Quarterly Performance Report

Watercare

2023/2024 Quarter 1

For the 3 months ended 30 September 2023

Q1 – At a glance

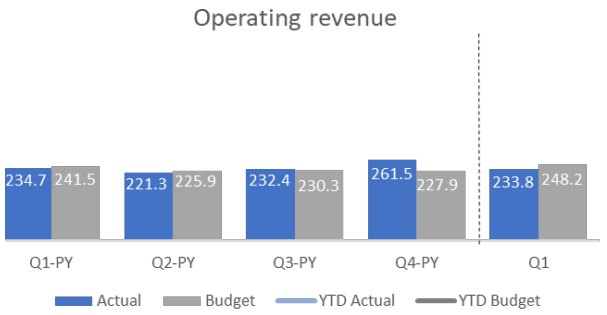
Executive Summary

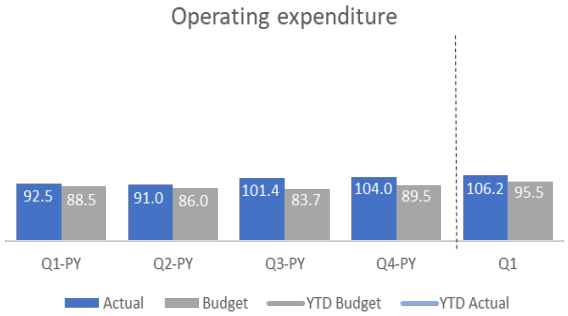
The first quarter of 2024 has been dominated by the Ōrakei Main sewer sinkhole and subsequent blockage. This Level 3 incident is absorbing our focus significantly. Our teams worked 24/7 from when the sinkhole formed to design and build a 400m bypass and large temporary pump station to divert flows from the sewer and reduce overflows into the harbour, all within 20 days. We have sought the advice of marine environmental experts, Ngāti Whātua Ōrākei and other mana whenua, and are following their recommendations with a monitoring programme to assess the impact of the overflows on the Waitematā Harbour as well as routine beach inspections to assess any noticeable wastewater debris on beaches.

On the water supply side, whilst water resources are in a healthy position at the moment, the El Nino weather predictions are for a hot and dry summer so we will continue promoting our water efficiency messaging, encouraging our customers and communities to be mindful of their water use.

We have made good progress across our infrastructure projects, with more milestones on the Central Interceptor wastewater tunnel construction and the commissioning of the Helensville Wastewater Treatment Plant and the permanent Papakura Water Treatment Plant.

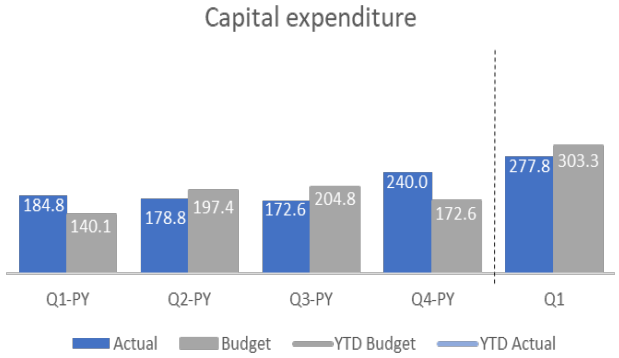
If water reform legislation is repealed, Watercare has a significant funding challenge to overcome in the short, medium and long term. We do not have a sustainable funding model as we don't have the ability to leverage our balance sheet within Auckland Council's debt constraints. We'll have to materially reduce infrastructure upgrades or significantly increase water pricing in Auckland from July 2024 if funding is not promptly secured.





Financial Performance

Capital Delivery: The Capital spend to 30 September 2023 was $277.8m, $25.4m behind annual plan of $303.2m. $17m of the underspend relates to flood recovery projects which are to be funded from insurance claim proceeds. The estimates of flood repair costs have significantly reduced. Many of these projects are in the feasibility and design phase and will not hit the construction phase until later in the year. The Central Interceptor Project continues to progress well with the tunnel boring machine reaching the half-way mark in early September. Good progress has also been achieved on the Snells Beach Wastewater Treatment Plant Upgrade, and tunnelling has commenced on the Warkworth to Snells Transfer Pipeline. $50m of property purchases were also settled in the quarter, the largest of which was the Ponsonby Reservoir purchase at $32m. This reservoir is a critical component of the Auckland Metropolitan Water Supply System and essential to ensuring a resilient and reliable supply of drinking water to the Auckland Central Business District. This purchase reduces the exposure to rent escalation and the need to obtain alternative land in the Auckland CBD to provide the necessary drinking water storage capacity.



Direct revenue: Revenue is $14.4m unfavourable to plan YTD. Water and Wastewater revenue is behind plan due to lower than anticipated consumption volumes in July and delay in recognition of post 1 July price increases. Consumption volumes in August and September 2023 have seen a notable increase with September's revenue in line with plan. Infrastructure Growth Charges (IGCs) and Developer revenue are almost on plan YTD ($0.5m unfavourable). Capital work on the Waikato contract is also progressing well with revenue $5m ahead of plan. This has been offset by planned flood related insurance recoveries of $14m. The initial claim is being collated, and is expected to be submitted in October 2023.

Direct Expenses: Direct expenditure is $10.7m unfavourable to plan YTD. $4.4m of this relates to higher capital work in Waikato (offset in revenue), $4.1m to flood recovery opex and $1.7m to reform costs (offset in revenue). Flood recovery and reform opex was not included in the annual plan. The flood related costs relate to overpumping and temporary solution costs for assets damaged in the events of January and February while permanent solutions are finalised. The collapse of the Ōrākei Main sewer has also incurred $0.5m cost to date and these are expected to increase.
Note: for more details on financials, please refer to Financials section.

Highlights

The Central Interceptor's Tunnel Boring Machine reached a major milestone in early September when the more than five-metre-diameter cutterhead ground through a 69m deep shaft wall to cheers from assembled construction crews who peered down at the action from the surface. We are on track to deliver this project in 2026, as planned, despite Covid-19 lockdowns, closed borders, global shipping delays, and major weather events. 2023 will be our busiest year, with around 600 staff working on 16 sites. In the meantime, work is progressing well on the Māngere Pump Station, adjacent to the treatment plant. Inflow pipes are being installed and are six pumps, to send flows from the main tunnel to the treatment plant for processing. Section one of the main tunnel (running from May Rd south) and both link sewers are due for commissioning by mid-2024.

We released our request for proposal (RFP) to the construction industry, commencing our search for businesses to partner with on the first half of a decade-long $3.5 billion programme to replace ageing water and wastewater pipes and upgrade pump stations and treatment plants. As part of this process, we are setting up a Māori supplier network – a pre-approved list of relevant suppliers who can supply services, including electrical, scaffolding, landscaping, civil works and plant or labour hire. We hope to be awarding contracts before Christmas.

In August 2023, we completed $17m upgrade at Helensville Wastewater Treatment Plan. The upgrade of the plant has vastly improved the quality of the treated wastewater and means the plant is better able to cope with peak flows in wet weather. In fact, it is performing even better than we expected – results indicate that the advanced treatment process (Membrane aerated biofilm reactor – MABR) has vastly improved the quality of the treated wastewater. The MABR installation is the first of its kind in New Zealand.

Issues/Risks

Auckland's water supply is in a strong position to face a potentially dry summer, but regardless of the weather, we will continue to encourage customers to treat water as a taonga. NIWA officially declared the arrival of El Niño on Friday 29 September and is predicting strong winds, higher temperatures and below-normal rainfall in the north of the country. While Auckland's total dam storage is today sitting at around 99%, we will be keeping a close eye on dam and river levels, the long-range weather outlook and Auckland's water consumption over the coming months.

Flood and cyclone work continues, as does work with our insurers and their loss adjustoers. Pleasingly the number of projects requiring urgent repairs is reducing as we move into more permanent repair solutions. We are working with Council to identify other sources of funding, NIWE (North Island Weather Events) and resilience funding opportunities from Central Government.

