



Quarterly Performance Report

Watercare

2023/2024 Quarter 2

For the 3 months ended 31 December 2023



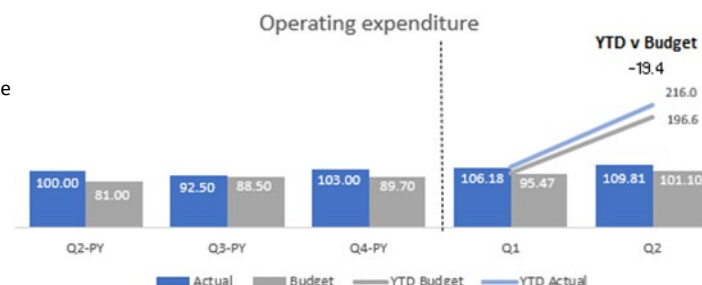
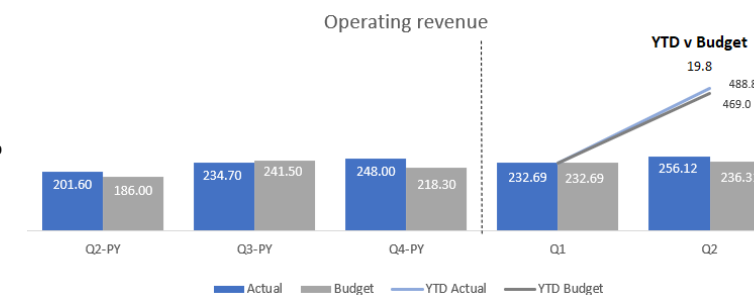
Q2 – At a glance



Executive Summary

Watercare finished 2023 with a quarter that saw us: working around the clock to respond to the Ōrākei Main sewer sinkhole incident, manage a period of uncertainty following the general elections and some significant successes.

- We publicly and voluntarily shared our gender pay gap benchmarking, showing improvements in reducing the pay gap over the previous two years as well as acknowledging the improvements still to come. This is part of our commitment towards championing fair pay. We also received the Gender Tick accreditation in December – this is an important recognition for organisations progressing gender equality in the workplace. The Gender Tick is valid for one year – our aim is to not only renew the accreditation but roll out new initiatives to meet the advanced criteria.
- We won the Sustainable Business Awards’ national sustainability award for circularity for our struvite fertiliser EMERGE®. Mitre 10 will be stocking and distributing EMERGE® fertiliser for the general market soon.
- One year after its launch in December 2022, our Watercare App had over 55k downloads – the app is a critical enabler to advance the Auckland Water Strategy and embed water efficiency behaviours in our customers and community.
- We also launched the summer water efficiency campaign “Make every drop count Auckland” – this will be an ongoing campaign, with messages evolving as required, keeping in mind the current supply situation (stable) and the forecast for an extremely hot and dry summer.
- In December 2023, the Government signalled its plans to repeal the water services legislation over the coming months, with a view to replace it with a model that allows local decision-making and more flexibility for councils. We were expecting this announcement and have been working with Auckland Council on various scenarios, including financial independence, from the Council group to allow more borrowing/infrastructure investment/price path assessment.

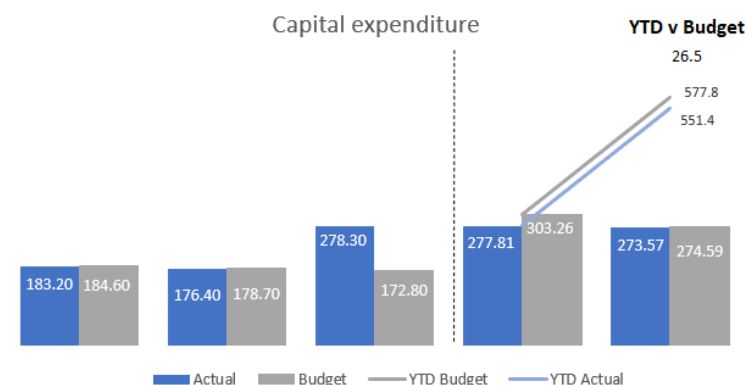


Financial Performance

Capital Delivery: The Capital spend to 31 December 2023 was \$551.4m, \$26.5m behind annual plan of \$577.8m. Flood recovery projects are \$34.4m behind plan but this was offset by higher spend on the Central Interceptor project with excellent progress across all sites and the settlement of a number of escalation related claims in early December. The first section of the project including the commissioning of the Māngere Pump Station is expected in December 2024 and tunnelling is now well past the half-way mark reached in early September. Good progress has also been achieved on the Snells Beach Wastewater Treatment Plant Upgrade, and tunnelling is running ahead of plan on the Warkworth to Snells Transfer Pipeline. The Redoubt Reservoir project is also progressing well and the reservoir roof is nearing completion. The \$60m reservoir will provide resilience to drinking water supply and cater for Auckland’s growth with an additional 45 million litres of storage.

Direct revenue: Revenue is \$19.8m favourable to plan YTD. Water and Wastewater revenue is \$13m behind plan which reflects not realising the early portion of the price change due to system limitations and lower than planned consumption in the month of December due to the wetter weather. Infrastructure Growth Charges (IGCs) and Developer revenue have recovered well and are now tracking \$20m favourable to plan. The Waikato contract is also tracking ahead of plan due to higher than anticipated capital works revenue. Higher than anticipated funding has been received from the DIA associated with Water Reform secondees. This has been partly offset by planned flood related insurance recoveries of \$34.9m. The claim is well underway, however timing to receive payment is uncertain, to be prudent insurance revenue budgeted to be received in FY24 was removed from forecast in October 2023.

Direct Expenses: Direct expenditure is \$19.4m unfavourable to plan YTD. \$2m of this relates to higher capital work in Waikato (offsets in revenue), \$10.5m to flood recovery opex, \$6.8m incurred due to the collapse of the Ōrākei Main sewer and \$3.3m to reform. Flood recovery and reform opex was not included in the annual plan. Reform costs offset in revenue. The flood related costs relate to over-pumping and temporary solution costs for assets damaged in the events of January and February while permanent solutions are finalised. Design solutions for flood related works are currently being refined, while re-lining of the Ōrākei Main sewer is set to begin in January 2024.





