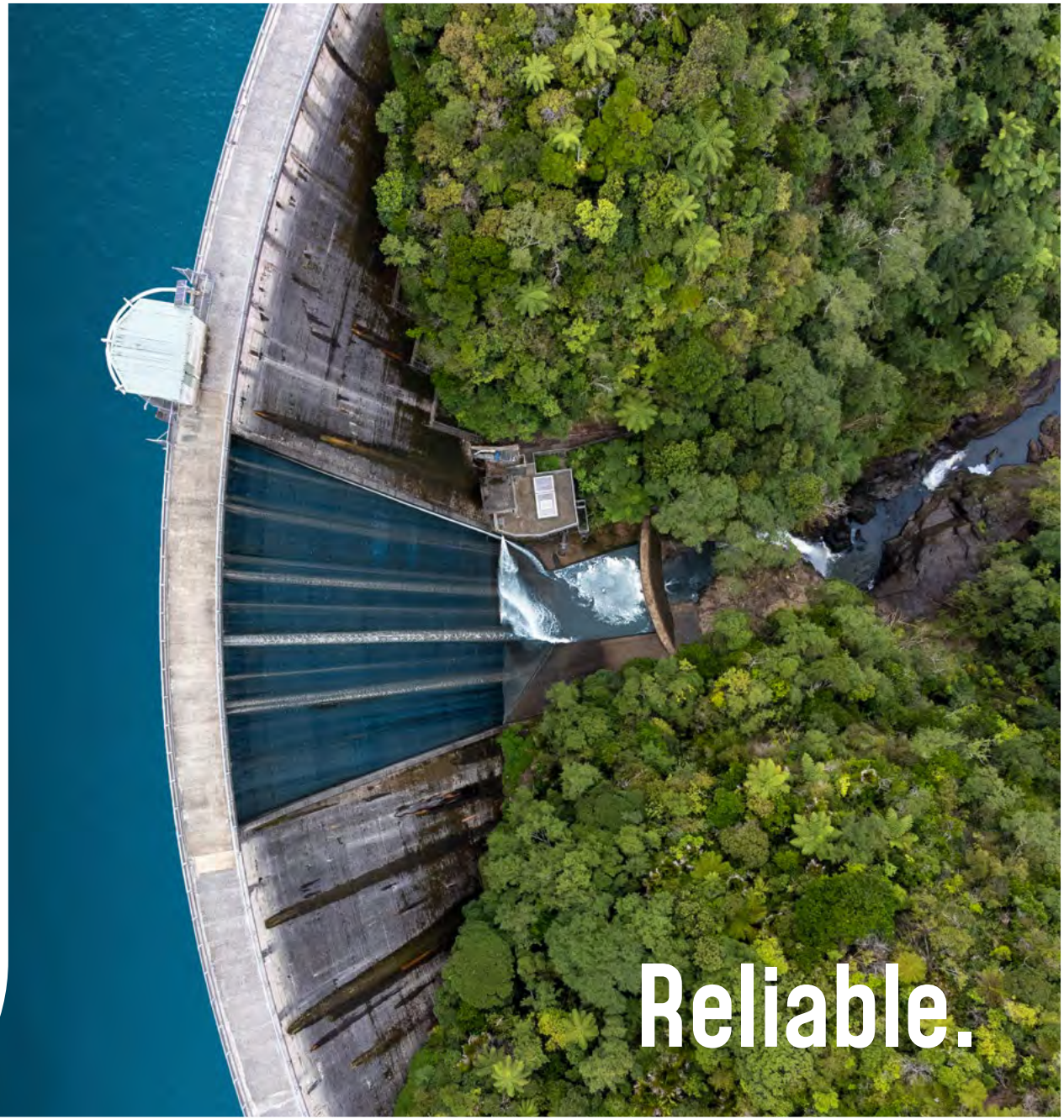
Business Plan
2025 — 2034



Watercare

Across Auckland, **1.7 million people** depend on us for their daily water and wastewater services.

Delivering safe, reliable and affordable services **24/7** is not just our mission – it's also our point of pride.

Since our inception in 1991, we've been **investing** in our region's water and wastewater infrastructure to enable our communities and businesses to grow and thrive.

As we face the challenges of population growth, climate change and stringent compliance requirements, we will continue doing everything we can to deliver reliable services for Auckland.

Safe, reliable and affordable services

We provide Auckland with essential water and wastewater services. Each day, we supply around 440 million litres of water and treat about 439 million litres of wastewater. As one of New Zealand's largest utilities, our extensive networks ensure our communities receive the crucial services they need.

Find out more in About us.

$16.4b
Value of asset base (FY24)

Strong business and regulatory frameworks

We have robust business planning processes that respond to our priorities. We're focused on meeting regulatory requirements that ensure we manage our operations efficiently and deliver services that protect the health of our staff, communities and the environment. We also have a comprehensive listening framework to understand how our customers and communities feel about us and what they expect from us.

Find out more in **About us**.

366

Average number of water samples tested each day

Responsive to growth and climate challenges

We deliver services within a changing environment across a growing region. How we respond to our business challenges influences how we deliver our core service commitments as well as the shape of our infrastructure investment programme.

Find out more in Business priorities.

Focused priorities for effective delivery of service

Our core focus is to deliver affordable, reliable and high-quality water and wastewater services to our customers that protect their health as well as the environment. To ensure we meet our commitments, we have a comprehensive performance measurement framework which includes our Statement of Intent as well as quality performance measures set out in the Watercare Charter.

Find out more in Business priorities.

>55%

Our target for public trust

Essential investment in infrastructure

To deliver our services, we operate and maintain an extensive network of water and wastewater assets. We invest in renewing existing infrastructure, and we build new infrastructure, to respond to business challenges, address capacity constraints and deliver service outcomes for our customers.

Find out more in **Asset management**.

$13.8b
Investment in infrastructure over next 10 years

Stable financial performance with new funding avenues

Our financial strategy is designed to ensure we can fund our core services and invest in new infrastructure while maintaining a smooth and affordable price path for customers and managing debt responsibly.

Find out more in Funding and finances.

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SECTION

01 About us

We are responsible for delivering safe, reliable and efficient water and wastewater services in Auckland. As a lifeline utility, our services are essential to the health, wellbeing and prosperity of our communities and the environment.

Foreword

The purpose of this Business Plan is to set out how we will respond to external challenges and deliver on our business priorities over the 10-year period from 1 July 2024 to 30 June 2034 (FY25 to FY34).

It demonstrates our compliance with the requirements of the Local Government (Water Services Preliminary Arrangements) Act 2024, and specifically the expectations established under the interim regulatory framework which are documented in the Watercare Charter.

This Business Plan outlines our challenges and service commitments, including regulatory requirements and shareholder intentions in our Statement of Intent. It explains how we monitor and measure these commitments and details our infrastructure investment priorities to meet standards and improve efficiency. In addition, it covers funding strategies, revenue, pricing strategies, and our growth charging policy.

We have pleasure in presenting this Business Plan, on behalf of our dedicated, skilled and motivated team at Watercare. This is our first Business Plan under the Local Water Done Well framework and reflects our enduring commitment to our purpose and to delivering reliable and affordable services to our customers on behalf of our shareholder, Auckland Council.

Geoff Hunt
Chair of the Board of Directors

Dave Chambers*
Chief Executive Officer

*Chief executive until 30 June 2025

Disclaimer:

While all reasonable care has been taken in relation to the preparation of this Business Plan, to the maximum extent permitted by law, no representation or warranty (express or implied) is made as to the accuracy, completeness, or reliability of any statements, estimates, opinions or other information contained in this Business Plan, any of which may change at any time without notice.

The information contained in this Business Plan is considered to be up to date at the time of preparation, but may subsequently change at any time, including because of future legislation (including through the enactment of the Local Government Water Services Bill). Neither Watercare nor any other person is under any obligation to update or revise this Business Plan at any time after its provision, whether as a result of new information, future events, or otherwise, except as required by law.

To the maximum extent permitted by law, Watercare, its advisors and affiliates, and each of their respective directors, shareholders, partners, employees and representatives accept no responsibility or liability for any direct or indirect loss or damage, howsoever arising and whether foreseeable or not, which results from any person acting in reliance in whole or in part on any information in this Business Plan, or any information supplied in connection with it.

This Business Plan may contain past performance information and forward-looking statements (which are based on Watercare's expectations and assumptions as at the date of this Business Plan, whether specifically articulated in this Business Plan or not). These are provided for illustration and as a general guide only. Past performance is not an indication of future performance and there is no guarantee that any forward-looking statements will be realised. Such information should therefore not be relied upon as indicative of future matters.

Our purpose

Ki te ora te wai, ka ora te whenua, ka ora te tangata.

When the water is healthy, the land and the people are healthy.

Watercare is a lifeline utility that provides water and wastewater services to 1.7 million people in Auckland, New Zealand. Our purpose – embodied in the Māori whakataukī (proverb) above – reflects the connection between our services and the wellbeing of our community and the local environment.

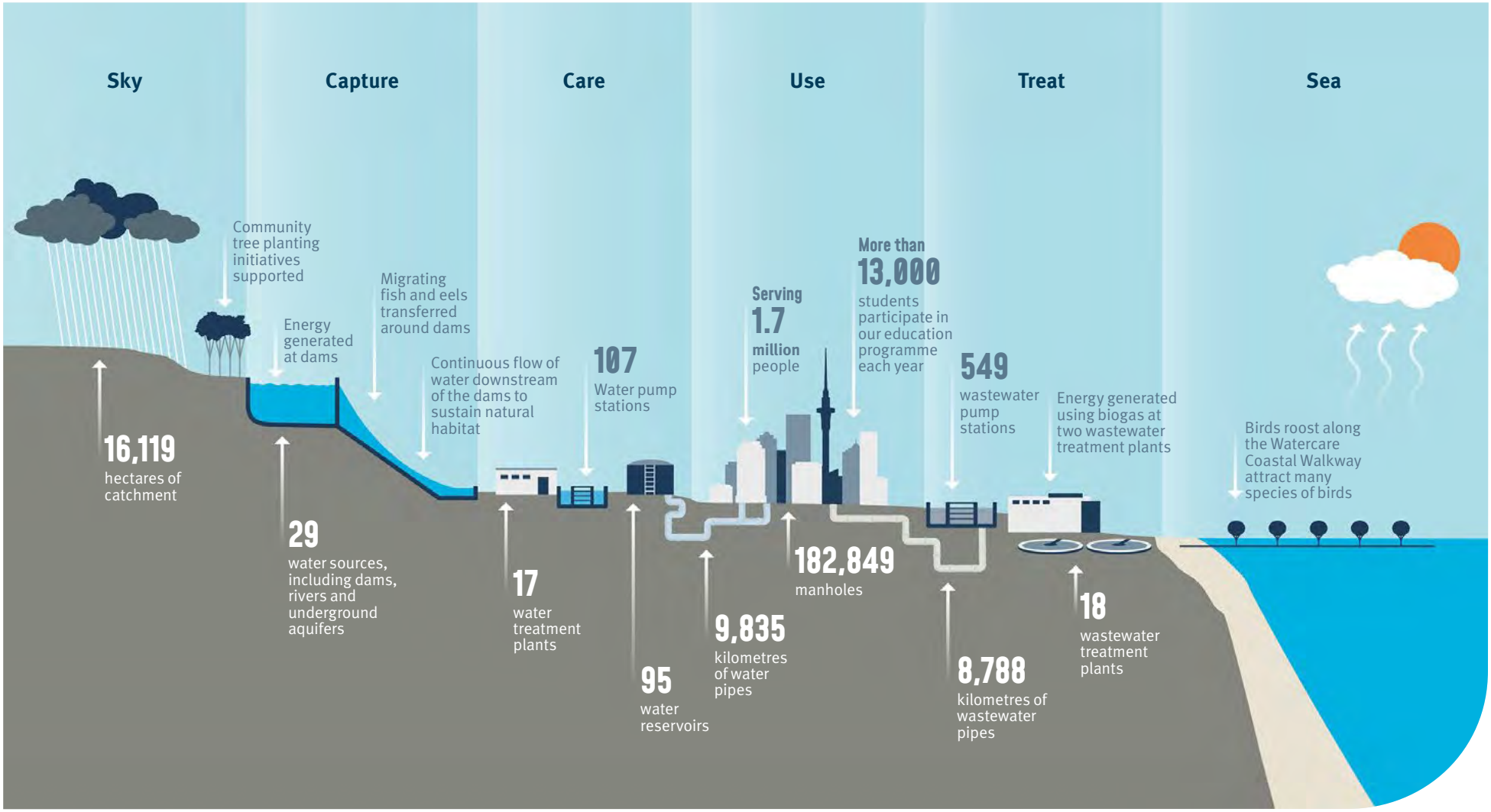
We supply an average of 440 million litres of safe drinking water to 484,000 homes and businesses each day. We also collect, treat and discharge an average of 439 million litres of wastewater each day in an environmentally responsible way. With an asset base valued at $16.4 billion (2024), we plan and build infrastructure to ensure we maintain appropriate levels of service and increase network capacity for a growing population.

Our primary area of operation is the Auckland region. In the suburb of Papakura, we deliver wholesale services to Veolia Water, who are contracted to operate, maintain and develop the local networks. In the northern Waikato region, we deliver wholesale water and wastewater services to Tūākau and Pōkeno under an enduring contract with Waikato District Council. Separately, we operate, maintain and develop the water, wastewater and stormwater networks on behalf of Waikato District Council. This contract term ends June 2028.

We are a council-controlled organisation, wholly owned by Auckland Council (our shareholder). We are also a limited liability company registered under the Companies Act 1993, and a local government organisation under the Local Government Act 2002.

Area of operation

Our operations go from sky to sea



Our customers, communities and mana whenua

We provide services to one-third of New Zealand's population. Most connections are residential, making up 93% of all connections and 70% of water consumption.

Our remaining business connections are well diversified, both geographically and across industry sectors. We service many of New Zealand's largest food and beverage manufacturing companies, hospitals, schools, data centres and industrial manufacturing companies. Supporting our commercial sector is critical, as Auckland makes up 38% of New Zealand's gross domestic product (GDP).

We have a comprehensive listening framework to understand how our customers and communities feel about us and what they expect from us.

This involves:

- **Voice of our city (Aucklanders)**: we continually measure how much Aucklanders – who may or may not have direct contact with us – trust us
- **Voice of the community**: we survey people in the community who are impacted by our infrastructure projects to understand their experience and drive continuous improvement
- **Voice of the customer**: we survey customers who transact with us through our website, app or front-line staff so that we understand their experience and drive continuous improvement.

Our priority assistance service supports customers who may have health issues or be sight or hearing impaired. We may proactively notify them of water outages in their area and deliver bottled water to their homes free of charge; or we may help them to nominate a friend or family member as an alternative on their account.

Our Water Utility Customer Assistance Trust supports residential customers who are experiencing financial hardship and are struggling to pay their water bills.

We work closely with both central and local government to ensure alignment with and support for our initiatives. We engage with Auckland's 21 Local Boards to keep them informed about key projects in their areas, ensuring transparency and community involvement.

We align our plans with Auckland Council's Future Development Strategy which sets out when and where development should occur throughout the region. A key challenge we face is where development occurs out of sequence with council's strategy.

Mana whenua engagement

We acknowledge Te Tiriti o Waitangi (the Treaty of Waitangi) and are committed to delivering outcomes for Māori within Auckland. By collaborating with Auckland Council, we aim to align with Kia Ora Tāmaki Makaurau – Council's Māori outcomes plan, which measures our contribution to Māori outcomes.

We actively foster and maintain relationships with mana whenua and mātāwaka. We will continue to collaborate closely with Houkura (Independent Māori Statutory Board – IMSB) to implement the important initiatives and comprehensive insights provided in the Significant Issues document. This document is crucial for guiding our efforts to address key areas of focus for Māori in Tāmaki Makaurau Auckland.
We work alongside council's Ngā Mātārae (Māori Outcomes Directorate) and the Māori Outcomes Steering Group to align with priority initiatives including rangatahi (youth) intern opportunities and opportunities for Māori-owned businesses to join our supplier network and support for marae development.

Our people and their health, safety and wellbeing

We have a dedicated team that is united by four shared values:

Manaakitanga
We care

Kounga
We adapt and learn

Pono
We do what we say

Kotahitanga
We work together

Given the critical and technical nature of our core operations, our team has a depth of knowledge and experience across a wide range of areas including engineering, science, planning, plant and network operations, digital and customer services, finance, corporate relations and human resources.

We know it is important to have a pipeline of qualified team members and therefore we have a comprehensive career and leadership development programme that is supported by well-established talent mapping, performance management, and remuneration processes. We also have a graduate and early careers programme as well as our own training centre to ensure team members are skilled and competent to meet industry regulations and organisational expectations.

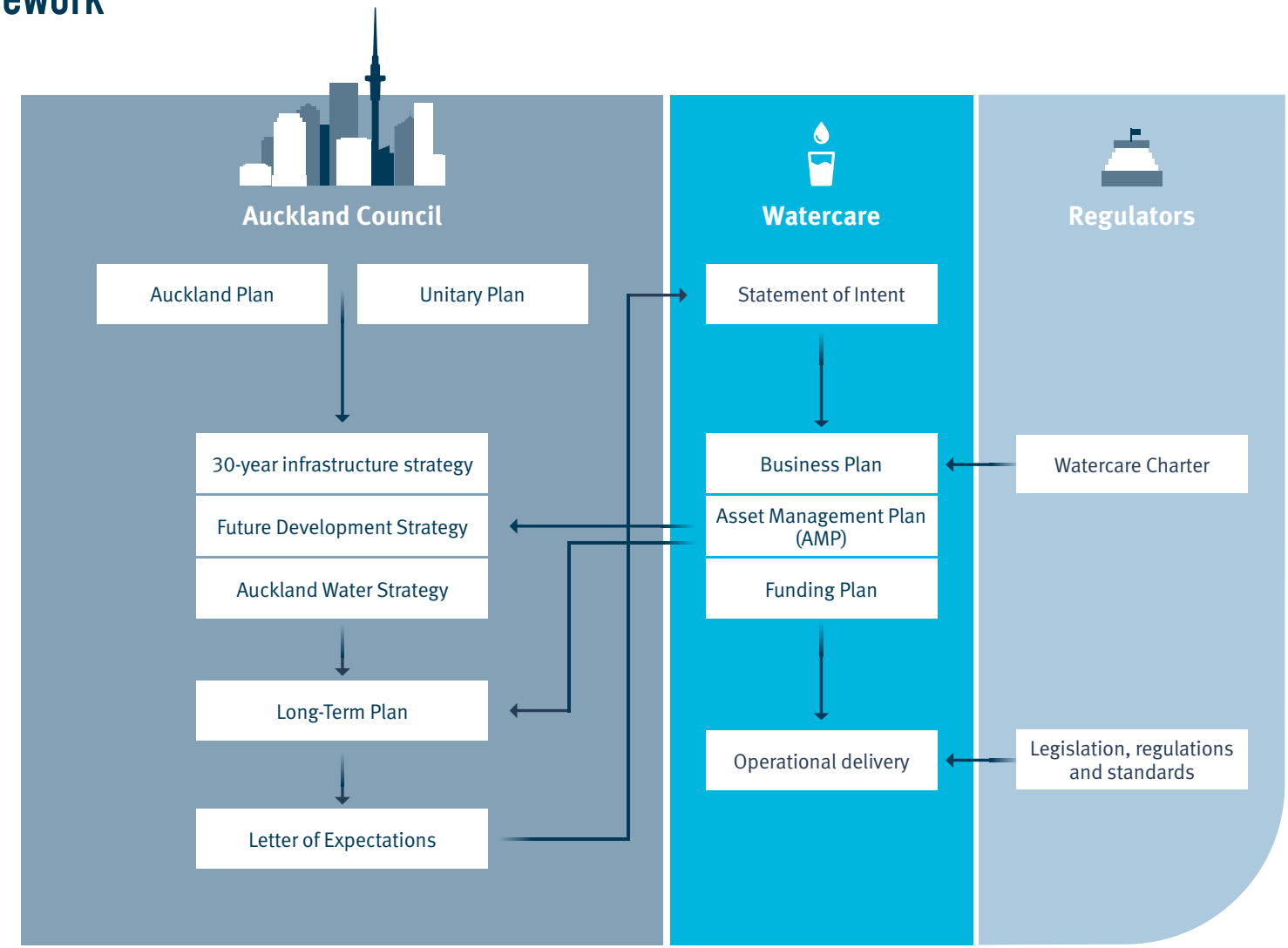
We are committed to providing a safe workplace. Our approach to safety leadership is consistent with modern safety philosophies and practice, documented by the Australasian standard for health and safety at work, AS/NZS ISO 45001. Our safety systems focus on the identification and management of critical risks where there is high potential for serious or fatal injuries.

Improving the health, safety and wellbeing of our team and contractors is a business priority for us. Refer to our Statement of Intent on our website for further details on the actions we are taking over the next three years which have a focus on managing our critical safety risks.

