
Statement of Intent 2021 to 2024



He mihi

Tuia te rangi e tū nei, tuia te papa e takoto nei.

Kia mihia te mano tini kua mene ki ngā Hawaiki katoa, rātou te tutūtanga o te puehu, te whiunga o te kupu i ngā wā takatū ai rātou. Waiho ake rātou ki a rātou, tātou te urupā o rātou mā, ngā waihotanga mai e hāpai nei i ō rātou wawata, tūma nako hoki.

E ngā maunga whakahī, e ngā wai tākunukunu,
e ngā tōpūtanga tāngata nui rawa o Tāmaki Makaurau, Tāmaki herenga waka, tēnā rā koutou katoa.

E manakohia kia piki ake o
ā tātou mahi ngātahi āmuri ake nei. Anei rā te tāuaki hei tātaki i aua manako, heoi anō, inā kē te nui o ngā mahi hei kawea ake e eke ai tō mātou wawata.

Unite thus the heavens above; unite thus the land beneath us. Let us acknowledge the many who have assembled in the homelands, they who raised the dust, who whipped up a storm of words when restless. The dead have passed on and we, the repositories of their memory, remain to carry forth their hopes and aspirations.

To thy mountains, thy cool sequential waters, the many ethnicities and peoples throughout Tāmaki Makaurau, warm and heartfelt greetings to you all.

We come together to seek a new way forward, united in our shared responsibilities, and committed to achieving. Clearly, much is yet to be done if we are to give credence to our vision.

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Message from the Chair of the Board and Chief Executive of Watercare Services Limited

As Auckland's water and wastewater services provider, Watercare has a significant role in helping Auckland Council reach its vision for the city. Our board welcomes the opportunity to work collaboratively with the Mayor and councillors to jointly develop strategies and policies which achieve efficiencies and provide greater benefit to our customers and the communities of Auckland. This Statement of Intent (SOI) sets out how Watercare intends to fulfil our vision to be trusted by our communities for exceptional performance every day and our mission to provide safe, reliable and efficient water and wastewater services to all of Auckland.

Watercare's priorities for 2021–2024 are:

- Supplying safe drinking water and collecting and treating wastewater
- Health, safety and wellbeing of all staff and contractors
- Promotion and celebration of a diverse and inclusive culture
- Improving network performance by building and maintaining critical infrastructure
- Protecting the environment and adapting for climate change
- Preparing for water reform
- Improving Māori outcomes
- Collaboration with our customers and other stakeholders, with particular attention to the recommendations contained within the Aurecon Drought Preparedness review
- Completing drought augmentation measures by mid-2022

Supplying safe drinking water and collecting and treating wastewater

We currently supply water and wastewater services to around 1.7 million people. We expect our metropolitan supply will be required to provide water to more than 2.1 million people before 2041. The volume of wastewater to be treated will also grow significantly.

The Health Act 1956, Part 2A Drinking Water and the proposed Water Service Bill require a water supplier to:

- supply safe drinking water that does not compromise the health of its consumers
- comply with Drinking Water Standards for New Zealand 2005 (Revised 2018) (and in the future the proposed drinking Water Standards and Operational Compliance Rules)
- supply enough water to meet our consumers needs
- develop and operate within a Water Safety Plan

Our Water Safety Plans (WSPs) will be fundamental to our success as a water supplier. WSPs describe our commitment to supplying safe drinking water, strengthen our focus on preventive measures across the whole drinking water supply system, promote a multi-barrier approach to managing risks and support continuous improvement to guide day-to-day activities now and into the future. They describe our commitment to the provision of safe drinking water and how we behave and operate to deliver this outcome on an ongoing, sustainable basis.

Watercare will continue to base our organisational philosophy on water safety planning and commitment to the highest standard of drinking water quality management.

Improving network performance by building and maintaining critical infrastructure (renewals and growth)

Regional growth in population, industry, and commerce has a direct impact on Watercare's ability to provide reliable services and protect both public health and the environment.

Our Asset Management Plan (AMP) is our tactical plan for managing our infrastructure cost effectively to achieve our long-term strategic goals and meet those future demand increases. Our asset management planning is focused on: growth, renewals, and levels of service.

We are currently seeking consents for the replacement of Huia water treatment plant and the second water take from the Waikato River. In June 2021 independent commissioners, on behalf of Auckland Council, announced their unanimous decision to grant consent to replace Huia's existing water treatment plant.

Protecting the environment and building resilience against climate change impacts

We continue to manage the ongoing drought, now in its third year, through a combination of supply and demand measures. To date, water savings, as a result of the current restrictions, are approximately 20 billion litres. This is a tremendous achievement and we are very grateful to all our customers for their ongoing support. Our communications plan will continue to provide messaging around the current water situation and the importance of water efficiency.

Watercare's proactive leakage detection programme has continued, with ground surveying of over 6,000 kms of the network planned for each year. To date, 5,400 kms has been surveyed, with over 4,000 leaks found and 9MLD of water saved.

Water supply has also been augmented. In July we completed our Waikato 50 plant which boosts Auckland's water supply by up to 50MLD. A significant achievement by all involved. Alongside Waikato 50, Hays Creek Dam and our Pukekohe bores have been brought back into service and we've completed upgrades to Onehunga, and the existing Waikato plant. Through these initiatives and others, we expect to have increased Auckland's available water supply by 106MLD before the end of this calendar year.

Watercare is working with Council to deliver the Climate Change Strategy, a key focus of which is to reduce carbon emissions by 50% by 2030 and to achieve net-zero emissions by 2050. Additionally, Watercare has developed the Carbon Portal alongside Healthy Waters to extend carbon measurement and reduce capital carbon. The recently commissioned Rosedale solar array is just one example of the projects we have completed to achieve these goals.

Work continues at Māngere and Rosedale wastewater treatment plants so that they will be energy neutral by 2030.

Water reform

The government is currently working with communities to investigate water service delivery reform. Under current proposals a key element of the new water services delivery model is the creation of new water entities that will be publicly owned, but structurally separate from local authorities.

We are working collaboratively with Council to understand what water reform means for Aucklanders and are positively responding to the government's requests for information.

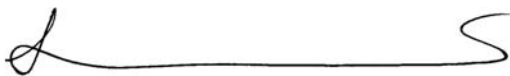
Māori outcomes – achieving outcomes with Māori

Watercare actively works with the Council group in delivering Māori outcomes. Over the next year Watercare will deliver its Māori Outcomes Plan, a framework that will be used to measure Watercare's contribution to Māori outcomes. This plan is aligned to Kia ora Tāmaki Makaurau, the council group's Māori Outcomes Performance Measurement Framework and we will advance the intent of Kia ora Tāmaki Makaurau in improving Māori social, economic, and cultural wellbeing throughout Auckland.

Collaboration

Watercare will continue to work closely with Auckland Council, and the broader council family to ensure that Council's vision for the city is achieved.

Watercare is committed to providing world class water and wastewater services to Aucklanders. Our SOI reaffirms our commitment to work with council and our stakeholders so that together, we can meet the challenges of today and tomorrow.



Margaret Devlin
Chair of the Board



Jon Lamonte
Chief Executive

Part 1: Strategic overview

1.1 Roles and Responsibilities

Watercare is a lifeline utility providing water and wastewater services to 1.7 million people in Auckland. Our services are vital for life, keep people safe and help communities flourish. We supply reliable, high-quality drinking water to homes and businesses in the Auckland region and collect, treat and discharge their wastewater in environmentally responsible ways.

We manage water and wastewater assets valued in the order of \$11b and plan and build infrastructure to ensure we are resilient and reliable and can support growth today and into the future.

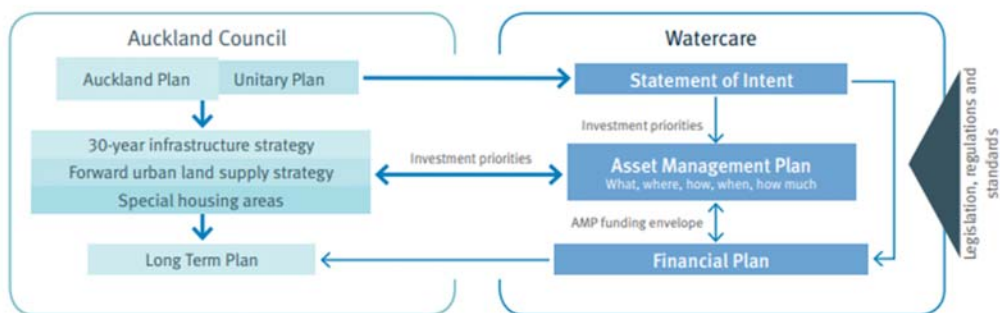
Our functions

We are a Council-controlled organisation (CCO), fully owned by Auckland Council (council). Our services and programmes are financed solely through user charges and borrowings. We are required by law to be a minimum-cost, cost-efficient service provider to our customers (collectively) that operates effectively into the long-term. We do not pay a dividend to our shareholder.

The way we manage and measure our performance is detailed in section 1.4 and our legislative framework is summarised in appendix A.

Purpose of statement of intent (SOI)

Our annual SOI is required by the Local Government Act 2002 and publicly states our activities and intentions for the next three years, and how they contribute to the council's objectives. Our SOI provides an opportunity for council to influence the direction of Watercare and provides a basis for the accountability of performance.



