

Quarterly Performance Report

Watercare

2023/2024 Quarter 3

For the 3 months ended 31 March 2024



Q3 – At a glance

Executive Summary

As we move into autumn, our water supply storage is in a stable position. We will continue to monitor this as we plan for summer 2025.

Infrastructure highlights in Q3 include: the granting of resource consent that allows Watercare's Huia Water Treatment Plant replacement project to proceed; announcement of 19 industry partners (consultants and contractors) selected for our \$3.5b asset renewal programme; we also unveiled Ngā Kakau Paraha – a new Māori business network representing a number of construction trades used by Watercare and its contractors for work in the water and wastewater networks, to connect them to our 19 industry partners; we commenced the replacement of the temporary Glenbrook watermain and commissioned a new reservoir at Redoubt Road into service, adding 45 million litres of treated water storage capacity. Auckland consumes 10 to 12 times this new reservoir quantity a day, demonstrating the criticality of this investment.

In January 2024, we acknowledged the one-year anniversary of the January 2023 floods with a report on the progress of our flood recovery works. Of the more than 200 individual infrastructure issues, 60 have been resolved, 16 repairs are currently ready for execution, and a considerable amount of work remains in the planning, design, and consenting phase, expected to extend through to 2025.

In February 2024, we presented our scheduled price path to Auckland Council for inclusion in their Long-Term Plan consultation document. The price path reflects the investment needed to maintain and upgrade our assets and balances Auckland Council's directives to maintain our debt-to-revenue ratio at 340%.

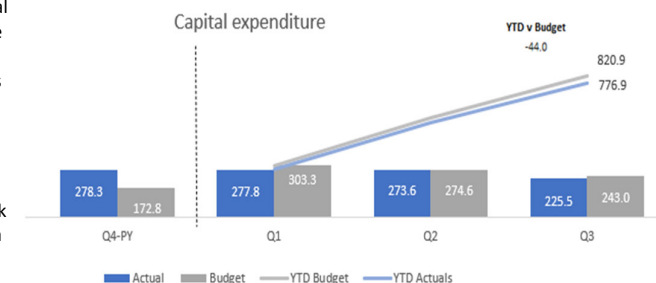
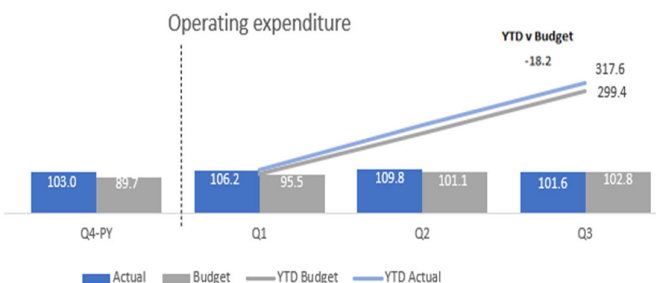
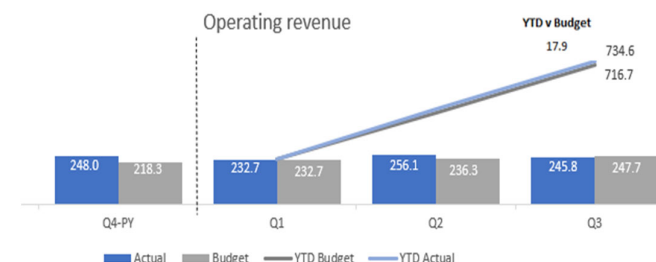
Financial Performance

Capital delivery: The Capital spend to 31 March 2024 is \$776.9m. With planned flood insurance revenues removed from forecast in Q1, settlement of the Central Interceptor escalation claims in December and the additional costs that are now being incurred to repair the Ōrākei Main Sewer which collapsed in September, a major reprioritisation of capex spend has been undertaken to ensure we remain within our funding limits. Flood recovery projects have been prioritised, many of these still in the design and feasibility phase. Kāinga Ora (KO) shovel ready projects and Redhills Wastewater scheme are also behind plan with delays in finalising design and delivery methodologies. These have been partially offset by higher spend on the Central Interceptor project with excellent progress across all sites. The tunnel has now reached the 10km mark (total length 14.7km) and the first section of the project including the commissioning of the Māngere Pump Station is expected in December 2024. Good progress has also been achieved on the Snells Beach Wastewater Treatment Plant (WWTP) Upgrade, with completion due in mid to late 2025 and the Warkworth to Snells Transfer Pipeline project is progressing well with the pump station nearing completion and drive two of tunnelling due to start in early April. The Redoubt Reservoir project is complete with the reservoir brought in service in March and the official opening arranged for 17 April 2024. The \$77m reservoir project 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 \$17.9m favourable to plan YTD. Water and Wastewater revenue is \$21m behind plan primarily due to lower than planned consumption YTD, which has assisted our water supply storage situation. Infrastructure Growth Charges (IGCs) and Developer revenue continue to track well and are now tracking \$24.2m favourable to plan. Funding from the DIA associated with Water Reform secondees, settlement of outstanding Veolia agreement, higher than anticipated rent and interest income and 3rd party billing has also contributed to the favourable result.

Direct expenses: Costs on an ongoing basis are below budget YTD by \$4.4m, a very good result (\$294.8m vs \$299.4). Direct expenditure is \$18.2m unfavourable to plan YTD. \$11.2m of this relates to flood recovery opex cost, \$7.5m due to the collapse of the Ōrākei Main sewer and \$3.3m relate to reform. These have been partially offset by savings in IT Managed Services, SaaS costs and chemical expenses. Reform costs are fully offset in revenue (ceased in January) while the flood costs relate to over-pumping and temporary solution costs for assets damaged in the events of Jan / Feb 2023. The Ōrākei Main sewer repair project is now underway with capex spend to date of \$13.4m.

Note: for more details on financials, please refer to Financials section.





Highlights, Issues/Risks

On the afternoon of 8 March 2024, a Ghella Abergeldie Joint Venture (GAJV) construction worker working on the Central Interceptor project sadly died at the Māngere site following a medical event. He was brought to the surface and emergency services responded quickly but despite their best efforts he passed away. We are supporting the worker's family and GAJV's colleagues and we fully cooperated with police and WorkSafe whilst they carried out their investigations into the tragic incident.

Our proposed price path of 25.8% for water/wastewater tariff and Infrastructure Growth Charges (IGCs) for FY25 was included in Auckland Council's Long Term Plan consultation document, which closed for public consultation in late March 2024. Prices are scheduled for change on 1 July each year; given the parameters of debt to revenue (340%) from Council and our AMP project plan, clarity on final FY25 settings are critical and becoming urgent to finalise.

