



# Operating and capital expenditure quarterly report

Quarter Three FY26 ended 31 March 2026

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This report has been prepared in accordance with Clause 27 of the Watercare Charter. It is provided to the Crown monitor as well as Auckland Council so that we comply with our quarterly reporting obligations.

Cover photo: Clarks Beach Wastewater Treatment Plant

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# Quarter 3 summary

**Opex:** Watercare's operating expenditure for FY26 is largely on plan year to date (YTD) with total operating expenditure \$1.2m (0.4%) above budget. The wet weather continued into the third quarter, and the YTD result reflects the wetter than expected weather conditions Auckland has experienced over the last nine months. As the dams are high (~95%) we have been able to optimise production from the Waikato River, our most expensive water source. This has resulted in lower energy and chemical costs associated with water treatment. Lower expenditure has also been incurred due to deferral of planned maintenance activities at our southern water treatment plants. However, these lower costs have been partly offset by higher levels of unplanned maintenance across the water and wastewater networks due to overflows and asset failures, as well as increased energy costs associated with ongoing high levels of wastewater pumping due to the wetter weather.

Indirect costs YTD are \$3.9m above budget, primarily due to the \$2.75m financial support payments made to Mahurangi oyster farmers (via Aquaculture NZ) impacted by the October 2025 dry-weather wastewater overflow, and additional one-off professional and legal services costs that were incurred for financial independence and long-term regulatory work.

**Capex:** In Q3 FY26 Watercare invested \$195m (\$672m YTD) in capital infrastructure, delivering meaningful benefits for Aucklanders by maintaining safe, efficient, and reliable water and wastewater services, supporting growth, enhancing resilience, and protecting the environment. The Q3 investment was \$43m (18%) below the \$238.0m in the Operating and Capital Expenditure Plan (Plan) Watercare prepared under Clause 26 of the Charter for Q3.

Of the total investment, \$122.8m was directed to wastewater projects and programmes such as the Central Interceptor, Waitemata Water Quality Improvement, Pukekohe Wastewater Scheme, Queen Street Diversion, and Southwest Wastewater Scheme. A further \$56m was invested in water infrastructure, primarily focused on renewing and expanding network assets. \$16.2m was spent on activities that support both water and wastewater, for example projects that are supporting Kāinga Ora's development areas, SCADA (our operational control system), and other digital services and equipment that support our network and delivery to customers.

Together, these projects demonstrate Watercare's commitment to building a resilient, future-ready network that meets Auckland's needs while safeguarding our natural environment.

# 1 Operating expenditure

## 1.1 Operating expenditure introduction

The operating expenditure report covers all operating costs incurred in the general operation of our business excluding non-trading expenses, depreciation, financing and tax.

Commentary has been provided against the internal Board-approved budget. Commentary is by exception, with full year materiality set at a variances of more than \$2.5m and 5%.

TABLE 1: OPERATING EXPENDITURE SUMMARY

Operating Expenses	FY26 YTD Quarter 3			FY26 Full Year		
(\$000's)	Actual	Budget	Variance	Forecast	Budget*	Variance
<b>DIRECT COSTS</b>	<b>169,101</b>	<b>171,805</b>	<b>2,704</b>	<b>229,106</b>	<b>230,124</b>	<b>1,018</b>
<b>WATER</b>	<b>75,090</b>	<b>78,504</b>	<b>3,414</b>	<b>101,074</b>	<b>104,824</b>	<b>3,750</b>
Net Labour	9,201	9,247	46	12,383	12,404	21
Planned Maintenance	7,075	8,457	1,382	10,321	10,396	75
Unplanned Maintenance	28,167	23,850	(4,317)	34,948	31,801	(3,147)
Energy	8,404	11,455	3,051	11,920	16,506	4,586
Chemicals	7,236	10,912	3,676	11,325	14,152	2,827
Sludge Disposal	956	1,168	212	1,369	1,564	195
Other Operating Costs **	14,051	13,415	(636)	18,808	18,001	(807)