Highlights, Issues/Risks

In late December 2023, the Environment Court granted Watercare a resource consent that allows the Huia Water Treatment Plant replacement project to proceed. The consent relates to the earthworks and vegetation removal that is needed for Watercare to build a new treatment plant to replace the 95-year-old original plant, which is nearing the end of its operational life. Concept design for the water treatment plant is now underway. At this stage, following scoping to determine the most efficient way to deliver this large programme of projects, we envisage construction of the replacement water treatment plant to begin in 2027.

We returned our Muriwai Water Treatment Plant to service eight months after it was damaged by slip during Cyclone Gabrielle, which buried and damaged part of the plant and reservoir. This reinstatement was extremely challenging because of the surrounding environment and the need to minimise disruption to customers.

Watercare continues to progress the Herne and St Marys Bay portion Western Isthmus Water Quality Improvement Project. This includes the extension of the Central Interceptor to Point Erin and the Branch 5 Sewer through Herne Bay. This project will reduce the overflow frequency at 10 Engineered Overflow Points (EOPs) to within the requirements of our Network Discharge Consent, resulting in a reduction in overflows to no more than two per year into the local environment. This project has an approved value of \$328m with a funding split 54% Watercare and 46% Healthy Waters. We have recently been informed by Healthy Waters that they have allowed for \$65m within their LTP submission to Council. This creates a shortfall of \$86m that we will continue to work with Healthy Waters on solutions to resolve.

The Government has signalled its plans to repeal the water services legislation over the coming months, with a view to replace it with a model that allows local decision-making and more flexibility for councils.

The new Government's Local Water Done Well plan recognises the importance of local decision making and flexibility for communities and councils to determine how their water services will be delivered in the future, while still retaining a strong emphasis on water quality and infrastructure investment. We were expecting this announcement and have been working with Auckland Council on various scenarios, including financial independence, to allow more borrowing/ infrastructure investment/ price path assessment.

High inflation resulted in increased labour and material costs are seeing a budget increase for our Central Interceptor project to continue construction of a wastewater tunnel from Māngere Wastewater Treatment Plant to Grey Lynn. The original \$1.2b budget to build a main tunnel plus two links sewers, 16 shafts and associated infrastructure was drawn up in 2018, with construction commencing in 2019. Additional work has been added to the project scope since the contract was awarded, which resulted in a revised budget of \$1.319b. High inflation since late 2021 has resulted in a 15.5 per cent forecasted increase of \$204m to complete the works, bringing the total budget to \$1.523b, which was approved by Watercare Board in November 2023. The increase covers construction of the tunnel to Tawariki St, Grey Lynn (due for completion mid-2026) and includes provision of \$109m to address the impacts of ongoing inflation to the end of the project. This is based on current inflation forecasts. If cost increases are less than predicted, then the full provision will not be utilised.



Key Performance Measures

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

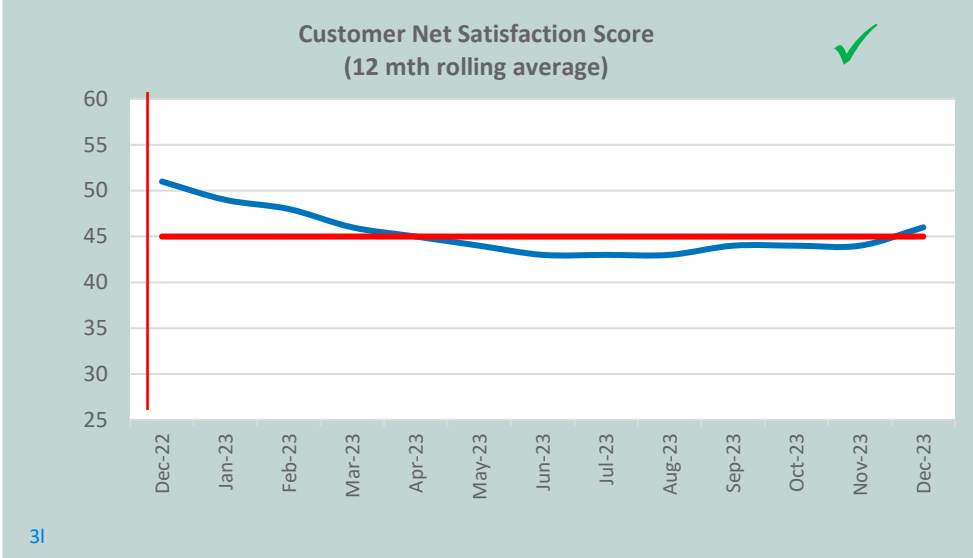
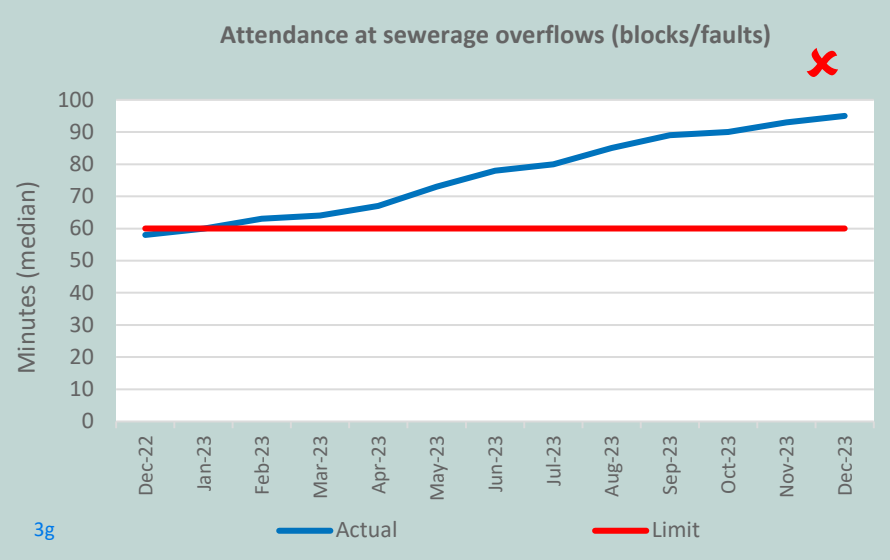
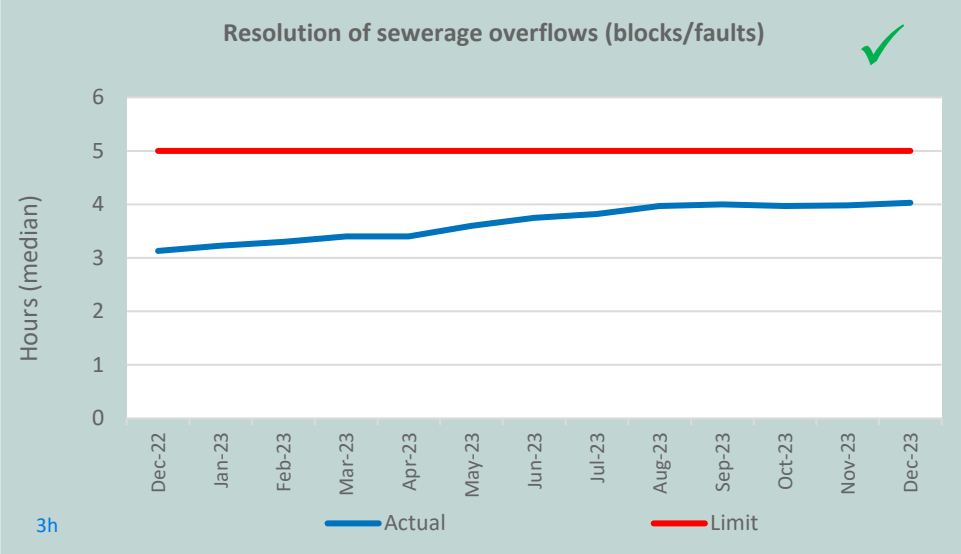
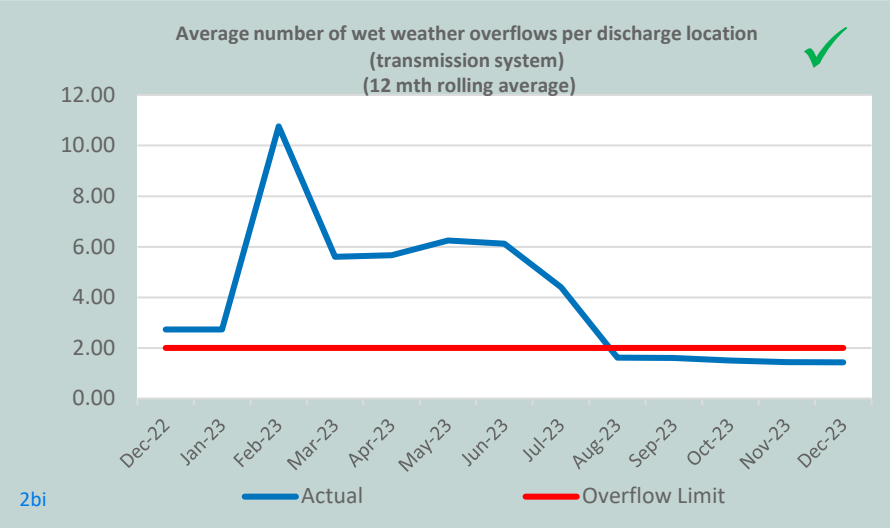
For the 3 months to 31 December 2023, 16 of the 29 measures are tracked monthly. Eleven measures are yearly measures, and two measures are quarterly measures.