Work is well underway to recommission our Muriwai Water Treatment Plant, which was badly damaged in Cyclone Gabrielle. We are aiming to have this online before the summer, so we can stop tankering water to the township, and provide summer visitors with a permanent, resilient water supply. In the meantime, we have started exploratory drilling to locate an additional water source for Muriwai.

Key Performance Measures

Watercare has a total of 29 SOI measures, of which 14 are LTP measures.

For the 3 months to 30 September 2023, 16 of the 29 measures are tracked monthly. Eleven measures are yearly measures, and two measures are quarterly measures.

In Q1, of the 29 measures, 19 measures were met, eight measures were not met, one measure was not on track, and one measure was not reported.

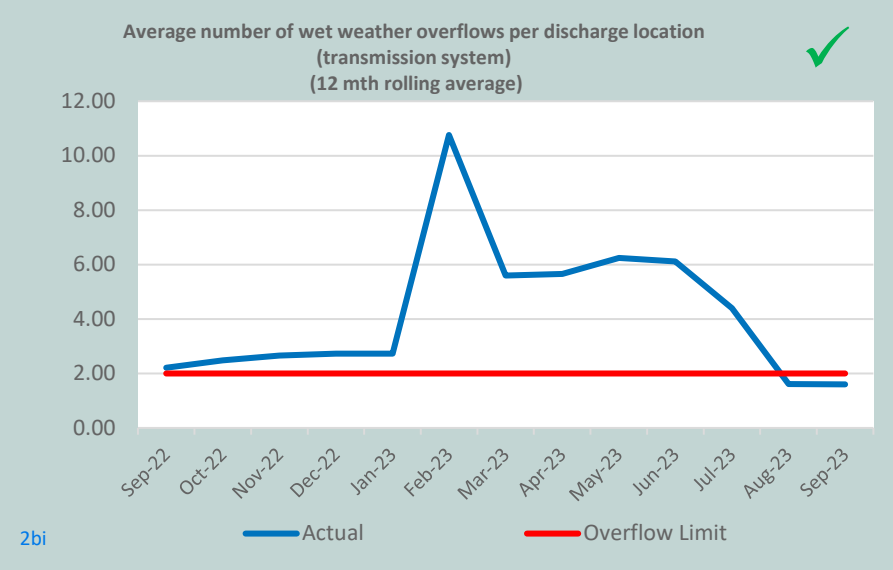
The measure not reported during Q1 was 'reactive maintenance spend v's proactive renewals spend'. We are working on a methodology on how to best measure this and will keep the CCO Direction and Oversight Committee up to date with our thinking.

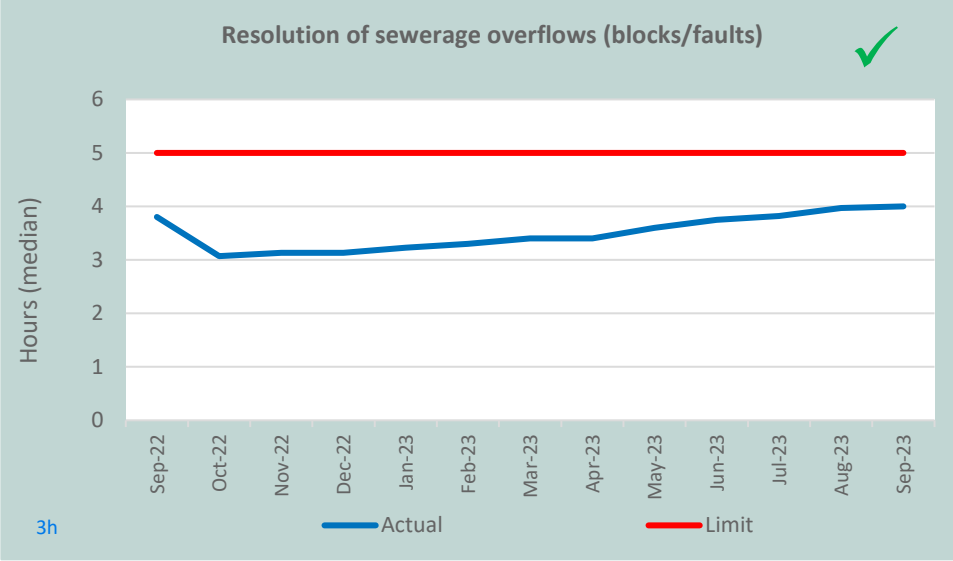
For all performance measures, please refer to Performance measure section.

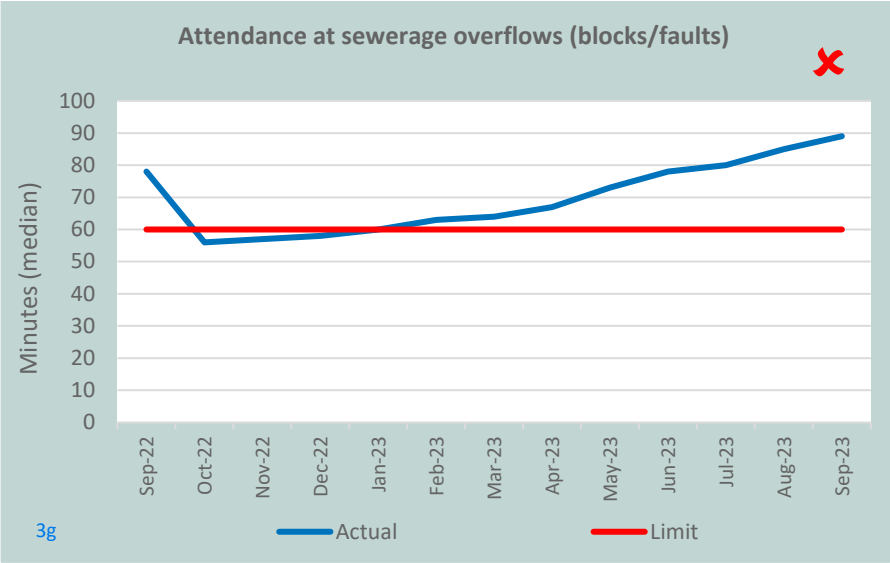
Statement of Intent measures	Previous year	Target	Q1 Actual	Status*
Compliance with Taumata Arowai's drinking water standards and quality assurance rules.	New measure	100%	100%	Met
Total recordable injury frequency rate (TRIFR) per million hours worked	21.96	<10	25.62	Not met
Customer Net Satisfaction Score (Previously Net promoter score)	43	≥45	44	Not met
Debt to revenue ratio	3.3 (target ≤3.61)	≤3.51	3.47	Met
Ratio of procurement sourced through Māori-owned businesses	2.2% (target 2%)	3%	1.79%	Not met
Operational greenhouse gas performance. We will implement Mitigation measures in line with our emissions reduction targets (Scope 1 and 2). *Note: these targets exclude emissions from Puketutu island as our current measurement methodology does not provide enough accuracy for a performance target. Actions to directly monitor emissions from this source as well as reduce them are being delivered and future SOI's will include these numbers.*	84,617 tonnes CO_2e (target <88,400 tonnes CO_2e)	<89,200 tonnes CO_2e	21,992 CO_2e	Not on track