With the change in Government, and move to the Local Water Done Well policy, Watercare has been reviewing the likely impact on our business. We want to ensure Watercare is fit for purpose and fit for the future, with that our future focus is firmly on the delivery of services to Aucklanders. Following a number of meetings between Watercare and the WDC Waters Governance Board, the parties have mutually agreed that the Waikato District Council (WDC) Contract will come to an end on or before 30 June 2026, and not enter the operational stage. In the meantime, Watercare is working with WDC under the same transitional period terms and conditions that we operate under today. Watercare is committed to ensuring that our WDC Watercare staff are looked after over the next two years and are set up well to transition on or before 1 July 2026.

We have terminated our contract with Fletcher Construction with respect to the Enterprise Model programme. We have been unable to agree on revised terms to the Enterprise Model Agreement. Fletcher Construction will continue to fulfil their existing construction contract obligations, such as delivering the Snells Beach Wastewater Treatment Plant.

Watercare continues to progress the Herne Bay and St Marys Bay stage of the Western Isthmus Water Quality Improvement Project (WIWQIP). The extension of the Central Interceptor to Point Erin and the Branch 5 Sewer through Herne Bay is under consideration by Watercare and Healthy Waters. 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.

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.

Independent review into the failure of the Ōrākei Main Sewer: The final investigation report by WSP has been received and made available publicly. All recommendations will be actioned with monthly progress reported to the Watercare Board.



Key Performance Measures

For audit purposes, from March 2024, we stopped reporting against two SOI measures (which were also LTP/DIA measures) and began reporting against the eight new Taumata Arowai (TA) measures. This is because these DIA measures have been superseded by the TA measures. This means from March 2024, Watercare will report on 35 SOI measures (out of which 12 are LTP/DIA measures) rather than 29 measures (out of which 14 were LTP/DIA measures). Out of the 35 measures, 12 measures are LTP/DIA measures.

For the 3 months to 31 March 2024, 22 of the 35 measures are tracked monthly. Eleven measures are yearly measures, and two measures are quarterly measures.

In Q3, of the 35 measures, 25 measures were met, two annual measures were on track this third quarter, and eight measures were not met.

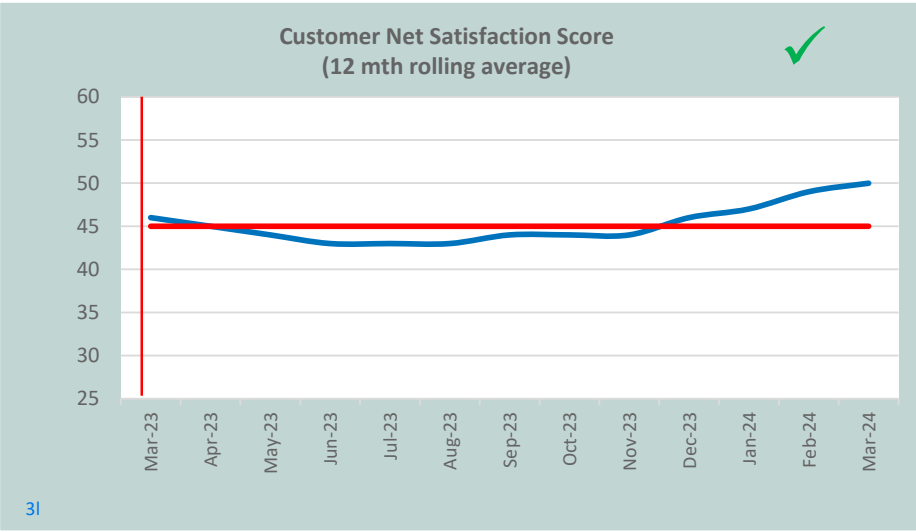
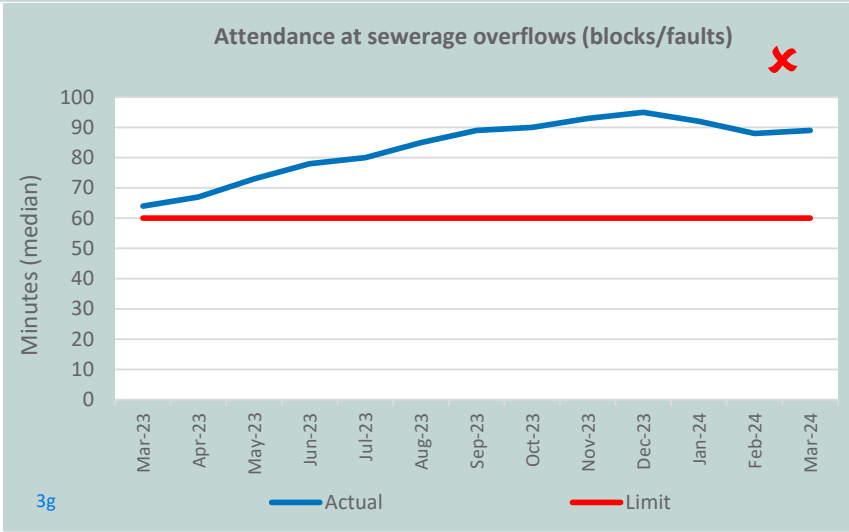
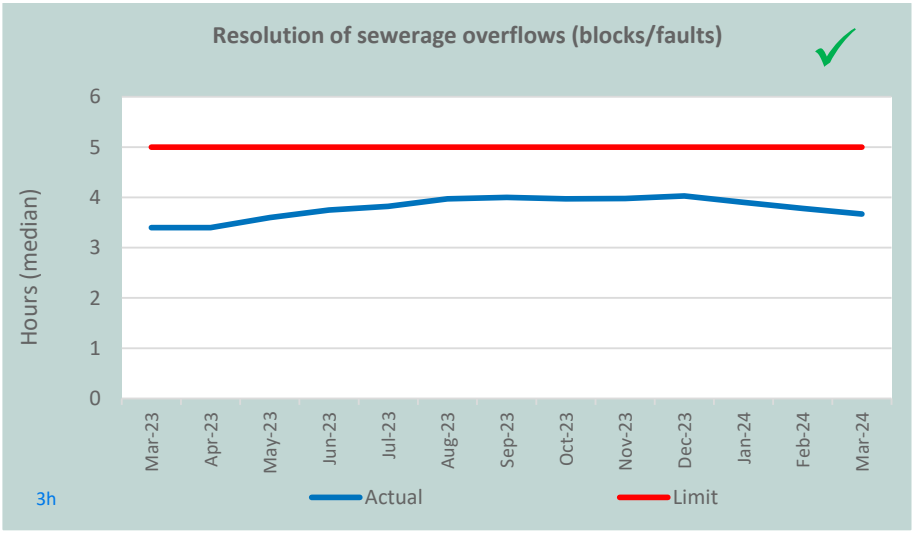
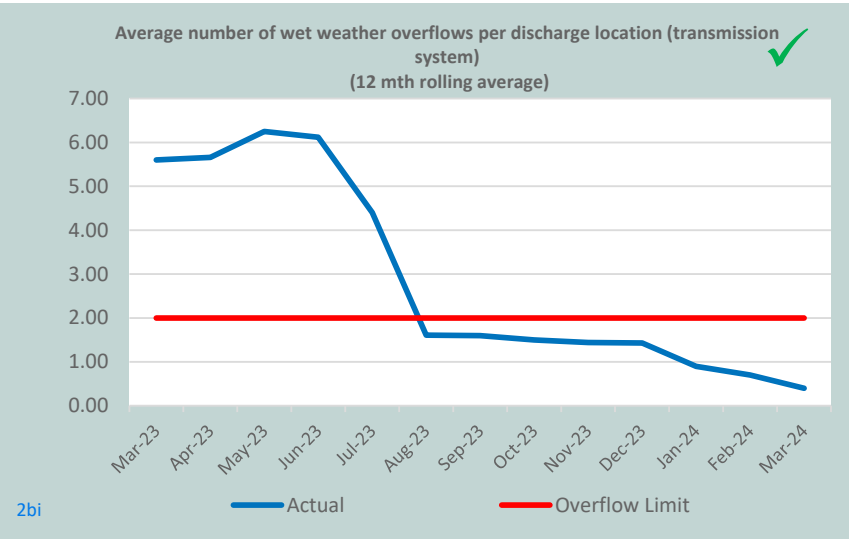
For detailed update on the Q3 performance against the SOI measures, please refer to Performance measure section (pages from 16 to 22).

