Watercare Operating Cost Efficiency Improvement Plan

June 2026

Watercare

Content

Executive summary

The Local Government (Water Services) Bill was enacted on 1 April 2025. Watercare is now subject to interim regulatory oversight by a Crown monitor (the Commerce Commission), with service requirements outlined in a 'Watercare Charter' (Charter). As part of **its expectations, the Charter requires Watercare to prepare an operating cost efficiency improvement plan under Clause 20**.

Efficiency and delivering value for money are core principles embedded in Watercare's long-term strategy and business planning framework. As outlined in the Watercare Business Plan 2025–2034, "improving efficiency and reducing controllable costs are fundamental to ensuring affordable, sustainable services for Aucklanders."

In line with this commitment, we are strengthening our focus on operational discipline, innovation, and delivering value-for-money outcomes to meet both customer expectations and regulatory requirements under the Charter. We have partnered with industry specialists to develop a structured, organisation-wide Efficiency Improvement Plan (known internally as the Driving Value Plan) designed to deliver enduring value for money and full alignment with the Charter's efficiency expectations. This plan articulates how this expectation will be implemented, measured and monitored.

Our approach to delivering value for money shifts focus from short-term cost savings, to long-term planning that protects service quality and operational resilience. Our efficiency plan has been developed through a structured five-step method: establishing an accurate cost baseline, identifying priority areas through analysis and benchmarking, generating improvement ideas with subject matter experts, evaluating and prioritising these ideas and validating expected impact:

1. **Building the cost baseline:** analysing the true cost drivers, not just the cost types
2. **Identifying where to focus:** sensitivity analysis and benchmarking
3. **Idea generation:** workshops with subject matter experts to zero-in on the opportunities
4. **Evaluating and prioritising the ideas:** estimating benefits, costs to achieve, timing
5. **Checking the impact:** circling back on benchmarks to ensure we realised the benefit

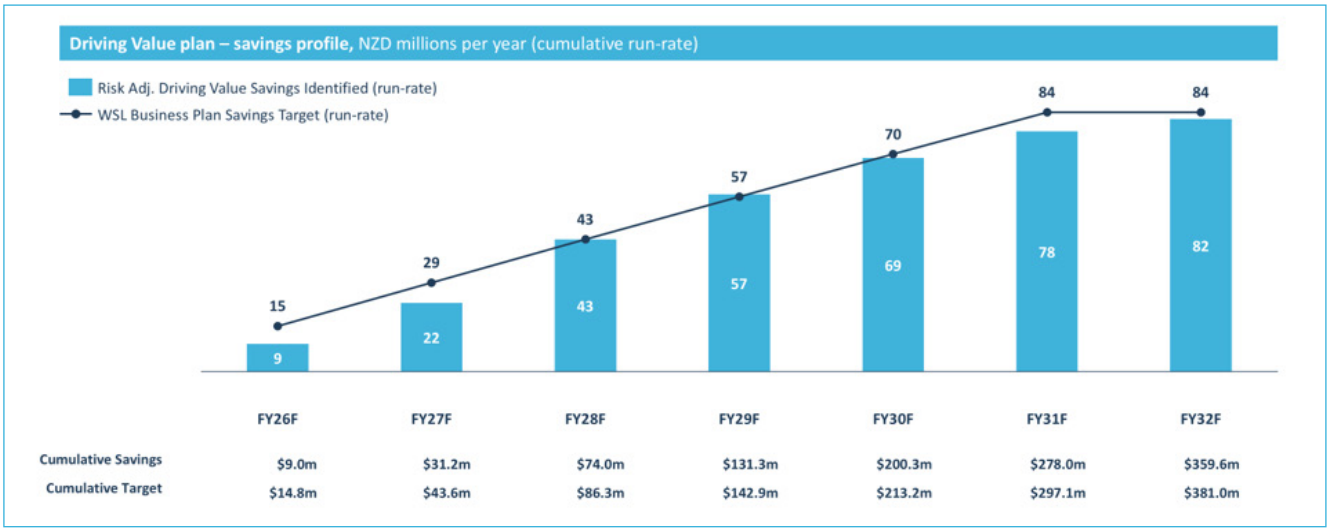
The resulting programme has identified a risk weighted portfolio of $82 million in annual efficiency improvements across eight diverse value areas to be delivered by 2032. This comes from a pipeline of ideas totalling $94 million adjusted to reflect each initiative's financial and non-financial risks.

- **Energy - $18m:** Expanding our own generation, sourcing a power purchase agreement (PPA), lowering energy use through efficiency
- **Maintenance - $15m:** Reducing reactive work through better asset planning and reliability
- **Operations - $8m:** Chemical optimisation and sludge handling efficiency
- **Digital $16m:** New digital operating model and ways of working, cloud and licensing rationalisation, and platform simplification

- **Customer $6m:** Smart meter-rollouts and technology/AI in our customer support, to improve productivity without hindering customer outcomes
- **Future operating model $9m:** Establishing future-ready ways of working, systems, tools and ensuring clear business guidance to ensure correct activity-based cost attribution
- **Other $5m:** Driven primarily by fleet, dam safety and consent costs
- **Procurement $4m:** Efficiencies in how we source

Collectively, these initiatives provide a balanced portfolio of technical, operational, and organisational improvements. These initiatives deliver a cumulative total of $360m efficiency improvements over 6 years.

This the annual savings profile to FY32 (risk-adjusted)



Cumulative savings are then forecast to continue sustainably beyond FY32 at $82m per annum. This is a living plan, and will be updated where new improvement opportunities are identified and new initiatives are created, or where there is a change to the prioritisation of initiatives.

Many of the initiatives included in the plan require an investment in capital expenditure to enable the realisation of operational efficiency improvements. All initiatives that require capital investment will be subject to normal business case approval processes, and confirmation of acceptable cost benefit analysis.

All identified initiatives and forecast cost efficiencies in this plan are represented in nominal terms.

The plan has been prepared in line with Clause 20 of the Charter, using an independent assessment of current performance and international best practice, in tight timeframes. Reviewed by the Crown monitor, a final version incorporates feedback and is published on the Watercare website.