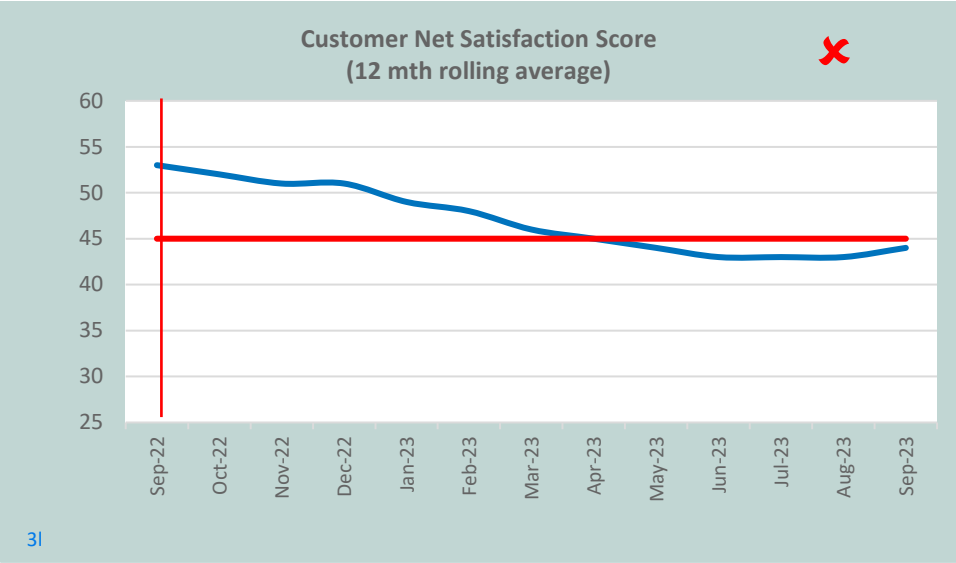
**On track/met/Not on track/Not met/Not reported this quarter*

Trends


Average number of wet weather overflows per discharge location
(transmission system)
(12 mth rolling average)
12.00
10.00
8.00
6.00
4.00
2.00
0.00
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23
Jul-23
Aug-23
Sep-23
Actual
Overflow Limit
2bi


Resolution of sewerage overflows (blocks/faults)
Hours (median)
6
5
4
3
2
1
0
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23
Jul-23
Aug-23
Sep-23
Actual
Limit
3h


Attendance at sewerage overflows (blocks/faults)
Minutes (median)
100
90
80
70
60
50
40
30
20
10
0
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23
Jul-23
Aug-23
Sep-23
Actual
Limit
3g


Customer Net Satisfaction Score
(12 mth rolling average)
60
55
50
45
40
35
30
25
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23
Jul-23
Aug-23
Sep-23
3l

Strategic alignment and key policies

Climate change and sustainability

Watercare successfully completed its greenhouse gas (GHG) verification in July with a low number of observations recorded. We continue to improve the reporting approach and respond to changes in both the science and approach of GHG reporting.

Watercare published an online Greenhouse Gas Supplement 2023, summarising our emissions and our climate change work in general. This is the first time Watercare has provided such a high-level of information on emissions from infrastructure, and also climate change risks. The document may well prove valuable for others (e.g. the GHG intensity of water delivered in Auckland that could be used by another company for their GHG footprint).

We also hosted Professor Liu Ye from the University of Queensland to discuss our approach to measuring nitrous oxide gas from wastewater treatment. This potent gas contributes a significant amount to our GHG footprint and is not well understood in the industry globally. This is becoming a major focus for Watercare, and the visit confirmed much of the current thinking around measurement approaches. It also provided good learnings on the creation of a standardised methodology.

Watercare has continued to progress its resource recovery approach and is seeing several developments with its EMERGE® fertiliser. This low carbon and sustainable product is a finalist in the National Sustainable Business Network Awards and WaterNZ Awards. Additionally, there will be a nationwide roll out of the product through Mitre10 before the end of the year.

Achieving FY24 SOI target of 89,200 tCO2e will be a challenge as consumption figures are up for natural gas, fuel use, WW process influent, and Puketutu disposal.

Māori outcomes

We launched new Te Reo and Tikanga learning modules for all Watercare kaimahi. The aim of these modules is to help us all use more reo and tikanga in our everyday work lives. The two modules are called Kōpatapata and Kōnehunehu.

In July we celebrated Matariki with an event that provided moving and uplifting insight into what the day means for the Māori world. In September, we celebrated Te Wiki o te Reo Māori, Māori Language Week and held various online and in-person events, including how to build your mihimihi, how to compose your pepeha, a te Reo Māori quiz, a Te Maramataka and Wai lunchtime learning session (learning about the importance of the Māori lunar calendar), and how we can all tap into the natural rhythms of the environment to benefit ourselves spiritually, emotionally, physically and even economically.

We are continuing to work towards our target of having 5% of our annual total contract spend going to Māori businesses by 2025. There is some way to go, but the setting up of the Māori supplier network as part of our Assets, Upgrades and Renewals programme we are helping to connect contractors to businesses who can do the mahi.

Auckland Water Strategy

We continue to work closely with Auckland Council on delivering the Auckland Water Strategy.

On recommendation of our Citizen's Assembly, we continue to prepare for the potential introduction of purified, recycled water as a key source beyond 2040. Pilot plants for both non-potable and potable reuse have been constructed. The non-potable plant has, since in late June 2023, been providing the Central Interceptor's tunnel boring machine with recycled water for drilling and tunnelling. We are hoping to begin running trials in our potable plant in the coming months to help us understand the operational requirements of producing potable recycled water. Once the potable (purified recycled water) pilot plant is running, we will be able to collect operational and water quality data to inform our regulatory and community engagement programme.

We are using water from the two plants at Māngere (mentioned above) to provide irrigation to a community garden. Initially the garden would be purely ornamental as part of the nearby coastal walkway, but we are considering expanding this to include fruit and vegetables as we move along the journey towards direct recycled water for drinking.

Regarding water efficiency and encouraging Aucklanders to continue being water efficient, we continue to track well against our water efficiency targets. NIWA has signalled a hotter and drier spring and summer so our campaign on using water wisely will kick off shortly. As such our peak demand plan has been kicked off, to use water wisely.

We are also rolling out smart meters and has introduced a digital app to support Aucklanders with greater visibility of their consumption levels. We have ~21,000 customer using the app across mechanical and smart meters.

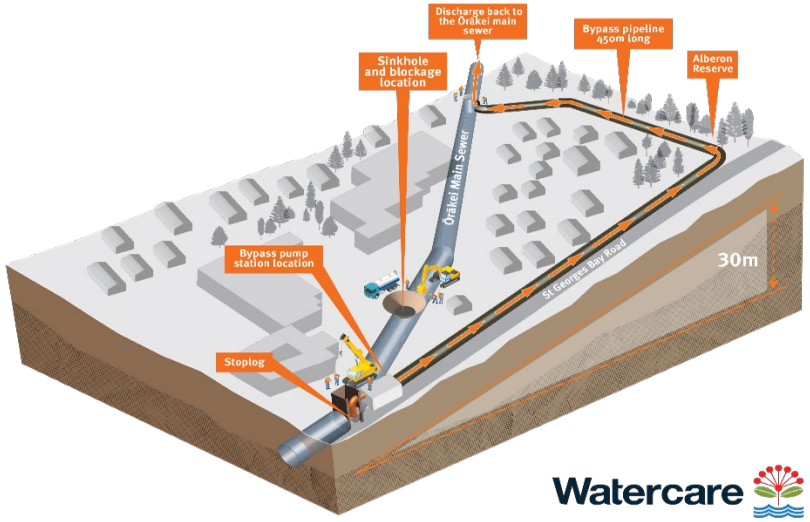
Delivering safe and reliable water and wastewater services to Aucklanders 24/7

