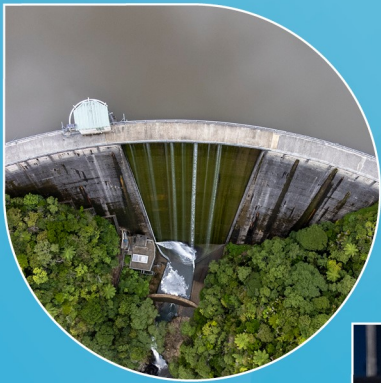


Watercare Services Limited Statement of Intent

2024 to 2027



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

The implementation of Local Water Done Well, and the associated legislation to enable debt separation will undoubtedly create a changing operating environment for Watercare.

However, our primary focus – the provision of reliable, safe and efficient water and wastewater services to Aucklanders – remains unchanged.

Watercare’s six key activities for 2024-2027 are:

1. Delivering safe and reliable water and wastewater services to Aucklanders 24/7.
2. Renewing and building the necessary water and wastewater infrastructure to cater for growth, improve resilience and maintain service levels for our customers.
3. Delivering our services and infrastructure projects efficiently, keeping a strong focus on operating costs, so we can minimise price increases.
4. Strengthening our relationships with developers, customers, community stakeholders and our Māori partners.
5. Improving our organisational performance in relation to our core strategic outcomes, namely: Climate Change (including drought and extreme weather resilience and supply); the health, safety, and wellness of our kaimahi (our employees and contractors); and Māori Outcomes.
6. Embedding a long-term and sustainable financial strategy/model for Watercare, based on operating efficiently, investing appropriately in assets, ensuring affordability of services, and that growth-related investment are appropriately recovered from our customers.

The first draft of this SOI contained a price pathway which reflected the continuation of a significantly increased capital programme, to facilitate an increase in the asset renewals programme. The price pathway also reflected the need to work within the Council’s stated debt to revenue ratio. In tandem with the Watercare Board and Management reviewing options to create a smoother price path, and whilst recognising the need for the capital investment, Council and Government worked together to provide a solution to those seemingly competing objectives.

At the start of May 2024, a joint Council/Government announcement confirmed that a solution for Auckland had been agreed. The outcome of that agreement is reflected in this version of the SOI.

In summary, we have agreed a revised price path of 7.2 per cent increases for water and wastewater charges and 14.4 per cent for infrastructure growth charges for the period 2024-2027, noting that work is currently underway to ensure that growth pays for growth, with Council supporting Watercare’s required debt capacity until debt separation is achieved, most likely by the start of FY26.

The revised price path means that Watercare will remain within its SOI target of water charges being less than 1.5 percent of the median household income until at least the early 2030s. At the same time, our revised asset management plan will see us breaking ground on some big new capital projects over the next three years, including: the Huia Water Treatment Plant Replacement project, which will replace the ageing 100-year-old plant that supplies 20 per cent of Auckland’s water and the Central Interceptor extension to Point Erin. In relation to our major projects (and in particular, the Central Interceptor and Huia replacement), we will ensure that the Board Chair and Management continue to provide progress updates to elected members, and involvement at key milestone events.

The *Local Government (Water Services Preliminary Arrangements) Bill* was introduced in late May 2024. Watercare has worked with Council on Council’s submission to the Bill, which will allow Watercare and Council to achieve debt separation.

Referring to the specific points raised within the Letter of Expectation.

- The letter of expectation asked all CCOs to “*slow down growth in capital programmes, look after what we already have, before embarking on big new capital projects*”. The Watercare Board has noted this direction. Over the period of this SOI, significant capital projects will be brought into service including the Central Interceptor project’s southern section in late 2024 and the new Snells Beach Wastewater Treatment Plant in 2025. We will also be working on our six-year Assets Upgrades and Renewals programme (\$1.8b), which will support and improve Watercare’s resilience to extreme weather events. This aligns with the independent economic benchmarking review that recommended increased renewals investment and funding to ensure a reliable and sustainable network over the long-term.

- We confirm that Watercare will also abide by the Statement of Expectations of Substantive CCOs (July 2021) and will fully support and actively engage in any s17A value for money reviews by Council.
- Like previous SOIs, we continue to include a suite of measures to provide Council and the public with useful information on the quality of our services, performance, and efficiency. The Board also continues to monitor a wider suite of business performance measures not included in this updated report, including Māori outcomes, health and safety of our kaimahi, and our diversity and inclusion initiatives.

The Board and Management will keep the Mayor, Deputy Mayor, our Lead Councillor, Councillors, Local Boards, and the Council's Chief Executive informed of any matters that are potentially contentious or of high public interest in line with the "no surprises" policy, particular in relation to any potential drought conditions. Watercare will continue to engage with Councillors on all aspects of our capital programme via the Transport and Infrastructure Committee.

If there are risks to our infrastructure programmes, or our day-to-day operations from the transition to Local Water Done Well, we will raise these with Council at the earliest opportunity.

In the meantime, 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 affordable world class water and wastewater services to Aucklanders. Our SOI reaffirms our commitment to work with Council and our partners so that together, we can meet the challenges of today and tomorrow.



Geoff Hunt
Chair



Dave Chambers
Chief Executive Officer

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 \$15.5 billion and plan and build infrastructure to ensure we are resilient and reliable and can support growth today and into the future.

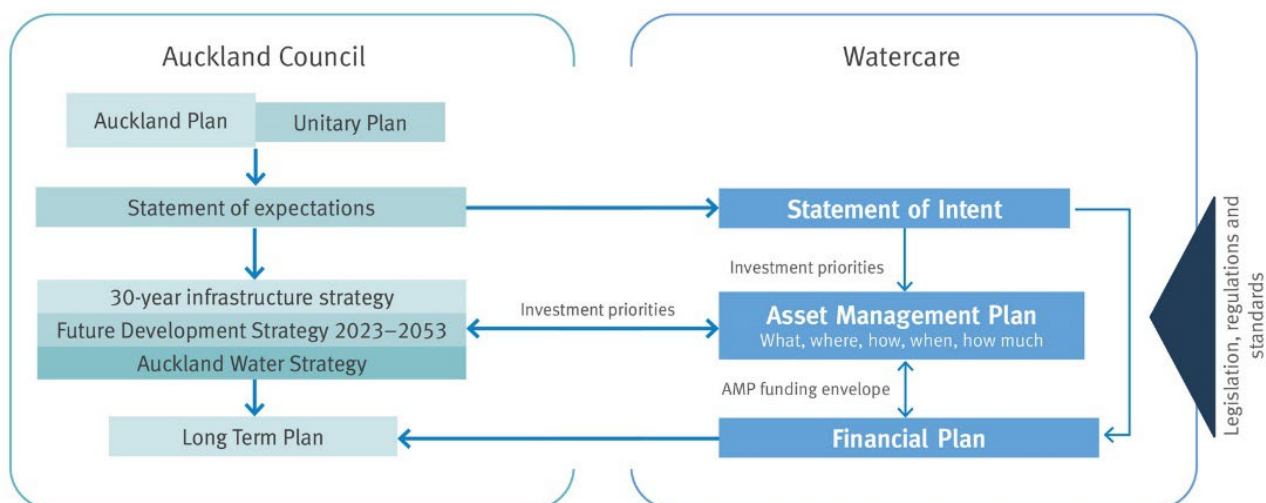
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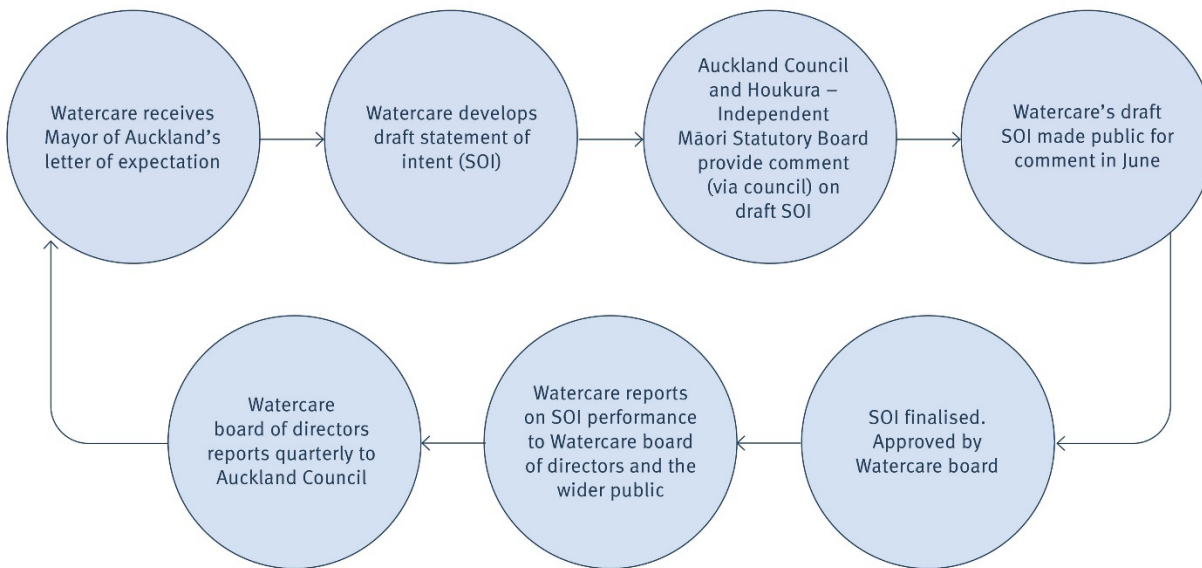
Watercare is a council-controlled organisation, wholly owned by Auckland Council. The Council appoints our Board of Directors, who in turn appoint our Chief Executive.