In Q2, of the 29 measures, 20 measures were met, two annual measures were on track this second quarter and seven measures were not met. For detailed update on the Q2 performance against the SOI measures, please refer to Performance measure section (pages from 17 to 22).

Statement of Intent measures	Previous quarter	Target	Q2 Actual	Status*
Compliance with Taumata Arowai's drinking water standards and quality assurance rules.	100%	100%	100%	Met
Total recordable injury frequency rate (TRIFR) per million hours worked	25.62	<10	26.32	Not met
Customer Net Satisfaction Score (Previously Net promoter score)	44	≥45	46	Met
Debt to revenue ratio	3.38	≤3.35	3.67	Not met
Ratio of procurement sourced through Māori-owned businesses	1.79%	3%	1.73%	Not met
Operational greenhouse gas performance. We will implement Mitigation measures in line with our emissions reduction targets (Scope 1 and 2). <i>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.</i>	21,992 CO ₂ e	<89,200 tonnes CO ₂ e	35,782 tCO ₂ e	On track – Annual target

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

Trends



Strategic alignment and key policies

Climate change and sustainability

We were delighted to receive the Going Circular award at the National Sustainable Business Awards for our EMERGE® branded fertiliser. Resource Recovery Manager Rob Tinholt accepted the award on behalf of Watercare and in doing so, recognised the vision of operational staff and the hard work to get it from a waste product to an accepted sustainable fertiliser. This win, from a large category of impressive projects and organisations, demonstrates the vision of Rob and the role Watercare can play in supporting others to be more sustainable whilst also working towards our biosolids strategy of beneficial use on land.

Performance against the greenhouse gas SOI measure is tracking well at the half way point of the year (39,539 tCO₂e vs 44,650 tCO₂e). Through reviewing available data we are seeing positive performance in electricity, natural gas and fuel consumption. Action continues to integrate the projects in the 2030 Decarbonisation Roadmap into the planning and delivery mechanisms of Watercare.

To support the achievement of Watercare's infrastructure carbon reduction targets we have been looking at alternative materials. Concrete is a significant portion of the carbon footprint of many construction projects and we have been utilising low carbon concrete (EcoSure). This product meets the needs of our infrastructure whilst being produced in a manner that reduces emissions and does not add additional cost. Having reviewed recent construction works we are pleased to share that 19,603m³ of EcoSure has been used across the following projects: Hays creek pipeline, Papakura WTP reinstatement, Snells WWTP site preparation, Ardmore WTP chlorine scrubber, Waikato 175 early works, Waikato 50 and Helensville WWTP Upgrade, leading to a saving of 549 tCO₂e.

We have been working closely with Auckland Council staff members on the Auckland Waste Management Plan, which is a key document for the upcoming 2024 Auckland Waste Management Strategy. In particular, biosolids are being incorporated into the strategy and plan for the first time. This acknowledges the potential significant impact that biosolids will have on landfills in the next 10-15 years. It also supports opportunities for enhancing Watercare's strategy to achieve beneficial application to land for biosolids so they do not end up in a landfill.