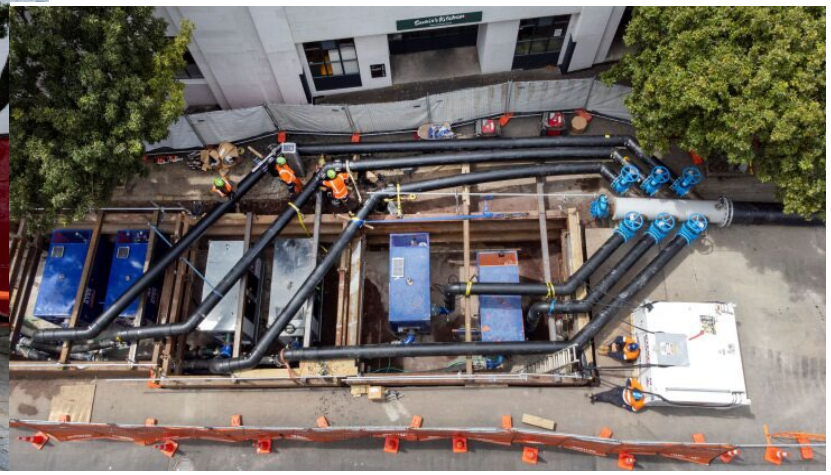
Highlights

- Our leak management programme for the year ahead includes: optimising the pressure management across the network; splitting the network into smaller areas, so we can identify leaks faster and reduce the time that the leak remains unrepaired; and we are looking at a new "proof of concept" leak management system, which will utilise our SCADA and Telemetry data more efficiently, which should enable us to find leaks in our network faster than we currently do.
- Formal compliance reporting to Taumata Arowai has continued with reporting systems operational. In the months of July, August and Septmber 2023, we achieved 100% compliance with the new Taumata Arowai drinking water standards quality assurance rules.The Watercare internal audit team is currently preparing for internal audits of our Drinking Water Safety Plans.
- Under the new drinking water standards, in July, August and September 2023, we maintained microbiological and chemical compliance for our water treatment plants and Distribution Zones.
- Full compliance with the Drinking Water Quality Assurance Rules was achieved for Cyanobacteria and Cyanotoxins compliance.
- Resource Consent non-compliance has steadily improved month on month since peaking in July. Non-compliances at Huia water treatment plant and the Army Bay, Snells-Algies, Warkworth and Wellsford wastewater treatment plants relate to on-going issues that planned upgrades will resolve in the short to medium-term.

Issues and Risks

- The biggest issue we faced in Q1 was the Parnell Sinkhole. A Level 3 incident was raised to manage the issue, with two priorites: stopping the overflows and keeping our people and the community safe. After a massive 20-day effort, the bypass went operational on 17 October 2023, significantly reducing overflows to the Harbour and now allows our people to safely clear and rehabilitate the sewer that was damaged by the sinkhole. Terms of Reference for an independent international review into the situation have been finalised and the results of the review will be made public once it is finalised. In the meantime, we are undertaking environmental monitoring in conjunction with environmental experts and mana whenua. Sea Cleaners Trust has been engaged to carry out routine inspections of the harbour and report back, but so far, they have not located anymore debris in the harbour than normally expected.





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

Highlights

- As at 30 September 2023, $101m was spent towards water supply investment against the YTD FY23 SOI of $79.1m. This is higher than SOI due to the Watercare final budget split between water and wastewater projects not being directly aligned with Council SOI submission. The Ponsonby Reservoir land acquisition was the largest individual water supply spend and was necessary to reduce the exposure to rent escalation and avoids the need to obtain alternative land in the Auckland CBD to provide necessary drinking water capacity. The Smart Meter programme experienced some supply chain issues in FY23 resulting in costs transferring into FY24. New connections are now able to be delivered but there are still some supply issues impacting the wider Smart Meter programme. The Redoubt Rd Reservoir expansion project is progressing well with commissioning expected by end of financial year. Huia 1 and Nihotupu 1 watermain replacement project 77% complete with 28% now live. The Water Pipe Renewal and Water Valve Renewal programmes are also ahead of plan.
- As at 30 September 2023, $176.8m was spent towards wastewater investment against the YTD FY23 budget of $224.2m. Central Interceptor, Snells Beach Wastewater Treatment Plant Upgrade, Warkworth to Snells Transfer Pipeline, Dunkirk Road Wastewater Capacity Upgrade and the Kahika Rising Main Replacement project the major contributors to this spend amount.
- During the 2022/23 year, we invested $810 million in water and wastewater assets for Auckland – our highest ever spend on capital delivery. Along with the other projects, we also progressed our proactive watermain renewal programme, which is replacing ageing water pipes across Auckland, with 12km replaced in the east (St Heliers, Mission Bay, Meadowbank and Glendowie) and west (Kelston and New Lynn) and now working in the south (Manukau and Manurewa).
- As noted earlier in this report, in August 2023, we launched our $3.5b asset renewal programme to replace ageing water and wastewater pipes and upgrade pump stations and treatment plants. This programme includes the biggest investment we've ever made in proactive replacements of Auckland's water and wastewater network pipes, which makes up about three-quarters of the overall programme.
- In August 2023, the 100-year-old Upper Nihotupu Dam again started supplying water to Aucklanders after its raw watermain suffered damage during the Anniversary weekend storm.
- We completed the construction of Mairangi Bay wastewater pump station. The pump station will be able to handle flows of up to 625 litres per second, compared to the existing station's flow rate of 340 litres per second and will have an integrated storage wet well of 230,000 litres.
- Our team and Kāinga Ora – Homes and Communities continue to make progress in our combined plan to prepare Mt Roskill for future development, with the first two of seven planned infrastructure projects on track to be completed next year. The two infrastructure projects are a new booster pump station next to the Akarana Golf Course and a 5.7km pipeline that extends from the pump station out to the Mt Roskill community. Bo th projects are part of a $400 million government-funded shovel-ready programme of works that will see major water and wastewater infrastructure investment carried out in Mt Roskill over the next 15 years.
- We began the next installation stage of the $22m replacement wastewater pipeline near Glenfield College and the Stanley Road/Kaipatiki Road intersection. The pipeline will replace the existing wastewater pipeline that has experienced multiple failures in the last two years, resulting in complex repairs and significant clean-up costs. The 2km pipeline is on track to be completed by March next year and will play a significant role in reducing overflows and catering for growth in Beach Haven and Bayview.

Issues and Risks

- Our capital programme is $10b over the next 10 years, with the current forecasted maximum annual investment of $1.3b. With the growth of the programme, the Board has formed a new sub-committee, the Asset Management Committee. The committee has a focus on the delivery of the capital programmes within the Asset Management Plan to meet the needs of the Auckland region, the risk associated with aspects of non-delivery of the programmes to schedule, and review of business cases for capital expenditure for major capital projects.

Water projects

Key programme of works	Status	Description	Progress towards key deliverables
North Harbour No.2 Watermain	On track	This pipe will service growth in north Auckland. It also provides an alternative route for conveying water from the west to the north and will provide security and resilience. The expected completion date for this project is 30 June 2030.	Concept design for preferred pipeline route alignment has been completed, business case approval is lined up for approval in November 2023, noting a 3-month delay to feasibility completion in comparison to the current AMP due to scope evolvements, however, there is no impact to the overall delivery schedule. Investigations to support the pipeline under the Greenhithe Bridge are due to commence by end 2023.
Huia Water Treatment Plant replacement	On track	The plant is nearing the end of its operational life. It needs to be replaced to continue the supply of high-quality water to a growing Auckland. The plant supplies around 20% of Auckland's water from our western supply dams.	The second Environment Court assisted mediation was held in July. All parties agreed to a revised set of conditions and side agreements with the parties were drafted. These have been refined on two occasions and the latest versions have been returned to the appellants for their final agreement. If they agree to the wording then the EC will likely sign a consent order, if not then the matter will proceed to a hearing. Project procurement study has concluded with the chosen method taken forward. Reference design and Principal's/user requirements document work is ongoing, targeting completion by May 2024. Project still on track for a construction start date of 2027 assuming consenting process has resolved by May 2024.
Nihotupu No.1 and Huia No.1 watermain replacement	On track	This project involves two critical watermains nearing the end of their design lives, which are being replaced. The expected completion date for this project is 31 October 2025.	Titirangi update – All pipes and chambers have been installed for this section and we are working to living it by the end of Oct 2023. Duke St – Works are progressing ahead of programme and we are approximately 30% complete.

