

# Watercare

## Quarter 3 Performance Report

**For the period ending 31 March 2020**

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

# Watercare Q3 summary

## Highlights, issues & risks for the quarter

### Risks

The major areas of focus in this quarter have been the response to the ongoing drought conditions and the impact of Covid-19:

1. The combination of high temperatures, record low rainfall and high demand has resulted in lower than average storage levels. Water storage levels as at 4 May 2020 are 46.5% (this time last year storage level were 63.4% ; normal for this time of year is 76.4%). Action under the Auckland Metropolitan Drought Management Plan commenced publicly on 10 February 2020 with the launch of the Water is Precious media campaign.
2. The rainfall during January and February 2020 were at record low levels. Our “Water is Precious” media campaign has had a positive impact on reducing demand, yet the lack of significant rain has continued to deplete storage lake levels. We have a two-pronged approach to address the water resource risk for the current and for the coming months, leading to the next summer. The first is demand management where we are seeking Aucklanders to work collectively towards efficient water use. The second is maximising Watercare water resources and minimising losses from our systems. However, despite these measures, mandatory water restrictions will be required in Q4.
3. We have a competent Incident Response Teams working on Covid-19. The overall objectives of the Incident Response Team are to: protect staff and support their families; maintain critical water and wastewater services; and minimise risk exposure. All objectives have been achieved to date. Over 600 Watercare staff are working from home with the remaining in the operational sites or in the field undertaking essential tasks. No Watercare employees have fallen ill with Covid-19.

### Highlights:

1. In line with the commitment in the current SOI, Watercare continues to explore new revenue opportunities. Through the Mayor and CCO Governance, Council were advised in Q2 that we may ringfence any commercial operations via subsidiary entities. Watercare has established a subsidiary company. We will continue to keep Council informed of our progress on a no-surprises basis.
2. In Q3, Watercare finalised the purchase of a 67% share of Lutra Limited, a software and training company that specialises in water and wastewater process optimisation. We kept the Mayor, senior Council officers and CCO Governance informed of the negotiations on a no-surprises basis. Details of this subsidiary’s operations now appear in Watercare’s quarterly reports.
3. The Board established a subcommittee focussed on climate action and it met in February 2020 to agree on its work plan, structure and desired impact. A subsequent workshop in March 2020 resulted in the development of four priority value streams for Watercare.
4. The Board has been receiving weekly updates via video conferencing on both the Drought and Covid-19, and we have been keeping the Mayor, Liaison Councillor, Councillors and the Emergency Committee up to date with the risks facing the company in respect of these issues. Watercare has been working closely with counterparts at Council to ensure there are coordinated responses (e.g. advance payments to contractors). We have also been collaborating with Council on likely scenarios and revised financial forecasts.

Financials	YTD	YTD budget	Actual v Budget
Capital delivery	424.2	470.2	↑ (46.0)
Direct revenue	537.8	496.3	↑ 41.5
Direct	191.0	173.0	↑ (18.0)
Net direct	346.8	323.3	↑ 23.5

## Financial Commentary

**Capital delivery:** Capital expenditure is running at 90% (Q2: 86%). Most of the underspend is in two projects: Central Interceptor (\$39.3m) as budget was set prior the finalisation of the phasing of delivery, and Hunua 4 Section 11 (\$14.8m). Offsetting this is \$9m ahead of budget in Pukekohe WWTP upgrade as work completed ahead of programme. See separate Central Interceptor report on page 3.

**Direct revenue:** Direct revenue is \$41.5m ahead of budget mainly due to increase in IGC and revenue associated with new developments (\$14.7m), Department of Corrections transfer of assets (\$8.3m), and higher actual usage volume (\$12.6m).

**Direct expenditure:** Other direct expenditure is \$18.0m or 10.4% over budget due to higher water production costs associated with managing our historically low dam levels (additional treatment and energy of water from Waikato and alternative dam sources \$7.5m). Variance also due to increased planned and unplanned maintenance (\$2.1m), additional digital licencing costs (\$1.4m), fuel costs (\$0.8m) and rental expense (\$0.6m).