We do not receive any funding from Auckland Council or the Government, nor do we pay a dividend to Auckland Council. Instead, 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. Our legislative framework is summarised [on our website](#).

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, the Auckland Water Strategy, Te Tāruke-ā-Tāwhiri: Auckland’s Climate Plan, Kia ora Tāmaki Makaurau: a framework to measure Māori wellbeing outcomes and performance for Tāmaki Makaurau, relevant performance measures and any associated guidance.

Our major contributions to the Auckland Plan 2050 outcomes are:

Auckland Plan Outcomes	How we will contribute
<p>Opportunity and prosperity</p>  <p>Auckland is prosperous with many opportunities and delivers a better standard of living for everyone</p>	<ul style="list-style-type: none"> • By reliably and efficiently delivering affordable safe drinking water to our customers • By reliably and efficiently delivering affordable wastewater services to our customers • By building customer trust and value through exceptional performance and engagement • By developing and maintaining a safe, engaged, empowered, diverse and inclusive 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 encouraging innovation to find new solutions to improve the way we work – to do this we allow our staff and partners to explore, experiment and if necessary, fail safe and learn fast
<p>Environment and cultural heritage</p>  <p>Preserve, protect and care for the natural environment as</p>	<ul style="list-style-type: none"> • By working with Council on implementing the Auckland Water Strategy to achieve the Auckland Plan 2050’s objectives of adapting to a changing water future • By reliably and efficiently delivering affordable wastewater services to our customers and discharging it in a safe and responsible manner for people and the environment • By planning and providing low carbon resilient infrastructure that is adaptive to future changes including climate change

Auckland Plan Outcomes	How we will contribute
<p>our shared cultural heritage for its intrinsic value, and for the benefit of present and future generations</p>	<ul style="list-style-type: none"> • By adopting Council’s 50% target for greenhouse gas reduction by 2030 • By actively promoting water-efficient technologies and behaviours to customers and homebuilders • By engaging and consulting with affected parties on our development plans
<p>Homes and places</p>  <p>Aucklanders live in secure, healthy and affordable homes and have access to a range of inclusive public places</p>	<ul style="list-style-type: none"> • By reliably and efficiently delivering affordable safe drinking water to our customers • By reliably and efficiently delivering affordable wastewater services to our customers • By collaborating with the wider Council group to support areas of growth identified by Council • By acting consistent with Council’s Future Development Strategy (FDS) for major infrastructure development for future urban areas • By proactively engaging with Kāinga Ora to plan, fund and deliver water and wastewater infrastructure to support its major urban transformation programmes • By collaborating with Council on the implementation of the Auckland Water Strategy, including the introduction of long-term water consumption targets
<p>Māori identity and wellbeing</p>  <p>A thriving Māori identity is Auckland’s point of difference in the world – it advances prosperity for Māori and benefits all Aucklanders</p>	<ul style="list-style-type: none"> • By actively working with the Council group to deliver our Achieving Māori Outcomes Plan, a framework that will be used to measure Watercare’s contribution to Māori Outcomes. Our work is guided by, and is aligned to, Kia ora Tāmaki Makaurau • By actively fostering and maintaining relationships with mana whenua and mātāwaka, including via the Mana Whenua Kaitiaki Forum • By working alongside Council’s Ngā Mātārae and the Māori Outcomes Steering Group to achieve stronger alignment with Kia ora Tāmaki Makaurau regarding: a) rangatahi/ intern opportunities; and b) key performance indicators relating to Māori • By creating opportunities for Māori-owned businesses to be part of our supplier network • By providing technical advice related to water supply and septic tanks to marae
<p>Belonging and participation</p>  <p>All Aucklanders will be part of and contribute to society, access opportunities, and have the chance to develop to their full potential</p>	<ul style="list-style-type: none"> • By reliably and efficiently delivering affordable safe drinking water to our customers • By reliably and efficiently delivering affordable wastewater services to our customers • By collaborating with the wider Council group to support areas of growth identified by Council • By developing and maintaining a safe, engaged, empowered, diverse and inclusive workforce • By engaging our communities on the pipeline of infrastructure programmes • By engaging Aucklanders on decisions around future infrastructure investments • By developing education programmes for our customers and tamariki
<p>Transport and access</p>  <p>Aucklanders will be able to get where they want to go more easily, safely and sustainably</p>	<ul style="list-style-type: none"> • By collaborating with Auckland Transport and the wider Council group to support areas of growth consistent with the FDS • By ensuring Watercare works with Council, Auckland Transport, NZTA 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.



1.4 About us – The Watercare Board’s approach to governance



The Directors and the Executive team are committed to ensuring the company applies best-practice governance policies and procedures. The company has an Audit and Risk Committee, an Asset Management Committee and a Capital Finance Committee. 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. All other Board meetings also include a public session. Dates and times are publicly notified in advance with agendas and minutes made available on our website. Members of the public are welcome to attend any public Board meeting held by Watercare.

Date	Purpose	Form of public notification
25 June 2024	Consider shareholder comments on draft SOI	Public notice
5 November 2024	Consider performance against SOI targets	Public notice
4 June 2025	Consider shareholder comments on draft SOI	Public notice
4 November 2025	Consider performance against SOI targets	Public notice

Watercare works diligently to meet our legal obligations and act in accordance with the Statement of Expectations of substantive council-controlled organisations (SOE), which sits alongside this SOI and forms part of the annual binding agreement between Council and Watercare. We operate under a no-surprises policy and inform the Mayor, Lead Councillor, Councillors or Local Boards, well in advance of anything that could be potentially contentious, whether or not the issue is covered by the SOI or legislation. We also ensure that if an issue is likely to attract public interest, that the Mayor, Deputy Mayor, Lead Councillor, Councillors and/or Local boards are fully briefed.

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.

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 monitors potential emerging risks that could impact delivery of Watercare’s services and develops appropriate 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 in accordance with the 3 Lines Model 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 incidents, risks and issues and their management to ensure no surprises, transparency and that Watercare’s most significant risks are being appropriately managed and mitigated.

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 mandated non-financial measures of the Department of Internal Affairs, Taumata Arowai, and those that were agreed with Council as part of the LTP 2024-2034.

Part 2: Statement of performance expectations

2.1 Introduction

As we look to the future, and the implementation of Local Water Done Well, we remain committed to providing safe and reliable, affordable water and wastewater services to Aucklanders and to work with Council on delivering the Auckland Plan outcomes.

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 in the Appendices to this document.

Our contributions to the Auckland Plan	Significant activities and programmes over the coming financial year	Direct expenditure \$m	Capex budget \$m
Deliver safe and reliable water services 24/7	<ul style="list-style-type: none"> Water operating activities Meet Taumata Arowai water quality regulations Implementation of the Auckland Water Strategy, including the continued roll-out of smart meters, water efficiency programmes (including refreshing the per capita consumption targets) and management of network leakage to ELL Continue planning and detailed design of the Huia Water Treatment Replacement Plant to help meet peak demand and improve system resilience 	Controllable costs \$182m	Refer to page 21-23
Deliver safe and reliable wastewater services 24/7	<ul style="list-style-type: none"> Wastewater operating activities Via TARP (Targeted Asset Replacement Programme), expand the Inflow and Infiltration reduction programme and network renewals programme, to improve and coordinate cost-effective asset refurbishment Deliver the Wastewater Network Strategy 2023 and continue work to reduce overflows 	Controllable costs \$259m	Refer to Page 21-23
Minimum cost, efficient, financially robust provider both now and in the future & industry leading thinking and processes	<ul style="list-style-type: none"> Continue to work closely with Council to provide advice and support to central Government on the development of a permanent economic regulator Build on financial and regulatory capability within Watercare ahead of interim and permanent economic regulation and a new future funding model that will enable debt separation Continue collaborating with Council on Climate Related Financial Disclosure (TCFD) reporting requirements Continue to deliver our capital programme Target efficiency savings against current opex costs Refresh Watercare's Decarbonisation Roadmap 	Within Operating and Capital Budgets	N/A
High performing infrastructure (reliable and resilient now and in the future)	<ul style="list-style-type: none"> Continue work to optimise our AMP Continue to implement the Auckland Water Strategy including continuing our leak detection programme ensuring we are within 5% of the ELL, and refreshing the per capita consumption targets Implement and measure our performance against our carbon reduction targets for our built infrastructure programme Actively engage with Council in the implementation of the FDS Work with Auckland Council to analyse and understand projected climate change impacts on water sources specifically (Action 5.4 in the Auckland Water Strategy). 	Capex \$1,211b Controllable cost \$441m	N/A
Future-proofed growth and supply assurance	<p>We currently have under design or construction (projects over \$50m):</p> <p>Water (growth, level of service and renewal)</p> <ul style="list-style-type: none"> North Harbour Watermain Duplication Nihotupu No.1 and Huia No.1 watermain replacement Redoubt Road reservoir expansion Waikowhai pump station & watermain Water service connections and local network renewals 	Capex \$1,211b	N/A

