of water pipes.

Key programme of works	Status	Description	Commentary
Hunua 4 Watermain	<b>On track</b>	This is a 31km pipe that will connect the reservoirs in Redoubt Road, Manukau to those in Khyber Pass, providing security of water supply for a growing Auckland.	Open cut work has commenced on project and shafts are being sunk in preparation for first tunnel drive in Khyber Pass Road.
North Harbour No.2 Watermain	<b>On track</b>	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.	Site blessing has been held for project and work has begun on site in preparation for the Causeway reclamation.
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 to supply a growing Auckland with high quality water from our western supply dams.	The independent experts are completing their technical evaluations. The Assessment of Environmental Effects, and consent application, will be lodged on 28 February 2019.
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.	Shadbolt Park advanced works are complete. Construction contract for Huia 1 in Golf Road awarded. Assessment of Environment Effects being finalised for Titrangi, Hillsborough, Mt Roskill and Epsom sections of pipeline. Detailed design of this section of the pipeline is also being progressed.

# Strategic focus area – Wastewater investment

## Key highlights and risks

### Highlights

1. At the Project Excellence Awards, Māngere’s BNR facility won the Physical Works Award and Sven Harlos won the People Leader award for his work on the BNR project.
2. In November 2018, we hosted tours of our Māngere plant and Puketutu Island for the public and commercial customers. These were well received and fully subscribed with over 130 people taking part.
3. Expansion of the Rosedale Wastewater Treatment Plant is progressing well in order to cater for growth and to improve the resilience of the facility. Physical works for liquid stream upgrades is progressing well.

### Risks

1. Failure to treat wastewater to the required standard and convey wastewater flows. This risk relates to environmental impacts and failure to meet consent conditions, with a flow on effect to stakeholder support and confidence. To address this enterprise risk, we are investing in a non-metro WWTP upgrade programme and a major WWTP AMP renewal and upgrade programme. We are also continuing with network upgrades to address capacity constraints. Our Inflow and Infiltration investigations also continue to address illegal and incorrect stormwater connections.

## Strategic context

Watercare provides safe, reliable wastewater services to 1.5m Aucklanders. 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	Commentary
Northern Interceptor	<b>On track</b>	This pipe will divert flows from Māngere to Rosedale. It will replace aged infrastructure, increase capacity of the network and reduce wet weather overflows.	Blessing held and construction has begun in Wainoni Park. Work for the harbour reclamation has been done and design is being completed for the remainder of the project.
Pukekohe Wastewater Treatment Plant upgrade	<b>On track</b>	The upgrade will provide capacity for population growth in the Pukekohe, Buckland, Tuakau and Pokeno catchment area.	Main construction works commenced in December 2018. The project is on track to meet the new consent conditions by October 2021.
Sub-regional wastewater servicing – North East	<b>On track</b>	Upgrade will cater for population growth in Warkworth and Snells Beach and will produce high quality wastewater for discharge.	Design and consenting is well advanced for the conveyance and Snells Beach WWTP. The new outfall has been tendered for construction. Project on target for 2022 completion.
Sub-regional wastewater servicing – South West	<b>On track</b>	Upgrade will cater for population growth in Kingseat, Clarks Beach, Glenbrook Beach and Waiuku. Project includes new Waiuku WWTP, new outfall pipeline and tidal storage.	Discharge consent for the project was granted in 2018. We now have 8 years to deliver. Concept design is underway with business case approvals targeted for 2019.
Western Isthmus Water Quality Improvement Programme	<b>On track</b>	Watercare will invest \$412m over 10 years towards this joint Healthy Waters/Watercare programme. Benefits include reduced wastewater overflows into the Waitematā Harbour.	Investigation works are proceeding in 3 of the 10 catchments. These are Herne Bay/St Mary’s Bay, Waterview and Freemans Bay.

# Other statement of intent focus areas

## Three Waters review

### Highlights:

- Over the quarter, Watercare continues to work with Council on implementing the preferred recommendation of Council’s s17A Value for Money Review into the “Three Waters”.
- Watercare is also working with Council on the Auckland’s Waters Strategy, which overlaps with the s17A Three Waters Strategy. A feedback discussion document is being released for public consultation in February 2019.
- In the meantime, the Government, on 20 November 2018, announced reforms to the “Three Waters”. The Government is now in a period of consultation. We are assisting the Government (e.g. DIA) by responding to any information requests they may have regarding water or wastewater.