## Key performance indicators

(Refer to pg. 9-11 for complete list)

	Previous Quarter	FY 20 Quarter 3		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%	Met	
Median response time for resolution of urgent calls-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	2.90 hours	2.90 hours	≤ 5 hours	Met	

# Strategic focus area – Central interceptor

Key commentary	Strategic context
<p><b>Up to 31 March 2020, a total of \$135.4m was spent towards the Central Interceptor against a total CI budget of \$1.269 billion. The forecast final cost is within the \$1.269 billion budget.</b></p> <p><b>Highlights</b></p> <ol style="list-style-type: none"> <li>1. Significant progress has been made at site adjacent to Māngere Wastewater Treatment Plant (WWTP), May Rd and Keith Hay Park sites. The properties for the Grey Lynn wastewater tunnel shaft site have been purchased and design works commenced. The project has been on programme and within budget.</li> <li>2. No construction works are taking place due to Covid-19 Level 4 lockdown. Staff and advisers continue to work from home on tasks such as preparation of management plans.</li> <li>3. To minimise risks to the delivery time, the assembly of the Tunnel Boring Machine was requested to be undertaken in Germany where the bulk of the components are being manufactured. Delivery is expected in late 2020 as per programme.</li> </ol> <p><b>Risks</b></p> <ol style="list-style-type: none"> <li>1. <b>Covid-19 Risks:</b> Potential impacts on supply chain, project delivery and staff H&amp;S are currently being considered by the project team. Watercare are working collaboratively with Contractor to mitigate risks where ever possible.</li> <li>2. <b>Health, Safety &amp; Wellbeing:</b> Significant effort has been placed into ensuring that excellent health, safety and wellbeing outcomes will be achieved. A key focus continues to be on training and competency of the labour force on the project.</li> <li>3. <b>Contractual claims resulting in cost overruns:</b> The risk relates to an event, such as unforeseen physical conditions or hyper cost escalation, occurring during construction that results in a valid claim by the Contractor. We continue to work with the Contractor to mitigate these risks where ever possible.</li> <li>4. <b>Impact on Operations:</b> The commissioning and interface with existing operational assets is being managed through proactive risk planning of all works and developing appropriate contingency plans.</li> </ol>	<p>The CI is a 13km wastewater tunnel, running from Western Springs to the Māngere Wastewater Treatment Plant.</p> <p>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%.</p> <p>It will be extended a further 1.625 km to Grey Lynn, allowing Auckland Council and Watercare to work towards the goals that form part of the Western Isthmus Water Quality Improvement Programme. Construction of the CI began mid-2019 and will be complete in 2025.</p>

Key programme of works	Status	Description	Outlook
Finalise design and lodge consents for the Grey Lynn Tunnel	<b>On track</b>	Consents issued without the need for a hearing due to the proactive work undertaken with the small number of submitters.	Final design of the terminal shafts being confirmed to incorporate the Western Isthmus works in that area. Once confirmed, the Contractor will be instructed to proceed, which will be well before the required date in the contract conditions.
Commence physical works	<b>On track</b>	Significant progress at Māngere WWTP, May Rd and Keith Hay Park has been completed. The Diaphragm Wall at Mangere WWTP for the Pump Station is nearing completion with 26 of 29 panels completed at time of lockdown.	Shaft excavation at Mangere will commence early May post lockdown. Piling work will continue at May Rd and work at Haycock, Walmsley and Dundale sites set to commence in early May.
Commence tunnelling	<b>On track</b>	Tunnelling is to commence in 2021, in line with the tendered programme to achieve contractual completion dates.	Single Tunnel Boring Machine (TBM) launching from Māngere WWTP. The TBM is being manufactured and assembled in Germany and will be delivered in late 2020.
Main works into service	<b>On track</b>	The main works (Central Interceptor) are to go into service in late 2025.	This will include Grey Lynn Wastewater Tunnel extension.