Our contributions to the Auckland Plan	Significant activities and programmes over the coming financial year	Direct expenditure \$m	Capex budget \$m
	<p>Wastewater (growth, level of service and renewal)</p> <ul style="list-style-type: none"> • Central Interceptor (southern section to go into service FY25) • Western Isthmus Water Quality Improvement Programme • Queen Street diversion • Otara Catchment wastewater capacity upgrades • Southern Auckland Wastewater Scheme • Southwest Wastewater Scheme • East Coast Bays link sewer • Whenuapai & Redhills wastewater scheme • Warkworth-Snells-Algies wastewater network • Snells wastewater treatment plant • Warkworth Growth Servicing • Māngere WWTP Upgrades and Renewals Programme • Rosedale WWTP Upgrades and Renewals Programme • Ōrākei Main Sewer <p>In addition to the above we have \$832m of water and wastewater projects, under \$50m, in design or construction.</p>		
Protect and enhance our natural environment	<ul style="list-style-type: none"> • Continue our work with our construction partners to develop processes to reduce carbon associated with infrastructure projects. This includes using the Moata carbon portal to measure embodied (capital only) emissions related to infrastructure builds. • Continue our work with customers to reduce water demand to ensure we achieve the targets in the Auckland Water Strategy • Working together with Auckland Council to deliver the component parts of the Auckland Water Strategy, including work towards alternative water sources, demand management and leakage management activities, and also supporting the Council with their initiative to enhance rainwater supply capacity. • Continue to educate our communities on the wastewater system to minimise dry-weather overflows due to fats, oil, rags and roots in the network 	Within Water and Wastewater Opex budgets	Within Capex budgets above
Enhance our partnerships and strong relationships with Māori in Tāmaki Makaurau	<ul style="list-style-type: none"> • Continue to deliver on our Achieving Māori Outcomes Plan • Build on our existing procurement programme, which actively seeks to maximise opportunities for Māori businesses to participate in the procurement process, so we can meet or exceed our target to source 5% from Māori owned businesses by the end of 2025 • Continue our work with the Mana Whenua Kaitiaki Forum (MWKF), including implementing the recommendations of the review into the effectiveness of the forum, and re-setting this if required. • Recognise the impact of the Local Water Done Well plan on iwi and continue to strengthen existing hononga (relationships) and build new partnerships that represent Māori communities 	Te Rua Whetu team included in Opex FY25 Target 4% procurement from Māori owned businesses	N/A
Customer trust and value through exceptional performance and engagement	<ul style="list-style-type: none"> • Continue understanding the performance of individual drivers of trust and ensure we course-correct when they are adversely impacted. • Participate in a collaborative working group with Council to assess and define a water literacy framework (Auckland Water Strategy Action 2.1) • Increasingly segment our customer base to engage in ways that are relevant to them and increase water literacy and trust 	Within Water and Wastewater Opex budgets	N/A
Safe, engaged and empowered team	<ul style="list-style-type: none"> • Continue building capability through our staff development and training programmes • Embed employee wellbeing and safety as core principles of the organisation • Further develop our safety programmes including Back to Basics safety collaboration with contractors 	Within Water and Wastewater Opex budgets	N/A

2.3 Our six key activities for 2024-2027

1. Delivering, affordable safe and reliable water and wastewater services to Aucklanders 24/7

Watercare’s mission is to *deliver affordable, reliable, safe and efficient water and wastewater services 24/7*. Over the period of the SOI, we will deliver on this promise by reporting against drinking water standards, investigating alternative sources for drinking water, ensuring our preparedness for future droughts, and working closely with customers to manage water demand and reduce water losses.

On 14 November 2022, Taumata Arowai introduced a new suite of drinking water standards, quality assurance rules and aesthetic values. These sit alongside the Department of Internal Affairs non-financial performance measures, which include some water and wastewater safety measures (including three Taumata Arowai quality assurance rules for larger suppliers), as well as the requirement to have Drinking Water Safety Plans for each of our water treatment plants (including source risks) and our distribution network.

Ensuring a safe and reliable water supply has always been our core purpose. We remain committed to delivering services that protect public health and comply with all regulatory standards. Watercare’s performance against the standards is reported to the Board monthly. They are also reported to the Governing Body via our Quarterly report. Any non-compliances are reported to Taumata Arowai. At the end of each calendar year, Taumata Arowai produces a summary report, which Watercare shares with Council.

In terms of wastewater, our ability to protect the environment is influenced, to a degree, by weather events. Through the progress of our Central Interceptor wastewater tunnel, our flood recovery programme of work, and our existing Asset Management Plan processes, we are working to upgrade or adapt many of our wastewater assets to ensure they remain resilient in the face of a growing population and more frequent extreme weather events.

Linked to population growth, 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).

Consistent with the Auckland Water Strategy (Action 5.3), Watercare will work with Auckland Council on demand management and drought response.

Sitting alongside these Levels of Service is our recently updated Drought Management Plan, which was approved by Auckland Council’s Planning, Environment and Parks Committee in March 2023. This Plan provides a series of responses to mitigate the potential impact of droughts so we can continue to deliver water our customers can trust, even during a drought.

The Watercare Board receives regular updates on Tāmaki Makaurau’s water security situation and commits to providing Council with early warning if it looks like we may not be able to meet the above Levels of Service for any reason.

Over the medium to long term, Auckland’s growth and our changing climate will put pressure on our existing water sources. In line with the Auckland Water Strategy, Watercare will work with Auckland Council to understand projected climate change impacts on water sources specifically (Action 5.4 in the Auckland Water Strategy). We will also continue to investigate options to improve source drinking water diversity and resilience, including demand management, aligned to the Auckland Water Strategy, and researching alternative source options, which could include purified recycled water and desalination.

We are also undertaking various other initiatives, such as our proactive leak detection programme, to reduce water loss. In parallel we continue to encourage and embed water efficiency behaviours across all customer segments, including through our free education programme.

We are committed to a smart network future including the role of smart meters. Watercare has installed 50,000 smart meters and any new or replacement meters will be smart meters, allowing households and businesses to access real-time information on their water usage and enable Watercare to manage the network more closely, including identifying leaks. We anticipate approximately 13,000 smart meters will be installed over the coming year. Over the course of the SOI period we will be revising our smart network strategy which will include an acceleration of our smart meter rollout. This strategy will clarify operational cost and risk associated with a smart network approach, which is expected to improve network management and service levels for customers, but will come with higher digital costs and risk.

Watercare welcomes the opportunity to work with Auckland Council on the Auckland Water Strategy and how the Council whānau can further improve and therefore reduce per capita consumption of water. This could include creating “smart” houses in all new developments that would have the ability to utilise grey water and recycled water, which is likely to require a central government legislation change. A “smarter” water network will also allow Watercare to respond to leaks faster, and also introduce other innovations, such as variable tariffs for our customers.

The digital networks strategy will be completed in FY25 and this will be shared with Council as it is finalised.

Watercare must establish and maintain a committee or board within its organisation to promote the vision and strategy for the Waikato River (as set out in Schedule 2 Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010). Representatives of Te Whakakitenga o Waikato Incorporated (Waikato Tainui Governance Board) and Te Taniwha o Waikato (a collection of Marae along the lower river and part of Waikato Tainui) will be invited to be members of that committee or board in order to become material participants and directly involved in all aspects of the management, governance and use of the river, including its water. Generally, the purpose and function of that committee or board will be to investigate and address options for the reduction in reliance on the awa by Watercare, including identifying new alternative sources for resilient water systems. In particular, the committee and board will be looking at the following:

- reduction in reliance on the Waikato River for the supply of water to Auckland;
- reduction in the volume (both relative (i.e. as a percentage the Waikato makes to Auckland’s municipal supply needs) and absolute) of water taken from the Waikato River;
- increased resilience of the Waikato River to human activities and their effects; and
- in that context, recognition of the rights and interests of tangata whenua in fresh water.

As part of the second Waikato River consent, from 2026, Watercare will submit a water management plan to Waikato Regional Council every five years on the progress being made on the investigation and implementation of future water source options for Auckland. Progress against this work programme will be reported to Council regularly. The five yearly reports will be made publicly available and shared with representatives of Te Whakakitenga o Waikato Incorporated, Te Taniwha o Waikato, Te Tokanganui-a-noho Regional Management Committee and Hauauru Ki Uta Regional Management Committee, Ngā Waihua o Paerangi, Te Kotahitanga o Ngāti Tuwharetoa, Raukawa Settlement Trust, Te Arawa River Iwi Trust, Ngāti Tahu-Ngāti Whāoa, and the Waikato River Authority.

SOI performance measures related to the above activities are set out in **Appendix A and A1**.

2. Renewing and building the necessary water and wastewater infrastructure to cater for growth, improve resilience and maintain service levels for our customers

Regional growth in population, industry, and commerce has a direct impact on Watercare’s ability to provide affordable safe and reliable water and wastewater services and to protect both public health and the environment. Our focus over the SOI period will be to continue the delivery of Watercare’s Asset Management Plan (AMP).

Watercare’s AMP is a future focussed planning document for managing our infrastructure effectively to achieve our long-term strategic goals and meet future demand. Over the next ten years, Watercare plans to deliver \$13.9b of infrastructure via the AMP, which equates to a daily spend of around \$3.44m.

Our asset management planning is focused on: 1. compliance 2. renewals 3. levels of service and 4. growth, in that order of prioritisation. This helps us to decide what, where, how, when, and how much we invest to build and maintain networks. Our AMP is also aligned with the Future Development Strategy (FDS).

Below is a list of significant water and wastewater projects that we have planned, together with the milestones that will occur over this SOI period (FY2024-2027). Progress against these milestones will be reported via our Quarterly Reports to Council.