### Risks

- Any proposed changes to the water industry impact the current Watercare business model. Whatever the outcome, we are advised that the “three waters” assets will remain in public ownership.

## Climate change

### Highlights

Climate change is one of the largest challenges we face as a business and country.

- In December 2018, we finalised our Climate Change Strategy which aims for Net Zero Carbon by 2050 and to adapt our organisation to be resilient to a changing climate. This set two new ambitious targets: reduce operational carbon by 45% by 2030 (in line with maintaining global warming to 1.5 degrees Celsius) and to reduce infrastructure build carbon by 40% by 2024.
- We have supported the conception of the Auckland Climate Action Plan (ACAP) and the Climate Symposium coming up in March.
- Our Head of Water Value, Roseline Klein won the EECA Energy and Emissions Leadership Award in November.

### Risks

We have identified the following risks and mitigation activities in achieving our climate goals:

- Lack of staff buy in to create change – we have a strong commitment to climate change mitigation and adaptation actions from our Board, Executive and staff.
- Not achieving the ambitious goals we have set – we will establish KPIs, road maps and regular reporting and reviews.
- Not integrating climate actions into BAU – we will leverage the brilliance and interest of our people along with the commitment of our leadership.

## Contribution towards Māori outcomes

### Highlights:

- Māori engagement is now part of our BAU and we have been asked to share our learnings with other organisations, such as the New Zealand Planning Institute.
- In October, we held a site blessing at Pukekohe East Reservoir project and in December another one at the Redhills infrastructure project.
- In November, Raveen Jaduram, the Chief Executive, met with various parts of Council to discuss water priority, Marae analysis, Economic Development and the Auckland Plan.
- Over the quarter, our Poutiaki, Tikanga Māori /Principle Advisor continued to work closely with our Central Interceptor team to ensure this project considers Māori outcomes.
- We engaged with Iwi regarding Marae water and wastewater issues.
- We are working with council to provide input into the implementation of the s17A review recommendations.

### Risks

- Failing to effectively engage and manage the relationships with Māori and Iwi. Continue to progress the actions in our Māori Responsiveness Plan published in April 2018 which aligns with the cultural, social, economic and environmental aims outlined in the Māori Plan 2017.

## Local board engagement

### Highlights

- We hosted a number of local boards and the Manukau Harbour Forum, on site visits to the Māngere WWTP where we talked about the innovation and challenges in wastewater treatment.
- We maintained liaison with Orakei Local Board Chair and Councillor Desley Simpson regarding a complex wastewater and stormwater issue in Purewa. The elected members were very supportive and took the time to understand the issues. The work culminated in the production of a community newsletter “Meadowbank Matters” reminding people how to care for their drains. The newsletter assisted Council’s Healthy Waters to share information on local network inspections over the summer.
- We joined Franklin Local board to discuss Clevedon wastewater upgrades.
- We continued to host workshops with local boards effected by existing and upcoming projects including updates on the Northern and Central Interceptor. Local Board representatives also joined us at a number of official openings and site blessings including Fred Thomas Pump Station completion and the Northern Interceptor kick off.
- Community and staff newsletters have been shared with Local Board members and staff as well as interesting social media postings, so they may share them with their local communities.
- Local boards were also advised of our preferred bidder on the Central Interceptor bidder, in advance of the media release.

### Risks

- Maintaining levels of services in response to an increased range of escalations common in an election year.
- Working with Local Boards and Parks to obtain necessary landowner approvals for work in parks without significant delays.

# Watercare Q2 financials



## Direct operating performance

\$(thousands)	FY 18	FY 19 Quarter 2			FY 19
	Actual	Actual	Budget	Variance	Budget
<b>Net direct expenditure</b>	<b>392,293</b>	<b>210,064</b>	<b>203,088</b>	<b>6,976</b>	<b>412,118</b>
<b>Direct revenue</b>	<b>611,375</b>	<b>320,576</b>	<b>310,928</b>	<b>9,648</b>	<b>631,040</b>
Fees & user charges	490,537	257,337	251,204	6,133	508,019
Operating grants and subsidies	0	0	0	0	0
Other direct revenue	120,838	63,239	59,724	3,515	123,021
<b>Direct expenditure</b>	<b>219,082</b>	<b>110,512</b>	<b>107,840</b>	<b>2,672</b>	<b>218,922</b>
Employee benefits	74,491	35,937	36,725	(0,788)	75,007
Grants, contributions & sponsorship	0,102	0,281	0,452	(0,171)	0,672
Other direct expenditure	144,489	74,294	70,663	3,631	143,243
<b>Other key operating lines</b>					
AC operating funding ( <i>CCO only</i> )	0	0	0	0	0
Vested assets	30,201	21,188	10,000	11,188	20,000
Depreciation	218,731	121,396	125,351	(3,955)	252,300
Net interest expense	93,583	42,293	44,467	(2,174)	90,861