| Statement of Intent measures | Previous quarter | Target | Q3 Actual | Status* |
|---|---|----------------------------------|---------------------------|--------------------------|
| Compliance with Taumata Arowai Quality Assurance Rules D3 – Residual disinfection (chlorine) water quality. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3. <i>One of the eight new TA measures.</i> | January 2024 results – 90% (New measure from March 2024) | 100% | 90% | Not met |
| Total recordable injury frequency rate (TRIFR) per million hours worked <i>An independent review was commissioned in the second half of 2023. Management has accepted the findings of the review and are developing an action plan to implement these findings. Part of this will include the development of a new metrics for HSW which is complement the more traditional TRIFR lag indicator. The review acknowledges that TRIFR alone is no longer considered as useful measure of safety performance.</i> | 26.32 | <10 | 24.4 | Not met |
| Customer Net Satisfaction Score (Previously Net promoter score) | 46 | ≥45 | 50 | Met |
| Debt to revenue ratio. <i>#Note: This is within the updated approved limit.</i> | 3.67 | ≤3.35 | 3.66 | Not met [#] |
| Ratio of procurement sourced through Māori-owned businesses | 1.86% | 3% | 2.19% | 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> | 35,782 tCO ₂ e | <89,200 tonnes CO ₂ e | 45,100 tCO ₂ e | On track – Annual target |

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

3 Group Performance Reporting

Trends



Strategic alignment and key policies

Climate change and sustainability

We have implemented a GHG reporting software solution – Salesforce Net Zero, to improve our Scope 1 and 2 GHG consolidation. This will facilitate more frequent data analysis to assist in operational mitigation strategies.

Performance against the greenhouse gas SOI measure is tracking well at the third quarter of the year (45,100 tCO₂e vs 66,975 tCO₂e). Through reviewing available data, we are seeing positive performance in electricity, natural gas, fuel consumption, and process related emissions. Action continues to integrate the projects in the 2030 Decarbonisation Roadmap into the planning and delivery mechanisms of Watercare.

The Watercare team have continued to contribute towards the Auckland Council group's Climate Related Disclosures reporting requirements and are progressing towards a detailed risk assessment in 2024 using a new methodology developed for the group. We have also contributed to the Auckland Council group pro forma disclosure for this financial year.

Māori outcomes

This quarter, our priority has been to re-establish connections with our mana whenua partners. Almost all of our Te Rua Whetū team were seconded to DIA/NTU in 2023. We have actively engaged with 17 out of 19 mana whenua groups to provide them with updates following recent changes to the water reforms programme.

We participated in the February 2024 hui of the Mana Whenua Kaitiaki Forum. In alignment with the government's strategic vision for "Local Water Done Well," we're undertaking a comprehensive review of the forum. This evaluation aims to assess the forum's effectiveness, identify any resource gaps, and streamline both governance and operational activities between Watercare and mana whenua. To ensure a robust assessment, we've engaged independent consultants, HR Kete to manage and oversee the review. We anticipate that this will be completed by June 2024, with final recommendations to be shared with Watercare and our mana whenua partners by July.

In February, we launched Ngā Kakau Paraha (NKP) – our Māori business network aimed at supporting Watercare's \$3.5 billion asset upgrade and renewal programme. Ngā Kakau Paraha comprises 15 Māori-owned businesses who will collaborate with us through procurement processes, to identify avenues for Māori businesses to contribute to the programme's success.

Auckland Water Strategy

Our management of summer demand was effective, with Aucklanders responding positively to our "Every drop counts" campaign. Despite the hot weather, ranked as the ninth warmest summer in NZ, our daily demand (7-day rolling average) peaked at 510 million litres per day (MLD). Our baseline ceiling demand was expected to be at 544 MLD.

With the installation of over 50,000 smart meters, our rollout programme targets areas with aging infrastructure and high consumption. Watercare App adoption continues to rise, now exceeding 73,000 users, predominantly among mechanical meter customers. We will continue to encourage high-consumption households to monitor their consumption via the Watercare App.

The leak management programme is ongoing. Since the start of the programme approximately 23,500 kms have been surveyed to date with 14,900 leaks found. Since the start of the leak management programme over 26.5MLD of water savings have been achieved.

Fletchers and Watercare collaborated on the LowCo home project, a low carbon, low energy, and low water use pilot at Waiata Shores, Tāmaki Makaurau. The project aimed to meet New Zealand's 1.5°C carbon budget over 90 years by reducing embodied and operational carbon. It focused on water efficiency, aligning with the Ministry of Business, Innovation and Employment's 2035 target of 75 litres per person per day. Completed homes are now open for guided tours for key stakeholders.

Watercare's Māngere WWTP's non-potable recycled water treatment plant has supplied approximately 9 million litres to the Central Interceptor (CI) project. We are gathering data on water quality and operational aspects. As the CI project's need for recycled water diminishes, we're working on a new project to use recycled water onsite at the Māngere WWTP. A second purified recycled water pilot plant is under construction, with data collection expected to start by September. We have assessed global regulations and standards to prepare for collaborating with Taumata Arowai on purified recycled water as a viable source.

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

Highlights

Our first annual report for the period 1 January 2023 – 31 December 2023 under the Drinking Water Quality Assurance has been submitted to Taumata Arowai.