Significant Project	FY25 Milestone	FY26 Milestone	FY27 Milestone
Wastewater Projects			
Ōrākei Main Sewer	Section 1 relining complete	Section 2 relining works complete	Works complete
Queen Street Diversion	Commence construction in Queen Street	Complete Queen Street works, commence work in Mayoral Drive	Works complete
Ōtara Catchment WW Capacity Upgrade		Commence construction	Works complete
Rosedale Northern Interceptor Integration	Works commence	Works complete, Northern Interceptor commissioned	
Whenuapai & Redhills WW Scheme Package 2		Commence construction	
North East Servicing			
Snells WWTP upgrade		WWTP into service	
Warkworth growth servicing	Confirm scheme	Commence construction	
Warkworth to Snells Transfer Pipeline	Works complete		
Wellsford WWTP Upgrade		WWTP into service	
Wellsford water treatment upgrade		Construction commences	
Central Interceptor & Western Isthmus Water Quality Improvement Project (WIWQIP)			
Central Interceptor	Southern section goes into service		
Grey Lynn WW Tunnel		Tunnelling complete	Scheme into service
Western Isthmus Water Quality Improvement Programme (WIWQIP) – Point Erin Tunnel		Tunnelling complete	Scheme into service
WIWQIP – Grey Lynn Park Stage 1 and Branch 6 Collector			Commence works
Water projects			
Onehunga WTP PFAS & Second Barrier	Feasibility complete	Works commence	
Ardmore WTP Resilience and B2 TWT Roof			Works complete
Hunua 2 Watermain (Te Rakau Bridge)		Commence construction	
Devonport 2 Watermain replacement		Commence construction	
Market Road Watermain Replacement		Commence construction	
Kāinga Ora – Wesley Stage 2 Watermain and BSP	Works commence	Works complete	
Kāinga Ora – Waikowhai Pump Station and Watermain	Works complete		
Huia 1 and Nihotupu 1 Replacement		Works complete	
West Boost Pumping		Works complete	
South West Servicing			
Hingaia Watermain East/West		Commence construction	Works complete
Clarks Beach WWTP and associated works		Works complete	
Clarks Beach WW Outfall		Works complete	
Wesley/Paerata Watermain			Commence construction
Pukekohe TS – Isabella Pump Station		Commence construction	
General			
FY24 Flood recovery Insurance Work		Complete programme of works	

Watercare confirms its alignment with Auckland Council’s approach as set out in the Infrastructure Strategy and the Group Asset Management Policy. It is important to recognise that the management of water and wastewater assets involves specific complexities, which means there may be deviations at a detailed level.

The 2023 Auckland floods and cyclone significantly impacted our assets and as a result, we have developed a programme of repairs, replacements, and upgrades to work on over the next two to three years. Our AMP includes a six-year Assets Upgrades and Renewals programme (\$1.8b), which will support and improve Watercare’s resilience to extreme weather events. This aligns with the independent economic benchmarking review that recommended increased renewals investment and funding to ensure a reliable and sustainable network over the long-term.

Watercare will align with the Council’s position in relation to Private Plan Changes that do not conform with the FDS and will support Council in rejecting or submitting in opposition to such changes.

Watercare acknowledges that the impact of Private Plan Changes on the Council group should be managed collaboratively.

To part fund the growth portion of our AMP, we charge customers IGCs – infrastructure growth charges. This is a contribution towards the capital investment we have made in bulk infrastructure – i.e. new water sources, new transmission water pipes, new transmission wastewater pipes and new treatment plants and expansions.

The intention of charging IGCs, is to apportion the cost of increasing the capacity of our bulk infrastructure to those who increase demand on the system, rather than recovering this cost from existing customers or future generations. Without IGCs we would need to recover a greater proportion of our growth-related capital investment costs through our operational charges. This would cost all customers a lot more for their water and wastewater services.

Watercare fully supports the Council’s expectations that growth should pay for growth, and planned IGC price rises over the coming years will help narrow that gap. However, to achieve the appropriate level of recovery, we will need to adopt a new methodology to calculate growth charges.

We have started work on this new methodology, which will consider:

- Local Network Growth Investments
- Differences between brownfield, greenfield and infill developments
- How long the growth period should be, to reflect infrastructure capacity life exceeding 15 years
- Aligning any new methodology with Local Water Done Well, and the future information disclosure requirements of interim and permanent economic regulation
- Recognising the benefits to existing customers that capacity upgrades provide for system resilience.

The work we are doing will also support future economic regulation over price, quality, and investment.

The timeline and deliverables in relation to this project are set out below:

- **1 July 2024:** IGC price rises set at 14.4 per cent per year, for the next three years, accelerating the contributions to growth.
- **July 2024:** We will report back to seek feedback from Council on the opportunities, issues and options and for revising the calculation methodology.
- **Late 2024/early 2025:** We will consult with our customers, including the commercial and development sector, to ensure the new proposed methodology is robust and so the sector can plan for the revised approach to growth charges.
- **1 July 2025 onwards:** Watercare remains committed to the ultimate goal of growth paying for growth. The recovery of growth costs through increased IGCs will need to be phased in, with each phased increase aligned with the start of the financial year. The earliest the first phased increase can occur is 1 July 2025, subject to the requirements of the new transitional economic regulation regime. Whilst rolling out the phased increases, we will need to carefully manage any unintended consequences including impacts on short-term connections, leading to a temporary

reduction in revenue and developers implementing private systems. Watercare may also have to update its billing systems and change the smart meter roll-out to commercial customers, to automate the management of IGCs.

SOI performance measures related to the above activities are set out in **Appendix B**.

3. Delivering our services and infrastructure projects efficiently, keeping a strong focus on operating costs, so we can minimise water charges

We continue our focus on controllable costs – embedding efficiency expectations into our annual budgeting process. A controllable cost target performance measure continues to be included in this SOI. The targets for the next three years are set using a base, trend, step methodology. This establishes the baseline, drives efficiency off that baseline, and then considers inflationary pressures and the cost of servicing our growing asset base (e.g. the Central Interceptor when it goes live). Watercare will continue to report progress against the 4 per cent efficiency target every quarter. With efficiency largely off-setting inflation, increases in opex will relate to consequential opex, which reflects the costs of operating new assets as they come online.

Over the last few years, the nation’s infrastructure industry has been particularly hard hit, with inflationary pressure pushing up the cost of construction materials, labour, and shipping. With a large capital programme, Watercare is not immune from this pressure. Operationally, we are also incurring increased production costs (e.g. this year’s Auckland Council group procurement process for electricity resulted in a 40% cost increase over the previous contract). However, at the same time, we have made some significant savings (\$1.3m/year) in our chemical procurement process.

From a digital perspective, Watercare already shares some digital licensing costs with Auckland Council, and leverages the shared licensing contacts for improved pricing to keep operational costs to a minimum. We are also currently focused on digital systems consolidation to reduce complexity, licensing and support costs.

Watercare is committed to working with Council to progress the Group Shared Services (GSS) programme at pace and taking a group perspective to this programme to deliver operational efficiencies. Watercare’s CE is a member of the GSS Board and Watercare will participate in GSS as much as is legally possible, and where this does not unfavourably impact the Group’s position, including from a credit rating perspective. While the credit rating agencies understanding of the GSS programme and Watercare’s role is being developed, a cautious approach is being taken to implementation, ensuring there is no inadvertent impact on the Group, while actively exploring opportunities.

We will work with Council to implement the findings of the Group Property model review.

Considering these challenges, as well as the current cost-of-living crisis, Watercare continues to have a strong focus on achieving sustainable efficiencies and reducing costs, to ensure our services remain affordable and that we are delivering value for money. We will continue to drive sustainable cost reductions across the business by identifying process, system and operational efficiency and by limiting non-core activity.

Hardship, assistance is always available for our customers who are struggling to pay their bills. We will continue to provide flexible payment options to customers and we also fund the Water Utility Consumer Assistance Trust (WUCAT), which supports customers suffering genuine hardship.

SOI performance measures related to the above activities are set out in **Appendix C**.

4. Strengthening our relationships with customers, developers, community stakeholders, elected members, and Māori

Our services are vital to life and help communities to flourish. As a lifeline utility, we have relationships with customers, developers, community stakeholders, elected members, and mana whenua.

Customers: Over the past few years, we have built on our engagement model to include always-on feedback about our infrastructure projects as well as very early consultation on future investment decisions. We continue to focus on extracting insights from our day-to-day customer interactions, be it through our satisfaction surveys, co-design workshops or interrogation of the underlying processes and behaviours behind customer complaints. The continuous

improvements across our business, informed by customers, are evidenced in our strong trust and customer net satisfaction scores.

Developers: Watercare is committed to continuing to work with Council to reduce the time and costs for our teams to provide technical assessments needed to process resource consent applications.

We will also continue to work with Council to improve the Better Faster Consents mechanism to allow objections to the way Watercare enforces its code of practice and design manuals. However, developers are always welcome to discuss with our teams any concerns they have with our code of practice. We also routinely engage with Developers and, through our Major Developments team, we are working to enhance our engagement with the development community over the SOI period.

As noted above, we will also be working closely with the development community over the coming years, whilst we adopt a new methodology for calculating growth charges to ensure a greater percentage of growth costs are recovered.

We maintain strong relationships with the Councillors and Local Board members by providing timely and accurate information on Watercare-related matters, including infrastructure planning and construction projects in the interests of no-surprises. We have a dedicated team who ensure Councillors and Local Board members are pro-actively briefed and updated on projects and provide a high level of service for enquiries about operational issues. We provide elected members with regular updates on potential drought conditions and our water production plan. We also have [a Local board hub](#) on our website to ensure local board members have access to information about the existing infrastructure and projects in their areas.