Business planning framework

This Business Plan has been prepared in response to the Watercare Charter, acknowledging our regulatory obligations to deliver safe and affordable services. It aligns with our Statement of Intent (SOI) which sets out our planned activities over a three-year period, detailing how these address the objectives and expectations of our shareholder.

Our SOI is an important supplement to this Business Plan and should be read in conjunction with this document. The SOI provides more detail about our business priorities and activities for the first three years of the Business Plan period. This Business Plan takes a 10-year view of our activities and provides additional information about our asset management approach, infrastructure investment, priority projects, revenue and funding plans.



Our Asset Management Plan (AMP) and Funding Plan are enduring documents that provide more information about our investment programme and funding. The AMP provides a long-term strategic view of our asset management objectives, and infrastructure investments across water, wastewater, asset renewals and other business assets (e.g. digital technology). The Funding Plan provides details supporting our financial forecasts and how we will manage our financial performance.

Risk management

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

As part of our risk management framework, we monitor existing and potential emerging risks that could impact the delivery of our services and develop appropriate risk-mitigating actions and strategies. The internal audit function produces an annual plan that is approved by our Audit and Risk Committee with management's quarterly reporting against the plan to this committee. We proactively report on all significant incidents, risks and issues. That way, we ensure there are no surprises, maintain transparency and appropriately manage and mitigate the most critical risks.

Final maintenance checks on Piper, the tunnel boring machine, at Warkworth.

Regulatory framework

We manage our operations in accordance with New Zealand law, under a regulatory and legislative framework specific to Watercare and other water services entities.

Our primary responsibility is set out in section 57(1)(a) of the Local Government (Auckland Council) Act 2009. We are required to manage our operations efficiently to ensure the overall costs of water supply and wastewater services to our customers (collectively) are kept at the minimum levels, consistent with the effective running of our business and maintaining the long-term integrity of our assets.

In addition to this strategic imperative, the combined legislative framework provides that we:

- Are owned by Auckland Council and must give effect to its Long-Term Plan (LTP) as well as other relevant plans and strategies
- Have a statutory obligation to maintain drinking and wastewater services in Auckland
- Are responsible for borrowing in our own name, without any financial support from Auckland Council
- Must repay all debt to Auckland Council by 30 June 2030
- Must not pay any dividend or distribute any surplus to Auckland Council
- Must have our financial statements, Statement of Intent, and specified long-term plans audited by the Auditor-General, or by an auditor acting on behalf of the Auditor-General
- Must have regard for public safety in relation to our structures.

The Local Government (Water Services) Bill was introduced into Parliament in December 2024. The Act, which includes enduring settings for a comprehensive economic regulation regime, is expected to come into force in mid-2025 with permanent economic regulation due to take effect in July 2028.

Drinking water regulation

Our water quality regulator, the Water Services Authority – Taumata Arowai (Water Services Authority), oversees, administers and enforces the drinking water regulatory system in New Zealand. Their role is to ensure communities have access to safe drinking water, and to hold water suppliers to account. Prior to its establishment, the Ministry of Health oversaw drinking water quality in New Zealand.

Water Services Authority holds us to standards and regulations, including:

- **Drinking water standards** that set the maximum acceptable values (MAVs) for substances that can affect the safety and quality of drinking water and are based on guideline values set by the World Health Organization (WHO)
- **Drinking water quality assurance rules** that set out how we must comply with the drinking water standards and the Water Services Act 2021
- **Aesthetic values for drinking water** that outline minimum or maximum values that relate to the acceptability of drinking water.

Environmental regulation

Legislation governs where and how water and wastewater services are delivered, and how the water and wastewater networks are managed, to ensure that public health and the environment are protected.

We operate under the Resource Management Act 1991 (RMA), which outlines how environmental obligations are determined. Under the RMA, our assets and operations are subject to many consents with various conditions associated with:

- Water abstraction for the purposes of potable water supply
- Discharges from water and wastewater treatment plants
- Discharges from water and wastewater networks
- Infrastructure construction activities.

As of August 2024, we held 518 resource consents. These consents provide the necessary approvals for our construction activities and operational facilities. Each consent determines the level of performance required through certain conditions. These consent performance requirements drive infrastructure decision-making. For example, modern water and wastewater treatment plants have higher-quality standards, which require investment in more advanced technology that typically need higher operational inputs. Each consent condition is monitored, and consent compliance is reported monthly to the Watercare Board and regularly to the relevant local authority.

We must also comply with National Policy Statements, National Environmental Standards and other regulations such as the Major Hazards Facilities Regulations 2016.

Interim economic regulation

Until comprehensive economic regulation is implemented, we are subject to interim regulatory oversight by a Crown Monitor (being the Commerce Commission), with requirements outlined in a 'Watercare Charter' (Charter). The Charter is in effect for the three-year period FY26 to FY28 and passed as secondary legislation in March 2025. The Charter provides for:

- Minimum service quality standards
- Financial performance objectives
- The interim price-quality path
- Performance requirements.

This Business Plan incorporates the approved policy settings that are included in the Charter, and the legislative obligations specified under the Local Government (Water Services Preliminary Arrangements) Act 2024 (LG (WSPA) Act). The table on the right shows where we address legislative requirements in this plan.

Under section 80 of LG (WSPA) Act 2024, our Business Plan must include the following components:		Where the requirement is addressed in this Business Plan
3(a)	Our sources of, and intended approach to, funding, revenue, and pricing	**Section 4: Funding and finances** • Overview of our funding and financing • Watercare charter financial settings • Revenue • Sources to uses
3(b)	Our water infrastructure growth charging policy	**Section 4: Funding and finances** • Funding growth and infrastructure growth charges (IGC's)
3(c)	Our intended approach to pricing our services and charging customers	**Section 4: Funding and finances** • Watercare charter financial settings • Revenue
3(d)	Our financial strategy for each year covered by the plan	**Section 4: Funding and finances** • Financial forecast
3(e)	Our intended efficiency improvement for operating and capital expenditure	**Section 4: Funding and finances** • Operating expenditure
3(f)	Our investment priorities for our infrastructure assets	**Section 3: Asset management** • Investment priorities and risks • Infrastructure investment plan
3(g)	How we will operate, maintain, and renew our infrastructure assets	**Section 3: Asset management** • Asset operations and maintenance • Maintenance activities
3(g)	How we will provide new infrastructure assets	**Section 3: Asset management** • Infrastructure investment plan
3(h)	Information about how the plan helps to achieve our proposed activities and intentions (as set out in our Statement of Intent)	**Section 2: Business priorities and service commitments** • Priorities and commitments • Performance measurement

Government support

Prohibition on Auckland Council providing support

The LG(WSPA) Act prohibits Auckland Council from providing financial support to Watercare. This condition is necessary for us to be financially independent of council, with the ability to raise our own capital.

Key features under the LG(WSPA) Act are summarised below.

- Auckland Council has no right, title or interest in the assets, security, debts or liabilities of Watercare.
- We cannot provide an equity return, either directly or indirectly, to Auckland Council.
- Auckland Council is prohibited from lending money or providing credit to us.
- Auckland Council is unable to give any guarantees, indemnity or security in relation to the performance of any of our obligations.

Protections in place

There are several protections in place that are designed to identify and prevent the risk of distress before material issues arise, including:

- Oversight by an economic regulator:
  - The Commerce Commission will oversee our investment plans, priorities and performance. This includes assessing our price-quality settings, customer outcomes and investment sufficiency.
- Oversight by quality and environmental regulators:
  - Water Services Authority for drinking water quality
  - Auckland Council, Waikato Regional Council and Waikato District Council for environmental and resource consent compliance.
- Oversight by WorkSafe as New Zealand's work health and safety regulator
- Oversight by Auckland Council as our owner
- Oversight by the Ministry of Health in regard to community water fluoridation
- Our professional board oversees our risk management policies and transparent reporting practices.

No Crown guarantee

The Crown provides us with no form of guarantee. However, there are several ways in which the Crown can intervene or provide support if there is a major loss event (for example natural disaster) or we are in financial distress. These situations are further discussed below.

Crown step in rights

The Local Government Act 2002, as amended by the LG(WSPA) Act, provides the Minister of Local Government with the backstop power to assist and intervene if we have a problem.

The definition of problem includes any significant or persistent failure to perform our statutory functions or duties and the consequences of a state of emergency within the meaning of section 4 of the Civil Defence Emergency Management (CDEM) Act 2002.

Māngere Wastewater Treatment Plant

Intervention might include requiring information and/or, if the problem is significant, the Minister appointing a Crown review team, Crown observer, Crown manager or commissioner in certain circumstances.

Procedures in event of financial distress

Under the LG(WSPA) Act, if we use our charges or revenue as security for a loan and a receiver is appointed, the receiver can impose an extra charge each year to cover:

- The loan payments for that year
- The costs of managing and collecting the charge.

This means that secured creditors have access to an additional revenue stream to assist with the recovery of secured debt. This mechanism is intended to ensure that all secured debts can be paid off without any loss in value for creditors.

In addition, the Governor-General can appoint a statutory manager on the advice of the Minister, based on a recommendation from the Financial Markets Authority. The statutory manager would create a restructuring proposal for consumers and the Crown, and control the assets until the restructuring is complete and the assets are returned to a refinanced entity.

Civil Defence Emergency Management Act 2002

The CDEM Act 2002 sets out the rules for managing emergencies. If an emergency happens, the Government helps by covering 60% of the costs that local authorities spend on response and recovery efforts, like fixing critical water services, as long as these costs are above certain limits.

The LG(WSPA) Act updates the CDEM Act to include us, so any references to “local authority” now also mean “local authority or Watercare Services Limited”.

SECTION

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02 Business priorities and performance measurement

We face several complex business challenges that influence our priorities and commitments. We openly report our performance in relation to these priorities and are committed to continuous performance improvement.

Business challenges

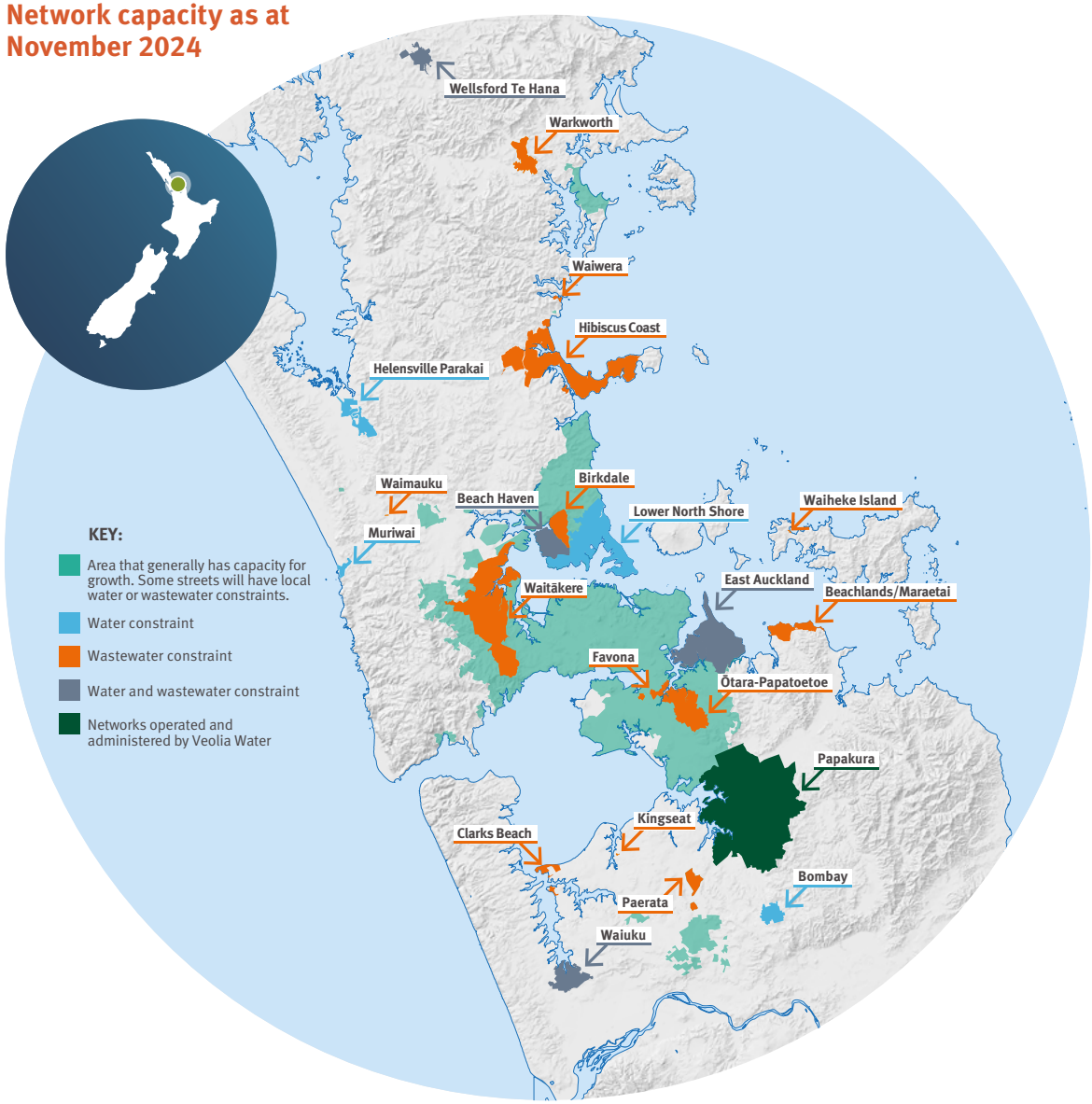
We are facing several complex challenges that are not unique to our sector: population growth, climate change, ageing infrastructure, an ageing workforce, and increasingly stringent regulatory requirements.

Growth

Over the next 10 years, Auckland's population is expected to grow by 13%, adding another 215,000 people to its current population of 1.75 million. This is according to Auckland Council's medium-growth scenario AGSv1 dated February 2024. In recent years, growth in housing has exceeded population growth as smaller household units become more common.

While we can accommodate growth in many parts of Auckland, there are areas where our networks or treatment plants are approaching or at capacity.

Network capacity as at November 2024



Aerial view of Auckland, reflecting increasing density and infill housing.

In some cases, we are declining applications to connect to our networks to ensure we continue to fulfil service level commitments to existing customers and comply with legislation. It is critical we balance the need to respond to growth by providing additional network capacity, with the need to replace ageing assets.

We align our strategic water and wastewater infrastructure investment programmes with Auckland Council's Future Development Strategy (FDS). Council's strategy is based on the assumption that land should be developed in a series of circles from existing infrastructure – including our networks – to optimise the value of investment.

Consented developments that do not align with the FDS increase inefficiencies in the provision of bulk infrastructure. These can result from private plan changes which are often initiated by developers who do not want to wait for the intended live-zone timing set out in the FDS.

Private plan changes cause substantial impacts to the timing of infrastructure provision and can undermine the strategic planning of all utility providers, including us.

Climate change

The effects of climate change are increasingly evident, posing significant risks to our infrastructure. Over the past five years alone, water has been unpredictable in Auckland – sometimes we have had too little and sometimes too much!

Increased frequency of extreme weather events can create landslides and floods that damage the integrity of our assets, and they can cause untreated water quality to deteriorate. Extended dry spells can increase demand; and sea-level rise can damage assets.

Adapting to these changes requires substantial investment in resilient infrastructure. To ensure we factor in climate change considerations into infrastructure planning, we use a method called 'dynamic adaptive planning' to help us adapt to long-term climate changes. This method offers various options and timelines for managing the effects of climate change and growth, allowing us to remain flexible and prepared for different scenarios. For instance, if sea levels rise faster than expected, we can implement planned actions sooner and review them at key points. This approach helps us stay flexible and avoid surprises that can occur with traditional planning methods.

Evolving regulatory requirements

The expectations of our customers, stakeholders, mana whenua, shareholder and government are increasing over time. This means we must comply with stricter and continually changing regulations and standards.

We deliver large-scale infrastructure projects that take many years to plan, design, consent and deliver. If planning rules change during the delivery of our projects – for example, increasing the density of an area – it can mean our infrastructure is not suitable by the time it is commissioned. We need long-lasting growth policies to reduce the risk of project delays and increased costs.

Attracting and retaining talent

In some core parts of our business, we have an ageing workforce performing tasks that require years of on-the-job training and mastery. As they retire, we have the potential to lose valuable experience and knowledge. In response, we carry out retirement and succession planning, supported by biannual talent mapping, to ensure knowledge is transferred appropriately.

As at 30 November 2024, we have approximately 20 staff – primarily engineers – rotating through our graduate programme, which has a 98% retention rate. To build a pipeline of potential graduates, we run a summer internship programme for 22 participants each year.

Overall, our average employees' tenure is 6.6 years with an annual turnover of 9.5%. Our average employee age is 42 years.

Ageing infrastructure

A significant proportion of our network and treatment plant assets were built many decades ago and some are approaching the end of their useful lives. This infrastructure needs replacing or substantial ongoing maintenance to ensure its safety and reliability. Our challenge is to continue to deliver our renewals investment programme when we are under pressure to respond to out-of-sequence growth.

Capacity to deliver investment programme

Skilled labour shortages, limited availability of materials, and high demand for construction services can contribute to delays and increased costs and risks of construction delivery. These constraints require effective policy settings (e.g. long-term stable immigration) and investment in workforce development and supply chain management. By sharing our planning with the construction industry, those involved have more certainty and can resource accordingly.

In addition, due to the scale and impact of our large infrastructure projects, consultation and consenting requirements can be difficult and lengthy. Coupled with the need to secure the necessary land access and designations, our projects have significant fundamental risks to delivery. Our ability to successfully deliver our full infrastructure investment programme requires excellent long-term strategic planning capability, strong delivery disciplines and effective contractor management processes.

Central Interceptor wastewater tunnel breakthrough at Norgrove Ave, Mt. Albert.

Priorities and commitments

Our challenges provide the context and drivers for how we will deliver against our business priorities. The following section describes these priorities, references where we articulate our response, and how we will measure and report on performance.

Business priorities

We are fully committed to delivering affordable, reliable and high-quality services to our customers that protect their health as well as the environment.

To meet this commitment, while responding to the challenges of growth, climate change and an evolving regulatory environment, we will focus on six business priorities over the next 10 years. Refer to our Statement of Intent (2024–2027) on our website for detailed information on each of these priorities:

1. **Delivering safe and reliable water and wastewater services –** We will provide Aucklanders with access to safe and reliable water and wastewater services.
   - Refer to the section on **Asset operations and maintenance** which describes our activities in support of this priority area.
2. **Renewing and building infrastructure –** We will invest $13.8 billion in renewing and building water and wastewater infrastructure to cater to growth in line with the Auckland Council Future Development Strategy, improve resilience and maintain service levels for our customers.
   - Refer to the section on **Infrastructure investment plan** which details our investment strategies and key projects.
3. **Efficient service delivery and infrastructure projects –** We will deliver our services and infrastructure projects efficiently, with a strong focus on operating costs to minimise price increases.
   - Refer to the section on **Investment Priorities** which outlines our prioritisation and project approval process.
   - Refer to the section on **Funding and Financing** which outlines our opex and capex financial forecasts and efficiency assumptions. Note that an operating cost efficiency improvement plan is being developed – refer to the Performance improvement section, specifically outlining our **operating cost efficiency improvement plan**.
4. **Strengthening relationships –** We will strengthen our relationships with our customers, community stakeholders, our Māori partners and developers.
   - Refer to the section **About us** which details our approach to stakeholder engagement and commitment to Te Tiriti o Waitangi.
5. **Improving organisational performance –** We will enhance our performance in delivering our core strategic outcomes, including climate change resilience, the health, safety, and wellbeing of our employees and contractors, and Māori outcomes.
   - The safety of our staff and contractors is our first priority. Refer to the section About us which details our focus in this area.
   - Climate change impacts are incorporated into our planning process and investment prioritisation. Refer to the section on **Infrastructure investment plan** which covers our investment areas.
6. **Embedding a sustainable financial model –** We will establish a long-term and sustainable financial model based on efficient operations, appropriate asset investment, service affordability, and growth-related investment recovery from our customers.
   - Refer to the section on **Funding and financing** which details our financial strategy and position on revenue, debt, opex and capex.

Performance measurement

To ensure we deliver on our six business priorities, we follow a comprehensive performance measurement framework, as set out in our Statement of Intent (SOI). This framework allows us to monitor our progress, identify areas for improvement, and ensure accountability.

	Measure	Target
Water supply network performance measure	Median response time for resolution at urgent water callouts	≤5 hours
	Median response time for resolution at non-urgent water callouts	≤6 days
	Unplanned water interruptions per 1,000 connections	≤10
	Real water loss (leakage) per litre per connection per day	≤140
Wastewater network performance measure	Dry-weather sewage overflows per 1,000 connections*	≤5
	Median sewer overflow resolution time	≤5 hours

Performance metrics and service quality standards

Our targets and performance measures are set by Auckland Council, the Department of Internal Affairs and the Water Services Authority. The Statement of Intent outlines performance measures and service quality standards associated with our business priorities. In addition, we will report on supplementary technical measures as required by the Charter. These include compliance with resource consents for water and wastewater, service interruptions and blockages, monitoring of engineered overflow points, planned network renewals, new connections and services provision to growth areas and meeting water supply security standards. The minimum service quality standards specified by our interim regulatory settings are listed above.