1.2 Responses to council's strategic objectives and outcomes

We are fully committed to working with the council group to deliver the Auckland Plan 2050, Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan, Kia ora Tāmaki Makaurau: Māori Outcomes Performance Measurement Framework, relevant performance measures and any associated guidance.

We apply the integrated reporting framework in our decision-making and reporting. Our approach focuses on how we create value through our inputs (or six-capitals) and business activities, focusing on what matters most to our many stakeholders and is intrinsically linked the Auckland Plan 2050 outcomes.

Our major contributions to the Auckland Plan 2050 outcomes are:

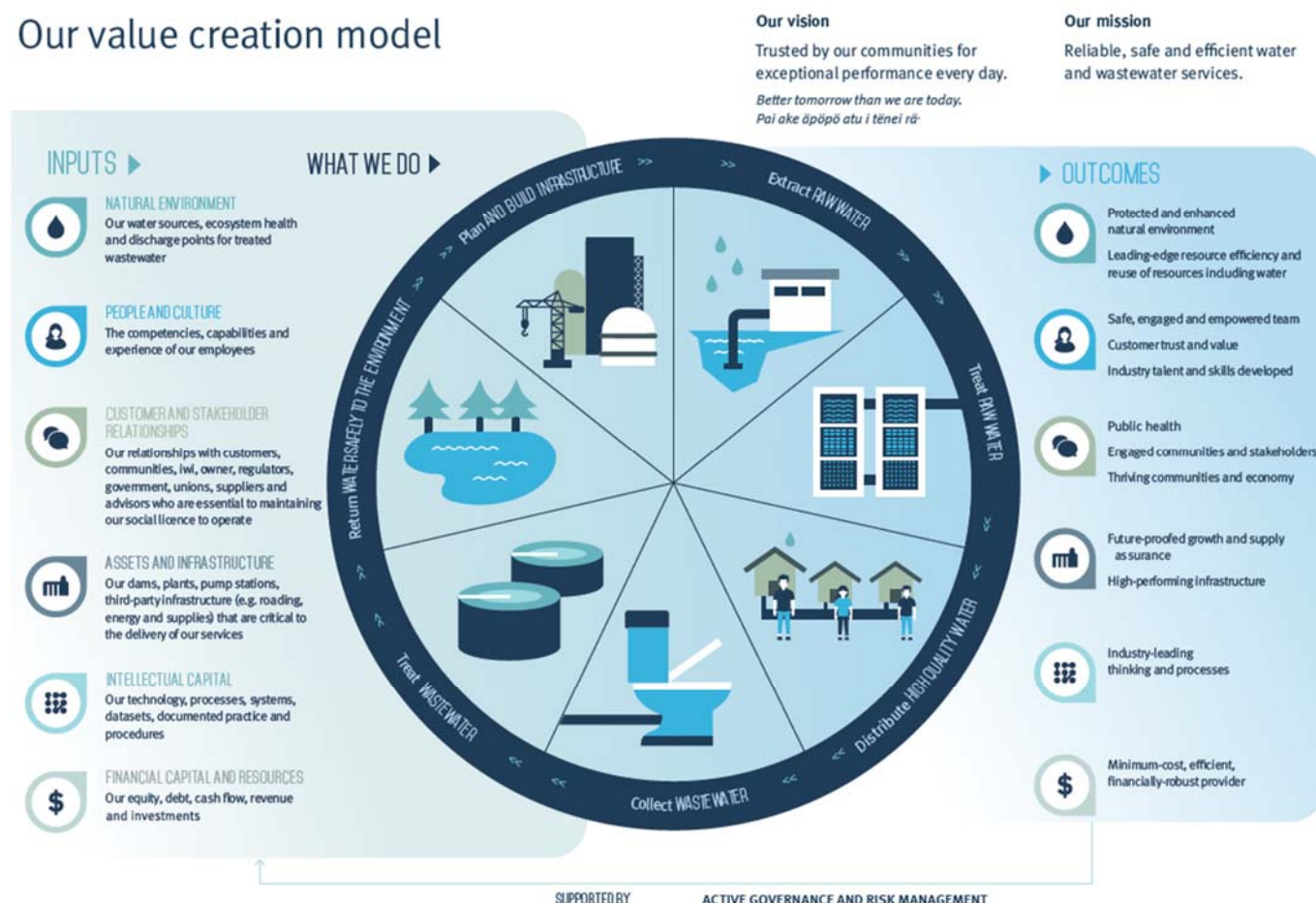
Auckland Plan Outcomes	How Watercare contributes
Opportunity and prosperity  Auckland is prosperous with many opportunities and delivers a better standard of living for everyone	- By reliably and efficiently delivering safe drinking water to our customers - By reliably and efficiently delivering wastewater services to our customers - By building customer trust and value through exceptional performance and engagement - By developing and maintaining a safe, engaged and empowered workforce - By providing a reliable pipeline of infrastructure programmes - By providing high performing infrastructure (reliable and resilient now and in the future) - By working with industry partners and tertiary education providers to deliver graduate programmes as well as apprenticeship and internship opportunities - By working with council to deliver the Economic Development Action Plan
Environment and cultural heritage  Preserve, protect and care for the natural environment as our shared cultural heritage for its intrinsic value, and for the benefit of present and future generations	- By working with council on the Auckland's Waters Strategy to achieve the Auckland Plan 2050's objectives of adapting to a changing water future - By reliably and efficiently delivering wastewater services to our customers - By planning and providing resilient infrastructure that is adaptive to future changes including climate change - By adopting council's 50% target for greenhouse gas reduction - By actively promoting water-efficient technologies and behaviours to customers and homebuilders - By consulting with affected parties on our development plans
Homes and places  Aucklanders live in secure, healthy and affordable homes and have access to a range of inclusive public places	- By reliably and efficiently delivering safe drinking water to our customers - By reliably and efficiently delivering wastewater services to our customers - By collaborating with the wider council group to support areas of growth identified by council - By aligning major infrastructure development for future urban areas with Council's Future Urban Land Supply Strategy (FULSS) - By proactively engaging with Kāinga Ora to plan, fund and deliver water and wastewater infrastructure to support its major urban transformation programmes
Māori identity and wellbeing  A thriving Māori identity is Auckland's point of difference in the world – it advances prosperity for Māori and benefits all Aucklanders	- By actively working with the council group to deliver our Māori Outcomes Plan, a framework that will be used to measure Watercare's contribution to Māori Outcomes. This plan is aligned to Kia ora Tāmaki Makaurau, the council group's Māori Outcomes Performance Measurement Framework - By actively fostering and maintaining relationships with local Māori, including via the Mana Whenua Kaitiaki Forum - By providing technical advice related to water supply and septic tanks in marae - By providing technical advice for water supply and septic tanks on marae

Belonging and participation  All Aucklanders will be part of and contribute to society, access opportunities, and have the chance to develop to their full potential	• By reliably and efficiently delivering safe drinking water to our customers • By reliably and efficiently delivering wastewater services to our customers • By developing and maintaining a safe, engaged and empowered workforce • By collaborating with the wider council group to support areas of growth identified by council • By employing a diverse and inclusive workforce • By providing a reliable pipeline of infrastructure programmes • By developing education programmes for our customers and tamariki, including water awareness programmes, free water education programmes for schools and open days at our treatment plants
Transport and access  Aucklanders will be able to get where they want to go more easily, safely and sustainably	• By collaborating with the wider council group to support areas of growth identified by council • By ensuring Watercare works with council, Auckland Transport, Waka Kotahi and other utilities to align infrastructure projects wherever possible, to minimise the effects on traffic and neighbourhoods

1.3 Nature and scope of activities – ‘what we do’

Our vision, mission and value creation model are illustrated below. We continue to focus our efforts and resources on creating value for Aucklanders while we prepare and adapt for rapid population growth, the impacts of climate change, higher standards for improved environmental outcomes and fulfil our mandate to be a minimum-cost, cost-efficient service provider into the long-term.

Our value creation model



CUSTOMER AND STAKEHOLDER RELATIONSHIPS

Engaged, safe communities, a thriving economy.

Our vision is to be trusted by our customers and communities for exceptional services

We work hard to gain and maintain the trust of the communities we serve. With focus on:

- delivering safe and reliable drinking water and wastewater services 24/7
- enhancing our partnerships and strong relationships with Māori in Tāmaki Makaurau
- operating responsibly and trusted by our community and stakeholders for exceptional performance.

Deliver safe and reliable drinking water and wastewater services 24/7

We have the responsibility and dedication to provide Aucklanders with safe and high-quality drinking-water. The Health Act 1956 Part 2A Drinking Water and the proposed Water Services Bill require water suppliers to comply with drinking water standards and operate within a water safety plan. Water safety planning strengthens focus on preventive measures across the whole drinking-water supply system, promotes a multi-barrier approach to managing risks and supports continuous improvement to guide day-to-day activities now and into the future.

From 1 November 2021 the Water Services Regulator Act 2020 will take effect. This means the principal regulators of our water quality will include Auckland Council, Waikato Regional Council, the Ministry of Health and Taumata Arowai.

Under the revised regulatory framework, we will work with the regulators to continuously improve our water safety initiatives and undertake annual internal audits of WSPs (Water Safety Plans) to:

- Ensure we follow the prescribed practices and procedures in our WSP for the treatment and management of water services operations. This is in advance of external audits carried out at any time by the regulator(s).
- Ensure evidence is gathered to support Watercare operations and compliance. And where there is non-compliance, provide the reasons for non-compliance and the impact on ensuring safe and secure drinking-water.
- Confirm stated improvements are being actioned and potential new risks are identified.