Wastewater projects

Key programme of works	Status	Description	Progress towards key deliverables
Central Interceptor	On track	The CI is a 14.7km wastewater tunnel, running from Grey Lynn to the Māngere Wastewater Treatment Plant. The CI will increase the capacity of the wastewater network, replace aging infrastructure, and reducing wet weather overflows in the catchment area by around 80%. The extension of the tunnel to Grey Lynn will also allow Council and Watercare to work towards the goals that form part of the Western Isthmus Water Quality Improvement Programme. Construction of the CI began in mid-2019 and is scheduled to be completed mid-2026. It is proposed to extend the Central Interceptor tunnel a further 1.5km from Grey Lynn to Pt Erin as a more economic option than the alternative of extensive stormwater/sewage separation in the Herne Bay and St Marys Bay areas, whilst delivering on the promise to significantly reduce wet weather overflow discharges into the Waitemata by 2028. Please see next section for detailed update on the CI.	
Northern Interceptor	On track	The objective of this programme is to address existing wastewater overflows and capacity constraints in the western catchment by delivering flows from the Māngere WWTP to Rosedale WWTP. The programme is made up of several stages of works. Stage 1 includes wastewater conveyance from Hobsonville PS to Rosedale WWTP. Stage 2 consists of a wastewater tunnel provision from Whenuapai to Hobsonville PS. A seperate project exists to complete the tie-in works at Rosedale WWTP.	Physical works are complete for stage 1 contract (Hobsonville PS to Rosedale WWTP). Stage 2 – Whenuapai to Hobsonville PS tunnel detailed design is complete and consent has now been lodged for physical works. Construction works procurement has commenced. Final section of Northern Interceptor tie-in at the Rosedale WWTP is currently in design & investigation phase. Field investigations including geotechnical, survey and service mapping are in progress as of early October 2023. Preliminary design is on target for completion in January 2024.
Sub-regional wastewater servicing – North East	Delayed	This upgrade will cater for population growth in Warkworth and Snells Beach and will produce high quality wastewater for discharge.	Transfer Pipeline: Construction is underway, and completion is scheduled for March 2025. Pump Station: Construction completion expected in November 2023, with commissioning completed in February 2024. WWTP: Construction underway with completion expected in May 2025. Warkworth Local Network: Delays have been experienced and are associated with the infrastructure that will transfer wastewater from the growth areas in Warkworth, to the Lucy Moore Wastewater Pump Station following community engagement. We are currently confirming options for long-term servicing, as well as options for a short-term servicing solution.
Sub-regional wastewater servicing – South West	Delayed	This programme of works will provide wastewater services for the communities of Kingseat, Clarks Beach, Glenbrook Beach and Waiuku.	Southern Conveyance Pipeline: Resource Consent lodged. Detailed design underway. Construction expected to start in mid-2024. WWTP: Designation application lodged. Preliminary design underway. Northern Conveyance System: Concept design and optioneering phase due to complete end of 2023.

Key programme of works	Status	Description	Progress towards key deliverables
Western Isthmus Water Quality Improvement Programme (Pending agreement of proposed amendment including Point Erin Tunnel)	On track	This programme of works will provide improved beach water quality from reduced wastewater overflows. The programme includes an extension of the Central Interceptor to Point Erin.	A review has shown an extension of the Central Interceptor (CI) to Point Erin will achieve the same, if not better, water quality outcomes than the original proposal. It will also be achieved within the 2028 committed timeframe and is more affordable. The Pt Erin Tunnel consent has been awarded and Herne Bay Branch No.5 consent has been lodged. We continue to work very closely with both the St Marys and Herne Bay Community Liaison Groups to progress these two projects. Currently reviewing the Branch No. 5 tunnel boring machine sizing and procurement. Work on the broader collector sewer systems and stormwater separation activities associated with WIWQIP have commenced over the last quarter, including feasibility solutions development for Westmere, Waterview, Avondale, Motions and Grey Lynn. A programme l evel view has been developed and the projects within the programme will be optimised and delivery approaches developed, over the next quarter.
Whenuapai Redhills	On track	Comprises three packages of work to provide wastewater capacity in Whenuapai.	The Detailed Design phase is now complete for all packages. Both the designation and resource consent has been lodged for the portion of the works. There is a risk of consent programme is extended due to the impact on wetlands and the recently introduced National Policy Statement on Freshwater. Landowner negotations, obligations and requirements have delayed the works on pacakge 3 as such an interim solution of tankering wastewater is in place until the works are installed. Current trajectory is for the consent to be granted in the first quarter of 2024 for the works. Construction procurement has commenced in parallel to the consent programme.

Central Interceptor

Highlights

As at 30 September 2023, a total of $903m has been spent towards the Central Interceptor (CI) against a total CI budget of $1.268 billion. In addition, the CI programme manages $30m of Western Isthmus Water Quality Improvement Programme (WIWQIP) works and $180m for the Point Erin Tunnel works, for which the necessary resource consents have been obtained.

The Tunnel Boring Machine arrived at May Road in early September, which completes the installation of the Southern section of the tunnel. Work has commenced on strip out of the services inside the tunnel, as tunnelling operations will transfer to May Road to enable the construction of the Northern section of the tunnel.

Māngere Pump Station - Transformer roof construction nearing completion and structural steel installation in switch rooms is underway. Confluence Chamber works continue to progress well, with the diversion chamber gate now installed and excavation for the temporary bypass pipe is underway. Settlement monitoring of the Eastern, Southwestern and Western Interceptors remains ongoing, with no issues identified to date.

Reuse Plant – Exporting non-potable construction grade water to TBM with no issues to report. Performance monitoring ongoing.

Issues and Risks

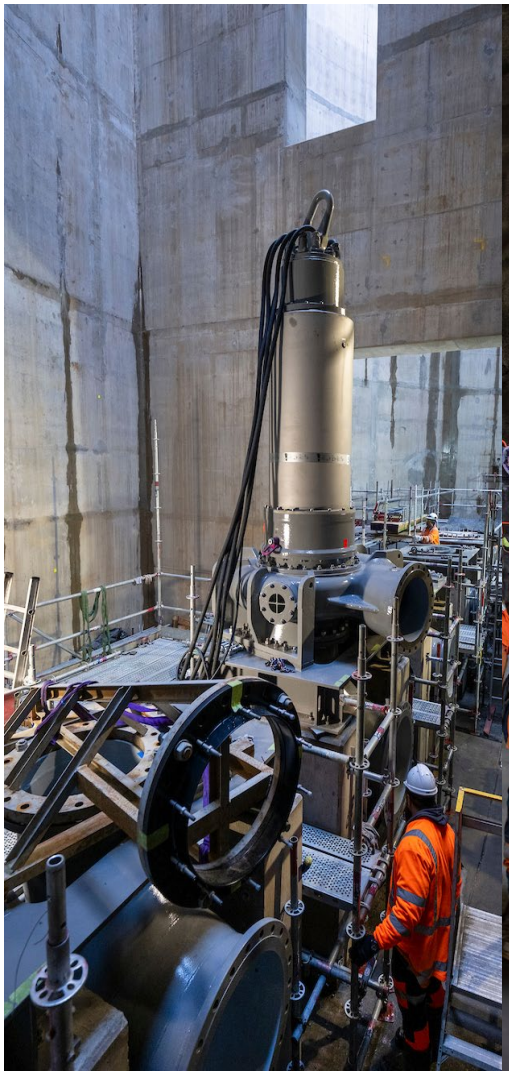
Cost escalation due to the sustained level of inflation being experienced – Modelling of escalation indicates a risk to the project budget. The Board and Audit and Risk Committee is being kept up-to-date with developments in this regard, and Watercare Management will advise Council should there be any impact on the project budget.