Operating Expenses	FY26 YTD Quarter 3			FY26 Full Year		
(\$000's)	Actual	Budget	Variance	Forecast	Budget*	Variance
<b>WASTEWATER</b>	<b>94,011</b>	<b>93,301</b>	<b>(710)</b>	<b>128,032</b>	<b>125,300</b>	<b>(2,732)</b>
Net Labour	9,896	9,843	(53)	13,251	13,265	14
Planned Maintenance	15,293	15,796	503	21,637	21,005	(632)
Unplanned Maintenance	24,896	22,306	(2,590)	31,643	29,673	(1,970)
Energy	22,533	20,839	(1,694)	30,147	28,709	(1,438)
Chemicals	5,393	6,011	618	7,646	8,005	359
Sludge Disposal	5,388	6,353	965	8,225	8,370	145
Other Operating Costs **	10,612	12,153	1,541	15,483	16,273	790
<b>INDIRECT COSTS</b>	<b>128,594</b>	<b>124,677</b>	<b>(3,917)</b>	<b>178,893</b>	<b>165,307</b>	<b>(13,586)</b>
Asset Planning & Delivery	20,809	18,793	(2,016)	31,399	25,297	(6,102)
Digital Costs	39,978	45,481	5,503	57,813	60,506	2,693
Operations Oversight & Management	19,739	18,019	(1,720)	27,095	23,915	(3,180)
Insurance	6,106	5,560	(546)	8,238	7,414	(824)
Consent Related Costs	4,511	4,733	222	5,226	5,307	81
Business Support Services	37,451	32,091	(5,360)	49,122	42,868	(6,254)
<b>TOTAL OPERATING COSTS</b>	<b>297,695</b>	<b>296,482</b>	<b>(1,213)</b>	<b>407,999***</b>	<b>395,431*</b>	<b>(12,568)</b>

\*Budgeted total operating costs reflect Watercare's internal Board-approved budget which treats the Waikato District Council contract as an agency arrangement, with receipts and payments offset to reflect the net position which is currently a net revenue position. For Auckland Council reporting, this contract is reflected gross in revenue and expenses.

\*\* Other Operating Costs include laboratory testing, dam safety, land maintenance, compliance costs and plant operating expenses.

\*\*\* A reclassification of two general ledger accounts in the quarter from non-trading activities into Operating costs has resulted in a \$1,053,000 increase in total operating cost forecast.

## 1.2 Financial commentary

### Total operating expenditure

Total operating expenditure YTD to the end of March 2026 was largely on plan at \$297.7m, \$1.2m (0.4%) above budget.

Lower energy and chemical costs as we were able to rely on near to full dams, and deferral of some planned activities due to wet weather, which are now expected to be completed later in the year. Ongoing reprioritisation and some delays in digital projects have also led to lower digital costs YTD.

These favourable movements have been offset by higher energy and unplanned maintenance costs. Further pressures have also come from financial support payments and costs related to regulatory requirements and financial independence.

As reported in in Q2, the updated full-year forecast for FY26 was completed in January 2026, incorporating actual results to the end of December 2025 and a forward-looking view through to June 2026. A reclassification of two expense lines from non-trading to operating costs has resulted in a restatement of the full year operating expenditure now forecasted at \$408m (\$407.1m last quarter) has been added this quarter. This forecast is \$12.6m above budget and largely attributed to a change in accounting treatment for third-party connections costs, several high value unplanned maintenance faults, the financial support payments, and increased expenditure to support Watercare Charter projects and financial independence initiatives.



*Crews work to install a 4.5km wastewater main that will transfer wastewater from Waiwera to Hatfields Beach pump station.*

## Direct costs

**Water costs:** Water expenditure YTD to the end of March 2026 was \$75.1m, \$3.4m favourable to budget. The full year forecast is expected to be \$3.8m favourable to budget at \$101.1m.

The YTD result was impacted by lower planned maintenance costs, chemical costs, and energy rates effective from February 2026. Unplanned maintenance was higher than anticipated due to transmission watermain faults on Lake Rd and State Highway 16 totalling \$0.5m. Howick Main flushing and Bush Rd Reservoir repairs also contributed additional \$0.3m in costs. Network faults, particularly in the northern and southern regions made up the balance. Our pipeline renewals programme to minimise pipe breaks is now well underway with more than \$36m spent this year.

**Wastewater costs:** Expenditure YTD to the end of March 2026 was \$94m, \$0.7m unfavourable to budget. The full year forecast is expected to be \$2.7m unfavourable to budget.

The major driver of the YTD result was the volume of unplanned maintenance and energy costs associated with additional pumping mentioned above. A number of large value faults occurred as a result of damage caused by third parties (which has been recharged to perpetrators), as well as a fault on the Sylvia Park Rising Main, which is due for renewal later in the calendar year.

**Indirect costs:** YTD expenditure was \$3.9m unfavourable to budget while full year is expected to be \$13.6m unfavourable to budget.

Asset Planning and Delivery - YTD costs are \$2m unfavourable to budget while full year is expected to be \$6.1m unfavourable to budget reflecting a change in accounting treatment relating to the recognition of third-party connection costs.