# Strategic focus area – Water supply investment

## Key commentary

For the 9 months to 31 March 2020, \$136.0m was spent towards water supply investment against a year to date budget of \$146.2m.

### Highlights

1. The Central Interceptor (CI) tunnel project will soon start building the **Māngere Recycled Water Plant** to produce drinking water quality recycled water from the Māngere Wastewater Treatment Plant. This water will then be used as construction water for the CI project, instead of using potable drinking water from the Watercare network. It is anticipated that it will be in service before the end of 2020, subject to impacts of COVID-19. The Plant will be handed over to Operations at the end of the project and that team is evaluating opportunities for the Plant's use in the meantime.
2. **Around 50,000 Auckland households are totally reliant on rainwater tanks** and are not Watercare customers. Over the quarter, Watercare assisted Council with the delivery of drinking water to communities in the north that rely on rainwater, whose tanks had run dry over the dry period. In January 2020 alone, Watercare's 11 tanker filling stations provided 85m litres of water to commercial water tanker operators, who then on-sold it to people with rain water tanks.

### Risks

3. **Auckland is in a severe drought:** We are managing water supply and demand as the drought continues. To increase supply, we have a continued focus on reducing non-revenue water and fixing leaks; abstractions from Waikato River and Onehunga aquifer has been optimised; we are continuing to upgrade our Waikato WTP so it can shortly process an additional 25MLD; we are applying for a new consent from Waikato Regional Council to take 100MLD from 1 May to 30 September and when the river is above median flow; the Hays Creek dam is available for use by those requiring non-potable water; and we are using s330 emergency provisions under the Resource Management Act to consent reduced compensation flows from Cosseys, Wairoa and Waitakere dams. To assist with reducing demand, the Water is Precious campaign started in early February. As the levels in the water supply lakes continue to fall, mandatory restrictions will be required in May. All work is being done in accordance with Auckland Metropolitan Drought Management Plan and is being overseen by our Drought Incident Management Team.

## Strategic context

Watercare provides safe, reliable "Aa" grade drinking water to 1.6m Aucklanders.

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

We operate 15 water treatment plants, 91 water reservoirs, and over 9,000km of water pipes.

Key programme of works	Status	Description	Outlook
Hunua 4 Watermain	Delayed	This is a 31km pipe that will connect the reservoirs in Redoubt Road, Manukau to those in Khyber Pass, Newmarket providing security of water supply for a growing Auckland.	Tunnelling underway on the last section from Newmarket to Khyber Pass Rd. Tunnelling is slower than anticipated due to changeable ground conditions. Updated ETA for completion is mid-2021. Business risks remain manageable.
North Harbour No.2 Watermain	On track	This pipe will service growth in the north. It also provides an alternative route for conveying water from the west to the north to provide security and resilience.	Causeway reclamation ongoing and pipe-laying underway beside the North-Western motorway. Due to reinforcement congestion issues the bridge design is being reviewed and has been removed from this contract. In the meantime, alternatives are being investigated.
Huia Water Treatment Plant replacement	On track	The plant is nearing the end of its operational life. It needs to be replaced to continue to supply a growing Auckland with high quality water from our western supply dams that supply around 20% of Auckland's water.	A hearing of the resource consent application on the enabling works (earthworks and vegetation removal) commenced on 24 February. At the end of the hearing of evidence, the hearing was adjourned while additional procedures concerning kauri dieback were caucused between the relevant experts. This involves sampling for kauri dieback which can commence under Covid-19 Alert Level 3.
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.	Construction of the first section in Golf Road is ongoing. Project is all consented and work has begun in Mount Roskill.

# Strategic focus area – Wastewater investment

## Key commentary

For the 9 months to 31 March 2020, \$264.4m was spent towards wastewater investment against a year to date budget of \$298.4m.