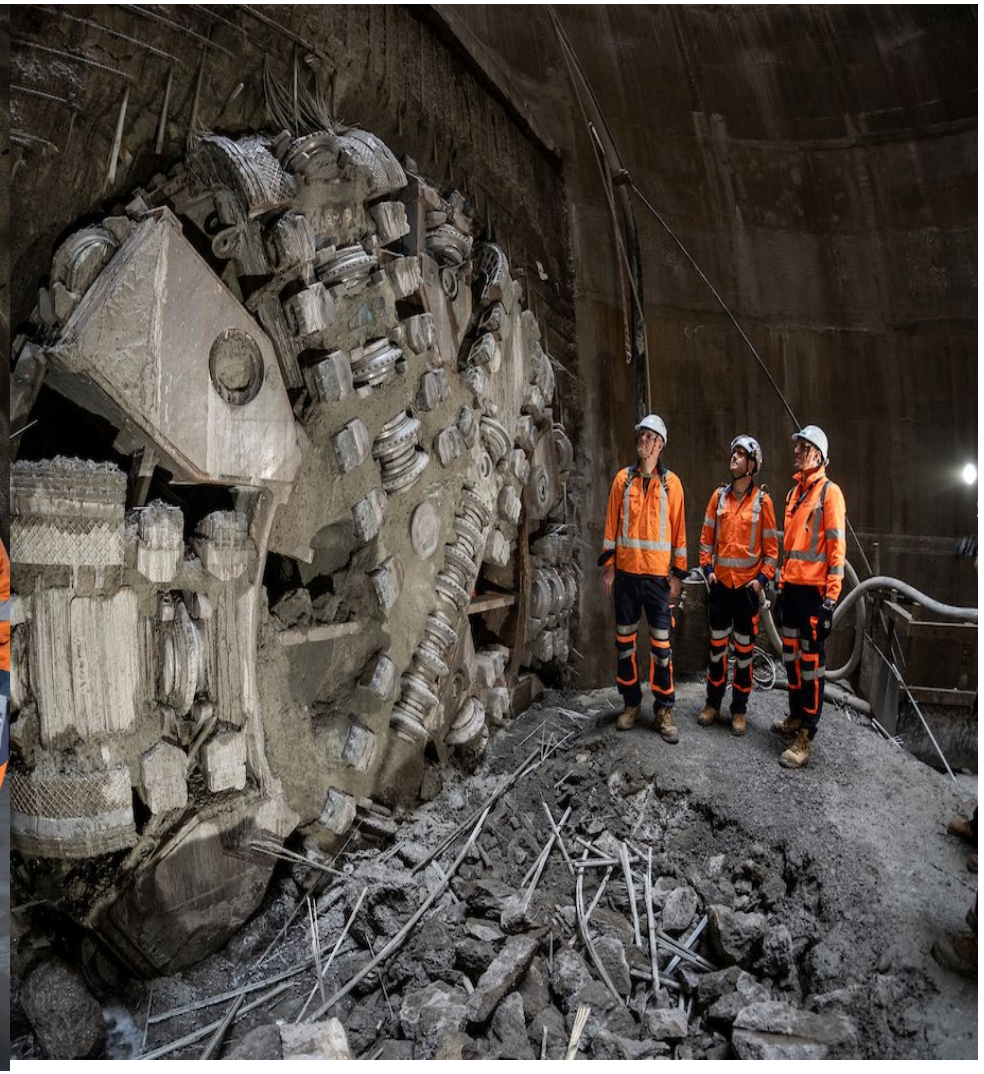
Health, safety, and wellbeing – Lifting, crane operations and working around plant and equipment remain a significant risk for the project.

The CI will eventually connect into the Ōrākei Main Sewer. Whilst this will not happen in Parnell where the sinkhole occured, the CI team is keeping a close eye on the repair works to the sewer so that we can mitigate the the risks of the connections that will eventually be made into this particular sewer.

Key programme of works	Status	Description	Progress towards key deliverables	Work Progress
Finalise design for the Grey Lynn Tunnel	On track	Detailed design work for the terminal shaft of the Grey Lynn Tunnel at Tawariki Street.	The detailed design of the terminal shaft is now well underway with Jacobs leading the design process. This incorporates the Western Isthmus works in that area.	
Commence physical works	On track	The Contractor is now established and activity underway at all sites. Pump station shaft, pump discharge pipework aligned and non-return valve support installation is underway. Pours for the dry well roof and 3 out of 4 wet well benching walls are now completed.	Keith Hay Park - Hand jack between control chamber and drop shaft completed. May Road Shaft A - (13 out of 23) 57% GRP modules installed. May Rd Shaft B - Installation of TBM services on shaft wall commenced. Haverstock Road - Shaft permanent lining lift (3 out of 17) 18% completed. Lyon Ave - Shaft excavtion completed. Western Springs - Shaft 97% excavated. Tawariki Street - Orakei Main Sewer diversion chamber piling (temporary works) continues. 28 out of 93 piles completed to date. Dundale Avenue - Backfilling of first GRP module complete. PS25 Shaft - Second wall concrete pour (out of four) completed. Norgrove Ave - Shaft excavation completed (30m deep). Rawalpindi Reserve - Shaft excavation completed Haycock Avenue - Western Interceptor (WI) diversion chamber: First wall lift poured (out of 3).	
Commence tunnelling	On track	The TBM has tunnelled 7,972m.	TBM has successfully completed the Southern Tunnel (MPS to May Road) and 5% of the Northern Tunnel (May Road to Tawariki Street) Relocation of TBM plant from MPS to May Road has commenced.	
Main works into service	Delayed	As previously advised, the main works (Central Interceptor) are to go into service mid-2026, a delay from the original completion date of December 2025. This is due to the impacts of Covid-19 from March 2020 - September 2022.	This will include the Grey Lynn Tunnel extension.	

Behind the project is a dedicated team





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

Highlights

- In collaboration with our partners, we continue to find strategic wins in reducing capital carbon through the 40:20:20 programme. With strategic planning partners Stantec, the need for the Māngere Peak Flow Treatment project was re-examined and challenged. It was determined that the need to cater for increased duration of peak flow can be fulfilled through other projects already planned at the site. Therefore, the additional peak flow treatment will not be constructed, saving 1,600 tCO2e and $37m. Energy costs for August were favourable due to savings at Māngere with the higher use of Biogas vs imported gas or electricity.
- Since the start of the leak management programme approximately 19,000 kms have been surveyed to date with 12,000 leaks found and over 20MLD of water savings have achieved.
- In July, we put the smaller of two treatment plants that process water from the Waikato River into standby mode until early 2025, resulting in annual savings of about $4 million.
- In September 2023, we hosted our water efficiency expo, He Taonga Te Wai. We opened it up to the public for the first time and it was very well received, with a format that had something for everyone – though leadership, robust discussions, product demonstrations and advice.

Issues and Risks

- The flooding events of January and February and ongoing wet weather led to high turbidity levels at Huia and an increased reliance on the Waikato Water Treatment Plant. This resulted in additional chemical, energy and operating costs being incurred. Chemical costs have also been very volatile throughout FY23 contributing to the variance to budget.
- Auckland's water and wastewater service prices were increased by 9.5% from 1 July 2023. This in line with the price path we agreed in 2021 as part of Auckland Council's Long-Term Plan.

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

Highlights, Issues and Risks

- In the first quarter, our trust rating has held steady at 61% (12-month rolling) over the past year. Nevertheless, we are observing a gradual decrease in trust during the initial quarter, particularly in relation to the perceived value for money and issue resolution. With price hikes and the overall cost of living on the rise, customers are increasingly seeking improved service quality to justify higher prices. When customers encounter delays in addressing leaks or contacting our support centre, their patience with such experiences has noticeably diminished.

- Elected member engagement at Watercare covers three groups of elected members: local boards, the governing body, and Auckland based MPs (constituent and list). There are 21 Councillors, 149 local board members, 25 MPs and roughly 60 key external staff members (officers, advisors, secretaries, liaisons, comms people). There are broadly four workstreams, namely: proactively communicating the capital work programme, proactively communicating operational activities, proactively communicating policy or planning and reactively responding to enquiries from elected members.
- Our total Māori business spend for 2022/23 was $22.84 million, an increase from $13.26 million in 2021/22. All our physical works suppliers are now reporting their Māori business spend and we have 83 active Māori suppliers out of a total of 1,952 active suppliers. We continue to work with Amotai to increase the diversity of our suppliers.