Digital - YTD costs were \$5.5m favourable due to lower spend on Software as a Service (SaaS) projects and savings and rationalisation of software licencing costs. The full year forecast is expected to be \$2.7m favourable with the re-phasing of a number of SaaS projects include the GIS re-platform project, which is now expected to continue through to 2027.

Operations Oversight & Management - Expenditure YTD was \$1.7m unfavourable to budget while full year is expected to be \$3.2m unfavourable, predominantly due to additional wastewater tankering costs resulting from higher than anticipated volumes. These are individual agreements with certain developers and are on-charged.

Business Support Services - YTD costs were \$5.4m unfavourable to budget while full year is expected to be \$6.3m unfavourable. The YTD result is due to financial support payments, as well as higher than budgeted professional services and legal fees associated with financial independence and bond issuance costs, and lower labour capital recoveries reflecting the lower capital spend to date. The full year forecast reflects an increase in our professional services costs due to the Charter-related projects to be delivered, additional costs associated with

payroll system enhancements to ensure compliance going forward, and additional doubtful debt provisions taken due to increased aged debtor balances on specific accounts.

## 1.3 Operating expenditure project commentary

### Key projects undertaken in the quarter.

- Phase two of the **Human Resources Information System (HRIS)** project (**Workday**) work continued in Q3, in preparation for the Help module and the learning management module both due to go live in Q4.
- The **Network Improvement Efficiency Programme** including pressure management and pipeline renewals continues. Our focus is on poor condition water and wastewater network assets, which are being prioritised for delivery under our renewal programme for FY26 and FY27. The relining and replacement of sewer pipelines will, in time, help reduce the level of groundwater entering our sewers and associated treatment and unplanned overflow costs. The replacement of water pipelines and pressure management will help reduce the number of breaks and associated unplanned maintenance costs and outages that impact our customers.
- The **Donesafe** initiative is now well underway and while all functionality was initially expected to go live in July 2026, a more staged approach has now been agreed whereby risk management and health and safety modules will still go live in July and August, and the remaining modules (Audits and Inspections, Contractor Management and Control of Works) will be implemented over the remainder of the calendar year and into early 2027. The project will deliver a Health, Safety & Wellbeing (HSW) platform designed to streamline health and safety processes by digitising incident reporting, risk assessment, and compliance workflows which is expected to improve visibility, accountability and reporting across Watercare. It is a SaaS project with the majority of costs recognised in the profit and loss.

- Our **Smart Sewer** project rollout continues with approximately 3,500 sensors now installed across our network and feeding data into our AI platform, which is developing a machine learning model. We expect 5,000 sensors to be installed by the end of June 2026. The data generated by the sensors is expected to drive savings in unplanned overflow maintenance and planned sewer flushing and the prioritisation for rehabilitation and inflow infiltration projects.
- The **Geographical Information System (GIS)** re-platform project will replace Watercare’s legacy GIS platform with a modern SaaS-based solution. The project is intended to improve asset visibility and better support planning, design and operational workflows. It is being delivered collaboratively with the Auckland Council Group. Development and test environments have been established, and Watercare is continuing to refine the solution to ensure it supports future capability requirements. Following a review of delivery complexity, the programme has been re-planned and the new platform is now expected to be implemented by May 2027. This revised approach supports the full migration of existing functionality, enables decommissioning of the legacy architecture, and reduces delivery and operational risk by avoiding the need to operate multiple GIS platforms in parallel.
- The FY26 advancement of the **insurance strategy workplan** has made good progress. Loss modelling has been completed, with good insight to Watercare’s loss exposure, and is being utilised to inform the insurance renewal for 2027. The captive feasibility study on target for completion in Q4.



*A small CCTV rover is lowered into the manhole to assess the condition of pipes in Beachlands and Maraetai before relining is carried out.*

## 1.4 Significant changes to deliverability risk

In the Plan, we identified several risks to deliverability. This section highlights any significant changes to those risks.

- **Gulf conflict:** Watercare is actively monitoring global and domestic fuel and supply chain pressures, and has established an incident team to track risks, align with the Council group, engage with other agencies, and maintain organisational readiness. Forward planning is also underway to assess potential longer-term impacts on costs, maintenance activities. At this time no material claims have been lodged, however, a number of suppliers have been in contact indicating they are considering fuel surcharges. We are keeping a close eye on the supply risk around polyethylene pipes (PE pipes). The raw materials for PE pipe come from the Middle East and PE pipes are almost exclusively used for new and replacement water and wastewater pipes. Prices have already risen and we expect them to remain elevated for some time.
- **Energy:** The electricity market has not been as volatile this year as previous years. However, gas supply shortages continue to impact our cost base. Through the Charter Operating Cost Efficiency Improvement Plan, Watercare has identified behind-the-meter opportunities (solar panel generation, battery storage systems, biogas turbines and hydro generation) and is progressing work on longer-term market arrangements, including power purchase agreements. These are expected to provide some mitigation against future price rises and volatility.
- **Chemicals:** Shipping costs and exposure to fluctuations in international chemical prices has been a growing risk for Watercare in recent years as many domestic chemical manufacturers have either closed or transitioned to import-only operations. Shipping and transport costs have been a keen area of focus in Q3, with our major chemical suppliers signalling increased price volatility across some key chemicals which is likely to result in monthly price reviews.