### Highlights

1. **Wet wipes education:** With COVID-19 affecting the availability of toilet paper, we believe more people are using wet wipes. As a consequence, there are more blockages and therefore more overflows. A Watercare Facebook Post regarding wet wipes went “viral”, and has now been shared over 8,900 times, had over 1 million unique views, and over 1,400 comments. A #neverflushwipes campaign has been launched by Central Government as part of its Covid-19 communications. The message is “Please don’t flush wipes, unblocking drains puts us at risk”. Watercare is supporting this campaign as well. Watercare is working with Water NZ on a wider education campaign as well. There have been two recent dry weather overflows. One at Green Bay, the other near Thomas Bloodworth Park. In both cases wet wipes have been a significant factor along with nappies and cooking fats in causing the overflows.
2. **St Mary’s Bay and Masefield Beach Stormwater/Wastewater project:** Construction has commenced on the St Mary’s Bay stormwater tunnel by Healthy Waters. This is a key project to enable separation in the St Mary’s Bay and Herne Bay catchments, which is part of the Western Isthmus Water Quality Improvement Programme. Healthy Waters and Watercare are working together on this Programme.

### Risks

3. **Covid-19 risk to wastewater operators:** We have worked with Prof. Colin Fricker, a water and wastewater microbiologist, to ensure there is no additional risk to our wastewater workers during the Covid-19 pandemic. Prof. Fricker conducted a review of the literature on the virus and reported that even if there is a presence of virus particles in wastewater, it is highly unlikely that they would be able to cause infection. The report also concludes that the virus has not and will not be transmitted through drinking water.

## Strategic context

Watercare provides safe, reliable wastewater services to 1.6m 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	Outlook
Northern Interceptor	On track	This pipe will divert flows from Māngere to Rosedale. It will replace aged infrastructure, increase capacity of the network and reduce wet weather overflows.	Pipelaying progressing in Greenhithe and Albany. Causeway construction is ongoing. Directional Drilling has been completed under the Upper Waitemata Harbour.
Pukekohe Wastewater Treatment Plant upgrade	On track	The upgrade will provide capacity for population growth in the Pukekohe, Buckland, Tuakau and Pokeno catchment area.	Main construction works have progressed to schedule until mid-March. The project has started tie-ins as well as progressed electrical and mechanical work and commissioning planning.
Sub-regional wastewater servicing – North East	On track	Upgrade will cater for population growth in Warkworth and Snells Beach and will produce high quality wastewater for discharge. Completion is due April 2022.	Warkworth to Snells Transfer Pipeline – final tender final option selected and approval being sought. Snells Beach WWTP process design is complete and civil design underway. The evaluation of the early works contract is being finalised. Snells-Algies Outfall construction is on track. The Direct Pipe micro-tunnelling machine has completed 1km of the 2km tunnel.
Sub-regional wastewater servicing – South West	On track	The scheme caters for population growth in Kingseat, Clarks Beach, Glenbrook Beach and Waiuku. Staged phasing to align with consents and developments require completion of conveyance by December 2022 and the expanded and upgraded wastewater treatment plant by June 2026.	Discharge consent for the project was granted in 2018. Business case approved in July 2019 and concept designs have been completed. Detail designer for conveyance has been appointed and preliminary design has commenced - due to be completed by December 2020.
Western Isthmus Water Quality Improvement Programme (Joint programme with Healthy Waters)	On track	Watercare is investing \$412m over 10 years. Benefits include reduced wastewater overflows into the environment.	St Mary’s Bay design works are have commenced. Herne Bay property investigations and preliminary design are underway. Investigations continue in the remainder of the catchment.

# Other statement of intent focus areas

## Water reform in New Zealand

On 28 January 2020, Cabinet released a paper titled *“Three Waters Service Delivery and Funding Arrangement: Approach to Reform”*. Summary points from the Cabinet paper are

- The focus is on the consideration of a range of three waters service delivery models, and associated potential funding arrangements to enable a transition to better occur.
- More work is needed before any type of infrastructure fund can be established.
- Three service delivery models have been considered. The preferred model appears to be three to five multi-regional, publicly owned providers. Less preferred is the regional, publicly owned water providers – these providers would be aggregated within existing regional boundaries. The third model, one national, publicly owned water provider, will not be further investigated at this stage.
- Drinking water and wastewater service improvements will be prioritised over stormwater related improvements.
  - By year 1 – All drinking water suppliers must register – large suppliers (over 500) must have a Water Safety Plan. By 2021 a report is due on options for financial support/national fund and any more legislative changes required.
  - By year 3 – Compliance for all large suppliers actively enforced.
  - By year 5 – Small suppliers must comply with drinking water legislation.
  - By 2023/24 new water entities will be formed and operating.