Performance reporting

We regularly report our performance to our shareholder, water quality regulator and other key stakeholders. Under the interim regulatory framework, we will also provide reporting to the Crown Monitor to assess our performance against the expectations of the Charter. Performance reporting commitments will evolve with expectations and regulatory requirements but currently include:

- Monthly public board reporting covering key performance elements:
  - SOI measures
  - Consent compliance
  - People and safety measures
  - Water quality compliance
  - Progress of key capital projects.

Inspection of watermain running under the Harbour Bridge.

* This measure will not be reported in line with the methodology outlined in the Charter due to a Charter definition misalignment between water and wastewater. The Watercare methodology will be clearly defined and published.

- Quarterly performance reporting:
  - Auckland Council's quarterly report of performance against SOI targets, financials and performance measures
  - Report to the Crown Monitor on performance against minimum service quality standards and other measures included in the Statement of Intent and Business Plan. This is to assess performance against Charter requirements.
- Annual reporting:
  - Detailed statutory financial reporting
  - Statement of Service Performance
  - Greenhouse gas and climate change reporting.
- Water quality:
  - Reporting in accordance with the regulator's Drinking Water Quality Assurance Rules 2022
  - Comprehensive annual Water Quality Report published on our website.

Performance improvement

We are constantly working to improve the way we deliver our services for Auckland. As required under the Watercare charter, we will deliver a pricing reform roadmap and two improvement plans associated with capital delivery and efficiency.

1. **Pricing reform roadmap**: As outlined in the Funding and Finances section, funding for growth is complex and needs to be reviewed. We will implement a new pricing methodology, due to take effect on 1 July 2027, to rebalance revenue so that growth pays for growth. This will require a significant programme of work, including consultation, and will involve an upgrade to our billing and digital systems.

   The outcome of this work will be increased transparency around growth charging, and an approach to funding bulk and local network improvements that more appropriately attributes the cost to those who benefit from the investment.

   We will submit a draft roadmap to the Crown Monitor for review by 30 September 2025.

2. **Capital delivery and asset management improvement plan:** This plan (and reporting template) will focus on a roadmap for:
   - planned asset management improvements and network resilience
   - a detailed description of the capital programme including projects and programme scope, staging, timing, cost and proposed reporting framework
   - outcomes delivered by the investments
   - details of when and how Watercare will ensure that investment occurs to enable housing growth in areas constrained by network capacity
   - how we are using alternative funding and financing tools (such as those available under the Infrastructure Funding and Financing Act 2020) to relieve capacity to housing growth.

   A draft of this plan will be submitted to the Crown monitor for review by 31 August 2025. Once finalised there will be an annual report outlining progress against the roadmap and quarterly reports on project/programme delivery.

3. **Operating cost efficiency improvement plan:** Due by 31 December 2025, we will submit a draft plan to the Crown monitor for feedback. This plan will set out how we plan to achieve operating cost efficiency improvement targets for the period FY26 to FY28. For each year of the Charter, we will publish a report on our cost savings, explaining any differences between budget and actuals.

Installing a rising main along Judges Bay Road, Parnell.

Click on the text headings in this contents to navigate through the plan.

SECTION

03 Asset management

Responding to our business challenges, priorities and service quality standards requires careful planning and investment in new infrastructure, as well as understanding, maintaining and upgrading our existing assets.

Current assets and condition assessment

This section provides information about our current asset categories, age profiles and condition. This informs our investment options, particularly in relation to asset renewals.

Summary of assets managed as at 30 June 2024

		Transmission	Local	All
Water assets	Water supply dams	12	–	12
	Groundwater sources	15	–	15
	River abstraction	2	–	2
	Untreated water aqueducts	13	–	13
	Untreated water tunnels	23	–	23
	Untreated water pump stations	17	–	17
	Untreated watermains (pipe length in km)	64	–	64
	Water treatment plants	17	–	17
	Treated watermains (pipe length in km)	518	9,253	9,771
	Treated water pump stations	30	60	90
	Water reservoirs	59	36	95
	Valves	6,878	101,742	108,620
	Hydrants	–	54,138	54,138
	Meters	211	499,441	499,652*
Wastewater assets	Sewer mains (pipes and tunnels) (pipe length in km)	487	8,301	8,788
	Manholes	3,850	178,999	182,849
	Wastewater treatment plants	18	–	18
	Wastewater pump station	81	468	549

* The number of meters and customer connections do not align as some customers have more than one meter. We also have district and bulk meters in the networks. This figure includes a small number of wastewater and irrigation meters as well.

Critical facilities and assets

Our critical facilities and assets are those that have significant consequences if they fail. We therefore manage these assets more closely, through regular maintenance and/or redundancy. Criteria to identify which facilities and assets are critical include:

- Customer and community safety and public health impacts – for example, impacts on hospitals
- Business impacts – for example, impacts on food manufacturers
- System-impact and redundancy including time to repair
- Compliance and reputational impacts
- Natural environment impacts
- Economic cost of repair.

Plant assets

Plant assets include water source assets, treatment plants, transmission pump stations and reservoirs. These have planned inspection and maintenance programmes. The treatment plants have dual-process streams to provide redundancy and resilience, where feasible. Mechanical and electrical assets in these facilities have duty and stand-by provision to reduce the criticality of individual assets. Renewal of plant assets are planned based on the observed historical performance of the assets in operation, regular inspections, and the availability of capital budget.

Transmission pipeline assets

Transmission assets convey substantial quantities of water or wastewater across the region. The failure of these assets can have a significant impact on many customers, the environment or on public health and safety. Most transmission assets are classed as critical assets and their condition as well as their historical and ongoing performance are closely monitored.

Decommissioning a section of an old sewer pipe at Glen Innes.

Local network assets

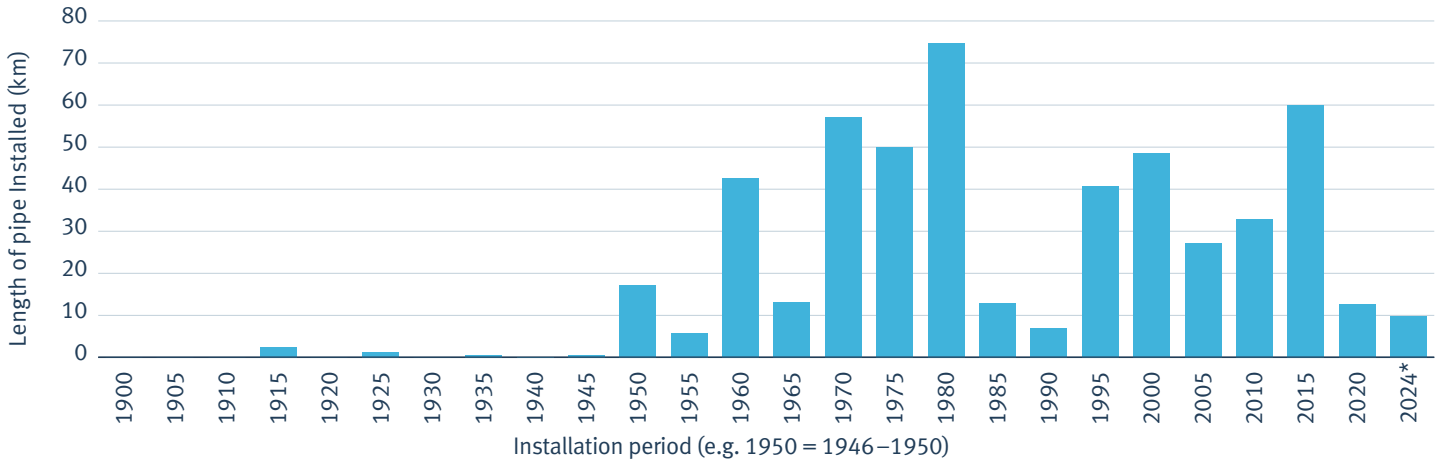
Local network assets are usually smaller-diameter water or wastewater pipes, and the impact of these assets failing is typically lower than transmission assets. Water networks are less vulnerable because of the interconnectivity of our network. Many network assets are considered to be non-critical and some are intentionally repaired or renewed based on failure thresholds.

Pipe asset age profiles

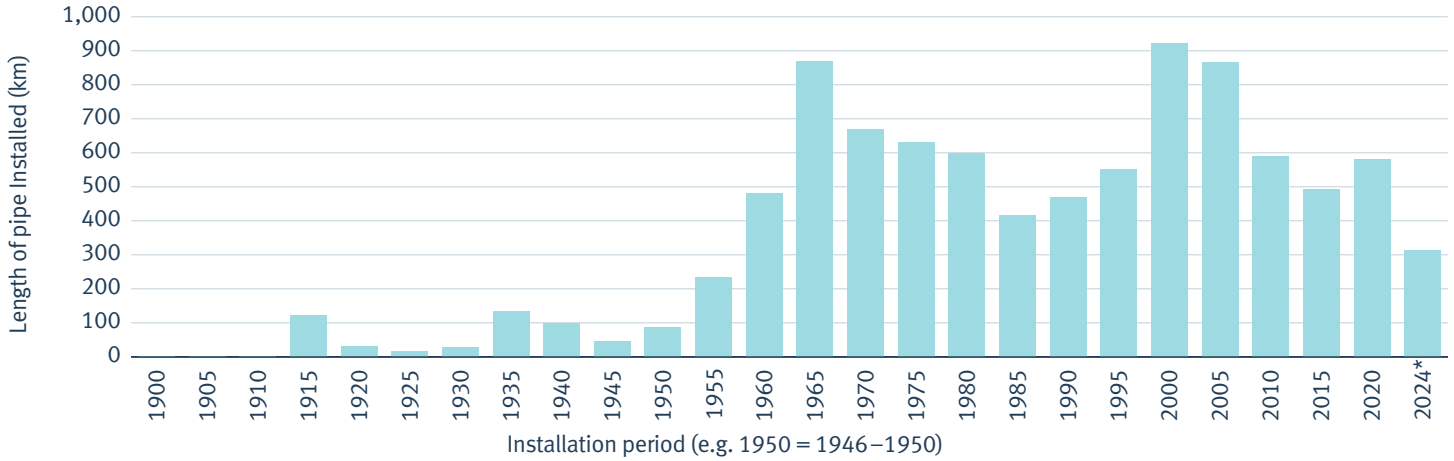
Pipes make up more than 64% of the gross replacement value of our infrastructure assets. The charts on the right provide an overview of the age class distribution of our pipe assets as 30 June 2024.

Major development occurred following World War II and again in the 1960s with the construction of the transmission sewer interceptor system to take wastewater to the then new Māngere Wastewater Treatment Plant and development of the North Shore area following the opening of the Auckland Harbour Bridge.

Length of water transmission pipes (km) by year of installation



Length of local water pipes (km) by year of installation



* 2024 – 4 years as at 30 June 2024.

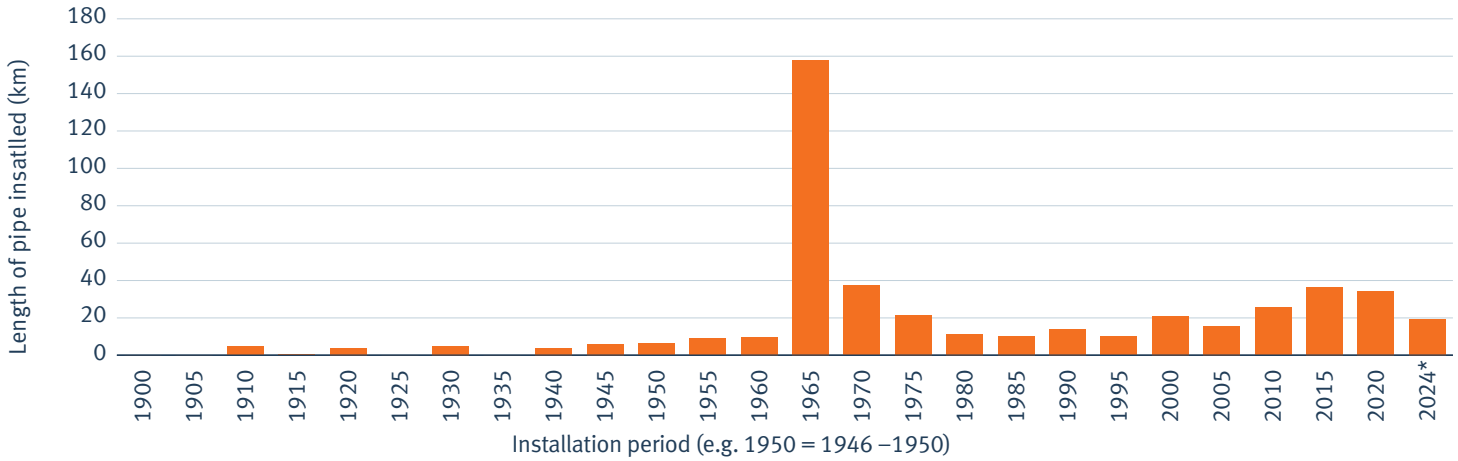
Pipe materials

Pipe material has a bearing on the pipe's performance and renewal timeframe.

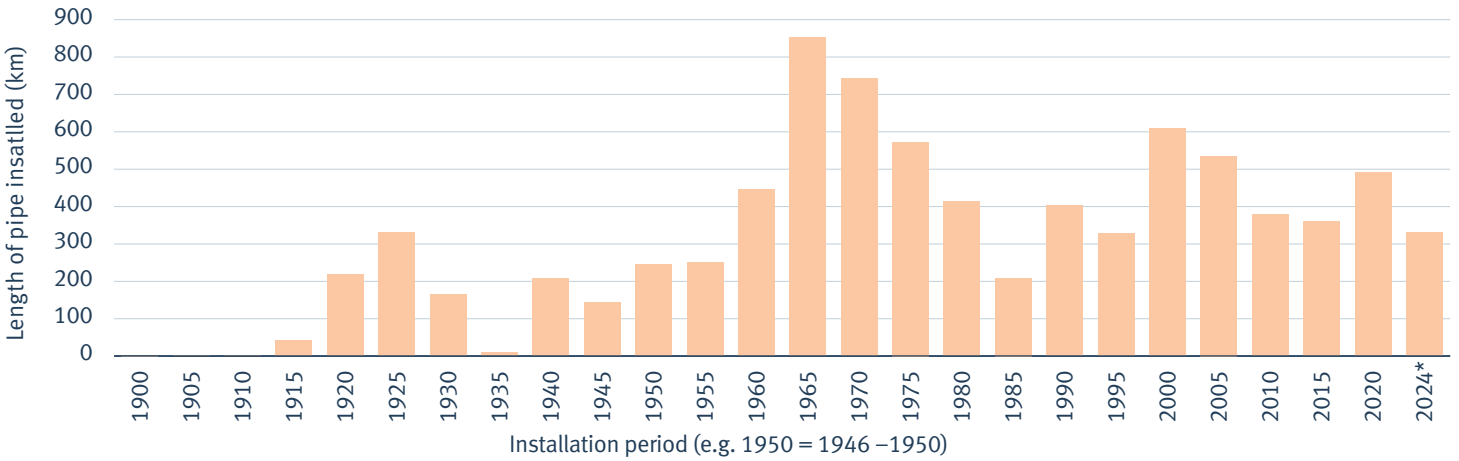
The materials commonly used for water and wastewater transmission are concrete-lined steel (CLS) and concrete respectively. In recent years, the use of large-diameter polyethylene (PE) pipes for bulk transmission has increased.

A large portion of water network pipelines (more than 2,800 kilometres) and wastewater sewers (over 2,400 kilometres) are constructed of asbestos cement (AC) pipelines – a common material in New Zealand from the 1960s to 1980s. AC pipelines have a limited-service life, particularly if they are pressurised, so the systematic renewal of these pipes over the next 30 years based on a risk approach is vitally important.

Length of wastewater transmission pipes (km) by year of installation



Length of wastewater local network pipes (km) by year of installation



* 2024 – 4 years as at 30 June 2024.

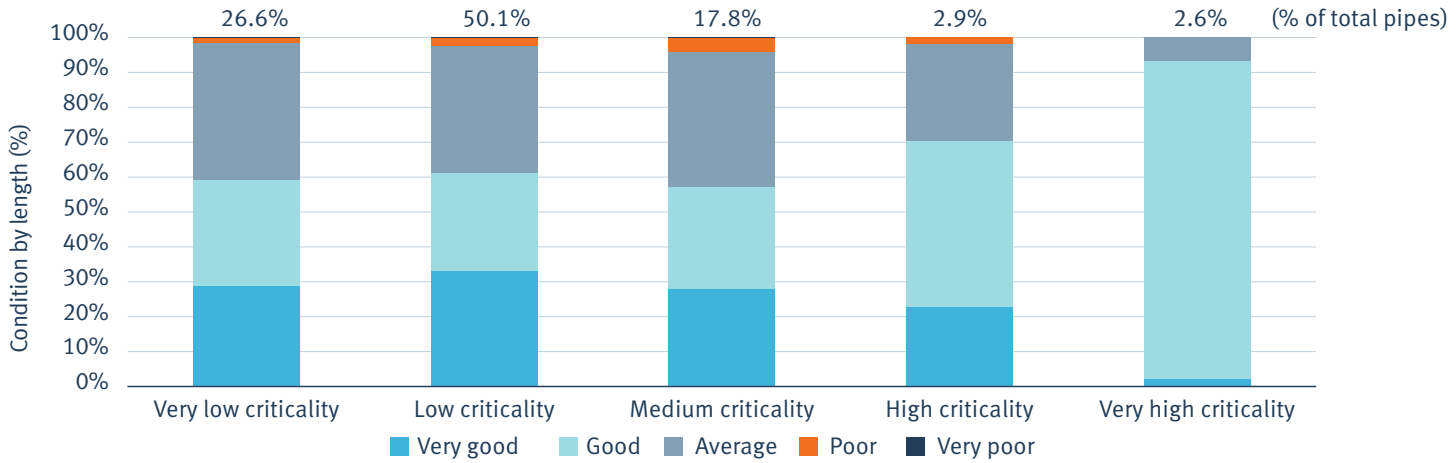
Asset condition

As infrastructure assets age, we expect increasing asset failures which can lead to service interruptions and may pose a risk to public health, safety and the health of the environment. A critical input into our asset management planning is information relevant to the condition and performance of our assets.

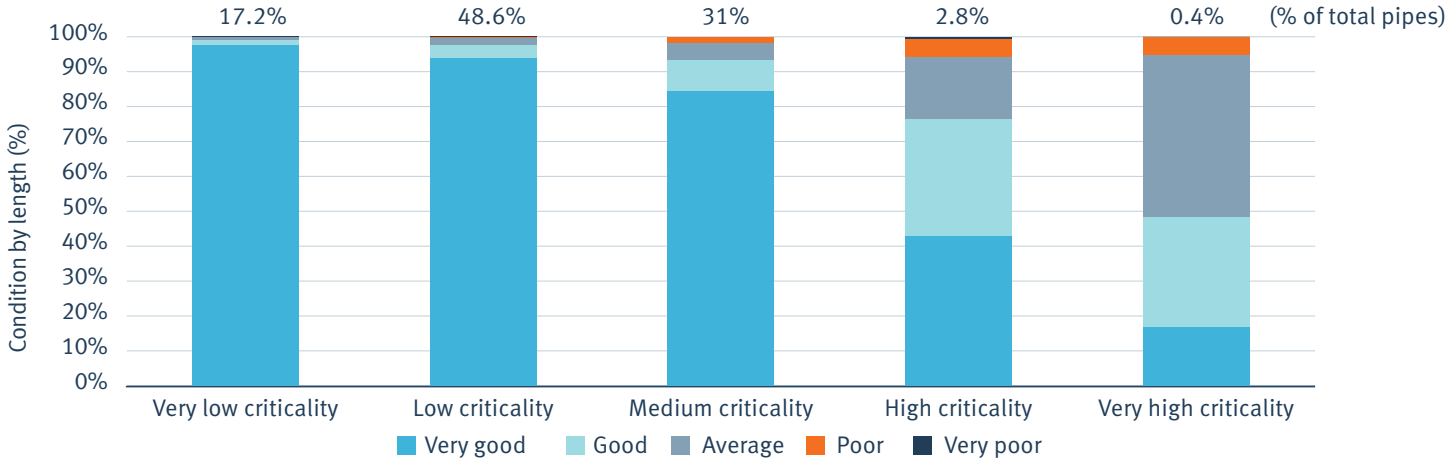
We have multiple approaches to proactive asset management:

- Visual inspection of above-ground assets – assets are inspected and assessed against detailed performance criteria
- Enhanced closed-circuit television (CCTV) visual inspections and sonar/laser profiling of critical underground assets
- Comprehensive risk-based modelling for buried piped networks based on material attributes, asset and system performance information, and condition assessment data
- Underwater drones are being used to reduce the need for divers to carry out the inspections and cleaning of underwater assets such as our dam intake screens

Water pipeline condition by criticality (transmission and local networks)



Wastewater sewer condition by criticality (transmission and local networks)



- Remote-controlled boats used for sediment and bathymetric surveys
- Vibration analysis and acoustic imaging to monitor equipment performance at our facilities.