## 2 Capital expenditure

### 2.1 Capital expenditure introduction

The capital expenses report covers all capital costs incurred in the quarter and YTD. It has been split by programme and sorted by water, wastewater, and programmes that support both water and wastewater.

Commentary for capital expenditure YTD has been provided against the Operating and Capital Expenditure Plan (Plan) that Watercare prepared under Clause 26 of the Charter. We comment on variances by exception, being a variance to plan of more than \$5m and 5%.

The programme report provides total figures for all programmes, and programmes are the sum of all projects, so this report shows the performance of the whole delivery programme/portfolio for the reporting periods.

TABLE 2: CAPITAL EXPENDITURE SUMMARY

Programme	Allocation			FY26 Q3 (Quarter ended Mar 26) (\$000's)			YTD (\$000's)		
	Growth %	LoS %	Renewal %	Actual	Plan	Variance	Actual	Plan	Variance
<b>Supporting Water and Wastewater</b>				<b>16,238</b>	<b>28,711</b>	<b>(12,473)</b>	<b>79,908</b>	<b>88,442</b>	<b>(8,534)</b>
Business Assets	25%	16%	59%	1,443	11,681	(10,238)	24,641	33,064	(8,423)
Digital Assets	6%	42%	52%	3,138	3,833	(695)	11,249	14,546	(3,297)
Projects supporting Kainga Ora	60%	17%	23%	11,657	13,197	(1,540)	44,018	40,832	3,186

Programme	Allocation			FY26 Q3 (Quarter ended Mar 26) (\$000's)			YTD (\$000's)		
	Growth %	LoS %	Renewal %	Actual	Plan	Variance	Actual	Plan	Variance
<b>WATER</b>				<b>56,000</b>	<b>59,139</b>	<b>(3,139)</b>	<b>164,984</b>	<b>193,891</b>	<b>(28,907)</b>
Ardmore Water Treatment Plant	0%	22%	78%	1,225	3,986	(2,761)	2,594	9,883	(7,289)
Huia Water Supply	43%	16%	41%	2,945	5,769	(2,824)	16,682	19,436	(2,754)
North Harbour 2 Watermain	100%	0%	0%	4,988	5,084	(96)	10,876	12,653	(1,777)
Waikato Water Supply	79%	4%	17%	4,324	5,315	(991)	10,344	13,063	(2,719)
Water Collection & Treatment Assets	37%	31%	32%	5,469	6,757	(1,288)	18,616	17,702	914
Water Network Assets	31%	5%	64%	37,049	32,228	4,821	105,872	121,154	(15,282)
<b>WASTEWATER</b>				<b>122,795</b>	<b>150,143</b>	<b>(27,348)</b>	<b>427,410</b>	<b>514,785</b>	<b>(87,375)</b>
Central Interceptor	48%	41%	11%	21,327	20,432	895	97,285	113,819	(16,534)
Hingaia / Southern Auckland WW Servicing Scheme	100%	0%	0%	796	1,534	(738)	2,502	4,487	(1,985)
Mangere Wastewater Treatment Plant	12%	15%	73%	19,258	17,826	1,432	57,593	51,154	6,439
North-East Wastewater Programme	80%	9%	11%	6,683	3,448	3,235	30,834	30,458	376
Otara Wastewater Network	73%	7%	20%	143	4,873	(4,730)	1,146	5,757	(4,611)
Pukekohe Wastewater Scheme	92%	1%	7%	4,106	7,753	(3,647)	5,720	13,103	(7,383)
Queen Street Wastewater Network	0%	0%	100%	5,482	10,751	(5,269)	23,810	46,187	(22,377)
Rosedale Wastewater Treatment Plant	31%	10%	59%	8,107	11,459	(3,352)	24,754	32,045	(7,291)
Southwest Wastewater Scheme	77%	17%	6%	9,580	7,805	1,775	39,254	32,250	7,004
Waitematā Water Quality Improvement	50%	50%	0%	8,541	15,090	(6,549)	25,095	35,899	(10,804)