Under the new drinking water standards, in January, February and March 2024, 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 February 2024 and only two sites had full non-compliances, and the majority (85%) of non-compliances were technical. Non-compliance issues at Kingseat WWTP related to an E coli exceedance, and system adjustments are ongoing. A lime spill incident at Huia WTP occurred during pH adjustment and was contained within the lagoon, but with some overflow into the stormwater system. The issue has subsequently been resolved.

Issues and Risks

Fluoride dosing was not available at the Huia Water Treatment Plant whilst the bulk HFA tank was being replaced and associated works completed. Updates were provided to the Ministry of Health, who requires the fluoride dosing. They have advised that they understand the circumstances and were comfortable that Watercare was taking the appropriate steps to address the situation. Taumata Arowai has also been advised however, reporting was not required because we did not breach the MAV for fluoride. Fluoride dosing recommenced at the plant on 15 March 2024.

Out of 40 distribution zones, four distribution zones did not achieve the residual disinfection compliance. Proactive network flushing has been implemented whilst long term solutions are being implemented.

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

Highlights

As at 31 March 2024, \$215m was spent towards water supply investment against the YTD budget of \$214m. The Ponsonby Reservoir land acquisition was the largest individual water supply spend and was necessary to reduce our exposure to rent escalation. Owning the land also means we do not risk having to find alternative land in the Auckland CBD to provide necessary drinking water capacity as our lease was due to expire. The KO shovel ready project – Waikowhai Pump Station and Watermain – is progressing well and will facilitate the major KO redevelopment in Mt Roskill. The Water Pipe Renewal programme progressed well in the first half replacing a number of aged pipelines. However, we have had to refine this programme in the second half of the year to cater for capex spend reprioritisation. The Redoubt Reservoir Expansion project, Huia 1 and Nihotupu Replacement projects, and Huia property purchases are the other water supply projects incurring significant spend YTD.

As at 31 March 2024, \$561.8m was spent towards wastewater investment against the YTD budget of \$606.8m. CI, 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.

Ōrākei Main Sewer (OMS) project update: The OMS has returned to normal operation, with no further overflows as a result of the damage since 26 October 2023. All debris has been removed from the sewer. An odour control device was installed on 21 February 2024 which helps to mitigate odour, and has reduced complaints but does not eliminate them. Cooler weather also helps mitigate odour. Once the grouting methodology is finalised, grouting will be placed between the existing old pipe and the new liner. Once the lining works are complete, the overland pipeline and temporary pump station will be removed. We are planning to reline about 1.6 kilometers of the sewer in Parnell over the next few years. This \$86.74 million investment will increase the life of the sewer by circa 100 years.

Huia Water Treatment Plant Replacement project: The project includes the construction of a new treatment plant to replace the 95-year-old original plant, which is at the end of its operational life. Concept design for the water treatment plant is now underway. At this stage, Watercare is considering the procurement of the project and working with Crown Infrastructure Partners regarding alternative financing options for large infrastructure projects. We envisage construction of the replacement water treatment plant to begin in 2027.

Auckland's treated water storage capacity was increased by 45 million litres reservoir at our Redoubt Road Reservoir complex which went into service in March 2024. The complex receives water from Ardmore and Waikato water treatment plants, with 80 per cent of Auckland's water passing through it each day. This reservoir takes the site's overall storage capacity to 165 million litres and increases Auckland's overall treated water storage capacity to more than 700 million litres.

Issues and Risks

In February 2024, a burst waterpipe on Remuera Road affected Remuera, Meadowbank, and St Johns residents. This incident consisted of three events that occurred in sequence: a watermain break at Koraha Street, a second break at 699 Remuera Road, and a third break at a similar location. The rolling nature of the breaks in this incident

are common with aging asbestos cement (AC) pipes which make up 5,400km or 60 per cent of the local water supply network. While AC pipes remain safe for drinking water supply, their age of up to 60 years means they can be brittle and prone to repeat breaks as they are being repressurised. While we are working to improve this situation, this incident was a demonstration of the challenges we face when dealing with aging infrastructure while also having limited access to sufficient capital to ensure we can invest in upgrades and renewals in a timely manner.

In late February 2024, clam shells were detected in the sand separators at the Waikato Water Treatment Plant. Subsequently, MPI has confirmed the clam shells are in fact, Gold Clams. This invasive species can clog water-based infrastructure. Gold Clams do not pose a risk to water quality and drinking water continues to be safe to drink. Watercare is working directly with Ministry of Primary Industry (MPI) and is implementing increased monitoring, maintenance, and disinfection procedures to address the threat. Watercare has also set up a community group with other operators on the Waikato River e.g. Fonterra so we can all share intelligence and learnings.

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 May. Design was programmed to start in January but has been deferred to early FY25 due to AMP (Asset Management Plan) funding constraints. The delay's impact is considered minimal as there is sufficient duration allotted in the overall delivery schedule. The project team is developing an optimised programme for construction with a view to accelerating the project delivery. Concurrent investigations to support the pipeline under the Greenhithe Bridge have been reprogrammed to be completed by the end of FY24. |
| Huia Water Treatment Plant replacement | On track | The plant is at 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. | Working to commence geotechnical investigations onsite in July, pending the approval of a Phythophthora Risk Management Plan (i.e. Kauri dieback). 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 September 2024. Project still on track for a construction start date of 2027. Public meeting held to highlight the change of use for the Parau landfill site, currently receiving sludge from the Huia WTP. Watercare is seeking a change to the consent conditions to allow disposal of spoil from the new Huia WTP site. |
| 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 87% complete with 45% of it live. Duke St to Scout Ave – The pipe has been laid for this section and work has started on the two line valve chambers. We are on track to have this live by 21/08/24. This will mean 62% of the project is live. Donvan St – We have completed 37% of the section and works are progressing well. We have been very pleased with the level of traffic disruption. Minimising the disruption to the public has required constant attention and adaption and this is due to our good working relationship with the project and AT. Planning has been occurring on the final stage from St Andrew Rd to Gillies Ave. This section will involve sliplining the existing Huia 1 watermain to reduce cost and minimise disruption to the travelling public. |