Improving our organisation 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

Highlights

- Our new permanent $81m Papakura Water Treatment Plant went live in August, adding 12 million litres to Auckland's water supply (enough for 24,000 households). The plant gives us even more resilience in our water network. especially important as we head into a dry summer. This was a quite difficult project requiring clever design, sophisticated technology, and close engagement with neighbours because of the small and tight work site.
- In our recent staff engagement survey, as well as our standard engagement questions, we included specific questions measuring how employees view Health, Safety and Wellbeing. The questions measured the extent to which employees agreed that Health and Safety was a priority for Watercare. Overall, the score was positive and has improved since the last survey.
- The second stage of the assessment of ISO 45001, the HSW management system replacing 4801 was conducted in September 2023. The assessor visited a selection of sites over the two weeks reviewing the application of the management system on all sites across the business. The auditor will be recommending Watercare for ISO 45001 Certification. There were eight non-conformances (two major and six minor), identified in the draft report, and we now have six months to put action plans in place to address these.
- In July 2023, we took major steps to improve transparency and education around our remuneration framework and processes. We rolled out a comprehensive and staged plan to achieve this, with several people leader briefings, resources, and a new "Understanding Remunerations and Rewards" online learning module for all staff. Staff now receive letter that clearly and transparently set out their pay increases, and band and position in range, so everyone has visibility of the remuneration process as well as the outcomes.
- The Central Interceptor team has launched the "Beacon Site" initiative – which is being used to drive exemplary site standards for Health, Safety and Wellness. Following the Western Springs site attaining the required standard, several other sites are taking on the challenge to be recorded as a "Beacon Site".

Issues and Risks

- A new set of HSW KPIs for the 2023/23 year have been confirmed. These KPIs focus on on HSW including one KPI focused on safety observations, which will apply to every Watercare employee. They will help us deliver on our “people first priority” by giving us a more comprehensive view of health, safety and wellbeing. The performance on these measures will be reported at the executive monthly performance hui.
- While the result for Total Recordable Injury Frequency Rate (TRIFR) has been above the target, it should be noted that the total number of injuries related to critical risk exposure during FY22 was one, relating to a driving incident. Manual handling, slips and trips continue to be our most common cause of injury and remain an area of focus.

Preparing for Central Government’s Affordable Water Reform, without compromising 1-5 above, and whilst also preserving the ability to implement alternative water reform arrangements if reforms do not proceed as planned

Highlights

- We will continue to work the Government of the day to determine the future, but our focus is to continue with status quo. With the passage of the water services legislation, we are legally required to continue work on transition until we are told otherwise.
- While there are uncertainties still associated with the reform, our focus remains on delivering safe, efficient, and reliable services, effective infrastructure and better customer experiences for Tāmaki Makaurau.
- A review of risks and opportunities to Watercare Digital services such as Watercare website, digital contracts, GIS end of support, SAP, HSW toolkit etc. was completed in September should Water Reform be delayed or stopped.
- We are aware our people are experiencing reform fatigue and have urged people leaders to build engagement with their teams, focus on delivering for Auckland today, and reiterate how valued they are at Watercare.
- We are working closely with Council officials and the Mayor's office to ensure the incoming government is aware of our funding challenges and the possible solutions.
- Without sufficient funding from July 2024, we will have to significantly increase the price of water for Aucklanders or defer important infrastructure upgrades and development. It’s likely to mean significant delays in repair of infrastructure damaged during the floods and cyclone earlier this year.
- The flooding and Parnell sink hole incidents demonstrate how critical our renewal and upgrade programme is.
- The city’s water and wastewater infrastructure require at least a $13.7 billion investment over the next decade and around $1.2billion in FY25 to ensure Aucklander’s have a resilient and efficient water and wastewater system.

Issues and Risks

- The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. If water reform proceeds under the new government, the financial impact of the water services reform on the Group remains uncertain until the allocation schedule of assets, liabilities, and other matters to be transferred is approved.
- We continue to have people seconded into Wai Tāmaki ki Te Hiku and the NTU, which is putting pressure on our kaimahi. However, our people are showing resilience. The cost of secondments including, for example, software licences, is being fully reimbursed to us by the DIA.

Performance Measures

Department of Internal Affairs measures

Performance measure	Previous year result	Target	Q1 Actual	Status	Commentary
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. *Note the assumption is that abatement notices received relates to new notices issued in the financial year*) (12-month rolling average).	a) 0 b) 0 c) 0 d) 0	a) ≤2 b) ≤2 c) ≤2 d) 0	a) 0 b) 0 c) 0 d) 0	Met	
The average consumption of drinking water per day per resident within the territorial authority district (*litres plus/minus 2.5%) (12-month rolling average).	241.3 litres	256 litres	242.2	Met	
The extent to which the local authority's drinking water supply complies with part	100%	100%	100%	Met	

Performance measure	Previous year result	Target	Q1 Actual	Status	Commentary
4 of the drinking-water standards (bacteria compliance criteria) (12-month rolling average).					
The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria) (12-month rolling average).	100%	100%	100%	Met	
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) (12-month rolling average).	45 mins	≤ 60 mins	46	Met	
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) (12-month rolling average).	3.7 hours	≤ 5 hours	3.9	Met	
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) (12-month rolling average).	1.0 days	≤ 5 days	0.92	Met	
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) (12-month rolling average).	1.7 days	≤ 6 days	1.34	Met	
The total number of complaints received by the local authority about any of the following: (a) drinking water clarity	7.5	≤ 10	7.3	Met	

Performance measure	Previous year result	Target	Q1 Actual	Status	Commentary
(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 (12-month rolling average).					
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) (12-month rolling average).	78 mins	≤ 60 mins	89	Not met	The results for the measure were 80 in July, 85 in August and 89 in September and was above the target of equal to or less than 60. This is a reflection of the extreme wet weather over the past year. It is noted that the resolution of faults has been achieved within the KPI timeframe.
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) (12-month rolling average).	3.8 hours	≤ 5 hours	4	Met	
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 (12-month rolling average).	24.4	≤ 50	23.53	Met	

Performance measure	Previous year result	Target	Q1 Actual	Status	Commentary
The percentage of real water loss from the local authority's networked reticulation system (12-month rolling average).	11.6%	≤13%	11.66%	Met	The water losses in this measure are calculated by deducting the volume of water sold and unbilled water usage (or non-revenue water) from the total volume of water produced.
The number of dry-weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system (12-month rolling average).	0.7	≤ 5	0.74	Met	

Note: New measures are marked with an asterisk "*"

Organisational performance measures

Performance measure	Previous year result	Target	Actual	Status	Commentary
Delivering safe and reliable water and wastewater services to Aucklanders 24/7					
Adherence to all of DIA's non-financial service performance measures*.	New measure	100%	92.86%	Not met	Out of 14 DIA measures, 13 measures were met, and one measure was not met. Please refer to 'Department of Internal Affairs measures' section.
Average number of wet-weather overflows per engineered overflow point per discharge location (12-month rolling average).	4.7	≤ 2 overflows per year	1.60	Met	
Leakage performance – litres/connection/day(l/c/d).	107.9	107.9 l/c/d being the Economic Level of Leakage	111.44	Met	Watercare has set an aspirational target for economic level of leakage (ELL) at 107.9 l/c/d. The ELL is the point at which the cost of producing water is equivalent to the cost of the efforts to keep leakage at those levels through a combination of leakage repairs, managing water pressure and renewal of watermains. The aim is to achieve an ELL at or close to the target.
Building and renewing the necessary water and wastewater infrastructure to improve resilience and maintain service levels for our customers					
Deliver capital programme in line with the asset management plan baseline approved by the Board*.	New measure	80% of projects are in service within approved time and	66% of projects (2 out of 3) were	Not met	*We can only determine achievement to budget once projects are in service.