Over the past few years, both Watercare and Council have been tested by serious incidents, including the Anniversary Weekend Floods of 2023, and the more recently, the Ōrākei Main Sewer collapse in Parnell in late 2023. During the sewer collapse, communications from both Watercare and Auckland Council, including the Deputy Mayor, were clear, and joined up. Watercare agrees that significant public facing issues should continue to be led as a partnership between Watercare's Board Chair, CE, and elected members.

Houkura – Independent Māori Statutory Board (Houkura): Watercare will continue to foster its relationship with Houkura across 2024 – 2027. Houkura's Issues of Significance recognise access to infrastructure as an Issue of Significance to Māori in Tāmaki Makaurau. It seeks to ensure that Māori receive ongoing access to safe, operational, and reasonably priced infrastructure services and are enabled to contribute to the decision-making process of future infrastructure projects actively and meaningfully. Watercare will strengthen our relationship with Houkura through regular meetings at both operational and governance levels and work with Houkura to respond to its Issues of Significance instrument. Watercare will also work with Houkura towards the discharge of its Te Tiriti o Waitangi audit obligations.

Māori Partners: We value our partnership with Māori. In working with our Māori partners we have developed a mutual respect and a shared understanding. Watercare supports the Auckland Water Strategy's commitment to partnering with Mana Whenua to achieve the vision of te Mauri o te Wai o Tāmaki Makaurau and working together to advance our core interests in water and the environment.

Watercare has a dedicated Te Rua Whetu team, that oversees implementation and monitoring of the Māori Outcomes Plan and provides wider support to kaimahi on Te Ao Māori and kaupapa Māori issues. Watercare has developed effective working relationships with mana whenua and mātawaka to ensure we meet our responsibilities under Te Tiriti o Waitangi.

SOI performance measures related to the above activities are set out in **Appendix D**.

5. Improving our organisational performance in relation to our core strategic outcomes, namely: Climate Change (including drought resilience and supply); the health, safety and wellness of our kaimahi; and Māori Outcomes.

Climate Change: The impacts of climate change are often seen through water, and it is our responsibility to recognise, mitigate and adapt to these impacts. Climate change can make new issues arise while exacerbating existing problems. This demands that we change not only what we do but how we do it.

We are committed to delivering on the actions and direction set out in Te Tāruke-ā-Tāwhiri, incorporating climate change considerations, whole of life greenhouse gas emissions and resilience, into work programmes and decisions, based on realistic assessments. Alongside this, we have committed to Auckland's regional targets of halving emissions by 2030 and net zero by 2050. To achieve this, Watercare has adopted 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 including:

- Reducing infrastructure emissions by 40% by 2025
- Reducing operational emissions by 50% by 2030
- Energy neutrality at major WWTPs by 2030
- Net-zero emissions by 2050.

To achieve our 2030 targets, and continue reducing carbon emissions, and improve climate resilience, with a focus on cost effective delivery of climate projects, we have adopted a decarbonisation roadmap – identifying the key initiatives necessary to achieve our objectives. This roadmap is being refreshed in FY25. The priorities over the coming years include: expanding our solar rollout to more facilities; investigating options around the use of biogas at our treatment plants; and reducing the intensity of our wastewater process emissions. Whilst our GHG emissions are predicted to stay relatively steady or slightly rise over the short term, once we have implemented our decarbonisation initiatives, those GHG emissions will stabilise and then start reducing.

In line with our Long Term Plan 2024-2034 commitments, Watercare will also:

- target savings in operational and capital expenditure to areas where both cost and whole of life greenhouse gas emissions can be reduced;
- focus on lowest cost delivery of climate positive projects; and
- work towards reducing the impacts of climate-related risks which also reduces long-term cost to Watercare customers and community.

Watercare will continue to report to Council our Scope 1 and 2 greenhouse gas emissions annually, against our SOI target. These will be audited as part of our Statement of Service Performance assurance process.

In FY23 we started including an additional Greenhouse Gas Emission Supplement publication on our website, which comprehensively details our Scope 1, 2 and 3 greenhouse gas emissions, consistent with our commitments and the Auckland Council group approach. This will continue every financial year.

Given the nature of our largest emissions sources which relate to our wastewater treatment process and biosolids disposal, the achievement of our climate emissions targets is challenging and predicated on significant investment in new technologies. Even with funding certainty, there are risks to the timing of when the required changes can be implemented to meet our targets. Over FY25 we will complete two key pieces of work which will help us assess our progress towards key greenhouse gas emissions targets. These projects include: a refresh of our decarbonisation roadmap – the high-level plan to meet our targets based on our latest GHG position and investment profile; and a strategy associated with one of our largest emissions sources – nitrous oxide – resulting from our wastewater treatment process. Watercare has advanced research and innovation underway to develop options and an approach to mitigate nitrous oxide emissions over time. The outcomes from these two pieces of work, and any risks to Watercare's climate targets, will be highlighted through our regular quarterly reporting to the CCO Direction and Oversight Committee, or the Council's Audit and Risk Committee, or both.

Watercare will also contribute to the preparation of a compliant group climate statement to ensure Auckland Council meets its reporting and record-keeping obligations as a climate reporting entity under the Financial Markets Conduct Act 2013. This includes preparing and maintaining proper climate-related disclosure records as required by Auckland Council. It will also include engaging with Auckland Council's appointed auditor to prepare for assurance over group emissions disclosures from 2024/2025 onwards.

We will also strive to demonstrate leadership and accountability by starting to measure and report on the climate impact of our decisions.

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.

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 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.

As noted above, we have introduced our Asset Upgrades and Renewals programme to uplift our investment in this area, which will help us reduce our exposure and vulnerability to climate related risks. This uplift in investment aligns with the independent economic benchmarking review by WICS that recommended increased renewals investment and funding to ensure a reliable and sustainable network over the long-term, whilst delivering year on year efficiency targets.

Health, Safety and Wellbeing (HSW) of our kaimahi: As a result of concerns from the Board and Management in respect of the continued increase in the TRIFR metric, an independent review was commissioned in the second half of 2023.

Management has accepted the findings of the review and is developing an action plan to implement these findings. Part of this will include the development of a new suite of HSW lead metrics which will complement the more traditional TRIFR lag indicator. The review acknowledges that TRIFR is no longer considered a useful measure of safety performance.

Watercare manages many critical risks, and the presence and effectiveness of the critical controls for those risks is a priority area of focus. We are therefore including a new performance measure in this SOI that measures the number of permit audits done per month as a measure of presence and effectiveness of critical controls for our critical risk verification process.

In early 2024, Watercare also achieved certification for ISO 45001:2018: Occupational health and safety management systems. This is an international standard, which means our health and safety management system is structured similar to those in UK and European water utilities and aligns with our integrated management systems. The audit report for certification noted that health and safety ownership was embedded across the business and highlighted increased worker engagement and participation in health and safety. The report also identified areas for improvement, including risk management processes and safety equipment management. These areas have either been rectified or are being worked on.

Watercare continues to participate in the ACC Accredited Employer programme, which gives us the ability to have faster access and support for rehabilitation of injured kaimahi, as well as showing a commitment to best practice in injury prevention.

Māori outcomes: 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

Watercare has identified initiatives within its Achieving Māori Outcomes Plan that it will advance over the next three to four years to improve social, economic, and cultural wellbeing for Māori communities throughout Auckland. The plan aligns to Kia Ora Tāmaki Makaurau, the Council group's Māori Outcomes Performance Measurement Framework, and

progress against the plan is reported to Council quarterly, including via our quarterly reports.

Watercare's Te Rua Whetū – Māori Outcomes & Relationships Unit, has strong relationships with their counterpart teams at Council and other CCOs, and is committed to exploring opportunities to improve the consistency between CCOs in how they contribute to Kia Ora Tāmaki Makaurau

Watercare will continue to provide Council with regular updates on engagement hui with iwi and mana whenua including updates relevant to Kia Ora Tāmaki Makaurau and Watercare's delivery of the Achieving Māori Outcomes Plan.

SOI performance measures related to the above activities are set out in **Appendix E**.

6. Embedding a long term and sustainable financial strategy/model for Watercare, based on operating efficiently, investing appropriately in assets, ensuring affordability of services and that growth-related investments are appropriately recovered from our customers.

At the start of May 2024, a joint Council/Government announcement confirmed that a solution for Auckland had been agreed. The outcome of that agreement is reflected in this version of the SOI.

In summary, we have agreed a revised price path of 7.2 per cent increases for water and wastewater charges and 14.4 per cent for infrastructure growth charges for the period 2024-2027, noting that work is currently underway to ensure that growth pays for growth, with Council supporting Watercare's required debt capacity until debt separation is achieved, most likely by the start of FY26.

The revised price path means that Watercare will remain within its SOI target of water charges being less than 1.5 percent of the median household income until at least the early 2030s.

A sustainable financial model also means that we are managing the cost of investment and operation carefully and are looking to maximise funding opportunities. During the SOI period, we will implement a revised model for recovering growth costs as outlined above. We will also actively explore alternative financing options that will reduce our debt burden and will deliver outcomes at a lower overall cost to customers.