Section 1.0:
Background and contex

1.1 Overview

In accordance with the Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025, Watercare has entered a new era of financial independence from Auckland Council. This enables us to raise capital and borrow in our own name, providing greater financial flexibility and resilience.

Water reform regulation is being introduced in two stages: an interim regime, governed by the Charter, effective from 1 April 2025 to 30 June 2028, and an enduring regime, currently under development, with information disclosure, as a first step, expected to take effect from 1 July 2026, with price quality regulation commencing on 1 July 2028.

The interim regime focuses on delivering quality services efficiently, with clause 20 of the Charter requiring us to develop a cost efficiency improvement plan (the plan) for this period. The plan must demonstrate the actions we will take to improve efficiency and provide a foundation for ongoing performance reporting.

In our 2025–2034 Business Plan, we forecast approximately NZ$4.0 billion in operating expenditure across the period (excluding depreciation and interest), developed using a "base-step-trend" methodology. This plan incorporates an opex efficiency overlay of NZ$84 million, representing roughly 4% year-on-year savings. Under clause 20 of the Charter, we are required to provide details of efficiency initiatives identified, indicative timings for when these will be achieved, along with how progress will be reported to the Crown monitor.

The plan must be submitted to the Crown monitor by 31 December 2025, which will provide feedback within 60 days. We are required to incorporate the Crown monitor's feedback within 60 working days and then publish the finalised plan. The Crown monitor will continue to track progress, receiving regular reports in accordance with clause 21 of the Charter, ensuring accountability and transparency throughout the interim regulation period.

1.2 Current position

Watercare has undertaken a range of benchmarking exercises to better understand our performance relative to peer utilities, both in NZ and internationally.

In 2021, Watercare engaged the Water Industry Commission for Scotland (WICS), Scotland's economic water regulator to conduct a high-level benchmarking assessment of our efficiency. The analysis focused on three key metrics:

1. Employee headcount relative to population density
2. Operating expenditure per connected citizen
3. Overall Performance Assessment (OPA), a weighted index of service measures used in Great Britain and internationally.

The results of this assessment highlighted a 30% relative cost-effectiveness gap between Watercare and Scottish Water, one of Great Britain's leading utility.

These findings provided the foundation for the 4% year-on-year cost reduction target totalling $100 million over 10 years and these targets have been embedded in our business plan as a measurable commitment to improved efficiency.

In addition to the WICS review, we have also participated in operational benchmarking through the Water Services Association of Australia (WSAA) over a number of years. We have just completed the 2025 benchmarking survey, and it provides granular insight into cost structures and business-as-usual operating costs using a rigorous standardised methodology. This data has enabled us to identify and validate opportunities for cost reductions and efficiency gains by understanding where we sit in comparison to other utilities with similar asset types and delivery models. The latest benchmarking report indicates Watercare is best in class in some areas with room to improve in others such as maintenance, energy and digital applications.

In addition to benchmarking we have undertaken a series of related work:

- **FY22 efficiency programme:** Identified approximately $40m in savings through actions such as optimising water production, pausing non-essential digital projects, lowering contractor spend, reducing laboratory operating footprint to Auckland only, refining triage of maintenance work orders and optimising maintenance team structure and model. To date $28.8m has been realised. However, a key challenge has been in delivering improved productivity to enable a shift in the workforce.
- **Review of headcount growth:** Analysed the factors that have driven increases in staff costs over time. Key factors include expanding capital works, a larger asset base, more compliance requirements, stronger stakeholder and Māori outcomes focus, resilience planning, and increasing digital complexity. This highlighted the need to define the right workforce size and structure.
- **Digital function review:** Providing insight into operating model, transformation opportunities and costs.

All historic work and associated learnings have been assessed and taken into consideration when compiling this plan.

Section 2.0:
Purpose of the efficiency plan

The purpose of this efficiency plan is two-fold.

1. It ensures compliance with clause 20 of the Charter, which requires Watercare to prepare a cost efficiency improvement plan for the Charter period.
2. It serves as our internal roadmap for good practice and operational excellence by aligning people, processes, data and investment decisions while also providing the foundation for defining and sustaining the optimal long term cost base.

The successful delivery of this efficiency plan will aid in establishing Watercare's optimum cost base, ensuring long-term financial stability, maximizing value for money, and using resources efficiently while maintaining or enhancing customer service levels.

2.1 Detailed requirements of Clause 20 of the Watercare Charter

Clause 20 of the Charter sets clear expectations for the plan. In summary, the plan must include:

1. Evidence of what Watercare intends to do to improve efficiency;
2. A basis for reports on efficiency improvement;
3. Watercare's proposed initiatives to achieve the efficiency improvement in operating costs that is assumed in the financial projections of its business plan; and
4. For each initiative:
   a) The value of the planned improvement
   b) Indicative timing
   c) Summary of analytical or other approaches used in selecting the initiative
   d) How Watercare will report to the Crown monitor, under clause 21, on its progress in achieving the improvements identified.

2.2 Process for review and publication

Watercare must:

(a) by 31 December 2025, give a draft of the plan to the Crown monitor for feedback; and

(b) if the Crown monitor's feedback is received within 60 working days, do the following within 60 working days after receiving that feedback:

(i) incorporate the feedback into the draft plan:

(ii) give a copy of the completed plan to the Crown monitor:

(iii) redact from the plan any information Watercare considers to be commercially sensitive:

(iv) publish the completed but redacted plan on an internet site that is maintained by or on behalf of Watercare and is accessible to the public free of charge.

Section 3.0:
How we have developed the plan

3.1 Overview of our analytical approach to build the plan

We followed a 5-step process to prepare our efficiency plan:

1. **Building the cost baseline:** analysing the true cost drivers, not just the cost types
2. **Identifying where to focus:** sensitivity analysis and benchmarking
3. **Idea generation:** workshops with subject matter experts to zero-in on the opportunities
4. **Evaluating and prioritising the ideas:** estimating benefits, costs to achieve, timing
5. **Checking the impact:** circling back on benchmarks to ensure we realised the benefit

This process was governed by the Watercare Board's Economic Regulation subcommittee (ERC), where updates were presented fortnightly to provide assurance on the quality, deliverability, and realism of the plan as well as alignment to Clause 20 of the Charter.