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. This is expected to close by the end of May 2024. Final section of Northern Interceptor tie-in at the Rosedale WWTP is currently in detailed design & investigation phase. Field investigations and preliminary design is now complete. Resource consent package and assessment of environmental effects preparation is underway. All property rights have been secured. |
| 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, with the second of three drill shots commencing end of February 2024. Completion is currently scheduled for March 2025. Pump Station: Construction of the new WW PS at Lucy Moore Park is complete including electrical and reinstatement works. The pump station cannot be fully commissioned until the rest of the scheme is completed. WWTP: Construction underway with completion expected in mid to late 2025. Warkworth Local Network: Multi criteria analysis has been completed on the wastewater network route options, required to connect the Northern Branch Sewer to Lucy Moore Park PS through the township. Ongoing coordination with AT around entrusted works of the pipeline section running through the new Hill St roundabout planned by AT. Need to further progress consenting for crossing the Mahurangi River, including Local Board and Parks. Forecasting completion in 2028 with tankering required in the meantime for some developments to service growth in northern Warkworth. |
| 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 delayed to 2025 due to budget changes. Glenbrook Beach WWTP: Designation application lodged and hearing complete. Preliminary design underway. Northern Conveyance System: Landowner discussions underway for key sites. Detailed design and investigations in progress. Outfall: Marine investigations completed. Concept design phase nearing completion. Specialist contractor onboarding underway. |

| Key programme of works | Status | Description | Progress towards key deliverables |
|---|---------|--|--|
| Western Isthmus Water Quality Improvement Programme (WIWQIP) (Pending agreement of proposed amendment including Point Erin Tunnel) | Delayed | 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, combined with connection to Herne Bay Branch No.5 sewer overflow upgrade, 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. Watercare and Auckland Council are working together on a formal cost sharing funding agreement.</p> <p>The Pt Erin Tunnel and Herne Bay Branch No.5 consents have been awarded, with Herne Bay Branch No.5 appeal period ending on 19 April 2024. We are currently reviewing the Branch No. 5 tunnel boring machine sizing, procurement, and phasing of the construction with the CI project delivery team.</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, and Motions Road. 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 Grey Lynn, Branch 6 at Cox's Bay, CC7, and a connection to CI at Dundale have been deferred for six months as part of this programme level view.</p> |
| Whenuapai Redhills | Delayed | 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 and processed. Watercare continues to await a decision from Council on all three resource consent applications.</p> <p>All property acquisition is now complete for package 1. However, Council has elected to publicly notify the designation which results in time delays to allow for this process.</p> <p>Landowner negotiations, obligations and requirements have delayed the works on package 3. Given this, an interim solution of tankering wastewater is in place until the works are installed. The consent for package 3 has not yet been granted by Council.</p> |

Central Interceptor

Highlights

As at 31 March 2024, a total of \$1,131.8m million has been spent towards the Central Interceptor (CI) against a revised total CI budget of \$1,445.5 billion. In addition, the CI programme manages a revised budget of \$57.6m of Western Isthmus Water Quality Improvement Programme (WIWQIP) works, Confluence Chamber Stage 2 works \$20m and \$180m for the Point Erin Tunnel works, for which the necessary resource consents have been obtained.

The Tunnel Boring Machine (TBM) has crossed the 10km mark with 625m to go to the next shaft (Lyon Ave) – TBM breakthrough at this site is estimated for early-mid May 2024.

Māngere Pump Station – Switchboard delivery and installation ongoing and construction of building over the drywell is now underway. Confluence Chamber works continue to progress well. Diversion chamber benching installation complete in the Eastern and Southwestern Interceptors. Temporary over pumping system stable and continuing to operate.

Issues and Risks

The WIWQIP has an approved value of \$328m with a funding split 54% Watercare and 46% Healthy Waters. There is a risk that Healthy Waters only has funding that partially covers this project. Watercare and Healthy Waters (Auckland Council) are working together on a formal cost sharing funding agreement confirming the cost sharing of the wider WIWQIP scheme (and in particular the connection works that would enable Healthy Waters to connect to Watercare’s Central Interceptor Wastewater Tunnel Extension) is fulfilled by Healthy Waters.

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 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. | Excavation of the shaft has been completed. Permanent works have commenced. | <p>Legend for Work Progress:</p> <ul style="list-style-type: none"> Actual Work Progress (Light Blue) Remaining (Dark Blue) |
| Commence physical works | On track | The Contractor is now established and activity underway at all sites. Pump station shaft, wet well works completed. Pump non-return valve housing installation underway. | <p>Keith Hay Park - Plant Room: Stub pipe installed for air duct</p> <p>CC09 – Temporary works and excavation completed at all seven manholes. 4 of 7 pipe jack drives completed</p> <p>May Rd Shaft ATF – Completed concrete pour of section 1 ground slab (carbon beds section).</p> <p>Haverstock Road – Shaft permanent lining lift (13 out of 18) 72% completed.</p> <p>Lyon Ave - Permanent in-situ shaft lining: Last lift (lift 5) completed.</p> <p>Western Springs – Shaft construction: Permanent concrete lining Lift 2 out of 9 poured, 22% completed to date</p> <p>Tawariki Street – Shaft excavation completed (27m deep).</p> <p>Dundale Avenue – Site closed. Reinstatement complete.</p> <p>PS25 Shaft – Welding of HDPE liner ongoing (80% complete).</p> <p>Norgrove Ave – Pipelaying progressing for connection sewers. Pre-casting manholes and outfall structure ongoing</p> <p>Rawalpindi Reserve – MTBM crew in full production for Link Sewer B drive 2</p> <p>Western Springs – Shaft construction: Permanent concrete lining Lift 2 out of 9 poured, 22% completed to date.</p> | |
| Commence tunnelling | On track | The TBM has tunnelled 10,002m. | <p>TBM has successfully completed 34% of the Northern Tunnel (May Road to Tawariki Street)</p> <p>CPL Welding approx. 50% complete on Southern Tunnel and 10% 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

- We continue to monitor our water supply situation. In February 2024, we continued to encourage Aucklanders to make every drop count with our summer waterwise messaging across media and social media.
- Our social media posts across Facebook, Instagram, TikTok and Twitter collectively had almost 3.4 million impressions (the number of times our content was displayed to users) and led to almost 2,600 visits to our website for water saving tips.
- We won a Digital Workplace Award for the most impactful transformation, for our digitised pre-start site inspection process for field teams. Working with the field teams, our digital team came up with an automated solution that is faster, easier, and less susceptible to human error. The new process has replaced inefficient manual processes, reduced overheads, and enhanced safety and compliance. The digital team used Lean Six Sigma, a set of common measurements used to track progress quality, to analyse the benefits of switching to the digital process. The analysis estimated it would save six minutes per form, which works out as 606 days of work and \$279,249 over three years.

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

Highlights

- As an extension of our Asset Upgrade and Renewal (AUR) procurement work, we unveiled our Ngā Kakau Paraha – a new Māori business network. This group of fifteen Māori owned businesses represent a number of construction trades used by Watercare and its contractors for work in the water and wastewater networks, including electrical, landscaping, earth works, pipelaying, traffic management and plant and labour hire. With the creation of this network, we are connecting these businesses to the contractors and consultants who will be helping us to deliver our \$3.5b asset upgrade and renewal programme. This initiative is aligned to our target to have 5 per cent of our annual total spend going to Māori businesses by 2025.
- We implemented our summer peak demand plan featuring the "Every Drop Counts" campaign. We maintained the maximum demand at 510 MLD (7-day rolling average). Customer satisfaction has been on the rise over the past quarter, driven by our efforts to address leak backlogs, resulting in a 12-month rolling average score of +50.
- The results of the elected members survey on CCO and Council Officers' support, indicated a high level of satisfaction (83%) with the support provided by Watercare.