Through a series of underground wastewater pipes, the majority of Auckland households and businesses are connected to one of our major treatment plants at Māngere, Rosedale, Pukekohe or Army Bay. We treat and discharge our wastewater in an environmentally sustainable manner.

We are committed to providing great service, whether it is fixing a leak, clearing a blockage, or resolving a bill query. We take guidance from the DIA non-financial measures for water and wastewater operators (see appendix b); and we set targets for these measures to make sure we maintain the trust of our customers.

Ensure reliable water supply

We recognise that reliable water supply is essential not only for Aucklanders' public safety and wellbeing but also to give businesses the confidence to invest and operate in our city, ultimately improving the economic prosperity of New Zealanders.

Our weather is changing. Climate change means that over the long term, we will see drier summers and wetter winters. The severe and unprecedented drought of 2019/20 has increased awareness about the value of water and driven attention to ensuring that Auckland's water supply is reliable. Watercare successfully navigated the drought by augmenting water supply, reducing demand through an effective multi-channel communication programme and stage 1 restrictions and improving network performance by investing resources into proactive leak detection.

An independent expert review assessed that recorded rainfall across the Waitākere and Hūnua ranges was worse than a 1:100 year event for the period November 2019 to May 2020. The drought standard provides for a 1:100 year event where dam storage drops to 15% or below. The purpose of the drought management plan is to provide a series of responses to mitigate the potential impact of droughts worse than what the standard provides. A separate independent review of Watercare's drought preparedness found that the actions taken by Watercare in both demand and supply were appropriate to mitigate the potential risk and storage was maintained above 40%.

See our Assets and Infrastructure section for further information about our infrastructure planning and investment for continued delivery of safe and reliable drinking water and wastewater services now and in the future.

Working with others

Specific strategies and plans where we are working with council include:

- Development of Auckland's Waters Strategy
- Climate change
- Auckland's drought response
- The Board of Inquiry for our application to take additional water from the Waikato River
- The government's proposal for Water Reform.

Other entities we are working with:

- Veolia Water, Papakura's water and wastewater retailer
- Our partners on the Enterprise Model, Fulton Hogan and Fletcher Construction
- Taumata Arowai to implement changes to drinking water requirements.

We measure success by:

Measure	Source	2020 Actual	2021 SOI	Next three year targets		
				2022	2023	2024
Ensure safe drinking water						
Meet DIA drinking water targets (see appendix B refer numbers 3, 4 and 9)	DIA measures	100%	100%	100%	100%	100%
Ensure reliable water supply						
Meet DIA drinking water targets (see appendix B refer numbers 5-8)	DIA measures	100%	100%	100%	100%	100%
Ensure efficient water supply						
Meet DIA drinking water targets (see appendix B refer numbers 2 and 13)	DIA measures	100%	100%	100%	100%	100%
Ensure safe and reliable wastewater collection						
Meet DIA wastewater targets (see appendix B refer numbers 10-12)	DIA measures	100%	100%	100%	100%	100%

Enhance our partnerships and strong relationships with Māori in Tāmaki Makaurau

We value our partnership with Māori, in working with our Māori partners we have developed a mutual respect and a shared understanding. We will continue to work together to advance our core interests in water and the environment.

The Auckland Plan 2050 includes a priority outcome that "Māori culture and identity is celebrated by Aucklanders and is our point of difference in the world". Watercare is committed to the key principles of council's Kia ora Tāmaki Makaurau, the council group's Māori Outcomes Performance Measurement Framework.

Our Māori Outcomes Plan is aligned and is sponsored by our Chief Executive (CE). Our Poutiaki, Tikanga Māori (Principal Advisor) reports directly to the CE. We recognise mana whenua as Treaty partners in Auckland's governance and partner with Māori/iwi to enhance our strong relationships and promote Māori/iwi outcomes by:

- ensuring consistency in applying the principles of Te Tiriti o Waitangi/the Treaty of Waitangi
- fulfilling council's statutory obligations to Māori under legislation
- enabling Māori outcomes and valuing Te Ao Māori/the Māori world view, the essence of which is relationships

Priorities over the medium term are:

Mana outcome	Watercare action
Kia ora te ahurea: Māori identity and culture	Build staff confidence and competency to engage with Māori; Staff awareness and understanding in te reo Māori and tikanga Māori principles through: • Cultural interpretations and dual naming at Watercare sites • Events and programmes supported by Watercare that showcase Māori identity • Inductions include Māori cultural component
Kia ora te ūmanga: Māori business, tourism and employment	Support economic opportunities for Māori businesses and iwi organisations through: • Sourcing 5% of procurement through Māori owned businesses by 2025

Kia ora te rangatahi: Realising rangatahi potential	Contribute meaningfully to realise rangatahi potential through: • Māori youth employment, Māori cadetship and work experience programmes • Continue Mark Ford Ngā Tapuwae scholarship • Māori culture and values infused through Watercare leadership programmes
Kia ora te taiao: Kaitiakitanga	Kaitiaki provide an aligned approach to remediate, protect and enhance the mauri of our treasured environments through: • Water efficiency education and demand management • Healthier waterways, initiatives with Māori
Kia ora te hononga: Effective Māori participation	Mana whenua and Māori are active partners, decision-makers and participants through: • Incorporating Māori outcomes in core strategies, policies and plans • Mana whenua are offered the opportunity to individually participate in discussions about projects and work programmes through the kaitiaki schedule

Working with others

Specific strategies and plans where we are working with council include:

- Collaboration and trusted relationship with council's Ngā Mātārae (Māori outcomes department)
- Watercare is committed to working with the council group and the Independent Māori Statutory Board (IMSB) in meeting the requirements of the tri-annual Treaty of Waitangi Audit
- Tūpuna Maunga of Tāmaki Makaurau Authority in relation to Watercare infrastructure on maunga
- Watercare is an active member of the Māori Outcomes Steering Group, The Māori Outcomes Steering Group reports into council's Executive Leadership Team and the council group chief executives and has oversight of the long-term plan funding for Māori Outcomes

Other entities we are working with:

- The Mana Whenua Managers Kaitiaki Forum (MWMKF). Watercare hosts the bi-monthly meetings of MWMKF. All 19 tribal authorities, representing the mana whenua of Auckland have a seat at the table.
- Independent Māori Statutory Board (IMSB)

We measure success by:

Measure	Source	2020 Actual	2021 SOI	Next three year targets		
				2022	2023	2024
Formal engagement with mana whenua of Tāmaki Makaurau	Watercare	New measure	New measure	100%	100%	100%
Ratio of procurement sourced through Māori-owned businesses	Watercare	New measure	New measure	1%	2%	3%

Customer trust and value through exceptional performance and engagement

Building trust through education, transparency and engagement

Promoting the value of water to customers and communities was a major focus of 2020. Through our "Water is Precious" campaign and water restrictions, Aucklanders heeded our call for water conservation and saved over two billion litres of water, with our top commercial customers achieving savings of 14% on average.

We continue our community outreach efforts including talks, demonstrations and free water stations at public events, water-wise competitions and free water audits offered in partnership with EcoMatters Environmental Trust, which is a community organisation that works to deliver environmental initiatives.

Our activities can cause disruptions in our community. We make every effort to protect public safety, engage and consult with communities affected before, during and after our construction programmes and work with Auckland Transport and NZTA to limit disruption.

The Environmental Advisory Group is an independent group we have brought together to advise, support and challenge our approach to sustainability in general. It helps us to anticipate emerging issues, identify community concerns and informs our strategy.

We have entered a collaborative relationship with the Koi Tū Centre for Informed Futures, a research entity within the University of Auckland, to investigate potential benefits of deliberative democracy for community engagement.

Exceptional and responsible service

Through the challenges of 2019/2020 we gained a deeper understanding of our customers and have rolled out programmes to improve access to our services. We have:

- Worked with Auckland Council to provide free non-potable water sources across Auckland. We provided around six million litres of non-potable water to commercial customers impacted by our drought restrictions.
- Introduced the town to tank service in November 2020, giving residential homeowners that rely on rain tanks an affordable option to top up their tanks using the town water supply on an 'as required' basis. The service has been well received, with positive customer feedback.
- Continued assistance for customers facing financial hardship through the Water Utility Consumer Assistance Trust (WUCAT) by referring those unable to pay bills to WUCAT for assistance.

We will continue to monitor and understand our customers to provide exceptional and responsible service.

Working with our stakeholders

We are working with council to implement the findings of the July 2020 CCO Review. Watercare is committed to working collaboratively and sharing information with elected members and council staff, as appropriate, including adherence with the no-surprises protocols set out in council's Statement of Expectation.

We maintain strong relationships with the Local Boards by providing timely and accurate information on Watercare-related matters, including infrastructure planning and construction projects in the interests of no-surprises. Many treatment plants also have special requirements for ongoing community liaison groups and we regularly meet to share information and discuss local issues.