Recent piped network analysis has prioritised critical pipeline and sewer assets (leveraging more than 560 kilometres of CCTV evidence). The data shows that these are generally in average-to-good condition, with approximately two per cent in poor condition. The condition of the above-ground plants and equipment is also assessed as average to very good. Condition data relating to the lower criticality assets has a higher level of uncertainty and will be improved through subsequent phases of the modelling project.

The risk models are also used to identify priority zones and catchments where performance indicators such as water network leakage and inflow and infiltration parameters suggest poorer network performance than expected. Renewal and replacement programmes are initiated based on prioritisation within overall capital funding budgets.

Reviewing the age, condition and capacity of pipes and treatment plants is critical to ensure upgrades and renewals are prioritised according to need. Asset renewal decisions are based on a risk assessment, including the likelihood and consequence of failure, considering both individual asset performance, as well as system interdependencies and resilience requirements.

Critical assets and components within all drinking water and wastewater systems are identified and managed proactively to a higher standard than non-critical components. We are in the process of developing work programmes, specifically in the wastewater space, to target very high criticality assets through an enhanced renewals programme.

18,623km
of water and wastewater pipes service the Auckland region

Relining a section of Huia 1 Watermain at Gillies Ave.

Asset operations and maintenance

The following outlines the key activities, systems and strategies associated with operating and maintaining our network of assets that deliver critical services for our customers every day.

Drinking water

Water source management

Auckland's water supply is a complex conjunctive-use system, comprising dams, groundwater and run-of-river takes. Our most significant river take is from the Waikato River which currently constitutes around 20% of total supply. We use an Integrated Source Management Model (ISMM) to optimise water source allocation. This model simulates the operation of Auckland's water supply, both existing and future, to identify the least-cost solution given current demand while ensuring long-term security against drought.

We manage our water sources to meet consent conditions, optimise energy use and treatment costs, and ensure that water volumes stay within the capacity limits of our treatment plants, pipelines, and pump stations. We also manage our water sources to minimise the effects our operations have on the environment.

We operate our water sources in accordance with our Drinking Water Safety Plans and Source Water Management Plans. The Water Services Act 2021 requires water suppliers to have source-water risk management plans.

Water pressure, flow and water source levels monitoring

This includes remote and manual monitoring of bulk meters and flow meters for billing, network analysis and modelling, operations and leak detection. Pump stations, reservoirs and treatment plants are alarmed and status monitored for low/high pressure and water levels, faults, power failures and indicators of water quality. The system enables remote control of pumps based on reservoir levels. Rainfall stations, dam-level recorders and in-stream weirs record water levels for use in dam safety surveillance, consent compliance reporting, headworks operation and drought security analysis.

Future developments will include using artificial intelligence (AI) and machine learning to optimise the supply, production and distribution system. These tools will use weather predictions to optimise system storage and control. This includes a decision support tool being developed for the water supply system.

Water interruption management

During unplanned outages, we supply our customers with bottled water or water from tankers as necessary for public health. Where possible, we notify our customers in advance of planned water supply shutdowns.

Pressure management

We ensure that our water networks operate within minimum and maximum water pressures to protect the network and reduce leakage by managing pressure across our water supply zones. Pressure management initiatives will be further considered as part of our demand management and leak reduction programmes.

Water quality management

Through our Drinking Water Safety Plans, we commit to:

- Ensuring the safety of our drinking water
- Embracing a high standard of care
- Protecting our water sources
- Maintaining multiple barriers to guard against contamination
- Applying a preventive risk management approach.

The water quality parameters include both online instrument readings and the results of laboratory analyses.

We carry out compliance and operational sampling and analyses throughout the region, in accordance with the Drinking Water Standards for New Zealand (DWSNZ), Drinking Water Quality Assurance Rules (DWQAR) and our Drinking Water Safety Plans. Additional water quality tests and flushing are undertaken in response to customer water quality complaints.

Backflow prevention

All our commercial and industrial customers must have a certified backflow prevention device installed at the boundary of the property to prevent contaminants entering the public network from private connections. In addition, some residential connections (for example, those with rainwater tanks or irrigation meters) have backflow devices fitted as these carry a higher risk. In addition, our own facilities (pump stations, water filling stations, etc.) have certified backflow preventers in place.

We carry out a monitoring, testing and enforcement role for all boundary devices, to meet the requirements of the DWSNZ and the Water Services Act 2021.

Leak detection and management

We are subdividing our network as part of our pressure management and district meter area programme to enable us to manage our water network more effectively. Pressure management is reducing the volume of water lost through leakage and the number of faults. The programme involves splitting the network into more manageable areas to find leaks quicker, enabling leak runtime to be reduced.

To complement these initiatives, we have developed a leakage management system which uses SCADA (control system) data and calculates leakage levels based on the minimum night-flow methodology. This allows us to respond to leaks quickly.

In areas where we suspect there are higher volumes of leaks, we use handheld acoustic devices to find leaks that may be invisible to the public.

Leaks are a primary cause of non-revenue water loss. The management of non-revenue water volumes is a key focus for us, as significant water loss would require us to invest in new water supply capacity earlier than expected. We calculate the economic level of leakage to help us determine the appropriate amount of money to invest in non-revenue water management. The economic level of leakage is the point where the cost of controlling leakage is equal to the value of the water saved.

Water meter management

We monitor and proactively replace the water meters for commercial customers based on their age and consumption. Our largest commercial customers, as well as schools, have data loggers to give them greater visibility of their water use and encourage water efficiency.

Since 2022, we have been installing smart meters on all new connections and replacing older meters with smart meters. By June 2025, we will have 70,000 of these in service, which is the second largest roll-out in Australasia.

We are looking to replace all mechanical meters with smart meters over a three- to five-year period from July 2025, subject to business case approval, funding and efficacy. This will deliver the following benefits:

- When delivered with the Watercare app, our customers will become more aware of their water use and be alerted to issues, such as private leaks, more promptly
- We will improve our understanding of public leakage by being able to undertake daily water balances across district meter areas
- We will reduce our non-revenue water loss by replacing old mechanical meters that under-read with accurate smart meters
- Our customers will receive monthly bills based on their actual consumption.

Wastewater

Wastewater flow monitoring

Our wastewater pump stations are continually monitored for pump run-times, flows, wet-well levels, storage operation and overflow activation. Monitoring allows for pumping rates to be adjusted according to downstream conditions and enables us to maximise the storage available to minimise issues. It also enables us to respond quickly to potential overflow incidents and to arrange a clean-up if needed.

Wastewater overflow management

Overflows are caused by:

- Stormwater and groundwater entering wastewater pipes
- Blockages due to a build-up of fat, rubbish or tree roots
- Breaks caused by weather events, the condition of assets, or third parties.

We use several methods to minimise overflows, including inflow and infiltration detection, education campaigns, regular pipe flushing, enzymes to reduce fat accumulation, strict trade-waste management and monitoring, network enhancements and investigation of repeated blockages.

As part of our smart networks programme, we will install thousands of level sensors across our wastewater network over the next three years to better understand:

- Where blockages are forming
- Which areas are affected by inflow and infiltration issues
- How rain, tides and groundwater impact system performance.

This will be complemented by data analytics and allow predictive analytics to be undertaken when storms are forecast.

Inflow and infiltration (I&I) control

Properties in some older suburbs in Auckland are served by a combined network that carries both stormwater and wastewater. Today, these properties represent about three per cent of the total number of connections to our networks.

The combined network has limited capacity to transport storm flows, so it was designed to overflow during rainfall events. To ensure these overflows occur in a controlled manner, rather than flowing on to private properties, engineered overflow structures were constructed so that the excess flow could be safely discharged to the receiving environment (the rivers, streams and harbours) and prevent surface flooding.

The remainder of our wastewater system is designed to modern standards with separate wastewater and stormwater pipes. However, when it rains the wastewater network may exceed capacity and overflow due to:

- **Inflow** – Stormwater entering the network via private drains, either through a downpipe from the roof connected to a gully trap or a low gully trap that allows surface water to flow into it
- **Infiltration** – Groundwater entering the network through cracks, joints, broken or poorly constructed private drains or public pipes.

The extent of inflow and infiltration usually depends on the location and age of the pipes, what the pipes are made from, and the ground conditions.

A significant proportion of inflow and infiltration comes from private drains and correcting these defects is therefore necessary to achieve a reduction in wet-weather overflows.

We have a team dedicated to proactively improving network performance and reducing inflow and infiltration. They carry out detailed catchment investigations and identify private and public defects. We alert private property owners to the defects they need to remedy, and we fix the issues with our networks.

In areas with combined networks, we are increasing the wastewater transmission capacity to reduce high-frequency combined sewer overflows. For example, our Central Interceptor wastewater tunnel, and the associated Western Isthmus Water Quality Improvement Programme, will significantly reduce the frequency and volume of overflows in central Auckland suburbs. In collaboration with Auckland Council's Healthy Waters department, we are undertaking catchment-specific improvement programmes to:

- Provide new stormwater improvements to enable separation and local catchment expansion
- Reduce uncontrolled discharges into local catchments
- Optimise the benefits of the wastewater transmission solutions to meet growth needs
- Achieve discharge consent targets.

Maintenance activities

	Asset group	Maintenance activities	Standards and specifications
Planned maintenance	Water networks	Meter testing	Manufacturer's specifications
		Valve and hydrant inspections	Operated to identify maintenance needs
		Pump station and reservoir inspections	Bulk network – based on reliability-centre maintenance (RCM) programme logged in asset management system Local networks – routine pump/electrical testing into manufacturer's specifications
		Pipe and structural condition surveys	Planned programmes
		Water quality compliance sampling taps inspections	DWSNZ and DWQAR
	Wastewater networks	Sewer cleaning and siphon flushing	Planned programmes
		Pipeline CCTV inspections	Planned programmes
		Inflow and infiltration testing	Flow model calibration Planned programmes for inspections of properties
		Critical asset inspections (pipe bridges, suspended sewers, control valves, outfalls, siphons)	Planned inspection programmes
	All pump stations and treatment plants	Planned preventative maintenance programmes	Bulk network – RCM-based programme logged into the asset management system Local networks – routine inspections/cleaning
		Pump overhauls and electrical testing	Manufacturer's specifications
		Safety inspections of lifting beams and backflow preventers	Manufacturer's specifications and regulatory requirements
Unplanned maintenance	Water network asset	Repair broken and failing mains/pipes/service leads	Reactive maintenance is carried out in accordance with the key KPIs set within the maintenance contracts
		Repair/replace broken/under-reading meters	
		Repair/replace leaking valves and hydrants	
		Flushing in response to water quality complaints or identified problems	
	Wastewater network assets	Repair broken pipes and blockages	
	Treatment plants/reservoirs/pump stations	Repair plant/equipment failures	Manufacturer's specifications

Investment priorities and risks

Prioritisation of projects

Our infrastructure investment programme is prioritised to address service risks and meet strategic outcomes. Our priority drivers are:

- Safe and reliable water supply
- Renewals
- Improving levels of service to current customers to ensure ongoing compliance with water quality and environmental regulations
- Growth.

Our framework ranks projects and programmes based on risk ratings, which consider the consequence and likelihood of risks. Projects with the highest risk ratings are prioritised and weighted based on these priority drivers.

Projects already in construction are prioritised to continue. We also ensure inclusion of 'business as usual' programmes that require funding year-on-year. The prioritisation process is ongoing and continually refined to meet customer needs as well as environmental and regulatory requirements.

Execution risks

While our investment profile is significant (as outlined below and in the Funding and financing section), our funding is largely set. As a result, we need to carefully prioritise projects to ensure customer outcomes and targets are achieved. Some of the risks we face are:

- Delays in consenting and land designation processes
- Objections to planned infrastructure by a small portion of the community
- Time taken to acquire land
- Reactive work due to unforeseen events, such as weather events or the failure of a large asset
- Un-sequenced growth, meaning growth occurring in different areas to those planned
- Availability of capable resources and procurement delays
- Inflation exceeding forecasts.

These risks can result in delays in executing an effective renewals programme, which compromises system resilience and can extend periods of adverse impacts on receiving environments – such as overflows. This can also constrain growth, impacting development and resulting in the need for tankering untreated or primary treated wastewater to our treatment plants.

We are committed to addressing these challenges through mitigation plans or, if necessary, by reprioritising projects, to deliver the best- possible outcomes for our communities.

Reconsenting requirements

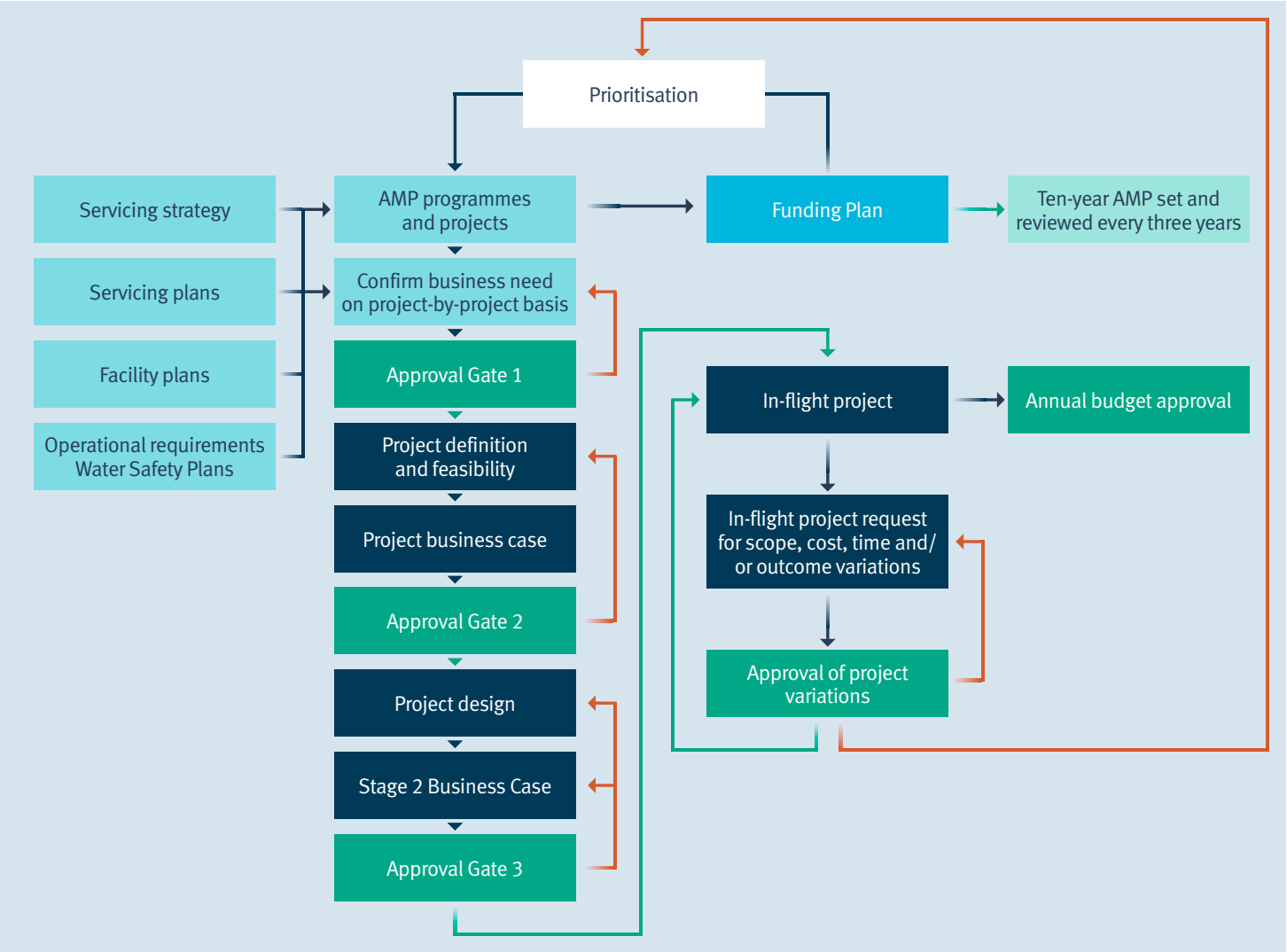
As noted, obtaining consents and the required approvals is a significant challenge for building new infrastructure. For existing assets, the reconsenting process is complex, costly, time consuming and generally results in new or enhanced requirements. We have developed a detailed forward view and delivery plan for strategic consents and designations that are essential to our operational performance.

During the next 10-years, we will reconsent 20 strategic consents (nine water and 11 wastewater) which are essential for our operations. This includes some of our major facilities, such as our Māngere Wastewater Treatment Plant. We anticipate that this will take considerable time, effort and resource, and deliver improvements to environmental, social and cultural outcomes. We have allowed $47 million for this work to be undertaken.

Due to the time and resource required to secure these consents, we are working on improving our overall strategy for consenting, land acquisition, route protection and designation.

Capital expenditure approval process

It is important to recognise that the presence of a programme or project within our plan does not mean automatic approval to proceed. The capital projects approval process is set out in our project management framework. There are several approval gates to ensure extra levels of governance and oversight, as illustrated opposite.



Infrastructure investment plan

In response to our investment priorities, challenges and service level commitments, we will invest $13.8 billion in over 1,000 projects over the next 10 years.

This section outlines the investment we are making and key projects aligned to the following key investment areas:

- Asset renewals and levels of service
- Water asset investment strategy
- Wastewater asset investment strategy
- Support services and technology.

In the water and wastewater asset investment strategies outlined below, the figures given for the programmes and projects are indicative only. Each programme and project must go through several stages to define its scope, feasibility, and design before the final business case and budget are submitted for approval.

Asset renewals and level-of-service investment strategy

Over the next 10 years, we will spend $6.98 billion on renewing and upgrading existing assets across our network. This represents 51% of our total 10-year investment profile and will include: replacing ageing water and wastewater mains; progressively replacing mechanical water meters with smart meters; upgrading treatment processes at Ardmore Water Treatment Plant; replacing the ageing Huia Water Treatment Plant; upgrading the ageing Waitakere Water Treatment Plant; building a new water treatment plant for Waiuku; upgrading processes at the Māngere and Rosedale wastewater treatment plants and upgrading the Wellsford Wastewater Treatment Plant with advanced treatment technology.

By proactively renewing and upgrading our plants and network assets, we aim to provide a reliable service to our customers and communities, optimise the performance of our networks and ultimately reduce leaks from the water network and overflows from the wastewater network.

Underground storage tanks at Dunkirk Wastewater Pump Station.

See the detailed scope of our works in the water and wastewater strategic programmes section.

Water asset investment strategy

The programmes within our water asset investment strategy include increasing the number of water sources, treatment plant upgrades and network initiatives. They have been geographically grouped by **metropolitan** and **non-metropolitan** areas. This infrastructure programme will be supplemented by demand management initiatives which are outlined in the Auckland Water Strategy (AWS) 2021 – 2050.

Demand management and the AWS

The Auckland Water Strategy (the Water Strategy) commits Auckland Council to a bold new relationship with water to protect and enhance te mauri o te wai, the life-sustaining capacity of water. The Water Strategy sets a vision for Auckland's waters and provides strategic direction and guides investment and action to 2050 across the Auckland Council Group. The Water Strategy sets targets, including demand management, that are measured and reported against, some of which are included in our SOI.

The demand for water is increasing as a result of population growth. Demand management is designed to operate in tandem with infrastructure investment, including securing alternative drinking-water sources for the long term.

We currently supply an average of 440 million litres of water per day to 1.7 million Aucklanders. Gross per-capita water consumption (including both residential and non-residential usage) is 251 litres per person per day (l/p/d) (12-month rolling average in October 2024). We have achieved our target of 253 l/p/d by 2025 and are working towards our target of 225 l/p/d by 2051.

When setting the long-term water usage targets, we resolved we would not use high pricing as a lever to reduce customer demand. Instead, we are educating people on how to use water efficiently at home and work; and we are creating a smarter system that allows for new technologies over time.