Programme	Allocation			FY26 Q3 (Quarter ended Mar 26) (\$000's)			YTD (\$000's)		
	Growth %	LoS %	Renewal %	Actual	Plan	Variance	Actual	Plan	Variance
Wastewater Network Assets	32%	12%	56%	29,670	37,501	(7,831)	89,600	111,188	(21,588)
Wastewater Treatment Plant Assets	51%	17%	32%	9,242	6,264	2,978	25,378	23,810	1,568
Whenuapai & Redhills Wastewater Scheme	100%	0%	0%	- 140	5,407	(5,547)	4,439	14,628	(10,189)
<b>TOTAL</b>				<b>195,033</b>	<b>237,993</b>	<b>(42,960)</b>	<b>672,302</b>	<b>797,118</b>	<b>(124,816)</b>

\*Capital spend variances - underspend (shown as negative in table above) or overspend (shown as positive) - are not inherently good or bad. The key is understanding the reason behind the variance and its impact on outcomes:

- **Timing differences** often drive variances. An underspend may reflect delays due to consents or procurement, while an overspend may indicate accelerated delivery. Either can be positive or negative depending on whether the timing aligns with when the outcomes are needed.
- **Underspends** may represent genuine savings or deferred delivery.
- **Overspends** may reflect scope expansion or faster delivery, potentially bringing benefits to Aucklanders sooner.

Ultimately, our goal is to deliver outcomes **on time, cost-effectively, and efficiently**, to ensure value for our communities.



*Activated sludge 'bugs' settle into their new environment at Clarks Beach Wastewater Treatment Plant.*

## 2.2 Commentary

### 2.2.1 Cost

Watercare's capital expenditure for Q3 was \$195m, which is \$43m (18%) below the planned budget of \$238m. YTD, Watercare's capital expenditure is \$125m (16%) below the planned budget.

The key drivers of this YTD underspend are outlined below.

**Business Assets:** expenditure is lower than planned due to delay in mobilisation of the commercial water meter programme that will be renewing analogue meters with smart meters to provide improved water usage and billing information.

**Water Network Assets:** YTD expenditure was lower than planned due to delays in renewal programmes due to scoping and change in procurement approach to release more work to the market (particularly across local water networks), delays in property purchases, and the timing of contributions to developer-constructed assets.

**Central Interceptor:** The spend for Q3 was close to budget. The overall programme YTD cost is behind budget but the scheduled completion date of December 2026 remains on track.

**Queen Street Wastewater Network:** The underspend is primarily due to the removal of the Orākei Main Sewer relining from the project scope, the non-materialisation of risks previously allowed for in relation to relining and tunnelling, and delays arising from updated traffic management requirements.

**Waitematā Water Quality Improvement (WWQIP):** The underspend reflects a delay in contracting for the Herne Bay Branch 5 upgrade. The contract has subsequently been signed in Q4.

**Wastewater Network Assets:** The underspend within the Wastewater Network Assets programme is mainly driven by delay in the construction start of the Waiwera Servicing Project, an ambitious cost ramp-up in the original Charter plan, and delays in the purchase of land required for future projects, delays in progressing renewals programmes.

Underspends above have been partially offset by the following:

**Southwest Wastewater Treatment Plant:** Expenditure was ahead of plan as risks that could have delayed the project did not eventuate.

**Huia Water Supply:** Unbudgeted land purchase to support the completion of Huia 1 Watermain.

**Māngere Wastewater Treatment Plant:** Renewals and safety projects at the plant to support safe and efficient operation, drove additional cost.

### 2.2.2 Delivery

We progressed a number of critical upgrades across the region to improve network reliability, reduce overflows, and support future growth.

Key works included:

- **Renewals** – Contracts were signed for many of our renewal programmes.
- **Pukekohe North Pump Station** – Contract was signed in February, and construction is underway to replace and upgrade capacity-constrained pump stations, increasing wastewater network capacity and resilience in the Pukekohe–Paerata area, and enabling planned urban growth.
- **Waikato A – Early works** – Early works have commenced in 2026 at the Waikato Water Treatment Plant site, including site access and earthworks, as part of enabling infrastructure to support future water supply capacity from the Waikato River.
- **North Harbour 2 Watermain** – Greenhithe Bridge bracket drilling and Albany tie-in design were completed, advancing delivery of a duplicate watermain to improve supply resilience to North Auckland.
- **Critical wastewater renewal in Beachlands and Maraetai** – Work completed, enabling a more reliable wastewater network by completing the relining of 6.2km of local pipes.