Issues and Risks

- In February 2024, there was a privacy breach covering 17 of Watercare's customers that was reported to the Privacy Commissioner (PC). This related to an administrative error which caused 17 customers' physical bills to be sent to one customer. The error has been advised to PC, with an initial assessment of "unlikely to cause serious harm". We are currently assisting the Privacy Commissioner with their investigation and responses to the PC were sent by the deadline of 15 March 2024.

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 achieved certification for ISO 45001:2018: Occupational health and safety management systems. This is an international standard, which means our health and safety management system is structured similar to those in UK and European water utilities and aligns with our integrated management systems. This is a significant milestone on our journey of continuous improvement of the health, safety and wellbeing of our people. It should be noted that it is rare for an organisation to achieve certification on the first try, so this is a big win for Watercare people who were part of this journey.
- Our engagement score from the March's staff engagement survey was unchanged since November, with an average score of 7.6. This stable engagement is encouraging, given the uncertainty we have been faced with. The participation was slightly higher this time at 84% (Nov 2023 was 82%). This shows that we have a high level of engagement. Feedback from the survey tells us that most people feel proud to recommend Watercare as a place to work and feel loyal to the organisation.
- Late last year, Watercare was gifted a waiata (song) composed by the students of Te Wānanga Reo o Hokianga. The waiata is Te Whakapapa o te Wai and it tells the story of the origin of water. Throughout February, Watercare organised lessons for staff to come along to and learn our waiata and actions in a fun, safe and engaging environment. The aim of these sessions is to enable our teams to understand the meaning behind our waiata and for it to be used confidently at events such as, pōwhiri, site blessings and other cultural occasions.
- Over December 2023 and January 2024, Watercare's Summer Internship Programme for 23/24 featured a diverse cohort of 21 interns across various business units, with 24% identifying as Māori, 38% as Māori and Pacific People, and 71% as female. Strengthening ties with indigenous communities, interns were engaged through Iwi relationships with Ngāti Whātua Ōrākei, Ngāti Whātua o Kaipara, and Tainui. The programme provided meaningful work aligned with interns' expertise, resulting in impactful projects like a Microsoft-based mobile app for commissioning processes, efficient file management systems, and a dynamic data dashboard. Seven interns received extended employment offers, marking a 100% employment rate for completing students, while fostering ongoing connections for those returning to university beyond the summer months.

Issues and Risks

- In the second half of 2023, an independent review was commissioned for our health and safety performance. Management has accepted the findings of the review and are developing an action plan to implement these findings. Part of this will include the development of a new metrics for HSW which will complement the more traditional TRIFR lag indicator. The review acknowledges that TRIFR alone is no longer considered a useful measure of safety performance.
- WorkSafe has issued Watercare with a directive following an incident on 27 October 2023 related to a low-level chlorine gas alarm (between 1ppm and 5ppm) in B1 drum room at the Ardmore WTP. Annual servicing of the vacuum regulator that controls chlorine flow on the chlorine drum requires their removal and reinstallation by the service provider. Initial investigation has found that during this process the regulator was not tightened adequately, which led to a minor gas leak. The Worksafe directive requires Watercare to review and update the emergency management protocols/procedures and contractor management to ensure that work is carried out to the required standards. The reviews are underway and a plan to address the directive will be provided to Worksafe by 31 May 2024, as required.

- Ardmore Water Treatment Plant (WTP) is a Major Hazard Facility due to the volume of chlorine stored on site. Any chlorine leak must be notified to Worksafe, no matter how small it may be. On the afternoon of Sunday, 17 March 2024 at Ardmore WTP a small chlorine gas leak was detected on sensor B1 in the west bank of the chlorine drum room, fluctuating from 0.0 to 1 ppm. The site was shut down and a notification was sent to Worksafe. In line with the new operating procedure, workers wore full breathing apparatus before investigating the leak. The incident that occurred in October 2023 (reported above), and this incident are unrelated – i.e. the root cause and contributing factors are different. On investigation, the source of the leak was caused by corrosion. We are working closely with the chlorine drum supplier to investigate drum history, quality checks, and maintenance.

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

- The National Transition Unit stopped at the end of March. The Department of Internal Affairs has set up an information portal for councils to access information prepared by the National Transition Unit including detailed information related to the integrated suite of Systems of Record platforms. Watercare’s Digital team has access to this site and is working with the DIA to salvage useful data.
- Two further bills are expected over the next two years to complete delivery of the Local Water Done Well policy:
 - The first bill, expected to be passed in mid-2024, will set out provisions relating to council service delivery plans and transitional economic regulation. The Government has indicated that this bill will enable councils to voluntarily start shifting the delivery of water services into more financially stable models.
 - The second bill, expected to be introduced in December 2024 and passed by mid-2025, will provide for long-term requirements for financial sustainability, a complete economic regulation regime, and new types of structural and financing tools, including a novel financially independent council-controlled organisation structure.

Issues and Risks

- Financial separation still a key question – The Central Government is seeking financially independent and sustainable models meaning neither councils nor Government would be called on to inject additional funds or bail out a water provider if it is failing to deliver. This is still to be tested with financial agencies.

Performance Measures

Department of Internal Affairs measures

| Performance measure | Previous quarter result | Target | Q3 actual | Status | Commentary |
|--|---|--|---|------------|--|
| <p>Compliance with the territorial authority's resource consents for discharge from our sewerage system measured by the number of:</p> <p>(a) abatement notices</p> <p>(b) infringement notices</p> <p>(c) enforcement orders</p> <p>(d) convictions</p> <p>received by Watercare in relation to those resource consents.</p> <p><i>Note the assumption is that abatement notices received relates to new notices issued in the financial year</i> (12-month rolling average).</p> | <p>a) 0</p> <p>b) 0</p> <p>c) 0</p> <p>d) 0</p> | <p>a) ≤2</p> <p>b) ≤2</p> <p>c) ≤2</p> <p>d) 0</p> | <p>a) 0</p> <p>b) 0</p> <p>c) 0</p> <p>d) 0</p> | 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). | 241.40 | 256 litres | 253.40 | Met | |
| The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria) (12-month rolling average). | 100% | 100% | Superseded | Superseded | For audit purposes, from March 2024, we ceased reporting against these two measures (which were also LTP/DIA measures) as they have been superseded. We have started reporting against the eight new Taumata Arowai measures (refer to items A to H in the 'Organisation performance measures' section). |
| 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% | Superseded | Superseded | |
| 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 | 45 | 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). | 4.07 | ≤ 5 hours | 4.20 | 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). | 0.87 | ≤ 5 days | 0.86 | Met | |