2.4 Financial statements for the long-term plan

Operating budgets (\$million)	2022/23 Actual	2023/24 Annual Plan	2024/25 LTP 25	2025/26 LTP 25	2026/27 LTP 25
Revenue¹	949.9	1,113.3	1,142.9	1,184.4	1,237.8
Fees and charges	612.6	698.1	762.8	828.7	899.9
Grants and subsidies	30.8	52.5	59.2	19.9	43.3
Other revenue	306.5	362.7	320.9	335.7	294.6
Direct expenditure	388.9	395.5	441.4	450.8	387.3
Employee related costs	93.8	80.0	114.5	114.4	100.2
Grants, contributions, sponsorship	0.4	0.0	0.0	0.0	0.0
Other expenditure	294.7	315.5	326.9	336.4	287.1
Net direct expenditure (income)	(561.0)	(717.8)	(701.5)	(733.6)	(850.5)
Funding from Auckland Council	-				
Revenue from vested assets	(76.6)	(56.4)	(66.4)	(65.6)	(64.4)
Other non-operating income					
Net finance expense	120.7	139.3	181.43	243.80	289.15
Depreciation and amortisation	317.4	290.1	392.0	410.0	433.4
Net loss on disposal of PPE	25.0	8.0	8.0	8.0	8.0
Income tax	66.5	99.7	52.5	58.0	61.1
NET EXPENDITURE (INCOME)	(108.1)	(237.0)	(133.9)	(79.5)	(123.3)

Net direct expenditure by area

Expenditure (\$million)	2022/23 Actual	2023/24 Annual Plan	2024/25 LTP 25	2025/26 LTP 25	2026/27 LTP 25
Net direct expenditure (income)	(561.0)	(717.8)	(701.5)	(733.6)	(850.5)
Wastewater Service	(381.5)	(488.2)	(482.9)	(491.3)	(517.9)
Water Supply	(179.5)	(229.6)	(218.5)	(242.2)	(332.6)

Capital expenditure

Expenditure (\$million)	2022/23 Actual	2023/24 Annual Plan	2024/25 LTP 25	2025/26 LTP 25	2026/27 LTP 25
- to meet additional demand	356.5	508.5	428.5	539.6	738.6
- to improve the level of service	167.2	191.2	273.5	175.2	144.9
- to replace existing assets	243.0	386.7	508.5	485.9	484.0
Total capital expenditure excluding capitalised interest	766.6	1,086.5	1,210.5	1,200.7	1,367.5
Capitalised interest ²	45.1	43.5	60.5	89.6	77.1
Total capital expenditure including capitalised interest	811.7	1,130.0	1,271.0	1,290.3	1,444.6
Sources of capital funding	811.7	1,130.0	1,271.0	1,290.3	1,444.6
Infrastructure growth charge	179.6	169.0	195.3	205.0	229.9
Debt	371.6	484.9	690.5	730.7	799.5
Asset sales	0.9	-	-	-	-
Operating surplus (Net direct income less IGC plus net interest)	305.8	453.0	385.2	374.4	408.5
Working capital	(46.1)	23.1	(0.0)	(19.8)	6.6

Specific expenditure towards Māori outcomes

Initiatives (\$thousand)	2022/23 Actual	2023/24 Annual Plan	2024/25 LTP 25	2025/26 LTP 25	2026/27 LTP 25
Iwi engagement on Watercare projects	1.4	2.0	2.0	2.1	2.1

Other financial information

Current value of assets	The current value of Watercare's assets as 30 June 2023 was \$13.9 billion as disclosed in the audited financial statements.				
Accounting policies	Watercare's accounting policies are consistent with Auckland Council's group policies				
Financial reporting	Watercare's financial reporting to Auckland Council will be in accordance with the requirements of the group.				
Shareholder equity ratio (GAAP)	64%	63%	60%	57%	54%

¹ Revenue excludes vested assets and includes WDC.

² Capitalised Interest was included for LTP, but the accounting policy has subsequently changed and shown as Interest Expense in the Prospective financial statements.

Detailed capital expenditure list (\$million)	2022/23 Actual	2023/24 Annual Plan	2024/25 LTP 25	2025/26 LTP 25	2026/27 LTP 25
Capital Expenditure (excluding capitalised interest)	776.0	1,086.5	1,210.5	1,200.7	1,367.5
Water Sources					
Water Network Assets	131.7	92.3	107.8	225.9	259.4
North Harbour 2 Watermain	- 0.0	9.4	7.7	44.9	186.8
Waikato Water Supply	- 1.8	45.1	15.5	12.2	19.5
Huia Water Supply	17.4	42.3	41.9	36.8	30.1
Ardmore Water Treatment Plant	1.0	6.5	13.5	18.5	10.6
Projects supporting Kiangā Ora-Water	8.0	33.0	39.1	25.1	13.2
Water Collection & Treatment Assets	45.0	65.8	20.8	35.5	54.6
Waiuku Water Supply	4.1	2.1	6.1	19.9	14.9
Total Water	205.2	296.5	252.3	418.7	589.0
Wastewater Networks					
Central Interceptor	298.6	273.6	333.2	99.7	-
Wastewater Network Assets	77.6	118.7	105.3	158.6	140.4
Southwest Wastewater Scheme	18.3	24.3	40.0	80.2	91.5
Waitematā Water Quality Improvement	0.1	22.4	24.3	44.0	77.9
Wastewater Treatment Plant Assets	10.9	5.7	39.0	31.6	33.9
Māngere Wastewater Treatment Plant	22.4	27.7	48.1	64.4	102.9
Rosedale Wastewater Treatment Plant	14.0	23.9	54.5	67.4	67.2
Warkworth Wastewater Scheme	63.1	89.4	94.3	17.6	15.7
Pukekohe Wastewater Scheme	4.2	15.6	3.5	29.2	44.8
Whenuapai & Redhills Wastewater Scheme	3.2	16.6	8.7	33.6	66.5
Otara Wastewater Network	1.5	13.4	3.9	36.8	27.5
Orakei Main Sewer	-	-	16.7	14.4	14.5
Queen Street Wastewater Network	3.4	19.1	45.7	18.6	6.7
Projects supporting Kiangā Ora-Wastewater	12.1	49.4	5.7	0.0	13.2
Total Wastewater	529.6	699.8	823.1	696.1	702.7
Shared Service					

Business Assets	22.0	9.7	49.2	29.6	30.5
Digital Assets	17.1	-	20.4	19.6	19.4
Flood Recovery Works	2.1	80.5	47.0	11.8	-
Water Collection & Treatment Assets			13.4	19.5	19.6
Wastewater Network Assets			5.1	5.3	6.2
Shared Service Programmes	41.2	90.2	135.1	85.9	75.7
Capital Expenditure (exc capitalised interest)	776.0	1,086.5	1,210.5	1,200.7	1,367.5

2.5 Prospective Financial Statements

Prospective statement of comprehensive revenue and expense

For the year ended 30 June 2023

	Restated 22/23 Actual \$000	2023/24 AP Plan \$000	2024/25 LTP 25 \$000	2025/26 LTP 25 \$000	2026/27 LTP 25 \$000
Revenue	968,258	1,104,700	1,142,326	1,182,991	1,302,209
Total revenue	968,258	1,104,700	1,142,326	1,182,991	1,302,209
Operating expenses					
Asset operating costs (excluding WDC expenses)	(98,336)	(85,920)	(120,998)	(124,006)	(125,051)
Maintenance costs	(77,516)	(75,899)	(84,656)	(86,761)	(87,492)
Employee benefit expenses ¹	(66,765)	(86,097)	(105,118)	(107,732)	(108,640)
Other expenses	(87,969)	(82,589)	(63,974)	(65,565)	(66,117)
Total operating expenses	(330,586)	(330,505)	(374,747)	(384,064)	(387,301)
Depreciation & Amortisation	(317,395)	(290,090)	(392,031)	(409,966)	(433,399)
Finance costs ²	(120,732)	(139,345)	(181,426)	(243,804)	(289,154)
Total expenses	(768,713)	(759,940)	(948,203)	(1,037,834)	(1,109,853)
Operating surplus from trading operations	199,545	344,761	194,123	145,157	192,356
Net loss on disposal of property, plant and equipment	(24,991)	(8,000)	(8,000)	(8,000)	(8,000)
Net (loss) / gain on revaluation of derivative financial instruments					
Operating surplus before tax	174,554	336,761	186,123	137,157	184,356
Income tax expense	(53,864)	(94,293)	(52,114)	(38,404)	(51,620)
Net surplus for the year from continuing operations	120,690	242,468	134,009	98,753	132,736
Discontinued operations					
Profit after tax for the year from discontinued operations	(372)	-	-	-	-
Net surplus for the year	120,318	242,468	134,009	98,753	132,736
Other comprehensive revenue and expense net of tax					
Gain on revaluation of property, plant and equipment	910,503	-	-	-	-
Total comprehensive revenue and expense for the year, net of tax	1,030,821	242,468	134,009	98,753	132,736
Attributable to					
Owner of the parent, net of tax	1,031,059	242,468	134,009	98,753	132,736
Non-controlling interest, net of tax	(238)	-	-	-	-
	1,030,821	242,468	134,009	98,753	132,736

¹ Employee benefits in FY25 onwards includes a reclass of overhead recoveries from labour into other expense lines.

² The prospective financial statements have removed capitalised interest to align with council policy and has been restated in prior years. This is Gross interest before tax.