### 2.2.3 Opportunities

There have been no new significant opportunities, cost savings, or accelerations identified during the quarter.

## 2.3 Programmes/projects completed during the quarter

During Q3, Watercare completed several capital projects to support the resilience, performance, and future capacity of Auckland’s water and wastewater networks. The key projects and the benefits they are expected to deliver are outlined below.

- **Whenuapai & Redhills Wastewater Scheme – Package 3:** Provides additional conveyance capacity to service growth.

- **Siphon Replacement 1 – Pohutukawa:** Builds resilience by renewing assets across Auckland metropolitan areas, in poor condition and addresses structural deficiencies to alleviate odour discharging on private properties and improve health and safety. Upgrades to manholes enhance system operability and maintenance access.
- **Jonathan Place Pipe Upgrades:** Provides additional conveyance capacity to service growth, promotes public health and protects the environment by reducing overflows on private property within Sunnynook.
- **Transmission Reservoir Heights Safety Upgrades:** Delivers upgrades improving safety at reservoirs (Khyber, Redoubt High, St Johns and Waikumete) to reduce exposure of staff, contractors, customers and the community to injury or harm ensuring effective and reliable services.
- **FY25 Northern Regional WWTP Renewals:** Builds resilience by renewing critical assets with single points of failure at Northern Wastewater Treatment Plants, ensuring safe wastewater services to customers and a reduction in service interruptions.
- **Warkworth WTP WW Storage in Wet Weather:** Provides an interim solution for reducing wastewater overflows at Elizabeth Street in Warkworth, protecting the environment and minimising disruptions to the community.
- **FY25 Network Watermain Renewals:** Builds resilience by renewing assets in poor condition, reducing frequency of failures, customer complaints and leakages ensuring effective and reliable services.
- **Māngere Wastewater Treatment Plant Fire Alarm System Upgrades:** Ensures operational resilience, health and safety of staff and the community surrounding the plant, by upgrading the fire protection system through automated fire suppression.
- **Farnham Street and Pump Station 84 Electrical Upgrades:** Improves level of service through electrical replacements and upgrades with more efficient technology for sites across metropolitan Auckland.
- **Pukekohe Power Supply Resilience:** Builds resilience by reducing power outages at the Wastewater Treatment Plant and unplanned service loss, and protects the receiving environment through mitigating pond overflows.

## 2.4 Programmes/projects started during the quarter

During Q3, a range of initiatives progressed into feasibility, design, design and build, or construction phases. The key projects and the benefits they are expected to deliver are outlined below.

## Feasibility

Projects that commenced feasibility activities during Q3 focus on identifying preferred solutions, reducing risk of failures, and informing future investment decisions. These initiatives will improve long-term planning certainty, network resilience:

- **Ōrākei Main Sewer (OMS) Critical Works** – Addresses critical sections of the OMS to mitigate risk of failures and develop a long-term solution to improve system resilience, provide future capacity and reduce uncontrolled wastewater overflows in the catchment for the next 100 years.

## Design

Projects that entered the design phase during the quarter aim to develop fit for purpose solutions that support growth, improve compliance, and capacity constraints:

- **Castledine Catchment Diversion** – Reduces wastewater overflows, pipe capacity constraints and supports growth within the Glen Innes area.
- **Rosedale Wastewater Treatment Plant Solids Stream Upgrade** – Supports growth by enabling processing capacity to increase through the implementation of advanced solid stream processing treatment utilising Thermal Hydrolysis.
- **WWQIP Grey Lynn Park Stage 1 & Branch 6 Collector** – Reduces volume and frequency of wastewater overflows to protect the environment, enhance public health and safety, and improve network resilience.
- **Paerata Wastewater Servicing** – Supports growth by providing additional network capacity and accommodating planned development within the areas of Paerata and Pukekohe.

## Design and Build

The following projects progressed into combined design and build phases, enabling delivery of benefits such as improved resilience, operational efficiency, environmental performance, and continuity of supply:

- **Māngere Wastewater Treatment Plant New Admin Building** – Supports growth by enabling the expansion of solids processing by providing space with a new facility away from the plant's core operational areas and improves employee wellbeing.
- **Māngere Watermain High Volume Flushing Valve** –

- Enables network resilience, water quality compliance and operational flexibility during outages or emergency events for the communities of Māngere, Favona, Otahuhu and Auckland Airport.
- **FY27 Transmission Sewer Renewal** – Replaces transmission sewers assets in poor condition to proactively reduce asset performance risk (specifically overflows and collapses) which will impact people, cultural or environmentally sensitive areas.
- **FY27 Local Wastewater Network Renewals** – Replaces and assesses high-risk pipelines to improve network resilience, reduce faults, wastewater overflows and improve the safety of staff and the public at/or near our assets.
- **Mangakura/Helensville Raw Watermain Renewal** – Replaces an ageing asset to reduce risk of outages, meet capacity requirements and improve resilience to cater for growth in Helensville and Parakai.