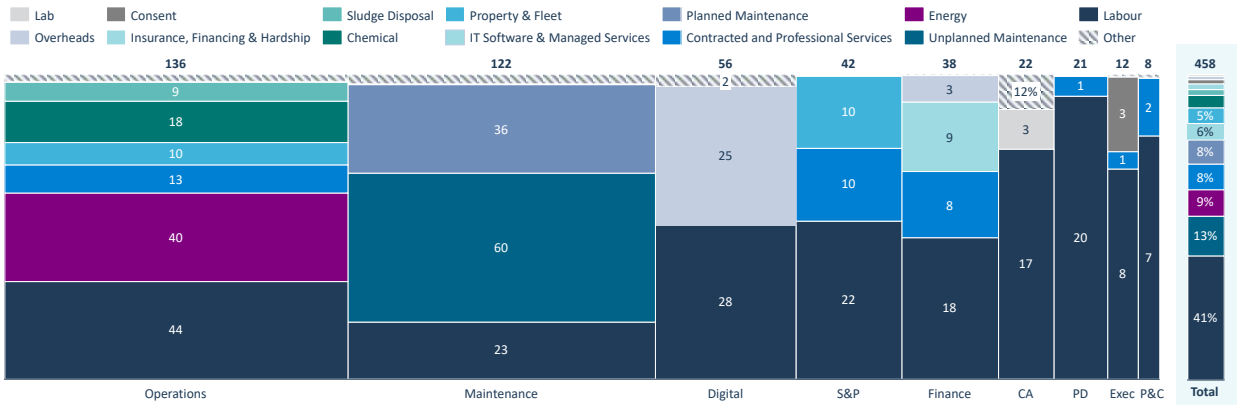
In developing the plan, we also considered how investment in CAPEX and incremental, short term OPEX can drive medium and long-term savings, which is one of the benefits of the new economic regulation. This has been key in shaping the programme and engaging our team.

3.2 Building the cost baseline

Our starting point was Watercare's FY25 cost base of $458 million, or $367 million after capitalisation. This provides the full picture of the costs we can meaningfully influence. The plan has then been designed to cover every layer of this cost baseline - every major category (labour, energy, chemicals, maintenance, professional services) and every business unit.

The total baseline spend for the Efficiency Plan was $367m (costs less capitalisation)

FY25 addressable cost breakdown by BU, $m



	Operations	Maintenance	Digital	S&P	Finance	CA	PD	Exec	P&C	Total
Gross Cost *($m)*	136	122	56	42		22	21	12	8	**458**
Capitalised *($m and %)*	5 (3%)	18 (15%)	7 (12%)	12 (29%)		0.4 (2%)	21 (100%	0.7 (6%)	- (0%)	**91 (20%)**
Baseline OPEX *($m)*	**131**	**104**	**49**	**30**		**22**	**0**	**11**	**8**	**367**

Understanding the true drivers of cost

To effectively generate improvement ideas, we've structured this efficiency programme to target the underlying drivers of cost. As a result, we also baselined Watercare's operating expenditure into the physical and operational factors that determine it. For example:

Energy:

- Average price / megawatt hour (MWh) (peak and off-peak, under contract and spot)
- MWh usage by asset by time of day
- MWh generated by behind-the-meter (BTM) assets and their utilisation vs full potential

Chemicals:

- Average usage per megalitre (ML) treated by stage (e.g. coagulation, disinfection)
- % variance to set-point (accuracy of dosing control systems)

Maintenance:

- Job volume and cost per job by asset class, job type, fault type (e.g. blockages)
- Repeat fault-rate (first time fixes), maintenance productivity

Sludge:

- Volume produced (kg)
- Moisture content (% of water)
- Disposal cost per kg by landfill location

Labour:

- FTE and contractor base mapped into standard activity groups to show precisely where effort, and therefore operational expenditure (OPEX), is concentrated.
  The purpose of this driver-based cost model is to turn the financial ledger into an operational map - making visible the levers that can be improved and measured to track performance in delivery. It shifts the dialogue from 'where can we cut cost' to 'where can we improve this process'.

Example 'Energy' value-driver-tree built in baselining, for use in idea generation workshops

Looking for patterns

Cost lines and underlying physical drivers were then trended over time, normalising for inflation and service growth where appropriate. This helped us see how efficiency has shifted - for instance, whether chemical intensity (kg per ML treated for chemical types) at key water or wastewater treatment plants has increased or decreased, informing where further focus should be applied.

Trending revealed which cost pressures are structural and which are within management control. This gave us a clear, evidence-based picture of where performance had drifted or deteriorated over time.

3.3 Identifying where to focus

With a clear view of the physical cost drivers, the next step was to understand which areas could yield the greatest value - where a small change delivers a large impact and where we have the greatest gaps to benchmarks (both internal and external).

Sensitivity analysis

Each cost driver in the model was stress-tested to understand its financial elasticity - how much total OPEX shifts for a one-percent change in that variable. This quantified where effort delivers the greatest return. The results made clear that not all levers are equal. For example, we learnt:

- 1MW of newly installed solar capacity base generates six-figure returns; making BTM solar generation one of our largest potential levers on energy (to a point)
- A small reduction in chemical dose variability or process losses (e.g. waste streams) translates to significant savings across the entire treatment volume
- Improving the planned-to-reactive maintenance ratio by only a few points drives step-change reductions in emergency response, reinstatement, and cost

- A 2-3% percent improvement in sludge dryness at outlier sites reduces disposal volumes by hundreds of thousands of tonnes per year, lowering haulage and gate-fee costs, while substantially improving our environmental impact.