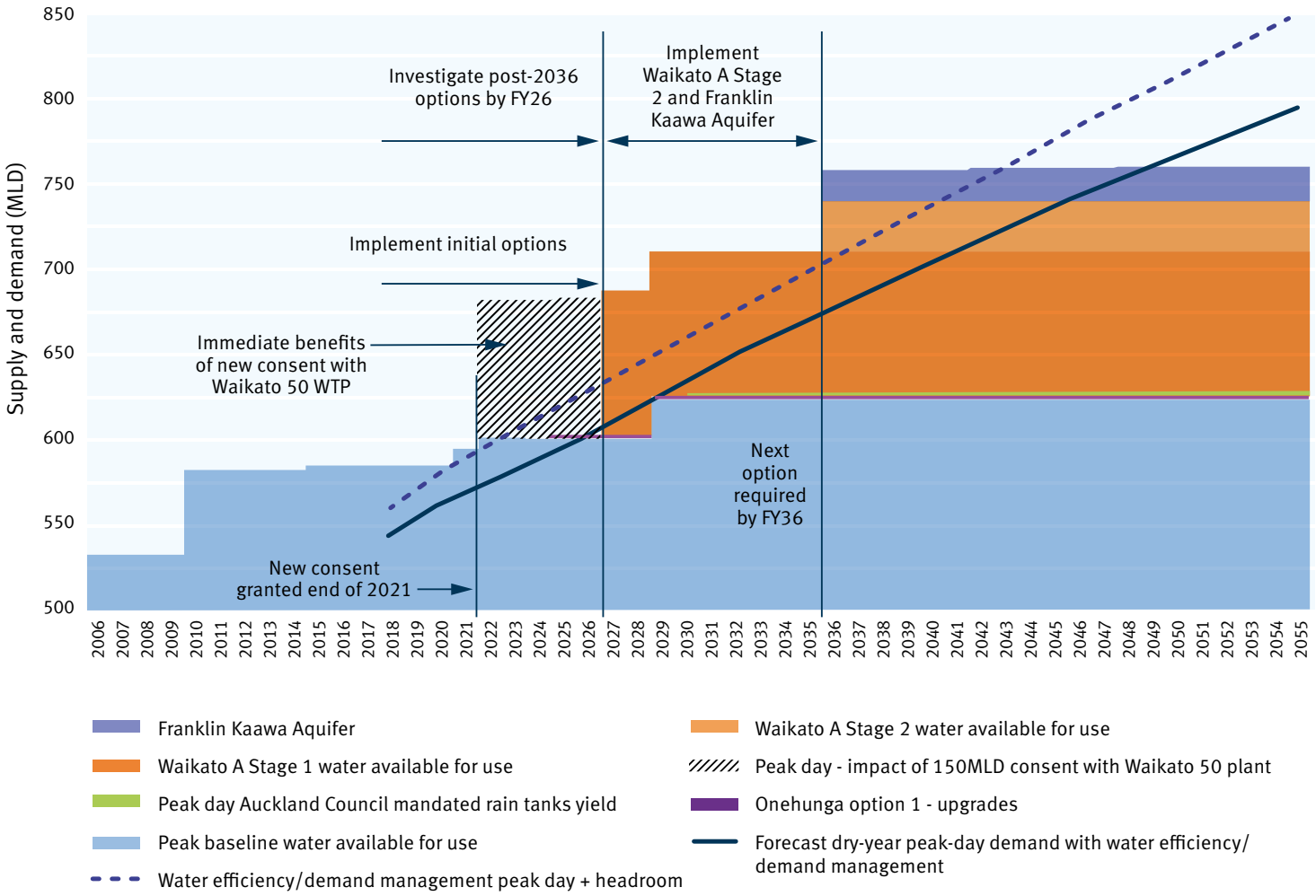
Technology is a key component of our water demand management strategy. Since 2022, we have been introducing smart meters to our water network.

While we plan to continue with the smart meter roll-out, our learnings and challenges with the existing technology mean we are investigating alternative operating models to ensure we deliver the benefits from this technology efficiently. We are also investing in a smart network monitoring system to keep leakage in line with the annual modelled economic level of leakage.

These initiatives are important to understand the timing of when an alternative water source for Auckland will be required. The region's demand-supply balance means an alternative source will be needed within the next 20 years. Over the next 10 years, we will continue to investigate the use of purified recycled water and desalination as potential sources of water (refer to the details in the "Water sources beyond 2034" subsection on page 50).

The graph to the right shows forecast demand and required volumes over time, while the stepped blocks represent when new sources need to be established.

Preferred option to meet peak demand during dry weather



Strategic water programmes 2025 – 2034

Metropolitan water

Of the total volume of water we treat, 98% is supplied to customers connected to our metropolitan water supply network. The remaining two per cent is supplied to customers connected to smaller stand-alone networks, such as the Wellsford water supply network.

The metropolitan network has a diverse range of water sources which feed into an integrated distribution system. These sources include:

- Water storage dams in the Waitākere and Hūnua ranges, enabling gravity-fed supply systems
- Underground aquifers in Onehunga (currently offline) and Pukekohe
- The Waikato River.

This diversity provides increased resilience against drought and other interruptions to supply.

Historically, most of Auckland's water supply had been sourced from rainfall-dependent dams. As we look to the future, climate change is expected to deliver more frequent dry periods and droughts.

To address this, the Waikato River has been identified as the preferred source to meet Auckland's current additional water needs as it has a vast catchment area and is less impacted by drought. We have consents to draw up to 300 million litres of water a day from the river; however, we need significant infrastructure investment to access this volume so we are not drawing the full volume yet.

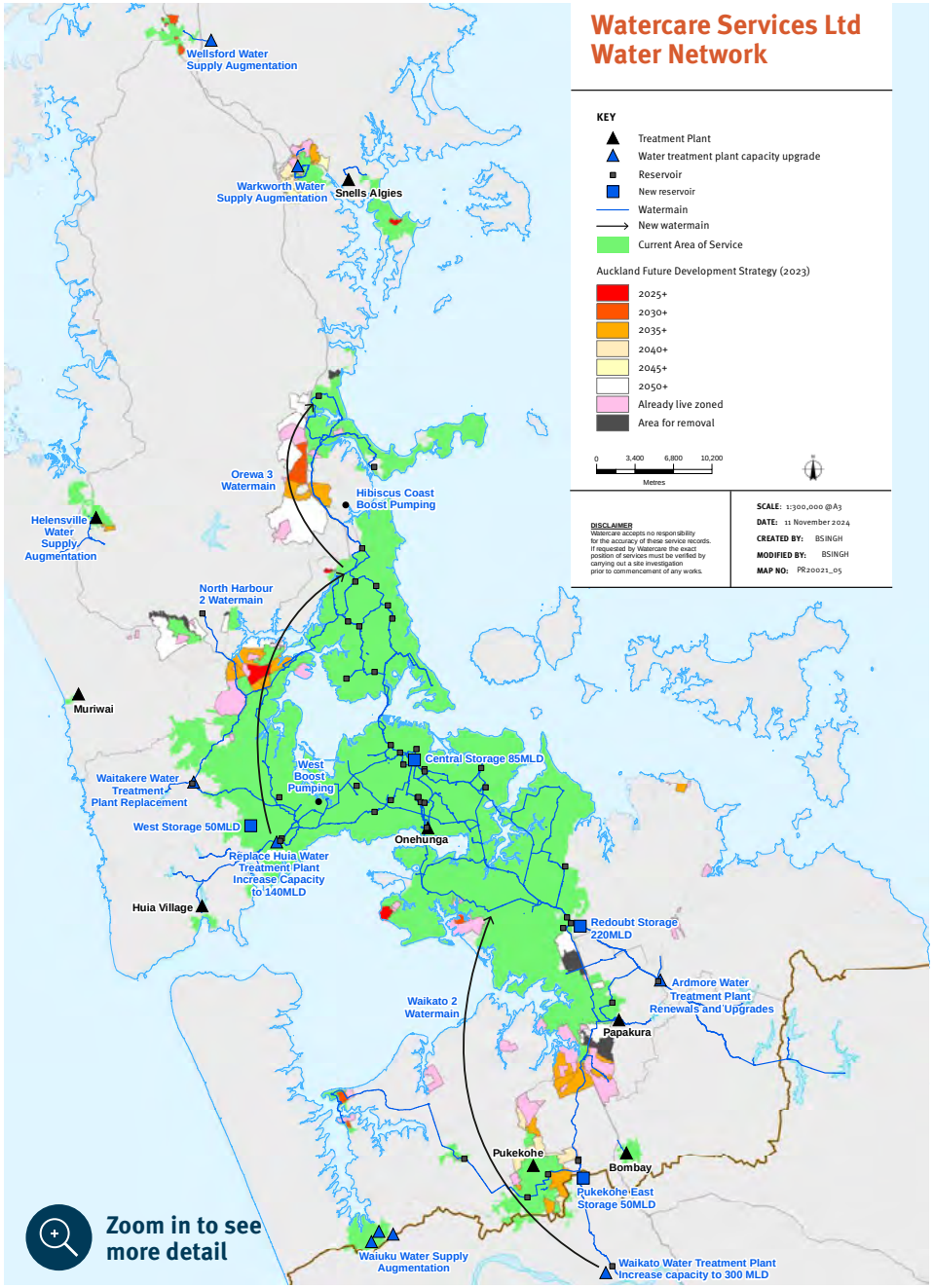
The major water-related programmes and priorities included in our investment plan are summarised below. In addition, there are water connection programmes, metering programmes and renewals programmes planned.

Waikato River water supply, $760 million

We will construct the Waikato A untreated water intake and pump station, which will supply untreated water to future water treatment plants. This will replace the temporary floating intake and meet all consenting requirements. We will also renew process equipment, such as membranes, and start constructing the Waikato 2 watermain.

Ardmore Water Treatment Plant, $61 million

We will carry out renewals and upgrades to maintain the resilience of the plant, which is Auckland's largest and most-critical plant, supplying around two-thirds of the city's water.



Huia water supply, $1.12 billion
We will replace the aged Huia Water Treatment Plant with a plant that can produce up to 160 million litres a day to help meet peak demand and improve system resilience. We will also build two reservoirs (each with a 25-million-litre capacity) to increase treated-water storage in west Auckland.

In the next 10 years, we will replace two watermains that convey untreated water from the dams to the plant.

There is provision to ensure the current treatment plant remains operational until the new plant is constructed.

Waitākere water supply, $119 million
The Waitākere Water Treatment Plant is approaching the end of its serviceable life, and a full plant upgrade will begin over the next 10 years. The new plant will have a maximum capacity of 24 million litres a day to treat water from the Waitākere Dam. This project will also involve replacing the Waitākere untreated watermain that conveys untreated water to the plant.

A chemical systems upgrade will be delivered in the next three years to prevent potential chemical system non-compliances, while addressing health and safety concerns. Other renewals and replacements are planned for the interim until the new facility is constructed.

North Harbour 2 Watermain, $785 million
The North Harbour 1 Watermain is currently our sole transmission watermain, conveying water from the west to the north across the Greenhithe Bridge. To enhance service reliability and capacity, we will construct the North Harbour 2 Watermain which will run for 32 kilometres between the proposed Manuka Road Reservoir in Titirangi and the Albany reservoirs. This watermain will provide an alternative route to service customers in the west and north, offering redundancy and improved transmission capacity.

Over the next 30 years, up to 25% of Auckland's growth is anticipated in areas that will be served by the North Harbour watermains, so this project is crucial. North Auckland's expansion includes 2,650 hectares of greenfield land zoned as 'future urban' under the Auckland Unitary Plan. Key areas dependent on this transmission watermain infrastructure include Wainui, Silverdale and Dairy Flat.

Projects supporting Kāinga Ora, $95 million
We have been working in partnership with Kāinga Ora and the wider council group to agree a joint programme of infrastructure works timed to enable housing growth in Mt Roskill, Tāmaki and Māngere.

Onehunga Water Treatment Plant, $38 million
Currently, the Onehunga Water Treatment Plant is out of service as PFAS* was detected in the untreated water from the aquifer. We plan to add additional treatment processes to remove PFAS. We also plan to upgrade the fluoride dosing system, to comply with the Director General of Health's mandate on fluoridation. These upgrades will enable the treatment plant to be put back in service.

Devonport 2 Watermain, $49 million
We will replace the 4.5-kilometre Devonport 2 Watermain as it is a critical asset that is reaching the end of its economic life. It is one of only two watermains that service the area and if it fails, the other watermain will not be able to meet local demand.

Hūnua 2 Watermain, $68 million
We will renew a 164-metre-long segment of the Hūnua 2 Watermain that runs alongside the Ti Rakau Bridge over the Tāmaki Estuary. This large-diameter pipe has its own concrete piers that have broken down over many years due to the harsh estuarine environment.

Khyber/Konini watermain, $86 million
The central western suburbs have historically experienced substandard levels of service with intermittent flows and pressure fluctuations. We will construct a 7.5-kilometre watermain that connects the Hūnua 3 Watermain to the two North Shore watermains. This will improve resilience and provide capacity for growth.

Note: As well as the above projects, there are water connection programmes, metering programmes and renewals programmes planned.

* PFAS are a class of chemicals that have been used in consumer and industrial products since the 1950s. They are used to make products that repel water, grease, stains, and oil, and resist heat and chemical reactions. Some examples of products that contain PFAS include furniture protectants, floor wax, and firefighting foam. PFAS can contaminate water during production, use and disposal of products that contain them. They are also not removed by conventional water treatment methods.

Non-metropolitan supply network improvements

Waiuku water supply, $76 million

Waiuku is supplied from a groundwater source via three treatment plants. A new water take consent was granted in August 2017, covering all three bores. We have investigated the water demand in Waiuku and have implemented a leak reduction scheme to make the best use of the current supply sources.

Over the next 10 years, we will renew raw water pipe assets and build a new treatment plant to replace the three existing plants and increase its production capacity. This will support local growth and ensure a more reliable and resilient water supply.

Wellsford, $21 million

Wellsford is supplied from the Hōteo River. A new groundwater source has been identified and consented. A new treatment plant is currently being designed and delivered on a site adjacent to the source. The plant will resolve current untreated water quality issues and support future growth.

Muriwai, $11 million

The current water source and assets were damaged by a landslide during Cyclone Gabrielle in 2023. If we find a suitable water source that's economically viable, we may deliver a new water supply scheme that can meet peak and average sustainable demand requirements as well as health, safety and operational requirements.

Warkworth Water Treatment Plant, $95 million

We will upgrade the treatment plant to ensure we can progressively raise the volume of water treated to keep pace with demand. This will be in line with our increased groundwater allocation.

Water sources beyond 2034

Over the next 10 years, we will consider options to meet demand as Auckland grows. We will need a new water source once we have fully maximised our current water allocations. Major investment will be required to secure additional drinking water capacity before 2040.

- **Purified recycled water** – Purified recycled water is highly treated wastewater that has the potential to supplement our current treatment capacity as Auckland grows. It can be introduced into the supply network in two ways:
  - Direct purified recycled water uses water from a wastewater treatment plant (WWTP), treats it to potable standards through an advanced water treatment plant (AWTP), before supplying it directly into the water network
  - Indirect purified recycled water has an environmental buffer, usually a large lake or water storage dam, between the WWTP and the AWTP. The water is taken from the lake or storage dam and treated at the AWTP before being supplied into the water network.

Purified recycled water not only provides a water source, it also provides a solution to increasing wastewater discharges.

- **Desalination** – Desalination is the treatment and conversion of seawater into potable water for supply to the water network. This option requires a pipeline and intake structure in a body of seawater. To give a consistent quality of seawater, a depth of over 15 metres is normally recommended for the intake structure. A second discharge pipeline normally takes the waste brine from the treatment plant back out to the sea for disposal. The brine is significantly more concentrated than the natural seawater, so appropriate disposal design and receiving environments are important.
- **Current legislation** – The current drinking water standards and other statutory provisions do not support purified recycled water or desalination as potable sources. These processes are common overseas. Changes to legislation and standards will be necessary, along with public education, to support the adoption of either of these options.

In the interim, we have built a small-scale purified recycled water plant at our Māngere Wastewater Treatment Plant to pilot advanced water treatment technologies. The data we gather will support strategic decision-making about the use of purified recycled water as a potential water source.

We have also built a small non-potable recycled water plant at Māngere to supply construction-grade water to the Central Interceptor project. As the Central Interceptor project no longer needs this water, work is underway to enable the recycled water to be used at the Māngere plant from early 2025.

In 2022, we undertook a Citizens' Assembly that involved a representative sample of Aucklanders to understand the process for educating people on purified recycled water and desalination options.

Wastewater asset investment strategy

Our wastewater investment programme over the next 10 years aims to optimise the use of existing assets, upgrade ageing assets, increase resiliency, and add capacity to provide for growth where required. We will improve environmental outcomes by reducing overflows.

Strategic wastewater programmes 2025 – 2034

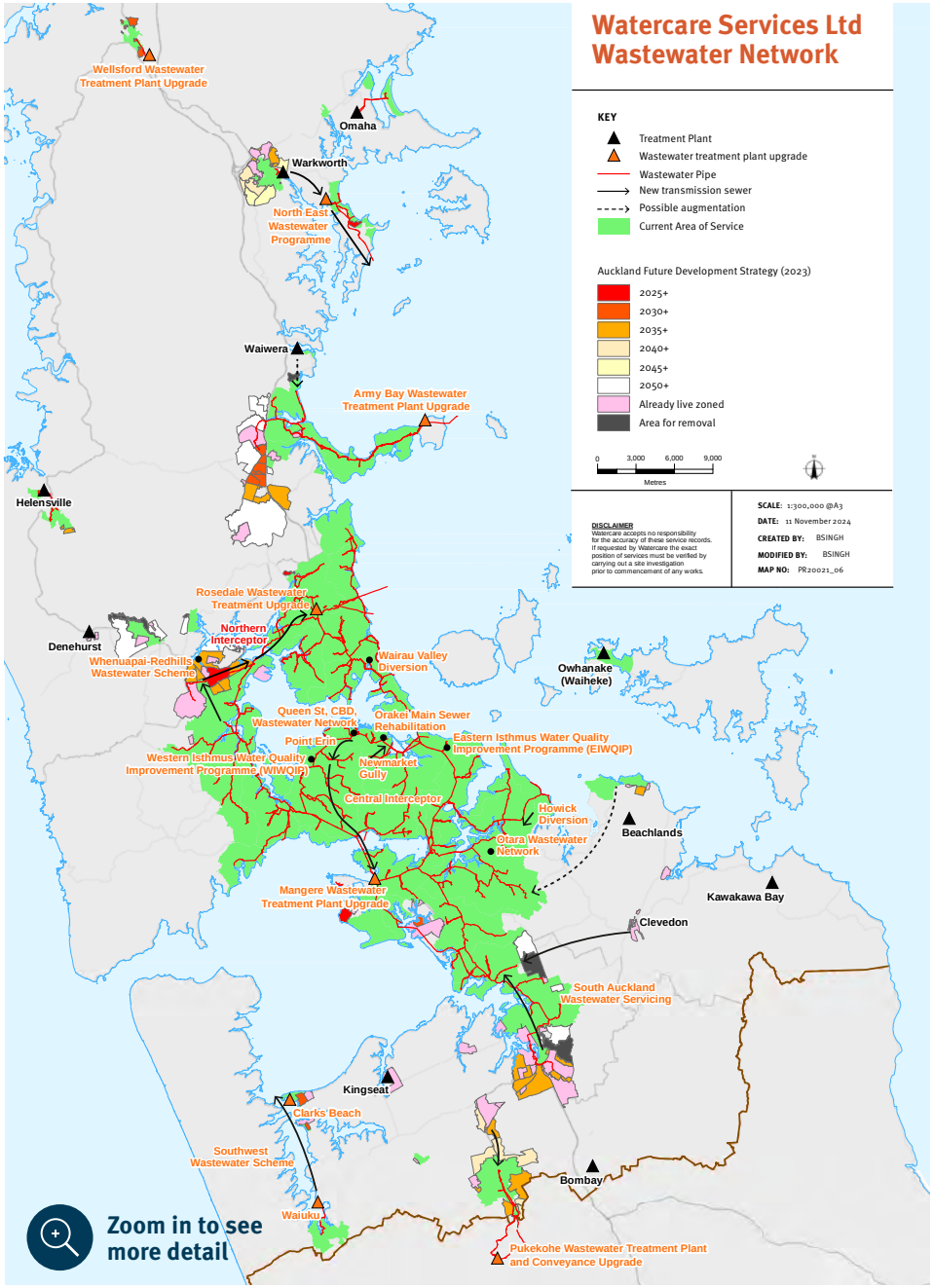
Māngere Wastewater Treatment Plant, $1.11 billion

The Māngere WWTP treats and disposes of wastewater from approximately three-quarters of Auckland's population. It treats 345 million litres of wastewater per day (12-month rolling average in October 2024).

The treatment plant has a current discharge consent that includes the following limits:

- Maximum daily inflow and discharge volume of 1,209,600 cubic metres per day (m^3/day)
- Instantaneous maximum discharge flow rate of 25 cubic metres per second (m^3/s)
- Annual daily average inflow volume of 390,000m^3/d.

Our Māngere discharge consent is valid until 2032. The existing available capacity to service population growth is significantly affected by rainfall. Wetter years typically increase the average daily discharge volume, while drier years typically reduce it. To allow for growth in metropolitan Auckland as the population increases, wastewater flows will be diverted via the Northern Interceptor wastewater pipeline to utilise the capacity at the Rosedale WWTP. Over the next 10 years, wastewater flows from around 160,000 people will be diverted from the Māngere plant to the Rosedale plant. At the same time, hydraulic processes at the Māngere plant will be upgraded to continue meeting the discharge requirements of the consent.