Performance measure	Previous year result	Target	Actual	Status	Commentary
		80% of projects are delivered within approved budget.	in service within approved time. 100% of the 2 projects have been delivered within the approved budget*.		
Reactive maintenance spend v's proactive renewals spend.*.	New measure	Establish a methodology on how this should be measured to demonstrate resilience within the network.	-	Not reported	There are various ways to measure resilience in the network. We are working on a methodology on how to best measure this and will keep the CCO Direction and Oversight Committee up to date with our thinking.
Delivering our services and infrastructure projects efficiently, keeping a strong focus on operating costs, so we can minimise water charges					
Percentage of household expenditure on water supply services relative to average household income.	0.83%	< 1.5%	0.80%	Met	
Debt to revenue ratio.	Achieved 3.3 against the target of ≤3.61	≤3.51	3.47	Met	The SOI target was ≤3.35, but after discussions with Council, and a request by Council for a new methodology, an updated target of ≤3.51 for FY24 has been agreed.
Controllable Cost target*.	New measure	$396m	YTD Actuals $106m against the target of $96m	Not met	Reform, Flood Management, Ōrākei Main Sewer Incident and additional work delivered on the Waikato District Council Contract have all contributed to the higher costs YTD. The Reform and WDC costs have been offset by increased Revenue, and it is anticipated that the flood management costs will be recovered via insurance claim.
Strengthening our relationships with customers, developers, community stakeholders, and our Māori partners					
Customer Net Satisfaction Score (Previously Net promoter score).	43	≥45	44	Not met	With time needed to recruit and train new staff, use of the chatbot and proactive notification enabled us to sustain levels of service despite extreme weather events and high vacancy rates. Maintaining our service levels in this environment has been a challenge.
Community trust score.	60%	≥55%	61	Met	

Performance measure	Previous year result	Target	Actual	Status	Commentary
Percentage of customer complaints resolved within ten days of notification.	99.2%	≥95%	99.30%	Met	
Ratio of procurement sourced through Māori-owned businesses.	Achieved 2.22% against the target of 2%	3%	1.79%	Not met	Direct 0.81% and Indirect 0.98%. Total Māori business spend for FY24 is $5.18m. ($2.34m Direct, $2.84m Indirect). We have 95 active Māori suppliers out of a total of 1929 active suppliers (4.9% of active suppliers).
Adherence to the Service Level Agreement with Council (10 working days) for Watercare to provide specialist input into resource consents*. (3 months rolling average).	New measure	90%	88.58%	Not met	Reporting issues have hampered performance visibility. These have now been rectified. The team is now focused on the 90% target. A new internal report has been added tracking days from lodgement until day 10.
Operational greenhouse gas performance. We will implement Mitigation measures in line with our emissions reduction targets (Quarterly measure) (Scope 1 and 2). *Note: these targets exclude emissions from Puketutu island as our current measurement methodology does not provide enough accuracy for a performance target. Actions to directly monitor emissions from this source as well as reduce them are being delivered and future SOI's will include these numbers.*	Achieved 84,617 tonnes CO_2e against the target of <88,400 tonnes CO_2e	<89,200 tonnes CO_2e	21,992 tonnes CO_2e	Not on track	Achieving this year's target of 89,200 tCO2e will be a challenge as consumption figures are up for natural gas, fuel use, WW process influent, and Puketutu disposal.
Total recordable injury frequency rate (TRIFR) per million hours worked (12-month rolling average).	21.96	<10	25.62	Not met	Watercare Board has agreed to obtain an independent external review of how we approach Health and Safety and our performance. We are also focusing on understanding the effectiveness of critical risk controls and have refreshed our HSW commitment.

Note: New measures are marked with an asterisk "*"

Direct operating performance

($ million)	Notes	FY 23 Actual	FY 24 Quarter 1 YTD Actual	FY 24 Quarter 1 YTD Budget	FY 24 Quarter 1 YTD Variance	FY 24 Budget
Net direct revenue		539.0	127.6	152.7	(25.1)	665.3
Direct revenue	A	919.0	233.8	248.2	(14.4)	1,060.8
Fees & user charges		612.6	158.9	165.0	(6.2)	698.1
Operating grants and subsidies		-	-	-	-	-
Other direct revenue		306.4	74.9	83.1	(8.2)	362.7
Direct expenditure	B	380.0	106.2	95.5	(10.7)	395.5
Employee benefits		93.2	31.3	20.3	(10.9)	80.0
Grants, contributions & sponsorship		0.4	-	-	-	-
Other direct expenditure		286.5	74.9	75.1	0.2	315.5
Other key operating lines						
AC operating funding						
AC capital funding		-	-	-	-	-
Government Grant		34.6	0.4	24.0	(23.6)	52.5
Vested assets		76.6	27.4	14.5	12.9	56.4
Non-direct expenditure		14.1	-	-	-	-
Depreciation and amortisation		317.2	88.8	73.0	(15.8)	290.1
Net interest expense		120.8	33.9	34.7	0.8	139.3

A. Direct revenue: September Water and Wastewater revenue was on plan however is still slightly behind plan YTD due to delay in the recognition of 1 July price increases. IGCs and Developer revenue continued to improve in September with an uplift in IGC payments received and is now only $0.5m behind plan YTD. Capital work on the Waikato contract is progressing well with revenue $5m ahead of plan. This has been offset by planned flood related insurance recoveries of $14m. The initial claim is still being collated, and is expected to be submitted on the 20th of October, this claim will prove costs that have made up the excess. YTD flood capex costs only $3m, vs plan of $20m.

B. Direct expenditure: Direct expenditure is $10.7m unfavourable to plan YTD. $4.4m of this relates to higher capital work in Waikato (offsets in revenue), $4.1m to flood recovery opex and $1.7m to reform costs. Flood recovery and reform opex was not included in the annual plan. Reform costs offset in revenue. The flood related costs relate to overpumping and temporary solution costs for assets damaged in the events of January and February while permanent solutions are finalised. The collapse of the Ōrākei Main sewer has also incurred $0.5m cost to date and these are expected to increase.

C. Depreciation: Depreciation expense was unfavourable to plan due to the actual depreciation value reflecting the revised asset values following the revaluation completed in June 23.

Financial breakdown by key activities

Direct revenue($m)	Prior year	Quarter 1 YTD		Var	Full year
	Actual	Actual	Budget		Budget
Fees & user charges					
Water revenue	187.3	48.1	47.7	0.4	205.2
Wastewater revenue	409.0	110.7	117.6	(6.9)	494.2
Grants and subsidies					
Grant from KO	30.8	0.4	24.0	(23.6)	52.5
Any other grant from third parties					
Other direct revenue					
Infrastructure Growth Charges	179.6	42.6	43.4	(0.8)	169.0
Insurance proceeds for storm recovery					
Other key other revenue					

Direct expenditure($m)	Prior year	Quarter 1 YTD		Var	Full year
	Actual	Actual	Budget		Budget
Staff cost					
Salaries and wages	132.9	36.0	35.5	(0.5)	146.0
Contractors	17.3	3.4	3.6	0.2	11.1
Other staff costs	9.7	3.0	2.9	(0.1)	11.9
Labour recoveries	(66.2)	(11.2)	(20.5)	(9.3)	(84.0)
Other direct expenditure					
Maintenance costs	84.1	25.9	20.4	(5.4)	82.4
Other operating costs	46.3	10.9	14.2	3.3	57.0
Other expenses	164.3	38.2	39.1	0.9	170.7

Direct revenue:

Water revenue for September was on plan with increasing consumption however **Wastewater revenue** is still behind plan YTD due to delay in the recognition of 1 July price increases and the mix of commercial vs retail charges not consistent with budget.
Government grant revenue from KO is unfavourable YTD as revenue budgeted for July was recognised in June. September revenue was also down due to milestones not being met, invoicing will now occur in October.
IGC and Developer revenue is gradually improving however is $0.5m behind plan YTD, but 24% down on the same period last year.

Direct expenditure:

Salaries and Wages are unfavourable to plan due to timing differences in annual leave being taken, offset by a number of vacancies across the group.
Labour recoveries are down vs budget due to opex maintenance work orders being included in maintenance and other operating costs in actuals but recoveries in plan. Lower than planned contract labour capex recoveries have also contributed to the variance.
Maintenance costs are up due to a combination of factors, including flood, Ōrākei Main sewer, Waikato and different methodology for recoveries recognition.