Working with others

Specific strategies and plans where we are working with council include:

- Action CCO review recommendations

Other entities we are working with:

- Environmental Advisory Group
- Koi Tū Centre for Informed Futures to investigate the potential benefits of deliberative democracy

We measure success by:

Measure	Source	2020 Actual	2021 SOI	Next three year targets		
				2022	2023	2024
Net promoter score (NPS)	Watercare	43	≥38%	≥40%	≥45%	≥45%
Community trust score	Watercare	New measure	New measure	≥55%	≥55%	≥55%
Percentage of customer complaints resolved within ten days of notification	Watercare	New measure	New measure	≥95%	≥95%	≥95%

NATURAL ENVIRONMENT

Protected and enhanced natural environment, leading-edge resource efficiency.

Watercare's business is intrinsically linked to the environment and climate

Every aspect of our operation is dependent on and impacts the natural environment. We are part of the water cycle, receiving our water from rainfall, rivers and aquifers; and returning high quality treated wastewater to the environment. Our water and wastewater services thrive only if the natural environment does. We have a duty to protect our water sources.

Protect and enhance our natural environment

Mitigate the impact of our water and wastewater activities on the environment

Through a series of underground pipes, the majority of Auckland households and businesses are connected to one of our major treatment plants at Māngere, Rosedale, Pukekohe or Army Bay. We treat our wastewater to the highest standards and discharge it safely to the receiving environment.

Watercare has regional network discharge consent for the regulation of wastewater discharges. We design and maintain our wastewater network to limit discharges to the environment. This is achieved most of the time and across the majority of our network.

We strive to continuously improve our wastewater network performance and are working to deliver significant programmes, such as the Central Interceptor and the Western Isthmus water quality improvement programme, to reduce overflows and ultimately improve the water quality of Auckland's waterways and coastline for the enjoyment of Aucklanders. Further detail can be found under the infrastructure section.

We are working with NIWA, iwi and council's Healthy Waters and Research and Evaluation Unit (RIMU) departments to develop hydrodynamic water quality programmes for the Manukau Harbour. The solid relationship established from this collaborative work is enabling further discussions on improving the quality and efficiency of environmental monitoring in the Manukau Harbour.

The natural environment, made up of rivers, streams, forests, hill lands and underground aquifers make up the source and catchment for our water supply. Many of these habitats are also a showcase of New Zealand ecology. Working to enhance where we operate is not new and we continue to make improvement through ecological programmes, riparian planting, native forest regeneration and pro-active catchment management.

Mitigate climate change and adapt to the impacts of climate change

We believe climate change is one of the largest challenges we face as a country and a business. We are committed to playing an active role in dealing with this issue.

In early 2019, we finalised our Climate Change Strategy, which sets out the future direction for Watercare as we embark on our journey to operate a low-carbon company that is resilient to climate impacts. This strategy covers specific actions that we will take immediately, especially in the areas of long-term infrastructure planning where decisions we make today may have to last up to 100 years. We are also monitoring and understanding the events that we see today, such as drought and extreme rainfall events, so that we can adapt to the changing climate based on our own experiences as well as evolving data and projections.

We are aligned with the most recent science, to keep global warming within 1.5°C, and our targets reflect that. We have worked closely with Auckland Council on the development of Te Tāruke-ā-Tāwhiri: Auckland's Climate Action Plan to ensure the long-term risks for Aucklanders access to water and wastewater services are included.

In late 2019, the Watercare board established the Committee for Climate Action, a sub-committee to assist the board to exercise due care, diligence and effective oversight of all matters relating to actions taken by Watercare to mitigate climate change and adapt to a changing climate.

Watercare has established a range of climate change targets that give direction to the company in taking responsibility for our impacts and establishing ourselves as a low-carbon company in line with the required ambition of the country and the world. This was initiated in late 2016, when we adopted an Energy Policy that commits Watercare to being net-

zero carbon by 2050. Watercare targets for carbon reduction include:

- Reduce energy consumption by 8GWh by 2022
- Reduce infrastructure emissions by 40% by 2025
- Reduce operational emissions by 45% by 2030
- Net-zero emissions by 2050.

We have also adopted council's target to reduce emissions by 50% by 2030.

Watercare is committed to these targets and will establish, during the 2021-2022 financial year, annual operational carbon emissions performance measures and targets that are in line with our strategic targets. The mitigation programmes we have planned will be further explored considering the financial constraints over our asset management plan.

In the short-term we see increasing energy consumption from population growth and the use of more energy intensive treatment technologies. This trend is due to increased reliance on the Waikato River which requires a higher degree of water treatment and pumping to reach Aucklanders, resulting in higher energy use and higher carbon emissions. The balance between water storage and energy costs is a constant challenge that is even further heightened during periods of drought.

Working with others

Specific strategies and plans where we are working with council include:

- Development of Auckland's Waters Strategy
- Working with council and Auckland Transport to lead development of 10-year project outcomes for the Western Isthmus Water Quality Improvement Programme
- The government's proposal for Water Reform
- Te Tāruke-ā-Tāwhiri: Auckland's Climate Action Plan
- Working with the Healthy Waters team to develop the Carbon Portal tool to measure infrastructure carbon

Other entities we are working with:

- Veolia Water, Papakura's water and wastewater retailer
- Our partners on the Enterprise Model, Fulton Hogan and Fletcher Construction
- NIWA, iwi and the Research and Evaluation Unit of council to develop hydrodynamic water quality models for the Manukau Harbour

We measure success by:

Measure	Source	2020 Actual	2021 SOI	Next three year targets		
				2022	2023	2024
Protected and enhanced natural environment						
Meet all DIA natural environment targets (refer to numbers 1 and 2 in appendix B)	DIA	100%	100%	100%	100%	100%

PEOPLE AND CULTURE

Safe, engaged and empowered teams, customer trust and value.

Our people work day and night to ensure uninterrupted access to our services

The collective knowledge and experience of our people is essential for us to deliver on our core purpose and ensure Auckland is prosperous with many opportunities and delivers a better standard of living for everyone. Our people continued our essential services throughout the covid-19 lockdowns without interruption.

Safe, engaged and empowered team

Ensuring the health, safety and wellbeing of all staff and contractors

We want our people to be safe, healthy and engaged at work, and for them to go home safely to their families each night. Health and safety in and around our worksites is paramount to us and always has been. Wellness, including our people's mental health, is also an integral part of the company's commitment to our people. The concept of "I care, we care, Watercare" is embedded throughout our company.

Employing a diverse and inclusive workforce

In 2019 we established an employee-led Diversity, Inclusion and Belonging Committee (DIBC). The committee's mission is for Watercare's people to reflect the diverse communities we serve. The committee champions inclusion so that our people can bring their whole, authentic selves to work and feel a true sense of belonging at Watercare. Our Māori Outcomes Plan encourages iwi join our workforce.

Training our staff for competent delivery of safe and reliable water and wastewater services

Watercare provides training to maximise on-the-job effectiveness and to encourage individual career development, consistent with its business requirements. We demonstrate full compliance with legislative requirements to ensure all staff are adequately trained and have competency to ensure safe and reliable drinking-water quality management and water safety planning activities.

Unlocking potential through training and development

The limited availability of talent in our labour market means it is essential we grow skills and talent and attract a diverse range of new talent. We work with industry partners and tertiary education providers to deliver graduate programmes as well as apprenticeship and internship opportunities and continuous online training opportunities.

Working with our suppliers to build greater pipeline certainty and confidence to invest for the future

Through our Enterprise Model we are working collaboratively with the construction industry to give our partners greater certainty of the construction pipeline so they can invest in the training and development of their people to improve workforce capability overall. See the Intellectual Capital section for more information.

Working with others

Specific strategies and plans where we are working with council include:

- Action the CCO review recommendations, including develop group policies for leadership talent and remuneration

Specific strategies and plans where we are working with others include:

- Our partners on the Enterprise Model, Fulton Hogan and Fletcher Construction
- Tertiary education providers to deliver graduate programmes

We measure success by:

Measure	Source	2020 Actual	2021 SOI	Next three year targets		
				2022	2023	2024
Safe, engaged and empowered team						
Employee net promoter score (eNPS)	Watercare	+36	≥20%	≥20%	≥20%	≥20%
Gender workforce ratio	Watercare	New measure	New measure	Improve on prior year	Improve on prior year	Improve on prior year
Total recordable injury frequency rate per million hours worked	Watercare	20.6	New measure	<20	<20	<20

ASSETS AND INFRASTRUCTURE

Future-proofed growth and supply assurance, high-performing assets.

Our network is critical to safely supply water and wastewater services

Our network supports over 1.7 million Aucklanders. We expect our metropolitan supply will be required to provide water to more than 2.1 million people before 2041. Growth of this scale is significant, and we need to ensure we have a clear understanding of where and when investment in planning and infrastructure will be made while also ensuring our current network operates safely and reliably.

The critical contributions made to Auckland Plan Outcomes through our assets and infrastructure are:

- Provide safe and reliable drinking water and wastewater services 24/7 (see customer and stakeholder section)
- High performing infrastructure (reliable and resilient now and in the future)
- Future-proofed growth and supply assurance

Our Asset Management Plan (AMP), a 20-year forward looking document, defines Watercare's best engineering and business judgment of the capital investment required to maintain the integrity of our infrastructure base and enable growth. It helps us to decide what, where, how, when and how much we invest to build and maintain networks.

Key factors considered when preparing our AMP for the Long-term Plan 2021-2031 "LTP 2021-2031" are:

- Meeting strategic objectives to support council plans and statutory obligations
- Increased environment standards and compliance
- Maintain network integrity through proactive maintenance
- Scope, scale of growth
- Just in time investment ready for first house
- Network resilience and climate change adaptation
- Maintain affordability and ensure equity across generations.