| Performance measure | Previous quarter result | Target | Q3 actual | Status | Commentary |
|--|-------------------------|-----------|-----------|---------|--|
| 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). | 1.15 | ≤ 6 days | 1.11 | Met | |
| The total number of complaints received by the local authority about any of the following: (a) drinking water clarity (b) drinking water taste (c) drinking water odour (d) drinking water pressure or flow (e) continuity of supply (f) Watercare's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system (12-month rolling average). | 7.3 | ≤ 10 | 7.47 | Met | |
| 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). | 95 | ≤ 60 mins | 89 | Not met | Overflows are triaged as a P1 or P2 response. P1s have a one hour response target and P2s have a four hours response target. Accordingly, if we meet these responses, we will not meet the 60 minute attendance set by this KPI. It is noted that the resolution of faults has been achieved within the KPI timeframe including attendance time. |
| 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). | 4.03 | ≤ 5 hours | 3.67 | 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). | 23.33 | ≤ 50 | 19.83 | Met | |

| Performance measure | Previous quarter result | Target | Q3 actual | Status | Commentary |
|--|-------------------------|--------|-----------|--------|---|
| The percentage of real water loss from the local authority's networked reticulation system (12-month rolling average). | 11.09% | ≤13% | 9.12% | 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 drop in leakage is due to meter reads from the winter periods being higher for November and consumption data has been due to meter reading lag. We anticipate this will even out across the 12 month rolling values and likely return to an average of 11% in the next quarter. |
| 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). | 0.64 | ≤ 5 | 0.60 | Met | |

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

Organisational performance measures


| Performance measure | Previous quarter result | Target | Q3 actual | Status | Commentary |
|---|--------------------------------|--------|-----------|--------|--|
| Delivering safe and reliable water and wastewater services to Aucklanders 24/7 | | | | | |
| A. Compliance with Taumata Arowai Quality Assurance Rules T3 – Bacterial water quality. | 100% (January 2024 results) | 100% | 100% | Met | For audit purposes, from March 2024, we stopped reporting against two existing SOI measures (which were also LTP/DIA measures) and began reporting against these eight new Taumata Arowai measures (from items A to H). Out of 40 distribution zones, four distribution zones did not achieve the residual disinfection compliance. Proactive network flushing has been implemented whilst long term solutions are being implemented. |
| B. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3. | 100% (January 2024 results) | 100% | 100% | Met | |
| C. Compliance with Taumata Arowai Quality Assurance Rules T3 – Protozoal water quality. | 100% (January 2024 results) | 100% | 100% | Met | |
| D. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3. | 100% (January 2024 results) | 100% | 100% | Met | |

| Performance measure | Previous quarter result | Target | Q3 actual | Status | Commentary |
|---|-----------------------------|---|-----------|---------|--|
| E. Compliance with Taumata Arowai Quality Assurance Rules D3 – Residual disinfection (chlorine) water quality. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3. | 90% (January 2024 results) | 100% | 90% | Not met | |
| F. Compliance with Taumata Arowai Quality Assurance Rules D3 – Microbiological water quality. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3. | 100% (January 2024 results) | 100% | 100% | Met | |
| G. Compliance with Taumata Arowai Quality Assurance Rules D3 – Disinfection by-products water quality. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3. | 100% (January 2024 results) | 100% | 100% | Met | |
| H. Compliance with Taumata Arowai Quality Assurance Rules D3 – Plumbosolvent metals water quality. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3. | 100% (January 2024 results) | 100% | 100% | Met | |
| Adherence to all of DIA's non-financial service performance measures. | 92.86% | 100% | 92.86% | Met | Out of 12 DIA measures, 11 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). | 1.43 | ≤ 2 overflows per year | 0.40 | Met | |
| Leakage performance – litres/connection/day(l/c/d). | 106.34 | 107.9 l/c/d being the Economic Level of Leakage | 90.20 | 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. The drop in leakage is due to meter reads from the winter periods being higher for November and consumption data has been due to meter reading lag. This will even out across the 12 month rolling values and likely return to within 5% of target. |

| Performance measure | Previous quarter result | Target | Q3 actual | Status | Commentary |
|---|---|---|---|--------------------------|--|
| 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. | 50% of projects (4 out of 8) were in service within approved time. 100% of the 4 projects that were in service within the approved time have been delivered within the approved budget* | 80% of projects are in service within approved time and 80% of projects are delivered within approved budget. | 42% of projects (5 out of 12) were in service within approved time. 100% (9/9) of completed projects have been delivered within the approved budget. * | Not met | *We can only determine achievement to budget once projects are in service. |
| Reactive maintenance spend v's proactive renewals spend. | On track – Annual target | Establish a methodology on how this should be measured to demonstrate resilience within the network. | On track – Annual target | On track – Annual target | A methodology has been discussed with the Watercare Board. Development of appropriate 6-monthly targets / trajectory is underway. An initial view of the metrics will be available by June 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. | 0.83% | < 1.5% | 0.86% | Met | |
| Debt to revenue ratio. | 3.67 | ≤3.35 | 3.66 | Not met | The Ōrākei Sewer Main break, delay in insurance revenue for the flood events and CI |

| Performance measure | Previous quarter result | Target | Q3 actual | Status | Commentary |
|---|---|--------|---|--|--|
| | | | | <i>(This is within the updated approved limit.)</i> | escalation have placed pressure on our cash position. This ratio reflects increased borrowings for FY24 and is within the approved limit. |
| Controllable Cost target. | YTD Actuals \$216.2m against the target of \$196.6m | \$396m | YTD actuals \$317.6m against the target of \$299.4m | Not met <i>(This is within the updated approved limit.)</i> | Flood management (\$11.2m), OMS Incident (\$7.5m) and reform costs have all contributed to the higher costs incurred March YTD. Reform costs have been offset by increased revenue and it is anticipated that the flood management costs will be recovered by an insurance claim in FY25. Costs on an ongoing basis excluding the items above are below budget YTD \$4.4m, a very good result. |
| Strengthening our relationships with customers, developers, community stakeholders, and our Māori partners | | | | | |
| Customer Net Satisfaction Score (Previously Net promoter score). | 46 | ≥45 | 50 | Met | |
| Community trust score. | 61 | ≥55% | 61 | Met | |
| Percentage of customer complaints resolved within ten days of notification. | 99.40% | ≥95% | 99.28% | Met | |
| Ratio of procurement sourced through Māori-owned businesses. | 1.73% | 3% | 2.19% | Not met | Direct 0.89% and Indirect 1.30%. Total Māori business spend for FY24 is \$20.02m (\$8.20m Direct, \$11.81m Indirect). We have 114 active Māori suppliers out of a total of 2,052 active suppliers (5.56% of active suppliers). With a Quarter 3/FY24 spend of \$20.02m, we are on track to exceed our Total Māori business spend from FY23 of \$22.84m. |
| Adherence to the Service Level Agreement with Council (10 working days) for Watercare to provide specialist input into resource consents. (3 months rolling average). | 91.68% | 90% | 92.02% | Met | |