## Financial Commentary

**Comment 1:** Fees & user charges are 2% ahead of budget due to slightly higher than anticipated usage

**Comment 2:** Other direct revenue is 6% ahead of budget as income from Infrastructure Growth Charges were higher than anticipated. The timing of this income is dependent upon when buildings are connected to the network.

**Comment 3:** Other direct expenditure is 5% unfavourable to budget due to higher levels of unplanned maintenance following a number of isolated large infrastructure breaks and higher water demand.

**Comment 4:** Vested assets revenue is ahead of budget due to a higher volume of completed developments than budgeted.

**Comment 5:** Net interest expense and depreciation are both favourable to budget due to lower levels of capex than planned in Q4 of 2018 and Q2 of 2019.

**Savings commentary:** Watercare management has set itself an efficiency target of \$7m. The efficiency savings target for the first six months has been \$2.8m. The largest efficiency gains achieved were reprogramming planned maintenance, and savings in chemicals and energy.

## Watercare Q2 performance measures

Key performance indicators	Previous	FY19 Quarter 2		Status	Commentary
	Quarter	Actual	Target		
The extent to which the local authority's drinking water complies with part 4 of the drinking water standards (bacteria compliance criteria)	100%	100%	100%	<b>Met</b>	
The extent to which the local authority's drinking water complies with part 5 of the drinking water standards (protozoal compliance criteria)	100%	100%	100%	<b>Met</b>	
Average number of wet weather overflows per engineered overflow point per discharge location in the transmission system	2.03	2.63	≤ 2 overflows per year	<b>Not met</b>	The number of high intensity rainfalls, which is outside our control, has contributed to this result.
The number of dry weather overflows from Watercare's sewerage system, expressed per 1000 sewerage connections to that sewerage system	0.37	0.37	≤10	<b>Met</b>	
Median response time for attendance for urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site.	52 mins	50 mins	≤ 60 mins	<b>Met</b>	
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	3 hours	2.9 hours	≤ 5 hours	<b>Met</b>	
Median response time for attendance for non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site	2.2 days	1.8 days	≤ 5 days	<b>Met</b>	
Median response time for resolution of non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	3.1 days	2.7 days	≤ 6 days	<b>Met</b>	
Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that Watercare receives notification to the time that service personnel reach the site	46 mins	45 mins	≤ 60 mins	<b>Met</b>	
The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	277	2 month delay	266 + / - 2.5%	<b>Not met</b>	2 month lag on data. Our Water Efficiency Strategy, which aims to reduce Aucklanders water use, will drive new initiatives in 2019.



# Watercare Q2 performance measures continued

Key performance indicators	Previous	FY19 Quarter 2		Status	Commentary
	Quarter	Actual	Target		
Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that Watercare receives notification to the time that service personnel confirm resolution of the blockage or other fault	3 hours	2.9 hours	≤ 5 hours	<b>Met</b>	
The total number of complaints received by Watercare about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system.	18.9	18.6	≤ 50 per 1000 connections to Watercare's sewerage system	<b>Met</b>	
The percentage of real water loss from Watercare's networked reticulation system (rolling 12 month average)	13.4	2 month delay	≤13%	<b>Not met</b>	2 month lag on data. 13.4% in November 2018. We are undertaking investigations into the causes of non-revenue water.
Net Promoter score – strive to achieve a score of >30	29	30	30	<b>Met</b>	
Compliance with Watercare'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 Watercare in relation to those resource consents	0	0	a) ≤2 b) ≤2 c) ≤2 d)0	<b>Met</b>	
The total number of complaints received by Watercare about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) Watercare's response to any of these issues.	4.4	4.4	≤ 10 per 1000 connections to Watercare's networked reticulation system	<b>Met</b>	