The result has seen our investment programme increase by approximately \$4.4b over the previous AMP, an increase of 60% on our prior AMP's estimated capital expenditure of \$5.3b.

High performing infrastructure (reliable and resilient now and in the future)

Our customers expect safe and reliable services 24/7. This requires us to be resilient and adaptive to changing conditions and invest sufficiently so our water and wastewater networks can withstand emergencies and operate normally with minimal impact on our customers or the environment.

Our water and wastewater systems have a reasonable degree of resilience engineered into them. However, the resilience of our water and wastewater networks has and will continue to be challenged. Over the last five years, Auckland has experienced extremes in weather, ranging from storm events with record rainfall to severe droughts depleting our water storage. For example, the prolonged drought in 2020 resulted in depletion of the water stored in the main supply dams servicing the region. This necessitated an emergency investment of \$224m to augment water supply, improve network performance and manage demand.

As assets age, we normally see a decline in their performance, sometimes to the point of asset failure. Asset failures can cause service interruptions and may pose a risk to public health and safety. We have developed asset replacement and rehabilitation programmes to monitor the condition and performance of assets to estimate the end of their useful economic lives. Asset renewal decisions are based on a risk assessment of the likelihood and consequence of failure, taking into account the asset's age and life expectancy, condition, performance, system resilience and criticality. Importantly it is critical we plan to replace all our assets at some stage in the future. While we have been actively maintaining and renewing our network, our independent economic benchmarking review by WICS (see the Financial Capital and Resources section) recommended increased renewals investment and funding to ensure a reliable and sustainable network over the long-term.

Future-proofed growth and supply assurance

Watercare works closely with the council group to align our longer-term planning of new or upgraded infrastructure to meet council's spatial development priorities and give effect to Auckland's Long-Term Plan and Future Urban Land Supply Strategy (FULSS). The alignment of service provision with the FULSS, and vice versa, allows Watercare to plan, consent and construct bulk water and wastewater infrastructure efficiently to enable council's growth requirements. Development that is not aligned with the FULSS can lead to inefficient investment, particularly if it does not border existing serviced land.

We currently plan our water security to meet the following standards:

Level of Service 1 Proactive demand restrictions are to be required for an event no more frequently than that with a 5% probability of occurring	The peak supply/demand balance is designed to show the forecast peak demand without restrictions during a dry summer with a return period of 1 in 20 years. Under drier conditions (leading to higher demand), Watercare could impose restrictions to reduce peak demand while continuing to meet our Levels of Service.
Level of Service 2 Annual average demand within the Metropolitan supply area can be met in a drought with a 1% probability of occurrence leaving 15% residual capacity in its water supply lakes.	The annual drought supply/demand balance is designed to show the forecast annual average demand during a drought with a return period of 1 in 100 years can be met and would result in water supply lake levels being no less than 15%. Watercare would expect to impose some restrictions during this event (see Level of Service 1, above).

As part of the Auckland Water's Strategy, council and Watercare will review the drought standard.

We are working hard to secure our city's next water source. The future sources of drinking water for Auckland is recognised as a matter of national significance by the Minister for the Environment and our application to the Waikato Regional Council to take additional water from the Waikato River has been referred to a Board of Inquiry under Part 6AA of the Resource Management Act 1991. In the interim we have partnered with Hamilton City Council to utilise 25MLD of their unused water allocation.

Important considerations when planning are demand management and climate change adaptation. Water is a finite resource. Our water and wastewater networks are not built for unconstrained demand and expectations around the levels of service now and into the future will need to be addressed as part of council's water strategy. In the meantime, we continue our pro-active leak detection and renewals programmes. We are also rolling out smart meters to larger customers, where the known benefits outweigh cost.

We continue working with our construction partners to achieve our 40:20:20 vision (see Intellectual Capital section) before the end of the 2024 calendar year.

Working with others

Specific strategies and plans where we are working with Council include:

- Council's infrastructure strategy
- Continue to notify council of any substantive changes to our AMP outside of the annual updates provided
- Developing Council's Auckland's Waters Strategy
- The government's proposal for water reform
- Action the CCO review recommendations

Other entities we are working with:

- Enterprise model – Fletcher Construction and Fulton Hogan
- Veolia Water, Papakura's water and wastewater retailer
- Kāinga Ora for the regeneration and intensification of urban areas with a significant social housing component

We measure success by:

Measure	Source	2020 Actual	2021 SOI	Next three year targets		
				2022	2023	2024
High performing infrastructure (reliable and resilient now and in the future)						
Meet DIA asset and infrastructure targets (see appendix B refer numbers 13-15)	DIA	100%	100%	100%	100%	100%
Future proofed growth and supply assurance						
DUEs (domestic unit equivalent) measured through IGCs	Watercare	New measure	New measure	TBD	TBD	TBD
Average asset age	Watercare	New measure	New measure	Reduce on prior year		



Our newly completed Waikato 50 water treatment plant

INTELLECTUAL CAPITAL

Industry-leading thinking and processes.

Watercare – Becoming future fit

As New Zealand's largest water company, we are committed to leading the industry in technical excellence. Our treatment processes are some of the most advanced in the world and our customers can rest easy knowing that they receive reliable, high-quality water at the turn of their taps.

We will continue to focus our efforts on transforming Watercare into a utility of the future – one that leverages best practice not only in its core operations but in all areas of the company as well. Through covid-19 we have seen the critical role that technology plays as an enabler for our business.

Industry leading thinking and processes

Sustainable and cost-effective infrastructure for Auckland

Our ambitious 40:20:20 vision seeks to achieve wins in sustainability, safety and costs. The 40:20:20 targets are:

- Reduce carbon in construction by 40% by the end of the 2024 calendar year
- Reduce the cost to deliver our infrastructure programme by 20% by the end of the 2024 calendar year
- 20% year-on-year improvement in health, safety and wellbeing.

A significant portion of the 40:20:20 vision will be delivered through the Enterprise model framework. Starting in 2019, we partnered with two construction companies, Fulton Hogan and Fletcher Construction, for the delivery of \$2.4 billion worth of water and wastewater infrastructure for Auckland over 10 years. The long-term and collaborative nature of the Enterprise Model framework is a first for New Zealand and supports the development of a high-performing construction sector in New Zealand and enhances the resilience of our partners, who have long-term agreements with us. They will be able to invest in people and we are allocating risk in a fair way. We have a mature and collaborative way of working to ensure our customers, company and partners are looked after. This framework involves a commitment to deliver a programme of work, rather than discrete projects, that will drive greater cost-efficiency and innovation.

Our data intelligence pulls together Watercare's data from various parts of the business to obtain better overall visibility of the business and customers. Our Nerve Centre builds on this intelligence to predict our network performance and improve customer and environmental outcomes.

Working with others

Specific strategies and plans where we are working with others include:

- Our Enterprise Model partners, Fulton Hogan and Fletcher Construction

We measure success through a combination of measures identified in other sections.

FINANCIAL CAPITAL AND RESOURCES

Minimum-cost, cost-efficient, financially stable.

We work hard to operate efficiently so our services are affordable, now and in the future

We take our financial responsibilities very seriously, and operate efficiently and responsibly by:

- Effective planning of our infrastructure needs, reflected in our asset management plan (see Assets and Infrastructure)
- Long term financial planning
- Continuously review and improvement of our performance
- Innovative procurement initiatives such as the Enterprise Model (see Intellectual Capital)

Minimum-cost, efficient, financially robust provider both now and in the future

Long-term financial planning

Legislation mandates us to manage our operations efficiently, keeping costs to customers (collectively) at minimum levels while maintaining the long-term integrity of our assets. We ensure we invest in providing safe and reliable services not just today but for decades to come.

Our financial management is underpinned by robust plans and policies and supported by a comprehensive risk and audit programme. To be financially stable over the long term, we consider network age and resilience, risk, future demand, debt levels, interest costs and inter-generational equity. We are required not to pay a dividend to our shareholder and collect from our customers no more than what is needed to operate and reinvest in our network.

Our borrowings are sourced through Auckland Council's centralised treasury function. We work closely with Auckland Council's treasury and financial planning teams to ensure our debt and cash flow requirements align with Council's forecasts and debt limits.

The challenge of our budget for the next 10 years is balancing our increased investment and service level needs with affordability for our customers and to be within the council group's prudential debt limits. We are grateful to council for approving most of our increased investment programme over the course of the next 10 years and our proposed price path which sees increases of 7% on 1 July 2021 and 1 July 2022, followed by annual rises of 9.5% from 2023 to 2029. We will continue to work with council to monitor progress and any impact that deferrals, particularly renewals, may have on us being able to meet our performance targets and customer expectations.

We will work closely with WUCAT to assess the impact of our price rises on our vulnerable customers (see our Customer and Stakeholder Relationship section).

Continuous review and improvement of our performance (WICS benchmarking review)

During 2019 and 2020, we engaged the Water Industry Commission for Scotland (WICS) to conduct a high-level economic benchmarking review of our performance and efficiency. WICS is the economic regulator for the water sector in Scotland. In Scotland they act independently of ministers to manage an effective regulatory framework that encourages the Scottish water industry to provide a high-quality service and value for money to customers. Subsequent to our review, WICS has been advising the Department of Internal Affairs (DIA) on the economic benefits of water reform in New Zealand.