## Lutra Limited

- On 24 January 2020, Watercare became a 67% shareholder of Wellington-based software and process engineering company, Lutra.
- The company has a team of 25 people which includes highly-skilled process engineers, software developers and data analysts; and has strong relationships with a number of New Zealand councils and commercial customers.
- Lutra will retain its company name and continue to operate from its head office in Wellington.
- Rebecca Chenery, Watercare’s Chief Digital Officer, and Shane Morgan, Watercare’s Chief Operations Officer, will join Lutra’s chief executive, Jason Colton, on a governing board.
- This board will be required to agree on a statement of intent with Watercare every year. Aside from these changes, Lutra’s company name, place of work and operations will remain the same.
- Lutra’s four main service areas are: Process Control: Infrastructure Data operations management software, Technical Support and Online Training of operational staff.
- In response to Covid-19, Lutra was awarded a contract by the Government for provision of a new national drinking water/wastewater helpline. The helpline has been established to ensure that frontline staff continue to have access to specialist operation and process engineering advice.

## Contribution towards Māori outcomes

### Kaitiakitanga outcomes (particularly water):

- **Mana Whenua Kaitiaki Forum Managers engagement:** engagement continues with our partners on our climate ambition. This session presented the direction of the strategy and shared learnings for Watercare to embrace going forward.
- A number of important hui were held in February 2020 include a relationship hui with Marama Royal, Chair, Ngāti Whātua ki Ōrākei and another hui with Ngāti Paoa Iwi Trust CE Haydn Solomon and Kaitiaki Chrystal Cherrington.
- Watercare attended various meetings at Council including the Māori Outcomes Group, which also involved Amokura Panoho Te Waka Anga Whakamua ki Uta Unit and Council whanau. We also attended a meeting with the Auckland Council Kaitiaki Governance forum administrators, Kim Bellingham and Desiree Tukutama, we collaborated with the family on Māori Outcomes in Infrastructure, and also in relation to Ngā Kete Akoranga courses across Watercare.

### Te Reo Māori

- CI project inductions to educate new workers in the Māori world view and Mana whenua Watercare relationship. Richard also presented evidence to the Commissioners hearing the Huia Water Treatment Plant Replacement project regarding the Mana whenua engagement processes and technical expertise.
- The CI “Going Underground” celebration included a kaupapa.

## Waikato District Council

- On 1 October 2019, Watercare commenced delivering drinking water, wastewater and stormwater services in the Waikato district under a contract of service.
- January and February 2020 performance against KPIs was good.
- High demand over summer presented some challenges and numerous incidents of theft were identified.
- Planning has commenced on a business plan for the next five years.
- Work is continuing on developing the initial Asset Management Plan and Business for the contract. Both due to be submitted to WDC in June.
- The Meremere WWTP MBR upgrade project has been tendered and is currently undergoing evaluation. It is expected the contractor will start in June, with a view that the WWTP will be compliant within 12 months
- Work is continuing on preparing discharge consent applications for Raglan, Meremere and Te Kauwhata.
- The Watercare Waikato Team is working well under the Covid 19 restrictions. Field staff have been assigned individual townships and plants to manage cross- contamination. All office based staff are working from home.

# Other statement of intent focus areas

## Building trust and confidence - Councillor, Local board and community engagement

- At the beginning of Q3, the main focus of our engagement was with rural Local Boards regarding the challenges faced by rain tank users running low on water.
- In February/March, information was shared on the Water for Life launch and the Water is Precious campaign.
- The Mayor, representative Councillors and Local Board members joined Watercare staff and Board members, contractors and dignitaries to celebrate a major milestone “Going Underground” for the Central Interceptor project. The event was very successful and was widely shared on social media.
- Watercare also joined the Mayor and Franklin Local Board representatives at a Hunua Trails presentation in Clevedon.
- In March 2020, we continued to provide regular updates to Councillors and Local Board members on the water situation and drought as well as our Covid-19 response.