The Watercare team have continued to contribute towards the Auckland Council group Climate Related Disclosures reporting requirements and are progressing towards a detailed risk assessment in 2024 using a new methodology developed for the group. This has faced some delays from the original time horizon due to a combination of other projects taking priority at Watercare in recent months and a delay in the recruitment for a Climate Risk Specialist at Auckland Council.

Māori outcomes

Our first cohort of participants successfully completed Watercare's flagship Koiora Leadership program designed specifically for Māori kaimahi. This initiative is an integral component of Watercare's Māori Outcomes Plan, aimed at fostering the progression of more Māori individuals into leadership roles. A total of 14 kaimahi were enrolled in this comprehensive five-month program, which included marae noho experiences in Tāmaki Makaurau and Waikato, as well as a tira hoe on the Waikato River.

As part of their graduation requirements, participants collaborated on team projects and presented their innovative ideas to Watercare executives. These projects were centred around enhancing Watercare's understanding of Te Ao Māori values and principles, aligning with our Māori Outcomes commitments.

During this quarter, the focus on engaging with mana whenua in Tāmaki Makaurau and Te Tai Tokerau regarding water reforms remained a top priority. The uncertainty surrounding potential changes in water reforms under a new government due to the general elections has raised concerns. It is imperative to ensure timely sharing of information on all proposed changes with mana whenua as details become available.

Auckland Water Strategy

We have several initiatives underway to continue to deliver our commitments to Auckland Water strategy.

While we have a diverse range of water sources available across our dams, rivers and aquifers we are mindful that our peak demand, occurring in February, requires us to remind Aucklanders of the value of water and the need to use it wisely. Also, with NIWA signalling a hotter and drier than normal summer and autumn, we made an early start with our awareness campaign, “every drop counts”, in December 2023.

In line with our peak demand plan, our field crews have increased resources and are prioritising fixing leaks. Aucklanders are also playing their part by reporting leaks as soon as they become aware of them, seeing a 30% increase in leaks reported in January to date.

Our smart meter rollout programme continues with 43,000 smart meters installed across Auckland. Our campaign to drive adoption of the app to increase awareness of water use is tracking well with nearly 60,000 customers now using the app, for both mechanical and smart meters. Smart meter customers using the app, benefit from timely notifications of leaks and high-water usage, enabling them to proactively manage their consumption.

Our team is closely connected with commercial customers who consume large amounts of water, supporting them with data and advice around water efficiency.

We continue to work on trials using purified recycled water to learn, collect data and test the quality of water that can be delivered. Watercare is a ‘first mover’ in the recycled water space in New Zealand, so we continue to explore ways of addressing regulatory requirements. For this work, we are also looking to international experience for learnings.

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

Highlights

We completed construction of the third reservoir on Redoubt Rd, with commissioning planned for end of January. The addition of this reservoir to the complex at Redoubt Rd will increase storage capacity by another 45 million litres per day, ensuring security of supply for Auckland.

The leak management programme is ongoing. Since the start of the programme approximately 22,300 kms have been surveyed to date with 14,144 leaks found. Since the start of the leak management programme over 26MLD of water savings have been achieved.

Formal compliance reporting to Taumata Arowai continues with reporting systems operational. First Annual Report for the period 1 January 2023 – 31 December 2023 is due in February 2024. Annual Review of Watercare’s Drinking Water Safety Plans have been completed.

Under the new drinking water standards, in October, November and December 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 improved from November 2023 and only two sites had full non-compliances, the majority (85%) of non-compliances were technical. The non-compliance issue at Māngere has been resolved, and recent data from Kingseat indicates the plant has returned to normal (compliant) performance.

Issues and Risks

Following the Ōrākei Main Sewer (OMS) failure on the 26 September 2023, the wastewater bypass was successfully commissioned in October 2023. This was to divert the flows from the OMS. The bypass is operating well and there are currently no overflows into the environment from the OMS. We are undertaking retrospective independent review into the failure of the OMS. The findings from the final report will be published. In conjunction with Healthy Waters, we are undertaking a CCTV inspection of the storm water pipes. We continue to work with Ngāti Whātua Ōrākei to discuss the OMS collapse and long-term plans associated with the rehabilitation. There had been a monumental effort from our staff, contractors and suppliers to get the bypass planned, the pipes laid, the pump station excavated and concreted, and have six large temporary pumps installed and tested. We will be taking the opportunity to reline another 1.4 kilometres of the sewer – between Carlaw Park and the Hobson Bay Tunnel – over the next few years. In December 2023, Watercare Board approved \$60.6m capex between now and June 2026 to fund this work, which will be carried out in stages. This rehabilitation work will extend the life of this section of the sewer by 100 years.

In January 2024, certain households in the Onehunga area encountered instances of discoloured water. To mitigate this, we have recommenced our flushing programme to clear the pipes and to help us identify the root cause of the discolouration. We are working Monday to Friday from 8pm until 5am until further notice. We are taking a two-pronged approach to fix the discoloured water issues. In the first instance, we will continue our flushing programme. Secondly, we will install auto flushers to reduce sediment buildup in the pipes. This will help to identify which pipes need to be replaced as part of our renewal programme in the medium term. There is no relation between the current water discolouration and the shutdown of our Onehunga water treatment plant.

The Laboratory received a letter of enquiry from the Environmental Protection Authority (EPA). This query was prompted following the Laboratory’s application for a new containment permit application, during which it was identified that the Laboratory was holding Persistent Organic Pollutants (POPs) without a current permit, a breach of the Hazardous Substances and New Organisms (HSNO) Act 1996. The total amount of POPs held being 56mg (or approx. 56/1000th of a teaspoon of liquid). The Laboratory has reviewed its management of POPs against the controls required by EPA, the only gaps identified being administrative controls (e.g., incomplete tracking records, not notifying EPA when POPs are purchased / disposed). The Laboratory responded to EPA on 1 December 2023 having implemented the additional measures requested and the EPA has subsequently granted a new five year containment permit valid until 27 November 2028.

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

Highlights

As at 31 December 2023, \$161.8m was spent towards water supply investment against the YTD budget of \$150.6m. 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 Water Pipe Renewal programme has gathered some strong momentum in the first half of the year with a number of aged pipelines being replaced. This programme is needing to be refined in the second half of the year to cater for capex spend reprioritisation. The Redoubt reservoir expansion project, Kainga Ora – Waikowhai Pump Station and Watermain, and Huia 1 and Nihotupu pipeline replacement projects are the other major water supply related projects currently underway and progressing well.