The review found:

- Our performance, while significantly better than much of New Zealand, has room for improvement.
- Our funding for asset renewals is less than the true economic cost of replacement. This means that at some stage in the future there will be a renewal catchup. WICS recommended we plan for this catchup now to ensure fair contribution to the cost of our network, across generations.
- The leverage available to us is significantly less than our international peers. This means our current customers are paying more than is fair for new assets and that we are unable to invest efficiently to build critical infrastructure.

WICS suggested we develop an invest-to-save programme to achieve operating efficiencies over the long term, however warned that efficiencies can only be achieved by applying all recommendations, without cherry picking.

Water reform

We are working closely with council to understand the government's Water Reform proposals and what it means for Aucklanders. The government's starting intention is to reform local government's three waters services into a small number of multi-regional entities with a bottom line of public ownership. The exact size, shape and design of these entities is still being worked through.

Revenue opportunities

Guided by the 2019 letter of expectation to explore new revenue opportunities, Watercare entered a contract of service with Waikato District Council (WDC). WDC continues to own all assets while Watercare manages the infrastructure above and below the ground. It was originally intended we would consult with Auckland customers after a 21-month transition period. This transition period has been extended while we work to understand the government's Water Reform proposals.

Through our 2020 acquisition of a majority shareholding in Lutra Limited, we gain efficiencies from Lutra's software and by utilising their training platform. We have also grown revenue without compromising core services.

Working with others

Specific strategies and plans where we are working with council include:

- The government's proposal for Water Reform
- Developing our AMP to align with council's infrastructure strategy and to integrate planning with council and other CCOs
- Supporting council to prepare its 10-year budget for 2022-2031
- Developing council's Auckland Waters Strategy
- Actioning CCO review recommendations
- Informing council of any proposals for new entities formed or acquired (in whole or part)

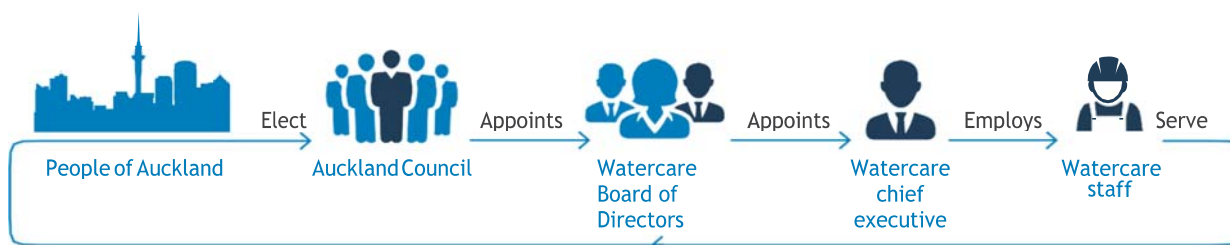
Specific strategies and plans where we are working with others include:

- Water Industry Commission for Scotland to continually review our economic performance

We measure success by:

Measure	Source	2020 Actual	2021 SOI	Next three year targets		
				2022	2023	2024
Minimum-cost, efficient, financially robust provider both now and in the future						
Percentage of household expenditure on water supply services relative to average household income	Watercare	0.87%	<1.5%	<1.5%	<1.5%	<1.5%
Debt to revenue ratio	Watercare	New measure	New measure	3.54	3.60	3.53

1.4 About us – statement of the board’s approach to governance



The directors and the management team are committed to ensuring the company applies best-practice governance policies and procedures. As at 1 March 2021, there are four subcommittees being: 1) Audit and Risk, 2) Te Tāngata Komiti, 3) a subcommittee to oversee the Asset Management Plan, and all major capital expenditure projects over \$100 million including the Central Interceptor, and 4) a subcommittee to oversee Climate Action.

Our board undergoes board performance reviews biannually, in line with the council-adopted process.

Watercare ensures we fulfil the public meetings stipulation of the Local Government (Auckland Council) Act 2009 which requires Auckland Council’s CCOs to hold two public meetings a year and the timing for these is set out below. Dates and times are publicly notified in advance with agendas and minutes made available on our website.

Date	Purpose	Form of public notification
5 July 2021	Consider shareholder comments on draft SOI	Public notice
28 October 2021	Consider performance against SOI targets	Public notice
May 2022	Consider shareholder comments on draft SOI	Public notice

Watercare works diligently to meet our legal obligations and act in accordance with the Governance Manual for CCOs, which sits alongside this SOI and forms part of the annual binding agreement between council and Watercare. Page 28 of the CCO Governance Manual includes the procedures that apply when CCOs subscribe for, purchase or otherwise acquire shares in any company or other organisation, as required under Schedule 8, Clause 9(1), of the Local Government Act 2002. We operate under a no-surprises policy and inform the Mayor, councillors or Local Boards (as appropriate) well in advance of any events, transactions or issues that could attract public interest, whether positive or negative.

We are committed to participating in the design and implementation of group-wide policies. Watercare is also supportive of the development of council group foundation principles and standards (where required).

See Our legislative framework in Appendix A for more information on our legal responsibilities.

Subsidiaries

We are a majority shareholder of Wellington-based software and process engineering company Lutra Limited (Lutra). Lutra has a small and highly skilled team of industry experts providing software and technical services to improve the performance of people and processes involved in water and wastewater operations. Lutra’s board has three directors of which Watercare executives hold two positions, including the chair. Watercare’s board receives and approves Lutra’s SOI and receive quarterly updates from our executive directors.

Managing risk

We have an established risk management policy and framework, which follows the guidance of the ISO 31000 risk management standard. Risks are identified and evaluated using likelihood and consequence scores and ranked. The highest-ranked and most significant emerging risks are regularly reviewed by senior management and the board via management and board-level reporting.

As part of the risk management framework, Watercare management has a Risk Management Steering Committee to

monitor emerging risk and risk-mitigating actions and strategies.

The internal audit function produces an annual plan that is approved by our Audit and Risk Committee with management's quarterly reporting against the plan to the committee. The Audit and Risk Committee maintains oversight of progress and must be satisfied that recommendations arising from internal audit's work are fully addressed by management.

Watercare also provides council's Audit and Risk Committee with a quarterly report outlining our risk management framework, approach, processes and an overview of the top risks with associated mitigation actions. We proactively report on all significant risks and issues and their management to ensure no surprises, transparency and that significant risks are being appropriately managed.

Measuring our performance

We have an agreed set of performance measures and targets which form the basis of accountability for delivering on council's strategic direction, priorities and targets. These are reported on a quarterly basis in accordance with the governance manual for substantive CCOs.

The measures and targets include those aligned with our six capitals, and the mandated non-financial measures of the Department of Internal Affairs and those that were agreed with council as part of the LTP 2021-2031.

Our commitment

Watercare supports the council's drive for greater transparency in budgeting, operating expenditure and reporting and is committed to:

- Demonstrating value for money across all expenditure
- Continuing to work with council to align our capital investment programme with council's 10-year budget. In particular, Watercare will:
 - (a) take account of political direction on key changes proposed by the Mayor and governing body; and
 - (b) continue to undertake comprehensive reviews of our AMP, performance trends, budgets and fee settings. In doing so, we will follow best-practice asset planning processes and do so in a highly transparent manner.
- Sharing key information in our AMP (which includes asset condition, renewals planning, maintenance and renewals procurement, asset-related cost trends and asset planning for growth)
- Benchmarking front-line and back-office expenditure, including regularly publishing results on Watercare's website
- Keeping a strong focus on managing sensitive expenditure lines.

Watercare recognises the affordability challenges council faces and acknowledge there is limited capacity for new cost pressures, new funding request or unforeseen events in relation to funding and we commit to continuing to work with council in this regard. We also keep council informed, via our quarterly reports, of any significant operational challenges that might occur in the future.

We commit to working with council to implement the findings of the 2020 CCO Review.

Part 2: Statement of performance expectations

2.1 Introduction

The last year has presented unprecedented challenges with covid-19 and the severe and extended drought. Watercare has met these challenges head on, investing heavily to augment water supply, improve network performance and reduce demand. We carried out work to increase Auckland's water supply by 40MLD, or enough to meet the residential and commercial needs of at least 130,000, a city the size of Tauranga. The increased supply capacity and the processes we developed to deliver at pace will serve us well as we look to the future.

Over the last five years we have invested more than \$2.0b in our networks while increasing net debt by just \$365m. Our robust and prudent financial planning and efficient delivery has allowed investment of this scale without compromising our exceptional, resilient and affordable services.

We are committed to continue providing safe and reliable water and wastewater services to Aucklanders and to work with council toward Auckland Plan outcomes. Our programme for the next year reaffirms our commitments:

Securing Auckland's next water source

We recognise that reliable water supply is essential not only for public safety and wellbeing but also to give businesses the confidence to invest and operate in our city, ultimately improving economic prosperity. We are working hard to secure our city's next water source. The future sources of drinking water is recognised by the Minister for the Environment as a matter of national significance and our application to the Waikato Regional Council to take additional water from the Waikato River has been referred to a Board of Inquiry. This year we are working with council to respond to the Board of Inquiry and to develop Auckland's water strategy.