## Construction

Projects that commenced construction activities during Q3 will deliver near-term benefits, including increased network capacity, reduced operational and environmental risk, improved resilience to extreme weather events, and enhanced reliability of water and wastewater services:

- **Rosedale MP Biogas Piping** – Strengthens the reliability and resilience of the biogas system to cater for population growth by providing redundancy and safeguarding public health through safe and efficient biogas management.
- **Waikato WTP CSEU Stage 2** – Improves health and safety by ensuring water supply is compliant with the Health and Safety at Work Act 2015 (HSWA) and hazardous substances regulations by replacing ageing assets and undergoing network upgrades.

## 2.5 Programmes/projects added during the quarter

The following projects were added to the programme during Q3. While some are low cost, these projects respond to emerging growth pressures and service risks and ensure future investment is aligned with safety, resilience, and level of service requirements:

- **Snells Water Treatment Plant and Source Capacity Upgrade** – Supports growth in the Snells-Algies region by increasing treatment capacity to ensure we can continue to meet peak demand in the region.
- **Mangatangi Dam Intake and Valve Tower Works** – Improves resilience and compliance with health, safety and environmental standards by addressing structural deterioration, ageing systems, access and safety risks.

- **Mangatangi Dam Seismic and Climate Resilience** – Enhances seismic and climate resilience of critical dam infrastructure, ensuring reliable water supply, protecting public health, and safeguarding the environment against extreme weather events and seismic hazards.
- **Centralised Storage Facility for Waikato WTP** – Supports resilience at the plant by providing a single central facility for storage of spares.
- **Wellsford WTP Riverbank Shoring Works** – Supports resilience by improving asset condition through riverbank stabilisation at the plant’s intake point, reducing erosion risk and providing protection against extreme weather events.
- **Helensville New UV System** – Ensures compliance with legislation requirements for protozoal removal during severe weather.
- **New Pukekohe WTP Stage 1** – Supports growth in the Pukekohe area, Auckland metropolitan region and increases resilience by building a new WTP with a capacity to supply an estimate of 9.4MLD.
- **Mangakura 1 Lower Spillway Upgrade** – Addresses safety deficiencies in the dam’s lower spillway to meet New Zealand Dam Safety Guidelines 2024, ensuring protection of the downstream environment, public health and water supply resilience.
- **Blue Gum Pump Station and Rising Main** – Replaces ageing asset to restore service reliability, build resilience by reducing emergency response requirements, and eliminating uncontrolled wastewater discharges into waterways.

## 2.6 Land Acquisition projects progressed during Q3

A number of existing and future projects are in flight that require the acquisition of land to provide sufficient area for the construction of assets, accommodate future expansion or development, enable operation and maintenance of the built asset in the future.

During Q3, a total of six land acquisitions were initiated.

## 2.7 Significant changes to deliverability risk

In the Plan, Watercare identified several risks to deliverability. There have been no significant changes to the project specific risks identified in the Plan in Q3. There have also been no additional significant opportunities or additional risks identified in Q3.

# Approvals

## *Management approvals*

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Prepared and reviewed by the following Watercare executive team members:

**Angela Neeson – Chief Financial Officer** 

Approved by:

**Jamie Sinclair – Chief Executive Officer** 

## *Board approvals*

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Approved by the board on 27 May 2026.

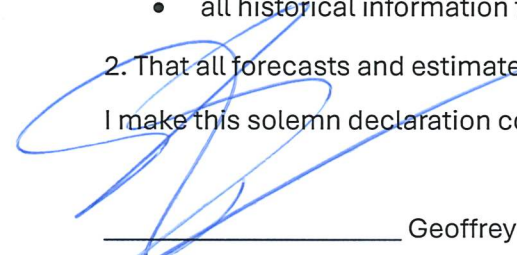
## *Statutory declaration*

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**I, Geoffrey Stewart Hunt, Director and Chair of the Watercare Services Limited board, of Takapuna, Auckland, solemnly and sincerely declare:**

1. That the following information in this report is true and accurate:
  - all historical information disclosed in this report; and
  - all historical information from which that disclosed information is derived; and
2. That all forecasts and estimates in this report are demonstrably reasonable.

I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.