In addition to plant renewals, process optimisation, and improvements, our programme of works and investment planned for the Māngere plant includes:

- A sludge conditioning project to increase the capacity of the existing Māngere digesters, reduce loading on downstream equipment, improve energy removal from sludge and reduce biosolids volumes to maximise the use of Puketutu Island and make future biosolids handling as cost effective as possible. This will decrease the plant's carbon footprint and waste, and optimise asset life-cycle cost
- Peak-flow treatment upgrades to handle additional wet-weather volumes following the completion of the Central Interceptor wastewater tunnel.

We have developed a hydrodynamic model of the Manukau Harbour and are collaborating with Auckland Council on how to integrate our model with their suite of harbour and catchment models. This work is ongoing.

Māngere Wastewater Treatment Plant catchment

The Māngere catchment currently extends from Redhills/Whenuapai in the north-west, to Howick in the east, and to Drury in the south. The older parts of this catchment are serviced by a combined wastewater and stormwater network which often overflows in wet weather. About three per cent of our customers are connected to the combined network.

Central Interceptor, $433 million

The Central Interceptor (CI) is a 16.2-kilometre wastewater tunnel extending from Point Erin in Herne Bay to the Māngere WWTP. With an expected total programme cost of $1.67 billion, the CI is designed to reduce wet-weather overflows and support regional growth. The project involves constructing the CI and two link sewers that connect to the existing wastewater network. We are also building a pump station and have rebuilt a confluence chamber at our Māngere plant.

The CI will carry wastewater currently conveyed by the Western Interceptor, Ōrākei Main Sewer and the Eastern Interceptor to our Māngere plant. This will create capacity in the Ōrākei Main Sewer and in the downstream Eastern Interceptor, allowing for growth in central and south Auckland. The project is expected to be completed by the end of 2026.

Māngere catchment (service management area)

Waitematā Water Quality Improvement Programme, $876 million

This programme will improve water quality in urban streams and, ultimately, the harbours in Auckland's Western Isthmus. The programme involves a series of projects funded by Watercare and Auckland Council's Healthy Waters department. Enabled by the CI, this initiative aims to reduce the volume and frequency of overflows from the combined and wastewater networks, through a balance of new infrastructure and removing stormwater from the wastewater network. In doing so, this will lead to cleaner urban streams and harbours. This aligns with regulatory requirements for managing and mitigating uncontrolled wastewater overflows.

These upgrades will provide network capacity, supporting growth and urban development in the Western Isthmus area which includes Waterview through to Herne Bay in the north, down to Lynfield and Hillsborough in the south.

Eastern Isthmus Water Quality Improvement Programme, $245 million

This programme will lead to cleaner urban streams and a healthier Hobson Bay and Waitematā Harbour. This aligns with regulatory requirements concerning managing and mitigating uncontrolled wastewater overflows.

Projects included under this programme will provide network capacity, supporting growth and urban development in the Eastern Isthmus area.

Over the next 10 years, we will work on the following projects:

- Constructing the Newmarket Gully wastewater storage tunnel
- Upgrading branch 1 Remuera sewer
- Upgrading branch 2 Portland Road sewer
- Upgrading Mission Bay's wastewater network
- Upgrading St Heliers' wastewater network.

Ōtara wastewater network, $136 million

This programme focuses on upgrading an ageing network pump station and rising main to provide sufficient wastewater capacity in the Ōtara catchment. It aims to support the projected population growth from 70,400 population equivalent (PE) to 78,900 PE and resolve transmission network overflows on the Southern Interceptor, and six other locations in the Ōtara catchment that overflow more than seven times per year. In addition, the project aligns with the Network Discharge Consent Regulatory requirements for mitigating and managing uncontrolled overflows, targeting a reduction to two spills per year from controlled discharge locations.

Ōrākei Main Sewer, $63 million

This programme involves replacing the section of the Ōrākei sewer main that collapsed in Parnell in September 2023, together with the surrounding sections. By replacing these ageing sections, we will improve the resiliency and reliability of the sewer.

Queen Street wastewater network, $71 million

The Queen Street Wastewater Diversion Project involves upgrading the wastewater network in the Upper Central Business District to increase its capacity. The project will also restore a 250-metre section of the Ōrākei Main Sewer which is currently in poor condition. This will support growth, enhance asset resiliency and reliability, and improve water quality by reducing overflows.

Projects supporting Kāinga Ora, $111 million

We are working in partnership with Kāinga Ora on their large-scale project areas. There is an agreed joint programme which aims to mitigate any adverse effects of redevelopment on our network and the environment and ensure that projects align with Auckland's planned growth. A key focus is on replacing old wastewater pipes with appropriately sized pipes within our network, and pump stations to support growth.

Over the next 10 years, we will focus on the following areas:

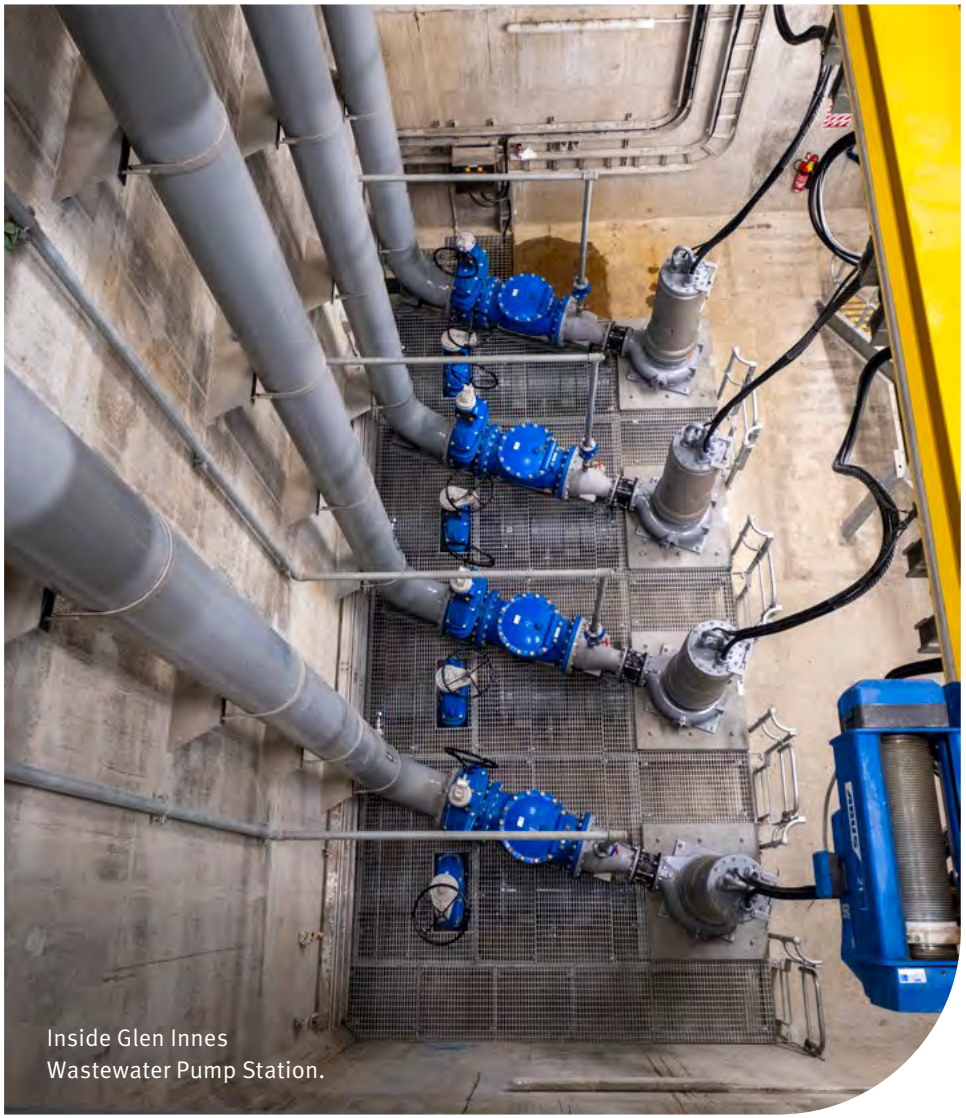
- **Tāmaki/Panmure/Glen Innes** – Projects include the Castledine Crescent wastewater diversion and Dunkirk Road stage 2 rising main
- **Māngere** – Projects include the Archboyd Avenue Pump Station project.

South Auckland Wastewater Servicing Scheme, $550 million

The South Auckland Wastewater Servicing Scheme will cater to future growth in the Hingaia Peninsula, Ōpaheke, Drury West and Drury South areas. The scheme is designed to serve a projected population of 118,000 people by 2048, compared with 25,000 in 2027. It also aims to divert flows away from the Southern Interceptor, which will reduce transmission network overflows. In doing so, the project aligns with the Network Discharge Consent Regulatory requirements for mitigating and managing uncontrolled overflows, targeting a reduction to two spills per year from controlled discharge locations.

The project's scope includes two main components:

1. Upgrading capacity at the existing Hingaia Wastewater Pump Station from 100l/s to 270l/s and constructing a new rising main from the Hingaia Pump Station connection to the Manurewa South Pump Station
2. New and upgraded infrastructure to cater to growth planned for the area. This includes a new 1200l/s pump station and rising main, as well as other gravity-based and pumped infrastructure at Bremner Road and in Drury South and Ōpaheke.



Inside Glen Innes Wastewater Pump Station.

Rosedale

Rosedale Wastewater Treatment Plant, $660 million

The Rosedale WWTP treats and disposes of wastewater from approximately 14% of Auckland's population, currently estimated to be close to 250,000 people. The plant discharges, on average, around 68 million litres a day of highly treated wastewater through an outfall pipe into the Hauraki Gulf.

Based on the existing consent limits, we expect that the outfall pipe has capacity to treat the wastewater flows from around 578,000 people.

The discharge consent is valid until 2030. As growth occurs across the region and flows are diverted from the Māngere catchment to the Rosedale plant, treatment processes and hydraulic capacity at the plant will be upgraded to maximise the use of the existing outfall pipe.

In addition to process optimisation and improvements, the programme of works planned for the Rosedale WWTP include:

- A thermal hydrolysis plant to improve pre-treatment of anaerobic digestion to produce biosolids, reduce carbon footprint, and optimise asset life-cycle cost
- Constructing new treatment processes, which include primary sedimentation tanks, biological treatment reactors, clarifiers and a separate pond discharging system
- Starting the process to renew the consent for our Rosedale WWTP.

Rosedale wastewater network catchment, $178 million

The Rosedale catchment covers most of the North Shore area – from Long Bay in the north, to Chatswood in the west, to Devonport in the south – and is served by a fully separated wastewater network. Currently some parts of this catchment are affected by wet-weather overflows so there is a programme of works to address this issue.

As part of the North Shore trunk sewer and pump station upgrade programme, the following work is planned or underway to resolve overflows at locations across the catchment area:

- Alma Road Pump Station diversion
- Northcote sewer upgrades
- Chelsea Pump Station upgrades
- Torbay wastewater network upgrades

Rosedale catchment (service management area)

- Forrest Hill wastewater catchment diversion
- Kahika Pump Station upgrades and rising main extension
- Beach Haven diversion
- Sunnybrae Branch diversion.

Wairau Valley diversion, $157 million

The Wairau Valley diversion project will reduce wet-weather overflows in the southern part of the Rosedale catchment, and provide capacity for population growth and future development. It involves constructing a large pipeline between Wairau Valley and our Rosedale plant that has enough capacity to regulate flows into the plant. It will also protect the existing pump station's electrical and mechanical equipment during a 50- to 100-year average recurrence-interval storm. This will improve the resiliency and reliability of the pump station and protect the health of the environment by reducing the frequency of overflows.

Northern Interceptor, $120 million

The Northern Interceptor is a pipeline that will rebalance the wastewater network by diverting flows from the Māngere plant to the Rosedale plant which has spare capacity. This will be delivered in stages and will reduce overflows and provide capacity for growth.

- Stage 1: This covers Hobsonville Pump Station through to the Rosedale WWTP and is complete. This will be commissioned once the Stage 1 Integration work is complete at Rosedale WWTP.
- Stage 2: This is being delivered under the Whenuapai and Redhills Wastewater Scheme (Package 2) and will see the extension of the Northern Interceptor to Westgate.
- Stages 3 and 4: This will involve boost pumping to increase the capacity of Stage 1 as well as extending the Northern Interceptor to the Concourse in Henderson.

Whenuapai and Redhills wastewater scheme, $174 million

The Whenuapai and Redhills wastewater scheme will support growth in the Whenuapai and Redhill catchment areas. It involves building a gravity-based main, pump station and rising main as well as extending the Northern Interceptor from Hobsonville to Westgate. We will also build enabling infrastructure in the suburb of Redhills.

Through this scheme, we will provide capacity for growth, reduce overflows, and comply with the National Policy Statement for Freshwater 2020, relating to the preservation of wetlands and streams.

Pukekohe Wastewater Scheme

Pukekohe Wastewater Treatment Plant, $99 million

The Pukekohe WWTP treats and disposes of wastewater from approximately two per cent of Auckland's population, estimated to be close to 40,000 people. The plant currently discharges, on average, around 15,000m^3/d of highly treated wastewater into a tributary of the Waikato River. The plant's catchment also includes the north Waikato towns of Tūākau and Pōkeno, paid for by Waikato District Council under contract, including a large industrial customer base in Pōkeno discharging trade waste.

We will upgrade treatment processes to expand the plant's capacity to serve a population of around 90,000 people.

Pukekohe and north Waikato catchments, $243 million
The Pukekohe catchment covers Pukekohe, Paerata and the north Waikato towns of Tūākau and Pōkeno and has a wastewater-only network.

Significant growth is projected for this catchment within the future urban-zoned land. We will construct the Pukekohe North Pump Station and invest in the Paerata network to cater for growth in these areas. Waikato District Council will contribute to this expansion in line with their capacity requirements.

North-east wastewater programme – $176 million

Warkworth and Snells/Algies wastewater treatment plants, $57 million
The Warkworth and Snells/Algies WWTPs treat wastewater from approximately 0.6% of Auckland's population, estimated to be 8,500 people. By 2040, this population is expected to be 35,000 people.

We will complete the new Snells Beach WWTP in 2025. Wastewater will be pumped from Warkworth to the plant. The scheme includes an outfall pipe to the inner channel of the Hauraki Gulf. The plant will undergo staged capacity upgrades, serving a population of 18,000 people initially to an ultimate capacity of around 35,000 people.

Our existing Warkworth and Snells/Algies plants will be decommissioned as part of the programmed works.

Warkworth, Snells Beach and Algies Bay catchments, $119 million
There is significant growth in the Warkworth catchment within the future urban-zoned land. This land is located at both the northern and southern edges of the catchment. Projects include the southern branch sewer through Warkworth and the Snells and Algies Bay wastewater pipe rehabilitation, which will address capacity issues and reduce overflows.

Southwest wastewater scheme, $578 million

The Southwest wastewater scheme will support growth in the southwest region and deliver significant environmental benefits.

A new marine outfall pipe at Clarks Beach and an upgrade to the existing plant are now in the early stages of construction. This work will:

- Improve the quality of treated wastewater
- Improve discharge of the treated wastewater into the marine environment
- Provide for growth in the medium term.

We are investigating options for the wider southwest communities over the longer term. The $578 million budget refers to the wider scheme.

Other wastewater network and treatment plants

Army Bay Wastewater Treatment Plant, $158 million
The Army Bay WWTP treats and disposes of wastewater, servicing communities from Ōrewa, Silverdale, Wainui and extending east to Whangaparāoa Peninsula. The population is estimated to be 63,000 people with high levels of growth expected.

The treatment plant has an existing discharge consent that limits the average dry-weather flow to approximately 75,000 people, before upgrades need to be implemented.

Treatment plant and process upgrades will be required to accommodate growth.

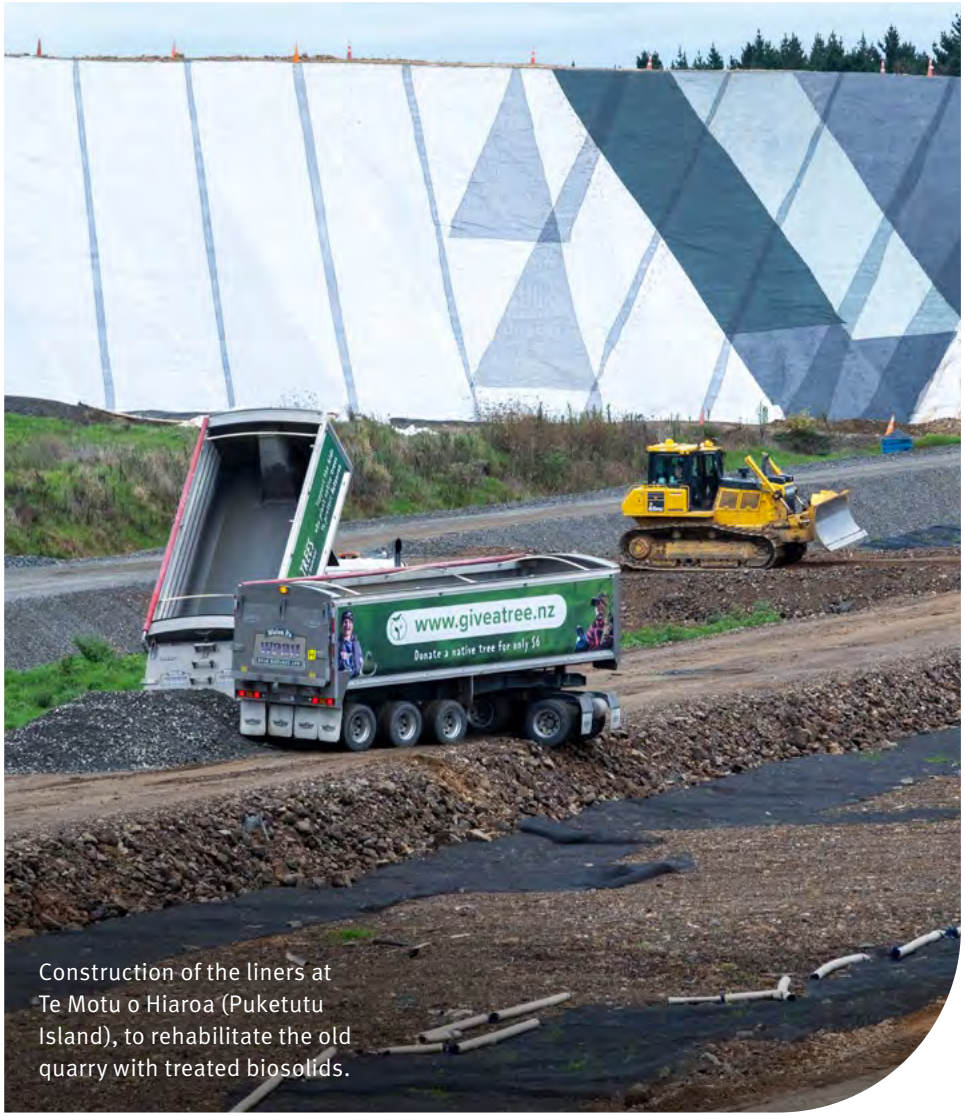
Army Bay catchment, $276 million
The Army Bay catchment is serviced by the Army Bay WWTP.

Significant growth areas in this region include Wainui South and Silverdale West. Residential land in Wainui is programmed for immediate development. The structural plan for this area was adopted in 2020, with development expected over the next 10 years. These projects will be enabled by staged upgrades across our wastewater network.

Our key projects in the catchment area include:

- Stanmore Bay Pump Station and rising main upgrade
- Gulf Harbour wastewater servicing
- Ōrewa to Stanmore Bay wastewater trunk network upgrade
- Silverdale West Pump Station.

These projects will provide capacity in the Army Bay bulk network over the next 10 years to enable growth throughout the catchment. We have planned other smaller projects which will address more localised growth constraints while improving current performance levels.



Construction of the liners at Te Motu o Hiaroa (Puketutu Island), to rehabilitate the old quarry with treated biosolids.

Waiwera wastewater network, $12 million

Waiwera is currently served by a local wastewater treatment plant. We plan to divert the wastewater network to connect with the Hatfields Beach and Army Bay catchments. The treatment plant will be partially decommissioned as part of this project.

Beachlands Wastewater Treatment Plant, $25 million

Our Beachlands WWTP has capacity for 10,000 people. The consent expires in December 2025 and we will apply for a new long-term consent for 35 years. The consent will include staged upgrades to the plant to ultimately service 30,000 people. The timing is dependent on the rate of growth.

Wellsford Wastewater Treatment Plant, $35 million

The Wellsford WWTP project will deliver new treatment processes and upgrades to existing infrastructure to address capacity and compliance issues and enhance the plant's overall performance. This project is currently in the execution phase with the consent granted and construction underway.