Auckland's Water Strategy

Watercare and council are working together to develop and implement the Auckland Water Strategy. The Water Strategy will enable council decisions and investments to contribute to improving te Mana o te Wai, the life supporting capacity of Auckland's Waters. Demand management is an early focus of the draft Water Strategy. Average gross daily consumption targets per person have been set at 247 litres by 2030 and 225 litres by 2050. The targets and a set of initiatives to achieve them are included in the LTP 2021-2031. Key investments by Watercare for the 2030 targets are implementing a residential smart meter programme and reducing leakage below 13%, aiming for 11%. Council contributes to achieving these targets by implementing new policy and regulation such as allowing rain tanks to be plumbed into new homes. These revised targets do not negate the need to secure additional reliable water for Auckland.

In response to the drought Aucklanders made significant reductions to overall demand. Our ability to meet the Water Strategy targets will depend on the strength of our relationship with the people we serve. Our goal is for Aucklanders to remain part of a movement that values tap water as they value water in the natural environment. We will continue our proactive advertising and communication campaigns to further encourage Aucklanders to be more water efficient. We are also working with council to review Auckland's drought standard.

Water Reform

In July 2020, the government launched its Three Waters Reform Programme, a three-year programme to reform local government three waters service delivery. The current proposal is that the entities remain publicly owned in the form of statutory entities, separated from local authorities and with mechanisms to recognise Treaty rights and interests to prevent future privatisation. At this stage the government has recommended aggregation to somewhere between 3-5 new multi-regional water services entities across New Zealand. Under this proposal Auckland would join with Northland. Professional directors would be appointed to the boards through an independent selection panel. Local authorities will be given the ability to influence objectives and priorities of the new entities. The entities will be monitored and regulated through Taumata Arowai and a new economic regulator. There remains a wide range of unknowns.

The government is currently taking an opt-out approach, in that Councils can choose to not participate in the proposed reform. We are working closely with council to understand what water reform means for Aucklanders both now and in the future and will be supporting council's consultation process as the programme advances.

Water Industry Commission for Scotland (WICS) review

At the start of 2020 we commissioned WICS to assess our financial year 2019 performance and identify opportunities for Watercare to continue to deliver against our section 57 obligations to manage our operations efficiently so to keep the

overall costs of services to customers (collectively) at minimum levels and maintain the long-term integrity of our assets. WICS found that while Watercare is operating efficiently there is room for improvement. They made several recommendations, including reducing operating and capital expenditure through invest to save initiatives, improved monitoring and understanding of our asset renewals requirement and that our financing structure could be improved to ensure intergenerational equity. A further review was performed on financial year 2020 as part of the DIA's detailed analysis and request for information process. In that review WICS found we have further room for efficiencies.

Over the coming year Watercare will be working closely with WICS to further understand their analysis and to identify and recommend efficiency programmes that will provide long-term benefit to our customers.

CCO review recommendations

We are working with council to implement the recommendations of the CCO Review Panel. These include participating in a joint working group to progress the water strategy, including formulating the next steps to be taken on the supply and demand work that we began last year. We also submitted our AMP to council to inform how we will provide services to meet council's urban growth strategy. A steering group has been established to improve resource consent procedures. Further, Watercare has been working with council, and the other CCOs, to develop a group procurement policy to create consistency in procurement across the council family and to improve monitoring of customer complaints.



Planting at our coastal walkway in Māngere

2.2 How we will deliver – annual work programme

Key activities and programmes over the coming financial year are below. We measure success through the performance measures and targets documented under each sub-section of section 1.3 Nature and scope of activities – ‘what we do’.

Our contributions to the Auckland Plan	Primary capital	Significant activities and programmes over the coming financial year	Direct expenditure \$m	Capex budget \$m
Deliver safe and reliable water services 24/7		- Water operating activities - Work with the new drinking water regulator, Taumata Arowai and Implement internal audit recommendations for our water safety plan framework - Board of Inquiry for additional water from the Waikato River	\$140	See below
Deliver safe and reliable wastewater services 24/7		- Wastewater operating activities - Further develop our TARP (Targeted Asset Replacement Programme) to improve and coordinate cost effective asset refurbishment	\$169	See below
Minimum cost, efficient, financially robust provider both now and in the future & industry leading thinking and processes	 	- Work with council to understand the government’s proposal for Water Reform and what it means for Aucklanders - Work with WICS to confirm findings and to develop efficiency programme - Nerve centre completion - Continue to develop and deliver our Enterprise Model - Develop invest to save options - Investigate Auckland Economic Development Action Plan (EDAP) action to investigate water-reuse precincts co-located near Māngere and Rosedale wastewater treatment plants.	Within operating and capital budgets	N/A
High performing infrastructure (reliable and resilient now and in the future)		- Continue our leak detection programme - Continue work to optimise our AMP - Continue to work with council on Auckland’s Water Strategy, including review of the drought standard	Within water and wastewater opex budgets	\$301
Future-proofed growth and supply assurance		We currently have under construction: Water (growth, level of service and renewal) - Ardmore to Redoubt Rd watermain - Drought project completion - Commence smart meter programme Wastewater (growth, level of service and renewal) - Central interceptor - Northern interceptor - Otara catchment upgrades - Pukekohe wastewater treatment plant - Warkworth-Snells-Algies wastewater network - Wastewater renewals across the city		\$445
Protect and enhance our natural environment		- Continue our work with our Enterprise Model partners to develop processes to reduce carbon associated with infrastructure projects. This includes developing and implementing a carbon portal to measure emissions related to infrastructure builds, also included within the EDAP - Continue our work with customers to reduce water demand	Within water and wastewater above	Within capex budgets above
Enhance our partnerships and strong relationships with Māori in Tāmaki Makaurau		- Finalise our Māori Outcomes Plan together with an implementation and monitoring plan - Develop procurement programme to source 5% from Māori owned businesses by the end of 2025 - Continue our work with The Mana Whenua Managers Kaitiaki Forum (MWMKF). Watercare hosts the bi-monthly meetings of MWMKF.	\$1*	-
Customer trust and value through exceptional performance and engagement		- Continue working with council to action the CCO review recommendations including developing a methodology for reporting on customer complaints - Deliberative democracy project with Koi Tū Centre for Informed Futures	Within water and wastewater above	N/A

Safe, engaged and empowered team		• Continue building capability through our staff development programmes • Continue working with council to action the CCO review recommendations • Independent review of health and safety at Watercare	Within water and wastewater above	N/A
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*Currently reflects spend toward iwi engagement only.



Our recently completed Nerve Centre

2.3 Financial statements for the long-term plan

Operating budgets (\$million)	2019/20 Actual	2020/21 Annual Plan	2021/22 LTP	2022/23 LTP	2023/24 LTP
Net direct expenditure (income)	(309.6)	(271.0)	(341.6)	(399.0)	(473.2)
Revenue	578.0	559.8	650.6	711.8	799.5
Fees and charges	534.1	506.2	615.5	674.7	757.3
Grants and subsidies (external)	-	-	-	-	-
Other direct revenue	44.0	53.6	35.1	37.1	42.2
Direct expenditure	268.4	288.9	309.0	312.7	326.3
Employee benefits	85.4	83.2	79.3	82.2	85.3
Grants, contributions, sponsorship	0.3	0.7	0.4	0.4	0.4
Other direct expenditure	182.7	205.0	229.3	230.2	240.6
Other key operating lines					
Funding from Auckland Council	-	-	-	-	-
Revenue from vested assets	(64.5)	(21.5)	(69.0)	(71.5)	(74.2)
Other non-direct revenue	-	-	-	-	-
Net finance expense*	81.7	95.0	100.5	113.6	125.8
Depreciation and amortisation	255.6	256.5	245.9	252.5	260.1
Net losses (gains)	8.7	8.0	8.0	8.0	8.0
Income tax expense	81.5	13.7	55.7	72.7	100.6
Net direct expenditure by activity (\$million)					
Net direct expenditure (income)	(309.6)	(271.0)	(341.6)	(399.0)	(473.2)
Wastewater Service	(258.7)	(212.5)	(251.6)	(292.1)	(346.0)
Water Supply	(50.8)	(58.5)	(90.1)	(106.9)	(127.3)

*See the accounting policy note on page 28

Capital expenditure

Capital expenditure budgets (\$million)	2019/20 Actual	2020/21 Annual Plan	2021/22 LTP	2022/23 LTP	2023/24 LTP
Total capital expenditure excluding capitalised interest*	589.6	722.4	746.2	714.7	772.8
- to meet additional demand	334.6	454.0	342.4	341.7	369.3
- to improve the level of service	89.8	135.3	102.9	123.2	103.9
- to replace existing assets	165.3	133.1	301.0	249.8	299.6
Capital funding sources	589.6	722.4	746.2	714.7	772.8
Infrastructure growth charge	109.8	103.2	114.7	123.8	136.3
Contribution from fees and charges	227.8	175.2	241.1	285.4	347.5
Net debt	241.6	393.6	389.9	310.0	290.2
Asset sales	5.6	15.0	-	-	-
Working capital	4.8	35.4	0.5	(4.5)	(1.0)

Specific expenditure towards Māori outcomes

Initiatives (\$thousand)	2019/20 Actual	2020/21 Annual Plan	2021/22 LTP	2022/23 LTP	2023/24 LTP
Iwi engagement on Watercare projects	1.4	1.3	1.3	1.4	1.4