As at 31 December 2023, \$389.6m was spent towards wastewater investment against the YTD budget of \$427.1m. Central Interceptor, Snells Beach Wastewater Treatment Plant Upgrade, Warkworth to Snells Transfer Pipeline, Ōrākei Main Sewer replacement, Dunkirk Road Wastewater Capacity Upgrade and the Kahika Rising Main Replacement project the major contributors to this spend amount.

As noted earlier in the reports, in August 2023, with the launch of our \$3.5b asset renewal programme, to replace ageing water and wastewater pipes and upgrade pump stations and treatment plants, good progress has been made. Nineteen consultants and contractors have joined us to help deliver the first stage of our programme. The partnership approach gives these businesses the certainty of a forward works programme, which allows them the confidence to invest in the right people and best technology for the job ahead. From our perspective, we expect to be able to deliver these upgrades and renewals more efficiently in terms of cost and time, and with improved quality and consistency that will come from our partners developing expertise in their specific work programmes.

Since 2019, we have been working with Auckland Council's Healthy Waters team to sample stormwater outlets and complete drainage inspections as part of water quality improvement work at Takapuna Beach. To improve the water quality of the stormwater that flows out of the catchments at Takapuna Beach, we commenced a \$5.44 million programme to reline and rehabilitate the Takapuna Foreshore Pipeline in May 2021. Using trenchless technology, our construction partner, March Cato, was able to reline the pipeline and rehabilitate the 36 manholes along the pipeline without taking the pipe out of service. Since the sewer pipe relining was completed, preliminary results of water sampling are encouraging. Healthy Waters will continue to collect and analyse data over an extended time to confirm any water or beach quality trends.

Our network investigation team are working in Māngere East, inspecting and clearing the wastewater pipes to assess them for any damage. Once the pipes have been cleaned and assessed for damage, the team will aim to begin work on relining, repair, or replacing the damaged pipes and manholes around Rehua Place and Aorere Park and surrounding streets from February 2024. The work we're doing is part of a \$14.15million project to reduce wastewater overflows, build resiliency, and cater for growth in the area. The project is jointly funded by us and the Government's Shovel Ready funding package. This will enable up to 2680 new healthy homes in Aorere Park and Rehua Place neighbourhoods.

Issues and Risks

An upgrade for our New Lynn Pump Station began in April 2022 and was expected to take a year at most. The upgrade involved installing a fourth pump and power supply transformer, building modifications, and replacing and moving the underground switchboard and pump controllers to above ground. A break-in in June 2023, caused more than \$500,000 worth of damage. The break-in was hugely disappointing for the team as the burglars ripped out all recently installed equipment. The Auckland floods and Cyclone Gabrielle event clearly impacted, requiring us to put off some of the installation works. All the setbacks pushed the project completion date by another six months, but even so, the team accomplished an upgrade that has good outcomes for the community.

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.	Stage 1 business case achieved and hope to seek Board approval in February. Design was programmed to start in January but has been deferred to early FY25 due to AMP funding constraints. The impact of the delay is considered to be minimal as there is sufficient duration allotted in the overall delivery schedule. Concurrent investigations to support the pipeline under the Greenhithe Bridge have been reprogrammed to be completed by end of FY24.
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 agreed on by the appellants, following which the Environment Court has approved the consent order. 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 June 2024. Project still on track for a construction start date of 2027.
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.	Overall project is 81% complete with 45% of it livened. Titirangi update – This section of work has been completed for the Huia 1 and is live. Duke St to Scout Ave – Works progressing as per programme and is 63% complete. Donvan St – works started on 27/12/23 and are progressing as planned.

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%. 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 separate 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 with formal request for pricing (RFP) released in January 2024 to shortlisted tenderers. Final section of Northern Interceptor tie-in at the Rosedale WWTP is currently in design & investigation phase. Field investigations and preliminary design is now complete. Detailed design and consent preparation is underway.
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 of the new WW PS at Lucy Moore Park is complete with a few electrical works outstanding. Testing has started last year already and Cold commissioning will be completed by mid-March 2024. WWTP: Construction underway with completion expected in May 2025. Warkworth Local Network: The first section of 33 have been finished on the Transfer tunnel. The Transfer tunnel is expected to be completed by January 2025 ready for service.
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 late-2024. Glenbrook Beach WWTP: Designation application lodged. Preliminary design underway. Hearing 7,8,9 February Northern Conveyance System: Finalising concept design and concept design report issued. Detailed design and investigations now commenced. Interim growth servicing: Investigation works underway to ensure Watercare can support growth and mitigate impacts of delay.

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.	<p>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.</p> <p>The Pt Erin Tunnel consent has been awarded and Herne Bay Branch No.5 consent has been lodged, with a hearing set for February. 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, procurement and phasing of the construction. A public hearing on the use of Salisbury Reserve as a construction support area is set for the 30th January.</p> <p>Work on the broader collector sewer systems and stormwater separation activities associated with WIWQIP is ongoing, including feasibility solutions development for Westmere, Waterview, Avondale, Motions and Grey Lynn. A programme level view has been developed and the projects within the programme will be optimised and delivery approaches developed, over the next quarter.</p> <p>Projects for CC7 and a connection to CI at Dundale have been deferred for six months as part of this programme level view.</p>
Whenuapai Redhills	On track	Comprises three packages of work to provide wastewater capacity in Whenuapai.	<p>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. Watercare await the approved resource consent from Council.</p> <p>Property acquisition is underway for package 1, with only one property agreement remaining.</p> <p>Landowner negotiations, obligations and requirements have delayed the works on package 3 as such an interim solution of tankering wastewater is in place until the works are installed.</p> <p>Current trajectory is for the consent to be granted in the first quarter of 2024 for the works.</p> <p>Construction procurement has commenced in parallel to the consent programme.</p>

Central Interceptor

Highlights

As at 31 December 2023, a total of \$1,003 million has been spent towards the Central Interceptor (CI) against a revised total CI budget of \$1.523 billion. This includes, a revised budget of \$57.6m of Western Isthmus Water Quality Improvement Programme (WIWQIP) works, Confluence Chamber Stage 2 works \$20m. For the Point Erin Tunnel works, \$180m is an additional budget, for which the necessary resource consents have been obtained.