| Performance measure | Previous quarter result | Target | Q3 actual | Status | Commentary |
|--|---|----------------------------------|---------------------------|--------------------------|---|
| 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> | Q2/FY24 results: 35,782 tCO ₂ e | <89,200 tonnes CO ₂ e | 45,100 tCO ₂ e | On track – Annual target | Q3 performance is ahead of target. Data is unverified and excludes solids waste from wastewater processes at smaller plants. The largest reduction is in electricity emissions (down 71%) due to ecotricity offset and reduced consumption. |
| Total recordable injury frequency rate (TRIFR) per million hours worked (12-month rolling average). | 26.32 | <10 | 24.40 | Not met | An independent review was commissioned in the second half of 2023. Management has accepted the findings of the review and are developing an action plan to implement these findings. Part of this will include the development of a new metrics for HSW which is complement the more traditional TRIFR lag indicator. The review acknowledges that TRIFR alone is no longer considered as useful measure of safety performance. |

|  Direct operating performance | | | | | | |
|---|----------|--------|--------------------|--------|----------|--------|
| (\$ million) | | FY23 | FY24 Quarter 3 YTD | | | FY24 |
| | Notes | Actual | Actual | Budget | Variance | Budget |
| Net direct revenue | | 539 | 1,052 | 1,016 | 36 | 585 |
| Direct revenue | A | 919 | 735 | 717 | 18 | 981 |
| Fees and user charges | | 613 | 506 | 527 | (21) | 698 |
| Operating grants and subsidies | | - | - | - | - | - |
| Other direct revenue | | 306 | 229 | 190 | 39 | 283 |
| Direct expenditure | B | 380 | 318 | 299 | 18 | 396 |
| Employee benefits | | 93 | 91 | 60 | 31 | 80 |
| Grants, contributions and sponsorship | | 0 | 0 | - | 0 | |
| Other direct expenditure | | 286 | 226 | 239 | (13) | 316 |
| Other key operating lines | | | | | | |
| Capital grants and subsidies intercompany | | | 5 | - | 5 | |
| Non-direct revenue | | | - | 58 | (58) | 80 |
| Vested assets | | 77 | 68 | 36 | 32 | 56 |
| Capital subsidies revenue | | | 17 | 50 | (33) | 52 |
| Depreciation and amortisation | C | 317 | 260 | 218 | 42 | 290 |
| Finance costs | | 121 | 111 | 101 | 10 | 139 |

A. Direct revenue: Direct revenue is \$17.9m favourable to plan. Water and Wastewater revenue remains behind plan YTD primarily due to and lower than budgeted consumption YTD.

IGCs and Developer revenues continue to improve and are now tracking \$24.2m favourable to plan. Other direct revenues from Waikato contract, DIA Reform revenue, Veolia settlement, Interest and Rental Incomes have also contributed to the favourable result YTD.

B. Direct expenditure: Costs on an ongoing basis are below budget YTD by \$4.4m, a very good result (\$294.8m vs \$299.4). Direct expenditure is \$18.2m unfavourable to plan YTD. \$11.2m relate to flood recovery opex, \$7.5m incurred due to the collapse of the Ōrākei Main sewer and \$3.3m to reform. None of these were included in the annual plan. Reform costs are fully offset in revenue (ceased in January) while the flood costs relate to over-pumping and temporary solution costs for assets damaged in the events of Jan / Feb 2023. The Ōrākei Main sewer repair project is now underway with capex spend to date of \$13.4m.

C. Depreciation: Depreciation expense was unfavourable to plan due to the actual depreciation values reflecting the revised asset values following the revaluation completed in June 2023.

Financial breakdown by key activities

| Direct revenue(\$m) | Prior year | Quarter 3 YTD | | Var | Full year |
|---------------------------------------|------------|---------------|--------|--------|-----------|
| | Actual | Actual | Budget | | Budget |
| Fees & user charges | | | | | |
| Water revenue | 187.1 | 155.9 | 153.9 | 2.1 | 205.2 |
| Wastewater revenue | 425.5 | 349.9 | 373.8 | (23.8) | 494.2 |
| Grants and subsidies | | | | | |
| Grant from KO | 30.8 | 16.9 | 50.3 | (33.4) | 52.5 |
| Any other grant from 3rd parties | | | | | |
| Other direct revenue | | | | | |
| Infrastructure Growth Charges | 179.6 | 130.8 | 108.2 | 22.6 | 169.0 |
| Insurance proceeds for storm recovery | | | | | |
| Other key other revenue | 126.8 | 92.5 | 139.3 | (46.7) | 192.4 |

| Direct expenditure(\$m) | Prior year | Quarter 3 YTD | | Var | Full year |
|---------------------------------|------------|---------------|--------|--------|-----------|
| | Actual | Actual | Budget | | Budget |
| Staff cost | | | | | |
| Salaries and wages | 132.9 | 106.0 | 108.0 | 2.1 | 146.0 |
| Contractors | 17.3 | 12.2 | 8.8 | (3.5) | 11.1 |
| Other staff costs | 9.7 | 8.2 | 8.8 | 0.6 | 11.9 |
| Labour recoveries | (66.2) | (35.2) | (61.8) | (26.6) | (84.0) |
| Other direct expenditure | | | | | |
| Maintenance costs | 84.1 | 72.9 | 62.2 | (10.7) | 82.4 |
| Other operating costs | 46.3 | 34.1 | 43.0 | 8.8 | 57.0 |
| Other expenses | 164.3 | 119.7 | 130.1 | 10.4 | 170.7 |

Direct revenue:

Water and Wastewater revenue combined remains behind plan YTD due to low consumption YTD. Wastewater also impacted by lower fixed rates than budgeted.

Government grant revenue from KO is unfavourable YTD due to correction of revenue and invoicing recognised in the prior financial year (\$12m) and timing differences of revenue received YTD. Full year revenue is expected to be \$22m unfavourable.

IGC and Developer revenue has rebounded well and is now tracking \$22.6m ahead of plan.

Other revenue has benefited from reform secondee revenue, tax subvention payment, interest, rent, Veolia settlement and the performance of WDC contract YTD.

Direct expenditure:

Staff costs \$23.9m of the variance is 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 \$2.9m (offset by revenue) were also not included in plan. The balance is from lower than planned capex labour recoveries, overtime, and timing impacts of annual leave.

Other direct expenditure \$13m favourable to plan YTD, however with inclusion of opex work order costs referenced above, would realise an unfavourable result of \$10.9m. 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 and Capitalisation of chemical costs associated with the Puketutu Cell Wall project.