Other financial information

Current value of assets	The current value of Watercare's assets as 30 June 2020 was \$10.8 billion based on the net asset value of the Watercare group as disclosed in the audited financial statements.				
Accounting policies*	The accounting policies applied for this statement of intent are consistent with Auckland Council's group policies. This means interest that is capitalised under the Watercare accounting policies and presented as such within Watercare's annual report is recorded as interest expense for the purpose of group reporting.				
Financial reporting	Watercare's financial reporting to Auckland Council will be in accordance with the requirements of the group. The budget presented in this SOL is aligned to Watercare's final submission to Auckland Council's LTP 2021-2031.				
	2019/20 Actual	2020/21 Annual Plan	2021/22 LTP	2022/23 LTP	2023/24 LTP
Asset sales (\$million)	5.6	15.0	8.0	8.0	8.0
Shareholder equity ratio	66%	64%	63%	62%	61%

Detailed capital expenditure list

Expenditure (\$million)	2019/20 Actual	2020/21 Annual Plan	2021/22 LTP	2022/23 LTP	2023/24 LTP
Capital Expenditure (excluding capitalised interest)	589.6	722.4	746.2	714.7	772.8
Water sources & treatment					
Augmentation programmes	20.4	217.8	50.9	2.2	49.0
Upgrade programmes	11.9	-	2.1	3.0	0.5
Renewal programmes	9.8	25.9	9.0	0.8	34.7
Treated water networks					
Growth programmes	40.9	40.1	34.3	13.8	63.4
Huia 1 and Nihotupu 1 Watermain Replacement	15.0	31.7	36.4	32.3	0.2
Hūnua 4	27.0	1.0	9.5	-	-
Local network meter replacement (incl. smart meters)	10.5	10.0	22.1	11.9	11.5
Other water networks	14.0	19.3	19.8	19.9	10.7
Renewal programmes	26.7	12.1	48.6	21.7	44.2
Electrical systems					
Electrical systems	0.6	0.9	10.8	5.9	3.7
Total water	176.8	358.8	243.5	111.5	217.9
Wastewater treatment					
Upgrade and renewal programmes	100.1	53.3	34.4	19.1	20.9
Sub-regional wastewater servicing	30.8	68.8	49.3	70.3	120.9
Biosolids - Puketutu rehabilitation	12.3	4.1	18.0	11.8	8.2
Wastewater networks					
Central Interceptor	89.2	147.1	240.4	280.8	190.0
Western Isthmus Programme	0.6	1.5	12.2	26.1	13.3
North Shore trunk sewer and pump station upgrades	1.3	20.3	24.1	22.1	23.2
Northern Interceptor	44.8	16.6	25.0	47.0	50.2
Southern Interceptor augmentation	14.1	-	6.2	26.1	19.5
Upgrade programmes	29.0	31.0	17.1	49.5	35.2
Renewal programmes	36.6	6.5	47.2	28.7	38.3
Electrical systems					
Electrical systems	10.5	5.1	1.5	2.7	5.8
Total wastewater	369.3	354.3	475.4	584.2	525.5
Shared service					
Shared service programmes	43.5	9.3	27.3	19.0	29.4
Total shared service	43.5	9.3	27.3	19.0	29.4

Appendix A – Our legislative framework

As a CCO, we have principal objectives under Section 59 of the Local Government Act 2002 in carrying out our activities and functions, including to:

- Achieve the objectives of Auckland Council, both commercial and non-commercial, as specified in this Statement of Intent (SOI)
- Be a good employer (as defined in Clause 36 of Schedule 7 of the Local Government Act 2002)
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which we operate and by endeavouring to accommodate or encourage these interests when we are able to do so.

Our obligations to deliver water and wastewater services for Auckland are established under Part 5, Section 57(1), of the Local Government (Auckland Council) Act 2009, which stipulates that an Auckland water organisation:

- Must manage its operations efficiently with a view to keeping the overall costs of water supply and wastewater services to its customers (collectively) at the minimum levels, consistent with the effective conduct of its undertakings and the maintenance of the long-term integrity of its assets
- Must not pay any dividend or distribute any surplus in any way, directly or indirectly, to any owner or shareholder
- Is not required to comply with Section 68(b) of the Local Government Act 2002 (avoiding the requirement to pay a dividend)
- Must have regard for public safety (eg. safety of children in urban areas) in relation to its structures.

Also, under the legislative framework:

- We must give effect to the relevant aspects of the Council's Long-term Plan, act consistently with other specified plans and strategies of the Council and ensure compliance at all times with Sections 57 and 58 of the Local Government (Auckland Council) Act 2009.
- At least two board meetings a year are required to be held in public: one before 30 June to consider the Council's comments on the draft SOI for the upcoming financial year, and one after 1 July to consider our performance under the SOI for the previous financial year. In practice, all our board meetings are open to the members of the public (with our constitution and Section 7 of the Local Government Official Information and Meetings Act 1987 permitting certain private matters to be dealt with in private).
- Our financial statements, the SOI and specified long-term plans must be audited by the Auditor-General, or by an auditor acting on behalf of the Auditor-General.
- The Auditor-General is the auditor of Watercare's financial statements. The Auditor-General has appointed Brett Tomkins, using the staff and resources of Deloitte, to undertake the external audit work on behalf of the Auditor-General, in accordance with the Auditor-General's Audit Standards, which incorporate New Zealand Auditing Standards. Deloitte must satisfy the independence requirements of the Auditor-General and External Reporting Board.

Further legislative requirements include:

Taumata Arowai – the Water Services Regulator Act 2020 (from 1 November 2021)

Under this legislation the principal regulators for water quality include Auckland Council, Waikato Regional Council, the Ministry of Health and Taumata Arowai (from 1 July 2021).

Water Services Bill

Will give effect to Te Mana o te Wai. The Bill requires all persons who perform or exercise functions, powers, and duties under the legislation to give effect to Te Mana o te Wai. This parallels requirements imposed on local authorities under

the National Policy Statement for Freshwater Management, and on Taumata Arowai under the Taumata Arowai—the Water Services Regulator Bill.

As part of its governance arrangements, Taumata Arowai will have a Māori Advisory Group that is charged with advising on Māori interests and knowledge as they relate to the objectives, functions, and principles of Taumata Arowai. This includes—

- developing and maintaining a framework that provides advice and guidance on how to interpret and give effect to Te Mana o te Wai:
- providing advice on how to enable mātauranga Māori, tikanga Māori, and kaitiakitanga to be exercised.

Health Act 1956

Aims to protect public health by improving the quality of drinking-water provided to communities.

Health and Safety at Work Act 2015

Sets out the principles, duties and rights in relation to workplace health and safety. A guiding principle is that workers and others need to be given the highest level of protection from workplace health and safety risks, as is reasonable.

Climate Change Response Act 2020

Section 5ZW(2) creates an obligation for Watercare if the Minister or the Commission makes a request for information as provided for at subsection (1).

Resource Management Act 1991

Focuses on the health of the environment.

Appendix B - 14 x Department of Internal Affairs non-financial measures^ and 1 x Auckland Plan Measure

No.	Capital	Measure	2019/20 Actual	2020/21 Target	2021/22	2022/23	2023/24
1		Compliance with the territorial authority's resource consents for discharge from our 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	(a) 0 (b) 0 (c) 0 (d) 0	(a) ≤2 (b) ≤2 (c) ≤2 (e) 0	(a) ≤2 (b) ≤2 (c) ≤2 (d) 0	(a) ≤2 (b) ≤2 (c) ≤2 (d) 0	(a) ≤2 (b) ≤2 (c) ≤2 (d) 0
2		The average consumption of drinking water per day per resident within the territorial authority district (litres) (12-month rolling average)	268.6 litres	262 litres	260 litres	258 litres	256 litres
3		The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	100%	100%	100%	100%
4		The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	100%	100%	100%	100%
5		Median response time for attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site (minutes)	50 mins	≤60 mins	≤60 mins	≤60 mins	≤60 mins
6		Median response time for resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (hours)	2.9 hours	≤5 hours	≤5 hours	≤5 hours	≤5 hours
7		Median response time for attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site (days)	1.7 days	≤5 days	≤5 days	≤5 days	≤5 days
8		Median response time for resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (days)	2.1 days	≤6 days	≤6 days	≤6 days	≤6 days
9		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) Watercare's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system	7.2	≤10	≤10	≤10	≤10
10		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)	43 mins	≤60 mins	≤60 mins	≤60 mins	≤60 mins
11		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)	2.4 hours	≤ 5 hours	≤ 5 hours	≤ 5 hours	≤ 5 hours

No.	Capital	Measure	2019/20 Actual	2020/21 Target	2021/22	2022/23	2023/24
12		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) Watercare's response to issues with its sewerage system expressed per 1000 connections to the Watercare's sewerage system	20.1	≤50	≤50	≤50	≤50
13		The percentage of real water loss from the territorial authority's networked reticulation system (12-month rolling average)	13.2%	≤13%	≤13%	≤13%	≤13%
14		The number of dry-weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system	0.55	≤5	≤5	≤5	≤5
15		Average number of wet-weather overflows per engineered overflow point per discharge location (12-month rolling average)	1.5	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year

^ Measures 1-14 are Long-term Plan measures

* Measures 5-11. Watercare has deferred a portion of our enhanced network asset renewals programme. This deferral could impact the number of faults on our network assets, therefore impacting the ability to meet the SOI targets in future years. We have held the targets at the 2020/21 levels, but realise there is a risk to the delivery to these targets and have agreed with council to jointly monitor and review the targets over the coming year.