The Tunnel Boring Machine has commenced its drive from May Road A to Tawariki. Crossing to commence beneath Walmsley Park Shaft in January 2024.

Māngere Pump Station – Switchboard delivery and installation underway, HVAC Installation in the plantrooms ongoing and stormwater works now completed. Confluence Chamber works continue to progress well, excavation in the confluence chamber ongoing with preparation of subgrade level, Temporary bypass pipe construction and pumping system completed. Settlement and network monitoring ongoing, with no issues identified to date.

Issues and Risks

Cost escalation due to the sustained level of inflation being experienced – Modelling of escalation indicated a risk to the project budget. A Settlement Amount was approved by the Watercare Board on 7 November 2023, and the Settlement Agreement was signed on 12 December 2023. The escalation formula has been changed in the Settlement Agreement, eliminating the risk of a global claim.

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

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	<p>The Contractor is now established and activity underway at all sites.</p> <p>Pump station shaft, wet well pump suction splitter plinths and benching structure slope now under construction.</p>	<p>Keith Hay Park - Wall construction ongoing. 20% completed to date.</p> <p>May Road Shaft A - (22 out of 23) 96% GRP modules installed.</p> <p>May Rd Shaft B – Acoustic shed completed.</p> <p>Haverstock Road - Shaft permanent lining lift (8 out of 18) 44% completed.</p> <p>Lyon Ave - Shaft permanent lining lift (3 out of 5) 60% completed.</p> <p>Western Springs - Shaft excavation completed. Base slab and construction of branch sewer ongoing. Tawariki Street - Shaft excavation commenced, 40% completed to date. Dundale Avenue - Shaft cover slab in progress. Site reinstatement ongoing. PS25 Shaft – Diversion chamber construction of first wall lift (out of four) completed. Norgrove Ave - MTBM breakthrough and completion of first Link Sewer B drive in November. Rawalpindi Reserve - Overflow chamber wall pour one (of two) completed. Haycock Avenue - Roof slab installation on MH1A and MH01 completed. Norgrove Ave - Retaining wall construction ongoing, timber lagging completed.</p>	
Commence tunnelling	On track	The TBM has tunnelled 8,734m.	<p>TBM has successfully completed 15% of the Northern Tunnel (May Road to Tawariki Street).</p> <p>CPL Welding approx. 27% complete on Southern Tunnel and 1.5% on the Northern Tunnel.</p>	
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.	

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

Highlights, Issues and Risks

- In December, we officially launched our summer water efficiency campaign “Make every drop count Auckland” across our social media platforms. The campaign has had 183 posts and more than 1.75 million impressions (the number of times our messages were displayed) so far. We will keep this going and evolve the messaging as required, keeping in mind the current supply situation and the forecast for an extremely hot and dry summer.
- The four projects: the Huia 1 replacement on Duke Street and McCullough Ave, the construction of the Akarana Pump Station, the Waikowhai pipelines, and the watermain upgrades in Wesley and Owairaka; will play a major role in supporting the construction of more than 12,000 homes. These projects – alongside other planned water and wastewater infrastructure projects – will significantly support the development of a mix of 11,200 public, market and affordable homes, as well as an additional 945 privately funded residential homes. The Huia 1 replacement will transport treated drinking water to around 20% of Auckland's population. These projects and upgrades are needed as our current water and wastewater networks cannot support future residential and commercial development.
- In September 2023, we lodged an application to Auckland Council to designate the land at 372 Glenbrook Beach Rd for wastewater treatment purposes. The application was an important step on the journey to creating a new wastewater servicing scheme for the growing region. Highly-treated wastewater would be released on the outgoing tide at an outfall 100 metres off the shore from the Clarks Beach Golf Course. This discharge location was consented in 2018 after an extensive public consultation process. There’s a lot of interest in this project in the local community. We held six community information sessions through this process, which gave people the opportunity to provide feedback to our team about the work we have planned. Nearly 200 people came to these sessions.

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

Highlights, Issues and Risks

- As part of the procurement process for the renewal programme, we have set up a Māori Supplier Business Network – a pre-approved list of 15 relevant suppliers who can supply services including traffic management, electrical, scaffolding, landscaping civil works and plant or labour hire. We have a target to have 5 per cent of our annual total spend going to Māori businesses by 2025. For the 2022/2023 financial year, our spend with Māori businesses was 2.2%. By setting up the Māori Supplier Business Network, we’re helping to connect contractors to businesses who can do the mahi.
- We engaged closely with the community regarding the Ōrākei Main Sewer collapse. The community appreciated our urgency, as our staff worked around the clock to quickly commission the bypass. We ensured transparency by providing regular updates on the ongoing work, keeping customers and stakeholders continuously informed about timelines and progress. This kept our trust score stable at 61 (12-mth rolling average). Our customer net satisfaction score has increased to 46 (12-mth

rolling average) just above our SOI target of 45. The focus and resources have been shifted to address leaks promptly over summer as this will be critical in maintaining customer satisfaction score for the next quarter as we manage peak summer demand.

- Watercare launched Te Kaupapa Here Reo Māori a Watercare 2023 – Watercare's Māori Language Policy. The policy is now available on our website. The policy's purpose is to "direct and guide the actions of Watercare in relation to the celebration, integration, protection and revitalisation of the Māori language in its business". The policy framework consists of four pou, or pillars.
- The Hūnua Traverse cycleway was delivered in partnership with the Franklin Local Board, Auckland Regional Parks, Ngā Haerenga NZCT and us. The tracks fully opened on 1 December 2023. They run through our regenerated forest area, passing Upper Mangatāwhiri and Mangatangi Dams and utilising many of our service roads.
- In November 2023, Mayor Wayne Brown and councillors visited our Central Interceptor's Māngere pump station construction site.