 Geoffrey Stewart Hunt, Declared at Auckland, 27/5/ 2026

Before me:

 Barrister and Solicitor of the High Court of New Zealand, 27/5/ 2026

**Matthew Stephen Hill**  
Solicitor  
Auckland

# Glossary

## Direct costs

Direct costs are those costs directly attributable to the delivery of Water and Wastewater Services to our customers. In this report, we have divided these costs into Water and Wastewater costs.

## Water costs

Water costs include all costs for the following functions:

**Headworks** – Costs associated with management and oversight of the infrastructure that captures and conveys raw water from our dams in the Hunua and Waitakere Ranges through to water treatment plants. Costs include labour, maintenance, energy associated with pumping water to the treatment plants and other operating costs such as land maintenance, laboratory testing, raw water quality management, and dam safety. It also includes costs associated with the management of the Hunua Forest catchment area.

**Water treatment** – The regulated process designed to ensure the safe, reliable and high-quality supply of drinking water to Auckland communities. The water treatment process includes screening, filtration, sedimentation, disinfection, and pumping of treated water into the supply system. Costs include labour, maintenance, energy, chemicals, sludge disposal and other operating costs such as laboratory testing, cleaning, plant operating expenses, and compliance operating and training costs.

**Water transmission** – The large-scale movement of treated water from water treatment plants to bulk supply points, reservoirs and local distribution networks that serve customers across Auckland. The transmission system is distinct from local networks as they are the large pipes that do not provide direct service to customers. Costs include labour, maintenance, energy, and other operating costs such as laboratory testing.

**Water networks** – Network water pipes are part of Watercare’s reticulated water supply system. While transmission mains move bulk water between treatment plants and reservoirs, network water pipes, deliver water from bulk supply points to local distribution zones and include smaller-diameter mains that connect to customer service lines. Costs incurred include labour, maintenance, energy and other operating costs such as laboratory testing.

## Wastewater costs

Wastewater costs include all costs for the following functions:

**Wastewater networks** – Network wastewater pipes are generally local network sewers, gravity-fed, under 375mm in diameter, and serving residential and commercial areas. Costs include labour, maintenance, energy, chemicals and other operating costs such as laboratory testing.

**Wastewater transmission mains** – Larger pipes that carry higher volumes through pipes with diameters greater than 375mm from local networks to wastewater treatment plants. Not all these are gravity fed and may include pressure rising mains used in conjunction with pumping stations to move wastewater uphill. Costs include labour, maintenance, energy and other operating costs.

**Wastewater treatment** – The comprehensive process of treating wastewater to a high standard before safely discharging it into the environment. The treatment process includes primary treatment, where solids are separated from liquids; secondary treatment, where biological processes break down organic matter; tertiary treatment (in some plants), where further filtration and disinfection is included to meet environmental standards; and disposal, where treated water is discharged into waterways or reused and biosolids are disposed of separately such as at the Puketutu Island rehabilitation site. Costs include labour, maintenance, energy, chemicals, sludge disposal and other operating costs including laboratory charges, land maintenance, cleaning and other plant operating costs.

## Indirect costs

Indirect and overhead costs are expenses not directly attributable to the production of water and disposal of wastewater for customers and include all other operating cost attributable to the operation of Watercare. These include:

**Asset planning and delivery costs** – Including planning, designing, and delivering capital projects across water and wastewater services. Managing infrastructure assets from feasibility through to design, construction, commissioning, and handover. Costs include predominantly labour and professional services charges.

**Digital costs** – Including management of all Watercare digital platforms and implementation of smarter technology to improve efficiency and resilience across the Watercare business. Costs include labour, software and digital managed service charges.

**Operations oversight and management** – Including faults management, asset protection, integrity and oversight, property and fleet management, trade waste management, environmental care, maintenance management and water quality. Costs include labour, professional services, rent and rates, vehicle costs and plant professional and technical costs.

**Insurance costs** – Including traditional indemnity insurance for loss or damage to our physical assets as well as cover for public and professional liability, Directors’ and officers’ liability, damage to property during construction contract works, travel, and vehicles. Watercare also pays annual premiums into the Auckland Council Group self-insurance fund, covering cyber, employer liability, statutory liabilities, and standing timber.

**Consent related costs** – Including annual compliance monitoring charges payable to Auckland Council to cover our wastewater discharges and water take consents.

**Business support services** – Including Human Resources, Finance, Customer Billing, Treasury, Executive and Governance oversight, Regulation management, Corporate Affairs, Internal Audit, Procurement management, Enterprise Risk and Quality Management and Health and Safety. Costs include labour, professional services including legal services, stakeholder and iwi engagement, postage and printing, bank charges, audit fees and meter reading costs.