Benchmarking

We benchmarked Watercare's performance internally and externally to highlight gaps:

- Internal benchmarks compared plants and network areas with similar characteristics to identify outliers and internal best practice
- External benchmarks drew primarily on WSAA and UK utilities' datasets to position Watercare's current performance against industry peers.

This highlighted clear opportunities; for example, Watercare's 4th quartile ranking in the 2025 WSAA benchmarking survey for water pipeline maintenance cost per connection has led to maintenance being a priority focus area.

Our identified focus areas

The combination of sensitivity analysis and benchmarking allowed us to pinpoint where the greatest opportunities were and enabled us to be hyper-focused in the following idea generation phase (Section 3.4)

The outcome of this stage was a short, high-impact list of value levers that would anchor the efficiency programme:

- Energy optimisation – reducing our effective price and grid import
- Complex asset maintenance – reducing our high reactive spend (currently 47%)
- Network maintenance – closing benchmark gaps in the number of breaks per 1,000km
- Digital – improving IT cost performance while protecting or lifting output

This is reflected in the outcomes of our final programme – with energy ($18m), maintenance ($15m), operations ($7.9m) and Digital ($15.7m) accounting for 68% of our $82m risk-adjusted programme.

3.4 Idea generation

Bottom-up design, built by the people who will implement

Equipped with these insights, we engaged the business directly. More than 70 subject-matter experts, with representation right down to frontline operations participated in over 20 structured workshops, each focused on a specific efficiency lever such as energy, maintenance, chemicals or sludge.

Each working group was presented with relevant data and trend analysis, then challenged to identify practical, evidence-based improvement opportunities. This 'bottom-up' approach ensured the ideas were grounded in operational reality, not abstract cost targets.

By generating ideas with our people closest to the work, the process built strong ownership, high-quality insights, and confidence in deliverability. The result is a plan shaped by the people who will execute it, making it both credible and achievable.

3.5 Evaluating and prioritising initiatives

Value vs effort

Initially, every idea was assessed on two dimensions: value (expected annualised OPEX saving); and effort (time, risk, and resource demand). This allowed us to separate quick wins from structural reforms.
To be valid for consideration and inclusion in the pipeline, ideas had to:

- Yield net present value (NPV) › 0 over a 20-year horizon
- Have no major adverse impact on key strategic factors e.g. environmental, asset integrity, reputation, compliance, customers, mana whenua or other key stakeholder groups
- Be practical to implement in the business plan period (often this meant defining ideas as part of a longer journey such as the Reliability-Centred Maintenance idea).

All ideas were evaluated in a working group for their OPEX impact and costs to achieve (CAPEX or OPEX). Opportunities promising greater than $1 million in savings were developed to a higher level of confidence and fidelity in the assumptions than lower value initiatives.

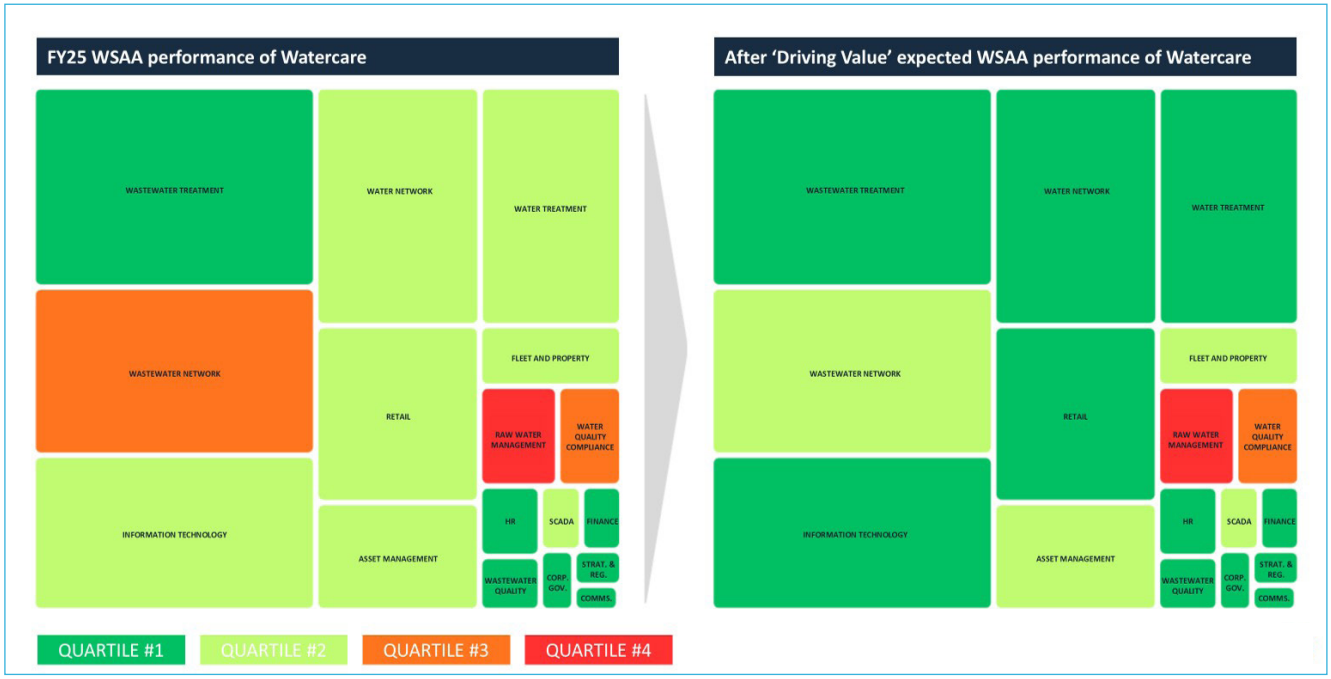
Adjusting evaluations for risk

All ideas were categorised into three tiers of confidence based on our conviction over the benefits and costs to implement – strong, balanced, stretch. The net benefits were then adjusted to provide a 'risk-weighted' portfolio (see Section 5 for further detail).

3.6 Checking the impact

As our pipeline developed, we regularly compared the resulting cost trajectory against WSAA benchmarking to confirm we had been ambitious enough or whether we needed to push harder to close gaps ('have we done enough?'). The end outcome was a strengthening of Watercare's position even within areas where Watercare was currently positioned in Quartile 1 and 2.