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

- We received the Gender Tick accreditation in December 2023. This is an important recognition for organisations progressing gender equality in the workplace. This was enabled by the concerted work of our people and capability business partners and the Diversity Inclusion and Belonging committee. The Gender Tick is valid for one year – our aim is to not only renew the accreditation but roll out new initiatives to meet the advanced criteria.
- Our staff engagement score from the November 2023 survey has moved up since June 2023 to an average score of 7.6 and eNPS of 27. This is a significant shift upward and against an uncertain business environment is tremendous. This encouraging result, combined with our lower staff turnover, indicates that the work we have undertaken around reward, health and wellbeing, and collaboration are taking us in the right direction and providing a good foundation for 2024. Feedback from the survey tells us areas we need to work on are around communicating strategy and allowing for more autonomy and challenge for people in their roles. Some of this may be due to the reform and the uncertainty it has brought to our work. We are looking into the survey data to understand the themes and developing our 2024 business plan to further improve performance.
- We underwent the ISO 45001 audit of our HSW systems successfully. We have been recommended for this certification, on the condition that we fix eight identified non-conformances within six months.
- October 2023 saw great industry recognition, a number of our people presented at the Water NZ Conference and quite a few of them emerged as winners.
- Over the end of last year, we ran our annual sports tournament where eight mixed teams from across Watercare participated in weekly sports events to take out the overall title. The sports tournament is a popular event run by a team of eager volunteers and provides an opportunity to meet and connect with people from across the business. A lot of fun was had by the teams with the Pink team taking the overall title.

Issues and Risks

- The internal review of TRIFR, has revealed issues in our icare system that are not helping us have an accurate picture of injury severity. It has also questioned where our 'goal' has come from, if this is realistic, and if there are better ways to tell the story. Work is ongoing to look at all our recordable injuries to see if there are any trends or focus areas.
- The HSW culture review was conducted in December 2023 with many people interviewed and site visited throughout the organisation, a draft report is currently being reviewed. Once this is finalised an action plan will be developed. Key highlights from the report were "high level of intrinsic motivation within the workforce", the need to agree on our strategy, have a suite of HSW metrics, and improve psychological safety throughout the organisation.
- WorkSafe has issued Watercare with an improvement notice and two directives following an incident on 26 July 2023 where a contractor was replacing a service line that normally supplies super-chlorinated dose water for disinfection at the Ardmore water treatment plant.
- The PwC operated Whistleblower line received a call regarding allegations of asbestos contamination affecting the Auckland water supply. We have completed our investigation of the matter. Our investigation did not find any evidence supporting these allegations. As the allegation was made anonymously, we have responded to PwC. The matter will be reported to the Watercare Audit and Risk Committee.

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

- In a press release dated 14 December 2023, the Minister for Local Government, Hon Simeon Brown, announced key decisions made by the Cabinet. Following the Cabinet decision, The National Transition Unit of the Department of Internal Affairs has provided the following details on the changes that will be implemented through the repeal legislation:
 - Repeal of all legislation related to water services entities.
 - Restoration of previous legislation related to water services, including local government legislation.
 - Disestablishment of the Northland and Auckland Water Services Entity.
 - Requirement for councils to integrate information about water services into their 2024 long-term plans.
- The repeal bill, forming part of the government's 100-day plan, is expected to be introduced in February 2024 and passed as soon as possible. Specific provisions in the upcoming bill will address the immediate challenges faced by councils preparing their 2024-2034 long-term plans under the previous government's settings. This includes providing flexibility in setting plans.
- The Government's Local Water Done well policy remains the most current information we have about the next iteration of water reforms following the repeal legislation.

- Our people who were seconded into Wai Tāmaki ki Te Hiku and the NTU are now back from their secondment. As noted earlier in this report, the cost of secondments including, for example, software licences, was being fully reimbursed to us by the DIA.

Issues and Risks

- Watercare is currently evaluating what cost savings could be achieved through shared services programme. Watercare participates and contributes to the council group, eg treasury and combined procurement of services, eg insurance (Council led) and Electricity (Watercare led) and is part of GSS planning in 2024 and will act in line with the Letter of Expectations for 2024-2027.

Performance Measures

Department of Internal Affairs measures

Performance measure	Previous quarter result	Target	Q2 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. <i>Note the assumption is that abatement notices received relates to new notices issued in the financial year (12-month rolling average).</i>	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).	242.2	256 litres	241.40	Met	
The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards	100%	100%	100%	Met	

Performance measure	Previous quarter result	Target	Q2 actual	Status	Commentary
(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).	46	≤ 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).	3.9	≤ 5 hours	4.07	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).	0.92	≤ 5 days	0.87	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).	1.34	≤ 6 days	1.15	Met	
The total number of complaints received by the local authority about any of the following: (a) drinking water clarity	7.3	≤ 10	7.3	Met	

Performance measure	Previous quarter result	Target	Q2 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).	89 mins	≤ 60 mins	95	Not met	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).	4	≤ 5 hours	4.03	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).	23.53	≤ 50	23.33	Met	

Performance measure	Previous quarter result	Target	Q2 actual	Status	Commentary
The percentage of real water loss from the local authority's networked reticulation system (12-month rolling average).	11.66%	≤13%	11.09%	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).	0.74	≤ 5	0.64	Met	

Note: New measures are marked with an asterisk “*”

Organisational performance measures

Performance measure	Previous quarter result	Target	Q2 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.	92.86%	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).	1.60	≤ 2 overflows per year	1.43	Met	
Leakage performance – litres/connection/day(l/c/d).	111.44	107.9 l/c/d being the Economic Level of Leakage	106.34	Met	
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.	66% of projects (2 out of 3) were in service within	80% of projects are in service within approved time and 80% of projects are delivered within approved budget.	50% of projects (4 out of 8) were in service within approved time. 100% of the 4 projects that	Not met	*We can only determine achievement to budget once projects are in service.

Performance measure	Previous quarter result	Target	Q2 actual	Status	Commentary
	approved time. 100% of the 2 projects have been delivered within the approved budget*.		were in service within the approved time have been delivered within the approved budget*.		
Reactive maintenance spend v's proactive renewals spend.	(Not reported)	Establish a methodology on how this should be measured to demonstrate resilience within the network.	On track – Annual target	On track – Annual target	An update on methodology development was provided in the December 2023 Board meeting pack. Further update on methodology will be presented to the Board in April 2024.
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.	0.80%	< 1.5%	0.83%	Met	
Debt to revenue ratio.	3.38	≤3.35	3.67	Not met	The Ōrākei Sewer Main break, delay in insurance revenue for the flood events and CI escalation have placed pressure on our cash position. These are predominantly timing differences. This ratio reflects increased borrowings for FY24. LTP has the debt ratio at 340% for FY25.
Controllable Cost target.	YTD Actuals \$106m against the target of \$96m	\$396m	YTD Actuals \$216.2m against the target of \$196.6m	Not met	Reform (\$3.3m), Flood Management (\$10.5m), Ōrākei Main Sewer Incident (\$6.8m) and additional work delivered on the Waikato District Council Contract (\$2m) have all contributed to the higher costs December YTD. The Reform and WDC costs have been offset by increased Revenue. At time of budget it was anticipated that flood management costs will be recovered via insurance claim but this was removed as part of Q1 forecast. Costs on an ongoing basis excluding the items above are below budget YTD, a very good result.