Prospective statement of financial position

As at 30 June 2023

	Restated 2023 Actual \$000	2023/24 AP Plan \$000	2024/25 Forecast \$000	2025/26 Forecast \$000	2026/27 Forecast \$000
Assets					
Current					
Cash and cash equivalents	4,115	10,923	10,923	10,923	10,923
Trade and other receivables from exchange transactions	121,286	100,714	104,938	109,706	115,856
Inventories	19,841	19,613	19,613	19,613	19,613
Prepaid expenses	21,385	14,461	14,461	14,461	14,461
Other financial assets	38,094	40,541	40,541	40,541	40,541
Total current assets	204,721	186,252	190,475	195,244	201,394
Non-current					
Property, plant and equipment	15,371,131	16,014,617	17,066,312	17,933,944	19,415,494
Intangible assets and goodwill	64,772	92,197	92,197	92,197	92,197
Inventories	6,953	3,619	3,619	3,619	3,619
Prepaid expenses	32,708	23,775	41,775	56,775	56,775
Other financial assets	2,993	2,993	2,993	2,993	2,993
Total non-current assets	15,478,557	16,137,200	17,206,895	18,089,527	19,571,077
Total assets	15,683,278	16,323,452	17,397,370	18,284,771	19,772,471
Liabilities					
Current					
Trade and other payables for exchange transactions	35,843	27,346	48,802	48,737	61,477
Accrued expenses	200,301	154,863	154,863	154,863	154,863
Provisions	14,708	20,821	20,821	20,821	20,821
Total current liabilities	250,852	203,030	224,486	224,421	237,161
Non-current					
Borrowings	2,955,584	3,440,484	4,271,332	5,002,045	5,801,574
Deferred tax liability	2,447,887	2,407,907	2,495,510	2,553,510	3,096,205
Trade and other payables for exchange transactions	12,784	2,859	2,859	2,859	2,859
Accrued expenses	10,271	14,213	14,213	14,213	14,213
Provisions	12,137	18,731	18,732	18,732	18,732
Total non-current liabilities	5,438,663	5,884,192	6,802,645	7,591,358	8,933,581
Total liabilities	5,689,515	6,087,222	7,027,132	7,815,779	9,170,743
Equity					
Equity attributable to owners of the parent					
Retained earnings	4,575,183	4,817,650	4,951,659	5,050,412	5,183,148
Revaluation reserves	5,157,887	5,157,887	5,157,887	5,157,887	5,157,887
Issued capital	260,693	260,693	260,693	260,693	260,693
Capital Reserve					
Total equity attributable to owners of the parent	9,993,763	10,236,230	10,370,239	10,468,992	10,601,728
Non-controlling interest	-	-	-	-	-
Total equity	9,993,763	10,236,230	10,370,239	10,468,992	10,601,728
Total equity and liabilities	15,683,278	16,323,452	17,397,371	18,284,771	19,772,471

Prospective statement of changes in equity

For the year ended 30 June 2023

	Restated 2023 Actual \$000	2023/24 Annual Plan \$000	2024/25 Forecast \$000	2025/26 Forecast \$000	2026/27 Forecast \$000
Balance at 1 July 2022	9,135,109	9,993,765	10,236,231	10,370,239	10,468,992
Net Surplus for the year	120,690	242,468	134,009	98,753	132,736
Impact of change in Accounting policy ³	-				
Movements in non-controlling interest	172,167				
	(370)	-	-	-	-
Total Comprehensive Income	51,847	242,468	134,009	98,753	132,736
Gain on revaluation of property, plant & equipment	910,503		-	-	-
Transfer between reserves on disposal of property, plant & equipment		-	-	-	-
Total other comprehensive income and expense	910,503	-	-	-	-
Balance at 30 June 2023	9,993,765	10,236,231	10,370,239	10,468,992	10,601,729

³ Impact of change in Accounting Policy to remove capitalised interest from prior years in order to align with council policy.

Prospective statement of cash flows

For the year ended 30 June 2023

	2023 Actual \$000	2023/24 AP Plan \$000	2024/25 Forecast \$000	2025/26 Forecast \$000	2026/27 Forecast \$000
Operating activities					
Cash was provided from:					
Receipts from customers	869,990	1,071,398	1,072,904	1,094,517	1,244,389
Dividends received	121	-	-	-	-
Interest received	52	-	-	-	-
	870,163	1,071,398	1,072,904	1,094,517	1,244,389
Cash was applied to:					
Employees and suppliers	(327,191)	(330,500)	(371,447)	(380,764)	(387,301)
Finance costs paid					
	(327,191)	(330,500)	(371,447)	(380,764)	(387,301)
Net cash inflows – operating activities	542,972	740,898	701,457	713,754	857,089
Investing activities					
Cash was provided from:					
Sale of property, plant and equipment, and intangibles	918	-	-	-	-
Proceeds on disposal of discontinued operations	2,792	-	-	-	-
Repayment of advances or loans to external parties	15,659	-	-	-	-
	19,369	-	-	-	-
Cash was applied to:					
Purchase and construction of property, plant and equipment, and intangibles	(815,830)	(1,086,461)	(1,210,508)	(1,200,662)	(1,367,464)
Acquisition of subsidiaries, associates and jointly-controlled entities	-	-	-	-	-
Issued term loans	-	-	-	-	-
	(815,830)	(1,086,461)	(1,210,508)	(1,200,662)	(1,367,464)
Net cash outflows – investing activities	(796,461)	(1,086,461)	(1,210,508)	(1,200,662)	(1,367,464)
Financing activities					
Cash was provided from:					
Proceeds from Auckland Council loans – related party	906,084	1,033,765	1,188,829	1,282,171	1,382,842
	906,084	1,033,765	1,188,829	1,282,171	1,382,842
Cash was applied to:					
Repay loans from Auckland Council – related party	(656,084)	(688,202)	(679,778)	(795,262)	(872,467)
Gross interest					
	(656,084)	(688,202)	(679,778)	(795,262)	(872,467)
Net cash inflows / (outflows) – financing activities	250,000	345,563	509,051	486,909	510,375
Net change in cash flows	(3,489)	(0)	0	0	(0)
Cash & cash equivalents/(overdraft) at the beginning of the year	7,604	10,923	10,923	10,923	10,923
Cash & cash equivalents/(overdraft) at the end of the year	4,115	10,923	10,923	10,923	10,923

Significant Accounting Policies

Reporting entity

These financial statements are for Watercare Services Limited, incorporated and domiciled in New Zealand and a council-controlled organisation (CCO) wholly owned by Auckland Council, as defined in the Local Government Act 2002. The consolidated financial statements of the group (hereafter referred to as the financial statements) are for the economic entity of Watercare and its subsidiaries (Watercare or the group). The group's registered office and principal place of business is at 73 Remuera Road, Remuera, Auckland 1050, New Zealand.

Watercare's objective is governed by section 57 of the Local Government (Auckland Council) Act 2009, which states that Watercare 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; and
- not pay any dividend or distribute any surplus in any way, directly or indirectly, to any owner or shareholder.

Any financial return is reinvested back into the business or used to repay debt.

Watercare's operations are also governed by the Local Government Act 2002, and it is audited under the Public Audit Act 2001. Watercare is a public-sector public benefit entity (PBE) as defined under the External Reporting Board (XRB) Standard A1.

Basis of preparation

Watercare is a company registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Local Government Acts 1974 and 2002, the Local Government (Auckland Council) Act 2009 and the Companies Act 1993.

These financial statements have been prepared on a historical cost basis, except for land and buildings, certain infrastructural assets and financial instruments, which are measured at fair value, as disclosed in the notes to the financial statements. These financial statements are presented in New Zealand dollars. All values are rounded to the nearest thousand dollars (\$000), unless otherwise stated. All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which include GST. The net amount of GST recoverable from or payable to Inland Revenue is included as part of receivables or payables in the statement of financial position. The prospective financial statements have removed capitalised interest to align with council policy and this has been restated in prior years. The restated actuals have not been audited.

Statement of compliance

The group applies New Zealand PBE accounting standards (PBE standards). The financial statements and accounting policies comply with the specific recognition, measurement and disclosure requirements of the PBE standards and New Zealand Generally Accepted Accounting Practice (NZ GAAP) and Authoritative Notices that apply to entities applying PBE standards.

Budget figures

The budget figures presented are as approved by the annual Long Term Planning budget process. The budget figures were prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Watercare in preparing these financial statements. The budget figures included in the financial statements are for the controlling entity (Watercare) and therefore exclude the budget for its subsidiaries. The budgets of the subsidiaries are immaterial to the consolidated group.

Critical accounting estimates and judgments

The group is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and judgments are based on historical experience and other relevant factors. Actual results may differ from the estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to estimates are recognised in the period in which the estimate is revised or in the current and/or future period(s) which the revisions affect. Refer to the notes in the 2023 Annual Report below for a discussion of estimates and judgments in applying the accounting policies.

- Revaluation of property, plant and equipment, note 6,
- Unbilled revenue estimate, note 13,
- Provisions, note 24.

Finance costs

Finance costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

Basis of consolidation

Consolidation of a subsidiary begins when Watercare obtains control over the subsidiary and ceases when Watercare loses control of the subsidiary. The group controls an entity when it has the power to govern the financial and operating policies of the entity so as to benefit from its activities. The results of the subsidiary acquired or disposed of during the year are included in the statement of comprehensive revenue and expense from the date Watercare gains control until the date when Watercare ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with the group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Non-controlling interests in the subsidiary are identified separately from the group's equity. Those interests of non-controlling shareholders are initially measured at the non-controlling interests' proportionate share of the carrying amount of the subsidiary's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Adoption of new and revised PBE accounting standards, interpretations and amendments

Watercare adopted *PBE IPSAS 41 Financial Instruments* and *PBE FRS 48 Service Performance Reporting* for the first time on 1 July 2022. Neither standard has a material effect on Watercare's financial statements.