The following shows the current and target WSAA benchmarking position is as below:



We will continue to use the WSAA benchmarks as a guide for where to focus our continuous improvement including 'Raw Water Management' and 'Water Quality Compliance'. We note, however, that there are key underlying drivers in Watercare's operating environment that contribute to our performance here:

- Raw water – reflects Watercare's higher dam and raw water storage reservoir count per ML relative to peers (more distributed sources)
- Water quality – Watercare water quality costs include costs associated with backflow protection installations which are recovered via a revenue stream

3.7 Governance and Charter alignment

The efficiency plan was developed under the leadership of Watercare's chief financial officer and chief operating officer and supported by the ERC. The working group met fortnightly throughout plan development to provide assurance over:

- Alignment of the programme with the requirements of the Charter
- Deliverability of initiatives given operational and resource constraints
- Validity of forecast benefits, including review of underlying assumptions and phasing.

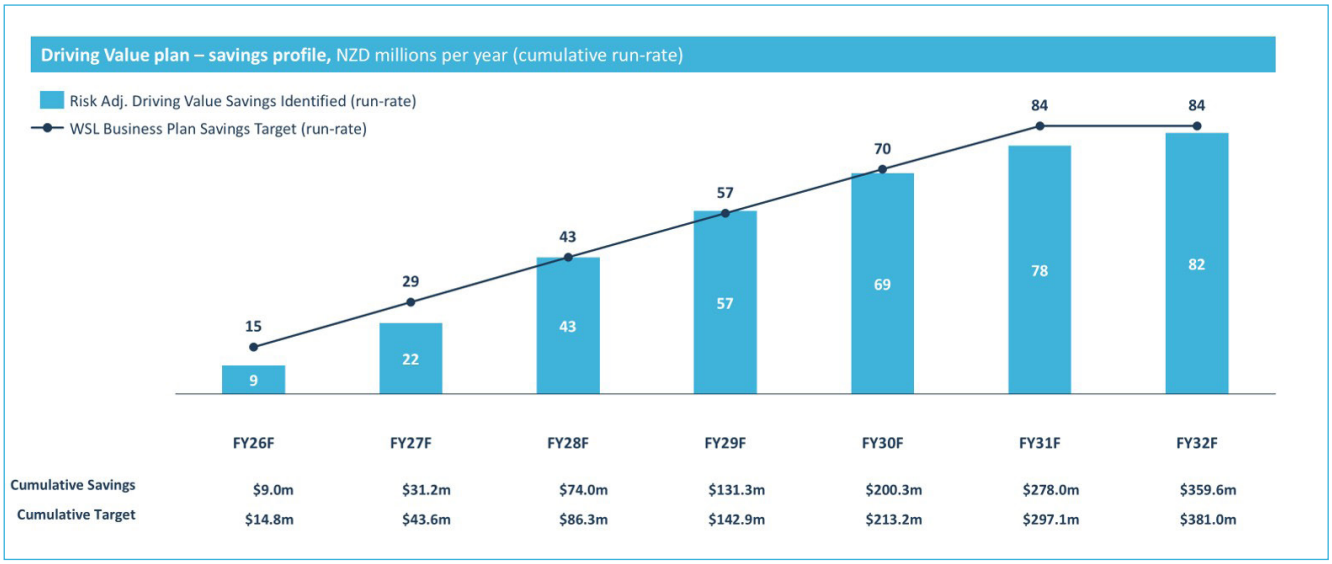
Section 4.0:
Our efficiency plan ('Driving value')

4.1 Overview

Our efficiency plan targets $82 million in annual OPEX savings over the period FY26- FY32, $2m short of the $84m included in our 2025-2034 Business Plan.

We have built a full pipeline of initiatives with a stretch potential of $94 million, then applied initiative-level risk adjustments to ensure transparency around expected delivery. Our intent is to continue managing toward the $94 million stretch target, while being clear with the Crown monitor that $82 million represents today's realistic, risk-adjusted forecast.

We will also continue to add to the efficiency plan with new ideas.



4.2 Our value areas

Our current programme intends to deliver the $82m through eight value areas:

- **Energy - $18m:** Expanding our own generation, sourcing a power purchase agreement (PPA), lowering energy use through efficiency
- **Maintenance - $15m:** Reducing reactive work through better asset planning and reliability
- **Operations - $8m:** Chemical optimisation and sludge handling efficiency
- **Digital $16m:** New digital operating model and ways of working, cloud and licensing rationalisation, and platform simplification
- **Customer $6m:** Smart meter-rollouts and technology/AI in our customer support, to improve productivity without hindering customer outcomes
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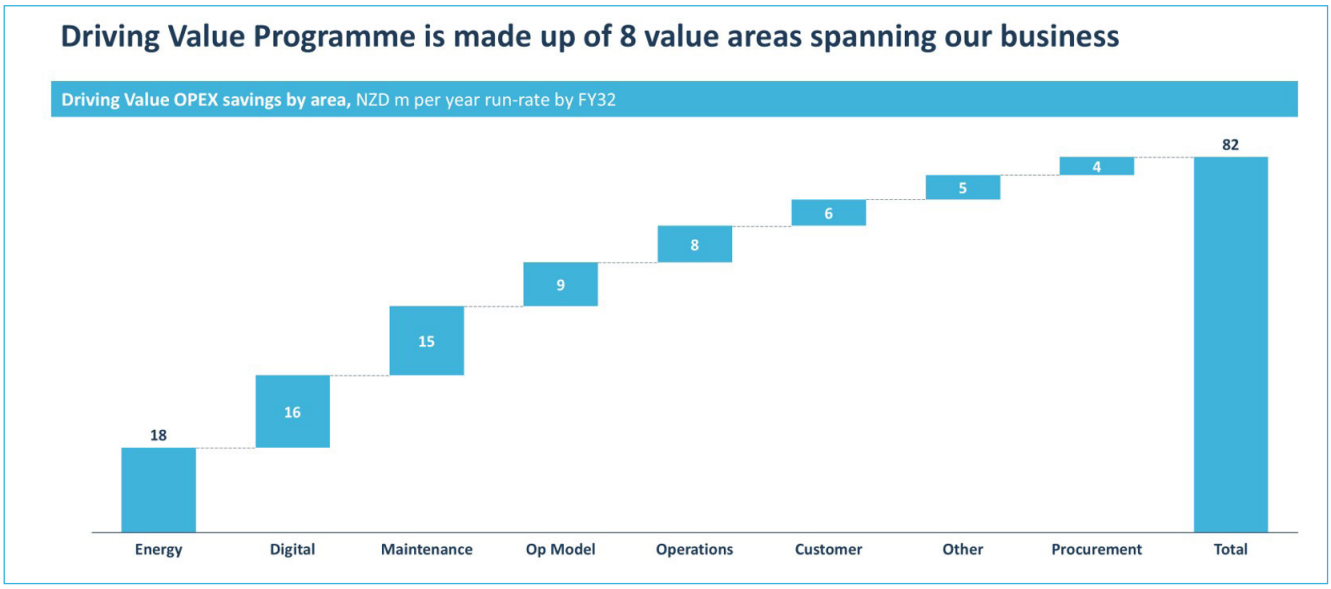
- **Other $5m:** Driven primarily by fleet, dam safety and consent costs
- **Procurement $4m:** efficiencies in how we source