Biosolids disposal beyond 2035

The Puketutu Island biosolids rehabilitation site is expected to reach capacity in around 2033. Currently, there is not adequate capacity in commercial landfills for over 200,000 tonnes per annum of biosolids. We need to create a suite of solutions to dispose of biosolids to ensure service continuity at our Māngere WWTP. Alternative solutions could include a combination of other landfill sites, land application or incineration. The cost of any solution, or combination of solutions, is likely to be significant with an estimate of at least $600m. Currently, there is no investment allocated within the next 10 years to address this risk. We are investigating options to confirm a preferred solution along with a fully-costed business case, with funding to be secured in due course.

Support services and technology investment strategy, $376 million

We have allocated $376 million (nominal) for investment in support services. The key area for this investment is in digital services.

Information systems and control systems are essential for the efficient and effective running of our business. Continuing innovation in the area of digital technology can drive productivity and efficient operations as well as increase our level of cyber security. As an example, our Enterprise Asset Management (EAM) system forms part of the productivity focus. This system improves asset operation and maintenance efficiency. It integrates asset maintenance plans, operational intelligence and work order management. With improved asset data, access to better analytics and better processes to manage work, digital services will reduce the manual effort to plan and manage maintenance work.

Another example of innovation is the Nerve Centre. Introduced in April 2021, this facility is our way of bringing together operational information, insights and various teams to help us be more responsive and deliver better customer outcomes.

We monitor the industry in New Zealand and overseas to identify emerging technologies and systems that would enable us to improve the way we deliver services, operate more efficiently and engage with our customers more effectively.

Major strategic projects and programmes – $ millions (nominal)

The following tables show the forecast capital expenditure for the water and wastewater strategic programmes discussed in the earlier sections.

	Key Programmes	10-year Total 2025–2034 ($ millions)
Water	Ardmore Water Treatment Plant	61
	Business Assets *(includes district metered area infrastructure)*	121
	Flood Recovery Works	3
	Huia Water Supply	1,117
	North Harbour 2 Watermain	785
	Projects supporting Kāinga Ora	95
	Waikato Water Supply	760
	Waiuku Water Supply	76
	Water Collection and Treatment Assets	296
	Water Network Assets	1,997
	Other	8
	Water Total	**5,319**
Wastewater	Business Assets *(includes biosolids disposal facility)*	113
	Central Interceptor	433
	Māngere Wastewater Treatment Plant	1,112
	Ōrākei Main Sewer	63
	Ōtara Wastewater Network	136
	Projects supporting Kāinga Ora	111
Wastewater (continued)	Pukekohe Wastewater Scheme	342
	Queen Street Wastewater Network	71
	Rosedale Wastewater Treatment Plant	660
	Southwest Wastewater Scheme	578
	Waitematā Water Quality Improvement	876
	Warkworth Wastewater Scheme	176
	Wastewater Network Assets	2,926
	Wastewater Treatment Plant Assets	317
	Whenuapai and Redhills Wastewater Scheme	174
	Other	2
	Wastewater Total	**8,090**
Support Services	Business Assets	118
	Digital Assets	188
	Flood Recovery Works *(will include WA and WW renewals)*	56
	Other	14
	Support Services Total	**376**
		13,785

Capital expenditure forecast summary – $ millions (nominal)

Business Area	Contributing Driver*	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2025–2034
Water	Growth	86.4	176.7	327.9	336.8	295.6	224.4	219.8	181.3	86.3	349.2	2,284.4
	Level of service	39.9	41.6	35.2	24.0	30.6	40.2	29.4	36.5	28.6	29.8	335.8
	Renewal	148.3	211.6	236.1	211.6	261.3	313.3	421.0	340.3	318.2	236.6	2,698.3
Water Total		**274.6**	**429.9**	**599.2**	**572.4**	**587.5**	**577.9**	**670.2**	**558.1**	**433.1**	**615.6**	**5,318.5**
Wastewater	Growth	337.0	361.2	408.9	467.3	608.0	679.0	596.7	399.9	340.3	296.6	4,494.9
	Level of service	223.4	116.9	92.4	142.2	146.1	147.5	126.4	95.3	100.5	54.3	1,245.0
	Renewal	275.0	233.5	219.3	199.6	179.9	220.0	247.9	299.5	265.8	209.9	2,350.4
Wastewater Total		**835.4**	**711.6**	**720.6**	**809.1**	**934.0**	**1,046.5**	**971.0**	**794.7**	**706.6**	**560.8**	**8,090.3**
Support Services	Growth	5.1	1.7	1.7	1.6	2.0	2.5	2.4	2.1	2.2	2.3	23.6
	Level of service	10.1	16.7	17.3	0.7	0.7	0.7	0.8	0.8	0.8	0.8	49.5
	Renewal	85.1	40.8	29.1	15.6	17.3	20.7	28.0	23.7	25.9	17.2	303.3
Support Services Total		**100.3**	**59.2**	**48.1**	**17.9**	**20.0**	**23.9**	**31.2**	**26.6**	**28.9**	**20.3**	**376.4**
Grand Total		**1,210.3**	**1,200.7**	**1,367.9**	**1,399.4**	**1,541.5**	**1,648.3**	**1,672.4**	**1,379.4**	**1,168.6**	**1,196.7**	**13,785.2**

* Growth: increasing capacity to support future growth. Level of service: improving the level of service for our customers. Renewal: replacing existing assets.

Water supply capital expenditure forecast – $ millions (nominal)

Business Area	Operational Area	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2025–2034
Water	Water sources	13.3	13.5	5.9	2.9	10.8	20.3	28.2	27.6	11.0	3.0	136.5
	Untreated water network	1.3	3.8	3.5	14.1	21.2	24.4	34.0	41.2	44.7	31.0	219.2
	Water treatment	51.8	73.6	92.3	95.7	121.8	153.9	212.3	233.3	153.9	155.9	1,344.5
	Treated-water networks	199.1	325.2	489.0	454.3	430.6	363.6	389.7	252.5	219.8	421.9	3,545.7
	Control systems	0.7	0.5	–	–	–	–	–	–	–	–	1.2
	Electrical systems	8.4	13.3	8.5	5.4	3.1	15.7	6.0	3.5	3.7	3.8	71.4
Water Total		**274.6**	**429.9**	**599.2**	**572.4**	**587.5**	**577.9**	**670.2**	**558.1**	**433.1**	**615.6**	**5,318.5**

Wastewater capital expenditure forecast – $ millions (nominal)

Business Area	Operational Area	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2025–2034
Wastewater	Wastewater networks	545.8	442.0	398.6	358.2	340.0	545.8	598.6	607.4	571.9	446.3	4,854.6
	Wastewater treatment	266.4	247.4	304.4	441.2	582.8	494.3	366.0	180.9	128.1	107.7	3,119.2
	Control systems	7.7	–	–	–	–	–	–	–	–	–	7.7
	Electrical systems	15.5	22.2	17.6	9.7	11.2	6.4	6.4	6.4	6.6	6.8	108.8
Wastewater Total		**835.4**	**711.6**	**720.6**	**809.1**	**934.0**	**1,046.5**	**971.0**	**794.7**	**706.6**	**560.8**	**8,090.3**

Support services capital expenditure forecast – $ millions (nominal)

Business Area	Operational Area	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2025–2034
Shared Services	Support services maintenance (maintenance delivery PPE*, i.e. vehicles and tools)	46.7	14.4	2.6	2.9	4.2	4.2	4.3	3.8	3.7	4.0	90.8
	Support services laboratory	4.2	3.6	3.6	3.3	3.8	4.8	4.5	4.1	4.4	4.5	40.8
	Information Services	19.7	18.7	19.4	2.9	3.0	3.1	3.2	3.3	3.4	3.5	80.2
	Support services corporate (i.e. vehicles, security and other office PPE)	11.3	2.5	2.6	2.6	2.7	3.5	3.7	3.8	4.0	4.1	40.8
	Control systems	18.0	18.1	17.9	5.0	5.2	7.1	14.9	11.0	12.7	3.5	113.4
	Electrical systems	0.4	1.9	2.0	1.2	1.1	1.2	0.6	0.6	0.7	0.7	10.4
Support Services Total		**100.3**	**59.2**	**48.1**	**17.9**	**20.0**	**23.9**	**31.2**	**26.6**	**28.9**	**20.3**	**376.4**

* Property, plant and equipment

Click on the text headings in this contents to navigate through the plan.

SECTION

04 Funding and finances

Over the next 10 years, we will fund the delivery of our service commitments and capital investment programmes through a mixture of revenue (fees and charges) and debt. We will also need to finance the repayment of our outstanding loan due to Auckland Council. This will require a substantial capital raise and on-going bond programme.

Overview of our funding and financing

The dynamic of our funding and financing is changing as we face an extensive renewals programme and increasing service quality standards, and we must respond to the demands of growth and the impacts of climate change.

After years of low capital investment and modest price increases, our 10-year forecast reflects a much higher level of investment necessary to address our water infrastructure deficit, with commensurate increases in revenue and debt financing.

Our financial parameters are set by the Watercare Charter which specifies our revenue price path and financial performance objectives. Financial objectives include a maximum allowable revenue (MAR) position for tariff revenue, minimum increases for growth charging, and the requirement to maintain a standalone investment-grade credit rating.

Reflecting the Watercare Charter requirements, our financial strategy is based on ensuring the required funding is available to efficiently deliver our core service requirements, including the necessary infrastructure investment, while maintaining a stable and affordable price path for customers and responsibly managing debt.

For security, we also need headroom for project risk and systemic shocks. To date, these have been managed through a reprioritisation of the capital programme which creates delays to the delivery of outcomes and the timely servicing of growth.

From FY26, all new debt will be sourced through external third-party lenders. We will not receive any funding from Auckland Council or government, other than for arm's-length charges for the services we provide. All the money we receive from customers is allocated to operating, maintaining, renewing and expanding our infrastructure. Any shortfall between the revenue we earn and the expenditure required to deliver our services and infrastructure is financed through borrowing and we will explore the use of alternative funding and financing tools where appropriate.

Watercare Charter financial settings

As outlined in the Regulatory framework section, our interim economic regulatory arrangements are outlined in the Watercare Charter (Charter), made under the Local Government (Water Services Preliminary Arrangements) Act 2024.

The Charter will take effect on 1 April 2025, with the key financial settings applying from 1 July 2025. The interim regime will be in place for three years with the permanent regulatory regime to take effect from 1 July 2028. From a financial perspective, the Charter sets key performance objectives and financial parameters that are incorporated in our financial strategy, policies, and forecasts.

Credit rating

Under the Charter, we must maintain a standalone investment-grade credit rating. A credit rating is an independent assessment of the credit strength of an organisation, reflecting both entity-specific attributes (e.g. financial policies, historical performance, management strength) and the context in which we operate (e.g. regulatory environment, connection to local or central government). An 'investment grade' rating reflects a strong credit position and is necessary for us to access the required debt volume in the market at a reasonable price. This requirement means our financial position and associated metrics must be at levels that support this position.

The primary financial metric used by ratings agencies for organisations such as ours, is the funds from operations to debt ratio (FFO/debt). The FFO/debt ratio is a measure of leverage, with a higher ratio indicating more cash is available to service debt, therefore lower credit risk. Typically, a ratio of less than 9 per cent is classified as highly leveraged, and 9-13 per cent classified as aggressive. Our approach is to maintain an appropriate FFO/debt level consistently above 9 per cent factoring in sufficient headroom to manage risk and unforeseen cash flow shocks. The FFO/debt position across our 10-year forecast period is detailed in a later section and ranges from 9.7 per cent to 11.4 per cent.

In the situation of a significant and unforeseen event, the Charter allows us to seek an amendment to the prescribed financial parameters. This mitigates the risk of a sustained degradation in our financial position and the potential for a negative credit rating adjustment.

Maximum allowable revenue

The majority of our revenue comes from water and wastewater charges which is referred to as tariff revenue and includes wholesale contracts with Waikato District Council and Veolia.

- Water revenue is based on the volume of water supplied to customers and is charged volumetrically per kilolitre, based on water meter readings. Generally, customers pay the same volumetric rate, regardless of the volume used.
- Wastewater revenue includes fixed and/or volumetric charges. Most residential customers with water meters pay a fixed charge and a volumetric charge based on 78.5 per cent of their water use. There are some exceptions for smaller dwellings where a higher proportion of water flows into the wastewater network (e.g. apartments pay 95 per cent).
- Wastewater volumetric ratios for commercial customers differ depending on the industry type, reflecting the likely usage of the wastewater system (e.g. a laundry will generate more wastewater as a percentage of water supplied than agricultural businesses). Tariffs vary for commercial customers based on levels of usage.

The Charter sets the maximum allowable revenue (MAR) we may earn from water and wastewater tariff charges for the three financial years 2026-2028. The MAR is determined to ensure that we can cover our costs, as outlined in this Business Plan, and are able to maintain a financial position consistent with our financing strategy and the maintenance of a standalone investment grade credit rating.

To manage material fluctuations in volumes, the Charter provides for a wash up process which will enable us to recover revenue from future charges in the situation that volume/demand is lower than anticipated resulting in actual revenue being below the MAR. Similarly, where actual revenue exceeds the MAR, an adjustment will be made to prices reflecting an over recovery of revenue from customers. The MAR assumes tariff price increases of 7.2% in FY26 and FY27 and 5.5% in FY28. This will fluctuate should a wash up be required. This process provides a level of revenue certainty over time, protecting our financial metrics, while balancing the need to keep charges affordable for customers.

	FY2026	FY2027	FY2028
Maximum allowable revenue from water and wastewater charges ($m)	$845.10	$919.22	$985.00

Funding growth and infrastructure growth charges (IGCs)

Investment in growth infrastructure is a response to increases in population and demand. Funding growth is complex and reviewing and updating our approach to recovering the cost of growth is a key component of the '**pricing reform roadmap**' articulated in the Business priorities section. This work will result in a revised funding approach to growth investment and will impact the financial projections for growth revenue from FY28 onwards.

Our current approach is designed to recover the cost of bulk growth infrastructure from the anticipated increase in usage (measured by the number of development unit equivalents or DUEs) over a 15-year period. The infrastructure growth charge (IGC) a customer is billed varies depending on whether the capital investment is on the Auckland metropolitan water and wastewater networks or on one of the smaller, stand-alone non-metropolitan (generally rural) networks. We also receive IGC income from arrangements with the Waikato District Council (for servicing the Tuakau/Pōkeno areas) and Veolia (Papakura).

The Charter sets a lower limit on weighted average IGCs that we must meet or exceed when setting charges for the following year. This is to reflect that historically we have under recovered the cost of growth. The minimum increases in average IGCs that we must realise in each financial year of the interim regime are outlined below.

	FY2026	FY2027	FY2028
Minimum increases in average infrastructure growth charges	15.5%	20.0%	11.2%

Other revenue

Our other revenue items are either non-cash (e.g. vested assets) or charged on a cost-recovery basis. The Charter does not set any parameters for other revenue.

Operating cost efficiency

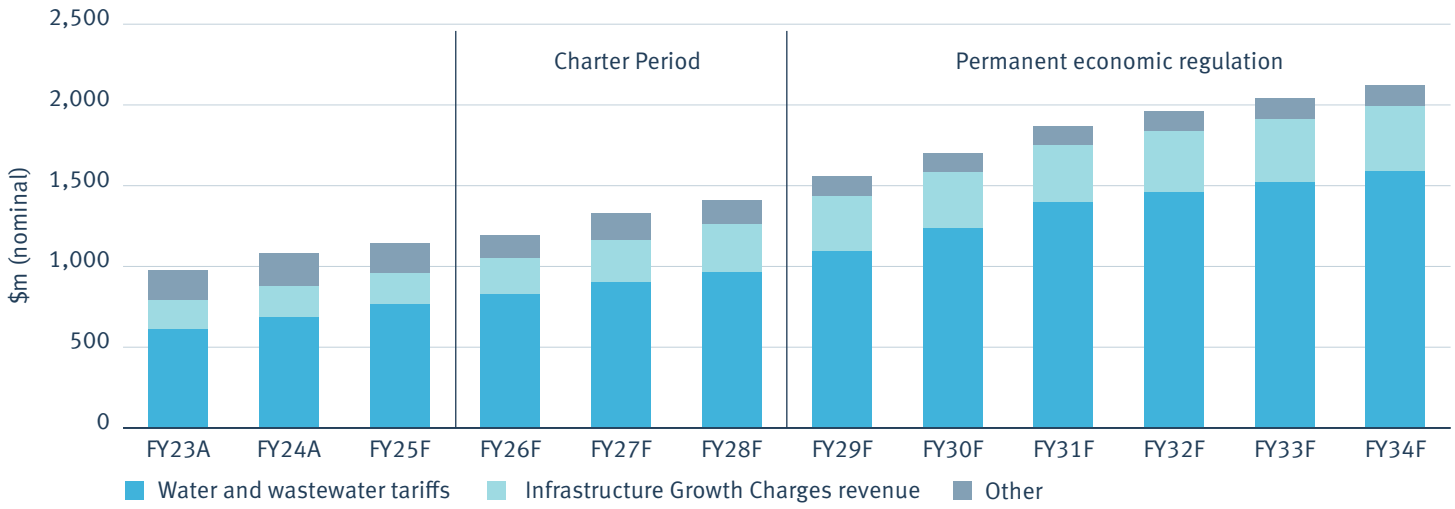
The Charter specifies the requirement to establish an **operating cost efficiency improvement plan** as noted in the Business priorities section. A substantial and on-going operating cost efficiency allocation has been incorporated into our financial forecasts.

Financial forecast

Our 10-year (FY25-34) financial forecast is built on our existing long-term plan (LTP) position, adjusted to reflect the Charter parameters for the period FY26-28 and an assumed position for the period FY29-34 when the permanent economic regulatory regime will be in place.

The detail of the FY29-FY34 period will change reflecting the pricing reform and capital delivery and asset management improvement plan required by the Charter and the parameters of permanent economic regulation which are still to be defined. The following details the key elements of our financial position and the associated assumptions built into the financial forecast. The full financial forecast is included at the end of the section.

Revenue forecast



Revenue

Our revenue forecast reflects the LTP position for FY25 and the Charter parameters for FY26-28. This includes the maximum allowable revenue for tariff charges and the minimum price increase for infrastructure growth charges. For the period FY29-FY34, our revenue reflects the anticipated increases necessary to maintain FFO/debt at the required levels, reflecting forecast operating costs and delivery of the investment programme as outlined in the infrastructure investment plan.

Other revenue includes items such as recovery of cost for new meters and service connections, laboratory revenue, cost recovery from third parties and rental income.

Revenue breakdown

Statement of comprehensive revenue and expense ($000)	FY24A	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F
Water revenue	211,346	236,043	255,550	278,120	298,239	338,354	381,561	431,016	449,188	467,948	487,432
Wastewater revenue	471,456	526,749	572,102	622,139	666,456	756,405	854,763	967,066	1,009,294	1,053,008	1,098,505
IGC revenue	197,754	195,342	223,604	263,418	295,271	340,319	344,684	352,318	379,997	393,297	407,062
Vested assets	85,681	66,411	66,485	65,369	64,352	63,015	61,331	59,789	61,386	62,987	64,612
Other revenue	66,705	58,838	57,542	58,404	59,717	57,504	57,387	58,508	61,739	63,146	64,583
Grant revenue	30,908	15,700	0	0	0	0	0	0	0	0	0
One off revenue	18,500	43,500	20,000	43,360	28,160	0	0	0	0	0	0
Total revenue	**1,082,350**	**1,142,583**	**1,195,283**	**1,330,810**	**1,412,195**	**1,555,597**	**1,699,726**	**1,868,697**	**1,961,604**	**2,040,386**	**2,122,194**

One-off revenue includes insurance proceeds relating to the Auckland Anniversary floods and Healthy Waters contributions to the Central Interceptor Pt Erin extension and Waitematā Water Quality Improvement Programme (refer to the **Asset management section** for details).

Excluded from the revenue forecast is income received from subvention revenue from the sale of tax losses and the pass through of industry levies. Our contract with Waikato District Council is included to FY28 – the most recent termination date.