Performance measure	Previous quarter result	Target	Q2 actual	Status	Commentary
Strengthening our relationships with customers, developers, community stakeholders, and our Māori partners					
Customer Net Satisfaction Score (Previously Net promoter score).	44	≥45	46	Met	
Community trust score.	61	≥55%	61	Met	
Percentage of customer complaints resolved within ten days of notification.	99.30%	≥95%	99.40%	Met	
Ratio of procurement sourced through Māori-owned businesses.	1.79%	3%	1.73%	Not met	Direct 0.31% and Indirect 1.42%. Total Māori business spend for FY24 is \$11.25m. (\$4.85m Direct, \$6.40m Indirect). We have 101 active Māori suppliers out of a total of 1992 active suppliers (5.07% of active suppliers). Although percentage of total spend has reduced, actual dollars spent with Māori businesses continues to increase.
Adherence to the Service Level Agreement with Council (10 working days) for Watercare to provide specialist input into resource consents. (3 months rolling average).	88.58%	90%	91.68%	Met	
Operational greenhouse gas performance. We will implement Mitigation measures in line with our emissions reduction targets (Quarterly measure) (Scope 1 and 2). <i>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.</i>	21,992 tonnes CO ₂ e	<89,200 tonnes CO ₂ e	Q2/FY24 results: 35,782 tCO ₂ e	On track – Annual target	Q2 performance is ahead of target. Data is unverified and excludes solids waste from wastewater processes. The largest reduction is in electricity emissions (down 41%) due to ecotricity offset and reduced consumption.
Total recordable injury frequency rate (TRIFR) per million hours worked (12-month rolling average).	25.62	<10	26.32	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.



Direct operating performance

(\$ million)	Notes	FY 23	FY 24 Quarter 2 YTD			FY 24
		Actual	Actual	Budget	Variance	Budget
Net direct revenue		539.0	273	272	1	585
Direct revenue	A	919	489	469	20	981
Fees & user charges		613	329	342	(13)	698
Operating grants and subsidies		-	-	-	-	-
Other direct revenue		306	160	127	33	283
Direct expenditure	B	380	216	197	19	396
Employee benefits		93	61	40	21	80
Grants, contributions & sponsorship		-	-	-	-	-
Other direct expenditure		286	155	157	(2)	316
Other key operating lines						
AC operating funding						
Capital grants and subsidies intercompany		-	5	-	5	-
Non-direct revenue		-	-	38	(38)	80
Vested assets		77	53	24	29	56
Capital subsidies revenue		-	11	26	(15)	52
Depreciation and amortisation		317	176	146	30	290
Finance costs		121	72	72	-	139

A. Direct revenue: Water and Wastewater revenue remains behind plan YTD due to delay in the recognition of 1 July price increases and low consumption in December due to wetter weather than planned. IGCs and Developer revenue continues to improve and is now tracking \$20m favourable to plan. The Waikato contract also continues to track ahead of plan due to Capital work being completed.

B. Direct expenditure: Direct expenditure is \$19m unfavourable to plan YTD. \$2m of this relates to higher capital work in Waikato (offsets in revenue), \$10.5m to flood recovery opex, \$6.8m incurred due to the collapse of the Ōrākei Main sewer and \$3.3m to reform. 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. Reform costs offset in revenue.

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 2023.

Financial breakdown by key activities

Direct revenue(\$m)	Prior year	Quarter 2 YTD		Var	Full year
	Actual	Actual	Budget		Budget
Fees & user charges					
<i>Water revenue</i>	187.1	100.5	99.3	1.2	205.2
<i>Wastewater revenue</i>	425.4	228.4	243.2	(14.8)	494.2
Grants and subsidies					
<i>Grant from KO</i>	30.8	10.8	26.2	(15.3)	52.5
<i>Any other grant from third parties</i>					
Other direct revenue					
<i>Infrastructure Growth Charges</i>	179.6	93.6	73.3	20.3	169.0
<i>Insurance proceeds for storm recovery</i>					
<i>Other key other revenue</i>	124.9	65.5	53.2	12.2	112.4

Direct expenditure(\$m)	Prior year	Quarter 2 YTD		Var	Full year
	Actual	Actual	Budget		Budget
Staff cost					
<i>Salaries and wages</i>	132.9	70.9	71.6	(0.7)	146.0
<i>Contractors</i>	17.3	7.6	6.4	1.2	11.1
<i>Other staff costs</i>	9.7	5.8	6.0	(0.2)	11.9
<i>Labour recoveries</i>	(66.2)	(23.0)	(41.5)	18.5	(84.0)
Other direct expenditure					
<i>Maintenance costs</i>	84.1	52.3	41.5	10.8	82.4
<i>Other operating costs</i>	46.3	23.3	28.9	(5.6)	57.0
<i>Other expenses</i>	164.3	79.8	83.4	(3.4)	170.7

Direct revenue:

Water and Wastewater revenue remains behind plan YTD due to delay in the recognition of 1 July price increases and low consumption in December due to wetter weather than planned. Wastewater also impacted by lower fixed rates than budgeted. **Government grant revenue** from KO is unfavourable YTD as revenue budgeted for July was recognised in June. December revenue was also down due to timing.

IGC and Developer revenue has rebounded well and is now tracking \$20m ahead of plan.

Other Revenue has benefited from reform secondee revenue, tax subvention payment and WDC contract delivery being ahead of plan.

Direct expenditure:

Staff Costs \$14.6m of the variance are due to labour recoveries for opex maintenance work orders being included in maintenance costs in actuals, but staff costs in the plan. Reform labour costs YTD of \$2.5m (offset by revenue) were also not included in plan. The balance is from lower than planned contract labour capex recoveries, overtime and timing impacts of annual leave.

Other Direct Expenditure Maintenance costs are higher due to flood and Ōrākei costs. This has been partially offset by savings in IS Managed Services / SaaS / Software Licensing fees.