Together, these deliver a diversified and balanced portfolio across technical, operational, and organisational levers.



Risk adjustment methodology

Each initiative has been categorised by delivery confidence and adjusted accordingly:

- **Strong $46m**
  Evidenced initiatives with proven methods, high execution certainty. 100% of net OPEX benefits applied to form risk adjusted figure
- **Balanced $36m → $28m**
  Initiatives with clear pathways but ±20% benefit uncertainty. 80% of the net OPEX benefits applied to form risk adjusted figure
- **Stretch $12m→$7m**
  Emerging or policy-dependent ideas requiring trials or external alignment; benefits discounted by 40%. 60% of the net OPEX benefits applied to form risk adjusted figure.

This risk adjustment ensures we are fully transparent with the Crown monitor and our Board with the 'expected', not 'hoped-for', savings. As mentioned, we view this as a living efficiency programme that will be continuously refined as results come in, with under-performing or re-prioritised initiatives replaced by new, higher-value opportunities.

Investment to enable delivery

Realising these efficiencies requires an estimated $154 million of CAPEX between FY26–FY32, outside the current approved Watercare Asset Management Plan (AMP). This investment is primarily directed towards on-site energy generation and operational assets that reduce chemical and maintenance costs.

Business cases and further work are required for these as part of implementation of the efficiency plan, but analysis to date shows sound projects and an expectation of payback.

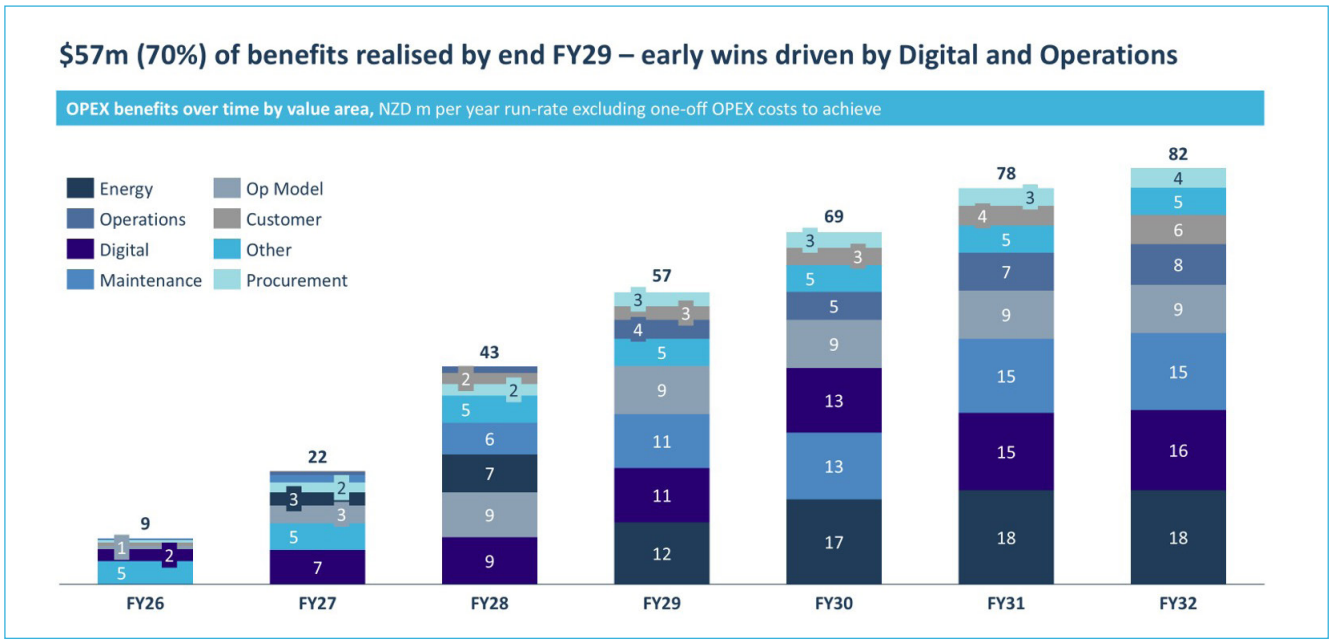
These ideas show the impact of the shift of focus from short-term cost savings, to long-term planning with change of focus of investment.

In addition, $8.4m of one-off OPEX has been provisioned over the same period to fund the dedicated resources needed to drive delivery, including programme management, analytical support, and progress tracking and reporting.

We also expect that, subject to business strategy and decision / approvals, additional CAPEX in the AMP will be required for the residential smart meter programme.