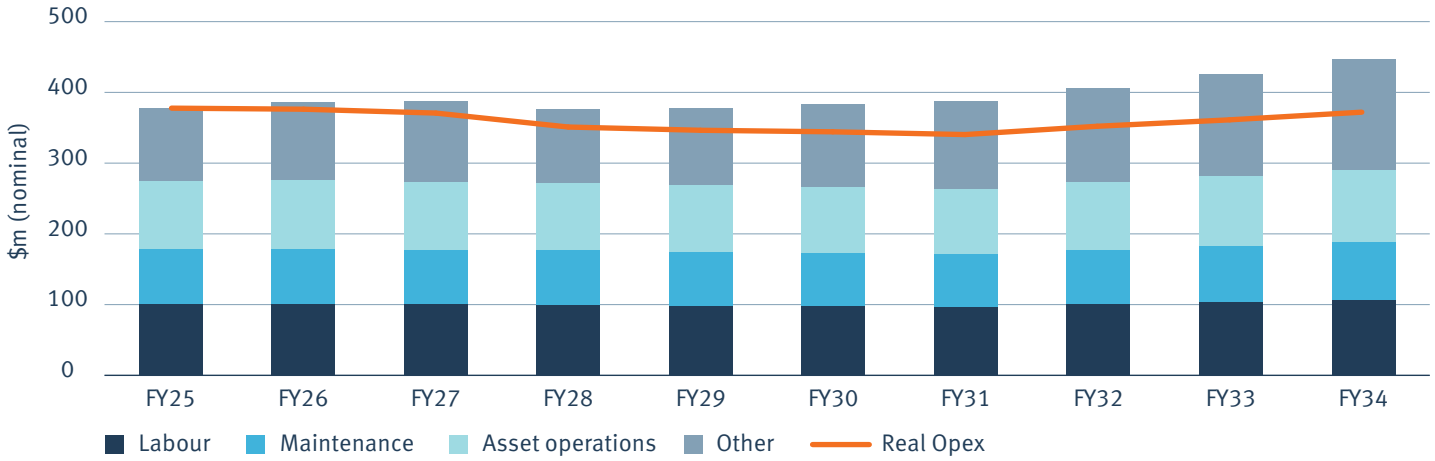
Operating expenditure

Operating expenditure (opex) is the sum required to maintain, operate and deliver the services we provide. Opex is split into employee-related costs, maintenance costs, asset operating costs and other expenses (including digital and professional services). Over the forecast period (FY25-FY34), total forecast operating expenditure (excluding depreciation and interest) is estimated at $4.0b (nominal dollars).

The opex forecast is built using the base, step, trend methodology. To the base, we have embedded an opex efficiency programme, targeting $100m (approximately 4 per cent annually) reduction across 10 years. Consequential opex relating to the capital delivery programme is estimated and included at the time the asset becomes operational. Step changes relating to items such as treasury services, economic regulation and increasing compliance are not included. Inflation is included at rates provided by Auckland Council and is 2.7 per cent in FY26 and 2 per cent thereafter.

This is an ambitious expense forecast, with the full programme to deliver operational efficiency to be articulated in **the operating cost efficiency improvement plan** noted above. Achieving efficiencies will require spend-to-save projects, particularly via digital improvements across asset operations and maintenance. With digital projects predominantly classified as opex (Software as a Service or "SaaS"), an allowance has been included across FY25-FY27 for necessary technology improvements. Expenses are broadly flat through the efficiency programme period which ends in FY31, with consequential opex and inflation largely offset by efficiencies.

Total operating expenses



Tax

We currently have a $264m tax asset in the balance sheet built up from historical tax losses. Based on the forecast, we expect to make a taxable profit from FY30, and the tax asset is expected to have $6m remaining in FY33. Our forecast position is that we will be paying $63m of tax in FY34. The Local Government (Water Services) Bill has water entities being tax exempt with the exception of Watercare. If this remains the position upon final enacting of the legislation, this will require adjustments to revenue in the following ten-year period to compensate. Because (subject to legislative changes) we will be fully utilising our tax asset, our forecast excludes any revenue from the sale of tax losses to Auckland Council.

Capital expenditure

Our forecast reflects infrastructure investment of $13.8b over the 10 years of this business plan. Details of the major projects and priorities are included in the **infrastructure investment plan**, and the breakdown of the level of investment by priority area is detailed in the Asset management section. As part of our work on the asset management improvement plan (refer Business priorities section), we will be improving the way our investments and expenditure tie to outcomes and service levels.

Debt levels

As of 30 June 2024, our debt was $3.6b and this is forecast to increase to $9.9b by the end of the forecast period (FY34), reflecting the significant infrastructure investment programme. At financial separation our debt balance will only relate to the loan arrangement with Auckland Council which is estimated to be $4.2b. Details of our approach to the repayment of the Auckland Council loan and wider debt financing strategy is detailed later in this section.

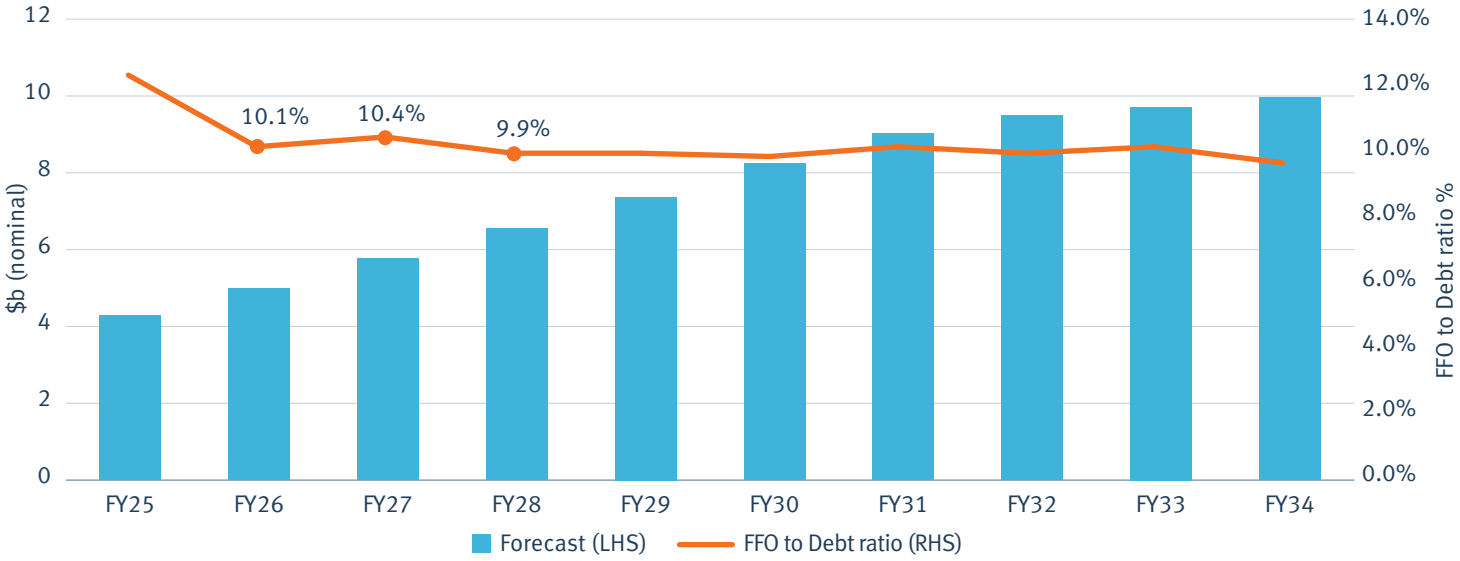
Given the significant increase in debt, financing costs will increase over the 10-year period. Our treasury policy requires prudent management of interest rate risk.

This will be achieved through a mix of fixed and floating interest rates setting minimum and maximum fixed rate exposure across borrowing years, and utilising only approved instruments such as interest rate swaps and forward rate agreements.

Credit metrics and risk financing

Reflecting the sources and uses of funds included in our model, our FFO/debt position is purposefully maintained above a floor for the duration of the 10-year forecast period. This provides headroom for escalated project risk, short term management of shocks and changes in our risk financing approach, while providing the necessary financial resilience to maintain a standalone investment-grade credit rating.

Net Debt and FFO/Debt ratio



* Net debt includes borrowings, the present value of operating leases offset by cash on hand.

Risk financing and insurance

When a loss event occurs, risk financing is the means by which funding is made available to assist with recovery (e.g. repair or replace assets).

The options for funding a recovery include excess revenue, diverted capital expenditure, debt, and insurance. Insurance can either be self-funded or placed externally into the market.

Currently the primary tool we use for risk financing is insurance (summarised further below), supplemented by the Auckland Council Group Self-Insurance Fund (SIF) and/or emergency government support arrangements. With the increasing costs and challenges of traditional insurance, our risk financing strategy is being updated to reflect the changing risk environment (including climate change risks), the nature of our business, and the criticality and location of our assets. The risk financing strategy will improve our financial capacity to meet post-event funding needs, without causing a material consequence which could impact on credit ratings, our ability to raise debt, or capacity to deliver on critical projects.

Insurance arrangements

Our insurance programme is made up of commonly available insurance policies and leverages a mix of the external insurance market participants on either a direct basis or via the Auckland Council Group SIF. Our primary insurance policies cover all above ground (buildings, structures, contents) and below ground (pipes, supporting structures, land improvements) infrastructure assets, included on a declared assets schedule.

The SIF acts as the economic equivalent of a captive insurer and operates a loss reserve fund (managed by external fund managers) to provide discretionary financial support for Auckland Council and its substantive CCOs. Premiums charged by the SIF are based on market rates determined by a nominated insurance broker. The SIF currently covers employers and statutory liability, standing timber, cyber and environmental insurances. We use the SIF to support our external market arrangements as appropriate.

Under the Civil Defence Emergency Management Act 2002 (CDEM), we can access discretionary funding following a significant event of up to 60 per cent of the total loss, provided the loss value exceeds the CDEM calculated level (currently estimated at $55m).

Flooded drain in Wairau, North Shore – Auckland Anniversary floods 2023.

Financial strategy

From 1 July 2025, we will be responsible for borrowing in our own name, separately from Auckland Council. The key components of our financing strategy include the repayment of Auckland Council, the establishment of bank facilities, instigating an on-going bond issuance programme, and investigating alternative financing mechanisms.

Auckland Council arrangement

Auckland Council have been borrowing on our behalf under the terms of an intercompany loan agreement. At 1 July 2025, that loan agreement will be superseded by an arms' length transitional debt facility. Under the terms of that agreement, the total debt owing by us to Auckland Council will be repaid over a 5-year period. We intend to make periodic repayments under this agreement utilising the proceeds from our bond issuance programme (outlined below).

Bank debt facilities

In order to have funding available from debt separation, we will undertake a large-scale capital raise, with the intention to structure the following bank debt facilities:

- **Revolving credit facility (RCF)**: Proceeds from the RCF will be used to fund transaction costs associated with the bank debt capital raise, as well as forecast capital commitments – primarily the infrastructure investment programme
- **Standby facility**: The standby facility is intended to remain undrawn and provide support in the event of unforeseen cash requirements.

The undrawn portion of the RCF and standby facility maturing beyond the next 12 months are included in our sources of funds for liquidity. Effective from financial separation date (1 July 2025), our policy is for sources of funds to exceed uses of funds by at least 10 per cent.

Replacing the 76-year-old Huia 1 watermain that runs for 15 kilometres from Titirangi to Epsom.

Sources to Uses

$m	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F
Sources										
Cash and cash equivalents (opening balance)	48	37	41	31	20	18	19	20	19	17
Funds from operations	516	509	602	648	734	813	921	950	985	967
Change in working capital	–	–	–	–	–	–	–	–	–	–
Undrawn capex RCF (at start of period)	–	2,800	2,120	1,394	1,583	1,375	1,067	690	500	501
Undrawn liquidity facility (at start of period)	–	800	800	800	800	800	800	1,250	1,250	1,250
Total sources	**564**	**4,146**	**3,563**	**2,873**	**3,137**	**3,006**	**2,807**	**2,910**	**2,754**	**2,735**
Uses										
Change in working capital	2	3	23	24	24	22	27	8	10	8
Capital expenditure	1,193	1,201	1,361	1,398	1,531	1,640	1,671	1,400	1,183	1,195
Debt issuance costs	12	9	10	13	13	13	13	13	13	14
Debt maturing during period – AC loan	–	200	600	800	900	916	–	–	–	–
Debt maturing during period – Bonds	–	–	–	–	–	–	500	1,000	1,000	1,000
Total sources	**1,207**	**1,413**	**1,994**	**2,235**	**2,468**	**2,591**	**2,211**	**2,421**	**2,206**	**2,217**
Sources to uses	**0.5**	**2.9**	**1.8**	**1.3**	**1.3**	**1.2**	**1.3**	**1.2**	**1.2**	**1.2**

Bond programme

We intend to establish an on-going bond issuance programme, with proceeds initially used to make repayments to Auckland Council.

To maintain prudent liquidity metrics on an ongoing basis, near term bond issuance will be supported by the standby facility (described above), bridge to bond facilities, or a combination of the two. These facilities will provide funding certainty and enable us to make scheduled payments to Auckland Council regardless of prevailing market conditions.

Once all debt transfer payments to Auckland Council have been met, we will continue to issue bonds to refinance drawn debt under the RCF and to maintain bank debt market lending capacity.

Project financing

There are several infrastructure projects that could be brought forward into the 10-year investment period but for which we will need to find additional funding sources. An example is a solution for biosolids disposal – a core activity in delivering wastewater services. For these types of projects, we will explore alternative financing options, such as project financing with funding made available through the Infrastructure Funding and Financing Act 2020. This involves a specified levy payable by identified beneficiaries of the project made over a long period of time. We will carefully investigate the use of this option, selecting a project which delivers widespread benefits, with due regard to affordability and inter-generational equity.

Work is being undertaken to expand our wastewater treatment infrastructure to support growth in Glenbrook Beach, Clarks Beach and Kingseat.

Projected financial statements

Projected statement of comprehensive revenue and expense

($000)	FY23/24	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Water revenue	211,346	236,043	255,550	278,120	298,239	338,354	381,561	431,016	449,188	467,948	487,432
Wastewater revenue	471,456	526,749	572,102	622,139	666,456	756,405	854,763	967,066	1,009,294	1,053,008	1,098,505
IGC revenue	197,754	195,342	223,604	263,418	295,271	340,319	344,684	352,318	379,997	393,297	407,062
Vested assets	85,681	66,411	66,485	65,369	64,352	63,015	61,331	59,789	61,386	62,987	64,612
Other revenue	66,705	58,838	57,542	58,404	59,717	57,504	57,387	58,508	61,739	63,146	64,583
Grant revenue	30,908	15,700	0	0	0	0	0	0	0	0	0
One off revenue	18,500	43,500	20,000	43,360	28,160	0	0	0	0	0	0
Total revenue	**1,082,350**	**1,142,583**	**1,195,283**	**1,330,810**	**1,412,195**	**1,555,597**	**1,699,726**	**1,868,697**	**1,961,604**	**2,040,386**	**2,122,194**
Operating expenses	367,032	377,492	386,980	388,430	375,063	377,964	383,396	386,572	406,713	426,041	447,327
Finance costs	147,930	185,620	244,592	280,556	330,859	391,137	453,302	514,836	556,263	579,690	592,933
Net loss on disposal of PP&E	9,299	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Depreciation & amortisation	394,656	409,324	429,840	466,241	473,187	493,661	564,476	587,021	609,680	683,999	701,403
Total expenses	**918,917**	**980,436**	**1,069,412**	**1,143,227**	**1,187,109**	**1,270,762**	**1,409,174**	**1,496,429**	**1,580,656**	**1,697,730**	**1,749,663**
Net surplus/(deficit)	**163,433**	**162,147**	**125,871**	**187,583**	**225,086**	**284,835**	**290,552**	**372,268**	**380,948**	**342,656**	**372,531**
Tax	66,825	26,934	16,756	34,347	45,131	62,234	64,305	87,616	89,604	78,438	86,352
NPAT	**96,608**	**135,213**	**109,115**	**153,236**	**179,955**	**222,601**	**226,247**	**284,652**	**291,344**	**264,218**	**286,179**

Asset capitalisation

Our assets are recognised in the fixed asset register upon practical completion, in accordance with accounting standards. Asset costs include internal labour and allocation of overheads as relevant to the investment management plan. The policy and approach was updated and received auditor sign off in 2023.

Asset valuation

Our policy is to revalue assets on a three-yearly basis. Full revaluations were completed in 2022 and 2023. Land and buildings were revalued in 2024. Market movement testing is completed annually. If there is a material movement, then either an indexation or revaluation will be completed. Asset revaluations are included in the statement of financial position below.

Projected statement of financial position

($000)	FY23/24	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Assets											
Cash and cash equivalents	48,289	37,177	40,965	30,885	19,959	17,802	18,953	19,615	18,601	16,600	15,952
Other current assets	176,251	181,482	190,826	203,859	214,956	238,503	263,802	292,889	304,525	317,960	331,060
Infrastructure assets	16,046,002	16,890,649	18,719,691	19,696,233	20,673,989	23,595,091	24,727,277	25,860,295	28,993,667	29,530,747	30,088,387
Other non-current assets	124,018	137,543	127,759	114,289	118,030	128,209	131,412	134,531	146,008	147,366	140,711
Total assets	**16,394,560**	**17,246,851**	**19,079,241**	**20,045,266**	**21,026,934**	**23,979,605**	**25,141,444**	**26,307,330**	**29,462,801**	**30,012,673**	**30,576,110**
Liabilities											
Current liabilities	207,440	221,493	223,190	231,810	227,259	237,568	246,352	248,644	231,420	220,335	226,186
Borrowings	3,567,495	4,238,173	4,949,160	5,726,627	6,496,044	7,325,690	8,187,491	8,978,481	9,448,001	9,667,835	9,916,548
Non-current liabilities	2,505,928	2,538,275	2,557,661	2,584,363	2,621,211	2,681,698	2,746,707	2,834,661	2,923,454	3,000,361	3,023,056
Total liabilities	**6,280,863**	**6,997,941**	**7,730,011**	**8,542,800**	**9,344,514**	**10,244,956**	**11,180,550**	**12,061,786**	**12,602,875**	**12,888,531**	**13,165,790**
Net assets	**10,113,697**	**10,248,910**	**11,349,230**	**11,502,466**	**11,682,420**	**13,734,649**	**13,960,894**	**14,245,544**	**16,859,926**	**17,124,142**	**17,410,320**
Equity											
Revaluation reserve	5,134,207	5,134,207	6,125,412	6,125,412	6,125,412	7,955,041	7,955,041	7,955,041	10,278,080	10,278,080	10,278,080
Other reserves	4,979,490	5,114,703	5,223,818	5,377,054	5,557,008	5,779,608	6,005,853	6,290,503	6,581,846	6,846,062	7,132,240
Total equity	**10,113,697**	**10,248,910**	**11,349,230**	**11,502,466**	**11,682,420**	**13,734,649**	**13,960,894**	**14,245,544**	**16,859,926**	**17,124,142**	**17,410,320**

Projected statement of cashflows

	($000)	FY23/24	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Operating Activities	*Cash receipts from*											
	Customers	886,645	943,304	1,041,949	1,150,536	1,248,723	1,411,556	1,555,632	1,721,232	1,827,941	1,902,116	1,981,147
	Dividends	155	–	–	–	–	–	–	–	–	–	–
	Interest	2,345	1,118	1,159	1,117	807	576	548	577	580	537	492
	Other income/(expenses) – grants and other	116,113	124,131	77,542	101,764	87,877	57,504	57,387	58,508	61,739	63,146	64,583
	Total cash from operating activities	1,005,258	1,068,553	1,120,650	1,253,417	1,337,407	1,469,636	1,613,567	1,780,317	1,890,260	1,965,799	2,046,222
	Cash applied to											
	Employees and suppliers	(392,065)	(367,516)	(377,445)	(396,979)	(386,927)	(377,185)	(378,841)	(382,291)	(402,128)	(422,507)	(442,227)
	Tax paid	–	–	–	–	–	–	–	–	–	–	(63,128)
	Net cash inflows from operating activities	**613,193**	**701,037**	**743,205**	**856,438**	**950,480**	**1,092,451**	**1,234,726**	**1,398,026**	**1,488,132**	**1,543,292**	**1,540,867**
Investing activities	*Cash applied to*											
	Purchase and construction of property, plant and equipment	(1,032,248)	(1,192,831)	(1,201,346)	(1,361,104)	(1,397,949)	(1,531,335)	(1,640,319)	(1,670,833)	(1,400,166)	(1,183,242)	(1,195,146)
	Net cash outflows – investing activities	**(1,032,248)**	**(1,192,831)**	**(1,201,346)**	**(1,361,104)**	**(1,397,949)**	**(1,531,335)**	**(1,640,319)**	**(1,670,833)**	**(1,400,166)**	**(1,183,242)**	**(1,195,146)**

Projected statement of cashflows *(continued)*

	($000)	FY23/24	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Financing activities	*Cash receipts from*											
	Borrowings	1,162,555	679,078	1,180,079	1,725,949	1,719,424	1,803,861	1,778,743	1,596,495	1,470,274	1,219,935	1,249,017
	Cash applied to											
	Repay loans, interest on loans and other finance costs	(699,334)	(198,396)	(718,150)	(1,231,363)	(1,282,881)	(1,367,134)	(1,371,999)	(1,323,026)	(1,559,254)	(1,581,986)	(1,595,386)
	Net cash inflows/(outflows) from financing activities	**463,221**	**480,682**	**461,929**	**494,586**	**436,543**	**436,727**	**406,744**	**273,469**	**(88,980)**	**(362,051)**	**(346,369)**
	Net change in cashflows	44,166	(11,112)	3,788	(10,080)	(10,926)	(2,157)	1,151	662	(1,014)	(2,001)	(648)
	Cash and cash equivalent/(overdraft) at the beginning of the year	4,123	48,289	37,177	40,965	30,885	19,959	17,802	18,953	19,615	18,601	16,600
	Cash and cash equivalent/ (overdraft) at the end of the year	**48,289**	**37,177**	**40,965**	**30,885**	**19,959**	**17,802**	**18,953**	**19,615**	**18,601**	**16,600**	**15,952**

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