Notice of local issues and responses to escalations continue to be shared and resolved in the interests of no surprises.

## Building trust and confidence - Customer and stakeholder relationships

- **Urban Development Bill:** This Bill is the second piece of legislation designed to enable Kāinga Ora-Homes and Communities. It complements the “Kāinga Ora-Homes and Communities Act 2019”, which established Kāinga Ora on 1 October 2019. This Bill, if passed in its existing form, would likely have significant implications upon Watercare, and other major infrastructure providers. While Watercare and Council made separate submissions, there was collaboration undertaken prior to lodgement. Both parties supported the overall concept of this Bill but Watercare recommended a number of amendments. Watercare presented to the Environment Select Committee on 9 April 2020.
- **Reducing waste: a more effective landfill levy – Consultation document:** Watercare made its own submission explaining why the Puketutu Island Rehabilitation Project should be exempted from any proposed landfill levy increases. Auckland Council supported this position.

## Climate resilience

- **ACAF:** Watercare continues to support Auckland Council on Te Tāruke-ā-Tāwhiri (ACAF) through the working and steering group; we have contributed emission reduction activities to support climate goals and supported information leading towards the LTP.
- **National Climate Change Risk Assessment:** Watercare provided support and insight to the planning process for the NCCRA with a focus on the built environment and water availability.
- **SEQ Water:** we continue to share our experience in establishing and embedding climate resilience within Watercare with external parties. SEQ Water from Brisbane were particularly interested in the process to establish our strategy.
- **DOT Movement:** In March a staff engagement programme was delivered to “Do One Thing” that supported climate and sustainability. Engaging staff is seen as an important step in embedding climate action at Watercare.
- **Infrastructure Carbon Baseline:** This baseline has been formally completed establishing carbon values for our delivery of the Enterprise Model to achieve the 40:20:20 vision – which includes a 40% reduction in infrastructure emissions. This is the first programme wide baseline for infrastructure to be delivered in Australasia that we are aware of.
- **Industry leadership:** WaterNZ is interested in establishing a Special Interest Group on climate. Watercare shared learnings on establishing a climate change policy and is looking forward to working with the industry in this space.

## Water Utility Consumer Assistance Trust Update (WUCAT)

Customers experiencing hardship may be eligible to apply to WUCAT for assistance with their water bills.

- At the last three WUCAT meetings, 18 applicants successfully completed the budget process with \$33,214 of hardship relief approved by the Trust. The number of applications over the last 3 months was lower than the same quarter last year, but the amount of relief approved was \$7,731 higher than in the same quarter last year.
- For the financial year to date, the Trust has also assisted 8 customers with plumbing repairs totalling over \$3,663.
- The Covid-19 emergency is resulting in more people experiencing hardship and the Trust is sending out more application forms than usual, especially to newly unemployed people.
- WUCAT is also working with budget advisors who are providing WUCAT customers with budget advice over the phone. This allows customers to more easily and correctly complete WUCAT application forms.