Phasing of the benefits

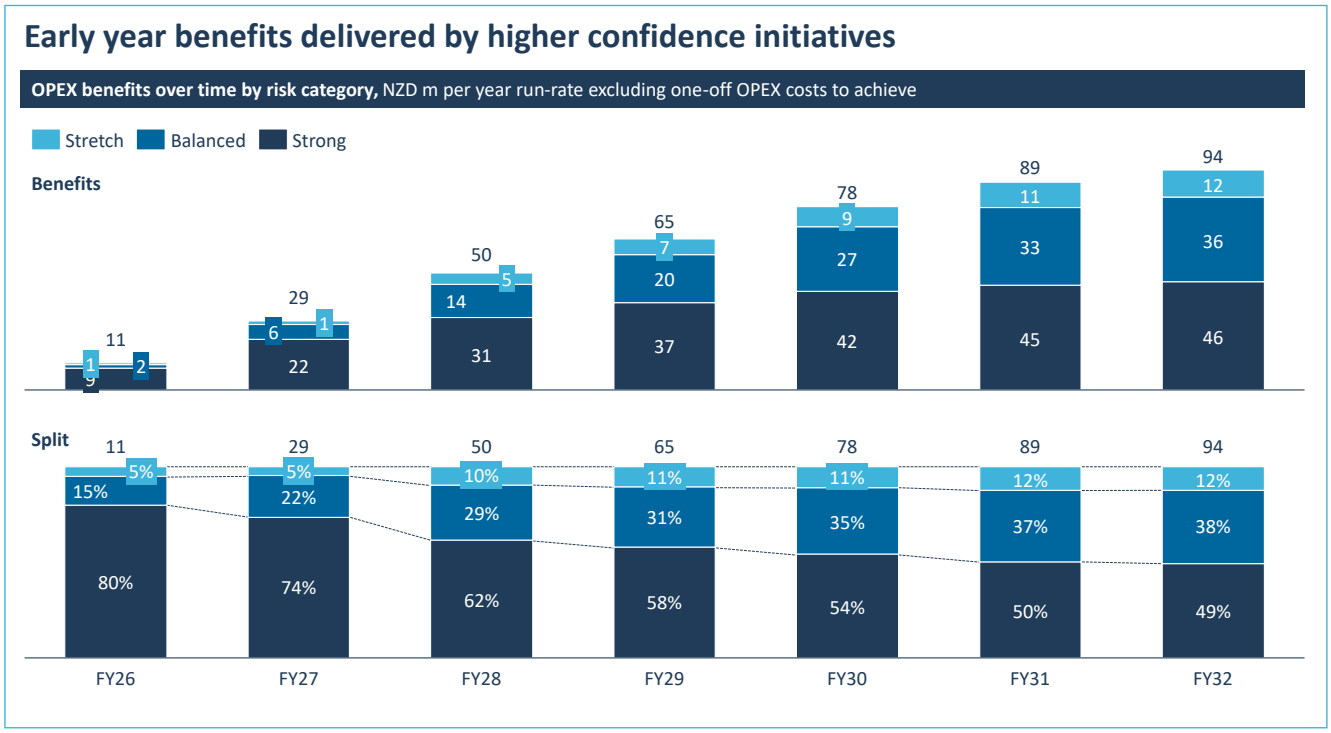
The efficiency plan delivers material improvement early. By the end of FY29, we expect to realise about $57 million of the total $82 million in annualised benefits, which is 70% of the programme's total value.



These early benefits are driven by improvements in our maintenance execution / strategy, energy sourcing and refining our ways-of-working (Digital, future operating model) as we prepare for a regulated environment.

From FY29 onwards, value increasingly comes from efficiencies enabled by targeted CAPEX investment, including on-site energy generation (solar and biogas projects), process upgrades that reduce chemical intensity, and an uplift in reliability-centred maintenance capability to progressively lower reactive maintenance costs.

Again, applying the risk lens reveals that higher confidence initiatives deliver early benefits:



4.3 A 'living plan'

This efficiency plan is not a one-off exercise - it is a living programme designed to evolve as Watercare's operations, markets, and technology change. The initiatives and assumptions captured here represent today's best view of value, but they will continue to mature through structured review and refinement.

Ongoing efficiency will come from three directions:

- **Extending the existing idea set** - deepening implementation and extracting further value from initiatives already underway, such as optimising the performance of installed solar or reflecting efficiencies from our renewals programme as initiatives here allow us to be more targeted with the maintenance spend.
- **Expanding existing value areas** - scaling proven levers, for example increasing behind-the-meter solar generation capacity further or more efficient sludge processing technology, methods.
- **Exploring new ground** - identifying future opportunities as technology, data capability, and regulatory settings evolve. Especially in data and AI.

This continuous-improvement mindset keeps the plan dynamic and ensures that Watercare's efficiency trajectory remains credible, adaptive, and aligned with the intent of the Charter over time.