Effective 1 July 2022, Watercare adopted *PBE IPSAS 41 Financial Instruments*. PBE IPSAS 41 replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* and PBE IPSAS 41 also supersedes PBE IFRS 9 *Financial Instruments*. The adoption of PBE IPSAS 41 did not result in a material adjustment to previously reported results.

Effective 1 July 2022, Watercare adopted *PBE FRS 48 Service Performance Reporting*. PBE FRS 48 replaces the service performance reporting requirements of *PBE IPSAS 1 Presentation of Financial Statements*. This adoption of *PBE FRS 48 Service Performance Reporting* resulted in the disclosure of judgements used in the selection, measurement and aggregation of service performance information.

All other standards, interpretations and amendments approved but not yet effective in the current year are either not applicable to the group or are not expected to have a material impact on the financial statements and, therefore, have not been disclosed.

SOI Performance Measures

Appendix A: Delivering safe and reliable water and wastewater services to Aucklanders 24/7

Measure	Source	2023 Actual	2024 SOI Target	Next three-year targets		
				2025	2026	2027
Adherence to all of DIA's non-financial service performance measures set out in Appendix A1	DIA measures	92.9% (13/14 achieved)	100%	100%	100%	100%
Average number of wet-weather overflows per engineered overflow point per discharge location (12-month rolling average)	Watercare	4.7	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year	≤2 overflows per year
Leakage performance – litres/connection/day (l/c/d)	Watercare	111.2 l/c/d	107.9 l/c/d being the Economic Level of Leakage plus /minus 5%	98.2 l/c/d		
Compliance with Taumata Arowai Quality Assurance Rules T3 – Chemical water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3*	Watercare	New measure	100%	100%	100%	100%
Compliance with Taumata Arowai Quality Assurance Rules T3 – Cyanotoxins water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3*	Watercare	New measure	100%	100%	100%	100%
Compliance with Taumata Arowai Quality Assurance Rules D3 – Residual disinfection (chlorine) water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3*	Watercare	New measure	100%	100%	100%	100%
Compliance with Taumata Arowai Quality Assurance Rules D3 – Disinfection by-products water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3*	Watercare	New measure	100%	100%	100%	100%
Compliance with Taumata Arowai Quality Assurance Rules D3 – Plumbosolvent metals water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3*	Watercare	New measure	100%	100%	100%	100%

The Economic Level of Leakage (ELL) has been incorporated into the Auckland Water Strategy. The ELL lies at the intersection of the marginal costs and benefits of leakage reduction and is represented by the litres of leakage/connection/day (l/c/d). As the model relies on two variables (the cost of leakage reduction and the cost of water), the ELL will need to be periodically reviewed and may change from year to year.

**The above Quality Assurance Rules are Auckland Council Long Term Plan measures.*

Appendix A1: DIA Non-financial performance measures

Measure	Source	30 June 2023 Actual	30 June 2024 Target	Next three years		
				30 June 2025	30 June 2026	30 June 2027
1	Compliance with Taumata Arowai Quality Assurance Rules T3 – Bacterial water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3*	Watercare	100%	100%	100%	100%
2	Compliance with Taumata Arowai Quality Assurance Rules T3 – Protozoal water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3*	Watercare	100%	100%	100%	100%
3	Compliance with Taumata Arowai Quality Assurance Rules D3 – Microbiological water quality The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3*	Watercare	100%	100%	100%	100%
4	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 (d) 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
5	The average consumption of drinking water per day per resident within the territorial authority district (plus/minus 2.5%)	241.3	256 litres	253 litres	252 litres	250 litres
6	Median response time for attendance for urgent call-outs (water): from the time that the local authority receives notification to the time that service personnel reach the site (minutes)	45 mins	≤60 mins	≤60 mins	≤60 mins	≤60 mins
7	Median response time for resolution of urgent call-outs (water): from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (hours)	3.7 hours	≤5 hours	≤5 hours	≤5 hours	≤5 hours
8	Median response time for attendance for non-urgent call-outs (water): from the time that the local authority receives notification to the time that service personnel reach the site (days)	1.0 day	≤5 days	≤5 days	≤5 days	≤5 days
9	Median response time for resolution of non-urgent call-outs (water): from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (days)	1.7 days	≤6 days	≤6 days	≤6 days	≤6 days
10	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	7.5	≤10	≤10	≤10	≤10

Measure	Source	30 June 2023 Actual	30 June 2024 Target	Next three years		
				30 June 2025	30 June 2026	30 June 2027
11	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)	78 mins	≤60 mins	≤75 mins	≤75 mins	≤75 mins
12	Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution – from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault (hours)	3.8 hours	≤ 5 hours	≤ 5 hours	≤ 5 hours	≤ 5 hours
13	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.	24.4	≤50	≤50	≤50	≤50
14	The percentage of real water loss from the local authority’s networked reticulation system	11.6%	≤13%	≤13%	≤13%	≤13%
15	The number of dry-weather sewerage overflows from the territorial authority’s sewerage system, expressed per 1000 sewerage connections to that sewerage system	0.7	≤5	≤5	≤5	≤5

All of the above DIA Non-Financial Performance Measures are also Auckland Council Long Term Plan measures.

**The first three Drinking Water Quality Assurance Rules also become DIA Non-Financial Performance Measure Rules on 21 August 2024.*

Appendix B: Building and renewing the necessary water and wastewater infrastructure to improve resilience and maintain service levels for our customers

Measure	Source	30 June 2023 Actual	30 June 2024 Target	Next three years		
				30 June 2025	30 June 2026	30 June 2027
Deliver capital programme in line with the asset management plan baseline approved by the Board	Watercare	New measure	80% of projects are delivered within the approved budget and 80% of projects are in service within the approved time. A list of the projects to be delivered before 30 June 2025, will be provided in the first quarterly report.			
Planned network pipe renewal Measure – Actual Kilometres delivered /planned kilometres	Watercare	New measure	New measure	26km (+/- 5%) of network planned for year ending 30 June 2025		
Measure: Planned and renewal spend (water and wastewater): reactive maintenance spend Depicted as both a percentage split, and a ratio	Watercare	New measure	New measure	75% (Planned): 25% (Reactive) >3	77% (Planned): 23% (Reactive) >3.3	77% (Planned): 23% (Reactive) >3.3

Appendix C: Delivering our services and infrastructure projects efficiently, keeping a strong focus on operating costs, so we can minimise water charges

Measure	Source	30 June 2023 Actual	30 June 2024 Target	Next three years target		
				30 June 2025	30 June 2026	30 June 2027
Percentage of household expenditure on water supply services relative to average household income	Watercare	0.83%	<1.5%	<1.5%	<1.5%	<1.5%
Debt to revenue ratio	Watercare	3.3	≤3.35	≤4.00	≤4.35	≤4.91
Controllable Cost target (including 4% efficiency target per year, for 10 years, from FY23-FY32). *Note, costs increase due to inflation, and Watercare will have more assets online, including CI, which drive controllable costs up. Also, from FY27, Watercare will no longer be operating WDC's three waters. The target includes everyday operational items such as labour, fleet, software licencing, energy, chemicals, SaaS, insurance, meter reading, rates, security and many more, but excludes interest and depreciation and extraordinary one-off cost. Examples in the past have included the Anniversary floods, and water reform.	Watercare	New measure introduced into SOI in FY24	\$396m	\$441m	\$451m	\$387m (post WDC finish)

Appendix D: Strengthening our relationships with customers, developers, community stakeholders, and our Māori partners

Measure	Source	30 June 2023 Actual	30 June 2024 Target	Next three years		
				30 June 2025	30 June 2026	30 June 2027
Customer Net Satisfaction Score (Previously Net promoter score)	Watercare	43	≥45	≥45	≥45	≥45
Community trust score	Watercare	60%	≥55%	≥55%	≥55%	≥55%
Percentage of customer complaints resolved within ten days of notification	Watercare	99.2%	≥95%	≥95%	≥95%	≥95%
Ratio of procurement sourced through Māori-owned businesses*	Watercare	2.22%	3%	5%	5%	5%
Adherence to the Service Level Agreement with Council (10 working days) for Watercare to provide specialist input into resource consents (New measure)	Watercare	New Measure	90%	90%	90%	90%
Health & Safety: Every month, a minimum of one permit audit is conducted per site (i.e. all 15 major operational sites, and 21 major construction project sites).	Watercare	New measure	New measure	One per site (36)	One per site (36)	One per site (36)

+ Customer Net Satisfaction Score includes, amongst many other things, a measure of the new connections performance, but not the developer experience end-to-end.

*addressable spend, including through design, construction, maintenance and subcontracting suppliers.

Appendix E: Improving our organisation performance in relation to our core strategic outcomes

Measure	Source	30 June 2023 Actual	30 June 2024 Target	Next three years		
				30 June 2025	30 June 2026	30 June 2027
<p>Operational greenhouse gas performance. We will implement Mitigation measures in line with our emissions reduction targets (scope 1 and 2).</p> <p><i>Note: these targets are higher than last SOI, as they now include emissions from Puketutu island and also align with our current Asset Management Plan. Previously set targets, excluding Puketutu, are shown in orange.</i></p>	Watercare	107,285 tonnes CO ₂ e	<137,328 tonnes CO ₂ e	<139,170 tonnes CO ₂ e	<146,898 tonnes CO ₂ e	<128,118 tonnes CO ₂ e
		<88,400 tonnes CO ₂ e. The measure for this year was 84,617 tonnes CO ₂ e.	<89,200 tonnes CO ₂ e	<89,900 tonnes CO ₂ e	<88,200 tonnes CO ₂ e	<99,500