# Watercare Q3 financials



## Direct operating performance

\$(millions)	Notes	FY 19	FY 20 Quarter 3 YTD			FY 20
		Actual	Actual	Budget	Variance	Budget
<b>Net direct revenue</b>		<b>425.7</b>	<b>346.7</b>	<b>323.2</b>	<b>23.5</b>	<b>434.8</b>
<b>Direct revenue</b>	<b>A</b>	<b>653.0</b>	<b>537.8</b>	<b>496.3</b>	<b>41.5</b>	<b>663.2</b>
Fees & user charges		515.6	416.4	398.8	17.6	527.8
Operating grants and subsidies		-	-	-	-	-
Other direct revenue		137.4	121.4	97.5	23.9	135.4
<b>Direct expenditure</b>		<b>227.3</b>	<b>191.0</b>	<b>173.0</b>	<b>(18.0)</b>	<b>228.4</b>
Employee benefits		74.0	60.2	58.2	(2.0)	78.5
Grants, contributions & sponsors		0.4	0.3	0.6	0.3	0.7
Other direct expenditure	<b>B</b>	152.9	130.5	114.2	(16.3)	149.2
<b>Other key operating lines</b>						
AC operating funding		-	-	-	-	-
AC capital funding		-	-	-	-	-
Vested assets		62.2	34.4	15.6	18.8	20.8
Depreciation		244.9	188.3	188.2	(0.1)	252.4
Net interest expense		86.2	67.8	75.1	7.3	102.0



## Financial Commentary

**A:** Direct revenue is \$41.5m ahead of budget mainly due to increase in IGC and revenue associated with new developments (\$14.7m), Department of Corrections transfer of assets (\$8.3m), and higher actual usage volume (\$12.6m).

**B:** Other direct expenditure is \$18.0m or 10.4% over budget due to higher water production costs associated with managing our historically low dam levels (additional treatment and energy of water from Waikato and alternative dam sources \$7.5m). Variance also due to increased planned and unplanned maintenance (\$2.1m), additional digital licencing costs (\$1.4m), fuel costs (\$0.8m) and rental expense (\$0.6m).

### Financial Risks

- Capital Funding:** Maintaining financial liquidity, specifically Auckland Council's debt to revenue ratios which has the potential to constrain the Auckland Council group including Watercare's planned capital programme. Council's debt limit has been reviewed and a slowdown in group capital expenditure has improved short term headroom.
- Major project cost overrun:** The work to transition to the new Enterprise Model infrastructure delivery framework is now complete with Fletcher Building and Fulton Hogan appointed as delivery partners for future capital projects valued over \$2m and under \$150m.



# Watercare Q3 performance measures

Key performance indicators	Previous	FY 20 Quarter 3		Status	Commentary
	Year	Actual	Target		
<p><b>Note: Watercare has a total of 14 LTP measures and 16 SOI measures. Non-LTP measures are marked with an *</b>  <b>For the 3 months to 31 March 2020, 13 measures are tracked monthly. Three measures will be reported on at year end.</b>  <b>In Q3, we met 13 of the 13 measures we track and report on monthly.</b></p>					
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%	Met	
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%	Met	
Average number of wet weather overflows per engineered overflow point per discharge location in the transmission system *	1.21	-	<2 per year	n/a	This measure will be reported at year end but is on track to be met.
The number of dry weather overflows from Watercare's sewerage system, expressed per 1000 sewerage connections to that sewerage system	0.59	0.99	≤ 5	Met	
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	50 mins	50 mins	≤ 60 mins	Met	
Median response time for resolution of urgent call-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	2.80 hours	2.90 hours	≤ 5 hours	Met	
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	1.30 days	1.80 days	≤ 5 days	Met	

Key performance indicators	Previous Year	FY 20 Quarter 3		Status	Commentary
		Actual	Target		
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	2.1 days	2.9 days	≤ 6 days	Met	
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	43 mins	43 mins	≤ 60 mins	Met	
The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	270.7	278	264 +/- 2.5%	Not met	Record water use over the long, hot summer in January and February, means this 12-month rolling average measure will not be met at year end.
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	2.8 hours	2.7 hours	≤ 5 hours	Met	
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.	18.4	19.7	≤ 50	Met	
The percentage of real water loss from Watercare's networked reticulation system (rolling 12 month average)	13.1%	-	≤ 13%	n/a	This measure will be reported at year end but is unlikely to be met as the long, hot summer has resulted in the ground contracting and therefore many pipe breaks.
Net Promoter score – strive to achieve a score of >30*	43	48	>33	Met	

Key performance indicators	Previous Quarter	FY 20 Quarter 3		Status	Commentary
		Actual	Target		
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	Met	
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	4.2	≤ 10	Met	