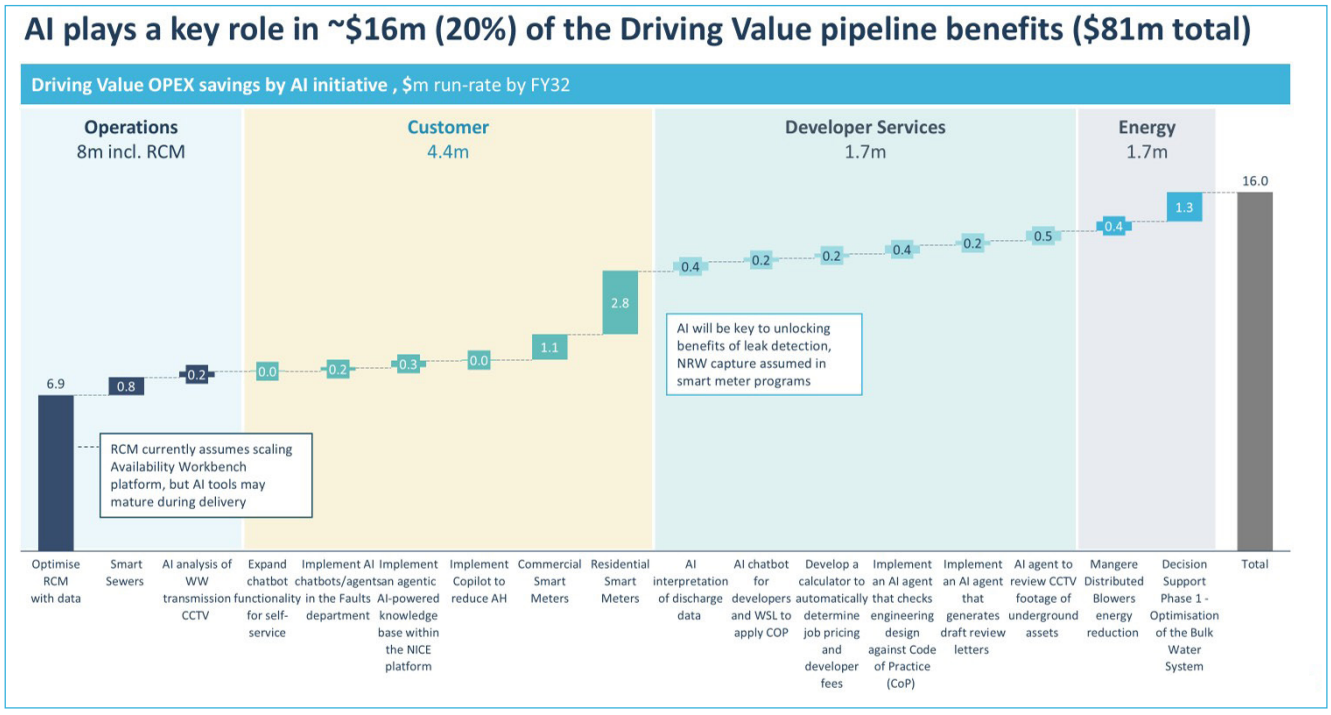
One area we see of longer-term potential is networks maintenance, where benefits are expected to emerge as Watercare actively plans to increase renewals investment over the next 10 years. WSAA benchmarking shows Watercare currently sits in quartile 4 for both water and wastewater networks (excluding large bore transmission lines). Closing these gaps represents a material opportunity: moving to quartile 3 would imply around $8m in annual OPEX improvement, quartile 2 around $21m, and quartile 1 around $33m.

However, as we see internationally, these benefits do not materialise immediately. We expect them to accrue over a 10-20 year horizon, as renewal volumes lift, asset condition improves, and reactive maintenance begins to fall. For this reason, we have not included these figures in the Charter-period efficiency plan. That said, we recognise the scale of the opportunity and will continue to treat networks maintenance as a key area within the living plan to be unlocked gradually as renewal investment ramps up and targeting improves.

4.4 How we have incorporated AI into our efficiency programme

Given the emergence of new tools and capabilities from AI in the past few years, we have ensured that the development of our initiatives have included the application of AI. This has included the development of ideas that are:

- 'AI led' such as the use of chat bots in Customer and Developer Services
- 'AI supported' such as the use of AI to lift the value of ideas in the residential smart meter programme and Reliability Centred Maintenance (RCM) idea.



The use of AI will continue to grow as we deliver the plan and continue to improve our data quality and structures, but an initial view shows a starting point of 20% of the Driving Value programme directly using AI tools.

Section 5.0:
Reporting against the plan

5.1 Our reporting frequency

As required by the Charter, Watercare must prepare a report on progress in making efficiency improvements and provide a copy to the Crown monitor by 30 September each year.

This report will summarise progress against the plan at both value-area and sub-stream level. For example, 'Energy' will track and report progress across four contributing streams:

- Behind-the-meter solar
- Behind-the-meter gas
- Energy sourcing
- Energy efficiency (water and wastewater)

Internally, a tiered reporting cadence will maintain strong delivery rhythm:

- Weekly or fortnightly reviews with initiative owners and sponsors to assess progress, remove issues/blockers and drive towards upcoming milestones
- Monthly 'Efficiency Plan' updates with Executive and ERC consolidating progress vs. plan, initiative status through a gated pipeline, realised and forecast savings, and variance explanations
- Quarterly updates to the Board.

This approach ensures clear line-of-sight from individual initiatives through to portfolio-level performance, enabling proactive management and credible external reporting.

Reports will follow a consistent format that includes:

- Initiative-level and portfolio-level status
- Realised and forecast benefits vs baseline
- Commentary on timing, delivery confidence, and inter-dependencies
- Identification of new or replacement initiatives under the "living-plan" principle.

5.2 Managing variances to plan

Variance analysis will be continuous, with insights aggregated for structured review at each reporting tier. The goal is to detect early deviations in performance, understand their drivers, and take timely corrective action.

- Weekly initiative reviews will assess progress against plan for each idea, tracking delivery milestones, benefits, and issues raised by initiative owners.
- Monthly pipeline reviews will consolidate initiative-level data to assess variance at the sub-stream and value-area level (e.g. energy sourcing). These reviews will quantify the financial and physical impact of any deviation from baseline and update the forecast accordingly.
- Quarterly portfolio reviews to the ERC will summarise total portfolio performance versus plan, including cumulative variances, root-cause analysis, and agreed recovery actions.

Variance reporting will categorise issues as:

- **Timing** - benefits delayed but still expected;
- **Scope or execution** - partial delivery or change in design; and
- **Baseline shifts** - due to external or uncontrollable drivers.

For each variance, corrective actions will be defined, such as reprioritising effort, adjusting benefit timing, or introducing new initiatives to offset any sustained shortfall. Significant deviations will be escalated to the ERC and, where material to annual results, disclosed in the Annual Efficiency Progress Report to the Crown monitor. This reporting will include:

- Changes to the prioritisation of initiatives, including reasons for the prioritisation; and
- Changes to the scope of the plan (such as new initiatives)

This approach enables the programme to self-correct and be transparent, ensuring accountability for delivery while maintaining the integrity of the reported efficiency position.